



**B L Garbens Associates Inc.**  
Independent Financial Advice  
Professional • Personal • Proactive

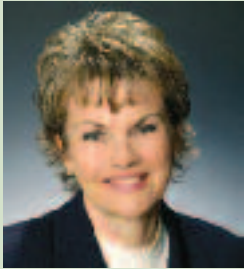
# inBrief *financial information you can use*

Summer 2009

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## PRESIDENT'S MESSAGE



*Sometimes a little investigation can answer questions you never knew you had. I'm hoping this update will come under the heading of 'did-you-know' and that you will find good news in the information – like the reassurance that the terms of disability protection can be cost-effectively customized. It can help too knowing that CPP also provides some disability support.*

*Planning ahead for the unexpected and the inevitable takes a little courage, but once it's done you can be free to focus on truly important things – the simple joy of living every day to the fullest with the ones you love.*

*Enjoy a sun-filled summer,*

*Barb*

Barbara L. Garbens  
MBA, RFP, CFP

## Making the Final Decision

If you've ever had to struggle through making funeral arrangements for a parent or other relative, you know how daunting a task it can be. You may have wondered if there's any way you can spare others from having to take on that responsibility for you when your time comes. Today, you have options. It's become increasingly common for people to prearrange their own funerals, and even to prepay the cost. What should you know before you make this choice?

While prearranging a funeral means that your family members will know what your wishes are, they will still need to negotiate prices and pay for the services. Prepaying, on the other hand, relieves family members of the financial responsibility, and gives you the time to comparison shop. But is it wise to pay such a large expense in advance? What if the funeral home goes out of business before you pass away?

Funeral service providers are closely regulated by the Ontario Board of Funeral Services to ensure consumer protection. The Board has established rules about prepaying funeral services, and administers a compensation fund, which is used to reimburse a consumer's estate in the event that prepaid funds are not available when needed, as long as the provider was licensed by the Board.

When prepaying final arrangements, you choose the services you want and invest the funds to pay for them in trust with the funeral provider. Such a trust fund may qualify as an Eligible Funeral Arrangement (EFA) under the Income Tax Act. Under an EFA, you can contribute up to \$15,000



to cover funeral services and another \$20,000 to cover cemetery services, for a total contribution of \$35,000. While there is no tax deduction for this contribution, your funds grow on a tax-free basis. On your death, any unused portion of the funds must be paid to your estate, and only the investment income that is not used for funeral or cemetery services is taxable.

You can choose a guaranteed contract, which means that if there isn't enough money in the plan when you pass away to cover the services selected, the services will still be provided without any further payments. If the contract is not guaranteed, additional payments will be required if the funds are insufficient.

One of the most important decisions you will have to make is what will happen to your body after you die. Whether you opt for burial or cremation, you may also want to consider helping others by registering for organ or tissue donation. This is done on-line through the Trillium Gift of Life Network ([www.giftoflife.on.ca](http://www.giftoflife.on.ca)). While you may have signed a paper donor card, you also need to communicate your decision to the organ donation agency by formal registration.



## Protecting Your Income

While most of us think about life insurance to protect our families in the event of an untimely death, fewer of us take the time to make sure we have adequate disability coverage. Corporate employees may feel that they have sufficient coverage through their group benefit plans at work, while the self-employed sometimes feel that private disability coverage is too expensive. But consider this – not only are our chances of becoming disabled much higher than our chances of a premature death, the financial impact on our families can be much greater. In addition to the loss of earning power, there will likely be ongoing expenses for care and treatment. It behooves us to review the impact such an event could have on our personal finances.

*Corporate employees*, particularly at the senior levels, are often underinsured. While your group disability policy may normally provide a benefit of two-thirds salary, the amount payable is often capped at a certain level per month. Higher income earners may very well find that the group plan doesn't provide as much benefit as they expected. In addition, the group plan may be designed to provide benefits for a limited period of time, or benefits could cease

completely if the disabled employee is able to perform any type of work at all.

Private disability insurance can be purchased as a supplement to a group plan, in order to top up the monthly benefit to the required amount, or to protect the employee who is not able to perform the duties of his own occupation, but could earn money through some other occupation.

*Self-employed individuals* must rely exclusively on private disability insurance. While CPP does offer a disability benefit, the amount is small (a maximum of \$1,105.99 per month in 2009), and it is only available in situations of severe and prolonged disability.

Although disability insurance can be expensive, the cost can be controlled through the selection of various policy features. For example, increasing the elimination period from 30 days to 90 or 180 days can decrease the premiums significantly. However, the trade-off is that you must be prepared to cover your own expenses for the first 90 to 180 days of disability.

We would be happy to help you evaluate the adequacy of your disability coverage. In the meantime, check the sidebar for some of the important features your policy should include.

**Office Hours** – Starting the week of June 15th, our office will be open from Monday – Thursday (9 am to 5 pm) and closed on Fridays. Normal hours (a 5 day week) will resume the week of October 5th.



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### Protecting Your Income

Here are some areas to watch for when evaluating a disability policy:

- How strictly is disability defined?
- How long is the elimination period?
- What is the maximum benefit period?
- Are benefits provided if you are partially disabled?
- Must you be totally disabled for a period of time before qualifying for partial disability benefits?
- Are benefits indexed to the cost of living? If so, does this apply the whole time the policy is in force, or only after a disability occurs?
- Do you have the right to purchase additional coverage in future in the event that your earnings increase?
- What is the impact of a recurring disability on the elimination and benefit periods?
- Do you pay the premiums or does the company? If the company pays the premiums, any benefits received will be taxable.

### MATTERS OF INTEREST

**Income Splitting** – With the government's prescribed rate at 1% for the second quarter of 2009, now is the time to consider an interspousal loan with your lower income spouse. Proper paperwork must be put in place and a separate bank account should be opened. Call us for more information on the particulars of this strategy.

**Loss Carryback Refunds** – Many of you will have already received a refund for losses realized in 2008 that were carried back to previous years at the time of filing your 2008 returns. Be sure to send us a copy of your reassessments for the years concerned so that we can ensure that the carryback was properly done.

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