

FINANCIAL STRATEGIES FROM **KURT ROSENTRETER**

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Hard to Talk About Financial Planning Topics

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Some of the most emotionally difficult topics that I help clients with everyday are also the most rewarding. Our planning services offered in tax, estate, insurance and transitional financial planning can change lives, help people at times of need, calm emotions, avoid fights and generally provide peace of mind that in good times and bad, we stand ready to help as an objective expert, a partner and a pillar of stability.



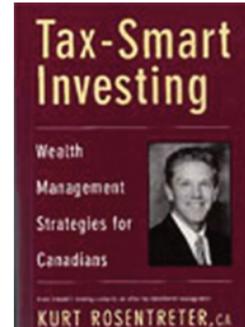
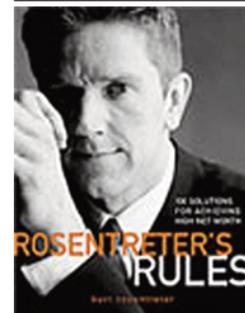
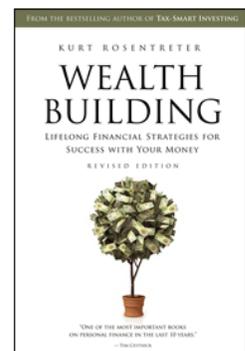
In this issue of my monthly newsletter, I am writing to discuss some of the hardest issues we face as human beings – in our practice, we deal with these every week. Below I will discuss important aspects of the five “disasters” listed above. But before I start, the most important message I can give you overall is this: just call. If you face a disaster of any kind, any type, call us immediately to see how we can help – sometimes we will be able to jump in immediately and take charge directly – other times we may merely act as advisor to you or your family on tough topics. But just call, weekends included, if you need a hand. As our client, you are never alone, and we stand ready to utilize all of the tools in our toolkit to get you through this matter – for your entire life.

A Spouse's Sudden Death on the Highway

The nature of the financial planning to do in order to guard against catastrophic financial disaster should a death occur will depend on the stage of life and existing financial wherewithal of the individual or family. If the person who dies is independently wealthy or retired and living on a pension, the financial impact to survivors may be far less than someone who is middle aged with minor children and a big mortgage. The message in planning for repercussions of an unexpected death means the actual planning is situational – requiring examination of your entire financial net worth today, goals, stage of life and a host of other variables.

It should also be noted that planning to guard against the impact of a death should be examined from the survivor's point of view. If you, for example, hate life insurance and view it as a waste of money, frankly, your opinion is meaningless – after all, you will be dead and it will be your loved ones left behind who will be trying to pick up the pieces.

Kurt's National Best Selling Books



Planning to Complete Before It Happens:

- Up to date Wills and powers of attorney for health care – ensure executors and attorneys are no older than you, are local and are financially savvy. Provide copies of estate documents to your financial advisor, lawyer, adult children, accountant and the executors. Always name more than one executor, trustee and guardian. Either name all of your adult children or none of your children to play these roles – don't play favourites. If you own a business you need two Wills. If you own US real estate, you have even bigger headaches. Make sure everyone knows where your Wills are. Tell adult children what your Will says. If you own a business you need a ton of extra planning so don't leave it for the future to do.



- Life insurance is the financial safety net that will replace the lost income that your family needs to live off if you die as the primary income earner for the household. Hold twenty year term insurance for ten to twenty times your annual pre-tax income if you just want to provide an asset base until your kids are through university. Consider a sliver of permanent insurance if you want to provide an insurance base for longer than that or if you just aren't sure you want insurance to end after 20 years. Rarely buy trade association insurance, bank mortgage insurance or ten year term insurance. Don't rely on your company's group life insurance – unless you retire there you will lose it if you leave or they fire you. And if you are a stay at home spouse with no income, you need \$300,000 of insurance on your life to allow the survivor to afford a nanny until the kids are teenagers. With all life insurance, a proper assessment of your net worth today and annual expenditures should be done to determine the exact amount of insurance you need. Life insurance premiums get more expensive every six months as you age so don't procrastinate.
- As long as you get along with your spouse, and there are no other legal reasons to avoid it, ensure that all your assets are jointly held between two spouses. This simplifies estate processing after the death of one partner.

