



**Freedom 55
Financial**

A division of London Life Insurance Company

Your Financial Security

ISSUE 1, 2009

NEW IDEAS FOR YOUR STRONGER FINANCIAL FUTURE



J. Paul Wilson CFP, CLU
Director, Business Development
Investment Representative
Chartered Financial Consultant
Registered Trust and Estate Practitioner
1959 Upper Water St. 16th Floor
Purdy's Wharf Tower 1
Halifax, Nova Scotia B3J 3N2
Office (902) 422-1631 ext. 261
Fax (902) 422-3493
Toll Free 1-888-205-7011 ext. 261
Cell. (902) 488-4982
Website: www.f55f.ca/paul.wilson
E-mail: paul.wilson@freedom55financial.com
Client Service Centre: 1-877-566-5433

Life insurance can cost less than a cup of coffee

Surprised? You're not alone. A recent study showed that in Canada a third of wives and a quarter of husbands have no life insurance, and one of the biggest reasons they give is affordability.* However, this perception may be based more on myth than reality.

The myth about life insurance cost

From a young age we're taught insurance is costly, perhaps because of our experience with car insurance. However, while car insurance costs more when you're young, life insurance costs less.

What's more, it's smart to buy life insurance when you're at your healthiest. That way, once you're insured, you can usually keep renewing your insurance for as long as you need it, even if your health changes down the road.

Term life insurance can be the most affordable kind

As you can see from the chart, term life insurance lets you protect your family for an affordable, low initial cost, which can be a lot less than that cup of daily joe.

Example: John, 35 years old

John is a healthy 35-year-old, married with children and a mortgage. To protect his family, he wants to buy a \$500,000 term life insurance policy for 10 years. Can he afford it?

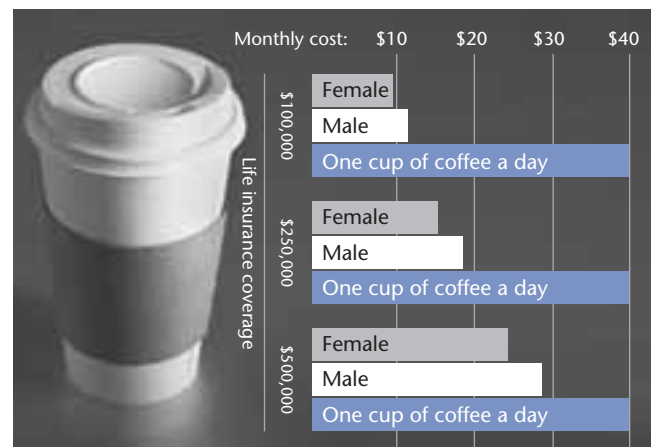
That much protection could cost John as little as \$28.80 per month.** That's 96 cents a day – compared to \$1.32 for a cup of coffee. What's more, even if John dies the first day the policy is in effect, his loved ones will be cared for with the full \$500,000 benefit. The life insurance can be used to pay off the mortgage, fund children's education, cover everyday living expenses or buy 378,788 coffees.

Looking to the future, John has the ability to renew his Term 10 policy, convert to Term 20 or switch to permanent life insurance. In addition to being affordable, life insurance is flexible to meet your changing needs.

Which life insurance option fits your needs?

Talk with your financial security advisor. Whether you like your coffee black, no sugar, or always order a double-double, you and your financial security advisor can create a plan that helps protect your family and fits your budget.

TERM LIFE INSURANCE VS. COFFEE



**This example is not complete without the London Life illustration including the cover page, reduced example and product features pages having the same date. Cost of coffee based on \$1.32 per cup. London Life Term 10, male and female, age 35, non-smokers, standard risk, monthly premium payments. Rates as of December 2008. Term 10 premiums will increase after 10 years at renewal.

*LIMRA, Canadian Families at Risk, 2007

The market information media

filter

While most media outlets try to report the news objectively, many are driven by ratings.

Fear sells and, therefore, some may employ a 'crisis-of-the-day,' mentality when reporting the news. Fear is a powerful emotion because it will make investors move at just a hint of trouble ahead. When investors are afraid, they're more susceptible to outside influences, which may drive them to forget their long-term plans.

It's important to consider the media headlines and stories, and filter them to determine their relevance to your individual situation.

The source

Different news sources have different natural leanings. Some may be bullish by nature, while others are bearish. This can be confusing when listening to information from several sources.

When seeking reliable information, keep in mind:

Good sources

- Have motives directly related to your success
- Understand the subject well
- Have a proven track record

Avoid sources

- With unclear motives
- Whose advice is untested
- Who are not accountable for failure

Your news sources: fact or opinion

Good news sources present

- Verifiable, detailed information
- Factual data
- Historical perspective

Avoid news stories that contain

- More opinion than fact
- Statements inconsistent with known information
- Words like "in our opinion" or "we believe"
- Just reactions to daily events

An individual news story is often a reporter's interpretation of an event or speech. Different reporters can focus on different information from the exact same event or source to position the information in a particular way. This is a good fact to remember when considering a story.

