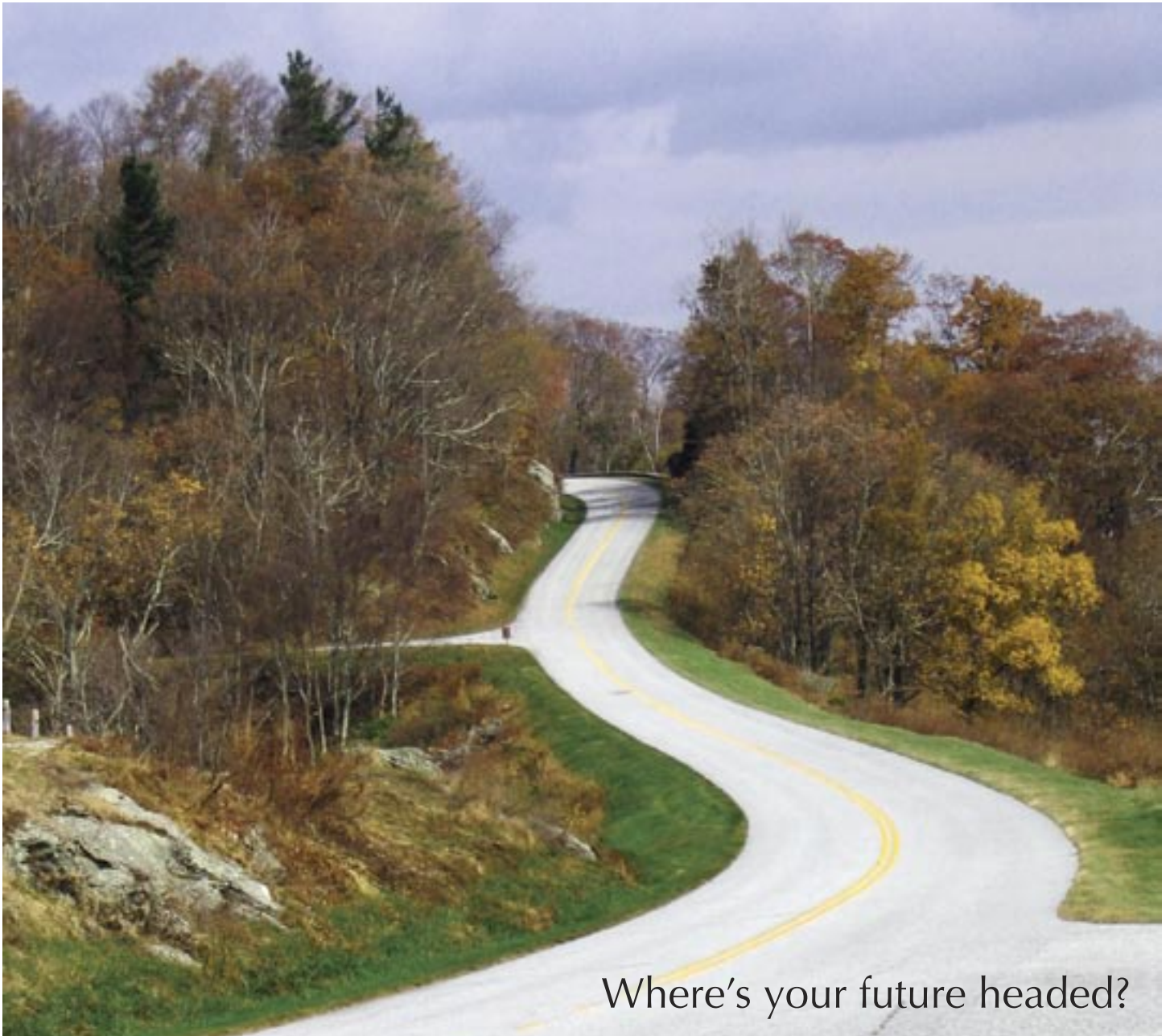


RICEREPORT

PUBLICATIONS MAIL AGREEMENT NO. 40063351

FALL 2006



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RICEREPORT

FALL 2006

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Pass It On— Your Cottage, Your Legacy

It's been 25 years since Dale and Shelly Carlyle bought their lake-front cottage at Vermillion Bay, ON and spending their summer months relaxing along the water has become somewhat of a tradition. Dale and Shelly always believed their cottage would remain a special gathering place for generations to come. But, after seeing a neighbour's cottage change hands because of tax burdens left to the family after death, they worried their summer home would also slip away when they did.

"When our neighbour died this spring, his children couldn't afford to pay the tax associated with transferring the asset," Dale said. "Even though they were financially stable, they had to sell the cottage because of it. That made me realize this could happen to us too."

