

MAIN FOCUS THIS QUARTER:

Strategies for the Sandwich Generation

Caring for your parents and children at the same time

Source: TD Mutual Funds

Statistics Canada estimates that nearly three in 10 people between the ages of 45 and 64 who have unmarried children under age 25 living with them are, at the same time, responsible for caring for a senior.¹ These caregivers are commonly referred to as the “sandwich generation”— i.e., those who are struggling to balance the needs of their own children as well as elderly parents or relatives. Emotionally, it’s not easy for members of the sandwich generation, as they can face serious financial consequences, including additional expenses, reduced income and savings shortfalls.

If you find yourself caught in the sandwich generation and are looking for ways to cope with the emotional and financial price tag that comes with caring for two generations, continue on to read some useful tips that could help alleviate your stress.

Why does more money flow out of a sandwich generation household?

Your elderly parents may require a range of expensive interventions though they may not have enough savings to cover these costs on their own. At a minimum, they may need minor renovations to their homes to accommodate disabilities — from grips in the shower to ramps, lifts and railings. As their health and independence decline, they may need home care, including everything from help preparing meals and cleaning to professional nursing support. Eventually, they may require financial help from you to pay for long-term care—which, as the sidebar on page two indicates, can be extremely expensive.

Why does less money flow into a sandwich generation household?

Helping your children save for post-secondary education at the same time you’re looking after your aging parents, not to mention saving for your own retirement

INSIDE:

- **Strategies for the Sandwich Generation cont’d.**
- **Selling Assets or Selling Shares**
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Monthly eNewsletter!

If you, or someone you know, are not yet on our monthly eNewsletter mailing list, and would like to be, please be sure to contact

Josephine Chai at
jchai@perlerfinancial.com or
call 604-468-0888.

We will be sure to add you to the mailing list to keep you up to date on various Financial Planning and community information.

Thank you!

... for all the referrals we have been receiving. We truly appreciate your continued patronage and confidence in our firm.

Strategies cont'd.



How much does long-term care cost?

Long-term care can be staggeringly expensive. In BC, for example, a private room in a nursing home can cost up to \$5,835.70 per month! (Source: *Manulife – Long Term Care in British Columbia 2009*)

Bottom line

Rising health care and education costs have the potential to threaten long-term financial plans of those who belong to the sandwich generation. However, with the right planning you can help minimize the stress of caring for your own children as well as your parents:

- Ask about your parents' financial resources and insurance protection so that you know how much you may be expected to contribute
- Find out whether your employer offers leaves of absence, flexible hours or the opportunity to work from home to ease the time crunch
- Continue saving for your children's post-secondary education and your own retirement

could leave you feeling time-crunched. As a result, you may have to reduce your hours at work, negotiate with your boss to switch to part-time or take a leave of absence. This can take a big bite out of your take-home pay. Your future earning potential may be affected too, if you have to turn down a promotion or lucrative job offer because your hands are too full caring for your parents and children.

What does this mean for your long-term financial plans?

One consequence is that you may not accumulate enough education savings to pay for your children's post-secondary education if more of a shrinking supply of disposable income has to be redirected towards your parents' care. Another issue may be that you have less money available for your own retirement if you have to dip into your RRSPs or interrupt your regular savings plans to cover today's costs.

Solutions

A financial advisor can help you manage these challenges by putting together a sound financial plan that incorporates the following strategies:

Assessing your parents' financial situation

Find out whether your parents have the financial resources necessary to pay for the costs associated with aging out of their own savings. Ask your parents how much they have accumulated in savings, including RRIFs, how much they expect to receive from employer and government pensions, including the Canada Pension Plan (CPP) and the Old Age Security (OAS) program, and whether they have an emergency fund, such as a TFSA or line of credit. You also need to know if your parents are protected by critical illness and/or long-term care insurance, and if they have wills, as well as powers of attorney for finances and health care.

Rely on the guidance of an advisor to help who can assist with budgeting and overseeing your parents' finances if they're with another financial institution. An advisor will be better able to build coordinated, integrated plans for intergenerations to manage all of the assets.

Evaluating workplace flexibility

Don't be afraid to have a frank conversation with your employer to find out if you can take advantage of short-term solutions such as a temporary leave of absence, or longer-term solutions such as flexible hours and working from home.

If you're caring for a gravely ill family member, you may be eligible for Compassionate Care Benefits offered through Employment Insurance. This program provides up to 6 weeks of benefits that may be shared with other family members. You can find out more information about this program at www.servicecanada.gc.ca/eng/ei/types/compassionate_care.shtml.

Continuing your education savings

With post-secondary education costs rising, it's very important that you keep room in your budget for education savings for your children. You can make your dollars go further by getting the federal government to match 20 percent of your annual contributions to an RESP (for contributions up to \$2,500) through the Canada Education Savings Grant (CESG). And, of course, there are the benefits of tax-deferred compounding within an RESP, with no taxes due until the money is withdrawn to pay for qualifying educational programs.

If your RESP savings won't be sufficient, you and your children may need to explore other funding options, including scholarships, grants, loans and part-time or summer work.

