Helkie Financial

THE NEWSLETTER OF MONEY MANAGEMENT AND FINANCIAL PLANNING IDEAS

Planning Ahead

Helkie FINANCIAL & INSURANCE SERVICES INC.

Jim Helkie, CFP, CHS, CSA
Investment Representative

Lee Helkie, CFP, CLU, CDFA
Investment Representative

Helkie Financial & Insurance Services Inc.
602 - 2005 Sheppard Ave. E.
Toronto, ON M2J 5B4
Telephone: (416) 756-8672
Fax: (416) 492-1764
E-mail: info@helkiefinancial.com
Internet: www.helkiefinancial.com

QUADRUS

Quadrus Investment Services Ltd.

Insurance products, including segregated fund policies are offered through Helkie Financial and Insurance Services Inc., and Jim Helkie and Lee Helkie offer mutual funds through Quadrus Investment Services Ltd.

FOCUS ON INSURANCE

What's your worst-case scenario?

There's a bestselling book called the *Worst-Case Scenario Survival Handbook*. It's a (mostly) light-hearted look at how to cope with extreme situations like getting out of quicksand or escaping from killer bees.

While you're not likely to find yourself needing to know how to wrestle an alligator (we hope!), it's a useful exercise to consider how your family would cope with a variety of real-world worst-case scenarios.

• **Death of a breadwinner.** In addition to the emotional anguish, will your family be financially able to cope with the lost income? Who would pay for the mortgage, investment loans, credit cards, and other liabilities? What about money for the kids' education?

• **Death of a stay-at-home parent.** The death of the family's caregiver brings its own dreadful trauma to the survivors. While there may not be an income to replace, the financial impact of replacing that person's many roles can be devastating. And if the surviving spouse travels or does shift work, the cost of retaining childcare and domestic services could be onerous.

• **Life-threatening illness or disability within the family.** If you were to become ill or disabled, not only would you be unable to earn an income, you might have to contend with medical expenses that aren't covered by provincial healthcare programs.

We earnestly hope that your family never has to face any of these situations. However, insurance can provide a safety net that takes the financial sting out of just about any worst-case scenario. Talk to us to learn more. ■

MUTUAL FUNDS

Profiting from pipelines

Laid end to end, there are enough natural gas and liquids pipelines in Canada to circle the earth 2.5 times.[1] That's an impressive statistic that helps explain why crude oil, natural gas, and the pipelines that carry them are expected to contribute $130 billion to Canada's GDP over the next 30 years.[1] And that doesn't even include the potential growth from the major pipeline projects currently in development.

The Keystone pipeline, for example, will stretch almost 2,700 km from central Alberta to the Gulf of Mexico if completed. The Keystone XL portion would provide an exit route that could facilitate a doubling of the Alberta oil sands' current production.[2]

So while pipelines might be a hot potato politically and environmentally, they're also a potentially rich investment offering for mutual fund investors.

Super natural resources

In a recent poll, 87% of respondents said that oil and gas development are vitally important to the Canadian economy, while 53% ranked the sector as the most important.[1] That attitude is a reflection of just how robust this sector is.

Canadian crude oil output is projected to rise to 4.9 million barrels per day by 2020, up significantly from the 3.2 million produced in 2012.[1]

On the natural gas side, new technologies are on the cusp of giving Canadian companies the ability to unlock previously inaccessible gases (including ethane, propane, and butane) trapped in shale rock formations. Called "fracking," it has been a contentious issue for environmentalists, but that hasn't stopped its use. Quite the contrary: In the U.S., the use of these techniques has sparked a 32% increase in ethane production since 2008.[3]

Piping-hot opportunities

As new stores of oil and gas come online and global demand for energy climbs, pipelines play a key role. Moving all of that oil and gas to buyers across Canada, the U.S., and as far away as China is key to the industry's long-term profitability.

