



# NewsForum

Numekevor & Associates Inc.

Health Disaster Relief Programs for Business Owners

The HDRP Specialists

HealthDisasterRelief.com

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*Insure your retirement income for life, really?*

## **Get it before it's gone forever!!**

*Here is some retirement planning advice:*

If you had purchased \$1,000 of Nortel stock one year ago, it would now be worth \$49.00. With Enron, you would have had \$16.50 of the original \$1,000. With WorldCom, you would have had less than \$5.00 left. If you had purchased \$1,000 of Delta Airlines stock, you would have \$49.00 left.

But if you had purchased \$1,000 worth of wine one year ago, drunk all the wine, then returned all the bottles for recycling, you would have had \$214.00.

Based on this data, the best current investment advice is to drink heavily and recycle.

Sometimes a light-hearted introduction can help bring home the message of a serious matter such as this. The fact is, a majority of Canadians start running out of retirement money by the time they reach their late seventies. In view of high life expectancy rates, this is much too soon to suffer an income crisis.

The three forces that create this condition are inflation, financial market risk, and government-mandated withdrawal percentages.

Most retired Canadians think their retirement investments are shielded from the vagaries of the financial market. In fact, the market meltdown of 2008 forced many knowledgeable professionals back to work after their incomes were devastated.

In the years since the 2008 crash, we have experienced a persistently low interest environment. Subsequently, insurance companies have begun protecting themselves



Photo: <http://www.heavy.com/news/2012/09/wasted-mice-prove-binge-drinking-causes-panic-attacks/>

by shedding products that provide real protection for Canadian consumers. Sadly, consumer-friendly products are being replaced by those that put greater risk onto the purchaser. One of the products on the endangered species list is the Guaranteed Minimum Withdrawal Benefit (GMWB).

### **How does GMWB work?**

Emotionally based investment decisions are the worst decisions an investor can make. Also, repeatedly opening and closing new investor contracts as markets go up and down is expensive for investors.

The GMWB product was introduced in Canada in 2006 to combat this constant "in and out" of the market. It was designed to give investors the confidence to invest in any **market regardless of price fluctuations and get positive outcomes.**

A GMWB has two accounts: the main investment, and a shadow account that pays a five per cent bonus on the main. The shadow account pays investors to stay invested during down years. As long the savings remain untouched, a five per cent bonus is earned on your principal and its growth.

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The bonus ensures future growth because every three years the gains in your actual investment account are locked-in, or “reset,” so down years do not roll back the gains.

**Are you saving or creating income?**

Traditionally we have been told to save, save, save. And whether through mutual funds, GICs or through a GMWB, the reason to accumulate savings is to turn them into an income stream in our retirement years.

The GMWB account shows you the income it will provide in the future. You can see with certainty what your retirement will look like--guaranteed--without having to rely on the success or failure of the stock markets to provide that vision.

One popular disclaimer on mutual funds is that past performance will not guarantee future returns. With a GMWB, gains are automatically locked-in (reset) every three years and the 5% bonus is based on this locked-in amount.

Most financial advisors encourage you to “save, save, save” without being able to guarantee your portfolio at retirement. A GMWB tells you exactly how much you will receive for life, whether you live to 80, 90, or even 100 years old. It is guaranteed!

Currently, only two Canadian companies offer a GMWB product that is worth investing in. The following chart illustrates the projected rate of when \$100,000 is converted from RRSP to RRIF income at age seventy-two.

As the government-mandated minimum is withdrawn, the account value diminishes accordingly. Your GMWB income, however, is based on the original \$100,000.

