



EDUCATION CREDIT UNION

January 2012



INSIDE

- Introduction to Estate Planning.
- Dennis Daub Scholarship unveiled.
- Core Strength: Financial Fitness for your investments.
- Retiring Soon? Recent CPP Changes.
- How are you? We need to know!



RRSP Resource Guide

This special edition of the ECU newsletter is produced to help you maximize one of the best investment and tax-saving opportunities available to Canadians: the Registered Retirement Savings Plan (RRSP). You have until **February 29, 2012**, to make your RRSP contribution for the 2011 tax year. But the first thing you should do is discuss your contribution strategy with us. We can review your investment options with you to help you take full advantage of this great way to build tax-deferred retirement savings. Let's talk soon. It's the best way to ensure that your retirement savings will get you where you want to go.

WHY YOUR DEBT SHOULD RETIRE BEFORE YOU DO

The less debt you have, the more you can focus on saving and investing. In other words, getting rid of debt is one of the best things you can do to help save more for retirement.

Yet there is evidence that many Canadians aren't making the connection between paying down debt and accumulating retirement wealth. A recent poll by a major Canadian financial institution showed that just one in five baby boomers aged 45 to 64 sees a connection between paying down debt and saving for retirement.

And while 42% see debt as an obstacle to achieving their financial goals, one-third of baby boomers 55 or older have not paid off their mortgage and three-quarters carry debt.

Even more disconcerting is the increasing trend to carry debt into retirement. A survey by a different financial institution found that 44% of retired Canadians are carrying debt, up from 39% the year before.

The benefits of retiring debt-free

The sooner your debts are eliminated, the

more your savings can be accelerated. If you choose to carry debt into your pre-retirement and retirement years, you face a number of potential risks:

- You may be compelled to delay your anticipated retirement date.
- You may find you have to return to work, whether full-time or part-time, in order to cover your expenses, including debt repayment.
- You might have to sell assets to free up the cash flow you need to live on.
- You might have to alter your retirement lifestyle, in order to reduce spending.

Retiring debt-free can help you enjoy greater financial security by relieving you of the stress of debt repayment — a stress that increases anytime interest rates rise.

Where to start?

Unless the interest costs are tax-deductible, your highest-interest debts should be the area

you target first. These typically include credit card balances and unsecured personal loans or lines of credit. These debts are costing you the most on an annual basis, so paying them off first will have the greatest effect.

If you aren't carrying any high-interest rate consumer debt, we might look at your mortgage next. It is typically the largest debt Canadians carry and poses a barrier to maximizing retirement savings for many.

Although mortgage rates are low today, they could rise in the future, meaning higher payments and a reduction in retirement savings potential or a less comfortable retirement. Think of it this way: every dollar put toward your mortgage is a dollar that could be used to finance your retirement. Paying off your mortgage can free up significant cash that can be funneled into your Registered Retirement Savings Plan (RRSP) each month to build tax-deferred savings for your retirement.

Regardless of your level of debt and proximity to retirement, we can recommend a plan to pay it and help ensure a comfortable, worry-free retirement for you.

INTRODUCTION TO ESTATE PLANNING TO HELP YOU PRESERVE YOUR WEALTH

By Alan Wintrip, Chartered Accountant



After a life time of hard work and saving, we do not wish to see our wealth diminished in any manner whatsoever. Other than probate fees, we do not have a specific estate tax in Ontario. However, there are a number of

provisions in the Income Tax Act that create significant personal tax liabilities upon death. With a bit of basic planning, we can transfer our assets to our spouse without income tax. Bank and investment accounts can be set up with two names and life insurance, RRSP, RRIF and TFSA's can have designated beneficiaries. Properties can be titled to pass to our spouse upon death. Along with a properly prepared will, the death of the first spouse can be a non-event for tax purposes.

When the second spouse passes, our tax system will tax the increase in value of our assets and the value in our registered accounts. All your assets are deemed disposed of upon death. RRSP and RRIF's are added to income. When these additional amounts are added to our normal taxable income, the tax due can

become significant. Because of the sensitivity and complexity of dealing with estates, many of us procrastinate. It is not necessary to deal with every detail of your estate plan. Just get started.

