Building your financial future

Individual Insurance Solutions

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You and Your Planning – Why life insurance?

Do you love someone enough to care about what would happen to them if you were no longer in their world?

If your answer is" Yes"

- Would your loved ones be able to maintain their current standard of living if you were to die?
- How would you navigate through the world financially if your spouse passed away?
- What does this picture look like today? How would you like it to look?

If your answer is "No"

- Would you prefer that the money you worked so hard to earn does what you want it to do or would you prefer to let Revenue Canada decide how a significant portion of it is to be spent?
- Is there a charitable cause for which you would like to make a significant difference through leaving a legacy?

Life insurance is a tool that can ensure the financial stability needed when an unexpected death throws us for a tailspin and it is also a tool that can be used to conserve and enhance the value of your estate. Below are just some of the areas in which it can be utilized.

Protect dependents or Leave a legacy

- Replace present and future income
- Help survivors to navigate through grief of loss without financial worries
- Pay off mortgages and other debts
- Create an education fund
- Create an estate or leave a legacy to a charitable cause

Your plan can be structured to distribute proceeds at the appropriate time (control from the grave). This is very effective when protecting individuals challenged with managing their own affairs such as minors, the mentally incompetent, or imprudent money managers.

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Estate preservation

Life insurance can prevent erosion of pre-death net worth by injecting capital into the estate to pay tax liabilities, debts and other estate costs such as:

1. Capital gains taxes

Excluding the personal residence, The Canadian Income Tax Act (ITA) deems that, upon death, an individual has disposed of all capital property owned. (i.e. Investment properties, Non-registered investment accounts, businesses, stocks)

The difference between costs put into the capital property while living (the book value) and the market value of the property at death, is classed as a capital gain. Fifty percent of the capital gain must be included as income in the deceased's final tax return.

If eligible, this capital gain can be offset by a capital gains exemption that is specific to qualified small business corporation shares, qualified farm property or qualified fishing property as defined by the ITA. Fifty percent of any gain that exceeds this exemption limit is included as income in the terminal tax return.

2. Registered Savings Plans

The Income Tax Act deems all registered savings plans to have been cashed out at time of death and the market value of same must be included as income in the final tax return.

It is important to note that in the case of individuals deemed to be "married" under the ITA, said capital property and registered savings plans can roll tax sheltered to the surviving "spouse" at time of first death. The capital gain can therefore be deferred, if this roll over is chosen, until the death of the survivor.

3. Estate taxes

Some individuals may be liable for estate taxes in other jurisdictions. For example, the United States imposes estate taxes on its citizens' worldwide assets no matter where they live.

4. Probate fees and other estate costs

Funeral and burial expenses, executor fees, legal and accounting fees, estate administration fees, and evaluator fees are some of the other expenses that can be faced when settling an estate

The probate process provides validation of the deceased's will and confirms the executor appointment through court confirmation. Probate fees vary from province to province and are based on the value of the estate.

There is no mechanism to credit fees paid in one jurisdiction against fees owing in another so, depending on circumstances, probate fees may need to be paid in more than one province.

In all of the above situations life insurance can be utilized to mitigate the erosion of value that results from taxes and fees. Each case is unique unto itself and each solution can be tailored to meet the specific need.

In summary, if you are concerned about maintaining the financial stability of your loved ones, conserving your estate for their benefit, leaving a significant legacy to a charitable entity that is dear to you, or you would like to do a combination of these things, then you may find it worthwhile to consult with the individual on our team who specializes in this area.

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