

*The Newsletter of Financial Strategies,
Insightful Ideas and Essential
Information for
Scotia Plus® Members*

SCOTIA



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Health and Wealth Preservation go Hand-in-Hand...

What are three of our greatest assets? After a little thought, most of us would probably say our health, family and friends, and our material possessions. All of these demand our care and consideration if they are to give us maximum, lasting pleasure.

This issue of the *Scotia Plus* newsletter is all about taking care of our assets: financial assets that have taken a lifetime of hard work to acquire, and, just as importantly, our health or the health of a loved one. Taking care of our financial assets means not only planning for our day-to-day needs, but also looking at preserving those assets. Wealth preservation is one of the most overlooked aspects of financial planning. But the



key to preserving the value of your estate – big or small – and seeing it passed on to children, grandchildren, or other family

members, takes careful planning.

Actively planning to preserve your health, and the health of those you love, means taking time for regular checkups. In this issue of the *Scotia Plus* newsletter we also look at ways that you can make your home environment a safer one, reducing the risk of accidents.

We hope you find ways to preserve both your health and your wealth as you read through the following articles.

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*Our readers' comments and suggestions are always welcome and should be directed to the attention of:
The Scotia Plus Program Director,
Packaged Services,
Retail Deposits and Investments,
The Bank of Nova Scotia
44 King Street West
Toronto, Ontario M5H 1H1.*



Key Factors that can Erode Your Estate

TAXATION

This is the number one cause of estate value erosion. While Canada doesn't impose estate taxes at death, Revenue Canada does impose capital gains taxes on the value of your assets at death. This impacts any capital property in the estate such as stocks, bonds, mutual funds, rental property, cottage or vacation property, as well as registered assets such as RRSPs, RRIFs, LRIAs and LIFs unless a spouse, or dependent children, are designated as beneficiaries. Taxes can be deferred by leaving property to a spouse or setting up a spouse trust by Will. Careful drafting of a Will by a legal advisor is crucial to ensuring that this tax-deferral opportunity is captured.

EXECUTOR FEES

Depending upon the provincial statute, Executors may claim up to 5% of the capital value of the estate as compensation for administering the estate. These fees are subject to approval of the Court. Many times these fees can be reduced by naming a spouse or other trusted individual as the Executor of your estate, although individual executors are entitled to claim the same fees for administering your estate as a corporate trustee. Remember that the

Estate planning helps preserve the value of your estate so that it can be passed on to your children, grandchildren, or other family members.



Executor you appoint will step into your shoes to carry out the wishes in your Will. Your Executor should:

- be someone you trust and know to be financially responsible;
- have the time and energy to devote to administering your estate;
- have some business knowledge; and,
- be able to act tactfully and impartially with members of your family and other beneficiaries.

PROBATE TAXES

Probate or estate administration taxes vary by province. The tax is based upon the gross value of your estate at death.

LACK OF LIQUIDITY

An estate needs cash to pay fees, settlement costs and income taxes. If the estate doesn't have enough liquid assets to cover these disbursements, non-liquid assets must be sold which may lead to a dramatic shrinkage of the estate. Life insurance can play an important role in estate planning. For instance it can provide replacement income for your dependents; pay final expenses such as funeral costs and also pay part or all of any capital gains tax liability that may arise on death.

WHAT IS PROBATE?

It is the process of authenticating or proving a Will. It establishes that a Will presented to the Court is not only valid, but is in fact the final Will of the deceased and it confirms the authority of the person named Executor in the Will.

Tips to Minimize Probate Taxes

Before acting on any of these you should always seek the advice of a lawyer or accountant:

GIFT IT AWAY

If a gift to a spouse, child, grandchild or other beneficiary makes sense and wouldn't jeopardize your well-being, you might consider it as a means of avoiding probate.

JOINT PROPERTY

Before putting funds in joint names with a child or person other than a spouse, legal advice should be obtained. There can be disadvantages in putting property in joint names, which can far outweigh any saving in probate taxes.

DESIGNATE A BENEFICIARY

A beneficiary may be specifically designated under pensions, RRSPs/RRIFs (Plans) and life insurance policies. Where there is a designated

beneficiary (other than the estate) the need for Probate will be eliminated for such assets which pass directly to the designated beneficiaries. You should examine the beneficiary designations in all insurance policies, Plans etc. You can also consider adding an alternate beneficiary to cover the situation where the insured and the primary beneficiary die at the same time.

