Solutions

Fall Edition 2010

for financial planning · Manulife Investments

Generate income now, retire at 65 and leave a legacy

A BALANCED FUND IS A BALANCED FUND…OR IS IT?

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Solut!ons

Whether you are just starting out, accumulating wealth or getting ready to retire, Manulife Financial offers you a broad range of wealth protection and accumulation products to help you prepare for your financial future. Manulife is one of Canada's strongest and most reliable financial services organizations. With offices in 22 countries and millions of customers worldwide, you can trust that, when combined with the professional advice you receive from your advisor, our forward thinking products and services provide practical Solut!ons that can help you make the most of your financial plan.

Preparing for your future

Regardless of how many years away from retirement you are, seeking professional advice can help you prepare for your future. Now is an excellent time to meet with your advisor and reap the benefits a sound retirement strategy can bring to you and your family.

Paul Rooney, President and CEO of Manulife Canada, discusses why now, more than ever, Canadians need the specialized advice that can only come from a qualified advisor in *When financial advice is needed, turn to a professional*.

As we approach retirement, there are many things to consider. *Financial Planning 101 - Generate income now, retire at 65 and leave a legacy* can help you understand how you can generate income now and in your retirement. In *A balanced fund is a balanced fund … or is it?* you can learn some important differences between standalone balanced mutual funds and balanced asset allocation portfolios.

After reading the articles included in this edition of *Solut!ons* magazine, we encourage you to sit down with your advisor. He or she can take a look at your current financial situation and determine the best possible means of maximizing the benefits you derive from your financial plan.

For more than 120 years, clients have looked to Manulife for strong, reliable, trustworthy, and forward-thinking solutions for their most significant financial decisions. When combined with professional advice from your advisor, Manulife can provide practical *Solut!ons* that can help you prepare for your financial future.

Sincerely,
J. Roy Firth, Executive Vice President
Individual Wealth Management, Manulife Financial

What's Inside

and
LEAVE A
LEGACY

RETIRE
AT 65

GENERATE
INCOME
NOW

FINANCIAL PLANNING 101

If you're thinking of retiring soon but are not sure if you are financially prepared, you may want to seek the professional guidance of your advisor. In the following story, we learn how financial planning allows a couple to leave their stressful corporate careers behind to start their own part-time consulting business, while ensuring they will have the income to cover their immediate and long-term financial needs.

Jim and Margaret have both enjoyed successful careers in upper and middle management, but they are looking to change their lifestyle. Having grown weary of the hustle and bustle of life in downtown Toronto, they want to start up a part-time consulting business near London, Ontario, and then ease into retirement.

Jim and Margaret have saved aggressively over the years and have built a significant net worth of $1,430,000 (not including their savings account and car). When they move to London, they expect their cost of living to drop considerably, and they are prepared to cut expenses. Jim and Margaret made an appointment with their advisor, David, to discuss how they could make their dream of a new and less pressured life come true.

FIRST THINGS FIRST

In their meeting, David asked about their financial plans for the future. They replied that they would like to accomplish three goals without undermining their plans for full retirement at age 65:

1. Generate $15,000 per year from their existing savings to supplement the $30,000 or more they anticipate their business will make each year
2. Ensure they are financially prepared for full retirement at age 65 by investing without taking on undue risk
3. Leave money for their children

David then asked about their plans for a place to live. Jim answered by saying that they would need approximately $300,000 to purchase a home. David did a quick calculation and determined that, after the purchase of their home, they had approximately $1,130,000 in savings to work with for their financial plan.

Client Overview

WHO: Jim and Margaret Johnson, age 55 and 56

THEIR GOAL: Retire from current careers, start a consulting business and ensure they have planned for full retirement at 65

THE PLAN: Generate a basic level of income for 10 years, generate $95,000 annual income during retirement and leave a legacy for their children

CURRENT MONTHLY NET INCOME: $8,500

ASSETS: House $730,000; RRSPs $450,000; Non-registered assets $250,000; Savings account $10,000; Car $30,000

LIABILITIES: Car loan $20,000; Secured line of credit $20,000

MONTHLY COSTS: Food $750; Car loan $600; Property taxes $290; Loan payments $1,000; Personal care $800; Miscellaneous (entertainment, cell phone, other household items) $1,500

CURRENT MONTHLY TOTAL EXPENSES: $4,940

FUTURE ESTIMATED TOTAL EXPENSES: $3,750

For illustrative purposes only. This is a fictional scenario.

DAVID RECOMMENDED THEY INVEST IN A FUND WITH THE ABILITY TO INVEST IN MULTIPLE YIELD-PRODUCING ASSET CLASSES.

1. GENERATING INCOME NOW

Jim and Margaret need to generate $15,000 a year in after-tax income from their savings for the next 10 years until they fully retire. To accomplish this goal, they could invest $340,000, or 30 per cent of their savings, in an income-producing mutual fund. The $15,000 would come from the income (includes interest, dividends, foreign income and capital gains) they earned on this mutual fund investment. David mentioned that he believed, in today's low interest rate environment, they would need to look for a fund that focused on producing higher yields than are currently available from traditional government bonds, without exposing their savings to undue risk.

David recommended they invest in a fund with the ability to invest in multiple yield-producing asset classes, such as government and corporate bonds, foreign bonds, high-yield bonds, dividend-paying stocks and other income-producing investments from across the globe. He explained that the ability to invest in multiple income-oriented asset classes can be highly advantageous in a low interest rate environment since it allows for maximum flexibility.

The mutual fund he had in mind was expected to produce an annual distribution of approximately six per cent[1] and, because it was diversified across multiple asset classes, David believed that the $15,000 in after-tax income they required each year was attainable from the income earned on their mutual fund investment. Furthermore, since the distribution would be paid out on a monthly basis, they wouldn't have to wait to receive the income they needed while their business was just starting out.

2. PREPARING FOR RETIREMENT AT AGE 65

Next, Jim and Margaret want to ensure they are financially prepared for full retirement at age 65.

David turned to a new Product Allocation strategy that is available to advisors from Manulife Financial. Product Allocation can help increase the likelihood of the sustainability of their retirement savings by allocating their assets to a basket of products in specific proportions that tap into the unique guarantees and features of each product. The end goal is to help achieve sustainable retirement income no matter what financial risks they face.

A number of products can be used in a successful Product Allocation strategy. Among them, those with the following features and guarantees are important:

- Guaranteed income for life
- Protection from interest rate fluctuations
- Growth potential of the markets to help keep up with inflation
- Protection from market downturns
- A wide choice of investment funds
- Flexibility and access to cash
- Cost-effective and easy transfer of assets upon death

David explained that no one product will offer all of these guarantees and features. However, using Product Allocation to allocate their savings among a number of products, he was confident he could address their need for income when they retire in 10 years.

David took a look at how their assets were currently allocated. He calculated that they held 40 per cent in cash, 50 per cent in mutual funds investing in fixed-income securities and 10 per cent in mutual funds investing in stocks.

RUNNING THE NUMBERS

Using Manulife's Product Allocation tool, David entered the necessary data and was able to determine that with their current allocation of assets – 40 per cent cash, 50 per cent fixed-income securities and 10 per cent equities – their likelihood of retirement income sustainability was only 69 per cent. In other words, there was a 31 per cent chance that their income requirements of $95,000 per year would not last through their entire lifetime.

David worked with the numbers to see if he could improve their probability of success. By placing 30 per cent in an annuity, 40 per cent in a segregated fund contract providing a Guaranteed Minimum Withdrawal Benefit (GMWB) and 30 per cent in investment products providing Systematic Withdrawal Plans (income-producing mutual

[1] Distributions are not guaranteed and may fluctuate.

funds), he was able to increase their chance of retirement income sustainability to 93 per cent. In other words, by reallocating their portfolio in a manner that captured the unique benefits of each product, David could dramatically increase the chance that the couple's savings would be sustainable for life after they turn 65.

3. LEAVING A LEGACY FOR THEIR CHILDREN

With their immediate need for income and their retirement plan established, Jim and Margaret were relieved to learn they would be able to realize their primary goals. David now turned to the question of how to leave a legacy for their children.

