

THE INTEGRATIS INSIDER

“Your source for integrated financial solutions”

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EMPLOYEE ASSISTANCE PROGRAMS

BENEFITING BOTH THE EMPLOYEE AND THE EMPLOYER

Tired? Stressed? Unmotivated? Odds are that many of your employees are feeling this way. In today's world, employer benefits are not just about physical health. They are about physical, emotional, and financial well-being. One beneficial source many employers utilize in establishing overall employee wellness is an Employee Assistance Program (EAP).

The main purpose of an employee benefit program is to keep and attract good employees. An EAP, on the other hand, helps support the theory that happy employees make for a happy and productive work environment.

As an add-on to an employee group plan and therefore financially supported by the employer, an EAP provides a vast support network for employees and their immediate family members experiencing personal or work-related problems.

This network includes access to confidential counseling and various resources for issues stemming from emotional, sexual or physical abuse, alcohol, gambling or drug abuse, childcare, eldercare or blended family concerns, anger, depression or eating disorders, as well as resources for trauma response, legal, nutritional or lifestyle advice.

All of these services and many more can be accessed via telephone or online 24 hours a day. Any time the program is accessed by an employee or an immediate family member, it is completely confidential. Annual reports are provided to the employer to verify employee usage. However, no names, diagnoses, or prognoses are provided. The report will not specify the exact use of the program, but only the general category in which the program was used (i.e., financial, substance abuse, or family counseling).

Should an employee or immediate family member

require face to face counseling, a confidential appointment will be scheduled with an accredited professional in the user's area and around the user's schedule. Many EAP plans provide upwards of eight or more counseling sessions through the program at no charge to the end user. If further counseling is required, a discounted rate will be offered to the employee or immediate family member.



Confidentiality will be broken between the user and the EAP support provider ONLY if the user intends to do harm to himself or herself or to another individual. Children as young as 12 can access the plan without the knowledge of their parents. This can be extremely helpful in cases of domestic abuse or violence.

An EAP is renewable on an annual basis. Pricing is based on demographics of the group and varies between each EAP provider, as does the level of services provided in the plan. EAP programs can be implemented for a group of any size. There is no employee enrollment required.

If you are interested in learning more about Employee Assistance Programs, or receiving a quote from various EAP providers, please contact Integratis.
-Vanessa Moore



LONG TERM CARE

The Fear of Dying Too Soon Has Been Replaced by the Consequences of Living Too Long

Statistics Canada indicates that 13% of the Canadian population is currently over the age of 65, and predicts that this age group will constitute over 20% of the population by 2026. Is it any wonder why a growing need for long-term care insurance exists? With an aging population and increasing health care costs, what will the future hold for individuals requiring long-term care?

Those who are 65 years of age can expect – on average – to live in an institution at some point during the remainder of their lives: approximately 1 year for men and 2.3 years for women. One in thirteen Canadians over 65 has Alzheimer’s disease or

related dementias. Within five years of being diagnosed, 79% of Alzheimer’s patients are institutionalized. So, what are our options?

“Those who are 65 years of age can expect to live in an institution at some point during the remainder of their lives.”

Long-term care insurance is available to individuals between the age of 40 and 80, providing a tax-free daily benefit if one loses his or her independence. The benefit can be used for nursing home care, or an individual may choose to remain in the comfort of his or her home, receiving care

through visiting therapists, nurses, and various other home support services. Certainly, long-term care insurance provides a choice.

It allows one to live with dignity, reducing any concerns one may have about burdening family members or exhausting family assets.

Long-term care insurance provides financial security as well as peace of mind if extended care is needed.

Individuals can live today without worrying whether they will be cared for tomorrow.

-Jackie Cyr

Sources: Statistic Canada, Alzheimer’s Society



KEY FEATURES OF RRSPs

- ▶ The RRSP deadline is 1 March 2005.
- ▶ The RRSP contribution limit is currently 18% of your income earned in 2004 to a maximum of \$15,500. For 2005, it will increase to \$16,500.
- ▶ The amount you can contribute to your RRSP for the present year is indicated on the Notice of Assessment from your 2003 tax return.
- ▶ If you’re a member of a deferred profit sharing plan or a company pension plan, you must decrease your RRSP contribution by the total pension amount earned during the year.
- ▶ If you’re unable to contribute the maximum RRSP amount this year, you can carry forward the unused portion to a future year. Your unused contribution amount is outlined on your Notice of Assessment.
- ▶ To learn more about RRSPs, or to make a contribution, please contact Integratis.