ESTABLISH A NEW KIND OF TRUST

Recent proposed amendments to the Federal Income Tax Act will make it easier for taxpayers aged 65 or older to avoid provincial probate taxes. The draft legislation proposes that, after 1999, an individual can establish an Alter Ego or Joint

Spousal Trust in his or her lifetime without triggering capital gains tax on the transfer of assets to the trustee. Income and capital can be received from the Alter Ego Trust by the individual who set it up during his/her lifetime. With a Joint Spousal Trust, both partners can receive income and capital. Upon death, there is a deemed disposition of the assets in the trust, triggering capital gains. The trust assets are then distributed to the beneficiaries named in the trust. Because the assets in the trust do not fall into the individual's estate, no probate taxes are payable.

It is important to note that these proposals are not yet law, and professional advice should be obtained before such trusts are set up.

Don't Miss December 31st Deadline...

Turning 69 this year?

Then it's time to sit down with a Scotiabank Personal Investment Manager to discuss the best way of converting your RRSPs into retirement income. December 31st is the final date for converting your RRSPs. If not converted by year end, RRSPs will be "deregistered" and the proceeds paid out as cash and fully taxed as income. To prevent this tax impact, Scotiabank automatically converts your RRSPs to a RRIF if no instructions are received.

If you are turning 69 this year, then it's also your last opportunity to increase your RRSP

savings. This final contribution must be made by December 31st, not the regular deadline of March 1st of the following year.

Call or drop by your local Scotiabank branch today and set up an appointment with one of our Personal Investment Managers to discuss the options available to you. Or you can pick up a copy of our *Retirement Income Solutions* brochure. It is designed to guide you through your retirement income choices so you and your family can enjoy a comfortable, rewarding retirement.



Why should I make a Will?

Nancy McMillan, Welland, Ontario, answers...

No matter how much or how little you have to leave, if you want to have a say in what happens to your estate you must make a Will. If you die without leaving a Will, the laws in your province govern who will inherit your estate and who may apply to be the administrator.

What information and documents do I need to pull together?

The more complete the information you compile the better your lawyer will be able to plan your Will for you in accordance with your wishes.

- ▶ Make sure you have all the necessary personal information, e.g., names, addresses, occupations, date of birth, citizenship, marital status etc., of yourself, your spouse and your dependents.
- ▶ List all of your assets including: bank accounts, pensions, RRSPs/RRIFs, real estate, insurance policies, stocks, bonds, GICs, mutual funds, beneficiaries of life insurance policies and also a list of your liabilities which may include mortgages, personal loans and guarantees.

It's important that you review your Will on a regular basis. Changes in your family situation, or laws relating to taxation or estates and trusts, can cause it to be outdated.

Do I need an Executor?

One of the advantages of making a Will is being able to choose the person(s) or trust corporation that you want to entrust with the responsibility of carrying out the terms of your Will. The authority of the Executor comes from the Will itself, it is not dependent upon probate.

Being able to choose your Executor is a key factor in ensuring that your wishes and plans are carried out in the way you want.

How does a Power of Attorney differ from an Executor?

Your Attorney carries out transactions on your behalf while you are living. It ceases on death. When you execute a Power of Attorney you are authorizing at least one individual to act on your behalf when you are not able to do so, either through illness, mental incapacity or if you plan to be away from home for an extended period of time. The person you choose should be someone whom you are confident will act honestly, and exercise good judgment in making decisions regarding your affairs. If you become incapable of managing your own financial affairs and do not have a Power of Attorney in place, a government official may step in.

A recent national survey by Decima Research found that 48.7% of Canadian adults have no Will, and 52.9% have not done any estate planning. Not having a Will, and the lack of proper estate planning, could mean that your estate will end up paying more income tax and probate fees than necessary.

Scotiabank's Personal Investment Managers are salaried employees of The Bank of Nova Scotia and are experts in the area of investments. They can assist you in developing a financial plan or help you to re-assess an existing one. We welcome your questions.



