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# Perspective



## Corporate Class Structure – Is it Right for You?

This time of year, many Canadians are focusing on their ability to earn tax deductions and shelter investments from tax through registered plans like RRSPs. However, annual contribution limits restrict the amount that can be invested in these type of accounts. In fact, approximately seventy per cent of all financial wealth in Canada is in taxable non-registered investments\*, which means that many investors are not earning tax advantages.

Investors want to keep their profit without giving up close to half in taxation. Investors also want to manage the risk of an investment portfolio without worrying about tax on every investment decision. To address these concerns, many investors are choosing Corporate Class investments. Corporate Class funds are special investment structures that allow multiple funds to be administered within a single tax-efficient "umbrella". The corporate classes, or corporate funds, form a single corporation and because of this unique arrangement, the corporate classes offer investors various tax advantages over the traditional type of mutual funds.

### How Do Corporate Class Funds Work?

Corporate Class funds are designed for non-registered investments either held personally or inside a corporation. These funds allow an investor to switch from one fund to another within the Corporate Class structure without triggering immediate tax consequences. The switches occur on a tax-deferred rollover basis resulting in capital gains (or losses) not being realized at the time of the switch. The capital gains (or losses) are deferred until the investment is eventually redeemed.

### Benefits of Corporate Class Funds

- Defer taxes when rebalancing or changing from different asset classes within the Corporate Class structure (i.e. moving from equities to fixed income or even to cash)

- Switch between different management styles during market cycles without triggering tax
- Typically receive tax-efficient capital gains dividends and ordinary dividends from Canadian sources, rather than interest income which is taxed at nearly twice the rate of capital gains
- Actively decide when to use capital gain or losses

An additional advantage to Corporate Class investments is the ability to maximize your cash flow on an after tax basis. When you are ready to start using your non-registered investments you may have the ability to draw just your invested capital first which is not taxable and defer the growth and tax as long as possible. This is not possible with a traditional stock and bond portfolio.

Corporate Class investment structures are ideal for investors who are high income earners and have maximized their RRSP contributions or realize they will stay in a high tax bracket in retirement. Investors with limited RRSP room due to pension plans and investors with larger non-registered investment portfolios are also excellent investors for these simple yet very effective structures.

If your savings don't fit into your RRSP or TFSA (tax free savings account) or if you are expecting to receive a large lump sum from a retirement allowance, inheritance, home downsizing or sale of a business, you should consider this investment option.

Contact your Arca advisor to discuss how Corporate Class Funds can help you build wealth outside your registered accounts.

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# Manulife Securities

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## Do You Have One?

Preparing a will is not something most Canadians look forward to. Yet there are many good reasons why you shouldn't procrastinate in getting your will prepared.

Having a will helps facilitate the administration of your estate and can help you save taxes. A will communicates your intentions and can allow you – not the government – to determine how your assets will be distributed upon your death.

If you don't have a will or your will is determined to be invalid, you will be deemed to have died intestate. In this case, ultimately the court will appoint someone to administer and distribute your estate according to the provincial intestacy laws, regardless of what your wishes are.

It is generally recommended that you have your will prepared by an experienced lawyer. Here's a list of steps to consider prior to meeting with your lawyer.

1. Make a list of your assets. Include all your assets such as your home, car, cottage, business interests, life insurance and investments. You'll need to review the ownership of these assets to determine if you own them solely or jointly. For life insurance or registered plans, such as RRSPs or RRIFs, you'll need to know who is named as the beneficiary.
2. Consider how your estate will be divided and who will get what.
3. Choose an administrator (executor) of your estate. This person should be trustworthy and willing and able to assume such a responsibility. It is also a good idea to name an alternative executor in case the first one is unable or unwilling to do the job.
4. Decide who you want to take care of your children should you and your spouse pass away.
5. Set out any instructions or wishes for your funeral arrangements.

Once you have prepared your will, remember to keep it updated to ensure it continues to reflect your intentions. You should review your will every few years or whenever there is a significant event in your life or the lives of your heirs, such as marriage, divorce, birth, death, disability or a new business.

