NewsForum
Numekevor & Associates Inc.
Health Disaster Relief Programs for Business Owners
The HDRP Specialists HealthDisasterRelief.com July 2012

Cost-cutting mistakes employers make (part three)

Choosing professional services maximums

Professional or paramedical services

Recent years have seen an increase in professional service benefits usage so that now, these kinds of services are catching up to drug benefits usage. According to Buck Consultants *2010 Canadian Health Care Trend Survey*, drugs are the fastest-climbing expense, with an expected increase of 15.8 per cent in 2010 and paramedical services right behind at 13.5 per cent.

Several reasons account for the increased usage including consumers seeking alternative-care benefits like acupuncture or dieting. Another is service providers offering promotions encouraging customers to use benefits coverage like a rebate or offering free merchandise when the insured service is purchased.

There are also promotions targeting specific potential customers, such as advertising massage therapy to factory employees. Another major contributing factor is provincial plans continue to download services to private plans.

There are about 12 eligible professional service providers including among others chiropractor, physiotherapist, massage therapist, psychologist, acupuncturist, and dietician. Until just over a decade ago the annual paramedical maximum was $500 per practitioner, a potential liability of $6,000 per insured family member, and $24,000 for the entire family of four.

The solution/recommendation

Like dental care, the way to manage the increased usage is to implement a combined group maximum per family. Our experience has been that a $1,000 combined group maximum is reasonable. This is win-win to both the employer and plan member. While the employer now has limited exposure, the plan member has gained the flexibility to use the amount on his or her preferred practitioner. The downside is it could result in higher usage because of the opportunity to use the higher amount on preferred practitioners. To minimize this it is recommended that you set per visit maximum typically at about $50.

The point is for employers to consider using more employee-friendly ways to manage benefit costs rather than the more common cost-shifting ones. What makes these benefit structures employee friendly is that they uncover inefficiencies within plans that do not negatively impact members materially.

In addition, these changes come with significant cost savings. That is why we recommend that employers consider self-insured or administrative services only (ASO) funding vehicles for the group plan. Otherwise the savings will accrue to the insured plan carrier.

Our experience has been that when you provide incentives within the plan to plan members, they become cost conscious and help the employer manage the cost of the plan. This is the difference between the old benefit plan (rotary dial phone) and the new benefit plan (smartphone).

Learn more at *www.the10yearstrategy.ca*.

In the next issue, I will discuss whether it is cost effective to insure vision care.

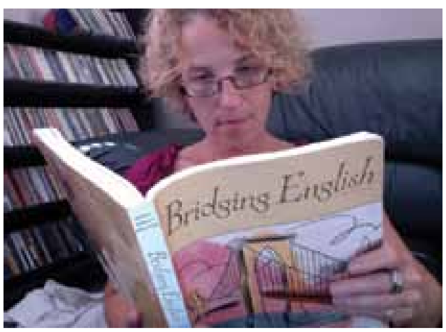
Our Client's Side

Life-long learning and teaching go hand in hand

by Hélène Beaulieu

In August 2011, I packed my belongings, loaded them into the back of a 10-foot UHaul, took the wheel and put the truck on the road to northwestern Ontario. It was part of a mid-life journey that was designed to bring me to the career I had been pursuing for years. I was on my way to the Bachelor of Education program at Lakehead University in Thunder Bay, Ontario, fulfilling my desire to become a qualified teacher.

When I was young, it was thought that education was something you started as a child and finished in your teens. It had a clear beginning and a definitive end and when you were done you emerged as a fully formed adult. Personally, I have always believed that learning should never end and that a "you can't teach an old dog new tricks" mentality is just wrong. Old dogs learn new tricks all the time.



In this case, though, I really was a mother hen among the young peeps. I was not, however, the only one, and while the majority of my student peers were younger than me, many were returning to school as mature students. And it was great to be with a group of people who, despite the generation gap, share the same commitment I have to life-long learning.

For me, education has, indeed, been a life-long endeavor. In fact, this wasn't the first time I had packed up my life to reach an educational goal. In 1992 I had done exactly the same thing moving from Ottawa to Toronto where I earned my undergraduate degree at York University.

Nowadays, attaining a high school diploma is the minimum expectation for everyone. Not only that, it is presumed that most teen graduates will require some sort of post-secondary education or training to find any employment. And as companies come to realize that an educated workforce is an innovative workforce, more individuals are upgrading their skills to meet the rising expectations of their employers.

They are also doing it for themselves, for the social and intellectual rewards that come from being in a learning environment.

In September 2012, Hélène will begin teaching English and writing courses at Conestoga College in Kitchener.

Health Clinic

Superfoods:

Chlorella and Spirulina

by Mike Adams, the Consumer Wellness Research Center

The most exciting nutritional discovery on Earth? Maybe.

Chlorella and spirulina are the most astounding food sources on the planet. And while many people have heard of them, most don't really know the details of what makes these two of the best food sources on the planet.

For example, did you know that, ounce per ounce, spirulina contains twelve times the digestible protein of beef? It's a far better protein than beef, and contains a much healthier mineral balance (such as magnesium) that just isn't found in beef.

Did you know that a phytochemical found in chlorella can actually rebuild nerve damage in the brain and nervous system? That's why chlorella is being used in the recovery of patients with Alzheimer's and Parkinson's disease.

Were you aware that both chlorella and spirulina can actually reverse cancer in the human body? Both of these superfoods have been clinically shown to demonstrate stunning preventive and curative properties when it comes to all sorts of cancers.

And finally, did you know that these superfoods also contain a high content of essential fatty acids such as GLA that are routinely missing from the diets of most North Americans and yet are critical for healthy brain function?

