

## AS WEALTH GROWS, THE NEED FOR ESTATE, BUSINESS AND LIFESTYLE PLANNING INCREASES.

### FINANCIAL CAPITAL BENEFITS Estate, Business, and Lifestyle Planning

#### FINANCIAL CAPITAL



For individuals who have enough savings to finance their retirement needs and are looking to minimize tax and maximize their estate's value, a permanent insurance policy can provide significant benefits:

- A tax-free death benefit
- Tax-sheltering of policy investment income
- Avoidance of estate settlement costs such as probate fees
- Additional tax-free income
- Covering estate liabilities
- Business uses:
  - Funding a buy-sell agreement
  - Providing key person insurance
  - Tax-effective transfers

### PROVIDING ADDITIONAL TAX-FREE RETIREMENT INCOME

While permanent life insurance can be an excellent way to build estate value, it can also be used to provide an additional tax-efficient source of retirement income.

The most common method of doing this is by using the cash surrender value of the policy as collateral for a loan from a financial institution. The financial institution provides the individual with a series of loans, for which the insurance policy is the collateral. Under current tax laws, the loan proceeds are received tax free.

The loan arrangement can be structured so that no interest is payable on the loan until death. When the individual dies, part of the death benefit goes to pay out the loan, with the excess going tax-free to the named beneficiaries.

Individuals can also access their insurance policy's value through a withdrawal of the policy's cash value or through a policy loan directly with the insurance company. However, a withdrawal or policy loan could trigger tax consequences depending on the adjusted cost basis of the policy. For this reason, a loan arrangement from a third-party financial institution is the most common method of generating additional income in retirement.

Let's  
Chat  
Today

Wrightwealth.ca  
4A-317 Speedvale Ave East  
Guelph, ON N1E 1N3  
(705) 209-3394



\*Mutual Funds provided through Carte Wealth Management Inc.

\*\*Segregated Funds, insurance and services through Group Medical Services, Financial Horizons Group, The Edge Benefits Inc., Carte Risk Management Inc., Wright Wealth (Guelph) Inc.

## THE INSURANCE OPPORTUNITY

It's time to bust the myth that insurance has no place in the portfolio of wealthy individuals. As age and wealth increase, what was once a necessary protection expense becomes a very valuable financial opportunity.

Insurance products can add value for insurable business owners and affluent individuals in so many ways: enhanced retirement income, business protection, estate preservation, and tax-efficient wealth transfers. It's an investment worth exploring for the affluent.

### THE WEALTHY **DON'T NEED** INSURANCE BUT THEY SURE **WANT** IT.

#### **NEED** TERM INSURANCE (protecting human capital)

-  Replace income in the event of premature death or disability of a bread-winner or key person
-  Meeting shareholder buy-sell obligations

#### **WANT** PERMANENT INSURANCE (protecting financial capital)

-  Low risk asset class
-  Tax-effective transfer of assets from a corporation
-  Inter-generational transfers
-  Philanthropic gifting
-  Funding tax liabilities
-  Estate equalization tool
-  Protecting the value of an investment portfolio in the event of an illness

Let's  
Chat  
Today

Wrightwealth.ca  
4A-317 Speedvale Ave East  
Guelph, ON N1E 1N3  
(705) 209-3394



\*Mutual Funds provided through Carte Wealth Management Inc.  
\*\*Segregated Funds, insurance and services through Group Medical Services, Financial Horizons Group, The Edge Benefits Inc., Carte Risk Management Inc., Wright Wealth (Guelph) Inc.

## WHY IMMEDIATE FINANCING ARRANGEMENTS (IFAs)

In our experience, typically recommend IFAs to High Net Worth clients for the following reasons:

- To facilitate the purchase of needed permanent life insurance for a client who otherwise would forego the insurance and purchase an investment instead.
- To increase the rate of return on an estate planning strategy which incorporates permanent life insurance.
- To increase the size of the Capital Dividend Account which will be created upon the death of the life insured (corporate IFA).
- To make it possible for a client with one or more existing permanent insurance policies which are not self-funding to begin borrowing against the CSV of those policies for the purpose of making investments.
- To make a charitable gift without adversely affecting cash flow or adversely affecting a client's capacity to purchase an investment.



