Scrivens
INSURANCE AND INVESTMENT SOLUTIONS SINCE 1930

WINTER ISSUE 2020
BUSINESSMATTERS

THE SCRIVENS **PERSPECTIVE**

BY PETER SCRIVENS, PRESIDENT

Happy New Year!

This is the perfect time to reflect on the past year and look ahead to how you will grow in 2020.

At Scrivens, we are looking back over the past 90 years as we celebrate an exciting milestone in 2020!

In 1930, my grandfather opened the doors to W.H. Scrivens, General Insurance at 56 Sparks Street. Over the past 90 years, Scrivens has grown to become one of the top insurance brokers in Ottawa because of our dedication to providing superior service to all of our customers.

To learn more about the history of Scrivens, please visit scrivens.ca/history.

I would like to take this opportunity to extend my appreciation for the amazing work done by the employees of Scrivens over the years. Their dedication to display superior service too all of our customers is truly appreciated. Thank you!

We are fortunate to continue to operate as a family business because of loyal and sincere customers, like you! Thank you for your business and we look forward to more successful years together!

Finally, I hope you and your family enjoyed a wonderful 2019 and will continue to flourish throughout the new year!

SCRIVENS 90 1930-2020

THE INSURANCE PRICING CYCLE: MANAGING RISK IN A HARD MARKET


Ole Jensen, CRM, FCIP

Most industries are cyclical to some extent, and insurance is no exception. It's important to know which factors determine the cost of your insurance. But understanding the market cycle is only half of the pricing equation: since you can't control the market, it's equally important to know what you can do to ensure you are always securing the best price.

The insurance industry pricing cycle alternates between periods of soft and hard market conditions. In a hard market (what we are experiencing today), coverage is harder to place and premiums grow. A soft market indicates premiums are stable or falling, and insurance may be more readily available.

A variety of factors influence price, including economic downturns, catastrophic events, insurers' claim reserve dollars and supply and demand. Catastrophic events have increased in both severity and frequency. Supply is tied to the amount of policyholder surplus in the industry, and demand is the appetite of the insurance-buying community to transfer risk.

Pricing cycles can also vary between lines of coverage and geographic location, creating both hard and soft market conditions depending on what type of commercial insurance is involved and how exposures to loss have changed.

Industry experts have seen signs of hardening within the insurance market over the last year. Commercial insurance buyers should prepare for rising premiums and decreasing capacity from carriers in the coming year.

What can you do to get the best price for your insurance? Although premiums vary due to market pressure, your true cost is determined by your claims history. The key to controlling price is to control losses through instituting safety prevention programs, managing claims efficiently when you have a loss, and employing cost containment strategies.

We have the resources to help you employ cost reduction strategies to limit exposures and reduce premiums, including the following:

- Identify your exposures to loss
- Recommending loss control solutions
- Improve your disaster response potential by creating or updating a business contingency program
- Assist in building a culture of safety
- Provide claims management to keep costs down
- Seek continuous improvement
- Review and recommend coverages to ensure your protection
- Guide you to avoid making your business or yourself personally a victim of increased scrutiny by insurance underwriters. *See Karen Spencer's article regarding pitfalls to missing insurance payments.*

The market may fluctuate, but our goal—to be your broker of choice—never wavers. To review your risk management strategies, contact Scrivens today: info@scrivens.ca.

UNLOCKING THE SECRETS OF LOCKED-IN RSPs


Ken Browness, CFP

If you have terminated employment in the past and were a member of your employer's pension plan, one of the options you likely had upon leaving was to move an amount from the pension plan to a "locked-in RSP". In the case of a Defined Contribution (DC) pension plan, it would be the full amount of the plan, while if you had a Defined Benefit (DB) plan, it would be an amount known as the Prescribed Amount, the calculation of which is beyond the scope of this article.

In many ways, the money in a locked-in RSP operates the same as a "normal" RSP: you have the same investment choices, and you must convert the plan to a retirement income option by the end of the year you turn 71. The main difference is that money in a locked-in RSP continues to be regulated by the pension legislation of either the Province in which the employer's head office was located or – in the case of federally regulated industries – by the federal Pension Benefits Standards Act (PBSA).

The main purpose of pension legislation is to ensure that a lifetime pension is paid to the member. This mostly explains the unique aspects of locked-in RSPs: limitations both on the age at which income can begin to be drawn (55 for most jurisdictions) as well as maximums on the amount of money that can be paid out when income is drawn. By contrast, "regular" RSP money is subject only to minimum payments when paid out through a Retirement Income Fund (RIF).

When the time comes to generate income from locked-in funds, you have the same basic options: retaining an investment portfolio and generating income from the investments, purchasing a life annuity, or some combination of the two. Where investments are being used to generate income, locked in money is paid out through a Life Income Fund (LIF). With life annuities, locked in money is paid out through what is called a unisex annuity: an annuity that pays the same amount to males and females of the same age – since pension legislation (since 1986, at any rate) does not allow for discrimination on the basis of sex. By contrast, ordinary annuities pay less to females as opposed to males of the same age owing to the longer life expectancy of females.

There are ways that some or all of your locked-in money can be unlocked. For example, if you are 55 or older you would have the following options – at least with pensions regulated under Ontario or the Federal PBSA:

Small balance unlocking: If the balance in your locked-in plans governed by a given jurisdiction amount to less than ½ of the Year's Maximum Pensionable Earnings (YMPE – currently $57,400), then the full balance can be unlocked and moved into your regular RSP.