Relevant to your needs

Good information in the media

- Matches your timelines
- Is actionable – something you can do
- Is consistent with known facts
- Is relevant to your financial goals
- Is easy to understand

Avoid information that

- Offers little real substance
- Is complex or difficult to understand

For investors or speculators

Investors are interested in long-term strategies that achieve results. Speculators are interested in short-term investing for quick profits.

If you're an investor:

Good information

- Information focused on long-term outcomes
- Balanced approaches that help manage risk

Avoid

- Daily market commentaries
- Stories about swings and short-term market reactions
- Information that makes predictions any shorter than your time horizon
- Commentary that contains absolutes – for example “you shouldn't buy financial stocks” or “gold is the only safe haven in this environment.”

During down markets, investors are often distracted by short-term declines. Those who keep the long term in mind tend to be rewarded for maintaining a buy-and-hold strategy.

Your financial security and investment representative has your best interests in mind, and is there to help you make sense of the current market conditions and offer a rational perspective on your financial situation.

Living Benefits solutions during a volatile market



Are you concerned about the value of your investments because of recent market volatility?

Are you having discussions with your financial security advisor about current market volatility and the impact it's having on your long term goals?

If yes, hopefully you will not be forced to withdraw your funds at a loss.

But what if you didn't have a choice?

What if you needed to withdraw funds to help cover unanticipated expenses that resulted from a significant change in your health? Can you imagine a worse time to be forced to take your investments out of the market?

Even in good times, when the market is experiencing growth, cashing in investments before intended can be damaging to your financial goals (e.g., retirement, children's education). When markets are volatile and your account value is down, withdrawing can have an even greater impact.

Living Benefits solutions during a volatile market

- **Disability insurance** – Can help cover on-going daily living expenses such as a mortgage, groceries, property taxes, vehicle payment and retirement contributions, to assist you in meeting financial obligations when unable to work due to injury or sickness.
- **Critical illness insurance** – Can help protect larger assets or lifestyle choices that you value most (e.g., time with family, home, treatment options) and provides access to a second medical opinion and counselling that can assist with treatment options and lifestyle.

This is an ideal time to talk to your financial security advisor about how disability and critical illness insurance can provide financial assistance at a difficult time and how these products can help reduce or eliminate the need to take your investments out of a volatile market prematurely.

Buying a home:

Consider down payment, amortization and payment frequency

Buying or refinancing a home? The mortgage you choose will have a significant impact on your monthly mortgage payments and total interest costs.

Mortgages can have a variety of features such as prepayment provisions, portability and assumability. They can have a variable or fixed interest rate and a term ranging from months to years. This is how two typical mortgage features can affect your finances:

- **Amortization** is the number of years it will take to pay off the mortgage – and shorter is better. Let's say you have a \$100,000 mortgage at an interest rate of seven per cent (compounded semi-annually). At the standard amortization period of 25 years, your monthly payment will be about \$700. But by reducing the amortization period to 20 years, your monthly payment will be just \$69 higher, yet your interest savings will be almost \$26,000 over the 20-year period. Or, take a 25-year amortization and increase your payment to the 20-year amortization amount. This strategy gives you options should you need to lower your payments in future.
- **Payment frequency** is the number of payments you make on your mortgage over a period of time. Take that \$100,000 mortgage at seven per cent interest and a 25-year amortization period. By making bi-weekly payments of \$350 instead of monthly payments of \$700, you would save nearly \$24,000 in interest costs by the time the mortgage is paid off.

How much of a down payment do you need?

Obviously, the greater your down payment, the smaller the mortgage. This could be an important factor for buyers concerned about the amount of interest they will be paying on their mortgage.

The amount of the down payment will also determine if the mortgage can be financed on a conventional basis or whether mortgage insurance is required.

With a *conventional* mortgage, you'll need a down payment of at least 20 per cent of the purchase price. *High-ratio* mortgages can reduce your down payment to as little as five per cent of the cost of the home, but this type of mortgage requires mortgage loan insurance, normally obtained through the Canadian Mortgage and Housing Corporation (CMHC) or private mortgage insurers.

First-time homebuyers can take advantage of the Home Buyers Plan (HBP) that allows you to withdraw up to \$20,000 from an RRSP tax free to use as a down payment. You must repay your RRSP withdrawal in minimum annual installments within 15 years or the amount outstanding will be taxed. Keep in mind that an RRSP withdrawal will reduce the potential growth of your investments in that important asset over time.

Your financial security advisor can connect you with a London Life mortgage planning specialist who will help make sure your mortgage is a good fit with your family's overall financial goals.

This material is for information purposes only and shouldn't be construed as legal or tax advice. Every effort has been made to ensure its accuracy, but errors and omissions are possible. All comments related to taxation are general in nature and are based on current Canadian income tax legislation for Canadian residents. Legislation and its interpretation are subject to change. For individual circumstances, consult with legal or tax professionals.



Freedom 55
Financial

QUADRUS

Quadrus Investment Services Ltd.

Freedom 55 Financial and design, Freedom Funds and Marketwatch are trademarks of London Life Insurance Company. Quadrus Investment Services Ltd. and design, Quadrus Group of Funds, invest@Quadrus and Fusion are trademarks of Quadrus Investment Services Ltd. used with permission by London Life Insurance Company.