Planning to Do After It Does:

- Call us, your financial planner – with a ton of experience in estate management, we are ready to help you through this entire ordeal. Expertise, lots of time to help and a neutral opinion, we have what it takes to act as a trusted resource for estate planning and management – often at a lower cost than the lawyers will be.
- Notify the estate executor(s) that it is now time for them to act – they are responsible for dealing with all the work that the estate will be – a role that may last years, involves hours of work a week and carries legal liability with it. Make sure you have a solid executor. Try not to select a trust company for this important role.
- If the deceased did not do estate planning, you may have trouble even accessing his or her money to pay for the funeral. With jointly owned assets, the surviving joint owner will have access right away.
- Contact a lawyer to review the Will and determine if probating the Will is necessary. Probation is the process of verifying it is the last Will of the deceased – the process can take months and fees can be hefty if no-pre death planning was done. A good lawyer will also provide guidance on what other experts you need to hire (business valuers, real estate agents, accountants, etc.)
- Identify the potential heirs and stakeholders for the estate – business partners, employers, spouse, former spouse, children, debtors, girlfriends – notify them all what has happened and that they will be kept in touch as the estate proceedings occur. Education about the estate process is the best way to help keep the stakeholders from pushing or even suing you or the estate.
- You may want to engage an accountant to do the terminal, final tax return of the deceased.
- With jointly owned assets, copies of the Death Certificate may be all the joint partner needs to have the deceased's name removed from the assets.
- For assets, liabilities and income amounts in the deceased's name alone, it may take months or even years of running around to deal with administration matters and a probated Will to regain control. Cars, real estate, utility bills, earnings due – best to make an inventory list of all of the deceased's items and tasks to do before going to the lawyer.



Beating Cancer But Never Being Able to Work Again

While death is the ultimate loss, disability may have a bigger financial impact on you and your family. There is no life insurance money in this case as you are still alive and potentially more expensive than ever if you end up on expensive drugs, need a permanent care solution at \$40/hour and can never work again. The financial hardship you have to endure or worse, put your family through, may far surpass a death. Let's look at essential planning for disability.

Planning to Complete Before it Happens:

- The most important kind of insurance you can have on Earth is disability insurance. It is insurance against loss of income from any cause. If you cannot work, and you have disability insurance, it will pay you a pension to pay your bills. Good disability insurance pays a pension to age 65, pension amounts will be increased to offset inflation and the pension payments can continue until you return to your original career. Note that most company disability insurance is not good insurance – do you know what is in your employer's booklet as to what disability coverage you get? Almost everyone working for a living should be buying enhanced disability on top of a company provided plan. For most of us, nothing is worth more than our ability to produce an income to live off. Get good DI coverage – period.
- See a lawyer to prepare your Power of Attorney form. This form allows others to take care of your finances if you are incapacitated by a stroke, accident or other disaster.
- Make hay while the sun shines – a prairie term that means you should work hard to achieve your goals as fast as possible – with financial goals, this means pay down loans and mortgages sooner rather than later, build your RRSP and other savings quick and generally use your resources to get a good start on net worth building as early as your early 30's.
- If your family has a history of health issues, if you are a sole income provider for your family or if you are concerned about family financial devastation that prolonged sickness can cause you, purchase critical illness insurance alongside your disability insurance. Critical illness is less important than disability insurance, but will pay you a large lumpsum of money if you get a serious disease and need money to pay for medicine, operations or just take care of the family while you battle the illness. Disability insurance will pay you a pension to keep the lights on and food in your mouth. Critical illness insurance will pay extra cash to go further in trying to keep your life together as you deal with a dreaded disease. Consider \$200,000 and add the return of a premium rider but be ready for the big cost attached.

Planning to Do After it Does:

- If you fall sick or get injured and are not able to go to work, immediately contact your employer's human resources department to report your incident. Either they or you will need to contact the insurance company that provides your short term and long term disability to find out when payments to you can start.
- If you have private disability insurance and/or critical illness insurance coverage, immediately contact the insurance agent of record for each policy. It is their responsibility to file a claim and determine if you qualify for a payout. Beware – just because you have an injury or get sick doesn't mean insurance benefit cheques will start rolling in. Quite the contrary – you could be subjected to regular medical checks, on an ongoing basis to assess the extent of your issue. As well, the insurance company will measure your issue against the fine print of the policy to see if they even need to pay you at all. It is very prudent to know the rules around your disability coverage before any issues happen.
- Do a cash flow budget – with your salary gone at least temporarily, and you and your family are forced to live off a lot less, it is important to go into cost control mode. This starts with knowing what you have to spend money on.



