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Life Choices... a newsletter from Latimer Financial Services



Retirement and Tax Planning Education Funding Portfolio Review
Long Term Care Life Insurance Critical Illness and Disability Insurance

July 2010

Are you a member of the Sandwich Generation...?

Are you still financially responsible for your children while at the same time, looking after a parent? If you are, you are not alone. Statistics Canada tells us that 3 out of 4 people between the ages of 45 and 65 with unmarried children under age 25 living with them are also responsible for the care of a senior.

While it is easy to say that your parents ought to have saved on their own, for any number of reasons they might not have. Perhaps it is as simple as it "being your turn."

Everyone has to deal with day-to-day issues like paying off and maintaining a home, saving for everything from emergencies to retirement, new vehicles and some sort of reasonable lifestyle. If you are a member of the Sandwich Generation, you can add to that list: savings for your children's education while also saving for your parents' long-term care.

The additional potential pressures on your income are numerous. What are your parents' needs? Do they need home renovations to accommodate a disability or reduced mobility? Do they need things like occasional help with meals, home care or full-time nursing care/long-term care? Are you working less to accommodate additional demands on your time? Are you passing up promotions for more lucrative, yet demanding positions?

Are you on track to help your children with their education to the degree that you and they would like? Are you able to fund all the activities and sports they would like to participate in?

And are you able to juggle all of these issues while you save for retirement?

All of this may seem – and it is – a long list of "are you able to's..." but that is why planning is so essential to a successful and happy outcome!

Here are some strategies you may want to explore to help you accomplish what you need and deal with everything on your plate... because remember – this all has to do with the people you care most about: family.

First, have a conversation with your parents about their resources. Some families converse easily about financial matters but many do not. This is one of those times when a frank and open chat is invaluable, no matter how difficult it might be. But, done with sensitivity will prove you, simply, care enough to ask.



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Are your parents accessing their income in as tax-efficient a manner as possible? Have they taken advantage of all opportunities to shelter income from tax? Could they take better advantage of opportunities like Tax-Free Savings Accounts with capital from the sale of their home? Are they eligible for the Disability Amount Tax Credit? Are you eligible for the Compassionate Care Benefit from Employment Insurance? Has any thought been given to how the family cottage will be passed on to the next generation? Do your parents have Wills and Powers of Attorney? Do you? Who would care for your parents' welfare if you were unable to?

Long list? Read further...

Second, regarding your children's education, have you taken full advantage of the Canada Education Savings Grant (CESG)? Are you taking advantage of the Children's Fitness Amount? Finally, think about you: Do you know what your own retirement picture looks like? Have you had a proper analysis done to determine how much you will need to save to accomplish what you need and want? What other pressures exist that might hamper your efforts and how will you deal with them?

Talk to your family – all of them – and have a conversation with your financial advisor about these issues and the strategies available to address them.

Life's embarrassing moments...

One of life's embarrassing moments for a financial advisor comes when a client reminds him or her of something that the advisor should first have brought to the client's attention.

I had one of those embarrassing moments this week when a client kindly suggested that the Universal Life insurance policy he and his wife own, and which I arranged for them, could be used to transfer wealth to their children. Not only that, but the transfer would result in transferring that wealth to the children so that it could continue to grow without incurring taxation prior to their death, and at the same time, avoiding taxes on their death.

What was originally designed to replace income taxes paid on RRSP/RRIF values at the second death can also be used to protect non-RRSP funds from taxation – prior to and at death.

In an effort to avoid future embarrassing moments on this subject, we include this true tale here!

Want to hear more?

Hugh's Corner

The world is in a mess...?

All of us no doubt recall that the markets tumbled following the revelation that there were a lot of really bad mortgages in place – mortgages that too many homeowners were experiencing some great difficulty with.

It turned out that most of those mortgages should never have been put in place.

Regardless of whether the homeowners were misled, ignorant, lied to, or cajoled what I found abhorrent was the unfettered and absolutely disgusting greed of those who were behind, firstly, the mortgages themselves and secondly, the packaging of those mortgages into what can only be described as highly toxic, dishonest, thieving mortgage pools.

I got curious and with the help of others, found three books that are worth reading. I suggest them because in order to steer clear of problems, it is always useful to know what really went wrong. And having stomached the knowledge of what



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went wrong, we can then be sufficiently well informed to stay clear of the “evil-doers” and know how to identify those who are legitimately attempting to deliver a service to their customers and clients.

As the saying goes: “Knowledge is power.” And knowledge can also keep us solvent.

The three books I have in mind are:

- Freefall by Joseph E. Stiglitz
- How Markets Fail by John Cassidy
- The Big Short by Michael Lewis

I warn you...I found Freefall and How Markets Fail tough reads – not being an economist. (I have to admit that I did not get to the end of Freefall – but I got the message nonetheless).

The Big Short is probably the easiest to read while almost more horrifying than the other two books, mainly because Lewis adds a touch of humor to what is otherwise a sad story.

None of this is intended to scare you in any way! Instead, I think the more we know, the more we come to understand that the world, while seemingly in a pickle at the moment, will come through it's current problems in due course and we will end up changed but changed for the better. There is a strong, bright light at the end of that there tunnel!

And by the way, we're awfully lucky to be living in Canada – if I knew how to insert a waving Canadian flag here, I would!

Our phone number is (204) 942-6895

