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ESTATEPLANNING

No bad news if you plan properly

Just Do It

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As we celebrate the 150th birthday of our beloved country, I will 'borrow' a thought from Dickens' *Tale of Two Cities*: We Canadians really do live in the best of times and the worst of times.

We are living longer – but will we have enough money to live on as we age? We live in beautiful homes – but will a real estate bubble wipe out millions of dollars in hoped-for retirement savings? The stock markets are doing well today – but what happens if there is a crash worse than the one in 2008? Young people are better educated than previous generations – but will they find a job, be able to buy a house, raise their kids, and take the odd vacation?

Do you remember the promise of "Freedom 55"? As it turns out, Freedom 55 now occurs when your youngest child turns 55!

All of the above are legitimate concerns, but there is no need to panic. With proper financial planning in place, they are not bad news. They're just news.

New Realities

Canadians face harsh, new realities. Long gone are the quaint, olden days of counting on a defined benefit-retirement package after 40 years of service. Decent-paying jobs are difficult to find for many young people who graduate with multiple degrees and considerable debt.

Developed countries around the world are experiencing major population shifts as the numbers of seniors grow. The population in Canada is growing older; by 2031 every baby boomer will have reached age 65.

The number of people aged 65 years or over will surpass the number of children aged less than 14 years old. This history-making shift is expected to occur by 2021.

In addition to getting older, we are living longer. It's not such a big deal anymore for Canadians to reach the age of 90 or even 100. In fact, centenarians were the second-fastest growing age group according to the 2011 census. But instead of passing on their much-storied $1 trillion worth of wealth to their children, they are using up those funds to pay for their own living expenses. Estate values reduce rapidly with the ongoing expenses of personal caregivers, or moving into long-term care facilities, where costs range from $4,000-$12,000 a month.

The Right Information

We are no longer in the Industrial Age; we are in the Information Age, or as I call it, the "Mis-Information" Age. So much information is available, and it often varies from one source to the next. People need reliable information to make the best financial decisions for themselves and their families.

We are often asked:

1. When can I retire?

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2. Will I outlive my money?
3. How much tax will I owe?
4. How do I preserve capital for my children and grandchildren?
5. Will my healthcare costs increase as I age?
6. Can I provide an estate for my family?
7. Can I leave charitable gifts?

People need to know that experienced tax- and estate-planning professionals are available to provide advice, strategies and products required to preserve what they have worked so hard for.

Planning professionals have annual requirements for continuing education to maintain their professional designations, and stay up to date on the latest changes and best practices.

I attended the annual conference of Society for Trust and Estate Practitioners (STEP) in June for two days in Toronto, and The Conference of Advanced Life Underwriters (CALU) in Ottawa for three days in May.

At another event in June, I received the 2017 Professional Advisors Award of Excellence from the Jewish Foundation of Greater Toronto. The annual award is given to the professional who encourages clients to consider charity as a part of their estate or financial planning process.

I am extremely proud of this prestigious acknowledgement, and grateful to be nominated by my professional peers for the charitable legacies we've helped our clients create.

Presented below are cost-effective and tax-efficient ideas that can help you grow older with peace of mind.

Six Planning Thought-starters

Segregated Funds. These funds have been around for a long time. Basically, a segregated fund is a mutual fund wrapped in a life insurance policy that offers various guarantees to the policyholder, including reimbursement of capital on death. Like other life insurance products, segregated funds have certain guarantees that safeguard their original benefit. Beneficiaries receive either the investment's market value or the guaranteed amount, whichever is higher. Segregated funds are creditor-proof, bypass the estate process and save on professional fees. They also let you name a beneficiary.

Of particular interest to seniors is a new product designed specifically for people aged 80 to 90 years old. This unique segregated fund includes upside growth opportunities and a guarantee that the fund won't lose money once you pass away. This will appeal to those who want to leave a meaningful legacy and pay less tax.

Annuities. A life annuity can act like a kind of pension plan between yourself and an insurance company. It provides a guaranteed, periodic income for the rest of your life, with payments based on your age and the interest rates at the time of purchase.

Annuities pool investments and survival experience across a large group of people. You can get annuities that only pay income for a fixed period, or a life annuity with payments that continue to you for as long as you live (and your spouse). These usually include a guaranteed-income-payment period which can be as short as five years or can run to age 90.

The only downside with annuities is that income ends when an annuitant dies or at the guarantee term period. If structured properly as part of a comprehensive plan, this should not pose a problem.

Insured Annuities. Insured Annuities (also known as Back to Back Annuities) comprise the best parts of two products: a life annuity and a permanent life insurance policy. The annuity guarantees an income for life, and the insurance policy guarantees that all the money invested in the annuity will be paid back to family members, tax-free, while also eliminating probate and other costly expenses.

They offer a higher rate of return than most traditional fixed-income investments (over 6 per cent guaranteed based on your tax rate), and you won't have to worry about renewing at a new rate.

An insured annuity is a budget for life, like a pension plan, and therefore cannot be "cashed in," providing even more reason to seek professional help to structure it properly.

Corporate Insured Annuities. These are the same as Insured Annuities but are purchased with funds in a corporation or an investment company. This will guarantee a cash flow and leave money to your heirs. Unlike traditional corporate investments, which will be taxed when the shares and the assets are sold, the Corporate Insured Annuity has no taxable value to the company on your death, therefore saving your heirs up to 45 per cent in taxes.

Long-term Care Insurance. We are all very fortunate to live in Canada, with access to universal health care. The problem is that long-term care is not included. Buying long-term care insurance will give you, your spouse and your children the peace of mind that comes from knowing that family financial resources will not be stretched, or exhausted, if you become ill.

There are many options for long-term care insurance including self-funding, traditional long-term care policies through an insurance company or some unique new plans where you purchase a sum of long-term care money for your lifetime. These plans are very inexpensive and have very easy underwriting, which is necessary to qualify. It's worth looking into.

Life Insurance. Life insurance provides important protection for people with a young family and a mortgage. But it's equally important, if not more so, for those who want to ensure that as much money as possible stays with their family or charitable organization after they die.

The Time Is Now

There are very few tax-free strategies left in Canada. After your principal residence, TFSA's and lottery winnings, life insurance still provides tax-free money to beneficiaries or favourite charities when needed most. This allows people to keep businesses, cottages and other investments with family, as opposed to the tax department.

I often visit the offices of highly successful clients. Their desks are usually adorned with endearing pictures of spouses and family. There's never a picture of Justin Trudeau, so I ask them why? When they look surprised at the question I explain that while they may want to leave the bulk of their money to their family and/or charity, they forget that the Canada Revenue Agency, aka the tax department, is always there awaiting its share.

If you live in Ontario, 54 per cent of your retirement savings, 25 per cent of the growth in any non-registered investments, including growth-investment property (other than your home), and up to 45 per cent of funds held in a company will go to federal and provincial taxes.

Remember too that there is no tax incurred when a spouse passes away and leaves their money to the second spouse. But when the second spouse dies, everything is considered to be sold at market value and all the taxes kick in. In the case of unmarried singles, divorcees, widows or widowers, the money gets scooped upon death.

The proceeds of inexpensive life insurance can help pay for some or all those costs, leaving more tax-free money to your beneficiaries and the causes dear to you.

The time is now for you to carefully consider health- and tax-planning strategies to meet the challenges of whatever comes down the road. Give yourself the peace of mind that comes from knowing that you have positioned yourself and your family for the best of times, and that all bad news is good news if you have planned appropriately. ❏

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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. Incompletions 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 to take action. He will simplify the complicated so you and your family can rest easy.
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