

Business Outlook

Understanding insurance essential to financial plans

If you're like most Canadians, trying to understand Life Insurance can initially seem very confusing. This needn't be the case, for there are essentially two groupings with three major variations — term, whole life and a recent hybrid of the first two, universal life.

Individual insurance is a contract between an individual and a life insurance company for a specified period of time or for life. Under the contract agreement, the individual owner of the policy has direct control over the plan. The owner pays the premiums as per the agreement. In return, the insurance company is obliged to provide the coverage, regardless of any changes in the life insured's health or employment status.

Under a group plan, however, all of the people in an organization are insured under a master contract. The benefits received are standardized, with salary or wages usually determining the amount of insurance coverage. With most plans you are insured only as long as you remain a member of that group. If you change jobs or retire, you may lose protection. Most group plans, however, contain a "conversion privilege" which allows the employee switching jobs to replace the group coverage with an individual policy. Some employers continue to pay premiums for group insurance for retired employees at a decreased level of coverage.

Individual life insurance policies fall under three basic headings — term, whole life and universal. Each type offers a wide range of variations capable of matching the specific requirements of the buyer.

Term Insurance

Term insurance coverage often has the lowest premiums. As its name implies, term insurance provides coverage against the risk of death for a specified period of time — usually 5, 10 or 20 years. Once the term is complete, a new policy must be applied for in one of two ways; the first method is through a renewal option that allows you to renew a term policy before it expires, without taking a medical examination. However, as you age, the premiums are higher. Also, there may be two limiting factors; the number of times you have previously renewed the policy, and whether or not you have reached the prescribed age limit. Most term policies come to an end when you turn 70 or 75; however, there are some new products called "Lifetime Term (to 100)" that are level-benefit, level premium contracts that last until your 100th birthday, at which time they expire. There are now even Term-to-100 plans that offer some cash value privileges for a higher premium.

The second way of applying for a new policy at the completion of a term (or any other time) is through a "Conversion Option" which allows you to convert your term insurance before its expiration to permanent insurance. The new premiums, however, would be higher because you are older and because these products provide broader coverage and benefits. Nevertheless, you would qualify for a new policy without a medical examination.

Whole Life

Perhaps the least understood type of individual insurance today is whole life. Sometimes called

permanent life, straight life or ordinary life, this type of policy provides insurance protection for your entire lifetime. Whole life differs from term in a number of significant ways. Unlike term insurance which has increasing premiums as you enter different age groupings, whole life premiums remain constant throughout your lifetime. Obviously, the earlier you start your policy, the lower the ongoing premiums will be. Also, unlike term insurance, and, as the name implies, whole life provides death benefit protection for one's entire life, usually up to age 100. In the event that a life insured reaches age 100, the face amount becomes payable to the owner of the policy in cash.

The flexibility of whole life makes it a lifetime asset that can be utilized in a variety of ways. The owner of a whole life policy can exercise the following options: borrow funds up to the cash value of the policy; stop paying premiums and continue the lifetime protection at a lower amount; discontinue the protection entirely, and have the company convert the accumulated cash value into income; discontinue the protection and pay for the purchase of an annuity — a contract guaranteeing a set income for the rest of your life; cancel the policy entirely and receive a cash payment known as the "cash surrender value".

Universal Life

A new insurance plan has appeared on the Canadian scene during the last five years; it's called universal life. UL, as it's often referred to, combines a high in-

vestment return on cash values plus a built-in flexibility in the amount of protection.

Universal life consists partly of term insurance and partly investment. You designate how much insurance protection you want and how much you want invested in low-risk financial instruments. Policyowners must keep in mind that the cost of the term insurance component increases as you grow older.

Armed with this introductory knowledge of life insurance you

are ready for a productive meeting with your life insurance agent. Review the various types of policies mentioned above and never be afraid to ask questions. The life insurance professional will welcome any inquiries that better define both your current and future protection needs.

For further information contact Life Underwriters Association of Canada, 41 Lesmill Rd., Don Mills, Ontario, M3B 2T3, (416) 444-5251, or contact your local life underwriters association.

You can own your own business — and feel certain of success

(NC) — Would you like to own a profitable business, or businesses?

I bet most of us would, and we dream of the day we can be the "boss" and tell others what to do? Many of us also realize that it is often those successful "business people" who end up with considerable more wealth than we, the hard-working employees.

Yet many of us also know that only one in six businesses survive, with the other 5 ending up with failure, and the "business" entrepreneur losing everything he once had.