If you have any questions about this important estate planning tool, please contact your Arca advisor.

*Contributor: Christine Black B.Math, CA, CFP, TEP  
Arca's Tax and Estate Planning Consultant  
Article sourced from Manulife's Tax & Retirement Services – Wills 101 publication*

## Arca Family Announcements

Welcome to Allan Metcalfe! Allan has joined Arca as an Associate working for a number of our advisors. Glad to have you aboard Allan!

Congratulations to Kelly Smith who passed her Canadian Securities Course (CSC), and also the Conduct and Practices Handbook Course (CPH). Awesome job Kelly!

Happy 50th birthday to Bill Vollmer! We congratulate Bill on reaching the half century mark. We wish Bill continued success over the next 50 years! All the best wishes to you Bill!

## Group Benefits Fundamentals

### Review of New Employment Insurance Special Benefits for Self-Employed People

As of January 31, 2010, self-employed individuals can register for Employment Insurance (EI) special benefits. The four types of special benefits are:

- Maternity benefits\*
- Parental benefits\*
- Sickness benefits
- Compassionate Care benefits

Register online using My Service Canada Account anywhere you can access the internet, including at a Service Canada Centre near you.

Visit their website at [www.servicecanada.gc.ca](http://www.servicecanada.gc.ca) for more information. You can also call the EI telephone information service at 1-800-206-7208.

For registrations after April 1, 2010, you will have to wait 12 months before you can apply for benefits.

*\*Self-employed people in Quebec are already eligible to apply for maternity and parental benefits under the Quebec Parental Insurance Plan.*

#### TAKE NOTE...

##### Medical Expense – Weight Loss Program

In a Technical Interpretation, CRA notes that fees charged for a weight loss program qualify as medical expenses if the services are diagnostic, therapeutic, or rehabilitative and are provided by medical practitioners.

##### Medical Expense – Aeroplan Frequent Flyer Points

In a Tax Court of Canada case, the taxpayer 'purchased' an airline ticket from Thunder Bay to Chicago to obtain medical treatment by redeeming Frequent Flyer Points. In addition, the appellant paid taxes of \$220 on the ticket.

The value of the Frequent Flyer Points plus the \$220 was allowed as a medical expense.

##### Premium Summary Pertaining to Life & Dependent Life Benefits

Your group billing statement contains a summary and breakdown of all the volumes and costs of each of your benefits for each individual employee. This includes the life and dependent life insurance premiums (if applicable to your group). The individual cost of these benefits will include any applicable taxes.

According to the Income Tax Act, any portion of these totals that are employer paid, are considered a taxable benefit and should be reflected as such on each employee's T4.

*Contributor: Paul Struck, CLU  
Group Benefits Consultant*



## Inside Arca

### Staff Christmas Party

December 4th was our annual staff Christmas party at the Charcoal Steak House. The evening included our annual Arca Awards ceremony. The awards ceremony is an opportunity to recognize some of the special achievements our staff and advisors have accomplished in the past year. Congratulations to Sue Block, Carolyn Brown, Joanne Strub, Sue Langdon, and Mark Leech on your awards.

### Holiday Gala

Thank you to each of you who joined us for our annual Holiday Gala on the very snowy evening of December 16th. It is a busy time of the year and we appreciate you taking the time to stop in to celebrate with us and add your ornament to our Charity Tree. This year we raised \$1,025.00 for Family & Children's Services of the Waterloo Region and \$1,250.00 for Grand River Regional Cancer Centre.

### Please note our office will be closed on:

Monday, February 21, 2011 – Family Day  
Friday, April 22, 2011 – Good Friday  
Monday, May 23, 2011 – Victoria Day

Remember to 'spring forward' and change your clocks to Daylight Saving Time on Sunday, March 13, 2011 at 2:00am.

## Community Business Profile

### Centre for Family Business (CFFB)

The CFFB strives to help business families reach their fullest potential. Their Mission is to support, educate and energize family businesses.

