Finance for Life™

Achieving Financial Success™

Finance for Life. Wealth for Living.™

**Canfin Financial Group,
Client Services Dept.**

2829 Sherwood Heights Dr., Suite 102,
Oakville, ON L6J 7R7

For immediate service, contact your Canfin Advisor or,
Tel. 1-877-4-CANFIN
Fax. 905-829-0052
email: clientservices@canfin.com
web: www.canfin.com

Services we can provide through our Group of Companies

Investment Planning
Insurance Planning
Mortgage Planning

Tax Planning
Financial Planning
Estate Planning

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

Joint Life Insurance & ESTATE PLANNING

Life insurance may be issued to insure more than one life, referred to as a joint policy. The death benefit is payable on either the first or the second death. A joint last-to-die policy insures two lives, usually two spouses for the purpose of paying for an estate's tax liabilities on capital gains. As well, where one has significant family wealth in RRSPs or RRIFs, taxes will be due when the entire remaining RRSP or RRIF funds are brought into income. These taxes will be due after the death of the second spouse where there are no dependent children.

A $200,000 RRSP or RRIF would be reduced to about half the sum after the death of the second spouse. By insuring the second-to-die for $100,000, that approximate difference lost to tax could be recuperated for the heirs. This can usually be mathematically justified, as the premium for the policy is usually small compared to the much larger tax bite. The death benefit itself is tax-free and guaranteed when you make your very first premium payment—as low as one monthly payment.

Should I buy Mortgage Insurance FROM MY LENDER?

When arranging a mortgage, your financial institution may offer life insurance to pay off the debt if you die. Consider the price of term insurance offered by your life insurance advisor. More importantly, weigh the following advantages of owning and controlling your own life insurance to cover the mortgage.

• A regular term policy with a spousal rider provides equal insurance on the second spouse. This doubles the benefit should both die at once. This would leave the house paid and an additional amount in cash for the survivors.

• You can move the mortgage from one financial institution to another with no need to reapply for insurance or have any future health tests completed. The new bank or trust company's group insurance

Continued on page 2...

Please read the funds' prospectus before investing. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Mutual funds are not guaranteed; their values change frequently and past performance may not be repeated. Any indicated rate of return is for illustration purposes only and is not intended to reflect future values of returns on investment. Please seek professional advice prior to investing. Financium, the publisher does not guarantee accuracy of information, and will not be held liable in any way for any statements or statistics in this publication, though we seek to present reliable, precise and complete information. Written permission of Financium who retains all rights, must be obtained prior to any reproduction. ©Financium. email: admin@adviceon.com

Finance for Life™

Continued from page 1...

carrier may decline to cover you if your health has declined in the meantime.

• Most personally owned term plans can be renewed for another period, or converted to a long-term plan even if your health declines. This is a great advantage if you have other estate planning insurance needs.

• Your survivors can keep the term death benefit and opt not to pay off the mortgage if interest rates are low or other needs have a greater priority.

• You can change the beneficiary designations on a personally owned plan.

• You may be able to add your term insurance to an existing personal life insurance plan thus reducing or eliminating additional policy fees.

Note: This study examines life insurance to cover a mortgage. You should also consider disability coverage to pay the mortgage if you are disabled. Talk to your financial advisor about covering both.

Advanced TAX-DEFERRAL STRATEGIES

Many Canadians utilize RRSPs/RRIFs in order to keep their investments tax sheltered as long as possible. They plan to deplete non-registered investments first to provide retirement income. RRSPs/RRIFs will eventually be taxed when taken as income in your lifetime and when you die (or your spouse dies if RRSPs/RRIFs are rolled over). Non-registered investments are subject to high taxation on both income and gains.

Once your RRSPs are maximized

There is another tax-efficient strategy for families wishing to pass wealth to their heirs. Other tax-paid assets can be transferred into a life insurance policy that allows for tax-sheltered growth. Revenue Canada permits these contracts to accumulate funds on a tax-sheltered basis, limited in relation to the amount of life insurance purchased. If left unspent, the money passes on tax-free to heirs. Unlike a RRIF, these policies have no rules governing mandatory withdrawals nor are the funds taxable in full at the time of death.

RRSPs/RRIFs are eventually fully taxable

Registered investments will be fully taxable as income on the death of the second spouse (where there are no dependent children), possibly reducing the value of an estate. Because tax-sheltered policies also involve life insurance, both the death benefit and the tax-sheltered funds are paid out tax-free. Part of this death benefit could essentially replace future income taxes due on RRSPs/RRIFs.

Pre-funding the payment of Capital Gains Tax

Future capital gains tax liabilities associated with a second residence or business can also be pre-funded using these policies. The death benefit amount could be designed to include payments to individual beneficiaries. Payments to beneficiaries can also be adjusted on a percentage basis to compensate for any unequal bequests of other assets, such as business interests. Only if money is intentionally withdrawn over certain amounts, or a policy is surrendered before death, does taxation occur.