

The TaxLetter®

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Your Guide to Tax-Saving Strategies

April 2019

ESTATEPLANNING

Spring Cleaning

Planning Calendar

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(This is the second of two articles on Estate Planning. The first article appeared in the March issue).

SEPTEMBER

Back to School

Start a Registered Education Savings Plan (RESP) for children and/or grandchildren to minimize the growing burden of tuition costs. The government will provide \$400 of free money for each \$2,000 of RESP investment. That's a 20% return.

Melt & Cascade

Help your children and grandchildren. Grandparents can

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use the "melt and cascade" strategy to move some of their funds in registered and non-registered investments, funds they don't need to pay bills during their retirement. They can then stream that money into a life insurance policy, naming their children and/or grandchildren as beneficiaries.

Read my TaxLetter® article "Melt & Cascade" from December 2015, it describes strategies for high-net-worth taxpayers to minimize or eliminate taxes on their registered assets (RRIFs and RRSPs) and non-registered assets and explains how to stream wealth tax-free to children, grandchildren and favourite charities.

Life insurance proceeds bypass the will, aren't subject to estate taxes or probate fees, and flow, in a tax-exempt manner, to the beneficiaries who can use those funds for to defray the

ever-increasing costs of expensive post-secondary education.

Contact us to explore best practices to fund education for future generations.

OCTOBER

Health Insurance

Have you reviewed your health insurance for adequacy of coverage? The wait times for medical treatments like knee and hip replacements grow longer as our population goes greyer.

Consider a policy with Best Doctors® Insurance. There is no waiting period and no requirement for a doctor's referral to obtain treatments. The policy provides up to \$5 million of lifetime funding for the finest medical care anywhere in the world, including private clinics in Canada. Not a reimbursement policy, it pays directly for any tests, procedures, specialists, medications and surgeries that may not be available in Canada. Use your Health Spending Account to deduct the premium cost instead of paying for it with after-tax dollars.

Group Benefits

If you are an employer, obtain a comprehensive review of your current group benefits plan, to benefit you and your employees. If you are an employee, get a professional review of your coverage booklet and seek advice on how to improve your coverage. Don't

forget - your coverage as an employee will change abruptly if/as/when your company decides to change the program, or if you leave the company.

My TaxLetter® article of June 2015, “Why employers should review their employee benefit programs” explains how companies can improve the value of benefits while reducing the costs.

NOVEMBER

Estate Plan

An estimated 40 per cent of Canadians have never discussed their estate intentions with their families and heirs. You need an up-to-date will and two powers of attorney – one for your financial needs and one for your physical needs. It’s always a good idea to have your will reviewed every few years, make sure your list of beneficiaries is up to date.

Your will appoints an executor, designating that trusted individual who will have the legal responsibility to settle your estate after you die. If your estate is large or complicated, that process could take several years to accomplish, so you need to select someone who is experienced at managing money and able deal competently with everyone involved, including emotional family members. And just in case your designee must bow out due to illness or other reasons, you should pick an alternate executor now.

If you die “intestate” - without a will - your province will decide who gets what and your estate is certain to shrink from legal costs and probate fees. In Ontario, 1.5 per cent of your assets not held jointly with the right of survivorship are subject to probate fees.

Estate Directory

At the end of this article, you’ll see how to access our Estate Planning Toolkit, available free at our website. Complete it as soon as possible. Doing so will be a huge favour to your family, providing important information and documentation on a timely basis and in one place. Without it, settling your estate may be delayed and unnecessary costs would be incurred, ultimately leaving less for your family.

Protect RRSPs & RRIFs

Remember that no tax is incurred if you leave funds from your RRSP or RRIF to your spouse. But after the death of the second spouse, the federal government automatically gets its share: in Ontario that’s 53.53 per cent of a RRIF or RRSP, 45 per cent on holding company investment income and about 26 per cent of your accumulated capital gains from investments, real estate and business equity.

How do you protect these funds? You could buy inexpensive life insurance and use the proceeds to cover those taxes, leaving more tax-free money to your beneficiaries.

DECEMBER

Property and Casualty Insurance (P&C)

Many individuals and businesses overlook the importance of their P&C coverage, and often make their purchase decisions based solely on the cost of premium.

My TaxLetter® article of Sep 2015, “P&C insurance is more than just cars and houses” explains the importance of Property & Casualty insurance,

and why it deserves professional attention. As in the case of life insurance and estate planning, don’t do it alone, and don’t do it online. Seek advice from a professional who will be there to advocate for you in the event of a loss.

JANUARY

Minimize taxes on death

No one likes to talk about dying, but how would you feel if your estate ended up with a \$10-million tax bill? You can buy cost-effective life insurance to cover this eventuality, and you can use the Immediate Financing Arrangement (IFA) strategy to obtain the insurance you need without tying up your money paying premiums.

Read my TaxLetter® article of March 2016 “Using Immediate Financing Arrangements (IFAs) to Acquire Life Insurance and Preserve Cash”

FEBRUARY

Monthly vs. Annual

How do you pay your insurance premiums? If you pay your insurance premiums monthly, you are probably paying considerably more than necessary. Pay it annually, using cash on hand or an inexpensive line of credit, and save your money. If circumstances change down the road you can always revert to the monthly payment plan.

Actions and Responsibilities

The actions and responsibilities described above certainly require your time and effort. And the time to take care of these things is right now, while the sun is shining, and options are available.

Everyone has different and

unique needs so there is no “one size fits all” solution. Acting on our recommendations requires professional assistance, and our team of experienced advisors across Canada is available to help you.

Get the peace of mind that comes from knowing you have taken all the steps necessary to get properly organized now, for the benefit of your family, your business and your legacy. By any measure, it will be time well-invested.

NOTE: I want to clarify an important detail contained in my December 2018 article on

the use of Immediate Financing Arrangements (IFA). The insurance policy serves as collateral for securing a loan from a Canadian chartered bank, and the clients pays all premiums with his or her own money. The client then uses the policy’s cash value, and likely some additional collateral, to secure a loan to reinvest in his or her business, securities, real estate or private equity. □

Mark Halpern is one of Canada’s top life insurance advisors, a Certified Financial Planner (CFP), Trust and Estate Practitioner (TEP) and CEO of WEALTHinsurance.com®. He guides successful business owners, who are already challenged for time, through the com-

plex 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 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.

Visit WEALTHinsurance.com

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

The 2019 Toolkit now includes:

Estate Directory

Estate Planning Checklist

Executor Duties Checklist

Business Owners Planning Guide

Visit MarkHalpernBlog.com and sign up for free updates.