Chlorella and spirulina are available from your local natural health food outlet in powder and pill form.

From http://www.chlorellafactor.com

Rethinking RRSPs
(final installment)

In determining whether a surplus investment strategy — rather than a salary/RRSP maximization approach — is appropriate for a business owner, there are certain factors to consider. These include eligibility for the lifetime capital gains exemption and creditor protection.

Lifetime capital gains exemption (LCGE)

Another consideration when making investments through a small business corporation is to ensure that the investments do not inadvertently disqualify the owner from claiming the $750,000 LCGE upon a sale of qualified small business corporation (QSBC) shares (or, ultimately, upon a deemed disposition at death).

Simply stated, QSBC shares are shares of a Canadian-controlled private corporation in which uall or substantially all" (90 per cent or more) of the value of the corporation's assets is used in an active business at the date of sale (or death), or consist of debt or shares of other SBCs. In addition, either you or someone related to you has to have owned the shares for at least two years prior to their disposition, and during that two-year period more than 50 per cent of the corporation's assets had to have been used in an active business.

Investing surplus cash in the corporation may jeopardize its QSBC status because of the accumulation of investments that do not meet the asset tests outlined above. It should be possible to restore a corporation's QSBC status by extracting non-active assets through a process known as "purification."

There are a number of ways to purify the company — some are simple, while others are more complex. Simple strategies can include regularly distributing non-active assets (as dividends, capital dividends or return of capital); paying down debts with non-active assets; purchasing additional active business assets or pre-paying business expenses; or paying a retiring allowance. More complex strategies often involve paying tax-free inter-corporate dividends from the operating company (the active business) to a connected company, or transferring non-active assets or assets with accrued gains to a sister company on a tax-free basis, thus purifying the operating company.

Creditor protection

In addition to the significant deferral of tax on earnings and gains realized within an RRSP, RRSPs can also provide business owners with an effective method of creditor protection. The federal bankruptcy laws were amended a number of years ago to provide that RRSPs and RRIFs are protected from creditors upon bankruptcy, excluding contributions made within the final 12 months prior to bankruptcy.

Investments held inside a corporation are without the benefit of creditor protection and therefore shouldn't be held in an operating company, but rather in a holding company or sister company, as discussed in the purification strategy earlier.

Jamie Golombek, CA, CPA, CFP, CLU, TEP, is managing director, tax & estate planning, with CIBC Private Wealth Management in Toronto. He can be reached at Jamie.Golombek@cibc.com. For a full copy of this study, including the results of a detailed example, please visit cibc.com. This article has been adapted for NewsForum.

A long, long time ago . . .

Lead cups were used to drink ale or whisky. The combination would sometimes knock the imbibers out for a couple of days. Someone walking along the road would take them for dead and prepare them for burial. They were laid out on the kitchen table for a couple of days and the family would gather around and eat and drink and wait and see if they would wake up. Hence the custom of holding a wake.

England is old and small and after a while folks started running out of places to bury people. So, they began reusing graves. But when digging up the coffins to take out the bones, they found 1 out of 25 coffins had scratch marks on the inside. They had been burying people alive!

As a safety measure they would tie a string to the wrist of the deceased that was attached to a bell above ground. Someone would then sit in the graveyard all night (the graveyard shift) to listen for the bell; thus, someone could be, saved by the bell.

President's Corner

Is my current lifestyle really taking away from my retirement?

Conventional retirement planning has taught us to believe that our current lifestyle is the main reason we fail to save enough for retirement.

It would be hard to argue against the fact that we need to incur certain expenses such as buying a house and a car, and paying for our children's post-secondary education. Is it really true, however, that these expenditures deprive us of a comfortable retirement lifestyle?

One of the major flaws in the conventional planning strategy is that it assumes people can only increase their wealth or savings by sacrificing their current lifestyle.

Consequently, by far the most common strategy used in conventional planning to increase one's retirement savings is to go on a financial diet and find investments with higher returns. But, as we learned from the devastating effects of the 2008 financial market crash, focusing on increasing wealth by trying to get higher returns is not always the most efficient strategy.

It is the equivalent of trying to fill a bucket with holes in it simply by pouring in more water.

There is a new retirement planning strategy in town that raises doubts about the efficacy of the conventional retirement planning model. This strategy capitalizes on our natural inclination to plug the holes in our savings bucket by harvesting and harnessing all the monies that we transfer or give away to financial institutions unknowingly and unnecessarily when we fail to plug the holes in our bucket.

How is the hole plugged? It is done by tapping into an alternative savings source called, transferred money (TM). Almost everyone has some TM, commonly in the form of income taxes paid, and interest paid on debt. It also includes the interest those payments would have earned if they had stayed in your bank account. Often this money is unknowingly and unnecessarily transferred to financial institutions with purchases, especially on big ticket items like a house or car.

Consider a family making $100,000 a year and is able to save $5,000 of that. Let's assume by selecting investments with higher risks they are able to increase their rate of return by two per cent, or $100 in a year. In today's world, that is barely enough to buy a tank of gas!

On the other hand, if they can reduce their expenses by two per cent by identifying money they are unwittingly transferring away, they would save an additional $1,900 in a year. That is the equivalent of increasing their rate of return on their savings by an incredible 38 per cent—ABSOLUTELY RISK FREE!

This strategy seeks to prove that it is not a higher rate of return that puts more money in your pocket. Instead, it is plugging the leaks (wealth transfers) in your financial plan that guarantees more money for your retirement years.

It is not all about how much you make. It is more important how much you keep.

It is a road less travelled, and it works!

Next time I will talk about how recovered TM can be put into a private reserve (bank) account to create an increasing pool of money with uninterrupted compounding for retirement.

Have a great summer.

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.