David mentioned they could use any excess capital they did not need to help accomplish this goal. During the first 10 years before their retirement, he suggested they use any extra income generated from their business to make this happen. After turning 65, he suggested they could use surplus income generated from their mutual fund investments to build their legacy.

David suggested that to reduce potential risks, one of the most effective ways to establish a legacy was to invest in life insurance, very conservative investments or segregated fund contracts. He explained that segregated funds come with a number of contract options that are designed to meet specific financial goals but are quite flexible if their needs change. For example, the segregated fund contract that features the GMWB option discussed earlier is ideal for generating predictable and potentially increasing income during retirement. Other contract options are designed to provide benefits that are ideal for planning an estate.

The segregated fund contract that David proposed to Jim and Margaret was ideal for estate planning purposes. It featured a guarantee that would protect 100 per cent of their original investment after they passed away.[2] In addition, if their segregated fund investment with the estate planning option experienced significant market growth, they would be able to lock in market gains every three years. Conversely, if the markets performed poorly and the value of their investment was lower than their original investment amount at the time of their death, their children would receive at least their original investment back.[2] Furthermore, with segregated fund contracts, when a beneficiary other than the estate is named, the proceeds of the investment bypass Jim and Margaret's estate and are instead paid directly to the named beneficiary after death without delays and fees.

	Guaranteed income sources		Non-guaranteed income sources
Product categories	Annuities Defined Benefit Pension Plans CPP OAS	Guaranteed Minimum Withdrawal Benefit	Systematic Withdrawal Plan Traditional Investments: • Mutual Funds • Segregated Fund Contracts • Stocks • Bonds • Bank or Insurance GICs[*]
Income protection	Protected	Protected[**]	Variable
Participation in markets	Non-participating	Participating	Participating

[*] GICs have a guaranteed rate of interest for the length of the term within the contract.

[**] Protected implies that a predictable level of income is guaranteed not to decrease. Certain conditions may apply.

[2] Reduced proportionally for any withdrawals.

GENERATING RETIREMENT INCOME

To better meet retirement's income challenges, Manulife has brought a new perspective to Canadians: Product Allocation. Advisors are turning to Product Allocation strategies to help their clients maximize their retirement income potential, while minimizing the financial risks they face.

Visit **helpmysavingslast.ca** to find out more.

PROTECTING PERSONAL ASSETS FROM PROFESSIONAL LIABILITY

With a comprehensive financial plan now largely in place, David wanted to discuss one last issue before the meeting adjourned. Because Jim and Margaret were starting their own business, they would be exposed to a number of new risks they had never faced before. If their business faltered or if they somehow encountered a professional liability, there was the possibility that their personal assets could be seized by creditors. David mentioned that one of the benefits of investing with an insurance company was that segregated fund contracts and annuities enjoyed potential protection from creditors. This means that as long as their annuity and segregated fund investments are made in good faith and an appropriate beneficiary is named, they will enjoy this added level of protection. •

SPEAK WITH YOUR ADVISOR

Jim and Margaret decided to take David's advice and implement the financial plan he recommended. Not only were they able to achieve their financial goal of generating immediate income without undermining their plans for retirement, but they also had an actionable plan to leave a legacy for their children.

If you have specific financial goals in mind and would like to discover ways to achieve them sooner, why not consult an advisor? He or she can suggest a number of options you may be unaware of to help make your dreams come to life.


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a **balanced fund** is a **balanced fund**...

OR IS IT?

NOT ALL BALANCED FUNDS ARE CREATED EQUAL

When it comes to investing in mutual funds, it would seem that Canadians are a fairly balanced bunch. As of March 31, 2010, the balanced mutual fund category represented 40 per cent – or $248.5 billion – of the assets held by Canadian mutual fund investors.[1] And while this category has always been popular, a combination of heightened risk aversion due to recent volatility in the financial markets and an aging demographic is driving an increasing number of investors towards balanced mutual funds that generally provide a moderate approach to investment risk.

If you are an investor who is considering investing in a balanced fund, or considering reducing the amount of risk in your current portfolio, there are a number of options to consider. This article helps to define and explain the alternatives you can discuss with your advisor.

BUILDING A BALANCED PORTFOLIO – THERE'S MORE THAN ONE APPROACH

In general, there are three different methods you can employ when taking a balanced approach to investing with mutual funds:

1. Individual funds to form a balanced portfolio
2. A single, standalone balanced mutual fund
3. A balanced asset allocation portfolio

WHAT IS A STANDALONE BALANCED MUTUAL FUND?

A standalone balanced mutual fund generally combines stocks, bonds and money market types of investments in a single portfolio. Generally, balanced funds stick to a relatively fixed allocation of 60 per cent stocks, 30 per cent bonds and 10 per cent money market investments. However, this allocation may vary, so you will need to refer to the mutual fund's prospectus to discern the true range of investments held within a specific fund.

WHAT IS A BALANCED ASSET ALLOCATION PORTFOLIO?

Also known as a "fund of funds," "wrap" or "managed solution," a balanced asset allocation portfolio incorporates a number of individual mutual funds within a single investment. A balanced asset allocation portfolio is in essence a basket of preselected mutual funds that provide investors with exposure to stocks, bonds, money market securities and other alternative types of investments. The purpose is to provide investors with truly diversified holdings and more consistent returns through a portfolio of mutual funds that is automatically managed on the investor's behalf.

[1] The Investment Funds Institute of Canada.

PERFORMANCE CHARACTERISTICS

Before we get into the details of the different approaches, for many investors the most important question will be: how do these different approaches impact performance over time? While it is impossible to measure how balanced portfolios holding individual funds have performed, since every investor's portfolio will likely be different, it is possible to compare standalone balanced mutual funds and balanced asset allocation portfolios.

Chart 1 provides us with the necessary perspective. As we can see, standalone balanced mutual funds and balanced asset allocation portfolios have provided very similar results. Over various time periods, one approach may outperform the other, but based on the results below they have provided similar rates of return.

If we cannot make a clear distinction based on performance, it will be necessary to look beyond the numbers to discern which approach will appeal to different types of investors. Let's look at the three types of investment styles and some pros and cons associated with each of them.

Chart 1: Comparing the performance of standalone balanced mutual funds and balanced asset allocation portfolios

Average Standalone Balanced Mutual Fund

1-Year Return	3-Year Return	5-Year Return	10-Year Return	1-Year Quartile	3-Year Quartile	5-Year Quartile	10-Year Quartile	3-Year Standard Deviation	MER
11.99%	-1.26%	3.82%	4.57%	2	2	2	2	11.94%	2.15%

Average Balanced Asset Allocation Portfolio

1-Year Return	3-Year Return	5-Year Return	10-Year Return	1-Year Quartile	3-Year Quartile	5-Year Quartile	10-Year Quartile	3-Year Standard Deviation	MER
11.06%	-1.74%	2.59%	3.54%	2	2	3	2	10.28%	2.24%

Source: GlobeHySales, May 31, 2010. Calculations are based on the average returns reported in the Canadian Equity Balanced and Canadian Neutral Balanced fund categories as defined by the Investment Funds Institute of Canada. For illustrative purposes only. Performance histories are not indicative of future results.

IF WE CANNOT MAKE A CLEAR DISTINCTION BASED ON PERFORMANCE, IT WILL BE NECESSARY TO LOOK BEYOND THE NUMBERS TO DISCERN WHICH APPROACH WILL APPEAL TO DIFFERENT TYPES OF INVESTORS.

1. INDIVIDUAL FUNDS TO FORM A BALANCED PORTFOLIO

Selecting a number of individual funds to form a balanced portfolio allows advisors to work closely with their clients to select different funds and other assets based on their individual merits. This process is well regarded by investors and advisors since it can provide an increased sense of control over how investments are allocated. It also allows advisors to easily incorporate an investment style bias into their clients' investment plans that may reflect a specific investment philosophy. The principal advantage of this hands-on approach to investing is the ability to select individual funds to form a balanced portfolio that reflects a "team approach" between the advisor and client.