Proper planning can minimize probate fees. Some assets can be transferred outside your will, and therefore, will not attract probate fees. You can designate your RRIF and RRSP to your beneficiaries allowing these funds to transfer directly to them. This will not eliminate the income tax due, just the probate fees. Take care here, because your designated beneficiaries will get the money regardless of the instructions in your will. Generally speaking, you do not want to add others to the title of your cottage, city home or investment accounts. Changing title on these assets could trigger capital gains and could put your assets in play for Family Law issues.

We all want the wealth that we have created during our life time to endure for future generations and not be added to the government's coffers. Prepare a list of assets, liabilities, key contacts and the location of important documents. Make sure you have a valid, up-to-date will. Determine who will benefit from your wealth. Get some professional help to set up your plan. Once in place, your estate plan will bring peace of mind and your death will become less taxing.

ADDITIONAL RRSP RESOURCES

 ECU WEBSITE
www.ecusolutions.com

 UNDER
QUICK LINKS
FORMS & PUBLICATIONS

- RRSP Basics Booklet
- Retirement Income Options Booklet
- You can also contact your branch for these booklets.

 UNDER
QUICK LINKS
CALCULATORS

- RRSP/Retirement Planner
- Net Worth
- Retirement Income Fund
- Tax-Free Savings Account.

 CANADA
REVENUE AGENCY
www.cra-arc.gc.ca

40TH ANNUAL GENERAL MEETING DENNIS DAUB SCHOLARSHIP UNVEILED

The Education Credit Union 40th AGM was held on November 29, at the Concordia Club in Kitchener. There were a total of 196 members and guests present for the dinner and business meeting.

The agenda for the meeting included a summary of the financial reports, Board of Director activities and initiatives for the coming year, the Auditor's Report and Audit Committee statement, as well as the revocation of our existing general by-laws to be replaced by new by-laws.

There were four vacancies on the board, with four candidates; **Joseph Doherty, Bryan Kaufman, Jim Marshall** and **Kevin Turner**, who had submitted their intent for nomination. All four were elected by acclamation. Special note was made to thank **Sue Morrison, Principal at Elgin Street** school, who recently retired from the board due to personal commitments. Sue was elected to the board in 2007, and served on a number of committees during her tenure.

We also had a special announcement regarding the establishment of a **Dennis Daub Scholarship Fund** for Waterloo Region District School Board students. The scholarship was created to honour Dennis, former CEO of the Education Credit Union, who is a staunch supporter of continuing education. The grant of **\$1,500 annually** will be offered to graduates of a WRDSB school, who are furthering their education in the business/financial field. Anyone who is interested can visit the school board's website at www.wrdsb.ca under Waterloo Region Scholarships to find more information, or our site at:

www.ecusolutions.com > **Personal Accounts > Young Adults**

The evening concluded with a draw for the \$400 door prize which was won by **Ruth Hallman**. Next year's meeting will be held November 27, 2012.

YOUR 2011/2012 BOARD OF DIRECTORS

Amber Aird-Williams, CMA
(Finance Area Leader, Modatek Systems)

Michael Cook
(Retired Teacher)

Joseph Doherty
(CMA - Canadian General-Tower)

Catherine Hale
(Executive Assistant to the President Waterloo North Hydro)

Bryan Kaufman
(Retired Teacher)

Jim Marshall
(IT - University of Waterloo)

Kenneth McPherson
(Retired - Canadian General-Tower)

Kevin Turner
(Partner, Rovin Farms)

CORE STRENGTH FINANCIAL FITNESS FOR YOUR INVESTMENTS

Anyone with a penchant for fitness has probably heard about how important a strong “core” is to overall body strength. What’s true for your body is true for investments. Just as you pay attention to your body’s core, you need to take care of your core mutual fund* investments. They need to be strong enough to support your investment goals.

Every mutual fund portfolio should have a nucleus of broadly diversified funds. This core is crucial to the strength of your portfolio because it provides stability. It can help your long-term investment returns grow and ease the anxiety caused by financial market volatility.