So we're scared!
We don't blame you. It is a risk, to take those dollars earned (and saved) as an employee, and venture off on your own, with no guarantee of success, and an 80% possibility of failure. There is no wage paid to you, and you may work six and seven days a week for that "no wage".

Can you, though in fact, own a business, be pretty well assured of a long-term gain, and still continue to earn your wages?

I do!
And, so do thousands and thousands of our fellow Canadians. You see, by saving part of those wages, we can invest them in something called an "equity" mutual fund, which in turn owns parts of dozens, and sometimes hundreds, of businesses.

You can own a part of those businesses, and share in their profits (if any) and their increase (hopefully) in value. By investing your savings, of say \$50 or \$100, or more regularly every month (or when you feel like it) you share in the profits of all those industries (in the same proportion as the person who might have \$10 million invested).

And what have they done. According to reports published in the Financial Times and Financial Post (Canada's two leading financial weekly newspa-



IT'S YOUR MONEY
Paul J. Rockett

pers) the "average" return on over 200 "equity" funds is now over 17% average per year, based on the past 10 years.

That's not bad, is it?
Let's suppose the average drops to 15%. Did you know, that with that "average" 15%, a person aged 25, who would save \$100 monthly through to age 65, would end up being worth over \$3 million! True, if you wait to start saving until you are age 35, that \$100 monthly (at 15%) would end up being worth only \$700,000 and if you wait until age 40, it would be worth only \$328,407 (almost 1/3rd of a million).

But, it in effect is owning part of a whole lot of businesses, with a proven record of success (not five-out-of-six failing), with what we call most of the "risk" removed.

Do you have savings today? Do you know that at 15% average per year, money doubles every five years. So...if you have \$1,000 (or \$10,000, or any amount) that \$1,000 would be worth \$2,000 in 5 years, \$4,000 in 10 years, \$8,000 in 15 years, \$16,000 in 20 years, etc.

Figure out what you could be worth, by taking your savings today, investing them in "dozens of businesses" (mutual funds), by doubling those savings values every five years.

Impressive, isn't it?
Paul J. Rockett is author of the best seller "Why Invest in Mutual Funds" and President of Regal Capital Planners Ltd.

Choosing games for family fun

Quick, name your favorite board game. Chances are if you're like most people, you'll have chosen one of the traditional games like Scrabble, Monopoly, or even a new "classic" — Trivial Pursuit.

What makes these games stand out is the almost magical combination of a simple concept, challenging strategy and an element of luck, all in a format that's fun! These so-called "classic" games tap into common interests of people of all ages, whether those interests be word play, real estate or trivia. Because of their broad appeal, these games are truly social experiences, ones people enjoy having again and again.

Of all the games introduced each year, however, very few are destined to become classics. Many new games cater to special interests, and many new games, to be perfectly honest, just aren't that much fun.

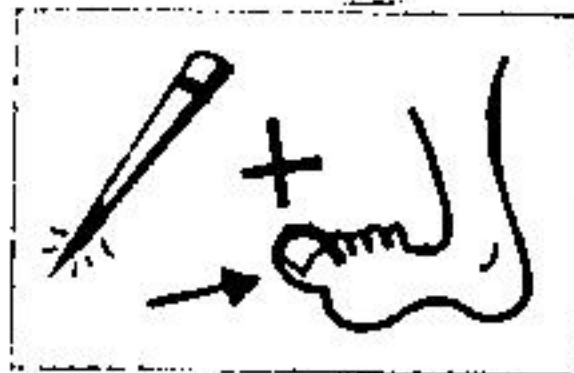
that you'll enjoy playing? You can start by checking with the experts. The Canadian Toy Testing Council every year evaluates new toys and games, rating them for design, function, durability and play value. Their report, issued every October can help you make an informed decision.

One new game the Council awarded its highest rating to is Pictionary. The Game of Quick Draw. Pictionary is the original charades on paper game, and just like its famous predecessor Trivial Pursuit, it has created a whole new category of adult party games. Simply put, it has all the makings of a classic game.

Unlike the acted clues of traditional charades, in Pictionary players have one minute to sketch clues for their teammates to guess the word. No artistic ability is required, so the game is easy to learn and non-intimidating even for

the most bashful player.

Is Pictionary truly another classic? Only time will tell whether it is destined to take its place with the other classic games that families have played for generations. And in case you still don't get the picture, try your luck on the clue below:



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