Selecting individual funds can have its drawbacks, however. For example, it can make it more difficult to discern how your overall strategy is performing relative to other balanced mandates, since you will not receive the comprehensive reporting that portfolios can provide. An additional drawback is the need to rebalance funds within the portfolio as different mandates outperform. The process of rebalancing has the potential to trigger taxes and fees that can reduce investment returns.

INVESTING IN ONE STANDALONE BALANCED MUTUAL FUND MAY EXPOSE YOU TO ADDITIONAL RISK, SINCE YOU ARE PLACING ALL YOUR EGGS IN THE BASKET OF ONE PORTFOLIO MANAGER.

2. A SINGLE, STANDALONE BALANCED MUTUAL FUND

A single, standalone balanced mutual fund provides a more simplified approach to investing and instant diversification across three major asset classes within a single investment. This approach can meet the needs of investors with smaller accounts who may not have enough capital to efficiently spread their assets across multiple investments. However, investors may also combine a standalone balanced mutual fund with other investments to form customized portfolios.

Additional advantages of standalone balanced mutual funds include that your progress will be easy to track over time through simple client statements. You can compare a fund's performance to other balanced mandates with relative ease. Investors who have an investment style bias can also find standalone balanced mutual funds that incorporate either a growth or value approach, which may reflect their own philosophy towards investing in the markets.

However, investing in one standalone balanced mutual fund may expose you to additional risk, since you are placing all your eggs in the basket of one portfolio manager. Diversification by style can be another issue. Many individual fund managers employ a single investment style to achieve their investment objectives, and this can lead to underperformance relative to the markets over short periods of time. Therefore, it is very important to discuss each potential manager's investment style with your advisor so you can better understand how the fund is expected to perform relative to its peers.

3. A BALANCED ASSET ALLOCATION PORTFOLIO

This last solution, a balanced asset allocation portfolio (also known as a managed solution), has become one of the most popular options among investors and their advisors. The principal benefit of investing in a balanced asset allocation portfolio is that it provides broad diversification across multiple asset classes and investment styles, and allows you to harness the skills of many different portfolio managers within a single investment solution. Balanced asset allocation portfolios have the potential to address the majority of an investor's investing needs in a single product.

These types of portfolios are typically overseen by a team of asset allocation specialists who select the funds to be included within the portfolio and determine what percentage of the portfolio's assets should be allocated to each fund. A balanced asset allocation portfolio may also offer comprehensive reporting, which allows you to easily track how your investment is performing over time.

There are some important factors to consider when thinking about balanced asset allocation portfolios. The first pertains to cost. Some balanced asset allocation portfolios are more expensive than others due to the increased level of value and services they provide. If you are considering one, be sure to take fees into account as some balanced asset allocation portfolios are more competitively priced than others.

Also, look closely at how the investments are diversified. A number of balanced asset allocation portfolios now provide exposure to alternative asset classes, such as infrastructure and real estate, which enhance diversification and provide the potential for higher returns. In this respect, they allocate their assets in a similar fashion to pension funds, which are generally considered to be the gold standard when it comes to professional asset management.

A final factor to consider is whether the team of asset allocation specialists who manage the overall allocation of a portfolio is "active" or "passive." An active approach means that the team is willing to alter the allocation of the portfolio in anticipation of changes in the markets. A passive approach indicates that the allocation of funds held within the portfolio will remain in a more fixed position. Active management has the potential to boost investment returns and protect from downside risk, while passive management will tend to mimic the overall performance of the markets. It is beneficial to discuss the merits of each approach with your advisor.

The attributes of balanced asset allocation portfolios make these types of investments comprehensive solutions for investors looking for a way to capture the growth potential of the financial markets without taking on undue risk. Seen from this perspective, a balanced asset allocation portfolio can be an easy way to achieve a number of investment goals within a single solution.

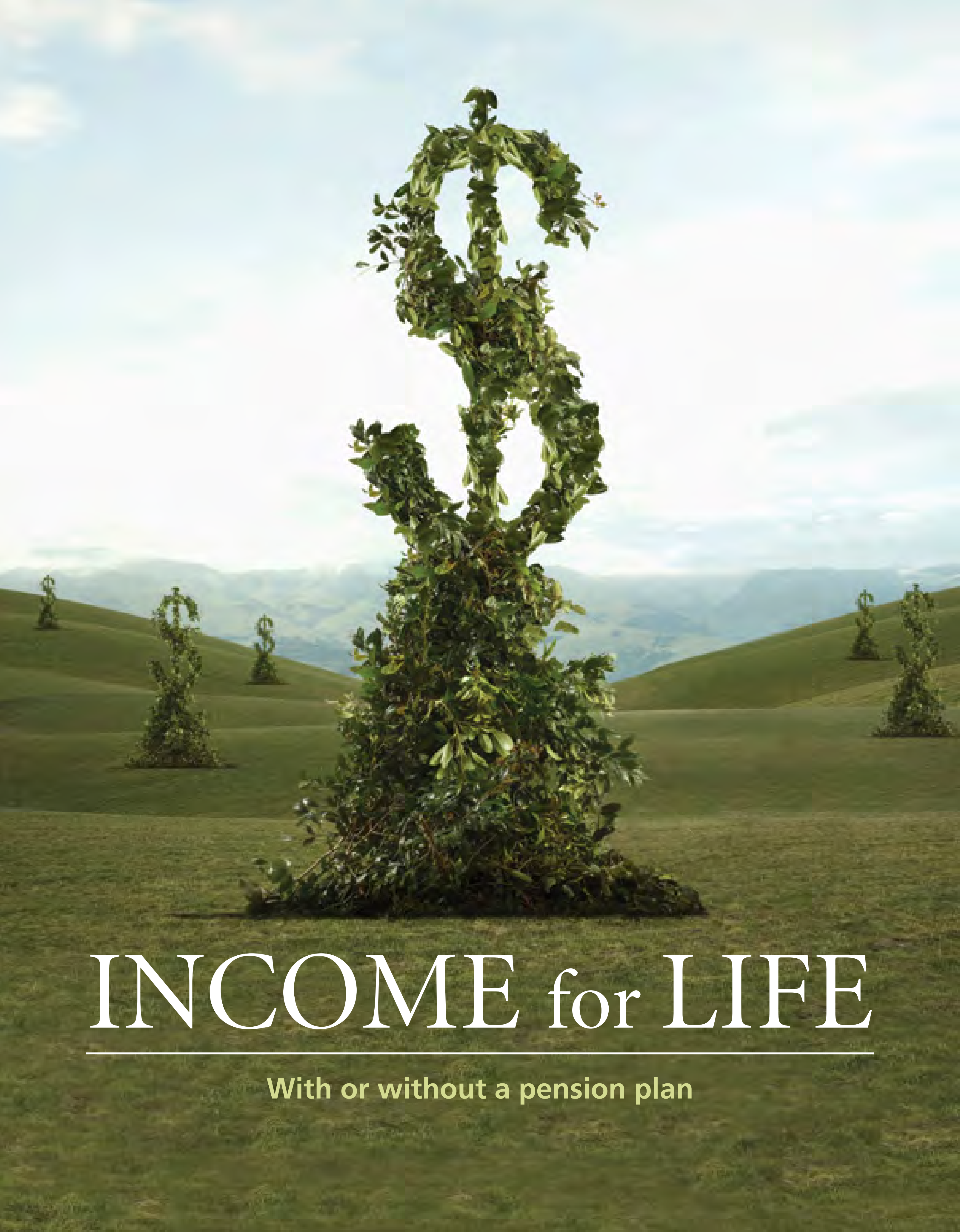
At a Glance:
The following table provides a high-level summary that can help you determine which type of investment might be right for you.

Attribute	Individual funds to form a balanced portfolio	One standalone balanced mutual fund	One balanced asset allocation portfolio
Role within portfolio	Aggregate of many smaller components	All-in-one investment or a single component of a larger portfolio	Generally forms the principal investment in a portfolio
Investor involvement	Advanced	Moderate	Low
Management	Advisor and client	Single manager	Team approach
Level of diversification	Depends on your and your advisor's ability to forecast asset returns and volatility, and combine assets	Moderate	High
Diversification by investment style	Depends on your and your advisor's style bias	Single investment style	Diversified across investment styles
Active management	Yes	Yes	Variable
Performance reporting	Individual holdings must be tracked	Base level support	Comprehensive reporting

WHICH APPROACH IS RIGHT FOR YOU?

