

RIDE OUT TURBULENCE WITH SEGREGATED FUND POLICIES

Your BeneFIT News

1. Growth on the upside

2. Protection on the downside

Sept. 16	Significant risk of global recession Globe and Mail
Sept. 27	TSX rolls lower on continuing market uncertainty National Post
Oct. 1	America stares recession in the face National Post
Oct. 7	Volatility index shows investors in state of heightened fear Globe and Mail
Oct. 8	Volatility rocks North American stocks Globe and Mail
Oct. 9	Few escape market carnage Financial Post

For many clients, segregated funds have become a safe haven when markets are volatile, as these investments offer capital guarantees and potential investment growth. Aside from these features specific to capital guarantees, segregated funds offer special tax features that are often more advantageous as compared to mutual funds. This article will shed more light on these advantages.

Nature of segregated funds

From a financial standpoint, a segregated fund resembles and behaves essentially the same way as a mutual fund. However, there are differences that have a significant impact on how the Canadian Revenue Agency (CRA) treats segregated funds. For tax purposes, the CRA considers a segregated fund as a trust. When an investor buys segregated funds, the monies are used by the segregated fund trust to buy units of a mutual fund chosen by the investor. This way, the investor does not directly own mutual fund units; instead, the segregated fund trust is the owner. The investor is therefore not a unit holder, but rather a variable capital annuity contract holder. This contract is governed by provincial legislation related to insurance.

Allocation of income generated by segregated funds

All distributions of interest, dividends and other income of mutual funds are paid to the segregated fund trust. Income allocated amongst investors maintains its usual tax treatment. In other words, interest flows through to the investor as interest, dividends as dividends, and capital gains or losses as capital gains or losses.

One specific tax advantage of segregated funds is that, in addition to income, capital losses incurred by the segregated fund trust following disposition of mutual fund units

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FINDINGS:

Diabetes is deadly. Every 10 seconds, a person somewhere in this world dies from diabetes-related causes and two additional people will develop diabetes.

The number of Ontarians with diabetes has increased by 69 per cent over the last 10 years and is projected to grow from 900,000 to 1.2 million by 2010.

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may be allocated amongst contract holders, under Section 138.1 (3) of the Income Tax Act.

It is important to keep in mind that with mutual funds, only gains can be distributed to investors. Since, in the case of segregated funds, it is possible to distribute capital losses, they offer a certain tax advantage over mutual funds.

Your segregated fund policy has you covered

With a segregated fund policy, you have protection from market downturns. Product features and guarantees vary based on the product, but the good news is that with any segregated fund policy you are protected:

- **On death**
Even in a down market 75 per cent of your principal investment, less a proportional reduction for any redemptions, will be returned to your beneficiary.
- **On maturity**
If markets don't recover before your policy matures you are guaranteed to get between 75 per cent and 100 per cent (depending on the policy) of your principal investment less a proportional reduction for any redemptions.
- **If an insurance company is compromised (i.e. declares bankruptcy)**
Segregated fund assets are maintained separately from the insurance company managing the assets and are not available to the company for purposes other than management on your behalf. The value of your assets remains intact despite the company's financial position.
- **With flexible investment options within one policy**
If asset allocations need to be managed, switches between funds can be done simply within your policies. You maintain the protection on maturity and death and are protected from market downturns.

Segregated fund policies help protect your assets. Contact **Gary White at (800) 433-5307** if you have any questions or concerns about your investments.

Wait List Insurance: What is it? and How does it work?

In response to lengthy provincial wait times, the concept of Wait List Insurance was a private industry endeavor initially promoted over two years ago as an addition to group insurance packages for companies in Calgary. Now it's available in five provinces, including Ontario.

What is it?

- ◆ Policyholders are guaranteed access to treatment if they have to wait longer than a prescribed number of days in the public healthcare system.
- ◆ Available in Canada in five provinces: Ontario, British Columbia, Alberta, Saskatchewan, and Manitoba.

How does it work?

- ◆ Premium-based benefit, per individual per month.
- ◆ Provider coordinates client access treatment if they have to wait longer than the prescribed number of days for care in the public healthcare system.
- ◆ Treatment must be in a private clinic outside the client's home province.

The Top 8 Reasons Your Small Business Needs an EAP

1. Manager as Therapist...

Small and medium-sized businesses often don't have HR departments, so their managers and supervisors spend time counseling troubled employees. Not only can that time be better spent attending to the core needs of the business, but most managers (and even HR reps) aren't professionally trained, making the job description "manager/therapist" an uncomfortable and risky one. Gain peace of mind by putting workplace problems where they belong: in the hands of an EAP professional.

2. All Hands on Deck

Employee absenteeism for personal or family issues has a stronger impact in a small workplace, where others have to fill in when a co-worker is away for even one day. The load is lighter when it's shared equally across the team. An EAP professional can help to prevent small problems from becoming long-term absences and boost productivity all-round.

