Brought to you by Alexander Sgroi, MBA

Knights of Columbus
Financial Beacon

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THE BASICS OF DEFERRED FIXED ANNUITIES

COMMON LONG-TERM CARE MISUNDERSTANDINGS

Why and how to repair your credit score

A MESSAGE from your agent

Dear Brother Knight:

I wasn't surprised by the statistics in the article on this page about how many Canadians are concerned about the cost and availability of long-term care services. I see the concern clearly when I talk with Knights and their families about protecting their assets against the potentially catastrophic expenses of long-term care.

But the options for covering long-term care expenses can be confusing.

Unlike, say, auto insurance—another product designed to protect against catastrophic, unexpected losses—long-term care insurance just isn't on our radar screens from the age when we can drive. By the time you're seriously thinking about addressing this risk, you'll probably need to start learning about it from scratch.

That's where I come in. I don't want you to face decisions about long-term care insurance without reliable information you can understand. I also want to help you make an informed decision before anything happens that might disqualify you from coverage. Please get in touch with me and let's go over the long-term care options available to you as a member of our Order.

Fraternally yours,

Alexander Sgroi

It's time to close the long-term care information gap

In a 2013 survey* by LIMRA, a financial services research and consulting firm, eight in 10 Canadians said they were concerned about the cost and availability of long-term care (LTC). Perhaps a major reason LTC is such a concern is that so many people don't really understand what LTC is, in comparison with other types of medical care. Another source of confusion is the difference between government benefits and private LTC insurance policies. Let's clear up a few of the most common misunderstandings now—because waiting to learn more about long-term care can be a costly mistake down the road.

Misunderstanding #1: The term "long-term care" (or LTC) refers to any kind of medical care that takes place over a long period of time

In the medical and insurance worlds, LTC refers specifically to "custodial" care as opposed to "skilled" care. That is, LTC is assistance you need to perform basic activities of life, such as bathing, eating, dressing, and getting around. Doctors and registered nurses generally provide skilled care that isn't considered LTC.

Misunderstanding #2: Long-term care is covered under the Canada Health Act

The Canada Health Act doesn't provide for LTC services. Provinces have various programs that may cover some LTC expenses, but generally this requires means testing. In other words, you may not qualify for certain LTC services unless you have no other means of paying for it. In the LIMRA survey mentioned above, the top financial concern of the Canadians polled was the government's ability to fund health care—84% answered "very" or "somewhat concerned." This concern is well-founded, especially in regard to LTC as the huge baby boomer generation ages.

Misunderstanding #3: LTC insurance covers only nursing home care

You can buy LTC insurance that covers only care in a qualified residential facility such as a nursing home or assisted-living community. But you can also buy a comprehensive policy that covers care at home and/or a daycare facility.

Misunderstanding #4: I can't afford LTC insurance

Before you decide you can't afford LTC insurance, ask yourself how long you could afford to pay for professional LTC services without it. The cost varies significantly among provinces, as does the availability of government-run facilities that offer LTC. It's worth your time to look into the cost of options in your province.

Calculating whether you can afford LTC insurance to protect your family's assets against the cost of professional LTC care can be difficult, but keep in mind that LTC policies have a variety of options that make the price of policies vary considerably. I can help you figure it all out. ✦

* Source: *2013 Canadian Life Insurance Ownership Study,* ©2013 LIMRA.

Why and how to repair your credit score

Credit scores can affect more than your ability to get loans or qualify for a low interest rate. A poor credit score could prevent you from renting an apartment, for example. In some provinces, insurance companies can deny auto or home insurance based on your credit report. Some employers will use the report in considering your job application.

The upshot is, you should get a copy of your credit report and take steps to repair it if necessary. Here are answers to some frequently asked questions about credit reports.

What's on a credit report?

Two credit bureaus produce credit reports: Equifax Canada and TransUnion Canada. Their reports generally list any loans, credit cards, or other types of credit in your name for the previous six or seven years, although some provinces differ.

