Advance Preparations for Asset Protection

Most of us want the same things. Once our retirement is covered, we want our heirs and important causes to benefit from what's left behind. However, without careful advance planning, a hefty tax bill can greatly reduce our estate.

Meet John and Mary – They're both 55 with three children, an ample retirement nest egg and a cottage that's become the heart of their family. John and Mary have saved, invested and accumulated assets of just over $1,000,000. They were surprized to learn their estate could grow to over $4 million (projecting asset growth of 4% to 8%) by age 85. This deserves thoughtful, detailed planning to maximize value for their heirs and special causes.

The Challenge – Taxes may consume a substantial portion of John and Mary's estate – much more than many expect. Depending on our home province, registered assets are taxed as high as 39% or even 48%. Capital gains on assets such as the cottage are taxed from 20% to 24%. Without proper planning, the estate may be compelled to raise cash by selling the family cottage or other assets – or take out a loan to settle taxes owed.

Find a Sensible Option – After comparing options, John and Mary implement an asset protection strategy using life insurance proceeds to cover taxes. How will this work? It's insurance - part of each payment will immediately and permanently increase your estate's worth by providing a death benefit. That money will offset their estate tax bill. The remainder of each payment is invested as John & Mary choose, and grows tax-deferred. In short, their policy can grow to meet rising tax liabilities. Their estate receives the policy's death benefit tax-free and uses the proceeds to settle estate taxes.

The Result – This plan assures that family assets will stay in the family. John and Mary have taken a $750,000 universal life policy. By contributing just under $1,000 per month, the policy benefit will grow to exceed $1.2 Million by the time they reach 85, which will be enough to pay the projected taxes and keep the cottage in the family.

** The insurance premiums have been accumulated using a gross rate of return equal to 7%to include the time value of money while the policy values are based on a 5%return. This illustration assumes that the taxable portion of realized capital gains is 50%. This example is for illustrative purposes only, individual results may differ on personal circumstances.*

*** All insurance products and advice are offered by licensed life insurance agents.*

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