<b>INSURE your Retirement Income (RRIF) for LIFE</b>					
Age	Market value	RRIF min %	RRIF	Company A	Company B
72	\$100,000	0.0748	\$7,480	\$4,600	\$4,250
73	\$92,520	0.0759	\$7,022	\$4,600	\$4,250
74	\$85,498	0.0771	\$6,592	\$4,600	\$4,250
75	\$78,906	0.0785	\$6,194	\$4,600	\$5,000
76	\$72,712	0.0799	\$5,810	\$4,600	\$5,000
77	\$66,902	0.0815	\$5,453	\$4,600	\$5,000
78	\$61,450	0.0833	\$5,119	\$4,600	\$5,000
*79	\$56,331	0.0853	\$4,805	\$4,600	\$5,000
80	\$51,526	0.0875	\$4,509	\$4,600	\$5,000
81	\$47,017	0.0899	\$4,227	\$4,600	\$5,000
82	\$42,790	0.0927	\$3,967	\$4,600	\$5,000
83	\$38,824	0.0958	\$3,719	\$4,600	\$5,000
84	\$35,104	0.0993	\$3,486	\$4,600	\$5,000
*GMWB kicks in		Chart adapted courtesy of Canadalife			

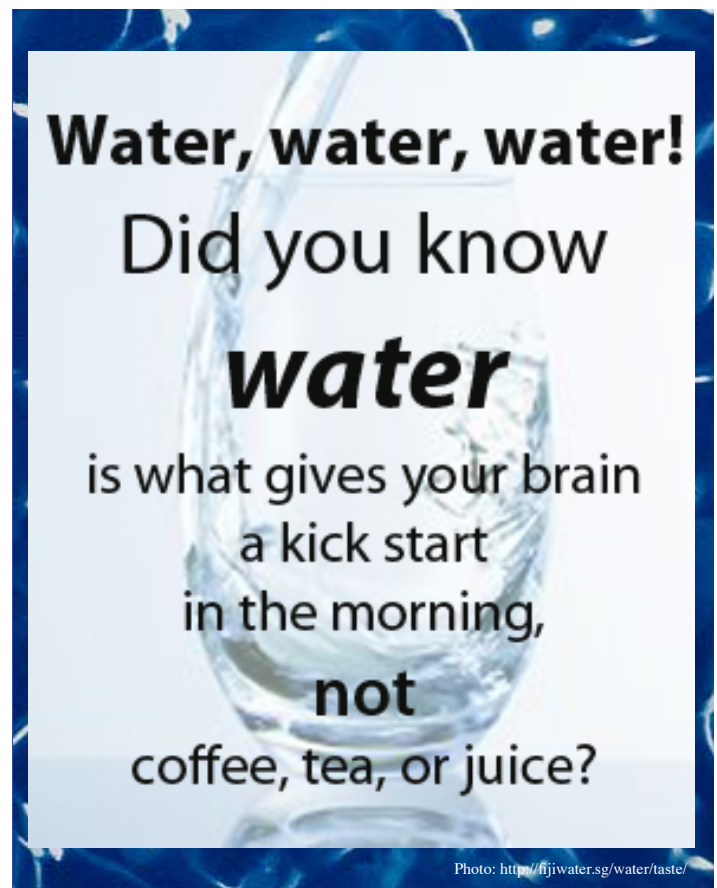
**GMWB is your personal pension, guaranteed for life: no “Ifs” and no “Buts”**

It is the only retirement income plan that gives you the luxury of being aggressive on investments while receiving retirement income, because bottomline income is guaranteed.

Feature	Mutual Funds	GMWB
Market value guaranteed	No	75% at maturity; 100% upon death
Creditor protected in bankruptcy	Not usually	Yes
Ability to lock in interest gains	No	Yes, every 3 years
Free from probate fees	No	Yes
Growth guarantee if principal untouched	No	Yes 5% guaranteed per year
Ability to participate in both local and world wide markets	Yes	Yes
Guaranteed to provide income for life	No	Yes
Lump sum death benefit	No	Yes

At Numekevor and Associates we have been delivering assurance products to Canadian businesses and families since 1988. Give us a call today at 519-621-4422 or email lordy@numekevor.com.

*Adapted with content from www.gmwb.ca.*



# Understanding the Coordination of Benefits

This is the last of three excerpts from the article, “A Guide to the Co-Ordination of Benefits” by the Canadian Life and Health Insurance Association (CLHIA). To prevent duplication or double payment for the same claim, co-ordination of benefits guidelines were created detailing how insurance companies coordinate a claim payment when it can be submitted to more than one group health or dental plan.

## Retiree coverage

A retiree plan will always pay second after any group plan that covers the same individual as an active full-time or part-time employee.

