

1. **Three reason why not to buy Term 10 insurance**
2. **CRA revises position on Parentco beneficiary of Subco policy**
3. **What is a CDS and how did it affect Greece?**

1. **I got bit!**

Term insurance, be it life or critical illness, is available with various terms; 10 years, 20 years or to age 100, all with a guaranteed/fixed premium. Most people think that Term-10 insurance is the best because it's so cheap. But is it? At the end of 10 years the premiums increase between 100% to 300% depending on your age! The insurance companies bank on the fact most people will start over and reapply for new policies because the premiums are usually far less. People who have had a change in health, however, may no longer qualify for new policies and must resort to renewing their old policy at the significant increase in order to remain protected. This happens more than you might imagine. It makes Term-20 look pretty attractive with premiums that are only 20% more than Term-10 at time of issue. We all know how quickly 10 years goes by. I got bit by this already so look carefully for the true cost.

2. **If you have corporate owned life insurance, it's time for a review.**

Recently CRA changed its opinion on polices owned by the operating company, who also paid the premiums, but that specified a holdco as the beneficiary. The question is of a shareholder benefit. And yes there is tax a consequence. Here is a link to get more info from Florence Marino of Manulife Trust and Estate Planning Group about the change: [Parentco beneficiary of Subco policy – CRA reverses position](#). Florence is presenting at my **Professional Advisors Forum June 9, 2010**. Let me know if you'd like to join us.

3. **OK so what did CDSs have to do with Greece?**

First of all, a CDS is a Credit Default Swap which is basically insurance to protect you if a bond you hold goes into default. Seems simple enough. If you buy bonds and are wary of default you'd want protection. Well it turns out you can buy the protection even if you don't own the bond. Herein lays the problem with Greece. With their recent economic problems more people were betting they were going to default on their debt than pay it. Well it turns out the ECU and IMF interceded, but similar situations also exist in Spain, Ireland and Portugal. So stay tuned.

Cheers,

Earle

PS If you get more email than you can ever read & I'm adding to the glut, drop me a note and I'll remove you from my mailing list.

J. Earle McCormick

Financial Strategist

(519) 725-4505

earle@jearlemccormick.com www.jearlemccormick.com