Canada's fundamentals are strong



Global economic activity is heating up, with Europe, Asia and Latin America all gathering momentum, and North America's high-flying economy moving onto a more sustainable trajectory. This is very good news for a trade-oriented nation like Canada, which also will continue to benefit from the United States' strong performance through 2001.

Canadians' purchasing power is being boosted by solid increases in full-time employment and income, augmented by federal and provincial tax cuts. With pent-up demand still lingering from the tough years of the early 1990s, consumer spending should help lead Canada's expansion over the next two years.

As in the U.S., Canadian business capital spending will be driven by strong cash flow and the need to upgrade to survive and thrive. The

dramatic rebound in resource sector profitability will give added impetus on this side of the border.

Unlike our southern neighbour, foreign trade has been a major source of strength for Canada and exports will probably continue to set new records. The combination of a moderation in U.S. growth alongside solid domestic demand for imports, however, may cause some erosion of Canada's huge trade surplus over the next year.

Canada has had an inflation edge since the early 1990s, with the trend in consumer prices consistently below U.S. levels and expected to remain there. However, increases in wages, commodity prices – particularly for energy – and housing costs indicate that inflation pressures are slowly building. While core inflation is unlikely to go much above 2% – still within the Bank

of Canada's comfort zone – rising prices raise the risk of higher interest rates in the months ahead. Canada's monetary policy probably will move in virtual lockstep with the U.S. Federal Reserve, suggesting that it will be 2001 before interest rates begin moving lower again as growth and inflation begin to slow down.

Global investors have had an overwhelming preference for safe, liquid, American dollar assets of late and this has been undermining major world currencies, including the Canadian dollar. The rebalancing of global growth now under way, however, should broaden the focus of investors and provide enough support to push the Canadian dollar back into the 70-72 cent (US) range next year.

Dr. Warren Jestin is Senior Vice-President and Chief Economist at Scotiabank. He has been with the Bank for more than 20 years. Warren serves on the board of the University of Guelph, and is also a member of the economic policy committees of the Canadian and Ontario chambers of commerce and the Toronto Board of Trade. He undertakes frequent speaking engagements and is often interviewed in the media concerning the state of the economy. Warren holds an MA in Economics from the University of Guelph and was awarded a doctorate from the University of Toronto in 1977.

How Safe is Your Home?



The rate of injuries leading to hospitalization is three times higher for seniors than any other age group in Canada, with injuries taking place in the home being the most likely. Injuries can be disastrous for everyone, but particularly so for seniors who suffer more permanent and debilitating consequences. Most Canadians want to continue to live in their own home for as long as possible so it's important to consider how you can adapt your home to make it a safer environment and to meet your changing needs. The Canada Safety Council has put together some guidelines on things you can do to help prevent accidents, as well as tips on hiring a reputable contractor for special projects around the home. Some of the things they suggest include:

Canada Mortgage and Housing Corporation have an information kit and video that discusses various home adaptations, along with a book that lists community services, available at a cost of \$10.95. To order, call CMHC at 1-800-668-2642 and ask for the *Maintaining Seniors' Independence Through Home Adaptations* brochure and video.

In the Kitchen:

- install pull-out shelves under the counter to enable you to work from a seated position;
- install a fire extinguisher near the kitchen exit.



In the Bathroom:

- put grab bars within easy reach and install non-slip flooring;
- adjust the hot-water heater or install a device that will prevent the water from reaching too high a temperature.

Around Entrances:

- install light fixtures or floodlights to illuminate entrances, steps and walkways;
- add a ramp to bypass existing steps.

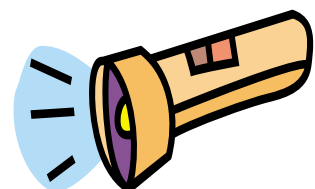


Stairs and Hallways:

- install two-way light switches at the top and bottom of stairs;
- extend handrails beyond the top and bottom of steps.

In the Bedroom:

- use a night light to provide a lighted path from the bedroom to the bathroom;
- consider relocating the bedroom to the main floor level;
- keep a flashlight nearby for emergencies.



A complete list of all of the recommendations is available on the Canada Safety Council website at www.safety-council.org.

