

Planning Ahead



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Show an aging parent how much you care

Is it too late to consider long-term care insurance for an aging parent? If your parent is in good health, the answer is no.

Many healthy aging parents have no coverage for a simple reason: it's just not a concern. But if the need for long-term care moves from being a remote possibility to a reality, the financial burden could be significant. Making sure your parents have long-term care insurance can be one of the smarter financial moves you can make.

The costs of an extended-care facility or in-home care can quickly deplete finances. Adult children may then be required to help pay the expenses, negatively affecting their finances, and perhaps their own family's standard of living.

It's best to purchase long-term care coverage before age 65 — the earlier the better. Not only will the cost of premiums

be lower, purchasing coverage early will also eliminate the possibility that parents will later suffer health issues that could disqualify them from coverage. Most insurers allow the purchase of long-term care insurance up to age 80, although at this age you'll have to carefully weigh the much higher costs of coverage versus the benefits.

If your aging parents are without long-term care coverage, talk to them about why they might need it. If they're not in a position to pay the premiums, it might be wise to share the cost or to purchase insurance on their behalf.

We can help you determine whether it makes sense to purchase long-term care insurance for your parent or another relative. ■

Are you looking for yield in all the right places?

Every balanced portfolio should include fixed-income investments, but in today's financial climate, selecting the right ones for your particular goals and risk tolerance involves some unusual challenges.

Investments that have traditionally offered safety and decent income are now generating such historically low returns that they may be losing their appeal. But what attractive alternatives are out there?

Viewing the landscape

Typically, many investors find security and income by investing in government bond funds. Unfortunately, falling yields and rising prices have reduced the attractiveness of some funds. This situation is largely the result of huge amounts of money being pumped into government bonds by investors seeking a "safe haven" and by central banks as part of economic stimulus measures.

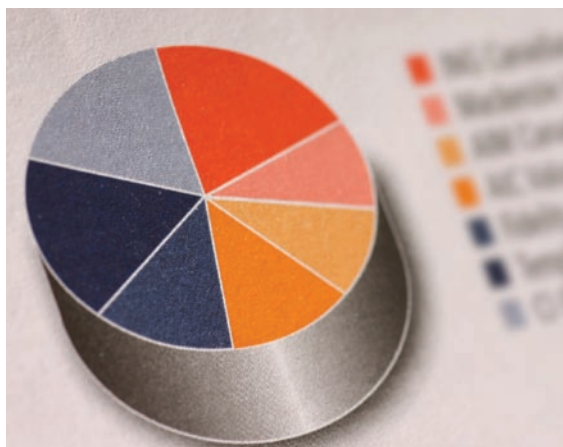
Where can you turn if you want to add some additional yield to the fixed-income portion of your fund portfolio? One option to consider is high-yield bond funds.

A high-yield fund, tactical yield fund, or global bond fund, for example, can add an element of extra income to your portfolio. We'll prepare you for and guide you through the process of weighing any potential rewards against risk.

Here are some of the issues we should explore if you're considering a high-yield fund.

High-yield realities

As their name suggests, high-yield funds can provide you with higher potential returns. But there's a tradeoff — increased risk.



MUTUAL FUNDS

Traditional bond funds hold bonds that are rated as "investment grade," which are the least risky. High-yield bond funds may hold bonds issued by corporations and organizations that don't qualify for "investment-grade" ratings by major bond rating agencies. They're rated below investment grade because they have a greater risk of defaulting on their debt obligations — for example, not paying bond interest or failing to repay bond principal. Consequently, they pay higher interest to compensate for additional risk. That higher interest is what makes them attractive.

Defining "safety"

Mutual funds that invest in North American government bonds, on the other hand, are considered very secure when it comes to protecting against potential loss of capital.

However, returns are likely to be in line with the low yields offered by government bonds. By diversifying among different types of fixed-income investments — including high-yield funds — you can control your personal risk-reward balance.

It's important to be aware that high-yield funds can be volatile. They're generally more susceptible to changes in the economic climate than funds that invest in government or investment-grade bonds. As a result, an investment

in high-yield funds may experience greater ups and downs than investments in more stable government funds. Some experts consider the risk and volatility of these funds to be more akin to that of equity funds.

The advantages of funds

Because of the nature of high-yield bonds, a mutual fund that invests in these securities can be a better candidate for a typical portfolio than investing directly in bonds.

With a high-yield bond fund, you can invest any amount you choose and instantly participate in a diversified bond portfolio.

Not only will a high-yield bond fund offer diversification, you'll benefit from the selection and management of the portfolio by professional experts in their field. These carefully selected investments can help keep risk and volatility in check. By investing in bonds of many companies and sometimes different maturities (short-term, mid-term, and long-term bonds), funds are able to balance the risk-reward ratio.

In terms of asset mix and investing strategy, high-yield bond funds would typically be just part of your total fixed-income fund holdings just as fixed-income would be a part of a fund portfolio that holds all asset classes.

Talk to us about your income investing needs. Together we can explore whether a high-yield bond fund is suitable for your portfolio. ■

ESTATE PLANNING

Life can move quickly, your will should keep pace

Did you know that changes in your life could make your will invalid? For example, marriage invalidates a previous will unless the will was drawn up in anticipation of the marriage. In some provinces, divorce may revoke provisions that deal with your former spouse, while in others leaving your ex in a will could mean he or she is still entitled to a portion of your estate.

