



A LONG-TERM VIEW CAN HELP YOU SURVIVE STOCK MARKET UPS AND DOWNS

When markets decline, it's easy to forget all the times they've gone up - and up. The Toronto Stock Exchange (TSE) 300 Index for example has registered almost twice as many up years as down years. In fact, since 1920, the TSE 300 has posted positive annual returns for 53 years.*

Additionally, investors in the TSE have enjoyed double-digit returns in 35 out of 80 years, and returns greater than 20 percent in 22 out of 80 years since 1920.



"There's no question about it, investing is an emotional experience"

Of course, there have also been periods of decline. The TSE's 27 down years averaged a negative 12.21 per cent return - yet the 53 up years averaged a positive 17.19 per cent return.

The moral of this story? Over time, markets have dipped, but they've also shown a remarkably consistent upward trend. So whenever you tune in to

market movements, try not to focus on the short-term: remember what history has shown and stay focused on the long-term goals that you've discussed with your financial advisor.

Ongoing market cycles will also create predictable emotional cycles. As the chart below outlines, upward market trends create a sense of optimism, flat markets bring feelings of denial and sharp

Cont'd on Page 4

CRITICAL ILLNESS INSURANCE

Critical Illness Insurance (CI) is insurance that pays a lump sum of money if you survive, 30 days after you are diagnosed with one of 20+ illnesses including; Cancer, Heart Attack and Stroke. It was introduced to the Canadian market approximately 10 years ago.

CI is more difficult to qualify for and is more expensive than life insurance due to high instances of claims. Should this be telling us all something?

There is a Return of Premium rider (ROP) option that is very popular as it refunds ALL premiums paid after a certain number of years, if no claim has been made. With this rider, a person remain-

Cont'd on Page 3

THE INTEGRATIS SUITE OF SERVICES -

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|------------------------------------|---------------------------|----------------------|--|
| » Employee Benefit Plans | » Group RRSP Plans | » Financial Planning | » Disability Management Programs |
| » Life Insurance | » Pension Plans | » Estate Planning | » RCAs (Retirement Compensation Arrangement) |
| » Disability Insurance | » Pre-Retirement Planning | » Tax Sheltering | » IPPs (Individual Pension Plans) |
| » EAP's (Employee Assistant Plans) | » Annuities | » Buy-Sell Funding | |
| » Critical Illness Insurance | » Business Succession | | |



DISABILITY INSURANCE—*The Definition of Total Disability*

When looking at disability coverage there are many definitions of “total disability”. These definitions also vary depending on the type of disability coverage you have. We will focus on two types of disability coverage, long term disability provided through group benefit plans and individual disability plans.



Today, a common definition of “total disability” might read “unable to perform the main (important, substantial) duties of your regular occupation.” This definition might be to age 65, age 55, for ten years, five years, two years, or even one year. The words “and not otherwise gainfully employed” could be added. If there is a different

definition for the later period it will likely read “after 2 years (or 5 years), unable to perform the duties of any occupation for which you are suited through education, training, or experience.

The same definition means two entirely different things when one is comparing group coverage with individual coverage. In group coverage, the total disability definition of “own occupation” is actually the same definition as the “regular occupation” definition with individual plans.

“The same definition means two entirely different things when one is comparing group coverage with individual coverage.”

GROUP LONG TERM DISABILITY

ANY OCCUPATION: the insured cannot work in ANY GAINFUL OCCUPATION. A GAINFUL OCCUPATION is an occupation for which the insured is reasonably fitted by reason of his/her education,

training or experience.

This definition is the weakest definition available in the marketplace. The Insured cannot decide whether or not he/she wants to work in another occupation. As long as they are reasonably fitted to do so, the carrier can terminate benefits.

OWN OCCUPATION: the insured cannot do his/her REGULAR OCCUPATION at time of claim and is not working in any other occupation. If the Insured chooses to re-enter the work force benefits will stop.

INDIVIDUAL DISABILITY PLANS

ANY OCCUPATION: the insured cannot work in ANY GAINFUL OCCUPATION. A GAINFUL OCCUPATION is an occupation for which the insured is reasonably fitted by reason of his/her education, training or experience.

This definition is the weakest definition available in the marketplace. The Insured cannot decide whether or not he/she wants to work in another occupation. As long as they are reasonably fitted to do so, the carrier can terminate benefits.

REGULAR OCCUPATION: the insured cannot do his/her REGULAR OCCUPATION at time of claim and is not working in any other occupation. If the Insured chooses to re-enter the work force benefits will stop.

OWN OCCUPATION: the insured cannot perform his regular job at the time of claim. If the Insured decides to re-enter the workforce in another capacity, his/her benefits will not be reduced by the income earned in any other gainful occupation.

The definition of disability is one of the most important elements of disability coverage to understand as it will ultimately define whether an individual will or will not receive benefit.

~Jackie Cyr



Congratulations to all of our Canadian Olympians, and all of their efforts in Torino 2006! Get up to date Olympic news at www.cbc.ca/olympics

Critical Illness Insurance Cont'd...

ing in good health will only have lost the interest on the investment. This rider increases the out of pocket cost substantially, however, it covers the downside risk completely.

TAXATION OF CRITICAL ILLNESS

For a product that can be described so easily, the questions relating to the tax treatment are substantially more complex.

