

Lighthouse Beacon

FALL 2018

Fall Greetings!



With snow falling in the first weeks of September, summer seems a long time ago. But we hope that yours was as relaxing and replenishing as ours was. My summer was filled with camping with family in Alberta. We had an opportunity to see illusive trout jumping out of the water near Grande Cache, a moose near Hinton and a grizzly in Kananaskis. We were also able to take in two family weddings. **Ella Mae Cupido**, Investment Assistant, took some time off to celebrate the marriage of one of her daughters.

Meanwhile in the office, we gave our website a facelift. It's cleaner and easier to navigate and functions well on mobile devices. Check it out at www.lhfinancial.ca. For updates on what's going on at Lighthouse Financial and for financial planning concepts and information like us on Facebook! www.facebook.com/LighthouseIPC.

This *Lighthouse Beacon* highlights community involvement via sponsorship and participation in four golf tournaments. In *Bloom Where You are Planted*, **Dirk & Mary Kos** share their incredible story of using their gifts and talents to help those with special needs including 11 years working with Foundation For His Ministry in Mexico. In *Planner's Corner*, I discuss the mechanics of the Canada Pension Plan and upcoming changes.

We celebrated another anniversary at Lighthouse Financial this August and we once again want to take the time to give thanks. Please join us at our Client Appreciation Event at the Alberta Aviation Museum on Friday, November 23. Further details are enclosed in this newsletter. A formal invitation will be sent to you via email or mail closer to the event.

Thank you for your continued support. We continue to grow both in terms of households served and assets under management. Your referral of family and friends is greatly appreciated.

Jim Hummel, CFP® CKA®

A Great Combination: Golf & Fund Raising

Lighthouse Financial and IPC Investment Corporation were honored to be Hole Sponsors at four charity golf tournaments.

On June 2, Rehoboth Christian Ministries 28th Annual Golf Classic was held at Stony Plain Golf Course. Rehoboth's mission is to "Serve people with disabilities. Helping them Flourish" by providing services and supports to people with developmental disabilities through residential, vocational, outreach support and relief services. Rehoboth operates approximately 50 group homes across Alberta. \$36,000 was raised which will help build a new cabin at the Rehoboth Camp near Gull Lake.

The inaugural St. Albert Canadian Reformed Duffers Invitational Tournament was held June 23 at Sandpiper Golf & Country Club. Over \$30,000 was raised towards construction of a new church building just west of St. Albert.

On September 9, Edmonton Christian Schools held its 24th Annual Fall Classic held at



Sandpiper. \$33,500 was raised which will go towards the rebuilding of Edmonton Christian West School.

Parkland Immanuel Christian School Tee-off Fore Technology Golf Classic was held at The Ranch Golf and Country Club on September 29. Funds raised will be used to meet the technology needs of students where government funding is not available.

It's great to join with other golfers and sponsors to help communities make a difference.

Save the Date: Client Appreciation Event, November 23

Alberta Aviation Museum
11410 Kingsway NW,
Edmonton, AB
Friday, November 23
Anytime between 6 – 9 pm



It's time to celebrate. Drop in between 6 and 9 pm to view aviation history and enjoy some beverages and snacks. You and your business are appreciated!

Bloom Where You are Planted

Dirk and Mary Kos

It is a great privilege for us, Dirk and Mary Kos, to share a part of our life with you that has made a tremendous impact on us.

The seeds of our story began early. I, Dirk, have always worked with things on wheels starting with a bike shop in Holland fixing bikes and mopeds, and then in the steel construction industry and then back to fixing bicycles when we immigrated to Canada in 1982. During this time, I often turned my talents to addressing the needs of those with special needs. It was a great privilege for me to search for ways to make their life as normal as possible. We had many people asking us to create adaptations that allowed their loved ones with special needs to



live their dreams, which in many cases was simply to ride a bicycle. This led me to start my own business, "Specialty Designs".

Mary through all this, with a servant's heart, was always willing to go the extra mile to strengthen the weak and encourage the meek, serving in care centers in Edmonton.

The focus of our life changed when we were approached by Strathcona Christian Academy in Sherwood Park to go with them as chaperones for a mission trip to Mexico. In Mexico, we saw poverty everywhere, no healthcare available, and non-existent provisions for the children and adults with special needs. Throughout our entire visit we witnessed the incredible need for some basic care for children and adults with special needs and it was heart breaking.

With sheets filled with ideas we returned to Edmonton and went to work. The local business community blessed us with financial support and within a few months we sent needed help to Mexico.

As you can imagine, this was not the ideal way of serving, being 3,000 km away. The dream to set up shop at the mission was born. In the meantime, with financial and practical support of many people from Canada and Holland, we began preparing wheelchairs for the rugged roads in the Baja – changing and rebuilding wheels and installing mountain bike tires.

Eventually we were able to open a shop and we moved to Mexico. In this shop we started making handcycles out of wheelchairs, beds with wheelchair wheels and other projects to address special needs.



Alongside me, Mary started a small school class in our kitchen teaching those who simply could not get the education they needed. This became an important part of the mission serving approximately 30 special needs children full time, leading them to reach high school level. Again, we were blessed with

incredible support from Canada, the US and the Netherlands. We were able to build, with the support of Strathcona Christian Academy an additional Learning Centre where any child of the orphanage and the special needs children could access the best opportunities to learn and get ahead in life.



