
KIM'S KORNER

Frustrating. That is how I would describe the first quarter. Oh there are other words, but this is a professional publication, and I think most of you have experienced similar challenges, so frustrated covers it.

So what has been so exasperating? Well several things to be honest; some things we can control and try to fix and other things that are beyond our control, but we need to live with anyway. First of all, our new business volumes greatly increased this quarter - which was absolutely **fantastic** and we thank you for your support and business - so we were stretched to our limits in attempting to provide the high level of service you are used to. And, at the same time, we changed over our data management software on January 1, which gave us more hiccups than we anticipated. To address these challenges, we hired a new receptionist, Jackie Parish. I'm sure you have met her either over the phone, or in person. She's delightful and is a wonderful addition to our team. She is eager to learn our business and to get to know everyone (and I think she realizes that the people here are, shall we say, slightly off the wall). Indra is now handling inforce service as well as assisting Alice with the new business administration. We believe that this is extremely positive and that you will be receiving the standard of service to which you are accustomed very soon (if not already).

My other source of frustration comes from a couple of head offices (quell surpris!). First of all, the merger of NN/Transamerica systems has been horrendous. A number of contracts still haven't been transferred making it very difficult for us to help you service your transferring block. Underwriting and policy issue and service have been extremely slow and unresponsive - and when this is the case, we look bad. We are consistently assured that they are working on it, but I think they are putting bandaids on gaping holes. I'm not sure how long it will take for Transamerica to get their act together, but I suspect a few more months. I ask for your patience if you are selling their products, they are still a very strong and competitive company and they have a lot to offer.

The acquisition of Commercial Union by Manulife is my fourth merger. Each merger is different as each acquiring company brings its own culture and corporate structure to the acquired carrier. This presents many challenges, both internally and externally. Going forward we will need to integrate systems, procedures, personnel and products. However, Manulife has moved quite quickly with this integration. We have only until May 31 to sell CU's complete product line. Effective June 1, only LifeCheque and Living Care will be available for new sales, and at midnight May 31, all CU broker contracts are terminated. At that time, new Manulife contracts will need to be active in order to sell these 2 products. I will keep you posted on all relevant information about your contracts, vesting, and processes going forward, as I know them. Please watch your faxes, mail, and email for updates. In the meantime, please do not hesitate to contact me should you have any questions or concerns.

Now that I've got that off my chest, let's move on to better things. Our Taylor Conference has been very well received and our qualifiers will be joining us for 2 days of education and fun. We are so looking forward to it. The qualification period hasn't finished yet, but congratulations to those who have already qualified: John Kucher; Gary Opolsky; Mario Sacramento; Al Robertson; Russell Schmidt; Micheline Valliere; Judy Kwong; and Simon Chan. In our next issue I'll tell you all about the Conference and you can plan to join us next year!!

And don't forget we start our short Fridays the May Long Weekend. We are open Fridays from 8:00 to 1:00, with one staff person here until 4:00. This is effective until Labour Day Weekend.

Thank you once again for your patience and your business. We are pleased to be your chosen MGA and strive daily to exceed your expectations.

Have a great spring and take the time to enjoy all the beauty Mother Nature has to offer.

Kim Stanley

SUMMER/FALL SEMINARS 2001

May 3, 2001 Estate Planning Case Studies
10:00 a.m. - 12:00 p.m.

Alex Mourioupolous, Regional Marketing Consultant
Canada Life

June 7, 2001 Business Planning for Clients
10:00 a.m. - 12:00 p.m.

Paul Morra, Insurance Product Specialist
Transamerica Life

Sept. 13, 2001 Universal Life Comparison
10:00 a.m. - 12:00 p.m.

Kevin Murphy, Regional Marketing Consultant
Maritime Life and Kim Stanley

Please note that all seminars are eligible for Continuing Education credits and they are restricted to those of our Associates who have placed business with Taylor Insurance within the previous 12 months. Space is limited. We ask that you please confirm your attendance with Indra, and should you be unable to attend, please inform Indra 24 hours before the session.

COMPANY UPDATES

Canada Life - Recently introduced 5 new segregated funds to their **Generations** family bringing the total roster to 66 funds. Canada also launched their new **Dream Catcher** software which is an investment planning tool including RRSP and savings calculators and their **Zoom 4.0** software which is their life and living benefits software; and changes have been made to the **Millennium Universal Life** product with increased COIs on a level basis, and slightly decreased COIs on a YRT basis.

Commercial Union - regulators approved The Manulife purchase on April 2. Effective June 1 only **LifeCheque** and **Living Care** will be available for sale.

Equitable Life - Has a **term sale** underway from April 2 to June 15. During this time all policy fees on their T10 and T20 plans are waived until the first renewal when the policy fee is added back on.

