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HOW LIFE INSURANCE CAN HELP YOU AND YOUR FAMILY

By Sylvia Ellis, Senior Estate Planning Advisor

We all hope to live a long, happy, healthy life – and many of us today are doing just that! However, from first-hand experiences, we also know that life can throw us curveballs. Too often family and friends have suffered serious illnesses, or even died prematurely.

I understand this isn't something you like to think about. Yet 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 are going to talk about life insurance, and how it fits in with your overall financial plan and risk management.

Life insurance is primarily used to fund liabilities or other obligations upon death. But that is by no means its sole use. Life insurance is also a unique financial instrument, creating tax-free capital when you need it the most.

Let's look at the most common uses.

Family protection

If you are married and have children under 18, you are part of a key market segment for insurance. Many individuals would have difficulty with living expenses if a primary wage earner were to die. Life insurance provides the capital to: create an ongoing income; pay off your mortgage or other debts; and provide funding for your children's education.

Business owners

Whether you are a sole proprietor, or in a partnership or have a corporation, life insurance can play an especially vital role. When used to pay the debts of the corporation, it satisfies creditors' claims, thus allowing the business to either continue smoothly or be sold for maximum value.

Life insurance can also provide for economic loss upon the death of a key employee, giving much-needed time and money to find a suitable replacement. And, where there is more than one shareholder, life insurance can 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 death of 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., it can leave your estate owing Canada Revenue almost 54%!

Charity

Leaving a portion of your wealth to charity is a noble gesture. Insurance provides a straightforward way to enhance your gift. It does more than help your community, church or other cause that's important to you. Upon your death, it can help by reducing your annual income taxes or estate taxes.

As an investment

Life insurance is often overlooked as an investment. Many people are not aware that some life insurance policies can be used to build wealth in a tax-preferred environment. On the Stan Clark Financial Team, we consider this option for those who have excess capital, or for holding companies with retained earnings not earmarked for basic living needs. The investment can mean a greater estate. Alternatively, if you wish to use life insurance for personal needs, there are several ways to access the cash value in a tax-efficient manner.

For all of the above reasons, you may want to consider life insurance. When our team creates or updates your financial plan, we can determine where any gaps might exist that life insurance could fill.

Then you will need to consider: What type of insurance to get? How much to get, and what are the costs?

There are many options. We welcome the opportunity to talk to you in more depth about it and to help answer any questions you may have.

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