Deciding which balanced approach to investing is right for you will depend on a number of factors, including your personal preferences, current financial situation, number of years until retirement and overall tolerance for risk. It will also depend on how "hands-on" you want to be with your investments, your level of knowledge and your service expectations.

If you do not currently have a formal financial plan, this would be an excellent place to start. Begin by seeking out the help of a qualified advisor who has access to the proper tools and the experience necessary to provide you with a snapshot of your current financial situation and your needs during retirement. Only once this process is complete will you truly be able to discern which investment strategy is the right approach for you. •



INCOME for LIFE

With or without a pension plan

ANNUITIES OFFER A DEPENDABLE INCOME STREAM

Having a company pension plan that provides guaranteed income for life could certainly relieve many financial worries, especially in retirement. However, many Canadians don't have access to company pension plans and those who do, often have a plan that doesn't provide a guaranteed income stream.

Take Oscar and Dorothy. They're getting ready to retire. Dorothy is taking golf lessons and is trying to convince Oscar to take a swing at it. But he's concerned that they won't be able to afford such an expensive hobby in their retirement. The couple have Registered Retirement Income Funds (RRIFs) and other sources of income, but they want to make sure they will be able to cover their living expenses for many years to come while still enjoying a comfortable lifestyle. A new neighbour had just invested in an annuity for the same reason. She recommends that Oscar and Dorothy talk to their advisor to see if a similar product might be right for them.

WHAT ARE ANNUITIES?

When Oscar and Dorothy sat down with their advisor, Shelley, she first explained to them how annuities work. In exchange for a single lump-sum deposit, a financial institution makes guaranteed regular income payments to a client. These payments contain both interest and a return of principal component. Annuity payments can continue for a chosen period of time or for the lifetime(s) of one or two people.

BENEFITS OF ANNUITIES

When Oscar reminded Shelley that they already have investments that are supposed to be taking care of their expenses, Shelley explained that annuities can fit within their overall strategy. Annuities also provide other benefits that make them an attractive income-generating vehicle.

YOU CAN'T OUTLIVE YOUR INCOME

Unlike Guaranteed Interest Contracts (GICs), mutual funds and other investments that can be depleted, life annuities are designed specifically to provide income in retirement that's guaranteed for life, no matter how long you live.

MATCH YOUR INCOME TO YOUR EXPENSES

Shelley recommends that Oscar and Dorothy consider putting a portion of their investments into an annuity that would generate income to match their projected living expenses. To keep up with rising costs as the years go by, the annuity payments could be indexed to increase on an annual basis and any extra income could be reinvested in other products that complement their overall investment strategy.

Shelley explained that the income provided is determined at the time of purchase and depends on:

- The amount of money they deposit
- Current interest rates
- Whether or not they want their payment amount indexed (to increase over time)
- The sex and age of each spouse
- The number of years they want to guarantee income payments in case of premature death

PAYMENT GUARANTEES

Dorothy had heard that if she dies prematurely, her annuity investment could be lost. However, there are options available to ensure that this doesn't happen. With annuities, Oscar and Dorothy can choose from various payment guarantee options that ensure a specific amount of income is paid from your annuity investment to you or your named beneficiaries, no matter what happens.

There are two common payment guarantees available:

1. The first payment guarantee option is commonly referred to as cash refund or installment refund. It guarantees that the investor and beneficiary will always receive at least the original investment back. In the event of the annuitant's death, a beneficiary will receive the difference between the total payments received and the original investment amount – either as a one-time lump sum (cash refund) or as a continuation of payments (installment refund).
2. The second payment guarantee option is commonly referred to as a guarantee period. Guarantee periods ensure payments continue for a stated period of time, regardless of whether the annuitant remains alive. Guarantee periods typically range from three to 30 years and ensure that the estate or designated beneficiaries continue to receive income payments for the duration of the specified time period in the event of the annuitant's death. For registered contracts, unless the beneficiary is a spouse, payment guarantees must be commuted and paid in a lump sum upon the death of the annuitant.

AN ANNUITY CAN BE SET UP AS A "JOINT AND SURVIVOR" CONTRACT THAT ALLOWS THEM TO BASE THE ANNUITY CONTRACT ON THE LIVES OF TWO SPOUSES, SO THE INCOME STREAM CONTINUES EVEN AFTER ONE SPOUSE PASSES AWAY.

In general, choosing a richer guarantee will decrease the amount of income produced. Longer guarantee periods require more funds to provide for the additional guaranteed payments.

Oscar and Dorothy also want to make sure that no matter what happens, the other won't have to worry about income. An annuity can be set up as a "joint and survivor" contract that allows them to base the annuity contract on the lives of two spouses, so the income stream continues even after one spouse passes away.

TAX ADVANTAGES FOR NON-REGISTERED PRESCRIBED ANNUITIES

Oscar was also curious about the tax implications of annuities. He was happy to hear that non-registered annuities have tax advantages if they qualify for prescribed status.

Annuity payments consist of principal and interest, and it is the interest portion that is taxable. Prescribed annuities evenly spread the taxable interest over the life of the annuity, thereby offering some tax deferral. Regular annuities must report taxable income as it is earned – higher in the early years, and less when the principal is reduced.

By reducing their taxable income, Oscar and Dorothy may be able to keep more of their Old Age Security payments and increase other income-tested benefits such as the age amount and medical expense tax credits. Also, the taxable portion of the income from an annuity qualifies for the pension income tax credit[1] and pension income splitting starting at age 65. •

[1] The federal non-refundable tax credit is equal to 15 per cent on the first $2,000 of qualified pension income. Provincial income tax credits are also available.

Enjoying your retirement means being able to do the things you really want – and not worrying about covering your essential expenses, such as housing, food, and medical costs.

A **Manulife Annuity** can help you have a retirement you'll enjoy. Guaranteed income for life and the highest income amount possible from your annuity investment can help ensure your essential expenses are covered. In addition, unique options are available to meet individual needs, making it a versatile investment.

When your essential expenses are looked after, you'll be able to focus on more enjoyable ways to spend your retirement.

Ask your advisor about Manulife Annuities or visit www.manulifeannuities.ca

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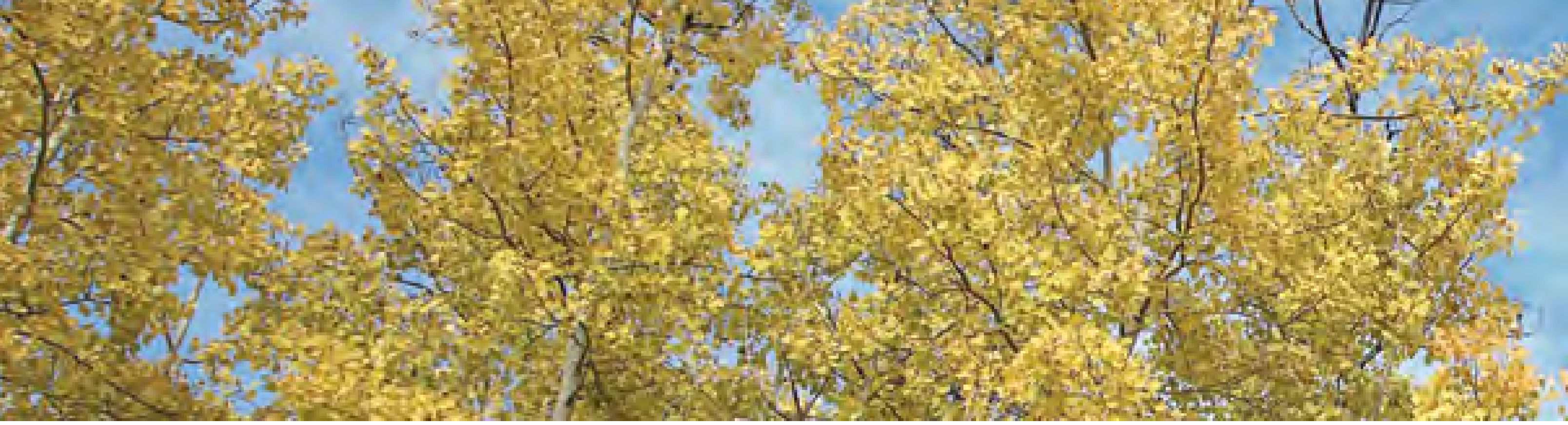
STRONG RELIABLE TRUSTWORTHY FORWARD-THINKING



WHEN FINANCIAL ADVICE IS NEEDED, TURN TO A PROFESSIONAL

By Paul Rooney
President and CEO, Manulife Canada

If there's one lesson from our recent global economic troubles, it's that Canadians need more advice and guidance, not less, to ensure their financial houses are built stronger for the future.

