Critial Illness Insurance

Critical Illness insurance is designed to provide assistance to an insured who has been diagnosed and survived for 30 days with one of a predetermined number of critical illnesses.

Critical Illness covers a varied number of illnesses between cancer, heart attack and stroke (Basic Plan) and 22 other illnesses such as MS, Alzheimer's, Parkinson's, ALS, blindness, deafness, loss of speech, coma, burns, late onset diabetes and loss of independence (Enhanced Plan).

The benefit is typically payable 30 days after diagnosis according to definitions in the contract. It is vital to analyze contracts not only based on the number of covered conditions but on the definitions of these conditions.

The proceeds can be used for anything the insured chooses including accessing foreign healthcare, paying off a mortgage, hiring a nanny or help during treatment.

Premium structures vary between 10 year increasing term to level premiums paid to the insured's beneficiary in the event of death by any cause.

The insured also has the choice to pay an extra charge and receive a full refund of all premiums paid at a particular point usually age 75, or a partial refund at age 65, if no claims have occurred.

This coverage should not be considered as a replacement for your disability insurance.

McFarlan Rowlands™ Wealth Management

McFarlan Rowlands Wealth Management offers financial services through all branches of McFarlan Rowlands Insurance Brokers Inc.

London (Downtown) 519-679-5440	London (South) 519-680-1100	London (North) 519-471-7152
Aylmer 519-765-2930	Delhi 519-582-1590	Dorchester 519-268-7306
Embro 519-475-4116	Ingersoll 519-485-2260	Langton 519-875-4481
Norwich 519-863-3024	Tavistock 519-655-2277	Thamesford 519-285-3710
	Tillsonburg 519-842-5995	

Investor Insight

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"Diligence is to be particularly cultivated by us, it is to be constantly exerted, it is capable of almost anything." Cicero

We, at McFarlan Rowlands continue to monitor activity in the financial services industry. Through our Investor Insight news letter, we will provide you with periodic updates on products and services that may affect you and keep you informed and educated on our ever changing and dynamic industry. Feedback is always welcome.

The last 20 years has seen a vast change in habits and how the average household deals with their savings.

As we get more sophisticated and educated on financial matters, i.e. investing in stocks, bonds, mutuals etc., to many, the mysteries of the international stocks and their behaviour continue to intrigue and indeed surprise us. Things seem to happen sometimes without any rhyme or reason, however, when things get out of balance, free markets will naturally correct themselves.

This is a great reason, among many, to have a personal advisor to help you navigate through these waters. We at McFarlan Rowlands aim to provide you with this personalized service. Please contact an office near you to arrange an appointment with one of our dedicated financial advisors.

Economic Outlook

What we will attempt to provide you with in this issue is a post mortem as to what caused the severe financial crisis over the past 30 months.

What Happened

Because we are now an international financial community, what is triggered in one country may affect countries around the world. Much of this activity was based in the US and the following is based on US activity.

Two main items triggered a chain of events that caused unprecedented "out of control" financial markets.

The first was the development by US Banks of highly complex and sophisticated financial instruments.

These investment products were created by some of the leading investment people in the US. However, because of their complexity and the myriads of products attached to one instrument (and there were many), at some point the ideal theory turned into a failed unanticipated reality. Any number of unanticipated variables could cause negative and devastative effects on these products.

Why were they created? Because they made unprecedented amounts of money for the investment banks. It just took a while until the realities caught up to these flawed products. Many in top senior positions weren't even aware that this situation was even in effect.

Who was regulating these banks? Apparently not many. Normally banks have their own internal regulators. How in the world could these layers of regulations miss this aggressive strategy? In a word deregulation. Over the past 25 years the respective US governments have been pressured to loosen up what was considered a stifling conservative approach to lending and investment products. Lesson to be relearned, allowing these financial institutions to run rampant without proper supervision promises these results.

The second event that took place was the overly generous and reckless lending practices to residential housing and mortgages. Horrors found were:

1. You could borrow 100% of the cost of the home
2. Qualifications were "nominal"
3. The sub-prime financing (extending mortgages below actual prime lending rates for two years, with the realignment increase by 2% plus of price.) Substantially increasing mortgage payments. The economy was strong at that time, but the bubble would inevitably burst in any normal business cycle.

Lastly, these two events caused the economy to contract, banks were foreclosing, builders weren't building and finally a spiral downward of the overall economy into a severe recession. Only after a concerted effort by governments to infuse billions into the economy via banks, providing money (liquidity) to stimulate growth by allowing businesses to again borrow and create growth.

Universal Life

Universal Life Insurance is generally misunderstood because brokers have not done a good job of explaining it to their clients.

The premium paid on a Universal Life policy is split between the cost of insurance and excess that is credited to an investment account. The two values function independently.

The performance of the investment account is determined by the underlying investment chosen by the client. The investment can be directed to a variety of accounts based on the client's risk tolerance. These accounts range from savings accounts and GIC's (Guaranteed Investment Certificates) to segregated funds (the insurance equivalent to mutual funds).

Universal Life policies are particularly attractive to those planning their estates or retirement. The policies offer (1) permanent insurance, which facilitates estate planning, (2) tax efficiency (insurance and investment income is disbursed tax-free to beneficiaries) and (3) retirement income as a living estate from the accumulated investment income.

On a basic level, Universal Life is permanent insurance with an investment component. However, the product can be crafted in sophisticated ways that maximize income while planning for the future.

Tax-Free Savings Account (TFSA)

The Tax Free Savings Account started in 2009. Since that time some serious misunderstanding have arisen, creating considerable tax implications. This account should not be treated as account in which you deposit and withdraw funds at random.

An example:

1. Total annual maximum contribution is $5,000. If your initial placement is say $3,000, you have a $2,000 room to catch up or carry forward for the following year. (These funds receive interest as per particular institutions rates).

2. You place the maximum amount of $5,000 into this account. You then withdraw $2,000 for personal use. You now have a balance of $3,000 in this designated account. You are not allowed to replace the $2,000 withdrawal for that year. Any addition would be considered an over contribution for that year and would be taxed. This particular scenario was never made clear and has created serious tax implications for many involved in this new plan.

You should always go to a knowledgeable advisor for advice and direction when entering in these new types of accounts.

Note: Transferring this account from one financial institution to another within the same year, will be considered a new account and will be **taxed as an over contribution from the original plan**.