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Your Guide to Tax-Saving Strategies

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ESTATEPLANNING

Must Do's

2021 Resolutions

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Thankfully, we now see a glimmer of light at the end of the pandemic tunnel. At this writing, three pharmaceutical companies have announced wonderful news of vaccines around the corner. Distribution of an effective vaccine(s) should begin in early 2021, but it may still be several more months of waiting for Canadians, as our regulators need to give their approvals and we don't have domestic vaccine production facilities.

Consider adopting the following recommendations for your own personal list of 2021

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New Year's resolutions. Whether you work from home or at the office, these are some must-do's that you should deal with now, sure to make you feel better almost immediately.

Disability Insurance

Even after COVID-19 is beaten, it will still make sense for people to protect their financial future, especially their ability to earn an income. This is important for business owners and high-income professionals like dentists, accountants and lawyers as it protects your income if you become injured or ill and unable to work.

Entrepreneurs often don't have a company on which to rely for benefits of any kind, and even those lucky employees who do have benefit plans are feeling the pinch as many firms reduce or eliminate those benefits.

If you are an executive or an employee with a benefits plan,

this is the time to dust off your benefits booklet and read it closely to get a thorough understanding of exactly what is, and what isn't covered. Most high-income earners do not realize their benefits plans at work are totally inadequate to replace their income. Many of our clients use High Limit Disability Insurance that can provide \$50,000 or more of monthly benefits

The baby boomers are growing older. Statistics Canada reports that more than one in six Canadians is now at least 65, and by 2031, seniors will account for 22.7 percent of the population. Did you know that Canada now boasts a record 10,000 centenarians?

But living longer doesn't necessarily mean living better as many people will be long on life but short on money.

That's why you need to adopt a defensive asset preservation strategy that includes Long-Term Care and Critical Illness Insurance. And remember that the best time to do that is now, when you are young and healthy.

Critical illness insurance

Critical illness insurance (CI) pays up to \$2 million following the diagnosis of a heart attack, stroke, cancer or any one of more than two dozen other conditions. The money is paid in a tax-free lump-sum 30 days after diagnosis.

If you don't make a claim and stay healthy and you have

the Premium of Return option, the insurance company will return all of your premiums, any-time after 15 years if you have not made a claim.

If you own a company, you might want to take advantage of the Shared Ownership Strategy. This will allow you to buy the CI policy and pay the premiums with corporate dollars. If you just stay healthy and don't make a claim, all of the premiums paid by the company can be refunded to you personally - tax-free.

Long-term Care Insurance

This is a great solution to cover the rising costs of home or facility care if you cannot perform certain daily living activities or suffer from a cognitive impairment like dementia. Some of these policies also offer a Return of Premium option that refunds all the premiums you've paid if no claims are made.

Don't let the words "long-term" fool you. Long-term care (LTC) isn't just for the elderly. It you become unable to care for yourself at any point in your life, the insurance can cover some of the costs of a care facility or caregiver in your own home following an accident or illness.

Another route to take for LTC insurance is through Critical Illness (CI) insurance. Many insurers have a long-term care definition as one of their covered conditions. So if a person buys CI coverage and over time, cannot do two of the six daily activities or has cognitive impairment, the insured can then access the funds through the CI policy to pay for their at-home or facility care.

It's unknown however how long that definition will be available to new policies. Several large

insurance companies have exited the LTC business, and stopped selling LTC insurance products altogether, so it's important to select the proper LTC policy with the help of a knowledgeable and experienced advisor.

For those who want to manage their own long-term care using their current savings, consider buying an inexpensive joint-and-last-to-die life insurance policy that can replace the money you may spend on health care. Regardless, it will guarantee your ability to leave something in the estate for family and/or charities. We have seen many times where adult children buy these policies and pay for them on behalf of their aging parents.

Best Doctors® Insurance

Canada's healthcare system is overworked and underfunded. You probably know someone who was forced to wait many months to see a specialist or get medical treatment. Wait times have been growing for the last several years and will continue to worsen as our population grows older. We suggest you look at a Best Doctors® Insurance policy.