EXAMPLE: A retired individual has a part-time job with benefits and also has retiree coverage with a previous employer. Therefore, the plan the individual has with his or her part-time employer pays first. The retiree plan pays second.

If an individual has retiree coverage with more than one plan, the plan that has been in effect the longest pays first.

EXAMPLE: An individual has two retiree plans: Plan one member since January 3, 1992; Plan two member since September 2, 2001.

Therefore, Plan one pays first; the more recently purchased retiree plan pays second.

## With both individual and group coverage

If a person has individual coverage (i.e., they have purchased a plan on their own outside of any group coverage), as well as coverage under a group health or dental plan, the group health or dental plan may pay first. Be sure to review the provisions in your policy.

## How do plans calculate benefits?

The plan that pays first will calculate benefits as though duplicate coverage does not exist. In other words, it will process the claim as it would any other claim. The plan that pays second calculates benefits for each individual item on the claim, based on the lowest of:

- The amount that would have been payable had it been the first plan, or
- 100% of the eligible expenses minus the benefits paid by the first plan.

The combined payment from all plans cannot exceed 100% of the eligible medical or dental expenses. In some cases, the combined payment from all plans may be less than what you have paid out of your pocket. Some plans limit the number of visits per year to a health/dental practitioner (e.g., once per nine months) and some plans have an annual dollar maximum. In these cases, when a plan (first and/or second) pays out and benefit for the visit, it will count as a visit and towards any maximums under both plans.

## Special Rules

You should be aware that there are circumstances where

this guide does not apply:

- Auto insurance—provincial legislation determines whether coverage available under automobile insurance is first or second payer to coverage under group health/dental plans
- Out-of-Country/Province Health Care Expenses—other rules have been developed to coordinate benefits when more than one plan covers these emergencies.
- Workers Compensation—check to see what legislation exists in your province of residence if you are making a claim due to an automobile accident or a work-related injury or accident.

## Smart answer

A truck driver was driving along a city street and noticed a sign that read:

“Low Bridge Ahead”

Before he knew it, the bridge was right in front of him and his truck became wedged under it. Cars were backed up for miles.



Finally a police car arrived at the scene. The officer got out of his car and walked up to the truck driver.

Putting his hands on his hips he said, “Got stuck, eh?”

“Nope,” said the driver, “I was delivering this bridge when I ran out of gas.”

# A sad “good-bye” and a welcome “hello”



On October 27, 2013 we lost our very capable, experienced, and well-loved group benefits consultant, Sylvia Connor of Milestone Benefit Strategies. Sylvia's sense of humor and gifted way of expressing herself made everyone love her. Her passing from cancer was so fast that we could not even find time to take a breath.

Sylvia dealt with our largest and most complex group benefit accounts. She was very analytical and preferred the title Technical Consultant. Sylvia attended the surprise 25th Anniversary dinner as her affable self with her usual good nature. Unbeknownst to everyone present, and maybe even her, it was the last time we would see her alive. She will forever be missed.



Today, I am delighted to introduce our new benefits consultant, Geoff Hewick. Geoff has specialized in the group insurance industry since graduating from university 20 years ago. His varied roles with insurance carriers, consulting firms, and group managing general agencies have provided

Geoff with an incomparable perspective for his clients.

Geoff's extensive experience in sales, marketing, account management, and business development of group insurance products with a primary focus on mid to large employer markets is invaluable to our operations. His work in union benefit negotiations, cost containment alternatives, alternative funding arrangements and claims/cost control initiatives provide on-going value.

Geoff's emphasis is on client advocacy and providing clarity, transparency and trust to the process of acquiring and managing a benefit plan. His motto, “Do the right thing every time!” he says, is an extension of the way he lives and the way he has always done business.

We are very excited to bring Geoff's experience and expertise to work for you.



## Set for life?

During our working life, we trade our *health* for our *wealth* and *taxes*. During retirement, we trade our *wealth* for our *health* and *taxes*. Does your financial security plan give you the assurance that you will have the wealth or income to spend on your health and taxes without the fear of running out of money?



**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.