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IN A POST-PANDEMIC WORLD, LIFE INSURANCE IS ONE WAY
TO COPE WITH RISK AND UNCERTAINTY

Living in the age of COVID-19

Not so long ago, Canada's vaccination rates lagged most developed countries. Now we've caught up and many of us are happily double-vaxxed.

But it's still too early to fully resume "normal" life activities as the latest COVID news from around the world is not reassuring. Despite our best efforts, outbreaks continue in many places and new variants are reported.

As it turns out, our vaccinations are not as effective as hoped for. Because the protection diminishes in months, booster shots and vaccine passports await us, and mandatory masking is still the norm (even for the double-vaxxed) in many places.

Against that backdrop, life goes on, and many experts say that living with a pandemic will be a part of our lives for decades to come.

Aside from lurking COVID dangers, who would have predicted unforeseen events like the recent deadly collapse of a condo building in Florida, or historic flooding in Western Europe that killed hundreds and destroyed centuries-old communities?

We must adjust

We now live in a world with more risk and unknowns than we've grown accustomed to. Although we can't predict the future, we all wonder what we can do now to protect our families if something bad happens.



Mark Halpern

Well, after 30 years of professional practice in insurance and estate planning, I do know the future. And I want to share it with Investor's Digest® readers so you are prepared for what's coming and can plan accordingly.

What my crystal ball says

Income tax rates will rise sharply. Capital gains taxes will jump. Taxes will be payable on profits obtained from principal residence sales. There will be an inheritance tax and a wealth tax. And estate taxes, which currently range from 25 per cent to 70 per cent without proper planning, will continue to rise, leaving even less for your family.

Get Life Insurance now

Insurance rates will rise as insurance companies need to produce profits for their shareholders. Claims due to pandemics will impact profits. And with investment returns reduced, coupled with less disposable income for average taxpayers, the insurance companies will have to increase premium rates.

We may even get to a time where premiums are "not guaranteed" and could become variable, so the best time to lock in those rates is right now.

Underwriting for Life Insurance will become more difficult due to the pandemic – more people won't qualify, and Life Insurance will become something only available to the youngest and healthiest Canadians.

If you put off applying for Life Insurance, there is no guarantee that you will still be insurable when you want it most. In recent months, while in the process of estate planning for two wealthy families, parents and successor children became uninsurable. Call it bad luck, bad timing or just a fact of life. We can never take good health for granted.

The time to start thinking about how you will mitigate your taxes is now, while the sun is shining, while you are alive and healthy, and options are available to do the necessary planning.

Why Life Insurance?

In a world of growing uncertainty, aside from getting basic planning together like up-to-date wills, two powers of attorney and having an updated Estate Directory, there's never been a better time to review your Life Insurance. Getting Life Insurance will NEVER be this easy or less costly.

The primary purpose of Life Insurance is to provide your family with the financial security they need to carry on when you are no longer around.

When doing estate planning around estate taxes, we often recommend joint and last-to-die (JLTD) Life Insurance, which covers both spouses and is paid out after the second death.

It is much less costly than single-life coverage (by up to 40 per cent) and can provide relief from capital gains taxes and other expenses related to the estate for pennies on the dollar. JLTD policies are an ideal solution for cou-

ples with one healthy spouse and their less-healthy partners with poor medical histories who would otherwise not qualify for Life Insurance.

The Final Four

Life Insurance is one of only four tax-free assets Canadians can still access. The other three are TFSAs, your principal residence and – you should be so lucky – lottery winnings.

The COVID plague made it easier than ever to buy Life Insurance. It wasn't so long ago (pre-COVID) that people who wanted Life Insurance had to meet with an insurance advisor to complete an application, have a nurse come to their home to obtain blood and urine samples, and patiently await completion of the Insurance underwriting process.

Out of necessity, Canada's Life Insurance companies responded quickly to COVID by reducing underwriting requirements and streamlining the entire process.

