CANADIAN MEDICAL ADVISORY NETWORK

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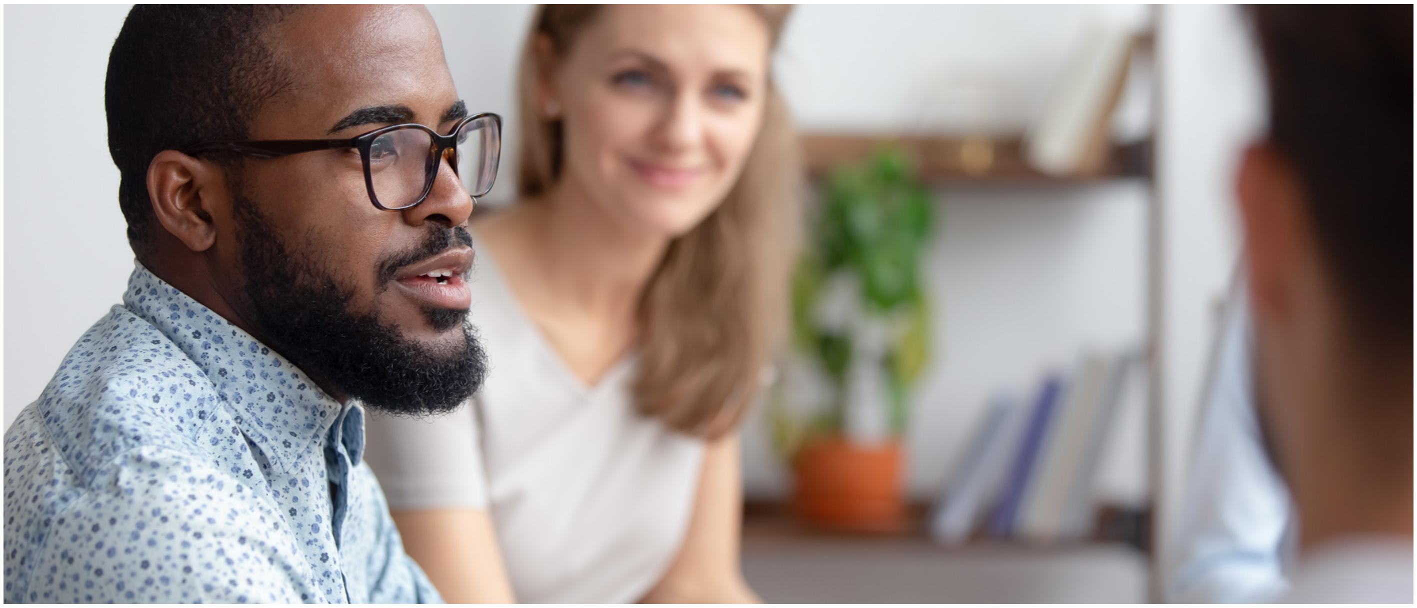
WealthHealth

A Monthly Financial Service Specifically for Physicians



Make Life Insurance Work For You

Permanent life insurance is a hard-working financial tool that can help you address multiple needs – build savings, manage investment risk, estate planning and transition, financial protection for the unexpected, diversify your portfolio and reduce tax for your business. It's really an asset class that can play many roles in your personal and business portfolios.

ADVANTAGES OF PERMANENT LIFE INSURANCE

Consider permanent life insurance when you:

- Need or are interested in lifetime protection and permanent guarantees
- Want opportunity for significant savings growth in your policy
- Are looking for affordability and premiums that stay the same
- Want flexibility and choice – single or joint coverage, premium-paying choices, investment choices
- Are interested in innovative ways to save for retirement and more effectively meet your estate planning needs
- Are interested in tax strategies for your corporation, including managing passive investment income
- Need or want tax-advantaged investment features

Tax-Free Growth Earn tax-advantaged interest or policyowner dividends. The tax-free death benefit to your beneficiaries includes the initial amount of the insurance, plus the growth of the tax-advantaged policy earnings.

Performance Dividends in a participating policy, once paid on the policy's anniversary, are guaranteed by the life insurance company and vested to the policyowner. So are any increases in cash value and death benefit. Canada's large insurance companies manage their participating accounts prudently, and typically as fixed-income accounts for the long-term.

Guarantees Participating life insurance is the only asset class with contractually based, guaranteed cash values that increase each year. The cash value and life insurance value, once credited to a policy, are guaranteed, vested and continue to grow as dividends are paid.