While a do-it-yourself approach may work to renovate a kitchen, it would be wise to seek out a professional contractor to build a house to last for generations.

For most Canadians and millions of others around the world, the market turmoil through late 2008 and 2009 delivered a wake-up call unmatched since the 1930s – we all want to be better prepared for the future.

The world today is very complicated and we all have to manage our finances, buy a home, help our children through school, plan for retirement, cope with health issues, or any other major event in our lives. Faced with a very complex tax and financial system, plus our own busy lives, does it not make sense that financial advice is important?

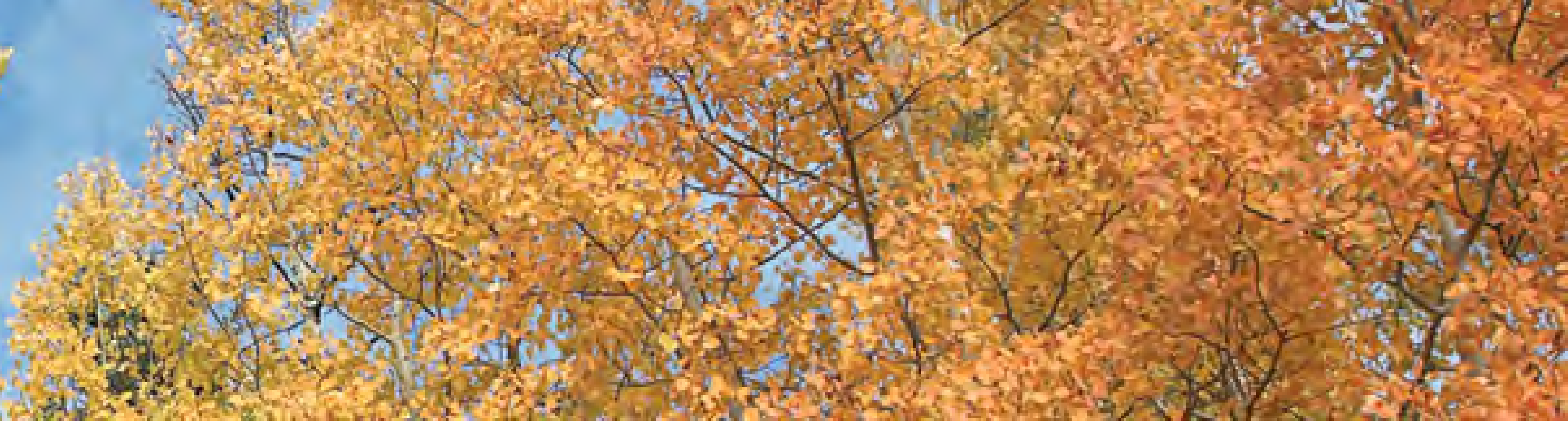
The sad reality is that many don't use financial advice. What is even more alarming is that an estimated seven of every 10 Canadians haven't yet built their own financial plans.

When the unexpected does arise, and it will, Canadians should look to a financial advisor to help them stay on course and adjust their plans.

Even as times improve, many remain nervous after the market roller coaster ride. Most of us remain concerned about our savings, investments and debts. Many worry whether plans need to be changed or updated.

While Canadians understand the value of advice and expertise in many other facets of their lives – like finding a dentist to care for their teeth – they tend to avoid using the same thinking when it comes to their financial affairs. International research has shown that investors who use advisors generally have higher savings and are more confident in their financial well-being.

WHEN THE UNEXPECTED DOES ARISE, AND IT WILL, CANADIANS SHOULD LOOK TO A FINANCIAL ADVISOR TO HELP THEM STAY ON COURSE AND ADJUST THEIR PLANS.



FINANCIAL ADVISORS ARE PROFESSIONALS WHO FOCUS ON BUILDING THE RIGHT PLANS AND COMBINATION OF PRODUCTS FOR EACH OF THEIR CLIENTS, TO REFLECT THEIR INDIVIDUAL SPECIFIC GOALS AND NEEDS.

In tough times, even the most educated investors may just disengage. Worse yet, they can overreact and make decisions that weaken their long-term plans. A glance at Canadian mutual fund investing over the past two years tells a cautionary tale of overreaction: in 2008, we collectively sold off $14.1 billion more in long-term funds than we bought – only to jump back into the market as our economic faith returned, driving net sales to $17.4 billion in 2009.

The good news is that Canada has professionals coast-to-coast who can help develop and implement personal financial plans that reflect everyone's unique goals and objectives. It's important for each of us to review these plans regularly with our advisors. Our financial needs and tolerance for risk can change dramatically at different stages of our lives, and the best products and solutions will change as well.

Of course, Canadians can choose to research financial products for themselves, but the important question is whether they have the financial expertise to do it on their own. As an actuary and financial executive, I consider myself to be financially astute; however, I use financial advisors for my personal affairs. I simply don't have the time to manage this myself.

Financial advisors are professionals who focus on building the right plans and combination of products for each of their clients, to reflect their individual specific goals and needs. When financial advice is needed, turning to a professional should be a top priority.

The time is right to help more Canadians find trusted and professional advice to set their objectives, create a plan, seek out appropriate solutions and stay focused on their goals to prepare for a better future. •

in sickness and in health

MANAGING THE POTENTIAL COSTS OF LONG TERM CARE

You meant what you said during your vows. And, as a couple, you've shared your plans and dreams for the future. But have you thought about what will happen if your retirement years don't go as planned?

No one likes to think about it, but as we age we're more likely to get sick. We may even reach a point where we can't take care of ourselves. What if that happens to you or your partner? How will you manage the expenses of long term care?

Les and Sherry, both 60, wonder the same thing. So they arrange to meet with their financial advisor to see how they can prepare for what might lie ahead. Sherry knows first-hand the emotional and financial hardship her mother endured trying to take care of Sherry's father after he developed Alzheimer's disease. Les and Sherry don't want each other to go through similar turmoil.

Stephen, their financial advisor, suggests they consider long term care insurance. He explains that long term care, whether it's home care services or care in a facility, can be quite expensive. It can easily exceed $5,000 per month. He says his clients sometimes assume the government will cover those costs. That's not usually the case. As a result, the financial impact on families can be devastating.

According to Stephen, the choice is simple: you can pay for long term care in the future by drawing down your retirement savings or you can purchase long term care insurance now to help cover the cost of your care. Les and Sherry agree that purchasing long term care insurance to help protect everything they've worked hard to achieve makes sense.

Unlike life insurance, which pays a lump sum to your beneficiary when you die, long term care insurance provides a monthly payment that can help cover the cost of home or facility care.

To be eligible, Les or Sherry must become functionally dependent and satisfy a waiting period. Functional dependence means they require substantial assistance with two of the six Activities of Daily Living or substantial supervision because of a cognitive impairment, such as Alzheimer's disease.

Stephen explains that with some long term care coverage plans, the monthly payment that Les or Sherry receives could be equal to 0.5 per cent to 1.0 per cent of their total benefit amount. The amount varies based on where they receive their care. For example, if they purchase long term care insurance with a total benefit amount of $300,000, they could receive 0.5 per cent of that amount, or $1,500 per month, if their care is received at home. That amount could double if they require facility care, which means they could receive 1.0 per cent of the benefit amount, or $3,000 per month.

The monthly payment can be used however Les and Sherry decide, whether they're being cared for in their home or in a facility. The monthly payment does not depend on the actual cost of their care, so they don't have to report

WHAT IS LONG TERM CARE INSURANCE?