Summarize your last year's expenses from credit card bills and cancelled cheques. Cut out all non-essential spending until you get back to work full time. Remember to factor in new costs like pharmaceuticals and physiotherapy that may be necessary to help you recover.

Coming Home to Find Your Spouse Gone and a Divorce Note left behind...

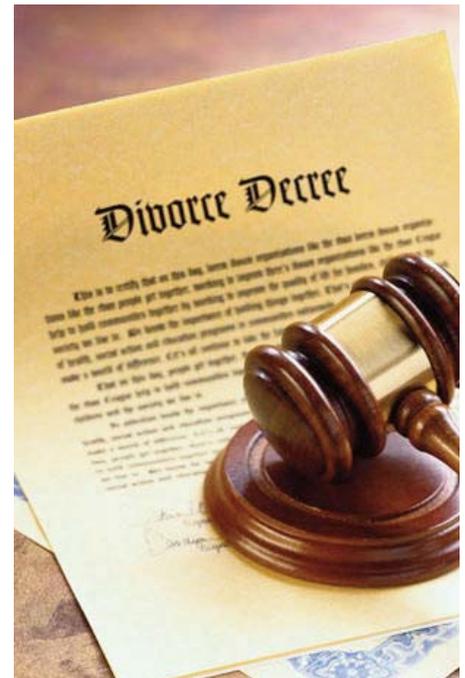
Some of my divorced clients say that breaking up from a partner led them to have to start over financially. This can be financially devastating if it happens later in life and not a lot of time is left to rebuild your finances before retirement.

Planning to Complete Before it Happens:

- When you have a strong feeling that you can be ending your marriage or common law partnership, or that your spouse will be ending it soon, seek out a divorce lawyer and pay their hourly rate for a few hours of consulting time. Ask if there are things you can do in advance that will be helpful to your side to maximize the break up value of your net worth and cash flow. Prepare a summary of your net worth (assets minus liabilities) for this consultation so the lawyer can view everything you have.
- Have your lawyer explain what collaborative law is – a more basic, non-litigious method of divorce that can be far less expensive for the two parting individuals. It is not right for everyone but to a couple that is parting ways on happy terms, it may be a more suitable option.
- Ahead of announcing a divorce, build a little cash stash (perhaps \$10,000) to tide you over until the final settlement, dividing assets and determining support payments.
- It goes without saying that you may want to seek counseling as a couple or individually before resorting to a split. If the issue is money management (one of the top reasons that couples split), contact us as your financial planners to look at your goals, income and cash flow. As a neutral third party without big fees, we routinely help couples work through money and debt troubles.

Planning to Do After it Does:

- Often when a couples splits, one moves out of the house – even this can be a mistake before you talk to a lawyer – don't go anywhere until you get legal counsel first.
- If you are a stay at home spouse facing divorce and are worried and scared about where the money will come from for food next week, it is essential that you expedite the legal process fast. The lawyers can have you and your former-spouse set up interim payments for all your essential costs and even your legal fees.
- Decide on a separation date – this is important as the ultimate splitting of your joint assets will be based on this date.
- Make a full listing of your net worth – both sides will need to do this and disclose to the other party. Make a list of the expenses you will need to incur in the future – this list may be used to base support payments on so be thorough.
- Child custody can be a thorny issue – communicating what happens to the children needs to be carefully managed. It is often wise to engage a parenting consultant / mediator to set terms for sharing time and responsibilities with the children. Often the lawyer can provide a referral to this kind of counselor. It is also not uncommon to use your Church pastor.
- Contact us as your financial planner – as the advisor to the couple in the past, we “know you” and are in a good position to assist the lawyers and the parting individuals to sort out the financial net worth. While not required, it is often best if we continue to act for one side only. We are happy to make a referral to a high quality financial planner for one of the parting individuals.
- Be patient – the divorce may take more than a year before it is finalized. The essentials of cash flow management, organizing advisors, housing arrangements and childcare can often be sorted out in the first few months however.



