Numekevor & Associates Inc.
NewsForum

July 2004

MinuteMan Press
A New Challenge

From salesman to press operator, print franchise owner, Rustum Fataar has done it all at MinuteMan Press. Learning the printing industry from the ground up, South African born Rustum Fataar and his wife of 25 years, Suraiya, enjoyed the change that came with purchasing this 2600 sq. foot printing franchise in Cambridge nine years ago. But the transition from candy manufacturer and owner in Cape Town South Africa was not an easy one for either of them.

Rustum looks in command behind the reception desk at MinuteMan on Sheldon Drive in Cambridge, though printing was not his first profession - nor his first choice. Marine engineer by trade, and confectioner by heart, Rustum started his professional life as a marine engineer. But looking for a change and wanting to be self-employed, Rustum made a transition from his position as marine engineer to candy manufacturer when he went into business with his wife's brothers. The transition was a sensible one given his wife's family business was rooted in the production of hard candy. Their business produces 8-10 tons of candy every eight hours. (His brothers-in-law still run the business today in his home town of Cape Town.) No need to worry about cavities though when you have a sister that doubles as a dentist!

In 1993, wanting yet another change, Rustum and his wife decided to immigrate to Canada. After three weeks in Canada, Rustum, through sheer hard work and determination, landed a job as plant manager with a gum manufacturer in Richmond Hill. Having been accepted into Canada as a confectioner, this new position was essential to allow him and wife Suraiya to begin the settlement process. Though immigrants typically face a long period of adjustment and unemployment in their new country, Rustum's climb to economic security was thankfully much quicker than most. However, this South African couple are quick to point out that they faced many of the same challenges other immigrants face. Language was one barrier they needed to overcome; though they speak English, they say that South African English is much different than Canadian English. South African English, Rustum explains, is closer to British English with a Dutch accent! The subtle differences that arise in English colloquial can make for some awkward moments in business communication, though Rustum finds humor in it. By far the biggest challenge, however, in moving to Canada is the network of friends and family that are left behind. To this day, the Fataars are working on building a network of friends around them.

Quickly learning that the safest route to economic security in Canada would be to invest in their own business, Rustum decided to put his money in the printing industry. So after nine months with Concord Confections, he and Suraiya, joined the MinuteMan family of franchisees. After only three weeks of very intensive hands-on training, the Fataars opened their doors to the public. And they have never looked back.

For all your varied printing needs, visit MinuteMan Press at 101 Sheldon Drive in Cambridge. A full service print shop, Rustum will take your print job from design to mail distribution.

Their two sons, 22 year old Mujeeb and his soon to be high school graduate brother, Zayd, are following in their parent's first love! Eldest son Mujeeb has started Muzaic Candy, a candy distribution company here in Cambridge, having finishing his degree in Finance and Economics at the University of Guelph. Zayd, will join him in the business when he completes his business degree at Conestoga.

When not working, this close knit family of four loves to do everything together. They love the water and swimming, but they also enjoy taking family vacations to Florida and the Carribean.

When asked if he had any words of wisdom to impart to new business owners, Rustum's response was simple: work hard. Surprisingly, Rustum adds that it is those with deep pockets who fold up in business because they don't do what is needed to grow the business successfully. And what is that? Marketing, lots of cold-calling, and most importantly, word of mouth. Rustum emphasizes that he is very grateful to his loyal and growing client base. His gratitude is obvious as he thanks the people he says look beyond his immigrant status to the quality work he provides his community on a daily basis.

Pam Lucier, Final Draft Publications

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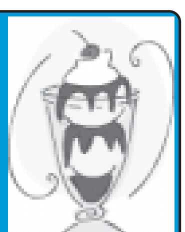


Our Clients' Side

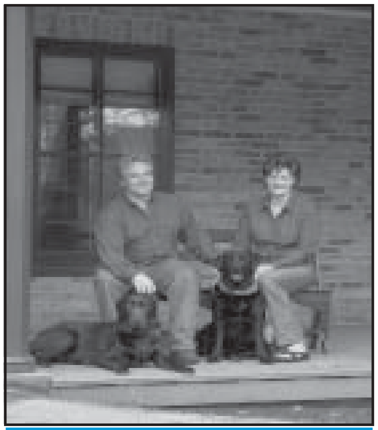
A New Generation of Security

Vicky Rutherford is the President of a third generation family business, Rutherford Controls Int'l Corp. (RCI), in Cambridge. Vicky and her sister, Tracy, sit at the helm of RCI with business partners, David Hall and Mark Rozad. How did RCI, which started as a small retail hardware store in the 1920s in Galt, grow into an international leader of electronic locking systems? And who exactly is the woman behind this international success? Vicky shares her story:

We all "grew up" in the business so to speak, as we were all quite young when we joined. My grandfather owned a small hardware store in downtown Galt in the 1920s, and my father took the reins from him in the 1960s, changing the direction of the company by becoming a manufacturer's representative in the architectural hardware industry. My sister and I joined the business in the 1980s, when the security industry was really starting to take off. Then, in 1990, we opened a US office and Tracey moved to Virginia to get that operation rolling. She still works from our US location and lives in Virginia Beach.