Keeping your retirement planning on track

Members of the sandwich generation may themselves need expensive care as they get older, so they can't afford to abandon their own retirement savings plans. As

difficult as it may be for you to commit to a regular savings plan when you're facing the costs associated with your parents' care, try to keep your retirement planning on track. You may need to set aside \$100 a month instead of \$150 a month—but you must ensure you don't lose momentum entirely.

In addition, a financial advisor can help you assess whether you have sufficient life insurance to help both your children and your parents, as well as critical illness and long-term care insurance for yourself. Keep in mind that insurance is often much less expensive if you purchase it when you are younger and healthier.

Advance planning can go a long way towards helping you tackle sandwich generation challenges with more confidence. For more information, talk to your financial advisor today.

1 Statistics Canada, The Daily, Tuesday, September 28, 2004. www.statcan.gc.ca/daily-quotidien/040928/dq040928b-eng.htm
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Selling Assets or Selling Shares

Source: Dynamic Funds

If you own an incorporated business you will have to determine whether you will sell the shares or the assets. One of the aspects of determining a fair market value is that the parties should be acting at arm's length, which means that both parties will have competing financial/economic goals. These competing interests certainly come into play when considering selling assets or shares. Generally speaking, if you are selling a business you will prefer to sell shares. If you are buying a business you will typically prefer to buy the assets.

Capital Gains

When you sell shares of a corporation, there may be capital gains incurred on those shares. Capital gains receive beneficial tax treatment compared to many other sources of income. If assets are sold, the resulting tax may be substantially higher.

Under tax law, where shares are being sold and the payments are being made in installments, the recognition of capital gains may be deferred and spread out over up to five years, which is tax advantageous.

In addition, the sale of shares of companies that qualify as Qualified Small Business Corporations will be eligible for the \$750,000 Capital Gains Exemption (CGE). You may be able to exempt this total amount from tax over your lifetime.

Tax Deductions

When you sell assets, they are restated to their current fair market value, which is often higher than your cost. In this case the higher asset value will result in higher tax deductions in the future through depreciation or Capital Cost Allowance. This differs from a share purchase, where the purchaser assumes the same cost for the assets as the seller, usually reducing the amount of future tax deductions.

Estate Planning Seminar DVD

Did you miss the Spring Seminar this year? Well, here is your chance to see what you missed!

Don Drysdale, lead principal of the law firm Drysdale Bacon McStravick, was our guest speaker of the PERLER FINANCIAL GROUP 2010 SPRING SEMINAR, discussing WILLS & ESTATES. If you would like to have a copy (or know someone who would like to have a copy) please email

Josephine Chai at jchai@perlerfinancial.com or call 604-468-0888

and we'll make sure a copy gets sent out to you.

Summer Client Appreciation Event!

Please be sure to contact Stefanie, if you are able to attend the White Caps soccer game on Thursday July 22nd. Tickets are first come, first serve, so if you can make it, please let us know right away.

Call Stefanie at 604-468-0888 or email SLarson@perlerfinancial.com.

Go White Caps Go!

Choosing Assets

If you sell shares, the purchaser assumes all of the assets and liabilities of the company. However, if you sell assets, the purchaser can choose to buy only the assets that fit with his objectives and plans.

The decision to sell assets or shares will be determined through negotiation. For example, if you are selling your company you would typically ask for a greater selling price if you are selling assets since you may be forgoing the capital gains exemption.

Dollar Cost Averaging

Source: Manulife

Dollar-cost averaging does not tell you what investment to buy (that's between you and your advisor), but it does do away with the problem of trying to figure out when to buy.

With dollar-cost averaging, you buy the same total amount of a particular investment regardless of the price.

So let's say every three months you purchase \$1,000 worth of units of the same investment. With fluctuations in the marketplace, sometimes the cost per unit will be higher, sometimes it will be lower.

When the price is lower, you end up buying more shares than when the price is higher.

Over time, it works out that you buy more units when the price is low and end up with more units in total than you would if you tried to figure out when the market was going to provide you with the best outcome.

Benefits of Dollar-Cost Averaging

Peace of mind – Regular investing means not having to worry about investing at a “high” point in the market or missing an opportunity to invest at low prices – in effect, you may receive, over time, a more “average” investment price.

Discipline – Dollar-Cost Averaging ensures that you don't try to “time” the market, and it ensures you continue to invest even when markets are down (opportunities to invest at lower prices).

Pre-Authorized Chequing Plan

You can purchase funds by making regular investments through a Pre-Authorized Chequing Plan (PAC). For a minimum initial and subsequent investment of \$50, you can invest bi-weekly, monthly, bi-monthly, quarterly, and semi-annually or annually – whichever you're most comfortable with.

By establishing a PAC, you can budget for your particular needs. Investing becomes “invisible” and you can take advantage of dollar-cost averaging.

Benefits of a PAC

Convenience – no need to remember to sign and send a cheque each month to invest.

Flexibility – You can change or stop your plan at any time.

Predictability – PAC plans make budgeting for investing easier.



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