

Retirement
Investments
Insurance

Protection Solutions

This is all about

Estate Preservation and Whole Life insurance

with Standard Life

Talk soon.

www.standardlife.ca

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The Standard Life Assurance Company of Canada
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Whole Life insurance from Standard Life can help

- This type of coverage is – as the name suggests – for your whole life. It does not expire like term insurance (an important consideration when trying to match the timing of the tax liability).
- Whole Life offers a number of limited payment options, meaning you know what your premiums will be and can select how long you want to pay them.
- It has a guaranteed cash value that you can access if needed (as soon as the 10th policy anniversary). If you decide you don't need the insurance any more, you can use the cash value to supplement your retirement income.
- The Guaranteed Insurability Benefit, offered at age 40 and lower means that you can increase your coverage as your needs increase, without providing evidence of insurability. You can also add additional benefits and riders, e.g. child coverage or critical illness protection.
- When customizing your Whole Life policy, consider a Joint-last-to-die policy if you have an insurable spouse. Most wills flow assets to the surviving spouse and the *Income Tax Act* permits a tax deferral until the death of the second spouse. A Joint-last-to-die policy provides coverage at even lower premiums than a policy on a single life.

Contact me today for more details about how Whole Life insurance works to protect your estate and your family.

Hello.

Most people don't realize that a portion of their wealth may be taxable upon their death. To protect your estate and make sure your family doesn't have to sell assets to cover the taxes, consider a Whole Life insurance policy from Standard Life. It offers permanent insurance coverage along with guaranteed values and premiums. It comes with no surprises – just security.

This strategy may be suitable if you:

1. Are 45 or older
2. Are insurable
3. Are concerned about taxes eroding your estate and the amount that will pass to your beneficiaries
4. Want to make sure your beneficiaries can pay the estate's tax liability in the most efficient manner possible

Let's look at an example:

Current Value of Mark and Susan's Assets

	Value of Asset Current (50)		Value of Asset at 80	
	FMV ¹	Tax (50%) ²	FMV ¹	Tax (50%) ²
RRSP ³	\$100,000	\$50,000	\$ 460,000	\$230,000
Cottage ⁴	\$200,000	\$25,000	\$ 700,000	\$150,000
Total	\$300,000	\$75,000	\$1,160,000	\$380,000

Notes

¹ Fair Market Value

² Assumes a tax rate of 50%

³ RRSP assumes that 5% growth and annual contributions of \$13,500 with minimum annual payments taken from 69 to 80

⁴ Assumes an adjusted cost base on the cottage of \$100,000 and capital gains inclusion rate of 50% of the gain

The total tax bill at 80 will be \$380,000... How does the estate pay for this amount?

Mark and Susan (both 50) have two teenage children – Sabrina and Jenna. In addition to a home in the city, Mark and Susan have a cottage they inherited from Mark’s parents. The couple has been pleasantly surprised to watch how much it has increased in value over the past few years. However, their house in the city has a substantial mortgage. Both Mark and Susan have registered retirement savings, but have limited non-registered liquid savings.

Mark and Susan want to make sure their children have enough money to settle any taxes on their death. They also want to know that they will be providing Sabrina and Jenna with an unencumbered inheritance.



Options to pay the tax bill:

Use the assets

In this scenario, the children sell the cottage in order to pay the final tax bill on their parents’ estate. Add together disposition costs, the fact that if the cottage has any additional increases in value, they won’t benefit, and the loss of a treasured family cottage, and this emerges as an inefficient strategy.

Finance the liability

This requires the estate to borrow to pay the taxes on the assets. The children keep the cottage, but will be faced with interest payments on the loan.

Sinking fund

Mark and Susan could choose to set aside money over a number of years, with the goal of having enough to pay taxes due at death. However, they have no way of knowing how long they have to build the savings. Furthermore, income earned on these savings is not tax-sheltered.

Use life insurance

By using a Whole Life insurance policy, Mark and Susan can rest easy knowing they have matched the timing of tax liabilities to the guaranteed value of their insurance. For a fraction of the cost, they know their children can finance the tax obligation. Insurance premium costs are a small percentage of the total cost of tax payable and enable the couple to protect their estate.