Finance for Life™

Finance for Life. Wealth for Living.™

CANFIN FINANCIAL GROUP
A qualified approach to wealth solutions

Services we can provide through our Group of Companies

Investment Planning
Insurance Planning
Mortgage Planning

Tax Planning
Financial Planning
Estate Planning

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Please do not hesitate to contact your advisor for a Confidential Financial Review.

Paying Your Bills When You're Laid Up

BUSINESS OVERHEAD EXPENCE INSURANCE

Disability insurance (DI) can be purchased from a life or health insurer to cover up to 80% of your regular income in the event you become disabled. This coverage is referred to as "income replacement" insurance. If you work for a corporation, your employer may offer a group plan with short-term disability coverage. Examine it to determine the coverage period and to ensure it meets at least 60% of your current income. Additional DI can be purchased (and owned privately) to extend the period of income payment. If self-employed, ensure you have income replacement insurance to pay your expenses until age 65.

Consider the following questions as to where the money might come from if you were unable to earn a living for a month, a year or forever:

• How would cashing in part or all of your savings affect your retirement?
• Could you borrow money if your banker knew you might never work again?
• Could you live on your spouse's income?
• Could you ask a parent, sibling or friend to loan you money? How would you repay it?
• Would you rely on the government to pay a disability income that could mean a change in lifestyle?
• Would you want to sell your house or cottage?

Policies will cover most of these expenses:

- **Accounting services**
- **Advertising**
- **Answering or beeper service**
- **Association fees**
- **Automobile expenses**
- **Electricity**
- **Employee wages**
- **Employee benefit contributions**
- **Equipment lease and rental payments**
- **Equipment loans**
- **Furniture lease payments**
- **Heat**

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- **Liability insurance**
- **Malpractice insurance**
- **Mortgage payments**
- **Office rental fees**
- **Office supplies and expenses**
- **Payroll taxes (employees only)**
- **Pension contributions**
- **Periodical subscriptions**
- **Postage**
- **Professional dues, fees and memberships**
- **Real estate taxes**
- **Telephone**
- **Water**

Have you ever considered what you would do over the long term if you became physically disabled due to an accident or sickness? Statistics show that the risk of suffering a disability is quite high, for example: 50% of those aged 35 will suffer a disability lasting more than 90 days before they attain age 65. If you own your business, would you be able to come up with the money to pay for your ongoing business expenses and payroll?

Could you afford to pay a salary for someone to run your business to achieve the same results that you do? The objective of business overhead expense insurance is to pay the bills when you are disabled. This is over and above income paid by any personally-owned income replacement policy. You can write the premiums off. Benefits, taxable as business income, are used to pay for expenses, thus reducing that tax.

Succession Strategies
TO INCREASE RETIREMENT INCOME

Retirement income can be sourced from both personal investments and your company payroll when you own a family business. However, if you are planning to leave your business to a child, you may not have enough capital, after retirement, to pay for estate taxes. You may also find that your child cannot afford to save enough money or access money from the company to pay for the capital gains taxes that may be due on your business when you die.

Consider the tactic of taking out life insurance with the goal to pay off the estate taxes when you and your spouse die. Meanwhile, the income generated from your retirement savings will provide a much larger monthly cheque because you will have freed up capital otherwise dedicated to pay any estate taxes.

As well as paying you a salary, the children who are to succeed you in the company (and possibly other children), could pay for the life insurance premiums. The face amount could cover any future tax liabilities relating to the death of both spouses—capital gains tax on a cottage, income tax payable on RRSPs/RRIFs, income tax in relation to capital gains on the value of your company's shares passing to your children (deemed disposed of at the time of death). Life insurance could also redeem debts relating to personal or company loans or past overdue taxes, while creating a tax-free benefit for any other child not inheriting your company.

When purchasing life insurance in advance, you minimize the chances of eroding the value of the assets left to your heirs. As well, you need not reserve that portion of your retirement savings that will be newly created as a tax free death benefit. The bottom line states that you will free up more money for your retirement enjoyment.