The reports also list liens against you and debts that have been reported to collection agencies. Even small debts, such as unpaid library fines or parking tickets can be reported to credit bureaus.

How is a credit score calculated?

The bureaus assign a credit score between 300 and 900. TransUnion issues an Empirica score and Equifax provides the Beacon score to lenders and the FICO score to individuals.

A score of about 670 to 740 is generally considered average. Most Lenders consider you a very high risk if your score is below 580. Anything above 800 is exceptional.

What's the best way to improve my credit score?

Typically, the most important factor in your score is whether you make credit payments on time. So always make at least the minimum payment on credit accounts.

Even if you've made every payment on time, however, you might not have a high score. Why? Because the bureaus also heavily weigh how much of your available credit limit you're using (your "utilization rate"). The closer your total credit balances are to your overall credit limit, the lower your score will be. Try to use 30% or less of the credit limit on any given account.

One way to keep your utilization rate down is not to cancel a card after you've paid it off. If there's no annual fee, consider keeping the account active—but maybe cut up the actual card—to keep your total credit limit higher.

Can a credit repair service help?

Be very careful about companies that bill themselves as credit repair agencies. Some tout themselves as "non-profit," but their true intent is to sell you consolidation loans or seek fees to intervene with credit bureaus on your behalf.

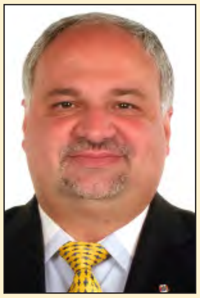
Ask a trusted bank or credit union for a referral to a legitimate, community-based credit counseling service. ✦

HOW TO GET A CREDIT REPORT

Credit bureaus are required to provide one free report per year if you mail a request. The report is free, but the score isn't included unless you choose one of their paid options.

To find the free report mail-in instructions, go to: transunion.ca (click on "Contact Us" and then "By Mail"), or consumer.equifax.ca (on the bottom of the page under "Other Credit Services," click on "free credit report).

YOUR AGENT



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- Long-term care insurance
- Transfers of pension plan to registered plans (RRSP, TFSA, RRIF)
- Estate preservation
- Scholarships
- Family fraternal benefits
- Disability insurance

Contact me today for information on long-term care insurance

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Contact me today for information on long-term care insurance

Deferred fixed annuities: dull—and safe—by design

Talking about annuities might induce a giant yawn from most consumers. And that's the point of making annuities part of your retirement savings plan. You have many distribution options with a retirement annuity. In its most basic form, if you annuitize it, an annuity will yield a specific monthly payment amount for as long as you live. You may also opt to have the annuity pay a monthly benefit to a surviving spouse, or to have the benefits paid for a specific period such as 20 years.

The interest credited to Knights of Columbus fixed annuities comes with a guaranteed minimum, and is backed by the financial strength of one of the highest rated insurance companies in North America.* Your money will grow, even if the economy fluctuates.

Balance the risk you may be taking elsewhere

Sure, there's a place for risk in retirement savings, if you have money you're willing to lose in order to gain the potential for a higher yield. But a balanced portfolio should have guaranteed options such as a fixed annuity. In a way, these products can work like the Canada Pension Plan: You pay into them during your working life and when you retire you receive a monthly payment you can't outlive.

In addition to security and predictability, your contributions to a Knights fixed annuity earn interest tax free. Tax-free compounded interest to a Tax Free Savings Account (TFSA) allows your money to grow faster than paying taxes on annual earnings. If you have a qualified annuity inside an RRSP, your contributions will be in pre-tax dollars. Also, you'll save on taxes if your income tax bracket is lower when you receive the benefits than it was when you contributed the funds.

This is a simple overview of fixed annuities, and the Knights of Columbus offers other annuity options that may suit your situation better. I'd be glad to go through them with you. I know, maybe you'll yawn. I don't mind. It's okay for insurance products to put you to sleep if they help you sleep more peacefully in the nights to come. ✦

** As of 12/31/13, rated A++, Superior for financial strength by A.M. Best*