Facing The Tough Issues

Alzheimer Disease deeply affects every person whose life is touched by the disease: the person diagnosed with it, family members and friends, and those who provide care. Family members especially may find that they have a number of tough ethical issues to face as they are forced to make decisions on behalf of loved ones.

Guidelines for Caregivers

The Alzheimer Society of Canada has put together a number of 'tough issues information sheets'. "Families don't expect to have to take on the responsibility of making decisions for others,"

says Dr. John Dossetor, Chair of Bioethics at the University of Alberta. "These guidelines help to prepare people to take on these responsibilities and begin to work through tough decisions as their caregiving role increases."

If you are concerned that someone you know may be showing signs of Alzheimer it is important that they be diagnosed as quickly as possible.

Treating the Symptoms

Although there is currently no cure for Alzheimer Disease, there is medication available to treat some of the symptoms. Aricept is the first drug to be approved by Health Canada for marketing in Canada. It is intended to treat symptoms in individuals with mild or moderate Alzheimer Disease. In clinical trials, individuals who took Aricept showed improvement or no further decline. If you are concerned that someone you know may be showing signs of Alzheimer it is important that they be diagnosed as quickly as possible. Aricept will be much more effective when taken during the early stages of Alzheimer, and will help to slow down the progression of the disease.

Is it Alzheimer Disease?

10 WARNING SIGNS

Alzheimer Disease is the leading cause of dementia – a set of symptoms that includes loss of memory, judgment and reasoning and changes in mood and behaviour. Sometimes people fail to recognize that these symptoms indicate that something is wrong. They may mistakenly assume that such behaviour is a normal part of aging – it isn't. Symptoms may develop gradually and go unnoticed for a long time. The Alzheimer Society has developed a checklist of common symptoms:

- 1. Memory loss that affects day-to-day function**
- 2. Difficulty performing familiar tasks**
- 3. Problems with language**
- 4. Disorientation of time and place**
- 5. Poor or decreased judgment**
- 6. Problems with abstract thinking**
- 7. Misplacing things**
- 8. Changes in mood or behaviour**
- 9. Changes in personality**
- 10. Loss of initiative**

If you notice several of these symptoms, see your doctor for a complete examination.

THE FACTS:

1 in 20 Canadians over the age of 65 is affected by Alzheimer Disease, of those:

- 1 in 100 are between the ages of 65 - 74**
- 1 in 14 are between the ages of 75 - 84**
- 1 in 4 are over the age of 85**

For more information on Alzheimer Disease contact your local Alzheimer Society (listed in the telephone directory) or visit their web site at www.alzheimer.ca

Planning for Peace of Mind

Making sure you have insurance to cover the extra costs that come with a hospital stay due to an accident is another way to preserve your wealth – and your peace of mind. Although provincial health coverage takes care of direct medical expenses, such as doctor and hospital fees, it does not cover the many other expenses associated with a hospital stay. The *Scotia*[®] Accident Care Plan*, underwritten by Scotia Life Insurance Company, pays you cash, to spend as you see fit when an accident puts you in the hospital.

What does the plan cover?

The *Scotia*[®] Accident Care Plan pays the benefit amount for each day you are hospitalized within North America, the Caribbean and Europe as a result of an accident. It is available to Scotiabank customers between the ages of 18-69.



Key Benefits and Features:

- Benefits available range from \$75 to \$200 a day.
- Benefits are doubled while in intensive care or for emergency hospitalization outside Canada, up to a maximum of 30 days.
- Premiums guaranteed not to increase due to age.
- Coverage automatically renews until age 80. (Coverage reduces to 75% at age 65 and 50% at age 70.)

No medical examination is needed, nor do you have to answer any health questions. All benefits are paid directly to you, in cash and free of tax. To receive an enrolment package, or for additional information on the *Scotia*[®] Accident Care Plan, call ScotiaLife at **1-800-387-9844**.

**The Scotia[®] Accident Care Plan is not sold in branches, and is not yet available in Quebec.*

The information and opinions contained in this newsletter are intended to provide general comment on developments relative to investment, retirement savings, income plans, other financial matters or any other area which may be of interest or significance to readers. The newsletter is not intended to provide specific legal or financial advice or recommendation. We suggest readers consult with their legal, personal financial or tax advisor before acting on information contained in the newsletter.

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