The Stan Clark Financial Team's

PERSPECTIVES

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Financial and estate planning

How life insurance can help you and your family

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We all hope to live a long, happy and healthy life – and many of us today are doing just that! From our own personal experiences, however, we know that life can throw us curveballs. All too often family and friends have suffered serious illnesses, or have passed prematurely.

I know this isn't something you like to think about. But failing to plan for yourself could cause hardship to those you leave behind. By incorporating life insurance, you can protect your family – and preserve your estate.

In this article, we're going to talk about life insurance, and how it fits in with your overall financial plan and risk management.

Who should have life insurance? Well, just about everyone! Life insurance is a unique financial instrument, creating tax-free capital when you need it the most. Let's look at the most common uses of it.

Family protection

If you're married and have children under 18, you're part of a key market segment for insurance. Seventy-five percent of those surveyed said they would have difficulty with living expenses if the primary wage earner were to die. Life insurance provides the capital needed to create an ongoing income, pay off your mortgage or other debts, and to provide funding for your children's education.

Business owners

Whether you're a sole proprietor, in a partnership, or have a corporation, life insurance can play a very important role. It can be used to pay the debts of the corporation to satisfy creditor claims and allow the business to either continue smoothly, or be sold for maximum value. Life insurance can also provide for economic loss on the death of a key employee, giving much needed time and money to find a suitable replacement. Where there is more than one shareholder, life insurance can also be used to fund a buy-sell agreement.

Estate preservation

Immediately before death, you are deemed to have disposed of all capital property at fair market value. This may result in probate fees, capital gains tax, and taxes on registered assets, such as your RRSP. Did you know that, at your death, or the second death of you and your spouse, your RRSP is taxed as income on your final tax return? This can propel you into the highest tax bracket and in B.C., this can have you owing Canada Revenue Agency just under 44 percent!

Charity

Leaving a portion of your wealth to charity is a very noble gesture. Insurance provides an easy way to enhance your gift. Not only does it help your community, church or other causes that are important to you; it can also help by reducing your annual income taxes or estate taxes upon death.

As an investment

Life insurance is often overlooked as an investment, too. Many people are not aware that some life insurance policies can be used to build wealth in a tax-preferred environment. Generally, we consider this for those who have excess capital, or for holding companies with retained earnings that are not earmarked for basic living needs. The rate of return on the death benefit can be quite compelling. Alternatively, if you wish to use it for personal needs, there are various ways to access the cash value in a tax-efficient manner.

These are just broad ways to show why you might want to consider life insurance. But what type of insurance should you get? How much should you get, and what are the costs? There are many options. That's why we at The Stan Clark Financial Team welcome the opportunity to talk to you about it in person.

Next month, we will look more in-depth at insurance as an investment.

Sylvia Ellis is the Senior Estate Planning Advisor for the Stan Clark Financial Team at CIBC Wood Gundy. Sylvia provides support to the team in projecting and planning client financial affairs.

To learn more about CIBC Wood Gundy, The Stan Clark Financial Team and the many ways we can help manage your wealth, please contact us by phone or by email as listed below.

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