We are so grateful that this all could be established before health problems with Dirk's hip made it necessary to return to Canada for adequate healthcare. The mission was blessed with Mexican teachers and helpers to take over for us and lead the children to the next level of education. The wheelchair shop was blessed with a man



with a great love for the special needs community to continue the repairs on wheelchairs and bicycles for the children of the orphanage. The work we helped start continues in our absence.

Why do we tell our story? Because we wish that everyone who reads this will be encouraged to step out of their comfort zone and help those who cannot help themselves. Their thankfulness will be the greatest paycheck you will ever receive

We are grateful to Jim Hummel for the support he has provided throughout the 11 years of our absence from Canada. We knew that our affairs were in great, reliable and honest hands and when we returned, he was there once again with great advice.

Thank you so much Jim for the opportunity to share our story.

Dirk and Mary Kos



Planner's Corner: Canada Pension Plan (CPP) Changes



Get ready for increased contributions and increased benefits starting next year (2019). Established in 1965, the goal of CPP was to replace about 25% of average pre-retirement employment earnings with the other components being Old Age Security (OAS) which is based on residency, employer pension plans and personal savings such as RRSPs and other investments. Enrolment is mandatory, and contributions are made by

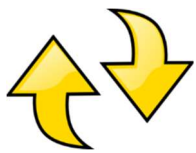


employee and employers. Self-employed individuals pay both the employee and employer portion. By 2025, the federal government goal is for CPP to replace about 33% of average earnings.

How does CPP work now?

- You can take CPP as early as age 60 without having to stop working or reducing your earnings. This makes it easier to transition into retirement as you can reduce hours while drawing on CPP. Your monthly CPP pension decreases if you take it before age 65. The early pension reduction is 0.6% per month if taken prior turning age 65 for a maximum reduction of 36% if you take CPP at age 60.
- If you are under age 65 and you work while receiving your CPP retirement pension, you and your employer will still have to make CPP contributions. This also applies to self-employed Canadians under age 65 who are receiving CPP who must pay both the employee and employer portions.
- Contributions made to CPP while collecting CPP go towards a Post-Retirement Benefit (PRB). Annually, your CPP is increased to reflect the PRB. If you are age 65 to 70 and you work while receiving CPP, you can choose to make CPP contributions; these contributions will increase your CPP retirement benefits. If you decide to make contributions, your employer will also have to make CPP contributions for you.

- Your monthly CPP pension will increase if you wait to take it after age 65 by 0.7% per month to a maximum of 42% if taken at age 70. Maximum age to contribute to CPP is 70.
- The number of years of low or zero earnings that are automatically dropped from the calculation of your CPP pension is 17%, allowing up to 8 years of your lowest earnings to be dropped from your CPP retirement benefit calculation (i.e. 39 of your best earning years are included in the calculation).
- Primary caregivers who collected the Canada Child Tax Benefit or its's previous version, Family Allowance, can eliminate the child care years from the qualifying period. Known as the child rearing provision, the qualifying period is reduced for the years between your oldest and youngest child + 7 years. For a mother that had 4 children in a 10-year span, her qualifying period would be 39 years – 10 years – 7 years = 22 years which would result in a higher CPP benefit amount.
- CPP benefits can be split between spouses during the time they are together and must be done at source. This should be considered if there is a significant difference in retirement income which would lower the overall taxes paid on CPP benefits.
- The maximum CPP benefit is \$1,134.17 month (2018). If a spouse dies, the maximum that the remaining spouse would receive after age 65 would be 60% up to a combined maximum of \$1,134.17.



What's changing?

- Beginning in 2019, CPP contributions will increase gradually, such that the contribution rate in 2023 will be 1% higher than it is today for both employees and employers making it 5.95% up to the year's maximum pensionable earnings (YMPE). YMPE in 2018 is \$55,900 and is indexed to inflation annually; there are no contributions required on the first \$3,500 of earnings.
- In 2024, an additional 4% contribution will apply on earnings above YMPE up to a new projected limit, estimated at \$79,400.

- As a result, over the next 6 years, employees will take home less each year and employers will pay a more.
- Could these changes be cancelled or amended if there is a change in federal government? If recent history is any indication, yes. When the Liberals won in 2015 they reversed some of the changes enacted by the Conservatives so likely we'll see some tinkering if the reverse happens.



Added benefits of CPP:

- Disability pension – for contributors who incur a “severe” and “prolonged” disability and are unable to work, benefits are payable prior to age 65.
- Death benefit – a maximum of \$2,500 is paid to the deceased contributors' estate on death. The intent of this provision is to help with funeral costs.
- Survivor's benefit – available after the death of a spouse. The amount depends on age, whether the tax payer receives a disability or retirement pension, and the deceased CPP contribution history.
- Children's benefit – dependents of disabled or deceased CPP contributors that are under age 18 or between 18 and 25 and attending school full time are eligible for \$244.64 per month (2018).

Is CPP sustainable?

- In the 1990's several changes were made including increasing contribution amounts and changes to investment strategy. CPP's fund value as of March 31, 2018 is \$366.6 Billion and is sustainable over a 75-year projection period.

Working through when to apply for CPP and completing the forms can be an onerous task. We've gained expertise in this area and can help. Please give me a call at 780-717-3582 or email jhummel@lhfinancial.ca for assistance. You can also obtain more information by checking out Service Canada's website or calling 1-800-277-9914.

Jim Hummel, CFP®, CKA®