Long term care insurance helps cover the cost of home or facility care if you require substantial supervision or assistance with two of the six Activities of Daily Living, which include:

- Bathing
- Eating
- Dressing
- Toileting
- Transferring
- Maintaining continence

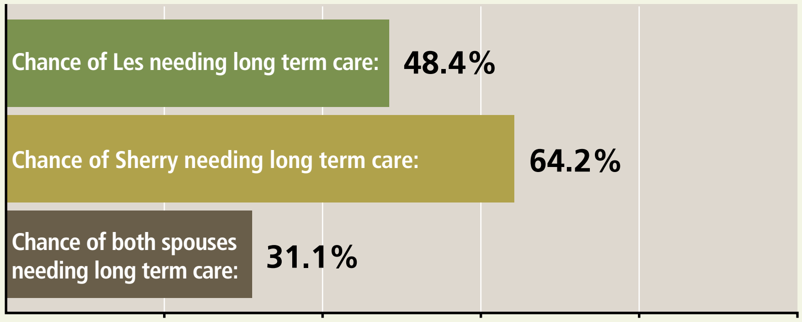
how they're spending the money. They can receive the monthly payment and use it however they want. They can even use it to pay a family member or friend who's helping to take care of them.

Now that Les and Sherry understand the concept of long term care insurance, they ask Stephen for some advice on the type of coverage they should buy. Stephen tells them about a plan that's designed specifically for couples. It offers a shared coverage option that is unique in Canada. Stephen explains that it will provide them with much more flexibility than purchasing two individual plans. It's also a more efficient solution for their long term care planning, since it's impossible to predict which spouse might require long term care at some point.

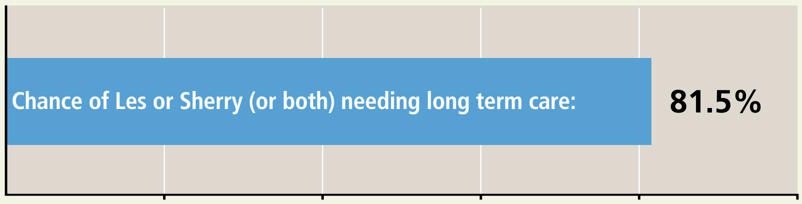
THE CHOICE IS SIMPLE: YOU CAN PAY FOR LONG TERM CARE IN THE FUTURE BY DRAWING DOWN YOUR RETIREMENT SAVINGS OR YOU CAN PURCHASE LONG TERM CARE INSURANCE NOW TO HELP COVER THE COST OF YOUR CARE.

The beauty of the shared coverage plan is that Les or Sherry could receive the benefit – or they could both receive the benefit at the same time. With two separate plans, they would be far less likely to use all the long term care benefits they purchase. Stephen shows them why.

If Les and Sherry purchase two separate long term care insurance plans:



If Les and Sherry purchase long term care insurance with shared coverage:



Figures shown are based on the probabilities of a 60-year-old male or female who hasn't needed care in the past requiring long term care in his or her remaining lifetime. Assumes no waiting period. Source: Munich Re, 2007.

Key advantages of shared coverage for Les and Sherry:

- The long term care benefit is shared by Les and Sherry; one or both of them can be eligible to receive a monthly payment to help cover the cost of their home or facility care
- While either Les or Sherry is receiving benefits, the monthly premium (for the cost of the long term care insurance coverage) is waived
- The long term care insurance coverage can be split into two individual policies[1] in the event of a divorce
- If one of them dies, the long term care coverage would simply continue for either Les or Sherry as a single policy with the remaining balance of long term care benefits; their monthly premium would also be revised

Les and Sherry decide that long term care insurance is a worthwhile investment because it helps them prepare today for what might lie ahead. They also choose a plan that offers shared coverage since it takes the guesswork out of buying long term care insurance. There's no need to figure out who is most likely to need long term care because they will both be covered. And, with shared coverage, there's a much greater chance that at least one of them will receive the benefit amount. •

[1] Revised premiums would be based on original ages and premium rates, subject to any changes in premium that have occurred for policies in force. Some conditions apply.


Thinking of launching a business?

TODAY'S SENIORPRENEURS NEED A PLAN

If you've ever considered starting up a small business later in your working life or when you retire, you're in good company. Since early 2001, the number of small enterprises run by older Canadians has risen by an impressive 35 per cent – by far the fastest growing segment in the small business sector.[1]

The reasons that motivate people to pursue their dreams are diverse, ranging from company layoffs to simply wanting to have more control over their lives. But whatever their specific inspirations may be, seniorpreneurs have unique financial needs. The fictional case study in this article demonstrates how one advisor helped his client, a seniorpreneur, with recommendations that met her banking needs and helped her decide how to invest and protect her savings.

PREPARING TO MAKE THE TRANSITION

Monica, age 56, had worked at ABC Widget Company for 22 years and held a senior position in their human resources department. She recently accepted an early retirement package of $150,000 and had savings of $350,000 in a locked-in pension plan. Monica had also put aside $120,000 in a Registered Retirement Savings Plan (RRSP) and held $50,000 in a non-registered savings account.

After accepting her retirement package, she approached Donald, her advisor, for some advice. She knew she would require about $27,000 in the coming year to supplement the income from her new business, while she is starting up. She does not require any capital to start her business.

OFFSETTING BUSINESS BANKING FEES WITH HIGHER INTEREST

Donald met with Monica and learned that, as a sole proprietor, she wanted to set up a business bank account to use for the business and to pay her salary. She also wanted to maintain a large balance to cover any unforeseen expenses.

She had already met with her local bank branch and learned that the chequing account they proposed would act like her personal account – but the fees were extraordinary. On top of a monthly maintenance charge, after a few cheques they charged for each additional cheque. Even electronic transactions from her customers would add to her fees.

Donald said he wished there were better options for small business owners like Monica, but most banks charged similar fees. He did, however, have a strategy in mind to offset those fees by opening a high interest savings account for her business.

Since Monica planned to keep a high balance to fund her living costs during slower months, and she would likely be receiving large deposits when her clients paid their invoices, he suggested the bank account could be split in two. He suggested that she take $27,000

SMALL BUSINESS FACTS[1]

- Almost 60 per cent of all small business owners in Canada consider themselves to be "lifestylers" who use their business as a means of generating income, while balancing other commitments or lifestyle choices
- Seniorpreneurs currently account for a record high one in four self-employed individuals in Canada, and constitute more than 30 per cent of the total workforce over age 55

[1] Benjamin Tal, Small Business in Canada: Trends and Prospects, 2006.

from her non-registered investments and deposit $3,000, or roughly a month's worth of income, in the low interest, high fee chequing account. With the remaining $24,000, she could open a high interest business savings account.

For daily transactions such as cheques or ABM withdrawals, she could use her regular branch account. With the savings account, she could enjoy free Internet and telephone banking to and from her operating account. There would be no monthly maintenance fees, and she would earn a competitive short-term interest rate. The interest she earned on her savings could then help to offset the business account's high monthly fees.

PROTECTING WHAT MONICA HAS BUILT

Monica also asked her advisor to review her options for her retirement assets. Donald explained that, as a sole proprietor, she faced a number of new risks. Her personal assets could be at risk from creditors, or could even be exposed to professional liability if the business did not succeed. And since she had approximately $643,000 worth of savings (after using $27,000 towards her banking solution), she needed to consider how she would both invest and protect her assets.

Donald suggested that she consider investing in a segregated fund contract offered through an insurance company. He explained that these products have similar growth potential to mutual funds, but segregated fund contracts come with features that could provide her with the potential to protect her personal savings from professional liability. As long as the investment is made through an insurance product while her business is in the planning stage, rather than when it is already in trouble, and an appropriate beneficiary designation is made, she could benefit from this type of protection.

What's more, this added peace of mind comes at a nominal cost, and she can access many of the same brand name funds and fund companies that were already managing her current mutual fund and pension fund investments. Segregated fund contracts also provide access to a wide variety of asset classes, including fixed-income, balanced and equity funds (in some cases). If market conditions change, Monica can also easily move her assets among the different fund managers and asset classes if she chooses to do so.

