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ESTATEPLANNING

Proper Planning is Essential

3 Case Studies

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In 31 years of professional practice, I've been privileged to meet some of the most successful business owners and affluent families in Canada. You'd expect people who have achieved such tremendous things in their professional and personal lives would have taken care of every aspect of estate planning, tax minimization and philanthropy. But, in my experience, significant pieces are missing 85 per cent of the time. Too often, there's no will, no tax structure, no organizational chart, no estate directory, no shareholder agreements, and no up-to-date insurance strategy.

Frequently, this is because the excellent professionals these people work with have exceptional expertise in hyper-specialized areas of accounting or law – but they aren't planners with a 30,000-foot vantage point on the business and family situation, so they tend to be reactive rather than proactive. The value of a high-level planning perspective is that it ensures an estate is preserved and transferred to the next generation in the most tax-effective and cost-effective way. This approach also makes it possible to include a larger legacy component by converting taxes into charity through strategic philanthropy.

Our team does three things really well, in complementing the skills of accounting and legal specialists:

1. Estate planning – we make sure that people's financial architecture and furniture align with today's reality.
2. Tax minimization – we make sure that you get to keep as much as possible of what you have.
3. Philanthropy – we help you create a legacy for generations to come.

Let's look at three client cases we've worked on over the years, and the positive impact arising from our 30,000-foot perspective and focus on comprehensive planning.

Worth $150 million, without a will

Back when we first started advertising on the radio in 2005, I heard from a property manager interested in giving his team the protection of critical illness insurance policies. When I went to meet with him, I passed the open door of another office. Inside, I glimpsed an elderly gentleman almost hidden behind piles of papers. The property manager mentioned that the family that ran the business might need some estate planning assistance, and he introduced me to that gentleman.

The situation was complex: he was a U.S. citizen with children in different countries, a vast real estate portfolio and no will. When he faxed through a list of his assets with their value

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at purchase and current value, and I added them up with a calculator, the total came to $150 million. I was so concerned about the lack of a will that I drove the gentleman and his wife to the lawyer so they could get that essential document in place. Then we got to work with our tax specialist to figure out the U.S. tax situation. We also put Life Insurance in place to preserve the value of the estate, with a financing arrangement that kept it cash flow neutral.

We're still working together, all these years later, making adjustments as necessary to optimize the plan.

Blended family, asset rich and cash poor

An accountant introduced me to a couple in their early 70s, also in the real estate business, who were on their second marriage with children together and from their previous marriages. This couple, too, had no will, powers of attorney, or tax-efficient estate plan. On the death of the second spouse, their estate would face $15 million in taxes on a $50 million estate, with no cash sitting idle and available to pay the bill. Their heirs would likely have to sell real estate assets to cover taxes, with no certainty that markets would be strong at that time. But beyond that, the couple naturally preferred the idea of keeping the real estate assets in the family where they could continue to generate income as revenue-producing assets.

We presented a different path forward using Life Insurance, again, with a financing arrangement that allowed a cash flow neutral structure. That way, the couple could continue to employ their money fully, as before, in their active business, rather than tying it up in premiums. Now, when the second spouse dies, the Life Insurance benefit will cover the $15 million tax bill, leaving an intact estate for the couple's beneficiaries. We've also worked with the couple to navigate the intricacies of estate planning for their blended family.

Business partners in need of buyout funding

We're currently working with two brothers in their 60s who are partners in a business worth $15 million. They had some planning in place, including wills and a shareholder's agreement, but everything was out of date when we met with them. Most importantly, the shareholder's agreement didn't provide for any funding. As a result, on the death of one brother, the other would be in business with his brother's wife and her lawyer – with no way to buy her out. If it happened tomorrow, she would rightfully be entitled to $7.5 million.

We discussed potential sources of that money. It couldn't come from the business's cash flow, because to gross and then net out money to pay it would choke the company. It couldn't come from borrowing, because it would be both difficult and expensive to obtain that amount of financing. Our solution was to structure Life Insurance in a cost-effective and tax-effective way to fund the buyout. Now the brothers know that when one of them passes away, the other will be able to fairly compensate the family and continue to operate a thriving business.

In planning, as in hockey, defence matters

I'm watching the Stanley Cup playoffs, as always cheering on the Toronto Maple Leafs, and what strikes me is that it isn't the team that makes the fanciest goals that gets to hoist the cup. It's the team with the best defense – the goalie who stops the puck and the defensive line that breaks up the opposing team's offensive plays. With the planning services we offer, we provide that all-important defense. We take a stand in between our clients' wealth and the myriad threats to it, implementing strategies to protect and preserve. That way, they can get on with the offense, building their legacy for future generations.

And, as in hockey and comedy and so much else, timing is everything. It's important to get your defense in place well before the offensive rush by the tax collectors. Reach out to us while the sun is shining for a no-obligation conversation. Introduce us to your situation and allow us to share estate planning, tax mini-

Please visit our new website 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.

mization and philanthropy strategies that can help you achieve your unique objectives.

How $10 million of tax turned into $20 million of charity

Without planning, the heirs to a $50 million real estate portfolio expected to face a $10 million tax bill. They didn't know the tax bill could be mitigated by a $20 million charitable gift funded with Life Insurance, acquired for pennies on the dollar or set up in a cash flow neutral manner.

The $10 million tax liability became a generous charitable gift, creating a family legacy of $20 million. Life Insurance was used to returnedgue the donated funds back to the family.

Let's discuss how strategies like this can contribute to your legacy.

	Before	After
Tax Dept	$10M	ZERO
Charity	ZERO	$20M
Family	$40M	$50M

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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, professionals, 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. Mark can be reached at 416-364-2929, toll-free at 1-866-566-2001 or Mark@WEALTHinsurance.com

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

The 2021 Toolkit now includes:

-Estate Directory

-Estate Planning Checklist

-Executor Duties Checklist

-Business Owners Planning Guide

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