

# The TaxLetter®

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Your Guide to Tax-Saving Strategies

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## ESTATEPLANNING

### *Your total financial picture*

## Use a wide-angle lens

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The world has become a much more complicated place in recent years, causing a lot of headaches, worry and uncertainty. It's taken a global plague, but people are now increasingly aware of their mortality and the need to complete important things they have ignored. Things like getting an updated will (if you're a business owner, you likely need two), Powers of Attorney (you need 2), tax and estate planning and Life Insurance are finally getting long overdue attention. Most Tax Letter readers are painfully aware of Canada's high tax rates. As a result, we've never been busier. We've long said that if you've done the

right planning for your situation and if you planned to the best of your ability, you need not worry – the news is just news. It's only bad news if you haven't planned ahead. Tax Letter subscribers include many leading financial professionals, from accountants and lawyers to bankers, financial planners, insurance brokers and investment advisors.

### Your total financial picture

It's a good idea for professionals to meet with clients to review how their strategies have benefited their total financial picture and reflect on how they might improve financial outcomes for clients in the years ahead. I recently had a zoom meeting with an accountant who works at a mid-sized firm. We discussed a client we share. She already provides her clients with excellent service when it comes to taxes, but confided that she really wants to give them comfort and security by ensuring that all of their financial needs are

acknowledged and addressed.

### A checklist for the client's full range of needs

The accountant asked me for a fact-finding checklist to make it easier to help her clients by determining what they have and might need. She wanted to share the document with her partners for their use during annual reviews with their clients. The challenge, I explained, is by no means unique to accountants. Most financial professionals are kept very busy in their own practices providing the specialized services they do best. Truth is, most want to help their clients by asking the right questions and direct them to a trusted, experienced professional to look after their comprehensive financial needs.

The problem lies in the fact that they don't invest the time required to execute this strategy or that they lack the confidence in other professional relationships, with the result that they are reluctant to refer their clients. Client needs range from having a solid financial plan to begin with (not just an investment plan), an analysis to confirm the right insurance products in sufficient amounts are in place, having an orderly succession plan for their business, and the certainty that their families are financially looked after in case of an accident, illness and so on, or in other words, no matter what happens.

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## Ask good questions and listen well

Many people mistakenly believe that their professionals know more about them than they really do. I'd venture to say that most tax professionals cannot confidently state that their top 20 clients have up-to-date primary and secondary wills and powers of attorney. The fact is: you don't know what you don't know. And if you don't ask, you will never know.

## Responsible financial advice begins with holistic planning ...

In my view, responsible financial advice begins with holistic planning—a 360-degree review of financial needs, including retirement income planning, business and personal insurance, tax-saving strategies, Registered Retirement Savings Plans (or RRSPs), Individual Pension Plans (IPPs), Registered Education Savings Plans (RESPs) and other products customized to our clients' unique needs. ... asking the right questions, and making appropriate referrals. As financial professionals, we are gatekeepers for our client's wealth, and we all share a fiduciary obligation to ask the necessary questions and refer them to appropriate knowledgeable experts. In the worst case scenario, the simple act of not sending someone to a person with the right expertise can be deemed as negligent and lead to potential professional liability issues.

## Four most common questions

We can fulfill our obligations by asking our clients some pertinent questions. Here is a list based on 30 years of professional

practice -- the four most common questions our clients have on their minds. Their answers are the basis of the tax, retirement, insurance and estate strategies we develop for them.

1. When will I be able to stop working if I don't want to work anymore?
2. Will my family be looked after financially if I get sick, injured or need long-term care?
3. Will my family be looked after financially when I die?
4. Will I owe a lot of tax to the government, and do I have options to pay less—or no—tax?

## More questions for a checklist for meeting with clients

To determine the answers—and refer them to the appropriate professional for the help they need—here are some more detailed questions that can be incorporated into your client meeting “checklist.”

- Do you have a will? Is it current? Was it prepared by a generalist or a specialist?
- Are any family members U.S. citizens? Do you have a primary and secondary will for probate and creditor protection planning?

Unfortunately, most people don't have a will and those who do often have wills that were executed with too little thought. They may be done, for example, in the week before clients' head off on vacation—with little or no attention paid to important issues such as tax, probate and estate planning.

- Do you have two powers of attorney: one for personal health care, and one for personal property? Yes, this is a legal issue, but it also has financial repercussions during your lifetime.

- Are the beneficiaries up to date on your RRSP/RRIF?

Funds in these registered products bypass a will but proceeds after the death of the second spouse are fully taxable. Many people have someone other than their spouse listed as a beneficiary, such as parents or children from earlier marriages, which can trigger a tax event. Instead, make the new spouse the beneficiary and develop estate planning and equalization strategies with other assets, such as insurance.

- Do you have Life Insurance? And is it held personally or in your company?

Buying life insurance is one of the most selfless acts for your family and business. There are many issues to consider.

For example, there are several ways to pay premiums with lower-taxed dollars through your company. Also, if your client owns a permanent life insurance personally, it can be valued by an actuary and transferred to their company, allowing a potentially large tax-free sum to be withdrawn from the company. I recently introduced this concept to a client who later shared it with his accountant.

The accountant told him that he had already used this strategy for himself. When informed of that, the client was upset that his accountant didn't tell him about it himself—especially when he sees his financial statements every year.

- Do you have income protection if you get sick, can't work, or need long-term care assistance? This is particularly important if you are the sole bread winner in the family.

There are many varieties of

disability, critical illness and long-term care insurance that can all be customized to your specific needs. For example, are your clients considering a wage-loss replacement program that allows a company to deduct disability premiums paid on employees, and where the premium paid by the company is not a taxable benefit to the employees? Another option for owners of a corporation is the Shared Ownership Strategy (or SOS) with critical illness insurance. It allows the company to pay premiums and for the shareholder to extract the return of premium tax-free out of his company.

❑ Do you have an estate directory?

This is an essential listing of all your important financial information, including the location of key documents. This includes wills, powers of attorney, a list of bank and investment accounts, digital passwords, the names and contact info of your financial advisor, your lawyer, your accountant. An example of how I put together an estate directory is available through our website, noted at the bottom of this article. Professionals may want to use this as a springboard for their own list. That's lots to consider—but it's just the start. While this may sound like a lengthy list, due to space limitations here, it's only the beginning. Feel free to contact me to receive a more com-

prehensive “checklist” to help your clients. Many of these topics involve professional help from lawyers and accountants and inevitably a knowledgeable and experienced financial and estate planner will require your help in putting together the necessary documents.

### It's 'Big Picture Season' 365 days a year

Tax season often takes precedence, but sitting down with clients at any time to help them fulfil their needs, dreams and aspirations is always a good time. There are two options: Integrate this approach into your own practice or refer this part of the business to other professionals. One thing we can't do is ignore it. Our clients are counting on us, and we have not only a responsibility, but a great opportunity to cement relationships for life. Will there ever be a better time to get your own affairs in order?

Don't do this alone. There are many ways to help reduce taxes now and, in the future, but putting them together requires comprehensive estate planning and knowledgeable people. Proper planning will ensure that you are not only on the right side of CRA, but also for your plans to work effectively.

Our advisors across Canada are available to help you preserve your hard-earned money on the phone, Skype or through Zoom.

Please be in touch to arrange a personal, no-obligation consultation. Stay safe. ❑

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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.

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Get your FREE Estate Planning Toolkit at [WEALTHinsurance.com/toolkits.html](http://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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Mark’s corporate goal is the  
creation of \$100 million in new  
charity each year working with  
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