In many cases, clients can get up to \$5 million of Life Insurance (any type) with no medical underwriting, no blood or urine samples and no in-person meetings. All it takes now is a 15-minute phone call.

Many clients are taking advantage of the opportunity by topping up personal coverage or getting new term and permanent policies for spouses, children, and grandchildren. The policy beneficiaries can include a spouse and other family members, as well as a charity – which is a lot better than leaving half or

more of your savings to the government in the form of taxes.

Singles beware

Many Canadians who are single, widowed or divorced don't know that the government discriminates against them. When they die - without a spouse - they leave the government up to 53.5 per cent (in Ontario) of their RRSPs and RRIFs, and another 25 per cent on the growth of non-registered holdings.

There are several ways to use Life Insurance. The main one of course is for the executor of an estate to use the death benefit of the policy of the deceased to pay off taxes owed before distributing the remainder to family or charity.

As a tax-exempt investment, you can overfund a policy (pay more than the premium required) and build up cash surrender value (CSV). For business owners, high income professionals, real estate investors and people with substantial investment portfolios, we often recommend employing the Immediate Financing Arrangement (IFA) strategy.

It allows them to buy Life Insurance without tying up their money paying premiums, while securing their Tax and Estate Planning needs.

One such client, a 65-year-old real estate investor had built a \$50-million property portfolio he wanted to pass on to his children. Because he hadn't done any estate, tax or Insurance planning, we had to give him the bad news that his estate would face a \$10-million tax bill on his death.

We suggested he use Life Insurance to cover those taxes so his family wouldn't be forced to sell assets to pay the tax bill. He was reluctant to use his money to buy Life Insurance but loved the idea of getting it while still having access to his money for other investments.

The insurance policy's CSV serves as collateral to secure a loan with a Canadian chartered bank. He paid the initial premium with his own money, then used the policy cash surrender value to secure the loan to reinvest in his real estate business. He pays only the loan interest, which is tax-deductible.

The loan is typically paid off at death with the Life Insurance proceeds. The balance goes to family and charity, virtually tax-free.

Business owners' advantage

Owners of corporations can use the corporate chequebook to pay the premiums on their Life Insurance. Corporations get taxed at a lower rate than an individual shareholder's personal tax rate.

In Ontario, for example, the corporate tax rate applicable to active business income is about 13.5 per cent, and 50 per cent on investment income. The top individual marginal tax rate is about 53.5 per cent.

Corporate-owned Life Insurance is used by wealthy business owners to accumulate passive wealth inside a company in a tax-effective way. They can also access that wealth and transfer it tax-free to surviving beneficiaries.

But Life Insurance goes even

further. Longtime readers of *Investor's Digest*® know how important charitable giving is to me, helping those less fortunate and creating a legacy of community goodwill that your children and grandchildren will carry on.

For business owners particularly, Life Insurance can protect a family or business against the sudden loss of a key person in the business. It can also be used to fund a shareholder buy/sell agreement so that heirs have a guaranteed buyer for their shares and a guaranteed market value with Life Insurance proceeds, for pennies on the dollar.

Along with proper estate planning, Life Insurance can give you the peace of mind that comes from knowing you have looked after your family and supported a charity of your choice – all crucial during the pandemic.

In every generation, there seems to be one or two milestone events like war, famine, depressions, and recessions. If you plan now while you and your family are well and your business is steady, your planning ideas will work as intended.

Don't do this alone

There are many ways to help reduce taxes now and in the future, but they require comprehensive estate planning and working with experienced, knowledgeable people. Our advisors across the country are available to help you – on the phone, Skype or through Zoom.

Do not hesitate to contact us for a no-obligation consultation.

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 provides special expertise and tax-friendly insurance strategies in the areas of Estate Planning, Life Insurance and Philanthropy for business owners, entrepreneurs, professionals, and high net worth families. Mark 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 2021 Toolkit now includes:
Estate Directory
Estate Planning Checklist
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Watch "The New Philanthropy", my recent "Ted Talk" at Moses Znaimer's ideacity conference
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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.