To avoid complications and unintended results for your estate, review your will regularly. This will ensure that it reflects the realities of your life, your financial situation, and your wishes. And be aware of the laws and regulations dealing with wills and estates in your province. They vary across Canada.



Anytime you experience major changes in life is a good time to review your will. These include marriage, separation, divorce, birth of children or grandchildren, receipt of an inheritance, substantial changes in your financial picture, moving to a new province or country, and death or illness of a beneficiary currently in your will. ■

EDUCATION PLANNING

A graduate degree increases earnings potential

If you're saving for a family member's education, look beyond a basic college or university diploma or degree. Think about putting money away for post-graduate studies. It could help a child or grandchild earn more and increase his or her chances of finding a job.

Statistics Canada, in its most recent annual National Graduates Survey, found that the average salary for a worker with a bachelor's degree is \$45,000. With a master's degree, the average rose to \$60,000.

The same StatsCan study showed that two years after graduation, a higher proportion of those with a master's degree were working full-time than college graduates or those with only a bachelor's degree.

It will cost more upfront to help a child achieve a higher level of education, but don't let that be a barrier to helping someone you love achieve their full earnings potential. Talk to us about how you can help a child make the most of a post-secondary education. ■



FINANCIAL CLASSROOM

Using your TFSA to split income and reduce the family tax bill



Your Tax-Free Savings Account (TFSA) is more than a way to maximize investment growth. It's also an income-splitting tool that can reduce your family's tax bill.

What it is

A TFSA is a registered plan in which investment earnings are not taxed. Withdrawals are also tax-free. Canadians over the age of majority can contribute up to \$5,000 a year in a TFSA.

How it works

Using a TFSA to split income is very straightforward. The spouse with the higher income gives the lower-income spouse the funds to contribute to his or her own TFSA.

Ordinarily, giving your spouse funds to invest would trigger what are known as "attribution rules" — any income generated by the gifted funds would be attributed back to you for tax purposes. But the government makes an exception when the gifted money is used to contribute to a TFSA.

Why it matters

It can make good financial sense to give your spouse money for a TFSA contribution — particularly if he or she earns less than you. By doing so, you'll create a \$5,000 non-attributable deposit that will generate tax-free income every year.

Assuming you're the higher-income spouse, you are essentially doubling the amount that you can shelter in a TFSA by giving your spouse the funds to contribute. The money in the TFSA can be withdrawn by your spouse, tax-free, at any time. ■

Are savings enough for your long-term care?

Projections vary, but it is estimated that 35% to 50% of Canadians over age 65 will require some form of long-term care. Increasing lifespans and medical challenges such as disabilities, accidents, declining health, and dementia are making long-term care a prominent concern.

That care can cost thousands of dollars a month — an amount that will only grow in the future. So now is the time to consider how you would meet the considerable financial requirements of long-term care should you need it. Is saving enough? Or do you need to insure yourself?

Four ways to cover costs

Basically, there are four ways to handle the costs: You can use your finances and investments to pay out of your own pocket. You can purchase long-term care insurance coverage that will pay for the care you might need in the future. You can rely on family members for financial support. You can depend on government-subsidized care.

The primary advantage of purchasing long-term care insurance is security. Being able to draw on the benefits of long-term care insurance means protecting the savings you've built. Should you face an extensive stay or residence in a long-term care facility, you and your family will not have to worry about draining your finances. In addition, you will be protected from the possibility of having to take other measures, such as borrowing against your home or selling it to cover costs.

Just as importantly, you won't have to rely on your adult children to pay for your care. If your family is forced to shoulder your financial burden, it could have a devastating impact on their finances and put stress on your relationships with them.

Government care's uncertain future

Relying on government-subsidized care is, of course, an option. But you and your family will have a much higher degree of control over your health and future with long-term care insurance. There are no guarantees that the level of government assistance available today will be there in the future.

Don't underestimate the value of the peace of mind that comes from knowing that your long-term care costs will be covered. When you choose the option of long-term care insurance, you'll always know that funds will be there to pay for whatever care you need as you grow older. Your family will rest easier, too. They'll know you'll be in good hands when you require care, and that they won't have to scramble or change their financial plans to offer support.

You'll also be taking care of future generations. Protecting the value of your estate can mean a larger inheritance and better lives not just for your children, but for your grandchildren as well.

We can help you evaluate the benefits of long-term care insurance against other options, and together decide which approach makes sense for you. ■

Divorce changes everything

FOR MANY SINGLE parents, support payments as a result of a divorce are an essential element in meeting the costs of raising children. However, those payments could disappear overnight if an ex-spouse dies without proper life insurance coverage. Your former spouse's estate is not obliged to continue support payments if they aren't stipulated in a divorce agreement or will.

The sudden disappearance of financial support could leave a single parent without the means to maintain the family's lifestyle — perhaps not being able to meet mortgage payments or save for the children's education. If you're navigating through a divorce, make sure this scenario never becomes a possibility. Proper planning can ensure you and your children are protected when a marriage ends.

One of the best routes to a secure future is to ensure your ex-spouse has proper life insurance coverage that will leave money for you and your children in the event of his or her death. It should be a condition of your divorce agreement. Without a legal stipulation as part of a divorce, there is no obligation to protect support payments with life insurance.

And don't forget your own insurance needs. As a sole parent, you require adequate life insurance coverage to provide for your children in the event of your death. Their financial future depends not only on your ex-spouse, but on you as well.

A conversation with us could aid you or someone you know in easing the financial burden of a divorce by exploring the right life insurance coverage to protect both spouses and their children. ■

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