One time 50% unlocking: At the time a LIF is being set up, you can unlock up to 50% of the value, transferring the unlocked portion to your regular RSP or RIF plan.

Apart from the two situations outlined above, there may also be provisions for unlocking in situations of medical necessity or low income. Federal legislation provides rules and limits for unlocking in both situations, while Ontario makes provisions for financial hardship as well as shortened life expectancy.

You worked hard to earn your pension, and you want to get full value for what you have accumulated. Talk to your Scrivens advisor and unlock the strategy that makes your retirement work for you.

RSP FACTS & FIGURES

Contribution deadline: March 2, 2019

Deduction amount: As indicated on your 2018 Notice of Assessment

Contribution limit: Increased by 18% of your 2018 earned income or $26,230

For the complete RSP Facts and Figures of the 2019 Tax Year, please visit our website at scrivens.ca/RSPs

THE PITFALLS OF MISSING A PAYMENT


Karen Spencer

Just like most other services, missing an insurance premium payment can lead to the cancellation of your insurance.

What's more, once you have been cancelled by an insurance company for missing a payment, when you reinstate your policy, your rates are surely to increase.

It is very important for all policyholders to understand the importance of paying your insurance premium on time and to contact your broker immediately should you realize you are behind in your payments.

Most insurance companies are unwilling to insure policyholders who have been cancelled because of a non-payment.

STRATEGIES TO AVOID CANCELLATIONS

Pay Up-Front: Not only will paying your insurance policy up-front help avoid cancellations for non-payments, it will also help you eliminate the added fees that come with monthly payments.

Use a Savings Account: Having a few thousand dollars up-front may not be realistic for some policyholders. Therefore, working with a financial advisor to set up automatic transfers of funds to a savings account will help you stay on budget. This can be used to save up the necessary funds for paying your insurance premiums in up-front in full.

Automatic credit card payment: Many insurance companies offer monthly credit-card payments. Although this may not be the most financially sound method, as long as your credit card is up-to-date with the insurance company, this will help avoid cancellation.

Be aware of your renewal date(s) and the dates your insurance premiums are due. Contact your broker today if you have any questions about your home and auto insurance: **613-236-9101**.

DOWNLOAD THE **SCRIVENS APP**

We're here for you when you're on the go! Access your policy documents or report a claim directly from your smartphone or tablet.

1. **Create an account online:** scrivens.ca/ScrivensOnline
2. **Download the Scrivens Online App**:

    Apple App Store: **scrivens.ca/Apple**

    Google Play Store: **scrivens.ca/Android**

CLAIMS THAT COULD INCREASE **HOME INSURANCE RATES**

Home insurance is important to help you financially recover from a disaster. Unfortunately, the more claims you file, the more expensive your insurance rates.

Although all claims will likely raise your home insurance rates, these five have the greatest impact on your home insurance premium.

Fire claims occur when your home becomes damaged or destroyed by a fire.

Liability claims are filed if a person is injured or their personal property is damaged at your residence. Your liability insurance helps pay for damaged property and medical expenses.

Theft claims take place when something is stolen from your home. You can choose to install various security equipment, such as cameras or alarm systems, that may lower your insurance rates and help prevent any future theft.

Water damage claims are filed if your home is damaged from an internal water issue. Typically, standard home insurance policies do not cover damage caused by overland floods.

Weather claims arise if your home is damaged from tornadoes, earthquakes or other natural disasters.

Keep in mind that any claims you've filed at a previous residence may be reflected in your current premium costs. Talk to your broker today for more risk management tips.

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RETIREMENTMATTERS

BRACKETOLOGY: RETIREMENT SAVINGS AND TAX BRACKETS


Ken Browness, CFP

Yes – I know the title is not a word! Having said that, being aware of where you stand in regards to income tax brackets can help you maximize the after-tax benefits from your retirement savings – both on a yearly and lifetime basis.

The basic principle is this: if you can draw upon your taxable retirement savings in a year of lower income – where you know your income may rise in a future year – your overall tax bill will be lower.

Suppose you retired at age 60 and you do not have a defined benefit pension plan. You could start receiving Canada Pension Plan (CPP) income now, but you decide to defer payment to age 65 in order to receive a higher amount at that time. In the interim, you draw money from your RSP, even though you would not be forced to do so until 71.

As an Ontario resident, you keep your total income - including the RSP withdrawal – to $43,906 or less, you are within the first combined Federal/Ontario tax bracket, where income is taxed at 20.05%.

Furthermore, starting at age 65, the first $2,000 withdrawn from a Registered Retirement Income Fund (RIF) qualifies for the Pension Income Tax Credit. For those people without any other source of eligible pension income, it may be worth converting enough money from your RSP into a RIF starting from age 65, once again keeping tax brackets in mind.

Finally, for individuals without a spouse as beneficiary on their RSP or RIF, the balance as of the date of death must be included as income on the final tax return for the year of death.

For those without a defined benefit pension plan – they could easily have accumulated $250,000 or more in savings through modest contributions through a working lifetime. If, when they passed away, their remaining balance was $100,000 or more, then some of that money may be taxed within brackets ranging from 30% to over 50%.

If, however, they accelerated the withdrawals from their RSP/ RIF money in such a way that the additional withdrawals would still be taxed within their existing tax bracket, then they would be potentially lowering the tax paid over a lifetime. This could be particularly effective where the after-tax amount withdrawn was placed into a Tax Free Savings Account (TFSA).

The bottom line: be aware of your bracket so you can make your retirement the best it can be.

We welcome comments and suggestions about our newsletter. You can reach us at info@scrivens.ca or at the information below.

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