Pipelines, and their satellite industries, also contribute to the Canadian economy in ways you might not realize. The industry employs some 25,000 workers. The majority of those jobs are in Alberta, Ontario, and Saskatchewan, but 29% are spread across the rest of the country.[1]

Carrying increasing volumes of oil and gas doesn't just boost the coffers of the pipeline companies. Significant benefits can be expected in ancillary industries, as well. Companies that produce oil and gas will benefit from enhanced access to domestic and international markets. Refineries, petrochemical plants, and distribution companies also stand to benefit.

Resourceful investing

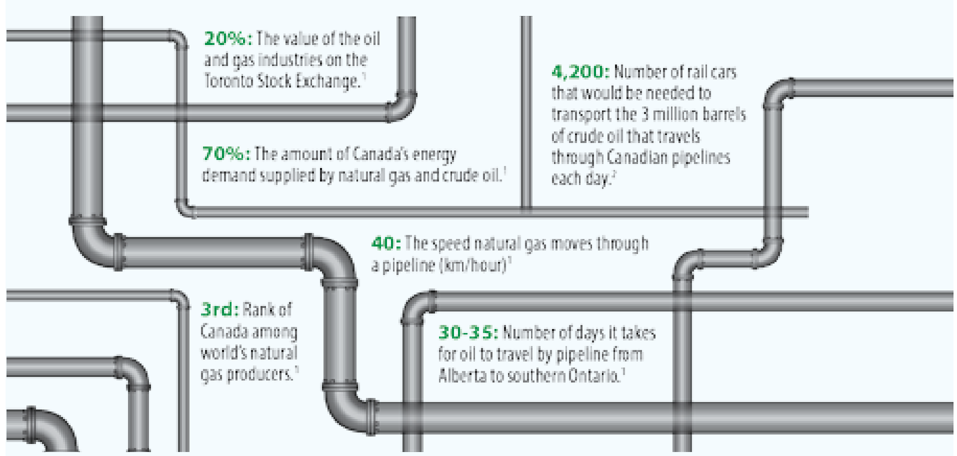
For retail investors, resource-based mutual funds provide a convenient way to access the resource sector. Fund choices range from broad-based Canadian equity and balanced funds that have modest exposure to the sector, to those that focus exclusively on the energy sector and natural resources.

If you're interested in this exciting sector, we can help you sift through the available funds to find solutions that are right for your portfolio. ■

1 Canadian Energy Pipeline Association (cepa.com).
2 The Guardian, "Keystone XL oil pipeline — everything you need to know," Jan. 31, 2014.
3 Government of Canada, National Energy Board, "Canadian Energy Dynamics 2013 — Energy Market Assessment."

Saturating our economy with potential

Just how vital are the oil and gas sectors to the Canadian economy? As you can see, they are very vital indeed.



1 Canadian Association of Petroleum Producers, Basic Statistics (capp.ca)
2 Canadian Energy Pipeline Association (cepa.com)

EDUCATION PLANNING

Attention parents of surly teens!

If you have a Registered Education Savings Plan (RESP) or are thinking of opening one and your child is turning 15, 16, or 17 this year, there are some steps we may need to take to ensure your plan qualifies to receive the Canada Education Savings Grant (CESG).

In the year they turn 16 and 17, kids are eligible for the CESG only if:

1. Their RESPs have received at least $2,000 in contributions before they turned 15 (this refers to the calendar year in which they turn 15, not the actual birthdate) OR,

2. Their RESPs received at least $100 in contributions in any four years before the year they turned 15.

Note that your plan does not have to meet both requirements, only one. That said, if any portion of those minimum contributions was withdrawn from the account, they lose their CESG eligibility.

In other words, if you wait until your child is 16 or 17 with the intention of opening a kind of "last-minute" RESP, the plan won't be eligible for any grant money. Otherwise, as long as you've been contributing regularly, you should be okay.

Please note that these special rules apply only to eligibility for the Canada Education Savings Grant. They do not apply, for example, to RESP holders in Quebec who qualify for the Quebec Education Savings Incentive (QESI).

If you have not yet started an RESP and you have a teen turning 15 this year, be sure to contact us soon. Your plan can still qualify for the CESG as long as you open it and contribute before the end of the year. ■

TAX PLANNING

Selected for review?! Don't panic

Each year, the Canada Revenue Agency (CRA) flags selected tax returns for extra scrutiny, in part to ensure compliance but also to educate taxpayers in areas prone to mistakes. You can be randomly selected whether your return is submitted on paper, electronically, or through a professional tax preparation service or accountant.