The policy provides up to \$5 million of lifetime funding for the finest medical care anywhere in the world including the U.S., Europe, South America and Asia. Whether you need hip or knee replacement, heart surgery or cancer treatments – even elective surgery -- you are covered, with no wait time.

This is not a pay-now-get-reimbursed-later policy. Best Doctors® Insurance pays directly for tests, procedures, specialists and medications and surgeries that may not be available in Canada.

And you can pay for your

premiums with your credit card. If you have a Health Spending Account (HAS), you can deduct the entire premium cost from income instead of paying with after-tax dollars.

Life Insurance

It is the Rodney Dangerfield of financial instruments; it gets no respect. People know what it is, but don't know what it can do. Life Insurance enjoys unique treatment under the Income Tax Act. All benefits are paid out tax-free and provide a financial safety blanket for families and/or provide for a person's most favoured charity.

In addition, Life Insurance is one of the most cost-effective way to pay estate taxes, thus avoiding the need to borrow money or sell assets, to pay those taxes.

If you own a corporation, the premiums can be paid using company funds instead of your own after-tax personal dollars. There are many types of Life Insurance and many ways to use it.

Get a consultation from an experienced insurance advisor to learn how it can be a key element in your financial future.

Wills

Aretha Franklin, Jimi Hendrix, Bob Marley, Sonny Bono, Pablo Picasso, Michael Jackson, Abraham Lincoln, and Howard Hughes. What do all these famous people have in common?

They were all rich, famous and larger-than-life, yet none of them had a will!

You may not be an eccentric billionaire like Hughes, but I cannot over stress the importance of having a will, what we in the financial services industry

consider to be the cornerstone of an estate plan. According to LawPRO, about 60 per cent of Canadians did not have a will at the beginning of 2020. When the time comes, if they die without a will, a provincial court will decide who gets what from their estate. In Ontario, for example, when a person dies without a will, only blood relatives, including children born outside of marriage or legally adopted children can inherit.

What you may not know

Most people with healthy investment portfolios are quite confident in their financial futures, and usually don't realize that estate taxes will take a big chunk of their money.

If you have a \$50 million real estate or investment portfolio that originally cost \$10 million, you are "pregnant" with a \$40-million gain that will be subject to a tax of 27 per cent in Ontario. At death, your estate will have to come up with about \$10 million to pay those taxes. Capital gains tax increases are on the horizon

and could rise to as much as 40 per cent. Yes, you can use cash, borrow or sell some real estate or other portion of your business, but I'm sure that's not what you want to do.


Why is all this necessary?

Reviewing your financial situation can be tedious, especially if you go it alone, but it's absolutely essential if you want to preserve what you have worked for over the years.

This is the time to review your insurance and estate planning to ensure you are adequately covered.

Do not hesitate to contact us for a free, no-obligation consultation, via phone, Skype or Zoom.

We have never been busier, helping people who have become more aware than ever of their mortality .

I wish you and your family a happy and healthy 2021! Please stay safe. 

Mark Halpern is one of Canada's top life insurance advisors, a Certified Financial Planner (CFP), Trust and Estate Practitioner (TEP), Master Financial Advisor-Philanthropy (MFA-P) and CEO of WEALTHinsurance.com

He guides successful business owners, profes-

sionals, and affluent families through the complex process of ensuring the people and organizations they care about are taken care of. If you are like his other clients, you are looking to reduce your tax obligations, preserve your wealth and leave a legacy.

Mark collaborates with your professional advisory team to achieve your desired outcomes. His simple approach makes sure what is important to you gets done. He will suggest appropriate strategies to get your financial affairs meticulously organized, help you take action, and simplify the complicated so you and your family can rest easy.

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Get your FREE Estate Planning Toolkit at WEALTHinsurance.com/toolkits.html

The 2020 Toolkit now includes:

- Estate Directory
- Estate Planning Checklist
- Executor Duties Checklist
- Business Owners Planning Guide

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WEALTHinsurance.com

Watch "The New Philanthropy", my recent "Ted Talk" at Moses Znaimer's ideacity conference
<http://bit.ly/MarkHalpern>

Mark's corporate goal is the creation of \$100 million in new charity each year working with clients, generous donors of non-profits and collaborating with allied professionals.