Laurier Life - Introduced their **Enhanced T10 Plan with Critical Illness Advance**, which is a preferred term plan to age 75 with a built-in 'advance feature' benefit in the event of a critical illness. Between 25% and 100% of the benefit can be advanced on diagnosis of a covered condition. The percentage is chosen at the time of application. The company has also reintroduced their repriced **Term 10 Classic** with 7 nonsmoker-preferred levels and 5 smoker-preferred levels.

Maritime Life - They are **reducing their term rates effective May 7**. In addition to decreasing the rates by 15%, commissions have increased to 37.5% and preferred underwriting is now available on face amounts \$100,000 and higher. The company is continuing their **Living Benefits Preferred Producer Program** this year with specific qualifying criteria (call Kim for details); improvements have been made to GIA rates and there is a new formula for calculating MVAs; and enhancements have been made to Intrepid II and Performance Plan statements to ensure CLHIA compliance. Changes have been made to the **Architect Summit II** including repriced level COIs, a disability payment benefit and reduced surrender charges. Their disability plan, **Proguard**, has undergone some pricing changes which are effective in June. If you have any 3A clients who want an **"own occ" definition, they must purchase this product NOW**. It will not be available in the new plan. Some changes have been made to their segregated funds including the option to have a fund with a 75% maturity guarantee or a 100% maturity guarantee. New marketing and sales material are now available: **Investment & Taxes 2001** (new handbook for tax-smart investing) and **InvoDisk** now offers a **"Tax Efficient Investing Concept"**. In the near future advisors with Taylor Insurance will be able to access Maritime's integrated **Advisor Centre**. We'll keep you posted.

Standard Life - Perspecta has undergone some significant changes. It is now available on a preferred underwriting basis and has new minimum premiums. Other changes include: a new bonus structure; a disability benefit payout; new Waiver of Premium options; and new investment options. The changes are included on their software release **WIN 13**. Standard Life will honour quotes from both WIN 12 and WIN 13 from April 16 to May 18. After May 18 only the new version can be sold.

Transamerica Life - New MERs for **IMS** and **GrowSafe/GrowSafe2** go into effect May 1. There have been some modifications to the life underwriting requirements, check with Alice to find out how your clients are affected. New investment funds and **TOP** funds were introduced during RRSP season and these GIF funds are now available in **Advantage Life Plus**. The **TransLink** option is now available with **Advantage Life Plus** for investing excess funds outside the policy. And commission rules for conversions and rewrites have changed slightly - for the better. Call us for details.

Please feel free to contact Indra for marketing kits, current discs and/or CD ROMs for any of our companies and products. Please note that AIG, Canada Life and Transamerica Life no longer provide discs. To update your software you need to download their information off their Websites on the Internet. You must be contracted with these companies before you are eligible to update the software.

HELP END "PENSION DISCRIMINATION" WITH AN RRSPWRAP™ AND PENSIONPLUS™

New from Canada Life

Many successful business owners and senior executives of private corporations may experience "pension discrimination" - and the more successful, the greater the discrimination. Because of limits on RRSP contributions, it is difficult for these individuals to retire with pensions that represent 70% of their pre-retirement income (as do executives with pension plans from public corporations) unless they turn to other means. One option is a Retirement Compensation Arrangement (RCA), a supplemental pension funding vehicle defined in the Income Tax Act.

Our Solution to Pension Discrimination

You can now approach clients facing pension discrimination with a solution from Canada Life. In partnership with the specialists from Retirement Compensation Funding (RCF), we are offering PensionPlus™. This attractive insurance product has been designed specifically to be held as the asset in the RCA Trust utilized in the RRSPWrap™.

Under the RRSPWrap™, pension contributions are 100% tax deductible to the employer/corporation and are not taxed to the executive until retirement. Other key advantages:

- allows the "buy back" of past RRSP service
- secures funding in the year profits are earned
- provides an orderly way to fund retirement income
- assets are held in trust and can be protected from creditors

In short, the RRSPWrap™ places business owners on an equal pension footing with public corporation executives.

Who qualifies?

Your prime prospects are:

- owners and executives of successful, privately-held companies where
 - corporate earnings are over \$200,000
 - the individual's personal earnings are over \$100,000
 - the individual is between 40 and 60 years of age; and
- key executives at private companies who earn over \$100,000

Our Support

Now you can approach clients with an irresistible double benefit: tax-deductible contributions for the corporation and a vehicle that eases personal fears of an inadequate pension.

Once you have established your clients' needs, we provide the assistance for delivering a supplemental pension funding solution. You will receive solid support from the lawyers and accountants in our National Estate and Tax Planning team and the supplemental pension funding specialists at R^{CF}. In addition, you can offer your clients an advantageous trustee fee schedule that has been pre-arranged with a major financial institution.