JUST THE FACTS



THINKING BEYOND THE RRSP

ADAPTED FROM *RICH IS A STATE OF MIND*

The RRSP deadline – 1 March 2005 – is approaching quickly. For many investors, a well-diversified RRSP is an effective strategy for achieving their retirement goals.

Alternatively, a non-registered plan, or, more specifically, a leverage program is another effective and quite flexible retirement-savings method.

Leverage investing is the process of borrowing money for investment purposes. Typically, people utilize leverage once they have maximized their RRSP contributions, and have established an asset base on which to build.

In fact, the two strategies can work quite well together. For example, an investor who receives a rebate from the government for contributing to an RRSP can use the money to pay for a leverage loan, thereby increasing his or her investment portfolio. In turn, the payments to fund the leverage program will yield another tax break for the following year.

However, some investors prefer leverage over an RRSP, as it can be a more efficient vehicle for long-term investing. Certainly, either strategy can help one accumulate a substantial amount of money. But, when looking ahead 30 to 35 years to see what occurs when money is withdrawn from an RRSP, leverage seems much more attractive. Although leverage isn't for everyone, the benefits of this non-registered approach should be considered:

The funds within an RRSP and RRIF grow tax-sheltered, yet become taxable income at the account holder's marginal tax rate when the funds are withdrawn. Using a 40% tax rate for illustration purposes, let's suppose an investor removes \$84,000 from his RRSP or RRIF. He would pay approximately \$35,000 in tax on the \$84,000 he withdrew, leaving him with \$49,000.

Conversely, if another investor were to remove \$84,000 from her leverage plan, which isn't growing tax-sheltered, the tax implications would be less severe. For example, part of the \$84,000 would be her original investment; some would be money reinvested from any compound growth, dividends or earnings paid to her; the remainder would be capital gains due to growth in the plan. The account holder would not pay tax on her original investment amount or on the reinvested portions.

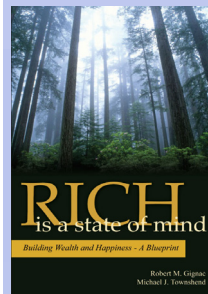
So, let's assume that the entire amount is capital gains. Since 50% of capital gains is taxable, the investor would pay tax on only half of the amount she withdrew.

Using a 40% tax rate again, she would pay approximately \$19,000 in tax, leaving her with \$65,000 from her original \$84,000. In the RRSP example, remember, the account holder was left with only \$49,000. Due to how capital gains are taxed, leverage is more tax efficient than an RRSP when withdrawing funds.

Another benefit of leverage or non-registered plans is that they do not have

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RICH IS A STATE OF MIND



Michael J. Townshend and his client, Robert M. Gignac, are the authors of *Rich is a State of Mind: Building Wealth and Happiness — A Blueprint*.

Opening with the tragic and distressing death of the enigmatic Richard Jarvis, *Rich is a State of Mind* retrospectively details the last year of this middle-aged man's life, as he and Financial Advisor John Linden explore – sometimes unconventionally, always enthusiastically – various concepts of wealth management, investing, and personal finance.

Please visit www.richisastateofmind.com to view the book's homepage, which includes a sample chapter and other interesting information.



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RRSPs *cont.* - contribution limits like RRSPs. An investor can contribute any amount, or, in fact, any amount that he or she can afford in terms of making loan payments.

An RRSP restricts not only contribution amounts, but also foreign content, which, in an RRSP, is limited to 30%. In contrast, a leverage or non-registered plan can comprise 100% foreign content. As a result, you have access to a wider selection of investment products.

Once an accountholder turns 69, an RRSP is usually converted into a RRIF, an event that occasions another constraint: the minimum annual payment (MAP). For example, let's assume a 72 year-old investor owns an RRSP worth \$1.2 million. The MAP for someone who is 72 is roughly 7.5% of the RRIF, which means the investor must remove approximately \$90,000 from the plan. And he or she will be taxed on the full

amount as income in that year. But what if he or she needed only \$45,000 of annual gross income, or even less? In a leverage program, if only \$45,000 of gross income in a given year was needed, that's all the investor would need to withdraw.

Finally, once the RRSP becomes a RRIF, the account holder can no longer add money to the plan. This doesn't apply to leverage or non-registered programs; funds can be added regardless of age.

Certainly, leverage has many benefits, all of which should be carefully considered when planning for retirement.

In fact, investors should thoroughly examine the advantages and disadvantages of each investment strategy, as this will allow them to make an educated decision on its appropriateness or suitability. For more information on leverage investing, please contact Integratis.

Are your RRSP contributions insured in the event of disability? For more information, please contact Integratis.

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