### Case Study

40-year-old business owner that builds homes for a living.  
Has a young family that he is looking to protect in case of an untimely death.

Also wants solutions for future retirement income separate from his investments at the bank.

Wants to grow his business and not lose momentum

#### SOLUTION:

Participating whole life using the IFA

Age 65: \$2.3 m cash

Age 100: \$9.7 m for estate

Let's  
Chat  
Today

Wrightwealth.ca  
4A-317 Speedvale Ave East  
Guelph, ON N1E 1N3  
(705) 209-3394



\*Mutual Funds provided through Carte Wealth Management Inc.

\*\*Segregated Funds, insurance and services through Group Medical Services, Financial Horizons Group, The Edge Benefits Inc., Carte Risk Management Inc., Wright Wealth (Guelph) Inc.



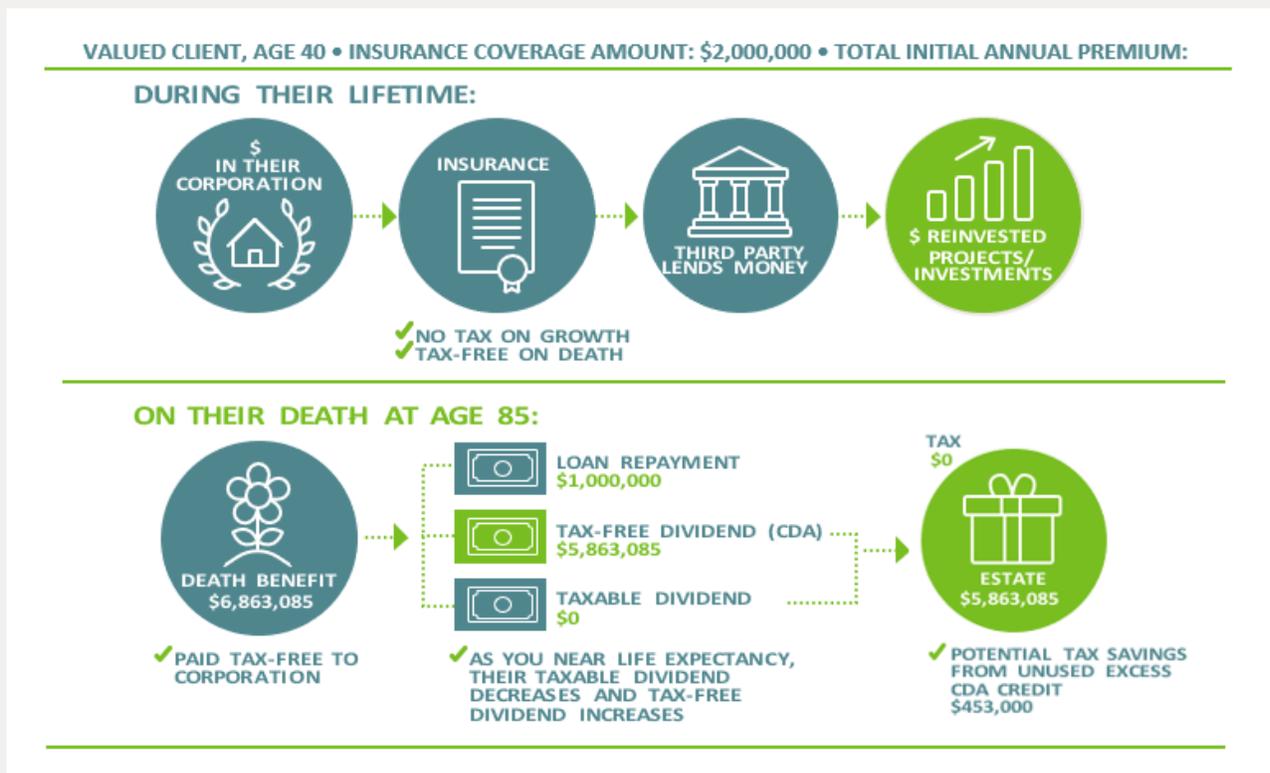
# Plan A

## HOW THE IFA WORKS

Your corporation purchases a permanent tax-exempt life insurance policy on you, the key person. The corporation will be the owner and beneficiary of the policy. Payments into the policy are made using your corporation's cash flow or retained earnings. Using the insurance policy and additional assets as collateral, the corporation secures a loan or line of credit. The loan proceeds may be invested back into the corporation's business to produce income. If the loan proceeds are used for such income-earning investment purposes, the interest on the loan and all or a portion of the policy payments may be tax-deductible.<sup>1</sup> You must ensure the loan and the collateral assignment of the life insurance policy meet all requirements for deductibility under the Income Tax Act.

Growth within the policy can accumulate on a tax-preferred basis. On death, the tax-free death benefit pays the outstanding loan plus accumulated interest. Any remaining death benefit is payable to the corporation. The full amount of the death benefit, less the policy's adjusted cost basis, creates a credit to the corporation's Capital Dividend Account (CDA), which can be used to pay out tax-free capital dividends to shareholders or your estate.

<sup>1</sup>The lesser of the net cost of pure insurance (NCPI), or the policy payments may be deductible



Let's  
Chat  
Today

Wrightwealth.ca  
4A-317 Speedvale Ave East  
Guelph, ON N1E 1N3  
(705) 209-3394



\*Mutual Funds provided through Carte Wealth Management Inc.