The CFFB designs seminars and workshops to encompass the specific interests of the entire family business. Founders, successors, key non-family members, spouses, significant others and inactive family members are all encouraged to participate. Through collective learning, the entire organization gains the knowledge and insight that is required to immediately apply thought-provoking information, motivating ideas and practical skills.

A challenge facing family businesses is connecting with local professional business advisors, from all fields, who have the background to understand the unique dynamics of family business, as well as the experience to guide their business to long-term success. Professional family business advisors with a commitment to continued education, benefit from the CFFB's systematic approach, giving them the tools required to handle the unique dynamics of family businesses.

Nowhere else can Central Ontario family businesses receive such specific, targeted and effective training as at CFFB. Currently serving over 500 individual family business members, a peer-support network gives family businesses the tools they need to build healthy families and stronger businesses in a competitive landscape.

Arca has been a sponsor and member of the CFFB for many years. If you would like more information about this organization, please contact your Arca advisor.

In order to offer networking opportunities to our clients and business partners, we feature one business in each newsletter. If you would like your business to be profiled, please contact Rose Frim at (519) 745-8500 or by email at rfrim@arcafinancial.com.



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*People who care,  
Plans that perform*

"Do not spoil what you have  
by desiring what you have not;  
remember that what you now  
have was once among the  
things you only hoped for."  
- Epicurus quote

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## Lifestyle Tips

### New Approach to Keep Canadians Moving!

The Canadian Society for Exercise Physiology (CSEP), in partnership with Participaction, is in the process of modifying its current recommendations for Canadians to keep fit. You may be wondering how anyone can keep up the pace with our busy lives! But, in an unexpected turn of events, which have many people raising an eyebrow, their new approach is, 'something is better than nothing'. No more excuses for not reaching your New Year's fitness goals! (*darn it!*)

Statistics show that Canadians are more sedentary now than ever. Obesity and diabetes have reached crucial levels – even in children. The Conference Board of Canada recently stated that, "increasing levels of mortality due to diabetes should be ringing alarm bells." Statistics Canada recently completed the most comprehensive national survey ever conducted in Canada (Canadian Health Measures Survey) to determine fitness levels. Their findings conclude that from 1981 to 2009, fitness levels of Canadian children as well as adults, declined significantly.

The results from this study prompted the CSEP, in cooperation with experts in chronic and cardiovascular diseases, to overhaul the previous forms to provide clear, evidence-based, systematic guidelines for Canadians of all ages and health conditions. The psychology behind it is that many of us feel the expectations of the previously recommended guidelines are confusing, unattainable and do not include those with risk factors such as hypertension, obesity or the aging members of our population. People are getting discouraged and many are giving up. The aim of the CSEP is to inspire inactive Canadians of all ages to add more physical activity to their lives. Their hope is that more Canadians will feel encouraged to incorporate short bits of exercise throughout their day. They may keep it up longer as well, accomplishing improved fitness levels with less effort than they thought possible. Spokesperson for the CSEP, Mark Tremblay states, "...all Canadians can achieve better health by increasing the frequency, duration, intensity and variety of their physical activity. Some is good, but more is clearly better," he added in a release.

The new guidelines will be more informative, suggesting a well rounded exercise program, including cardio, weight bearing, and stretching exercises to maintain minimum fitness. For children, the new standards call for 60 minutes per day down from 90 minutes. Adults will go from 60 minutes per day to 150 minutes a week. Seniors will go from 30-60 minutes of moderate exercise a day to 150 minutes per week.

Opponents to the new guidelines feel that if people are given a bit of slack, most will just "slack off". Let's hope Canadians can prove them wrong! If the new guidelines encourage those who are sedentary to get off the couch even for a short time, a measure of success will have been achieved! What are your plans for keeping fit and healthy in 2011?

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Article sourced from:*

*www.csep.ca www.canada.com/health/canadian+exercise www.medicinenet.com*

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