At first I felt an obligation to follow in the footsteps of my father and my grandfather. There was a strong pull there, although I never felt pressured to join the business. I was working in the veterinary field at the time and though I loved what I did, I was looking for more of a challenge. The family business intrigued me as the Security industry was (and still is) such a new and emerging market. My father insisted that we learn the business from the ground up. For me, this meant starting in the warehouse, getting my hands dirty. I learned the products by assembling them, testing them, packaging and shipping them. I took orders, placed orders with vendors, handled tech support calls, worked in shipping and receiving, made courier deliveries and so on.

"My father insisted that we learn the business from the ground up"



Brent and Vicky with their Labrador Retrievers, Hanna and Lance

During my time in the marketing department, we created a whole new "RCI" image – supported by a mission to become the "easiest company to do business with." Although the business has completely changed, "exceeding the expectations of our customers" is still the primary focus.

The business climate and the industry were changing and the company had to change as well, so my father retired, allowing a new generation of Rutherfords to take the company into its new stage of growth.

Though my current position as President of RCI can be very stressful, I try not to let stress build up. I practice Yoga, which helps me slow things down and takes my mind off work. I get regular massages and chiropractic adjustments. I eat healthy foods and I have fabulous, supportive friends, who I can share a good laugh with regularly. I think one of the keys to dealing with stress is being able to maintain a good sense of humour in life, learning to laugh at ourselves and - when we make a mistake – learning to forgive ourselves.

I work hard during the week, but I make a point of staying away from the office on weekends. This is my time to step back, take a break and rejuvenate my mind and spirit. My husband, Brent, works on Saturdays (he owns and operates Eldon Gallery in Waterloo) and I rarely make plans on this day. I really like not having a schedule to follow on Saturdays. I might take the dogs for a long walk, go to the market, or just hang around the house and putter, listen to music, or read. Saturdays are "my" day and I selfishly protect this time. Stress cramps creative thinking, which is so important to me. During my weekday, when I am trying to deal with a particularly difficult challenge, I may just get out of the office and go for a drive. Sometimes I might spend some time in a building supply store, where there are so many possibilities. Although I don't do it enough, getting way from the office helps me to reconnect with my "creative" side. Creative ideas come to most people when they are driving, in the shower, etc., (not while they are at the office, where there are so many distractions). So, when I am experiencing a "mental block," I'll just get away for a while and ideas and solutions will often come to me.

When away from the office, I like to watch the way the forest changes with the seasons. Right now the snow has finally disappeared and the strong, earthy smell of spring renewal is in the air. Soon the Trilliums will be popping up and everything will start to come alive. I love this place. It feels peaceful and "real." When I've been away at a trade show (in Las Vegas, for example), where I've seen nothing but the inside of big hotels and convention centres, I look forward to my walks in the woods. In a world that sometimes feels completely out of control and commercialized, the woods are a safe, quiet, predictable escape where I can relax my mind. I also like to garden. Digging in the dirt, planting something and watching it grow into something beautiful can be fantastic therapy for stress.

My other stress releaser when I am away from the office is my family. Brent and I have two young Labrador Retrievers, "Hanna" and "Lance" and a black cat, named "Nelly." We've never gone out looking for any of our pets. They seemed to find us when they needed a home. Pets have always been a big part of my life. I grew up on a farm. Among other feathered and furry friends, we had horses, dogs and cats. I loved spending time with them. We can learn a lot from animals. They have the ability to love unconditionally. They never judge you and they always forgive you – no matter what. They are incredibly loyal creatures and their main objective in life is to have fun. I like that.

RRSP/RRIF Distribution at Death
Who gets hit with the tax tab?