Concerned about losing a valuable heirloom, the Carlyles contacted their Rice Financial advisor Martyn Hall to find out how they could ensure a tax-effective transfer of the family cottage to the next generation.

First, Hall explained the problem for cottage owners lies in the way property is transferred. Although the asset can be transferred to a spouse tax-free, transferring to children may bring about a capital gains tax that must be paid before taking ownership of the cottage. Additionally, Hall noted that as values of cottages continue to skyrocket, they are a tax time bomb many people are simply unaware of.

"Usually, an appreciating asset is a good thing, but here it's not so simple," says Hall. "You can make your dream of handing over the family cottage to

your loved ones a reality—all it takes is a little planning."

The recent real estate boom in Canada has made cottages worth substantially more than their purchase price—and 50 per cent of this increase in value is taxable upon death. Depending on how valuable the property has become, loved ones may face a serious capital gains tax liability. And, like Dale and Shelly's neighbours, heirs could be forced to sell the cottage just to pay for it.

"In 1981 we bought our cottage for \$50,000. Today it's worth almost \$300,000," Shelly said. "With a tax rate of 46% our children were looking at having to pay \$57,500 in taxes to take it over. We just couldn't leave them with that burden."

After hearing their concerns and examining the options available, Hall recommended Dale and Shelly purchase a joint-last-to-die universal life insurance policy to ease the financial strain left to their children—and put to rest worries of losing the family legacy.

Purchasing life insurance is a cost effective means of funding the tax liability on a cottage. By providing

cash at the time of death, it ensures funds are available right when you need them. The universal life policy the Carlyles chose combines permanent life insurance with an investment account, allowing funds to be paid to their children tax-free and more expediently than most estate distributions. The result: money to put toward paying the capital gains tax and keeping the cottage in the family.

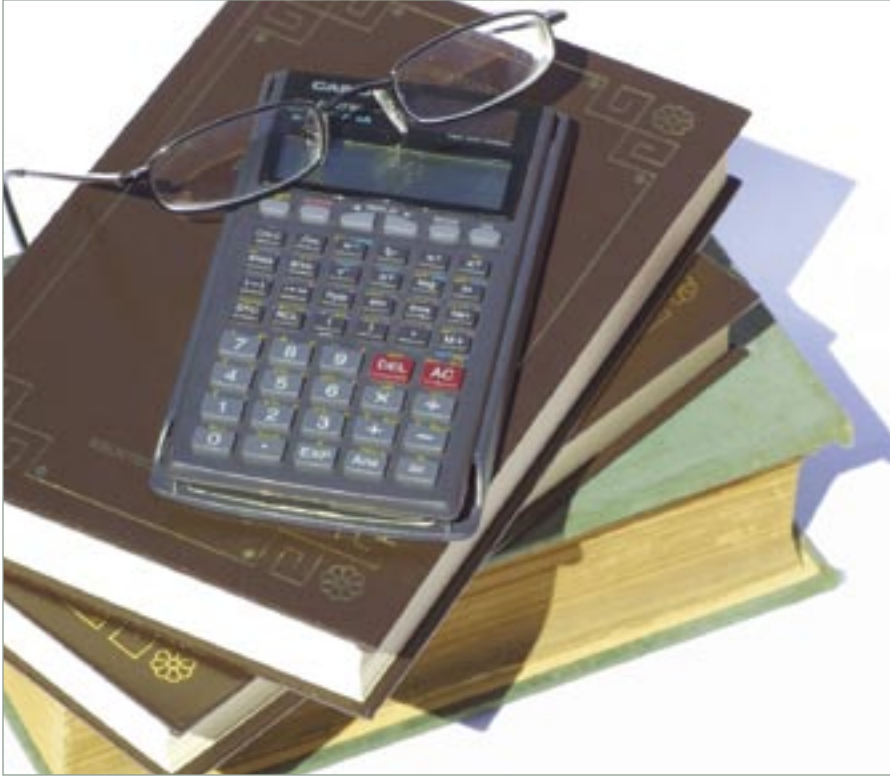
"Our universal life policy really put our minds at ease," said Shelly. "Beyond giving our kids the means to pay for the tax, the policy was flexible enough for us to choose options specific to our needs."

From death benefit options that increase to match growing property values and tax liabilities to customizing the amount and number of deposits you make, universal life insurance offers both protection and choice to ensure what's most important in your life is passed on to the people most important.

For more information about how to keep the family cottage as part of your legacy, contact your Rice Financial advisor. •



The “Rate Hopeful” GIC Investor



In actuality, five year GIC rates are up over 40 per cent from their lows in 2002.

In finances, timing can be an important player—but it’s not everything. By hanging on until interest rates climb, many investors choosing to play the waiting game are only sidelining themselves from what may be a steady and sound cash flow. The truth is, the rate you’re waiting for may never come around and you may miss a good opportunity to get ahead.