Donald also mentioned that with segregated fund contracts, she can still access her savings if need be,[2] and that in the future she can easily add different features and benefits, such as guaranteed income for life. Donald recommends that Monica initially invest her savings of $643,000 in a segregated fund contract that allows her to maximize the growth potential of her investments.

POSITIONED FOR ENTREPRENEURIAL SUCCESS

Monica agrees to implement Donald's solutions. She makes an appointment to meet with the banking specialist he recommended. She also likes the idea of protecting her personal assets from professional liabilities by investing in a segregated fund contract.

If you are a seniorpreneur, or are considering starting a business of your own, why not speak with your advisor? Your advisor is a trained professional who can provide you with a number of strategies that can help you manage your business and protect the savings you've already accumulated. •

[2] Fees may apply. Any withdrawals would proportionally reduce the guarantees.

TAX CORNER

Registered Savings Plans and Your Estate

WHAT YOU MAY NOT KNOW ABOUT RRSPS AND RRIFS

Most Canadians are familiar with the tax advantages of using registered savings plans to save for their retirement years. Contributions to Registered Retirement Savings Plans (RRSPs) are tax-deductible and any growth or income earned on the underlying investments inside an RRSP or Registered Retirement Income Fund (RRIF) is not taxed until withdrawn.

What may be less clear is what happens on the death of an RRSP or RRIF owner. Here are some frequently asked questions with answers to provide more clarity in an area that may not be entirely understood.

WHY AM I RECEIVING A T4RSP OR T4RIF?[1]

Under Canadian income tax laws, an individual is deemed to have disposed of his or her assets, including RRSPs and RRIFs, for their fair market value at the time of death. A T4RSP or T4RIF will be issued to indicate the fair market value of an RRSP or RRIF at the date of the owner's death.

It is the responsibility of the estate, and ultimately the estate beneficiaries, to pay income taxes on the RRSP or RRIF assets even though those assets may have been paid directly to a beneficiary named on the registered savings plan. If you are a Canadian resident, there are no taxes withheld on amounts paid out of an RRSP or RRIF on account of death.

WHAT ARE THE INCOME TAX IMPLICATIONS?

The value of the RRSP or RRIF, as indicated on the T4RSP or T4RIF slip, must be included in the owner's income for the year of death. This amount is fully taxable as regular income. However, as discussed later, there are ways to achieve a tax-free rollover of this taxable income from an RRSP or RRIF upon death.

HOW CAN THE INCOME TAX BILL ON DEATH BE REDUCED?

It is possible to minimize the RRSP or RRIF income inclusion on death if your RRSP or RRIF is left to a "qualifying beneficiary." The beneficiary of an RRSP or RRIF can be named directly on the plan or in your will. If the beneficiary is a qualifying beneficiary, it is possible to have the value of the RRSP or RRIF taxable to the beneficiary.

WHO IS A QUALIFYING BENEFICIARY?

A qualifying beneficiary includes a:

- Spouse or common-law partner
- Financially dependent infirm child or grandchild
- Financially dependent minor child or grandchild

SPOUSE OR COMMON-LAW PARTNER

If the beneficiary of the RRSP or RRIF is a spouse or common-law partner, it is possible to transfer the assets directly to that person's RRSP or RRIF as a tax-free rollover. If the surviving spouse or partner is under age 71, the RRSP or RRIF can be transferred to that survivor's RRSP; otherwise, the assets will be transferred to the survivor's RRIF or eligible annuity. The RRSP or RRIF issuer must be informed that the transfer is to take place before December 31 of the year after the year of death. Further, the actual transfer of the RRSP or RRIF must be completed in the year the survivor receives the deceased's RRSP or RRIF, or within the first 60 days of the next year.

If this occurs, the surviving spouse or common-law partner will report the value of the deceased's RRSP or RRIF on his or her tax return for the year. The surviving spouse or common-law partner will then receive an offsetting deduction

[1] Quebec residents receive another form, RL2, used to file their tax returns with Revenue Quebec.

IF THE BENEFICIARY IS A QUALIFYING BENEFICIARY, IT IS POSSIBLE TO HAVE THE VALUE OF THE RRSP OR RRIF TAXABLE TO THE BENEFICIARY.

for the qualifying transfer to his or her own RRSP or RRIF and will be taxed on any withdrawals made in the future. If the transfer does not take place during the required timeframe, the full value of the RRSP or RRIF can still be included on the surviving spouse or partner's tax return, but no offsetting tax deduction will be allowed.

In the case of a RRIF, a successor annuitant may have been named in the plan or the will. This means that the existing RRIF continues on and the surviving spouse or common-law partner simply receives the same periodic payments as the deceased had received from the RRIF. No special taxation issues arise on death when a successor annuitant is named; instead, the successor is taxed on any payments made to him or her each year from the RRIF.

FINANCIALLY DEPENDENT INFIRM CHILD OR GRANDCHILD

If an RRSP or RRIF is left to a child or grandchild who was financially dependent on the deceased taxpayer by reason of mental or physical infirmity, the value of the RRSP or RRIF is not taxed in the hands of the deceased. In this situation, the infirm child or grandchild can transfer the assets into his or her own RRSP or RRIF or purchase a life annuity.[2] The transfer must take place in the year the RRSP or RRIF is received, or within the first 60 days of the next year. If this occurs, the dependent infirm child or grandchild will only be taxed on any future income or withdrawals.

An infirm child or grandchild is considered to be financially dependent on the deceased if his or her income in the previous year was less than the basic personal amount plus the disability amount for that previous year. If the infirm child's or grandchild's income is above this amount, he or she may still qualify as financially dependent, but only if the financial dependency can be demonstrated based on the particular facts of the situation.

FINANCIALLY DEPENDENT MINOR CHILD OR GRANDCHILD

If an RRSP or RRIF is left to a minor child or grandchild who was financially dependent on the deceased, the value of the RRSP or RRIF is not taxed in the hands of the deceased. Instead, the minor child or grandchild can use the RRSP or RRIF to purchase a term certain annuity. The maximum term for the annuity is a period equal to 18 years minus the age of the minor at the time of purchase. Depending on the age of the minor child or grandchild, this may only defer tax for a short time period.

[2] The 2010 Federal Budget proposed the extension of existing RRSP rollover rules to the Registered Disability Savings Plan (RDSP) of a financially dependent infirm child or grandchild.

However, since the minor may have little or no other sources of income, this may provide the opportunity to have the income taxed at a lower tax rate than it would have been on the deceased's final tax return.

WHAT HAPPENS IF AN ADULT CHILD IS NAMED AS BENEFICIARY?

If an RRSP or RRIF is left to an adult child who is not mentally or physically infirm, there is no tax deferral available. The RRSP or RRIF will be fully taxable on the final tax return of the deceased and will be passed directly to the adult child named as beneficiary.

WHAT HAPPENS IF THE ESTATE OF THE DECEASED IS NAMED AS BENEFICIARY?

If the estate is named as beneficiary of the RRSP or RRIF, generally the fair market value of the RRSP or RRIF is included in income on the deceased's final tax return. However, where an amount is paid from an RRSP or RRIF to the estate and a person who is a qualifying beneficiary is named as beneficiary in the will, the legal representative of the estate, along with the beneficiary, may file a joint election to treat the RRSP or RRIF proceeds as being paid directly to that qualifying beneficiary. •

SPEAK WITH YOUR ADVISOR

As the tax rules on death can be complicated, you may also wish to consult your tax or legal advisor for advice tailored to your specific situation. The content of this article is for informational purposes only and in no way should be construed as tax or investment advice.

EXERCISE YOUR BRAIN! SOLUTIONS

(from page 39)

Medium

1	7	3	9	8	4	6	5	2
9	8	2	6	5	3	1	7	4
4	6	5	1	7	2	9	8	3
6	2	8	5	3	9	4	1	7
5	1	7	4	6	8	2	3	9
3	4	9	7	2	1	8	6	5
8	3	6	2	9	7	5	4	1
7	9	1	8	4	5	3	2	6
2	5	4	3	1	6	7	9	8

Puzzle by websudoku.com

Easy

8	3	2	6	5	4	9	7	1
5	9	1	2	8	7	4	6	3
7	4	6	9	1	3	2	5	8
1	7	8	4	2	6	3	9	5
9	6	4	8	3	5	7	1	2
2	5	3	7	9	1	8	4	6
6	2	7	5	4	8	1	3	9
3	8	5	1	7	9	6	2	4
4	1	9	3	6	2	5	8	7

Puzzle by websudoku.com

The lure of the south

Every year, many Canadians buy U.S. real estate and take U.S. vacations.
This year, will you be one of them?