By Sue Ellis

Tax generally becomes payable on the value of a **R**egistered **R**etirement **S**avings **P**lan (RRSP) or **R**egistered **R**etirement **I**ncome **F**und (RRIF) at the time the owner (or "annuitant") of the plan dies. However, a number of wrinkles may impose that tax in surprising ways – surprising, at least, to the deceased's beneficiaries and the unwary advisor.

The following provides a quick refresher on the basic rules and their interaction. An RRSP or RRIF contract may name a beneficiary to receive the property in the plan upon the annuitant's death. Where there is no named beneficiary, those funds will be paid to the deceased's estate to be distributed under the terms of the will or applicable intestacy rules. In either case, the plan issuer is not required to withhold tax on the distribution from the plan (unless the recipient is not a Canadian resident).

At the death of an RRSP or RRIF annuitant, the full fair market value of the property in the plan is generally included in the deceased's terminal return. Exceptions exist only where the plan proceeds are flowed through to a spouse or common-law partner or to a financially dependent child or grandchild (usually as a "refund of premiums" under an RRSP, or as a "designated benefit" from a RRIF). The interaction of these rules can create some interesting results. Take, for example, funds paid directly to the beneficiary named in an RRSP or RRIF contract. Where the beneficiary is a spouse, common-law partner, or dependent child or grandchild, the tax liability essentially follows the flow of funds: the beneficiary receives the proceeds and will be taxed on them (unless, of course, a rollover is available). However, if the contract designates someone else as beneficiary, that person receives the full proceeds from the plan, while the estate faces the related tax liability.

The Income Tax Act addresses this problem by making the recipient of RRSP or RRIF benefits jointly and severally liable for the amount of tax imposed on the plan proceeds in the deceased annuitant's terminal return. Changing circumstances will often create unexpected problems under these rules. Say, for example, that David designated his spouse, Katherine, as beneficiary of his RRSP. He and Katherine divorce and he marries Sondra several years later. When he dies, his RRSP is worth $150,000. Due to oversight, Katherine remains the designated beneficiary of the RRSP and will receive the full value of the plan, free of tax. David's estate (and, indirectly, his beneficiary Sondra) must pay the tax on the $150,000 income inclusion from the residue of his estate. If the estate **does not have** sufficient funds to pay the liability, the tax cannot even be recovered from Katherine under the Income Tax Act.

If the RRSP has matured, and the spouse is named as beneficiary under the RRSP contract, the annuity payments simply become payable to the surviving spouse. There is no income inclusion to the deceased, other than for annuity payments he/she received while alive. If the plan hasn't matured, then technically the value of the plan is reported in the deceased's income, but a corresponding amount can be deducted as a "refund of premiums," leaving the deceased with nil net income. That refund of premiums is in turn included in the surviving spouse's income, but he or she can claim a deduction for the amount rolled into his or her own RRSP (leaving the survivor with nil net income also). This is all pretty complicated, so the CRA allows a direct transfer to the surviving spouse's RRSP if the spouse is the sole beneficiary under the contract.

The CRA has published two documents to help lead people through this process:
RC4177 - Death of RRSP Annuitant http://www.ccra-adrc.gc.ca/E/pub/tg/rc4177/README.html

RC4178 - Death of RRIF Annuitant http://www.ccra-adrc.gc.ca/E/pub/tg/rc4178/README.html

Reprinted from an article that appeared in the March 2004 issue of FORUM magazine with permission from the Financial Advisors Association of Canada (Advocis) and adapted for this newsletter.

Health Clinic
New Guidlines
for the treatment of Diabetes

In the 1990s, the focus of diabetes care began to stress tight control of blood sugar in order to prevent or delay the onset of some of the major complications of diabetes, including eye, kidney and nerve damage. The Canadian Diabetes Association 2003 Clinical Practice Guidelines for the Prevention and Management of Diabetes in Canada now recognizes that diabetes must be diagnosed earlier and treated more aggressively.

Promoting better control
The 2003 guidelines are significant for many reasons. First, the age at which people are considered "at risk" for developing type II diabetes has been lowered from 45 to 40 years of age. This encompasses 2.5 million Canadians and will promote earlier diagnosis. Secondly, the majority of diabetics will not die from diabetes. Eighty per cent (80%) of diabetics die of cardiovascular disease (i.e., heart attack or stroke). The new guidelines not only promote better control of blood sugar, but also better control of hypertension (high blood pressure) and cholesterol levels. Recognition of diabetes as a cardiovascular disease will help prevent many of the cardiovascular complications of diabetes. The new guide-lines also reaffirm the importance of managing obesity in the diabetic population. For example, the anti-obesity drug Xenical(r) was approved by Health Canada for the treatment of type II diabetes in 2002.