Waiting for rates to “bounce back” is very common amongst GIC investors who participated in the interest rate run of the mid ’80s through early ’90s. Back then, it was common to receive well over 10 per cent for a five year GIC. But, as rates began their slow and steady decline, many GIC investors began the process of shortening their terms. Five year invest-

ments became three years, one year and, in many cases, 30 days.

Why? Many people are waiting for rates to climb back to previous levels and keep their cash at hand so they can jump back into GIC investing should rates start a surprising soar.

“Rates can’t stay low forever” is one common mantra of the “rate hopeful” investor. This may seem to make sense, but, theoretically, rates can stay low forever. Manipulation of interest rates is the Bank of Canada’s primary weapon to control inflation and the Canadian dollar. More recently, the Bank of Canada has been more cautious in applying interest rate policy to manipulate our currency and have focused on inflation control.

“Rates are at historical lows” is another common argument for shorter

term investing. But, are they? Think back and remember the sub-four per cent GIC rates for five years following September 11, 2001. Central banks around the globe were dropping interest rates almost madly in attempt to help badly shaken investors restore their confidence in a new world of uncertainty. In actuality, five year GIC rates are up over 40 per cent from their lows in 2002.

“Although interest is important, there’s more to investing than what you’re getting in the here and now,” says Dan Steinkey, Rice Financial’s Director of Investment Products. “Sometimes you have to look farther down the road to see the profit.”

By purchasing a GIC, you are agreeing to invest a specific amount of money for a specified term (period

of time) at a predetermined rate of interest. Upon maturity of the investment, you receive your principal and the interest you earned over the term. With best rates currently hovering around 5.0 per cent, Steinkey says investors have to ask themselves whether it's worth holding off another year—or few years—for minor rate changes.

"I often ask clients to consider what interest rate would be needed for their investment to exceed what it would have earned during the time you spent waiting," he said. "I see a lot of investors holding out at rates of 4.76 or 4.86, only to invest months or years later at 5.0 per cent."

Luckily, there's a solution. To take advantage of short-term interest rates and make longer-term investments, a common approach investors can take

is GIC laddering. This strategy allows you to keep some of your investment in shorter-term investments while taking advantage of higher, longer term rates.

Laddering simply means staggering your GIC investments over multiple terms: buy one GIC for a one-year term, one for a two-year term, and so on. This way, only a portion of your overall investment matures at one time, allowing you to reinvest in times of higher interest or be only partially affected at lower interest times. Importantly, you're always investing so you're always growing.

"The temptation right now is to throw all of your investment into a one year term since the yield curve is inverted," Steinkey said. (Inversion occurs when one year rates are higher than some longer term rates.) "But

we need to think critically about why banks offer you a better rate on a one year term than on two. When banks know rates will decline, they want to make you reinvest next year at a lower rate. Investing short term and borrowing long term is where banks' margins are the widest."

The big banks don't need crystal balls to figure this out, either. The Bank of Canada has been sending signals that they may raise rates one more time this year (with emphasis on "may"), and that we can expect rates to start falling again in 2007.

Regardless of whether you are starting with a principal of \$5,000 or \$50,000, your Rice Financial advisor can help you make the most of your GIC investment—keeping you on track and in the game. •

Three Easy Year End Tax Planning Tips

The end of the year will be here before you know it. The fall is a good time to review your financial situation with your advisor and plan for your 2006 income tax return. Here are three often overlooked tax planning tips for you to discuss.

Top Up Your RRSP

1. Contributing to an RRSP is one of the most beneficial ways to increase your tax savings – 90% of Canadians do not top up their RRSP contribution room. This fall consider gifting an RRSP to your family members. Not only will you receive tax savings, you will also defer taxation on the earnings within the plan.

Your RRSPs are for more than just retirement. If you are planning on returning back to school or wanting to buy a home, your RRSPs can be a source of financing. RRSP contributions can also increase refundable tax credits based on family net income like the child tax benefit.

File Income Tax Returns For Your Children Under 18

2. File an income tax return for children under 18 who have little or no income. This ensures your child will receive a GST rebate in the first quarter after the child turns 19. The child will also accumulate RRSP contribution room on earned income sources. This can help maximize non-refundable tax credit provisions. Remember you can file retrospective tax returns under CCRA's Fairness Provisions policy.

See If Tax Loss/Gain Selling Is To Your Advantage

3. Work with your tax advisor this December to see if tax loss/tax gain selling makes sense for you. You can book losses on stocks and other securities to offset capital gains in the year while carrying back losses to recover taxes paid in prior years. Remember in order to apply tax loss/tax gain for 2006 you will need to do the selling or purchasing before December 22.