3. Inspiring Commitment

Your small business needs to be nimble to respond to the ever-shifting demands of your marketplace. That means employees who are flexible and 110% committed to the job. A healthy workplace can inspire the kind of loyalty and employee commitment you count on to stay on the cutting edge ... and EAP can play a role in creating that culture.

4. Stressbusting

Compared to larger organizations, small and medium-sized businesses require just as much work to be done - maybe more - with resources that are typically twice as stretched. People work long and hard to meet customer service and production demands, and that means stress. An EAP provides resources to help employees cope, even in the most trying circumstances.

5. Attracting the Best and Brightest

Sometimes, it's hard for small and medium-sized businesses to compete for top-notch employees in a tight labour market, especially if they can't offer the salaries and benefits that larger companies can. The good news is that most candidates consider workplaces that respect work/life balance to be high on their list of 'must-haves' when they're evaluating employment opportunities. Make your approach to employee well-being a recruitment advantage. EAP is a cost-effective and visible demonstration of your support.

6. Helping Managers Manage

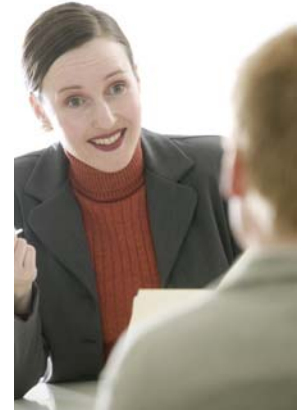
Employees working in small and medium-sized businesses are often Jacks and Jills-of-all-trades. The technical specialist may find herself supervising a large team, having very little management experience. EAP helps new and front-line managers deal with some of the working world's most difficult challenges; employees with performance problems; diversity and harassment issues; spotting and helping troubled employees and reducing the risk of violence in the workplace. Make sure your front line is strong: with immediate consultation from EAP senior account managers.

7. Living your Values

Small and medium-sized businesses usually exist because their entrepreneurial owners had a great idea and the tenacity to make their vision a reality. More than being 'cogs in a wheel,' employees in small and medium-sized businesses really are their companies' most important assets. Invest in your human capital ... and ensure your company's continued growth.

8. We are Family

Small and medium-sized businesses not only tend to be tight-knit, they often take great pride in the family-like closeness of their workplaces. That usually means that when one member is in distress, others rally around to provide support. On the other hand, it can also mean that workplace conflict can be even more disruptive in small organizations than in larger ones. Whether out in the open or simmering under the surface, learn how to nip family feuds in the bud ... otherwise, they may cause turmoil in your small or medium-sized workplace.



“Human resources issues, such as recruitment, retention, work-life balance, and career development, will become key competitive advantages in the next decade as Canada moves from a buyer’s market for labour (more good people than good jobs) to a seller’s market (more good jobs than people). It is no longer enough for employers to talk about the importance of their workforce. They actually have to act in a way that convinces employees that their employer cares about them.”

Source: Dr. Linda Duxbury.
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*Providing a unique and holistic
approach to group insurance.*

EAP ROI Statistics and Research

The Canadian Mental Health Association estimates that 10% to 15% of employees have severe personal problems. The work performance of these employees is at least 35% below normal. The reduced productivity of troubled employees costs companies 3.5% to 5% of payroll.

If 5% of those employees used an EAP the potential monetary savings would be 3.45% of payroll for reduced absenteeism and improved productivity from problem employees. The savings from these areas alone justify the cost of having one. *Canadian Mental Health Association statistics (2000)*

The ROI for every dollar invested in behavioral health is \$5 to \$7. (*Employee Assistance Program Association [EAPA]*)

The costs for providing health insurance increased by an average of 11.2% every year. The costs of EAP, however, have remained relatively stable over the past decade. *Kaiser Family Foundation/HERT Employee Health Benefits 2004 Annual Survey*

An employer-sponsored EAP program can reduce an employer's disability costs, medical costs, pharmacy costs, and worker's compensation costs. *Watson Wyatt, 2001*

Masi and Jacobson (2003) showed that, following EAP:

- Ability to manage work-related stress improved 42%;
- Personal stress management improved 44%;
- Work performance improved 33%;
- Work attendance improved 27%;
- Relationships with co-workers improved 26%;
- Relationships with supervisors improved 23%.

Major trends driving organizations to pay acute attention to their talent are:

- The impact of Baby Boomer retirement will be a wake-up call as their impact will be felt more strongly in 2008, when over 40% of managers will be eligible to retire in the next five years.
- In the public sector, this problem is even more severe, as more than a third of all governmental employees are eligible to retire in countries such as the USA, Canada and Australia.
- Over the next 15 years, 80% of the workforce growth will occur among people 50 years or older.
- By 2050, over 40% of Europe's total population will be aged 60 and over.
- Next digital generation employees will be primarily attracted to organizations which provide rich social media and collaboration technologies to do their work.

Source: Gordon C., Brown C. Making Sense of Web 2.0, New Rule of Work. February 2008;p.7