For more information please visit: *www.diabetes.ca.*
Sources: www.diabetes.ca. Canadian Diabetes Association, "2003 Clinical Practice Guidelines for the Prevention and Management of Diabetes in Canada", Canadian Journal of Diabetes, December 2003, Volume 27, Supplement 2.

President's Corner

When the Will Isn't the Way

The last issue of Newsforum discussed some estate planning problems that may occur as they were presented in an archived issue of the Advisor's Edge. This issue we bring you part two of When the Will Isn't the Way.

Solution #1

Hold property jointly.

Any property jointly held with another person passes on death to the surviving joint tenant. Probate is temporarily deferred until the surviving joint tenant dies. Join tenancy applies to a broad range of property including investments, real estate and other personal property such as art and cars. If a person chooses to create join tenancies, they must be prepared to give up a significant degree of control over the ongoing management and ultimate disposition of the property. Clients will need the consent of their join tenants to do anything of significance. And whenever property is transferred into a joint tenancy a disposition occurs for income tax purposes. An income tax liability will arise to the extent of any taxable gain on the disposition.

Solution #2

Consider making gifts now

The fewer assets a person owns, the more there is to fight about, and the less there is in probate fees. But there is another benefit. Children in their 30s for example, will get more value from the gift now-when they really need the assets-than when they are say, 55 and established. Of course if the person decides on this strategy, s/he need to make adequate provisions for living to age 90, 100 and beyond, considering any special medical or home care needs that may arise. Also look at any immediate tax costs of the gifts. Just like the creation of a joint tenancy, a gift of property is treated as a disposition for income tax purposes.

Solution #3

Include beneficiaries

Certain types of property will pass at death to a named beneficiary outside the estate. Life insurance policies, annuities, RRSPs, Registered Retirement Income If there is no named beneficiary, the asset will form part of the estate and be subject to probate. And even better, if the appropriate beneficiaries are named, the assets will be protected from attacks by deceased's creditors.

Solution #4

Set up a living trust

A properly drafted and funded living trust keeps ones affairs totally confidential and, if structured properly, can provide for complete retention of control, creditor proofing and unlimited flexibility insofar as who gets what, when, and how much. Types of living trusts" include discretionary family trusts, alter-ego trusts and joint-partner trusts. Discretionary family trusts are typically established by parents for the benefit of subsequent generations. Parents are able to place assets in trusts for the benefit of their issue while still retaining control and flexibility. Assets within the trust are protected from claims by potential creditors (including ex-spouses) of the beneficiaries. On the death, the trust continues and the property held within the trust is not the subject to probate, public disclosure, or attack under traditional will challenges. Joint-partner and alter-ego trusts are essential estate bypass vehicles. They allow an individual or spouse (including common-law spouses) to transfer property into a trust. Upon the death of the individual (in the case of an alter-ego trust) or the last to die of the spouses (in the case of a joint-partner trust), the property can be transferred to appointed beneficiaries without having to go through the probate process. A key qualifying criteria, however, is that the individual (in the case of an alter-ego trust) or at least the spouses (in the case of a joint joint-partner trust) must be at least 65 years of age in order to use this type of trust.

These living strategies are not without their own challenges, which is why you need to consult an estate planner who will spend time developing a combination of solutions that are right for you.

About the Company

Need help through the insurance planning maze? We at Numekevor & Associates can help your company through business succession planning, disability and health risk management, creative group benefit plan design, and individual estate creation and preservation ideas. **We can be reached at 519 621-4422; 1-800-964-8797; email@numassoc.com, or check out our website www.numassoc.com**

About the newsletter

This newsletter belongs to our clients. We at Numekevor & Associates hope that **NewsForum** will foster an opportunity for discussion which will enrich your business and family lives. Publication dates are January 1 and July 1. We welcome submissions from our readers in the form of original articles, photos, or original artwork. Submission deadlines are the last week of November and the last week of May. Submissions may be typewritten, supplied on disk (saved as a RTF file, please), sent via E-mail to numassoc@golden.net, sent via Canada Post, or sent to the office at 193 Pinebush Rd. Suite 200, Cambridge, Ontario, N1R 7H8. We reserve the right to edit articles for length and clarity.

The Rotary Four Way Test

Of the things we think, say or do:

First-Is it the TRUTH?
Second-Is it FAIR to all concerned?
Third-Will it build GOODWILL and BETTER FRIENDSHIPS
Fourth- Will it be BENEFICIAL to all concerned?

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