



NewsForum

Numekevor & Associates Inc.

Health Disaster Relief Programs for Business Owners

The HDRP Specialists

HealthDisasterRelief.com

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Sharpening Your Axe (part two)

Choosing the Right Dental Care Plan Maximums

Employers have now become so accustomed to the annual “per the insured” and “professional maximums” that they dare attempt to tinker with them. Consequently, their benefit costs are being driven by unnecessary usage charges resulting from increased insurance company pricing.

Insurance company prices are based on the assumption that each insured member of the plan could potentially use the available maximums—even though in reality this is rarely the case.

Dental Care

Until just over a decade ago, the annual dental maximum was \$1,500 per insured person in the family for basic and preventative procedures. So, for the average Canadian family of four, the potential liability for the benefit plan is \$6,000 and the premiums are reflective of that expectation.

Our experience, however, is that the average dental claim per family is typically less than \$500 per year. This is because we design a dental plan that helps employees have more control over usage than other health services. Employees are more careful about how many times to visit the dentist as well as the number of scaling units for recalls.

According to *Buck Consultants 2011 Canadian Health Care Trend Survey Results*, Alberta and Newfoundland having the highest expected cost increases, both exceeding 11 per cent. Conversely, in Ontario and the other provinces they are between seven and nine per cent. The survey results noted that “Utilization of dental services has leveled off over the last two years after seeing sharp increases in 2008 and 2009”.

Even though today the typical maximum is \$1,000 per insured person, the cost or premium has been rising because it does not address the fundamental problem of

potential total family usage.

Solution

In view of the survey results it would make sense to simply introduce a family maximum. Since the average per family dental claim is actually about \$500, consider topping it off at \$1,500 or \$2,000 per family instead of \$1,000 per person.

The main advantage of this strategy is that it provides better incentive to the family to manage usage. This is because the per family allocation or “budget” encourages the family to be more judicious about using the dental benefit.



Another advantage is that a family member with more serious dental problems is able to use up to the allocated amount rather than being limited to the \$1,000 individual

maximum. The point is to offer positive, employee-friendly ways to manage benefit cost rather than negative cost-shifting ones.

These are employee-friendly benefits because the inefficiencies they’re uncovering within the plan do not impact members materially. In addition, these changes bring significant cost savings. It is recommended that employers consider self-insured or an administrative services only (ASO) funding vehicle for the group plan, otherwise the savings will accrue to the insurance company.

In the next issue, I will be discussing choosing the right professional services maximum. Have great winter and if possible take a break away from the cold!

Our Client's Side

EDA, Cambridge's NEWEST Dance Studio

Still in its inaugural year of business and Element Dance Arts (EDA) is off to an incredible start!

Studio owner Michele Smith along with sister and studio manager Stephanie Mortimer have had their hands full



since the end of August 2011 when EDA had their official Grand Opening with workshops with *So You Think You Can Dance Canada* finalist, Everett Smith. Since then the studio has grown to over 150 students ranging in age from just 2 ½ to adult.

Element Dance Arts offers a variety of classes for all ages and abilities

with classes for beginner to advanced students in both recreational and competitive programs. Classes are offered in a variety of genres including ballet, jazz, tap, hiphop, acro, tumbling, lyrical, contemporary, GLEE, Zumba, yoga and conditioning.

Whether you want to dance once a week, or have aspirations of becoming a professional dancer, EDA has classes suitable for everyone. Element Dance Arts offers a unique adult dance experience for those wishing to return to dance or for those taking class for the first time. Participation in all adult classes is on a drop-in basis, which means no long-term commitments.

As the competitive dance season approaches, the faculty at EDA is working hard to provide quality, creative choreography and education for students. Students experience an encouraging, fun-loving and versatile dance experience in a family friendly environment.

Located in a new, state-of-the-art building at 1600 Industrial Road, the EDA facility boasts three spacious studios with sprung dance floors for injury prevention, large mirrored walls, high ceilings and impressive sound systems. Both male and female change rooms are provided, as well as a kitchenette, homework area and parental viewing lounge overlooking the studios from the second floor.

The staff at Element Dance Arts believe every dancer should have a strong technical background, and also feel it is important to foster a love for dance by building a fun, and enjoyable atmosphere in the classroom. Their hope is to bring joy and inspiration to every dancer who walks through the doors.

Michele and Stephanie are the daughters of Cheryl Mortimer of Cambridge Heat Treating.