\*\*Segregated Funds, insurance and services through Group Medical Services, Financial Horizons Group, The Edge Benefits Inc., Carte Risk Management Inc., Wright Wealth (Guelph) Inc.

## BENEFITS OF PERMANENT LIFE INSURANCE

Permanent life insurance is the driving force behind the success of the Immediate Finance Arrangement. Here's a summary of the benefits that life insurance can provide:



### TAX-PREFERRED ASSET GROWTH

**There is no tax payable on the growth of the policy's cash value as long as it** remains within the policy and the policy is funded within legislative limits. This helps reduce taxable income, potentially resulting in greater asset growth.



### TAX SAVINGS THROUGH COLLATERAL ASSIGNMENT

**There is no tax payable on the growth of the policy's cash value as long as it** remains within the policy and the policy is funded within legislative limits. This helps reduce taxable income, potentially resulting in greater asset growth.



### TAX DEDUCTIBILITY THROUGH COLLATERAL ASSIGNMENT

**When collateral loan proceeds are being used to earn income from a business or property, interest on the loan may be tax deductible.** Additionally, when **the policy is used to secure the collateral loan, some or all of the life insurance** premiums may also be deductible. The resulting savings allow you or the corporation to access cash in a tax-efficient manner.



### TAX SAVINGS ON DEATH

On death, the policy first pays the loan using the tax-free death benefit. The corporation receives the remaining death benefit and allows some or all of it to be paid as a tax-free capital dividend. In many cases, the insurance provides a greater after-tax amount to your estate than using taxable investments

This presentation was prepared for information purposes only. It is not an insurance contract or an offer to provide insurance. It does not form any part of any policy that may be issued and is not intended to provide or replace professional legal or tax advice. For your specific situation, please consult your own tax and legal advisors.

Let's  
Chat  
Today

Wrightwealth.ca  
4A-317 Speedvale Ave East  
Guelph, ON N1E 1N3  
(705) 209-3394



\*Mutual Funds provided through Carte Wealth Management Inc.

\*\*Segregated Funds, insurance and services through Group Medical Services, Financial Horizons Group, The Edge Benefits Inc., Carte Risk Management Inc., Wright Wealth (Guelph) Inc.