Steps for Building a Better Portfolio



Building a strong and profitable portfolio may seem like a complex task requiring extraordinary business sense or inside information. But, by keeping a few key—and surprisingly simple—considerations in mind, it can be easier than expected.

Think of your portfolio as a team and all the individual investments within it as players. At first glance it may look like your team is chock full of outstanding members, but the most important consideration is how they work together. To achieve success, a team needs a variety of players that balance each other's strengths and weaknesses. The same is true for your portfolio. To evaluate the effectiveness of your portfolio or to develop a plan to construct one, here are some basic guidelines to follow.

Measure Risk

Look at your portfolio and assess the possible downfalls within your team of investments. Risk is defined as the chance an investment will not achieve its expected return—the greater the range of possible returns an investment has, the higher the risk. Simply put, how reliable are your players and

what kind of performance might you expect from them? Remember, risk isn't all bad. The key is to manage it effectively and not place all your expectations on a long shot.

Diversification and Correlation

Even the best offense needs some defense. A team's success is dependent upon different types of players performing different roles. To reduce portfolio risk, investors should spread their funds across a variety of investments within a variety of markets and geographic regions. By diversifying this way, you avoid becoming dependent upon a specific type of investment. Should something happen to it, you can rely on others to maintain the success of your portfolio.

But, for diversification to work effectively, the variety of investments and markets you choose must not be perfectly correlated—that is, they shouldn't do the same thing at the same time. To reduce the risk of a loss, it's best to have your offense at its best when your defense is struggling and visa versa. Of course, it's great if all your investments are doing well at the same time; however, it's risky if they are impacted by the same market

forces. Investments experiencing lows at the same time leave your portfolio sitting idle or, worse, slipping backward. Your portfolio should be constructed in a manner that always keeps you in position to build wealth.

Asset Allocation and Portfolio Construction

Once you've realized the importance of variety within your portfolio, the question becomes how to distribute your funds among the range of products. Here's where we can help. Working with your Rice Financial advisor, you can create a combination from the following asset options:

- cash, bonds, and other investments
- conservative, lower risk funds
- aggressive higher risk funds
- value, blend (core), and growth funds
- those outside Canada

International Investing

Opportunities for financial gain are all around us—and investors should consider crossing international borders to find them. Think of these investments as players you've scouted from other leagues. Taking a slightly different approach or offering a new advantage, they may give you a profitable edge. International investing may offer greater potential for increased returns while reducing risk at the same time. It's just a matter of finding an appropriate investment to fit with your unique portfolio.

Building a portfolio is an ongoing undertaking that lasts a lifetime. Ensuring it reflects each stage of your life is important, and by taking into account some of the investment theories outlined above you may be able to enjoy greater returns and a more secure future. To discuss the state of your portfolio and opportunities to enhance it, contact your Rice Financial advisor. •

Live the Good Life Sooner

Early retirement—it's a foreign concept to many investors. But, the truth is, you don't have to be heir to a fortune or even a lottery winner to start enjoying the good life sooner. All it takes is a little planning.

Forty-eight-year-old Sabi Hassan always knew she didn't want to spend her whole life behind a desk. Although she enjoyed her work as an accountant for a major real estate company, Hassan was looking forward to doing things other than crunching numbers. Plans to expand her botanical garden and visiting relatives in India were ones she didn't want to put off.

"Retirement is often seen as a stage in life where age slows you down a little," she said. "I didn't want that. I saw my retirement years as being full of activity—activity that couldn't wait until I turned 65 or even 55."

Hassan had a vision, and by assessing the goals and dreams within it was able to plan ahead financially to ensure it became a reality. Rice Financial advisor David Sissing says investing early and consistently was key to Hassan's advanced departure from the nine-to-five world.

"The earlier you can start saving the better," Sissing said. "For many people, simply evaluating spending habits and learning to live on less can free up funds you can put toward investments. Additionally, many employers offer tax-deferred retirement plans you should take advantage of as soon as you can."

But, like most things in life, setting aside money for the future isn't always easy. Hassan says during the three years her son attended college the amount she was able to invest dropped, but she still made an effort to put away the little bit she could each month.

"During those years money was tighter. But, once he was through school and had a job to help pay his own bills, I was able to take care of

some of my own debt," Hassan said.

By selling her home for a smaller, more suitable place Hassan was able to take advantage of the substantial tax-free capital gains the government allows on the sale of a principal residence. This extra cash allowed her to pay what she owed on her car and for the first time was living debt-free.

Although an early retirement may seem to be the ultimate financial achievement, there are some drawbacks investors need to be aware of. Here's where your Rice Financial advisor can help.

"People need to remember to plan for their health care down the road," Sissing said. "Early retirement sometimes means you can't take advantage of the health care benefits many employers offer retirees."