Health Clinic

The Ten-Minute Workplace Health Break

*Christiana B. Ashabo, Therapist
ICADC, ACRPS*

With the advent of technology that keeps us working anywhere, everywhere, and at any time we live in an increasingly stress-oriented society, particularly in the workplace. The same technology that was developed to help us work more efficiently and make our lives easier has resulted in lack of attention to the connection of body, mind and spirit.

Face-to-face conversation is becoming less common in the workplace. More and more of our interactions are through email—even when the parties are in the same room. As a result of our productivity oriented lifestyle, many of us are suffering from stress-related health problems.

Stress-related health problems are caused by failure to maintain the balance of body, mind and spirit. Taking a break from work—even for ten minutes—is an effective way to reduce stress and improve your overall health. Ironically, many of us avoid “health breaks” so as to not waste time that could be spent working. Taking a ten minute break to attend to your health often leads to improvements in vitality and clarity of mind, which results in increased productivity at work.

Here are some simple, yet effective, ten-minute health breaks for your workday:

Breathe

We can go for days without food, but can only last a few minutes without breathing. Deep breathing releases stress and keeps us grounded and focused. At least once during the workday take a few minutes to sit alone, relax fully, and breathe deeply and slowly. After a week you'll be absolutely amazed at how much more relaxed and stress-free you feel.

Break for Lunch

What we eat and how we eat affects our mood, heart rate, and brain. Avoid eating on-the-run or grabbing a bite of the nearest fast food. Make every meal sacred. Even ten minutes of calm, peaceful eating will energize you and reduce stress levels. Relax, forget about work, and enjoy your food; both your physical and mental health will improve.

Stretch

When you start feeling particularly tired at work, take a few minutes to stretch. Stretching has many benefits including making you feel more energized. Stretching also enhances muscle coordination and improves joint flexibility. You will feel more nimble and vital, and you will reduce the tension and strain that can creep up on you at the office.

Remember, despite your busy schedule at work, at least once a day give yourself a “health break”. You will be amazed at the difference it will make to your feelings of stress, and your overall health.

Rethinking RRSPs (part 3)

Conventional Wisdom

Small business owners may be better off paying themselves enough dividends each year to fund current consumption and retaining any surplus funds inside the corporation where they would be invested in a diversified portfolio.

This strategy generally makes sense where pre-salary/bonus corporate taxable income is subject to the small business tax rate. The basic premise is that the amount the owner-manager would have contributed to an RRSP is instead left inside the company and invested in the same manner as an RRSP. At retirement, instead of withdrawing funds from an RRSP or a registered retirement income fund (RRIF) to live on, the business owner would sell corporately held investments and extract the after-tax proceeds as a non-eligible dividend.

Taxation of investment income in a private corporation

When surplus funds are invested in a diversified portfolio inside the corporation, the invested capital may generate interest income, Canadian dividends and/or capital gains.

Interest income is fully taxed each year, whereas Canadian dividends from portfolio investments are taxed in the year they are received. Only 50 per cent of capital gains are taxed and only when they are realized. The after-tax corporate investment income (including the 50 per cent taxable portion of capital gains) can then be paid to the business owner as a taxable dividend and taxed at his or her personal dividend rate. The 50 per cent non-taxable portion of realized capital gains can be paid out to the Canadian resident business owner as a tax-free capital dividend.

It's important to note that interest income, dividend income and capital gains are not taxed at the favourable small business tax rate; rather, they are taxed at much higher corporate tax rates. Fortunately, a portion of the corporate tax paid on this income is refundable to the corporation when it pays out a taxable dividend to the shareholder.

Consequently, in most provinces, the total tax paid on investment income earned (and capital gains realized) in a private corporation is only slightly higher than if the investment income was earned (and capital gains were realized) by the small business owner personally. Again, this is the theory of integration at work.

When comparing investing in a corporation with investing in the tax-sheltered environment of an RRSP, one would have thought that the RRSP would significantly outperform

the unsheltered environment because income tax is not paid immediately on investment returns, leaving more capital to be reinvested. However, it is important to remember that one loses the traditional advantages associated with earning capital gains (taxable at 50 per cent) or Canadian portfolio dividends (eligible for the dividend tax credit) when this type of investment income is earned inside an RRSP. When earned inside a corporation, these tax advantages are preserved.

Life insurance as investment income shelter

To further maximize the benefit of retained corporate investment income, a business owner may consider using corporate-owned life insurance to shelter investment income from tax. Corporate-retained earnings invested in an insurance contract could generate enhanced returns. Investments that would have been exposed to tax, in particular highly taxed fixed income investments, can accumulate within the policy on a tax-free basis. Upon the death of the shareholder, it may be possible to extract some or all of the value of the life insurance proceeds from the company through tax-free capital dividends. Further, the insurance contract could also provide a form of creditor protection that is not available through conventional investments.