Losing your job at age 50 with kids at home and a mortgage...

Job loss at middle age strikes fear in the eyes of many a 50 year old. What could be worse than losing your income, facing a new beginning, at the same time you are in the homestretch for planning for retirement, finishing off a mortgage and putting the kids into university next year?

Planning to Complete Before it Happens:

- All working Canadians should plan their finances like they will face unemployment for a period in the future. This means you should not be living the high life, spending all your money today and forgoing proper planning. Sadly, this is what many people do – “oh, I’ll get to it in the future Kurt”. What if the future never comes and you are woefully unprepared for the disaster? The sad reality is that your unemployment may hurt your loved ones around you who had counted on you.
- Proper planning ahead of time means:
 - Building a three month nest egg of emergency money to get you through a rough time – the amount should equal six months of your pay cheques.
 - Set up a line of credit for \$50,000 but never draw on it. This will always be in the background as a safety net if needed. Set it up now – you will not be able to get credit in the future if you don’t have a job.
 - If you do not have a juicy government pension (e.g. teacher, police officer) nor strong health care benefits (disability insurance, dental plan, etc), then you need to put sizeable amounts of money away towards retirement starting in your early 30’s. If you want a target, consider 20% of your net pay cheque yearly.
 - Same thing for children’s savings such as RESPs – don’t leave this until your 40’s. Get started the year the children are born and make it a top commitment to add to the plan each year. Even with a fully maximized RESP it is not likely to cover 100% of the costs of major university and residence costs for four years.
 - If you are turfed from your employer, you will lose the company car, the country club membership, your dental coverage, any life and disability insurance that they offered and other perks that now you need to replace on your own. Dental and drug coverage for a family of four may be \$300 / month. Disability insurance could cost \$2,500/ year. And so on. The message here is that there are costs you will need to incur to maintain your lifestyle – either dip into your emergency fund for them or build a rainy day savings stash for this kind of cost.
 - If you are sensing that your employer relationship is coming to an end, engage an employment lawyer now for guidance on how to act, documentation, etc. before you depart. Also meet with us, your financial planner, about devising a cash flow plan to stretch your savings as far as possible to get you through an unemployed period. We will help you to prioritize how to pay expenses and what costs to cut.

Planning to Do After it Does:

- With sudden and unexpected job loss, individuals may be in a state of shock, depression, anger and sadness for months. It is not uncommon for one to visit a psychologist for a while.
- Take a few months off – if the employer is offering transitioning counseling, take advantage of resume preparation, interview skills, financial counseling and other services designed to get you a new job.
- Sit down with us, your financial planner to review a long list of important financial matters related to job loss:
 - Review transfer options for your company pension plan, stock options, vested company stock and other compensation that now needs to be moved away from the employer into personal pension plans.
 - Purchasing new disability and life insurance to replace the coverage you have lost from the employer.
 - Arranging financing if needed for a vehicle if previously you were driving a company car
 - Buying new health and dental insurance to replace what has been lost.
 - We can set up a monthly transfer from your emergency fund with us to your bank account to provide you with money to get through your transition period.
 - Send us your resume – we have a lot of contacts and would be happy to help to circulate it.



- Visit an employment lawyer (we can refer you to one) to have them review your severance documentation and to see if there is more you are entitled to. Your cost will be at least \$200/hour for this lawyer but usually you don't need a lot of their time.
- Once your resume is done, contact an executive search firm to help you find a new career – they are paid by the employers if you are placed so consider them a free service to help you land a new career.

Dad Had A Stroke Last Night And Can No Longer Live At His Home

Seeing our parents age can be really hard. Everyone has pride and prefers independence vs. being looked after. Dealing with nursing homes and personal care can be difficult topics to brooch with an elderly family member, but sadly, the repercussions can be worse if you don't.

We have found in our practice, that allowing us, the financial planner, not related to your family, to have this discussion between kids and parents can often be more effective than the parents and children discussing it alone. Call us – we are happy to hold a joint planning session to do the inter-generational planning among your families.

