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Your Guide to Tax-Saving Strategies

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ESTATEPLANNING

Specialty Insurance

Unique Protection

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Actress Betty Grable had some in the 1940s, as did a Costa Rican coffee taster, and most golf courses known for giving away million-dollar prizes to lucky golfers who sink the elusive hole-in-one.

Just as thoughtful people buy life insurance to protect their family, business or charitable legacy, individuals and companies buy different and often unique kinds of insurance to safeguard their families and livelihoods.

In Betty Grable's case, her iconic pinup in a white bathing suit became a favourite with GIs during World War II.

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She reportedly earned \$300,000 a year, largely because of her legs. Executives at 20th Century Fox sensibly insured those limbs for \$1 million each, or almost \$28 million in today's dollars.

More recent celebrities known for insuring cherished body parts include David Beckham (legs), Jennifer Lopez (derriere) and Dolly Parton.

In 2009, a chief coffee taster by the name of Gennaro Pelliccia insured his tongue for \$14 million. Hole-in-one insurance is commonly bought by golf courses, so tournament organizers can create excitement at their golf events without the worry or risk of covering the prize cost if a golfer gets lucky.

Specialty insurance products continue to evolve as the world changes – for better or worse.

Companies like Toronto-

based Sutton Special Risk provide unique insurance products, like high-limit disability coverage, for big earners and others with unusual or high-risk occupations. Sutton works with companies like ours to provide best of breed products to clients.

Life insurance

According to *Forbe's* 2018 Rich List, there are now 2,208 billionaires and about 15 million millionaires in the world. Many of them seek staggering amounts of life insurance. Here in Canada, some life insurance companies now offer as much as \$220 million in permanent life insurance, with the bulk of the risk shouldered by reinsurers.

Disability Coverage

A person buying disability insurance can choose to receive monthly benefits for up to 10 years, or a lump sum payment, or both.

Jennifer Lebow, Vice President, Strategic Partnerships at Sutton, says "these kinds of risks can be covered in any amount that can be financially justified. Someone earning \$1,200,000 a year (or \$100,000 monthly) can be insured for up to seventy per cent of their income, or \$70,000 a month for a disability - an amount that is financially justified"

Take the example of Ann, a

lawyer with annual income of \$300,000 who has a long-term disability plan at work with a maximum limit of \$10,000 a month. That amount covers only about 40 per cent of her pre-disability take-home pay – not nearly enough to cover the mortgage and other living expenses.

She requires \$16,250 monthly just to bring her benefits up to 65 per cent of her income. The easiest solution for her is to buy another \$6,250 of monthly benefits as a top up to her office group plan. We meet such under-insured professionals all the time, and they are always surprised to discover the inadequacy of their current coverage.

Consider the case of two partners with equal ownership in a company worth \$6 million. Each partner can buy a \$3-million buy-sell disability policy that pays out after a 12-month waiting period. If one of the partners becomes disabled and unable to work any longer, the benefit payment can be used to buy out the other partner's share in the company.

Protecting Expats

Canadians working outside the country for more than six months at a time are not covered by their provincial health care plans. A domestic company sending employees to foreign countries can buy products that cover medical expenses, accidental death and dismemberment (AD&D), disability insurance and life insurance. Bundled products are also available.

“This way an employer can ensure that while employees are working out of country their benefits closely approximate

what they are used to when working in Canada,” says Lebow. Premiums depend on coverage amounts, group size, age, and the specific risks covered.

War Risk and Terrorism

Most insurance policies specifically exclude countries at war and where there's a risk of terrorism. But take the case of a newspaper reporter, who is sent to a troubled part of the world to cover unfolding events. Both the employer and employee are aware of considerable risks to their health and perhaps even their lives.

“It's pretty important for those reporters, depending on where they're reporting from, to know they are covered if something should happen to them as a result of war or terrorism,” says Lebow. “This kind of insurance can be bought on a stand-alone basis, but it's typically added to other coverage to remove the war risk and terrorism exclusion to get the peace of mind that comes from knowing they are covered.”

Premiums on those policies can vary, depending on location of the risk and nature of the activities, says Lebow.

Kidnap, Ransom and Extortion

Many companies, like Canadian mining firms, often work internationally in remote and inhospitable regions. Consider the example of a Canadian doctor who was heading to Kuwait to perform a delicate surgery on a high-ranking company executive unable to travel himself. Before the surgeon left, the employer company bought kidnap and ransom insurance.

Travelers Insurance shares a case on its website describing a businessman who was abducted from his home, bound, gagged and beaten, while his kidnapper demanded \$1 million from his employer. Authorities successfully rescued him and apprehended the kidnapper, but the company incurred significant medical costs and psychiatric care for the traumatized victim.

Contingency Insurance

You love Bruce Springsteen and you were first in line (or online) to buy tickets a year ago when he announced a concert coming to your city. Concert arenas and other event venues usually buy event cancellation insurance, so they won't lose money if a roof caves-in or a hurricane hits the area.

Similarly, arenas buy non-appearance insurance in case a big star doesn't appear – for whatever reason – and ticketholders naturally demand their money back. Star performers like Springsteen, Rod Stewart and Bob Dylan are said to have taken out voice insurance that will pay out a lump sum if they lose their ability to sing.

The price to air a 30-second TV commercial during Super Bowl 2018 rose to US\$5 million. Broadcasters buy contingency insurance to protect themselves because they are rightly concerned about potential transmission problems that may prevent those pricey commercials from being aired.

There was, in fact, an accidental 30-second blackout during what was supposed to be a commercial break in the second quarter of this year's Super Bowl

broadcast. It's safe to assume an insurance policy was in place to cover the foul.

Professional Sports

Athletes can earn very large salaries during their relatively short careers in pro sports. They buy disability insurance to protect future earnings if they suffer a career-ending disability.

In many cases the team itself takes out life, disability or accidental death & dismemberment insurance for team members.

Get Defensive

There are many ways you can use insurance products to protect yourself, your company and your family. The insurance policies described above are just some of the ways to protect yourself to suit your needs.

Bud Abbott and Lou Costello, the famous comedy duo, adopted a five-year \$250,000 insurance policy to protect themselves against the kind of argument that would destroy their careers. That policy expired long before 1957 when they formally ended their partnership. Jerry Lewis and Dean Martin come to mind.

Protecting your assets and your ability to earn income just makes sense. Meticulously planned tax strategies become irrelevant quickly if a substantial, avoidable and uninsured loss is incurred.

Seek advice from professionals to gain an understanding of the products available to meet your unique needs. Our advisors are available across Canada to help you. □

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He guides successful business owners, who are already challenged for time, through the complex process of ensuring the people and organizations they care about are taken care of. If you are like his other successful business owner clients, you are looking to reduce your tax obligations, preserve your wealth and leave a legacy. Incompleteness rob us of energy. Mark collaborates with your professional advisory team to achieve your desired outcomes. His approach is simple. He makes sure what is important to you gets done. He gets you organized, provides a big picture view of your financial affairs, determines your strategy and helps you take action. He will simplify the complicated, so you and your family can rest easy. He can be reached at 416-364-2929, toll-free at 1-866-566-2001 or Mark@WEALTHinsurance.com.

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