For more information on PensionPlus™, and the RRSPWrap™, please contact us.

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RETIREMENT PLANNING

The High Cost of Waiting

- FACT.** RRSPs are one of the few tax breaks Canadians have, yet only 50% of Canadians over the age of 18 contribute to a registered retirement savings plan.
- FACT.** Those individuals who do contribute to an RRSP have accumulated an average of only \$9,000 to supplement their income at retirement.
- FACT.** Most people procrastinate when it comes to retirement planning/saving or make one lump sum RRSP contribution just before the annual deadline.

*How much money will your clients **LOSE** from their retirement fund in 35 years if they begin to contribute to an RRSP*:*

Today 0
Tomorrow \$179
In 1 week \$1,255
In 1 month \$5,621
In 1 year \$64,588 *and so on!*

\$64,588 is worth more than \$22,900 today, given an inflation rate of 3%.

**Assuming monthly deposits of \$200 accumulated at 10% per annum.*

A Successful Retirement Savings Plan Starts TODAY!

For more information on any of Transamerica's retirement savings and retirement income products, contact our office.

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WHICH ONE IS TAXED UNFAIRLY.. ?

Mutual Funds OR Segregated Funds

If you guessed mutual funds, you're right. Many do not realize that when they are not in a registered account, mutual funds can result in an unknown tax bill. It's unfair, but buying mutual funds late in the year can result in paying tax on income never actually received. That is why some advisors suggest buying mutual funds early in the year, as opposed to late in the year¹.

Throughout the year, a mutual fund's investments are collecting dividends, receiving interest and generating capital gains. At least once a year, usually in December, mutual funds distribute all this taxable income to unitholders. By doing this, the mutual fund pays no tax and investors pay tax at their own marginal rate, which, in many cases, will be considerably lower than what the fund would have paid had it retained income.

Before buying a mutual fund, one must consider timing in order to avoid unfair tax consequences. To understand why it's important to avoid buying a fund before its annual distribution, let's look at two hypothetical investors - **Smart Sam** and **Silly Susan**. Suppose Smart Sam bought a fund at the beginning of the year with a value per unit of \$20. Suppose it grows to \$22 by December 15 - the year end for many funds. At this point the mutual fund declares a \$1 distribution. Sam will get \$1 (or the equivalent in new units) and the value of his existing unit will decrease by \$1 to \$21. Sam will have units and/or money equal to \$22, but he'll have to pay tax on that \$1 distribution. On the other hand, Silly Susan buys her fund late in the year. She bought her fund at \$22. Her mutual fund did not appreciate at all, but she also gets a taxable \$1 distribution. Susan loses \$1 in her mutual fund; whereas, Sam gained \$1. Investors should be careful when investing in mutual funds to ensure they will not be paying tax on a fund which has not appreciated in value for them.

The good news is that the capital gains tax has gone down twice this year. However, capital gains reporting will be cumbersome for the 2000 taxation year. As a result of changes introduced in the February 27, 2000 budget and in the October 18, 2000 "mini-budget", there are three reporting periods for capital gains and losses which is summarized as follows:

Period	Date	Inclusion Rate
One	January 1 - February 27	75%
Two	February 28 - October 17	66.67%
Three	October 18 - December 31	50%

For example, assume an individual realizes \$1,000 of capital gains in the year with \$500 realized in Period 1, \$300 in Period 2 and \$200 in Period 3. The taxable capital gains would have to be calculated as: $(\$500 \times 75\%) + (\$300 \times 66.67\%) + (\$200 \times 50\%) = \675 . This is a simplified example of how the new inclusion rates are applied. Consult your investment advisor or tax advisor to discuss your personal situation.

By: Sanjana Bhatia, LL.B., T.E.P. Advanced Case Consultant, Standard Life

Donna Green, *Toronto Star*, Saturday, October 21, 2000

COMMERCIAL UNION UPDATE

For those advisors who are contracted with Commercial Union through us, please be advised that only LifeCheque and Living Care will be available for sale after June 1. At the time of writing we are still trying to determine how Manulife is going to handle CU brokers and MGAs.

Please watch all your communication sources for information.

REMINDER

*Effective May 1 we require that ALL disability,
critical illness and universal life applications
be accompanied by a signed illustration.
Applications submitted without this will be returned.
THERE WILL BE NO EXCEPTIONS.*

SOFTWARE LIST

AIG..... Ver. 3.0a
Canada Life Ver. 4.0
Commercial Union Ver. 2.0
Equitable Life March 2001-Ver. 2001-1
Industrial Alliance..... Ver. 3.2.0
Laurier Life..... Ver. 02/Feb
Maritime Life Jan. 2001
Standard Life WIN 13
Transamerica Life Ver. 2.1
Zurich Life Ver. 3.1