Over the past few years, the Canadian dollar has flirted with – and even exceeded – parity with the U.S. dollar. Whether or not it reaches the magic US$1.00 mark, when our currency is strong a vacation home in Florida, Arizona or California or even a family trip south of the border becomes much more affordable.

To put today's currency conversion rates into perspective, just eight and a half years ago, on January 21, 2002, the Canadian dollar hit its lowest point in 50 years, trading at US$0.6179. Back then, something that cost US$1,000 translated into CAN$1,618.[1] You'll do much better than that today.

TIPS FOR PROPERTY BUYERS

Heightening the attraction of using a relatively strong Canadian dollar to get more for less, the U.S. economy has been battered by the global recession and, although housing prices have started to rebound in some markets, the housing crisis that precipitated much of the financial turmoil of 2008 and 2009 has left its mark. Markets such as California, Arizona and Nevada saw housing prices soar while the real estate market was booming – and then drop precipitously when the crash came. They're still struggling to recover.

And Canadians have taken notice. According to the National Association of Realtors in the United States, Canadian buyers accounted for 18 per cent – the largest share – of international real estate purchases in 2009. In 2008, the proportion was even higher, at 24 per cent. As in previous years, in 2009 Canadians tended to focus on sunny states such as Florida (35 per cent), Arizona (23 per cent) and California (10 per cent). The median price paid by Canadians for U.S. property that same year was US$205,800, and 81 per cent paid cash rather than taking out a mortgage.[2]

Looking beyond the enthusiasm, however, there are a number of factors Canadians need to consider before they leap into the U.S. housing market.

First of all, as with any investment, it's important to determine with your advisor whether buying U.S. property fits into your long-term plan. A second home is a major financial commitment and there's much more than the purchase price to consider. You'll have to pay for ongoing maintenance and repairs, utilities and insurance year-round, even if you're only living in the property for a few weeks or months. Insurance, in particular, can be a major expense in hurricane-susceptible states such as Florida and earthquake-vulnerable states such as California. Furthermore, property taxes can be significantly higher for non-residents than for U.S. residents in some locations.

In addition, there may be long-term tax consequences to consider. If the property generates rental income, you'll need to file tax returns in both the U.S. and Canada. You'll have to file tax returns in both countries when you sell the property, too, whether or not it generates rental income. At that point, you may be liable for capital gains taxes. And, after death, U.S. property may be subject to non-resident estate taxes.

This just skims the surface of the tax issues you need to consider before investing in U.S. real estate. It's critical to seek the guidance of a tax advisor with experience in this area and to carefully weigh the pros and cons.

[1] www.bankofcanada.ca

[2] National Association of Realtors, "2009 NAR Profile of International Home Buying Activity," www.realtor.org

WHETHER YOU'RE PLANNING TO EXPLORE THE SPECTACULAR NATIONAL PARKS SURROUNDING THE GRAND CANYON, THE MOUNTAINOUS PEAKS OF THE PACIFIC NORTHWEST OR THE SHOPPING MECCAS OF NEW YORK OR CHICAGO, A RELATIVELY STRONG CANADIAN DOLLAR CAN HELP YOU TAKE YOUR FAMILY FURTHER FOR LONGER.

TIPS FOR VACATIONERS

Whether you're planning to explore the spectacular national parks surrounding the Grand Canyon, the mountainous peaks of the Pacific Northwest or the shopping meccas of New York or Chicago, a relatively strong Canadian dollar can help you take your family further for longer.

You can stretch your loonies even more with these five tips:

- Visit off-season destinations – for example, Florida or Vermont in the summer
- Consider a last-minute package that includes airfare, accommodation and even car rentals
- Drive instead of flying – after all, the vast majority of Canadians live within a few hours' drive of the U.S. border
- Ask for hotel discounts, free upgrades or an extra night on the house, especially if you're staying in one place for several days
- Buy local bread, cheese and fruit and have a picnic in a park instead of yet another restaurant meal

And then, of course, there are all the opportunities to save on U.S. goods bought with a dollar that's a lot higher than it was in 2002.

Before you whip out your wallets for a major cross-border shopping splurge, however, remember that Canadian residents are only entitled to a personal exemption from duty and tax up to:

- CAN$50 if you're outside Canada for 24 hours or more
- CAN$400 if you're outside Canada for 48 hours or more
- CAN$750 if you're outside Canada for 7 days or more

Children qualify for this personal exemption, too, as long as the goods you are declaring are for the child's use. Alcohol and tobacco products may be considered part of your personal exemption, but are subject to additional restrictions. For the most up-to-date information, visit the Canadian Border Services Agency website at www.cbsa-asfc.gc.ca/menu-eng.html.

Remember, too, that it's now required for all travellers, including U.S. and Canadian citizens, to present a passport when they enter the United States by air. If you're arriving by land or water, you can use a passport, NEXUS card, Free and Secure Trade (FAST) card, enhanced driver's licence or enhanced identification card from certain provinces or a Secure Certificate of Indian Status. Up-to-date details are available at www.cbsa-asfc.gc.ca/menu-eng.html.

However and wherever in the United States you're travelling, travel emergency medical insurance is essential in case you need medical treatment while you're outside your home province. Many companies offer either single-trip plans that cover you for one vacation or multi-trip plans that cover you for several trips within one year. Make sure you keep your policy number, telephone numbers to call in an emergency and policy documents with you at all times while you are outside Canada.

Other types of insurance that can protect you from the costs of travel plans gone awry include trip cancellation and interruption insurance, baggage loss, delay and damage insurance, and flight and travel accident insurance.

Overall, our relatively strong dollar makes this a very tempting time to "buy American" – whether that means investing in U.S. real estate or indulging in a U.S. vacation. Either way, the key is to do some upfront research and ensure that your decisions fit into your long-term financial plans. •

FUN & FOOD

Exercise your brain!

Sudoku puzzles are a great daily workout for your brain. They're fun, challenging and addictive – and good for you too! Here are two Sudoku puzzles – one easy and one at a medium level of difficulty.

To solve: Enter digits from 1 to 9 in the blank spaces. Every row, every column and every 3 x 3 square must contain one of each digit. Try to do it without peeking, but if you need help the solutions are on page 35.

Easy

	3		9			6		1
5						4		3
7		9						
1	7		4	2		3		
	9	4	8		5	7	1	
		3		6	1		4	9
						1		6
3		5						4
4		6			2		8	

Puzzle by websudoku.com

Medium

	7	3	6				5	
6	8	2		5				
	9		1	7				3
	2							7
5			4		8			6
3							9	
8				6	7		4	
				4		3	2	9
	5				9	7	6	

Puzzle by websudoku.com

Fall is the perfect time of year to enjoy this recipe with some fresh apples.

Home-Baked Apple Pie

Quick pastry:

1 ½ cups sifted all-purpose flour
1 ½ tsp sugar
½ tsp salt
½ cup vegetable oil/olive oil
3 tbsp cold milk

Sift the four, sugar and salt directly in a 9 or 10 inch pie plate. Combine oil and milk in measuring cup and beat with fork until creamy. Pour over flour in pie plate. Mix with fork until flour is completely dampened. Push dough with your fingers to the bottom and sides. Flute edges using your fingers.

Apple pie filling:

Sprinkle minute tapioca in bottom of pie plate. Peel five or six apples (suggest Ida Red or Empire apples) and cut into pieces. Place apple pieces in pie plate. Mix ¾ white or brown sugar and 2 tbsp flour together, then pour over the top of the apples. Pour 4 tbsp whipping cream over the apples and sugar. Sprinkle cinnamon on the top.

Bake at 400 degrees F for 10 minutes, 350 degrees F for 50 minutes.