So if you receive a letter indicating your income tax return has been "selected for review," stay calm. It's not the same as an audit. It just means your tax return has been flagged for a more thorough investigation.

Being selected for review could lead to an audit, but as long as you can support your claims with proper documentation, you probably don't have anything to worry about. Even if you knowingly completed your tax return incorrectly, the Voluntary Disclosures Program enables you to come clean, correct your return, and not face legal consequences.

To see a list of the most common tax return mistakes (and those most likely to lead to an adjustment), visit cra-arc.gc.ca and search for "common adjustments."

If you're preparing for a review or audit and have questions about your investment income or any related tax slips, give us a call. For tax-planning advice specific to your situation, please call on a qualified tax advisor. ■

SMALL BUSINESS

Succession planning: What are you most afraid of?

According to the Canadian Federation of Independent Business, more than 65% of Canadian business owners plan to exit their businesses within the next eight years. Yet only 9% of them have a formal, written succession plan and 51% have no plan at all.[1] Yikes!

Failing to plan = planning to fail

Whether you own a "bricks and mortar" business or are an independent professional, such as a doctor, lawyer, accountant, or consultant, a succession plan is essential for the well-being of you, your family, and your business. An effective succession plan can help secure your financial future, allow for a smooth transition of your assets to your family and business partners, and reduce your tax burden.

What's holding you back?

If you're looking to retire by selling, transferring, or otherwise winding down your business in the next 10 or 15 years, and you don't have a plan in place, the question is, why not. Are you afraid of instigating family conflict? That the business will fail? That you haven't taken it as far as you had hoped?

Or perhaps you're simply reluctant to admit that one day you will need to exit your business. After all, the hands-on tenacity of its owner is often a key factor in a business's success. But that same quest for control can actually hamper your business if it's holding you back from creating a succession plan.

Three key steps

We can help you start the planning process with these three key questions:

1.Who will take over the business?
Do you hope to sell your business, transition it to a key employee, or hand it down to a family member? Perhaps you're planning to close it rather than sell it.

2. What happens if…?
By investigating a few if/then scenarios, we can mitigate the financial strain that can happen when things don't go according to plan. For example, what if you change your mind about who will take over? What if your business starts losing money? What if you are the key employee and the owner dies before you take over?

3. Where will the money come from?
Life insurance often plays a key role in succession planning. It can provide a guaranteed, cost-effective source of cash to fund a buy-sell agreement, minimize taxes on death, and ensure an inheritance if there are family members who will not be taking over the business. It can also provide a safety net should something catastrophic happen in the interim, such as the premature death of your business partner.

Ultimately, a truly comprehensive business succession plan should be enacted with the guidance of an advisory team, including your tax, legal, trust, and accounting specialists. We would be pleased to work with your other advisors to help you with this important transition.

1 Canadian Federation of Independent Business, "Passing on the Business to the Next Generation," November 2012.

STRATEGIC PLANNING

A different kind of convertible

Term life insurance is usually purchased to cover specific needs and, once inplace, may not be top of mind again until the policy nears the end of its term. But you could be short-changing yourself with this kind of "set it, and forget it" approach.

Your needs may change over time

If you have term insurance, chances are you bought it to cover debts, such as a mortgage or investment loan, and protect your young family from financial hardship in the event of your death. It may have been the most economical protection you could afford.

As the policy approaches maturity, you typically have the option to renew the term, purchase a different term, or convert to a permanent policy. But in most cases, you don't have to wait until the policy runs out in order to convert. Many term policies allow you to renew or convert at any time before the end of the term.

The benefits of acting early

One of the key benefits to converting is that you may be able to do so without having to prove your insurability. This would be especially beneficial if you've been ill or otherwise suspect your premiums could rise.

Of course, whether or not to convert your policy depends on what you bought it to protect and what you need it to do now. We can help you make the best decision relative to your current situation and your current needs.

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