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A long, long time ago . . .

those with money had plates made of pewter. Food with high acid content caused lead from the pewter to leach into food causing lead poisoning and death. This happened most often with tomatoes, so for the next 400 years or so, tomatoes were considered poisonous.

Sometimes people obtained pork which made them feel quite special. When visitors came over, they would hang up their bacon to show off. It was a sign of wealth that a man could, "bring home the bacon." When guests arrived they would cut off a little to share so they would all sit around chewing the fat.



Bread was divided according to status. Workers got the burnt bottom of the loaf, the family got the middle, and guests got the top, or the upper crust.

Volunteering for development in Ghana

I could not have been happier when our daughter decided, on her own, to volunteer in my native country, Ghana. This Canadian nature of helping underprivileged countries has changed her life forever. She is currently doing her masters in International Public Policy at the Balsillie School of International Affairs, Wilfrid Laurier University, Waterloo. Here is her story. Lordy

In December 2010 I earned my undergraduate degree in Public Affairs and Policy Management. Even though my concentration was on Development and African Studies, up to that point I had never engaged in any development or volunteer work abroad.

There is only so much that can be learned from text books and the media which is why I think it is crucial for everyone to venture outside of their community to experience a different part of the world, particularly someone in the field of development studies like me.

Since Africa had been my main area of concentration during my studies and Ghana is where my roots are, I decided I would complete my volunteer work in Ghana. With the support of several sponsors I was able to make this dream a reality and made the trip in February of 2011.

My first placement, coordinated by the volunteer group **International Volunteer Headquarters**, was at Good Sheppard International School and Orphanage in a small town called Ofaankor a couple of hours outside the capital city, Accra.

While there I assisted in teaching English to junior high students, teaching information communication technology to all grades, and providing child care to a small group of students living in the nearby orphanage. When students in Canada require learning assistance they are readily accommodated, that is not often the case in these settings and it is volunteers like myself who fill this gap in the school.

My second placement was an internship in the city of Accra

with **CARE Ghana**, a regional branch of the prominent non-governmental and humanitarian organization. This assignment provided insight into the administrative processes involved in delivering development programs. While there I learned from development specialists about the way established NGOs such as **CARE** operate and gained valuable experience by helping to modify administrative processes to more efficiently deliver development programs.



Throughout my volunteer journey I was able to make an impact on lives as I shared material objects such books and clothes, and intangibles such as care, knowledge and experience. In turn my life was enriched by the contributions I made through my work. These people shared their own knowledge and experiences with me and I was obligated to realize what I take for granted in my own life. Furthermore, my experience solidified my future plans for development work, specifically in Ghana.

During my trip, I could see that I was making a difference in people's lives. Anyone else can do the same, by donating clothes, school items, money or time anyone can contribute to development work; there are plenty of opportunities for volunteering abroad and within the local community.

Next time you're planning a vacation to your favorite tourist hot spot consider doing something different and use part of your time to volunteer for a development organization in Africa, South America or any number of places overseas. The opportunities, and the needs, are endless!!

I am forever grateful to the following companies and individuals who sponsored my trip: *Qualified Financial Services, Cambridge Heat Treating, Peter Hay Knife, R. G. Custom Manufacturing, Elite Bending, Tracy Rutherford, Barry Scott, Dr. Kirwood Achiume, Desmond Radlein, Julian Radlein, Christiana Ashabo, Mercy Amegah, Dr. George Ansah, Ade Salawu, Felicia Ayayee, Anella Dawkins, Yvonne and Dainah Ramsay, and of course my father, Lordy Numekevor.*

About the company. We've focused on small business owners and executives since 1988. Founded by Lordy Morgan Numekevor, Numekevor & Associates is one of Canada's leading corporate insurance advisory organizations. We are the innovators of Health Disaster Relief Programs (HDRPs), combining comprehensive benefit and insurance programs to give you, the business owner, the peace of mind you're after. Contact Numekevor & Associates Inc., 88 Robson Avenue, Cambridge, Ontario, N1T 1L2, Tel: 519-621-4422; Fax: 519-621-1466; hdrp@numekevor.com; www.numekevor.com. **About the newsletter.** This newsletter belongs to our clients. Publication dates are January and July with deadlines in November and May. Submissions of original articles, photos or artwork are welcome. For guidelines contact us at 519-621-4422 or email hdrp@numekevor.com. We reserve the right to edit articles for length and clarity.