Core holdings are long-term “buy and hold” investments of low to moderate risk that we can consider leaving in your portfolio for as long as you invest. They are generally less volatile than other types of investments, at the same time offering the potential for attractive long-term investment returns within your risk tolerance.

Diversify across asset classes

Just as your overall mutual fund holdings should be well diversified, so should your core holdings.

Equities. Equity core holdings often consist of “large-cap” equity funds that invest in blue-chip stocks. These funds may not always win the performance race, but they have good long-term track records and may fare better in difficult times.

Fixed income. The fixed-income core of your fund portfolio should consist of moderate-risk, solid investments such as funds that invest in government bonds. We should consider funds that focus on intermediate bond maturities, since these are typically less volatile than longer-term bonds.

Global funds. The changing shape of world markets may also call for non-Canadian investments to form part of your core. With Canada representing only a small percentage of global equity and bond markets, foreign equity or fixed-income funds may be good candidates for a portion of your core holdings.

How much is enough?

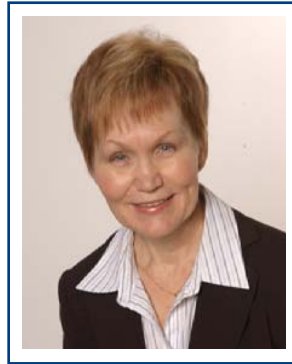
How much of your total portfolio your core should represent varies with factors such as individual financial objectives and risk tolerance. For many investors, 70% to 80% is not unrealistic.

The types of funds that constitute your core will depend on your personal investment characteristics. Funds that can be considered core holdings for one investor may not be suitable as a core for another investor.

Even if you already have a series of core invest-

RETIRING SOON? RECENT CPP CHANGES AND YOUR RETIREMENT PLANS

By Eva Englehutt, CFP, Investment Advisor, Credential Securities Inc.



CPP does not start automatically. You must apply for it at least six months before you would like it to begin.

Starting in 2011, your monthly CPP retirement pension will gradually decrease by a

larger percentage if you take it before 65. By 2016, the full reduction for a 60 year old will be 36%.

From 2011 to 2013, CPP will be gradually increased from 0.5% to 0.7% for each month you wait to apply for it after 65. By 2013, a 70 year old applying for CPP will get 42% more than the current 30% increase.

Starting in 2012, the number of zero or low earnings that are automatically dropped from the CPP calculation will increase. The dropout period will be raised to 16% (7 years) and in 2014 it will be increased to 17% (8 years). This can help increase the CPP amount received.

Credential Securities Inc. is a Member of the Canadian Investor Protection Fund.

RRSP tax deadline is February 29, 2012.

It's that time of year again.

It's never too early or late to start thinking about your retirement, and investing in an RRSP is a safe and smart way to save. Watch your contributions grow and secure a comfortable future. Talk to our financial advisors today!



ments, it's a good idea for us to review your holdings from time to time to ensure they're meeting your needs and expectations, and that the positioning continues to make sense for your goals.

Let's talk

Now is an excellent time for a core assessment. Financial market volatility in recent months may have thrown your mutual fund asset allocation percentages out of balance, including your core investments. For example, the 2011 stock market events may now mean you have a lower percentage of core equity fund holdings and a higher percentage of fixed-income funds than your original target.

Just as a strong core for your body helps you to run further, hit harder, and play longer, a strong mutual fund core can help you tackle bigger

You can receive CPP as early as 60 without any work interruption.

If you are under 65 and work while receiving your CPP, you and your employer will have to continue making CPP contributions.

If you are between 65 and 70 and work while receiving CPP, you can choose to continue making CPP contributions. These contributions go toward the new fully indexed Post Retirement Benefit, which will be added to your CPP pension. This will enable individuals out of work, or with low earnings for a long period of time, to supplement their CPP benefit by working longer.