He says preparing for things like critical illness or long-term care should be part of everyone's retirement strategy, regardless of when their retirement actually begins. Additionally, Sissing notes some RRSPs and other retirement plans contain early withdrawal penalties. So, if you're hoping to clock out of the working world ahead of schedule, money you pull from your savings may be subject to additional taxes or sales charges. Working with your financial advisor is the best way to ensure your money lasts into the future. Accounting for all the factors within your portfolio, your advisor will help you reach your goals without straining you in the here and now.

Sabi Hassan isn't a wealthy celebrity or money-spinning CEO, but still managed to hit retirement early. And, so can you. To begin planning for your early retirement or to ensure your strategy will stand the test of time, talk to your Rice Financial advisor. •



CoreLink Small Business, Big Benefits

Ask small business owners what sets them apart from their bigwig, corporate competitors and you'll get one resounding answer: service. Often having a closer, more intimate relationship with the company, it's the dedicated employees of small businesses that keep customers coming back. The trick is hanging onto them once you've got them.

Glenn Holden knows all about this employee retention game. Although his decal and printing business has seen much success in its eight years, Holden found he was losing many employees to larger, wealthier companies who could offer them more perks.

"Having to continually train new people was costing me time and money," he said. "But, I couldn't blame my employees for moving on. Having

a good benefit plan that protects you and your family is so important these days. I had to find a way to compete."

Determined to gain some ground in the battle for benefits, Holden set out to obtain a plan of his own. However, employing just 20 people, Holden was having difficulty finding a comprehensive package to fit his group—that wouldn't break his budget. Then, he came across CoreLink—a new plan administered exclusively by Rice Financial designed specifically for small businesses.

"CoreLink was a great choice," Holden said. "Having a wide range of in-depth benefit options to choose from, my staff and I are able to create plans specific to our needs—specific to our budgets"

Don Wright, Rice Financial's Vice President of Employee Benefits, says there are a number of small busi-

ness owners like Holden. Looking to protect and provide for their most valuable asset, employers with small staffs often are ineligible for many group plans, or simply can't afford them.

"Rice wants to show employers that small businesses can have big benefits," Wright said. "We created the CoreLink plan so regardless of how many people you employ, your business can profit from having a secure and financially prepared workforce."

The basic CoreLink plan Holden offers his staff includes basic life, dependent life, and accidental death & dismemberment coverage, along with his choice of short term disability, long term disability, extended health care, dental, and critical illness coverage. From there, his employees can customize their plan by choosing from a list of other benefit options including optional life, voluntary accidental death & dismemberment, and voluntary critical illness.

"Since most of my employees have kids, I chose options to help pay for major expenses like glasses and braces that often put a dent in parents' wallets. But after that, it's in their hands," Holden said. "CoreLink is the right plan for us because it offers a complete set of benefits should you need them, but in an optional manner that keeps cost down."

Like the small businesses it covers, CoreLink's greatest strength is service. Flexible, accessible, and completely client focused, the plan is managed and administered by professionals at Rice Financial. With less paperwork to worry about, employers like Glenn Holden have more time and money to put toward what they do best—growing the entrepreneurial spirit.

For more information about CoreLink or other group benefit plans, contact your Rice Financial advisor. •

Getting Your Plan, Your Way

Group Benefits for 5 – 50 Employees



With CoreLink, small business owners can reward their employees with all the benefits of a big firm—without needing a big firm's budget. With a number of benefit options for both employers and employees to choose from, take a look at the plan details to find out how it can work for you.

Required, minimum coverage includes:

- Basic life
- Dependent life
- Accidental death & dismemberment plus a combination of at least two of:
 - Extended health care
 - Dental
 - Short term disability
 - Long term disability

Employee Options

- Optional life
- Voluntary accidental death & dismemberment
- Voluntary critical illness

Tailored to meet your unique needs, it's your plan, your way.

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Employer Options

- Short term disability
- Long term disability
- Extended health care
- Dental
- Vision
- Employee assistance program
- Health care spending account
- Cost-plus
- Critical illness

Financial Woes of Widowhood

No matter who goes first, the loss of a spouse can be crippling. But, a new study by Statistics Canada shows the financial woes of widowhood are far greater for women than men.

The results are startling. Overall, 72 per cent of women experience a decline in their standard of living five years after the death of their spouse compared to only 51 per cent of men. And, as this downward trend continues over the years, widows can be left in a difficult financial position. After five years of widowhood, the study found 8.7 per cent of women were living with “low income” compared to 5.1 per cent of men.

What does this mean for your mother? What does it mean for you?

Rice Financial advisor Ken Liwiski says the study’s findings further stress the necessity of proper and prudent retirement planning—with both husband and wife involved and active in the process.