Critical Illness Insurance is not described in our income tax system. Looking only at Critical Illness Insurance (not return of Premium rider) it can be many different things under the income tax act, depending on how it is going to be used. If it is used to provide health care for the insured or their family, then it should receive the tax benefits that go along with sickness and accident insurance. Employees receive benefits tax-free as health insurance costs are specifically excluded from the taxpayer's income under 6(1)(a)(i) of The Income Tax Act (ITA). On the other hand, if the benefit is used for non-health related expenses, the taxability is questionable.

How you utilize this product will depend on what you are trying to accomplish. From a corporate perspective, if augmenting your sickness and accident insurance is the objective, then the company should be allowed to fund and deduct the cost.

If the company needs key person or shareholder buy-out protection, then the company should fund the cost from Retained Earnings and receive the benefit tax-free.

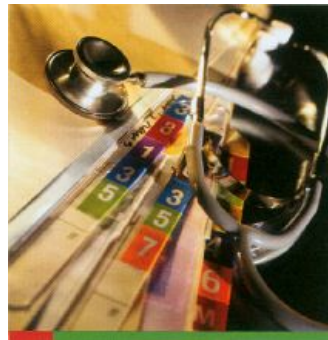
Where the benefit will be used for salary replacement or other non-medical expenses, then the insurance should be owned personally. You can attempt to have the company pay for it with after tax dollars, however, it may be deemed as a benefit to you. You can also try to deduct the premiums within the company, however, the risk of a taxable benefit will increase.

Some believe that anything will be accepted, or will at least be grandfathered, as the Government has not decided how to treat CI insurance yet. They maybe correct. However, as we well know, in the end it is up to

the interpretation of Canada Revenue Agency. You may opt to benefit from the tax advantages while you can, just bear in mind that these advantages may be modified as CRA develops the tax approach to CI - or they may not.

We do not expect any conclusive tax treatment from CRA, anytime soon. Take advantage now—don't wait for a definitive answer as it will never be a better product personally or corporately as it is right now. The cost of Critical Illness Insurance is going up rapidly and non-cancelable contracts may or may not be available in the future.

Medical advancements have lengthened our lives and in turn has increased the cost of recovery. Therefore, creating the funds in the most efficient and affordable manner possible for medical expenses is through CI.



The financial burden of recovery is not reserved to medical expenses, but includes of course, loss of income as well the potential loss of spousal income for an extended period of time. Long-term disability will not cover the income lost by a spouse or a family member assisting the critically ill individual.

For more information regarding Critical Illness Insurance on an individual or group basis, please contact our office. We are available to conduct information seminars for your employees on the topic of Critical Illness Insurance. These information seminars will prove to assist your employees in preparation for the funding of recovery from a Critical Illness.

~Michele Garst

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... Stock Market Ups and Downs Cont'd...

Understanding the Cycle of Emotions Can Also Help

declines can bring on fear and depression. Once markets normalize again, we all feel a renewed sense of hope.

There's no question about it, investing is an emotional experience. Yet knowledge is a powerful thing: simply by knowing that we all go through a range of emotions each time a market goes through a cycle can help us take a more rational (and less emotional) approach to market volatility.

understanding of the range of emotions that investing can create, you'll be better prepared for one of life's certainties.



*The information in this article references annual returns of the Toronto Stock Exchange

“Humor is a serious thing. I like to think of it as one of our greatest earliest natural resources, which must be preserved at all cost”.

James Thurber

<p>Expectations are High</p> <ul style="list-style-type: none"> • <i>Optimism</i> drives every investment • Your expectations become reality; <i>excitement, thrill</i> and <i>euphoria</i> take over • You reach the point of maximum financial risk: Your confidence is very high 	<p>Nothing Lasts Forever</p> <ul style="list-style-type: none"> • Soaring markets will level off, bringing on feelings of <i>anxiety, denial</i> and outright <i>fear</i> • As markets fall, next up are <i>desperation, panic, capitulation</i> and <i>despondency</i> • <i>Depression</i> sets in: You begin to question your place in the investment world
<p>Long-term Thinking is a Key</p> <ul style="list-style-type: none"> • Review your original objectives and remember that you are investing for the l o n g t e r m • Keep in mind that market downturns can result in maximum financial opportunity 	<p>A Brighter Future</p> <ul style="list-style-type: none"> • Markets begin to normalize: <i>Hope</i> and <i>relief</i> emerge • Prospects for a brighter future encourage <i>optimism</i> once again

The long-term strategies that financial advisors provide will also help you through this cycle. If you haven't already done so, now is the time to build a long-term investment plan with a financial advisor. In the end, one thing is for sure: markets will always go up and always go down. However, by maintaining a long-term perspective and by having a better

300 Index from 1920-1999. TSE 300 Index is a weighted index of 300 of the largest, most widely held stocks traded on the Toronto Stock Exchange and is commonly used as a benchmark to measure the price performance of the broad Canadian equity market.

~ Mike Townshend

Please contact us. We appreciate your inquiries, questions, and comments:

Integratis
Benefit Solutions
Inc.,
127 Victoria St. S
Suite 202,
Kitchener
ON N2L 6J2
Tel: 519.746.2600
or 800.561.7551
Fax: 519.746.2610
Web site:
www.integratis.ca

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