To find the optimal age to receive CPP, look at the break-even point and life expectancy. Break-even is the age at which the amount of CPP received at age 60 is surpassed by the amount received by waiting till age 70. Under the new rules, the break-even point for a 60 year old taking the CPP is 73. Waiting until 70 to receive CPP would take 3 years to receive an amount equal to what would have been received if CPP began at 60. If you expect to live past 73, then it might be better to begin CPP earlier.

For more detailed information about the amount of CPP you can expect call 1-800-277-9914 or visit www.servicecanada.ca.

challenges. For example, with the support of a strong core, we can focus part of your portfolio on more aggressive, less mainstream investments that are generally riskier and more volatile, but have the potential to add higher returns.

These might include small-capitalization and mid-cap equity funds, funds that invest in riskier securities or geographical markets, and fixed-income funds that invest in high-yield corporate bonds or higher-potential securities.

Contact one of our Credential Asset Management Inc. Mutual Funds Investment Specialists or Credential Securities Inc. Investment Advisors about the structure of your mutual fund portfolio. We'll ensure you have the right balance of core and non-core funds to meet your financial objectives.

HOW ARE YOU? WE REALLY NEED TO KNOW

The state of your health plays a major role in your insurance strategy. It influences the coverage you're eligible for and how much it will cost.

If you have health issues, you might think you won't qualify for certain types of insurance. However, in many cases we can find companies and products that will work for you — whether it's life, travel, disability, or other types of insurance**. Our goal is to get you the coverage you need, regardless of any health limitations you might have.



Pre-existing conditions — medical issues present before obtaining insurance coverage are of particular concern. They don't necessarily rule out coverage, although they may make it more expensive or restrictive. Some insurers are more generous with pre-existing conditions than others.

When we know your medical history, we can also ensure a transparent relationship with insurers. Many people or their beneficiaries have been shocked to discover that lack of full medical disclosure negates or reduces insurance payouts. You wouldn't want to jeopardize your family's financial security for lack of disclosure.

Talk to a Credential Financial Strategies Inc. Representative about your health and be sure to let us know if there have been any changes, whether good or bad. When we have the facts, we can make sure you and your family are protected. And if you simply don't qualify for certain types of insurance because of a pre-existing condition, we can adjust your financial strategy to help compensate for any insurance shortcomings.

*Mutual funds are offered through Credential Asset Management Inc. and mutual funds and other securities are offered through Credential Securities Inc. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Unless otherwise stated, cash balances, mutual funds and other securities are not insured nor guaranteed, their values change frequently and past performance may not be repeated. Credential Securities Inc. is a Member of the Canadian Investor Protection Fund. The information contained in this report was obtained from sources believed to be reliable; however, we cannot guarantee that it is accurate or complete and it should not be considered personal taxation advice. We are not tax advisors and we recommend that clients seek independent advice from a professional advisor on tax related matters.

**Your insurance contract will provide details of the coverage available under the plan you choose. Restrictions may apply. Credential Financial Strategies Inc. is a member company under Credential Financial Inc., offering financial planning, life insurance and investments to members of credit unions and their communities.

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NOTEWORTHY



Special RRSP Investment Rates

Find information on the flyer enclosed and check our website for more details.

Cambridge Grand Opening

Our official Cambridge Open House will be held **Saturday, February 11, 2012** from 10 am to 12 pm. Everyone is welcome. Light refreshments and children's activities. Check our website for details.

RRSP Loans

Need a loan for this year's RRSP contribution? We offer RRSP loans as low as ECU prime. Speak to a Lending Services Rep for details.

E-Statements

As stipulated in our September 2011 newsletter, all member statements will be produced in electronic format beginning January 2012. If you wish to continue to receive your statement by mail, please contact a Member Services Representative at your branch. A \$2 charge will apply to all paper statements produced after December 31, 2011 with the exception of members age 59+.

Name the Newsletter

The new name for our semi-annual newsletter will be **ECU Solutions**. We would like to thank members for their Name the Newsletter submissions.

Tax Preparation Service

Details regarding our on-site tax preparation service in March/April 2012 through Alan Wintrip, C.A., will be available on our website in the near future. Or you can call your branch for information and pricing.



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