

# MINDING YOUR BUSINESS

## PENSION PLAN PROTECTION Insuring Your Retirement Dreams



By John Niekraszewicz, BMath, FCSI, CFP, FMA,  
JVK Life & Wealth Advisory Group

**T**he Canadian government has increased the maximum amount of money you can contribute to your Registered Retirement Savings Plan (RRSP) to \$18,000 for 2006. But why are they allowing us such a generous tax deduction?

Maybe their motivation has something to do with the fact that the leading edge of the baby boomers will start retiring en masse in the next few years? And if you have more people being supported financially by the Canada Pension Plan than there are people contributing, then problems may arise.

All one has to do is look to corporate Canada for real life examples. Air Canada and Stelco are two companies that have a large number of retirees. This resulted in the pension plans being underfunded and both companies were forced into bankruptcy protection.

Corporate pension plan underfunding in Canada is now at an all time high and according to the Conference Board of Canada, 4 in 5 Canadians surveyed are concerned that a pension crisis exists.

So, to deflect the blame for a pension crisis, the government may be following the recent trend in corporate Canada which is to have individuals invest their

pension savings on their own.

If RRSPs will make up a large percentage of your net worth, then it makes good sense to protect this asset to ensure a financially satisfying retirement.

Here is an example of what can happen if you don't protect your pension plan from unforeseen life events. This is Bob's story.


Bob was 50 when he had a stroke. While he was in recuperation therapy during the next 2 years, his wife lost income of \$100,000 to help with his care at home. Cost of drugs not covered under Bob's health plan, travel costs to and from treatment for gas and parking, and medical equipment cost another \$100,000.

Bob didn't have a proper critical illness insurance plan to provide the cash for this unexpected illness and he was forced to sell his RRSP. To get \$200,000 out of his RRSP, Bob had to sell \$400,000 of his RRSP and pay \$200,000 in tax.

Bob and his wife Mary had planned to retire comfortably when Bob turned 60. That plan is now unrealistic and a new plan needs to be created.

As a Professional Surveyor, everyday you are protecting your clients from

unforeseen events that can cause them financial ruin. It could be protection from land boundary disputes or underground utility damage. So when it comes to your personal pension plan it makes sense to apply the same diligence to protect it. Insurance protection against a critical illness like the stroke that Bob experienced makes good sense. And if structured properly, can also provide you with a return of all the premiums paid if you don't make a claim. This would provide you with additional funds to live out your retirement dreams. Just as having a survey done properly, a critical illness insurance plan to protect your pension plan, is also money well spent.

I would encourage you to review this Pension Plan strategy with your current financial advisor or contact me and I would be pleased to map out the opportunity for you. 

**John Niekraszewicz**, BMath, FCSI, CFP, FMA, (Nick-ra-shev-itch) is a Certified Financial Planner, President of JVK Life & Wealth Advisory Group and focuses on pension planning for individuals and corporations. He can be reached at **1-800-767-5933 ext. 111** or **info@jvkgroup.com**.

## Sites to See

[www.esa.int/esaNA/index.html](http://www.esa.int/esaNA/index.html)

### First Galileo signals transmitted by GIOVE-A

GIOVE -A, the pilot satellite of Galileo, began transmitting signals on January 12, 2006. Galileo is Europe's new global navigation satellite system, a partnership project involving the European Space Agency and the European Commission. It will provide a highly accurate and guaranteed positioning service under civilian control and be inter-operable with the US Global Positioning System (GPS) and Russia's Global Navigation Satellite System (GLONASS). A second satellite will be launched later this year. Eventually Galileo will have a constellation of 30 satellites.