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FINANCIALPLANNING

Looking Ahead

Enjoy A Secure Future

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I hope you have enjoyed a successful and healthy year.

Looking ahead to 2017 and beyond, this is a good time to think about growing older in good health with financial security.

We've all heard the frequent radio and television ads about the importance of securing your home with a new alarm or the latest digital doorbell. But how often are we reminded about the need to protect our retirement savings comprised of a Registered Retirement Savings Plan (RRSP) or Registered Retirement Income Fund (RRIF)?

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Canadians have grown accustomed to making RRSP contributions, usually on or about March 1st every year. (If there wasn't a deadline, very few people would contribute at all). Many forget that a very big chunk of their hard-earned savings will eventually be lost to taxes when the RRSP tax deferral ends and the taxes are due.

And when it comes to paying taxes on those savings, married couples enjoy preferential tax treatment compared to divorced people, older singles, widows and widowers who will see their estate retirement savings shrink with taxes of up to 53.53 percent in Ontario, rates vary by province.

Protect your wealth

A 70-year-old client with $2.8 million in his RRIF was concerned about what would happen to that money when he dies. He was unhappy to learn that his estate will be sharply reduced when more than half of those savings will be lost to taxes.

There is a tax-free rollover to a surviving spouse, but on the death of the second spouse, all the funds accumulated in RRSPs and RRIFs are considered income and are taxed at the highest rate. Because he is unmarried, his estate would shrink by more than $1.3 million when he passes away.

But with the help of an experienced estate planning professional you can use life insurance, which has always been exempt from tax, to ensure that you leave funds for your estate. Married couples should consider inexpensive joint-and-last-to-die insurance to fund the tax bill that will be due on the second death. This strategy is both tax-effective and cost-effective, allowing future liabilities to be paid with pennies on the dollar today. It is a great way to leave something to your children and/or your favourite charities.

Aside from final taxes, protect your RRSP against illness or injury (yours). Unforeseen life events can rapidly deplete your savings long before you had planned.

Protect yourself

People without disability insurance or critical illness insurance are often forced out of work due to injury or serious illness. Self-employed entrepre-

neurs are particularly vulnerable because they usually have no company on which to rely for any kind of benefits. Even employees with benefit plans are feeling the pinch as many firms reduce or eliminate employee benefits, leaving workers under-insured or completely exposed.

Avoid digging into your RRSP. Your family's financial future can be secured with a defensive asset preservation strategy that includes long-term care insurance and critical illness protection. And the best time to protect yourself is when you are young and healthy.

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

Using the Premium of Return option, if you don't make a claim and just stay healthy, the insurance company will return all your premiums, usually after fifteen years.

If you own a corporation, use the S.O.S. Shared Ownership Strategy to buy the CI policy, and pay the premiums using corporate funds. When the time comes to get all the premiums back, the insurance company can pay the funds to you - all of it tax free.

Thanks to healthier lifestyles and medical advancements in treatments for many chronic illnesses, our life expectancy has greatly increased. Statistics Canada predicts that by 2031 the average life expectancy in Canada will rise to 81.9 for males and 86.0 for females. Living longer doesn't mean living better, as more people will be long on life but short on finances.

Growing older quickly erodes retirement savings to pay the costs of retirement living in a nursing home or obtaining care at home or in a facility. Costs can range from $4,000 to more than $10,000 a month, and will likely double in the next 10 to 20 years.

Long Term Care Insurance (LTC) is a great solution to cover the expenses of home care or facility care if you cannot perform certain daily living activities or suffer from a cognitive impairment like dementia. Some policies have a Return of Premium option that refunds all the premiums paid if no claim is made.

Avoid the healthcare line-ups

Wait times for healthcare in Canada are a growing problem in most provinces. Consider getting out of the waiting lines with a Best Doctors® Insurance policy. There's no waiting period and no requirement for a doctor's referral.

Underwritten by Lloyds of London, it provides up to $5 million of lifetime funding for the finest medical care ANYWHERE in the world, including private clinics in Canada. Medical conditions covered range from hip and knee replacement to heart surgery and cancer treatments. Elective surgeries are covered too.

Best Doctors® Insurance provides access and pays directly for the tests, procedures, scans, specialists, medications and surgeries that may not be available in Canada. It is not a reimbursement policy. A healthcare 'concierge' schedules medical appointments, arranges travel and lodging and makes life easier.

Premiums can be paid with a credit card (attention: points collectors) and you can use your Health Spending Account (HSA) to deduct the entire premium cost from income instead of paying with after-tax dollars.

In my opinion, this is the best new insurance product to come along in years…and it is available now for groups with a minimum of 5 lives, including employee spouses and dependent children.

Taxpayers can take steps to preserve their estate values with a bequest of funds to a charity, which lowers or eliminates the taxes on RRIF withdrawals on death. You can also buy a life insurance policy that names a charity as the owner and beneficiary of the policy.

If you want to leave a portion of your estate to a charity instead of the tax department, consider a charitable legacy. If you have already decided to leave non-registered assets or insurance to your children, consider designating a charity as a beneficiary of your RRSP or RRIF.

For the kids' education

Many grandparents are looking for ways to help their grandchildren. A Registered Education Savings Plan is a good start for a child or grandchild to help them minimize the cost of increasingly expensive education costs.

Students who attend trade school, college or university full-time pay tuitions ranging from $2,000 to more than $10,000 annually. Total costs rise sharply when you add books, supplies, student fees, transportation, housing and other expenses.

Recent statistics from the federal government indicate that full-time students in Canada paid an average of $16,600 for post-secondary schooling in 2014-2015, more than $66,000

for a four-year program.

Using an RESP, a family that saves $100 a month starting at birth can see the RESP grow to more than $30,000 by the time the child is 18, assuming an average annual return of three per cent.

On top of that, the government will provide a Canada Learning Bond directly into a child's RESP to help parents get a head start on saving for their child's education after high school.

It also provides the Canada Education Savings Grant of 20 cents on every dollar you contribute up to a maximum of $500 on annual contribution of $2,500.

Some grandparents buy life insurance policies for their grandchildren when they are young, healthy and qualify easily. The grandchild can apply for more life insurance coverage later in life without a medical exam or the need to answer any health questions.

If you want to get your grandchild involved in your charity, you can set up an endowment that provides an irrevocable gift to a private foundation or a donor-advised fund (DAF) within a public foundation as a sustainable legacy, rather than a one-time gift. The adult grandchildren can take an active interest in the DAF as members of its board of directors.

Protecting your assets now makes sense if you want to live well as you grow older and help those you love and the causes that matter to you along the way.

I wish you and your family all the best for 2017, including good health and lower taxes. ❐

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