BUILD YOUR SAVINGS AND SAVE TAX

If you're maximizing your tax-preferred saving opportunities through RRSPs, TFSAs and pension plans, and want to minimize tax of non-registered investments, consider permanent life insurance. It can potentially give you tax-preferred benefits, including:

- Tax-free death benefit to your beneficiaries
- Tax-preferred cash value growth in the policy you could use while you're living
- Estate protection and avoidance of estate settlement costs (for example, probate fees)
- Alternative to other low-risk investments

ENHANCE OR EQUALIZE WEALTH TRANSFER

Many people use permanent life insurance as an alternative investment product, even when they don't have a traditional need for life insurance proceeds. Use life insurance to add to what you want to transfer to your children or help equalize what you transfer between your children or other heirs.

If your goal is to pass some, or all, of your investment portfolio to your next generation instead of spending it in your lifetime, you may want to consider a whole life insurance policy as an additional investment option. With its tax-advantaged investment capability and excellent internal rate of return, a whole life insurance policy can be an attractive alternative to a taxable, fixed-income investment.

ENHANCE RETIREMENT INCOME

As part of a well-diversified portfolio and long-term financial plan, life insurance can be used to enhance your income in retirement. If you purchase a life insurance policy that includes cash value growth when you're in your 30s or 40s, you can use the cash value when you're in your 60s or 70s to provide additional retirement income. You can do this by borrowing against the cash value and then have the death benefit pay off the loan when you die.

FUND CAPITAL GAINS TAX LIABILITY

Using life insurance is the most tax-effective way to cover the cost of capital gains taxes that may arise when someone dies.

If you own shares or real estate (other than your principal home) when you die and they've increased in value, capital gains estate tax will be applied. You may want to transfer these shares or real estate to your next generation. At time of death, the estate tax liability on the capital gain is triggered, as the shares or property is "deemed" to be have been sold. A common problem – there may not enough cash on hand to pay the tax due. Life insurance can pre-fund this known future tax liability and give your beneficiaries an appropriate amount of money to cover it.

For business owners, if the life insurance policy is owned by a privately controlled company, all or a large part of the tax-free life insurance death benefit can be credited to the capital dividend account (CDA). This CDA credit can then be used to help cover the costs of the capital gains tax.

REDUCE PASSIVE INVESTMENT INCOME IN YOUR CORPORATION

A corporately owned, permanent life insurance policy that's properly structured is an effective alternative investment, a way to transfer wealth and a wealth accumulation vehicle. It's also an effective way to help reduce passive investment income.

Starting for the 2019 tax year, the rules around passive income for Canadian-controlled private corporations (CCPCs) changed. There's now a reduced $50,000 threshold for passive, taxable income within a year that applies to all physician corporations. Because there's no tax on gains in cash value (unless it's cashed in before death), corporately owned, permanent life insurance may be an effective way for you to help reduce passive investment income and keep below the $50,000 threshold. A permanent type of insurance policy is not considered a passive investment under the new rules for 2019.

FUND SHAREHOLDER BUY/SELL AGREEMENTS

For business owners and partners, life insurance is an effective way to fund shareholder buy/sell agreements and help ensure the future success of the business.

A shareholders' agreement outlines various situations or challenges the business may encounter in its life cycle and how the shareholders will deal with these situations. A common challenge is, what happens if one of the shareholders dies. There's usually a buy/sell provision in the agreement, which states that the surviving shareholders will buy the shares of the deceased shareholder and the estate of the deceased shareholder will sell those shares.

For surviving shareholders, there's a financial obligation to cover. Life insurance is an excellent way to plan for this obligation.

SUMMARY

A specialized and experienced CMA advisor can properly ensure your personal and business plans consider and integrate permanent life insurance strategies. They'll coordinate advice and solutions from your wealth management and tax advisors to choose the right kind of permanent insurance for you, take advantage of opportunities and close any gaps.

We live in challenging times. Industry disruption, political evolutions, compliance, tax changes and increasing demand on the health care system are just part of it. Physicians and specialists have unique planning needs and requirements, within the financial world and beyond. You deserve a specialist partner that can integrate multi-disciplinary input from a team of advisors to deliver an integrated and credible long-term plan.

Our knowledge. Your gain.
Learn more at cmanetwork.com

Specialist physicians require specialized financial support.
Connect with a CMA Network Advisor today.

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