“It’s crucial that both individuals understand their financial situation and are prepared for the changes a partner’s death can bring,” Liwiski said. “Planning for the loss of a loved one can be a discomfoting task. But, chancing that they may not have adequate financial provisions after you’re gone, I believe, is far more troubling.”

Like the reality itself, no one is immune to the financial difficulties death can bring. The study found that regardless of status, women of all wealth levels saw a substantial decline in income. Five years after the deaths of their husbands, even the wealthiest widows experienced an 8.6 per cent drop, while the poorest assumed a 9.8 per cent loss.

But, the story for men is very different. Widowers in the poorest wealth level saw a small decline in their income five years after the death of their wife compared with one year before. All other widowers, however, ended up with an increase in income five years later.

So, what accounts for the discrepancy?

According to the authors’ findings, the financial shortfalls for women were

largely due to lower pension income and earnings. Men, on the other hand, attributed the majority of their lower incomes to decreased earnings.

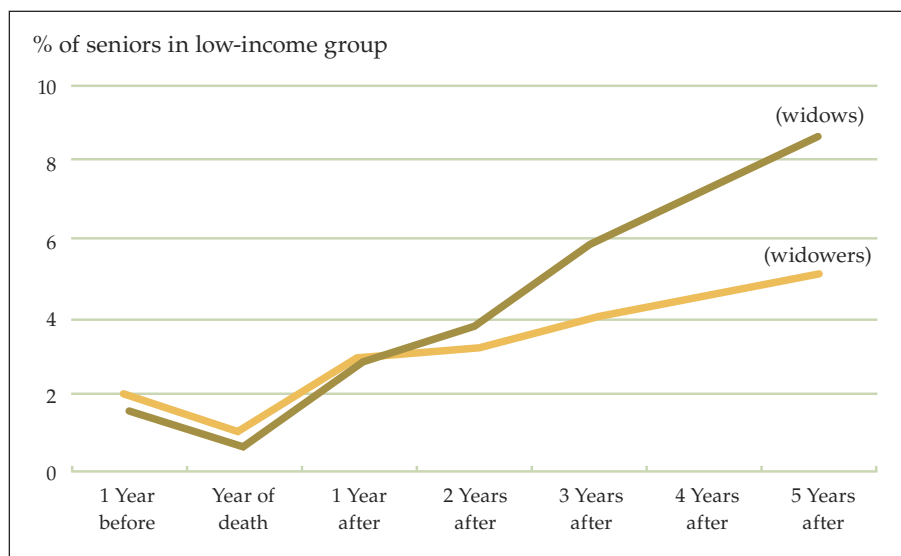
At any rate, Liwiski says investors need to work more closely with their advisors to protect and provide for wives and mothers who are often left as the surviving spouse.

Forty-six-year-old Yvonne Perrin agrees. Helping her widowed mother get her financial affairs back on track has motivated her to ensure she’s not

Table 1 Source of income for widows and widowers with a decline in income

	Widows		Widowers	
	One year before widowhood	After five year of widowhood	One year before widowhood	After five years of widowhood
	\$	\$	\$	\$
Total adjusted family income	32,500	24,800	36,700	27,500
Old Age Security	8,300	6,900	8,000	6,700
Pensions	13,900	11,700	14,400	14,300
Earnings	2,700	560	4,800	1,400
Assets	5,900	4,500	6,800	4,000
Other transfers	770	750	860	740
Other income	1,000	320	1,800	450

Note: The sum of the components might not add up to the total due to rounding.
Source: Statistics Canada, Longitudinal Administrative Databank, 1993 to 2003.



Source: Statistics Canada, Longitudinal Administrative Databank, 1993 to 2003.

left in a similar situation.

"After my dad died in '04, I could see Mom was having trouble with money," Perrin said. "Some of it was due to a drop in income, but other difficulties resulted from simply being unaware. Dad always looked after the finances. And, when he wasn't there to do it, Mom felt lost. That made me realize my husband and I need to work together in planning for the future."

Working with their Rice Financial advisor, Perrin was able to help her mother gain back some financial stability by downsizing to a smaller, more manageable home—something that's often both economically and emotionally comforting. And, person-

ally, Perrin and her husband took a close look at their retirement plan and added further provisions such as long term care insurance for the surviving spouse.

"As much as it helps to ease your financial fears, I found taking time to plan for our final stages of life gave me added confidence in managing our money," Perrin said.

As people continue to live longer, fuller lives, the concern of outliving your savings is a valid one. And, for the women studied here, more needs to be done to guard against the risk.

"Widowhood doesn't have to be a financially dooming stage of life," Rice Financial's Ken Liwiski said. "With

proper preparation, the difficulties behind these statistics can be avoided."