Planning to Complete Before it Happens:

- Know the finances of your elderly parents – what is their income yearly? How much do they spend? Their tax returns are a good source of data showing pre-tax and after tax income. Knowing their income level is essential to any kind of pre-planning – can they afford home care, a nursing home, assisted living facilities and other potential costs of old age? If not, is the back up plan to have them move in with you? You have to know what Mom and Dad can afford before you can plan anything.
- If your Dad / parents may be in need of an assisted living facility, have you or they started looking into facilities a good two years in advance? Many of the best lodges have waiting lists that can stretch for years. Waiting until the last minute or worse, waiting until a disaster comes may mean your parent ends up in an undesirable home, or a home far away, or worst of all, two spouses may end up in separate facilities.
- If you think that your parents may be short of money to afford any kind of facility care or home care in their old age, look at long term care insurance as a possible tool to help. Long term care insurance is paid for through premiums for 20 years. It provides a daily dollar benefit in old age that can be used to pay for extra care. Once the insured can no longer function on their own, the insurance will kick in and provide money towards a nurse, facility care and other costs of living.
- Most people want to stay in their home as long as they can – assuming your parents will be no different, as they age and with their agreement hopefully, take steps to simplify their homestead: perhaps a condo where there is no snow to shovel is better for them than a house is now; install railings around the tub and bed; moving from a two storey house to get rid of stairs are good examples of how to make home living more friendly to the elderly.
- Have a meeting with brothers and sisters to discuss how everyone will help. Better yet, carve out roles for each person so there is no confusion. In one client household we assist with, there are three sons – one son helps with the parent's money management, another son manages their health care needs and pharmaceuticals and the third son tends to vehicles and yard work.
- Overall, we as your financial planner can help with almost all of these above points – in all of our client advisory relationships we recommend that we meet those around you that you care about – and that they know who we are – put our phone number (416 628 5761) on your fridge and tell the family to call Kurt, the guy on the fridge, if something bad happens to me.
- Ensure Dad has up to date Powers of Attorney for health care and finances. The financial POA will allow the family (if named as Attorney) to look after his finances if he becomes incapacitated.

Planning to Do After it Does:

- If Dad had a stroke last night, he will likely be in the hospital for a week or more. That is not a lot of time so we need to get planning fast. Often we recommend a conference call with all family members and us (your financial planner) to determine roles.



- Daughter one and daughter two will take time off work, fly into town and immediately meet with the local health care case worker to learn how facility care works in this province. They will also go and interview staff and examine rooms at a few of the local care facilities. In some cases, when the condition of the person is bad enough, they may be placed in the first available bed – meaning that the location may not be desirable initially.
- Son one will go to Dad’s home and look for his tax return, investment statements and bank account statements. He’ll bring them back to us for a joint review of what resources Dad has in order to determine what kind of care he can afford. Ideally in this situation, the children have been provided with Powers of Attorney so they can fully assist to access and manage Dad’s money. GICs still need to be reinvested. Bills still need to be paid. Perhaps the home needs to be put up for sale. Contents need to be cleared out. All of this is easier with Powers of Attorney in place.
 - Hopefully the children have a copy of Dad’s Power of Attorney. If not, they may need to check the home or visit the family lawyer if there is one. Elderly parents should give adult children the forms at the time of preparation.
- All of the children need to be realistic that they will need to be off work and away from families for a few weeks until Dad is settled – engaging advisors, selling homes, putting finances in new order, finding a nursing home and so on – all of this will take a lot of time – even more time if no pre-planning was done. Don’t leave one child to carry the burden and do the bulk of the work – if there are three children, all three should look to be equally involved to be fair to each other.
- Take steps to simplify Dad’s finances. As his or your financial planner, we often get called in to help with this role as well – simplifying investment portfolios, overseeing tax return preparation for Dad, setting up cash flow payments to pay for care and so on – we are ready to help with this kind of planning seven days a week.

All of us will get old someday, so dealing with planning matters in advance will help to smooth the transition at what will be an emotional time. The good news is that in today’s world with modern technology and many healthcare service providers, we are able to live longer with much richer lives.

Next Steps

In this issue of my newsletter we have scratched the surface of real life hard to deal with issues – issues that can affect any of us, anytime.

Personal finance is so much more than buying stocks, bonds and funds.

It is about having a plan to deal with the good and the bad – as always we stand ready to help you build on the financial plan we are already crafting with you. If we have not talked about these kinds of issues yet or lately, call us at the office to schedule a time to do so.

It’s important.

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