For more information about retirement and estate strategies you can use to continue protecting and providing for your spouse after you're gone, contact your Rice Financial advisor. •

* The study cited here examined the decade of 1993 to 2003 and included all men and women 65 years and older who lost their spouse during this period. Only those who survived the five year period and did not re-marry were included in the analysis.

* The study's authors measured an individual's standard of living by calculating a figure of "adjusted income." Total family income before taxes (expressed in constant 2003 dollars) was used as a measure of income and further adjusted to take into account family size and composition.

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The Comfort of Guarantees

If you ever thought you couldn't qualify for life insurance, think again. Thanks to Wawanesa Life and Industrial Alliance, there are products in the market offering coverage even to those with serious health problems, allowing everyone the opportunity to cover final expenses and even leave something behind for loved ones.

They're not miracles—they're guaranteed life insurance policies. And for many, they are the best news ever.

Theresa Yin, 56, has had a bumpy past with health. Surviving illness in her late thirties and treating ongoing issues with another condition, she was declined a few years ago for life insurance.

"I just resigned myself to the fact I would probably never qualify," she says.

As time drew on, Yin faced many obstacles in her financial planning.

"I realized I needed to have hefty amounts invested in order to leave something for my family and to cover my funeral and other costs," she says.

Paying penny for penny to cover final expenses became a costly venture, but one Yin was prepared to make. When she was accepted for guaranteed life insurance, however, a large weight was removed from her shoulders.

"My monthly premiums are higher than traditional life insurance," she says. "But they aren't anywhere near as high as what I was investing on my own."

Although the policies differ from one carrier to the next, most plans do not require a medical examination, but may ask some medical questions. People recently diagnosed with

a severe illness will most likely not qualify, but those who have had a bumpy past like Yin have a chance at receiving life insurance at last.

"The policies offer comparably smaller payouts than traditional insurance," says Neil Smith, Yin's Rice Financial advisor. "Usually they only go as high as \$25,000 to \$35,000."

But for people like Yin, the added security is worth it.

Guaranteeing a payout to her beneficiary, her husband of 15 years,

Yin feels the insurance is a stepping stone to putting her matter to rest.

"I now know my husband and children won't be burdened when I die," she says. "With the insurance, they can cover my funeral and have some money left over."

Life insurance is an important piece of every financial strategy. For information on guaranteed insurance or other life insurance policies, contact your Rice Financial advisor. •



Here's to You Rice Financial's Valued Clients

Rice Financial takes pride in its clients—without them there would be no Rice Financial. And without patrons like Harold Weitzel, our valued clients would not have benefited from 5.0 per cent rates for five years this past RSP season on their registered GIC investments.

Mr. Weitzel turned 80 years old this May, and with this milestone comes many seasoned years of smart investing and enjoyable retirement. Last year Harold and his wife celebrated 32 consecutive winters in Mexico making them, Harold declares, “part Mexican.”

The dream of spending cold Manitoba winters in a warm, tropical place during retirement remains—for most—only a dream. It's difficult to save money. Between mortgages, raising kids, car payments, opening a new business, and saving for your child's education there can be little left over for your own enjoyment. And, though everyone knows they cannot physically work for the rest of their lives, some people may wonder what else there is for them after age 60. Vacationing in the tropics or barely getting by?

It all comes down to priorities. For Harold, it was investing in GICs. In February, Harold had three GICs come to maturity. Prepared to renew at Rice Financial's rate of 4.5 per cent, he came upon a better rate offered through Niverville Credit Union. Not wanting to miss an earning potential for his investments, Harold called Niverville Credit Union.

He was straight to the point, asking, “Does your rate apply to RIF accounts?” and “Do you deal with Rice Financial?”

Harold received a yes and a no, respectively, which in turn urged his contact at Niverville Credit Union to ask that Harold have his Rice Financial advisor contact him. Mike Tottle, Harold's Rice Financial Branch Consultant at Winnipeg's Head Office, did just that.

“Rice Financial Group is always looking to add more suppliers so we can offer the best possible rates and services to all of our clients,” Tottle says, “and we are pleased to have a new addition. Thanks to Harold for helping us do a better job.”

Rice Financial now does business with Niverville Credit Union, and those who received the 5.0 per cent on their maturities last February and March can thank Harold Weitzel. Showing modesty, Harold says “it was just someone on the lookout.” But for us at Rice Financial, this is only one of the rewards for having the best clients in the country. We try to offer superior solutions in everything we do, but it never hurts to have a little help. •



Anywhere, anytime. It's another way we keep you in control.

Visit ricefinancial.com and click on the link for step-by-step instructions on how you can buy your GICs on your own time.

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Funding Post Secondary Education— Are You up to the Test?

It's that time of year again—time to pack lunches, fill backpacks, and send our kids off on those yellow buses back to school. Fittingly, it's also time to think about the next stage of your child's education and if you're financially prepared for it.

Post-secondary education is becoming an increasingly important aspect in young people's quest for a rewarding career. Unfortunately, it's also becoming increasingly expensive—putting financial pressure on parents and students to come up with the necessary funds to get the training needed to succeed.

Starting a savings strategy early on is key.

Tami Fedorowich, 35, realized

getting a jump start on saving for daughters Melanie and Mackenzie's education was the only way to ensure they'd get one. At ages seven and five her girls are hardly college-bound yet, but as a single mother Tami knew it would take time to put away tuition funds for both.

"Being the sole breadwinner, my pay cheque needs to go a long way," Fedorowich said. "I don't have a lot of money left over each month, so I needed a long term strategy to help grow my savings over time."

That's why after visiting with her Rice Financial advisor Grant Brooks, Fedorowich set up a Registered Education Saving Plan (RESP).

A special savings account, an

RESP is a great way to save because your money grows tax-free until it's needed for education. Additionally, when contributing to an RESP, you may also qualify to receive funds through government programs like the Canada Education Savings Grant (CESG) and the Canadian Learning Bond (CLB) to put toward your child's tuition, living accommodations, and other educational expenses.

The amount investors receive from the CESG is based on their household earnings. So, depending on the income bracket you fall into, the government will match 20 to 40 per cent of your contribution every year.

"For Tami, the added funds from the government really gave her

The variety of RESP plans available provide you with control and flexibility to establish one that's right for you. Whether you're saving for your child, grandchildren, friend, or even yourself, there's an RESP fit for you.

FAMILY PLANS

An ideal choice if saving for more than one child, family plans allow funds to be divided between one or more beneficiaries. Each beneficiary (child) must be connected by blood or adoption to each living plan subscriber. Plus, if a child chooses not to pursue post-secondary education, funds may be transferred to another child under the same plan. Contributions can be made to this plan until the child turns 21.

INDIVIDUAL PLANS

A plan designed to save for one particular person, here, the recipient does not have to be related to the subscriber and does not have to be under age 21 when named. You can even set up an individual RESP for yourself—being both the subscriber and the recipient. Because it's never too late to learn, it's never too late to save. That's why contributions to this plan can be made up to 22 years after its creation.

savings a boost,” said Rice Financial’s Grant Brooks. “Since her household income is below \$36,378, the Canada Education Savings Grant kicks in 40 cents on every dollar she contributes on the first \$500 each year. So, over the past three years, Tami has accessed six hundred extra dollars for each of her kids’ education.”

Fedorowich’s children were born before the Canadian Learning Bond was established, which makes them ineligible. However, Brooks says it is of considerable interest to parents of children born after December 31, 2003. The CLB offers yearly payments to modest income families regardless of a family’s ability to make contributions themselves. But, like many

government benefits, you have to ask for them in order to receive them.

“All these government initiatives are motivating for families currently without an education savings plan,” Brooks said. “Plus, investing in RESPs is simply smart money-management. Regardless of what interest rates are doing, you’re still ahead between 20 and 40 per cent of your initial investment thanks to the Canada Education Savings Grant. That’s a pretty good guarantee.”

Tami Fedorowich thinks so too. For her, it’s worth making do with a little less now to ensure her girls are financially equipped to follow their dreams in the future. And, she feels good investing in an RESP account

that promises to give back.

“At first I thought saving for the girls’ education was going to drain me financially,” she said. “But with tax free growth and regular contributions, my RESP put these worries to rest. The most important thing is that I’ve got more than ten years to keep saving. If I waited until Melanie hit high school before thinking about a college fund, we’d be in trouble. But, for now, I think we’re heading down the right track.”

For more information on RESPs, contact your Rice Financial advisor. •

GOVERNMENT CONTRIBUTIONS

Better education makes a better citizen, that’s why the government contributes to RESP savings. Funds are provided in two forms: the Canadian Education Savings Grant (CESG) and the Canadian Learning Bond (CLB). However, these programs are for children only. Adults saving for their own educations are not eligible. Here’s a breakdown of how each is calculated per child with a maximum yearly RESP contribution of \$4,000.

Canada Education Savings Grant (CESG)

Income Bracket	Government Contribution
Less than or equal to \$36,378	40% on first \$500, 20% thereafter
\$36,378 - \$72,756	30% on first \$500, 20% thereafter
\$72,756 +	20% on first \$2,000

* Figures as of July 20, 2006

Canada Learning Bond (CLB)

Regardless of whether RESP contributions are being made, the CLB provides \$500 up front and \$100 per year up to 15 years so long as the family has modest income (i.e. receiving the National Child Benefit Supplement).



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