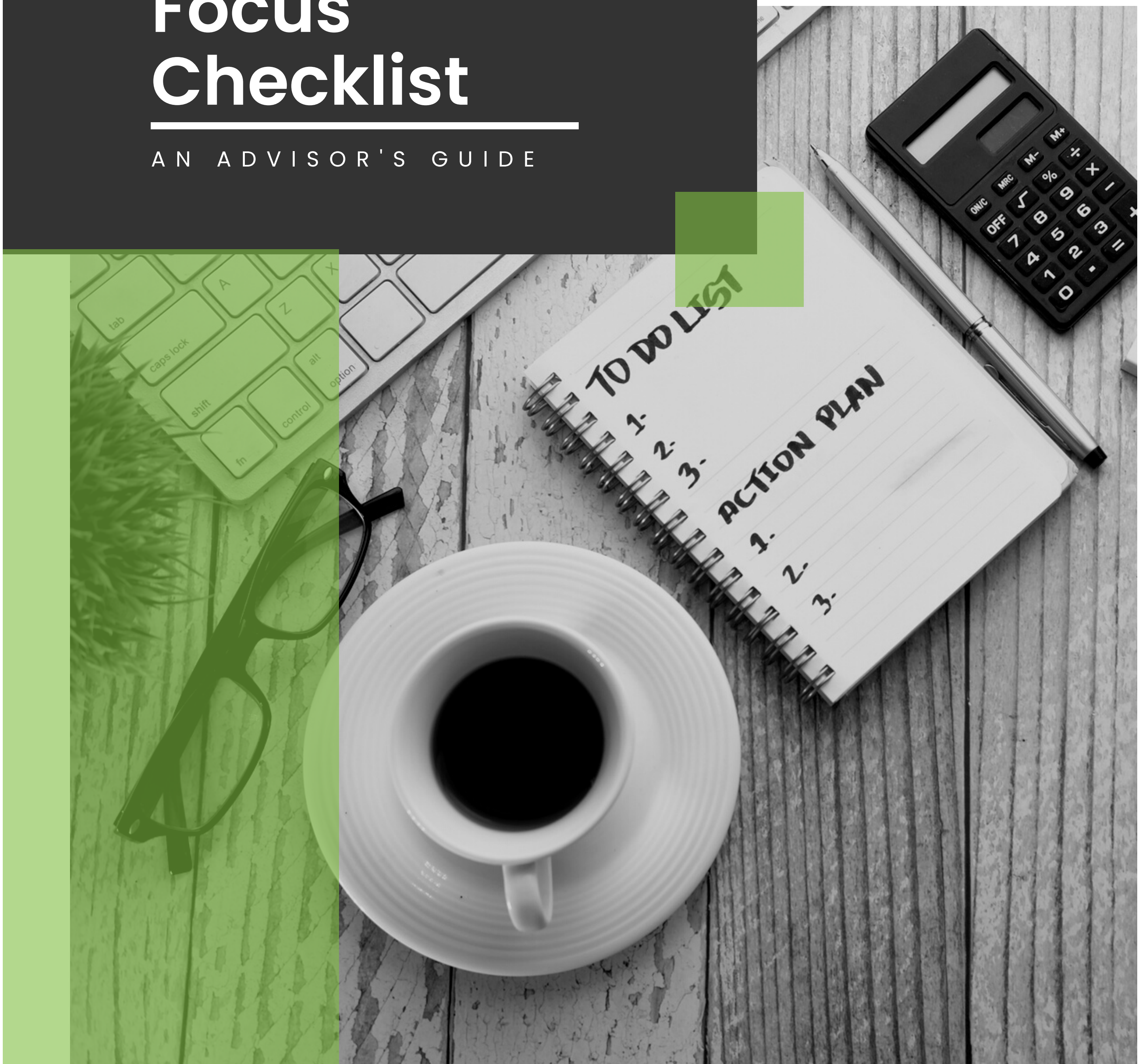
Estate Focus Checklist

AN ADVISOR'S GUIDE



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The Advisor Guide to the Estate Focus Checklist

When creating a decumulation plan, many of your clients will be more concerned with minimizing the tax on their estate than on how much they can spend each year. Most will have RRSPs that will be taxed in a lump sum at a higher tax rate than if they withdraw it over several years. But making RRSP withdrawals they do not need for income, is not always the best way to manage taxes payable in their estate.

One strategy you may want to consider uses permanent life insurance to create an Estate Bond that matures on the death of the life insured, providing an immediate tax-free payment to pay taxes and other costs. What makes the Estate Bond an effective financial strategy is how it takes advantage of the tax-preferred treatment of life insurance to provide a larger tax-free legacy, but it is not for everyone. While the Estate Bond strategy can provide a larger inheritance, it is a complex financial product with pros and cons that need to be carefully considered before recommending it to a client.

When considering the Estate Bond strategy, you must carefully analyze your client's financial situation and objectives. By thoroughly assessing retirement income and estate goals, you can determine whether the Estate Bond strategy aligns with their needs and best interests.

Analysis


RAZOR PLAN
Financial Assets
Income Tax
Risk Management
Retirement Options
Flow
WaR Optimization
Your Account
Solve
Save
ANNUAL INVESTMENT SAVINGS
Client
Personal RRSP Contributions
Spousal RRSP Contributions
Non-Registered Savings
TFSA Contributions
Non-Registered Savings (Joint Account)
Corporate Investment Savings
$31,000.00
$6,500.00
$0.00
MONTHLY RETIREMENT INCOME
AGE SETTINGS
RETURN ASSUMPTIONS
INDEX ASSUMPTIONS

Suggested action:

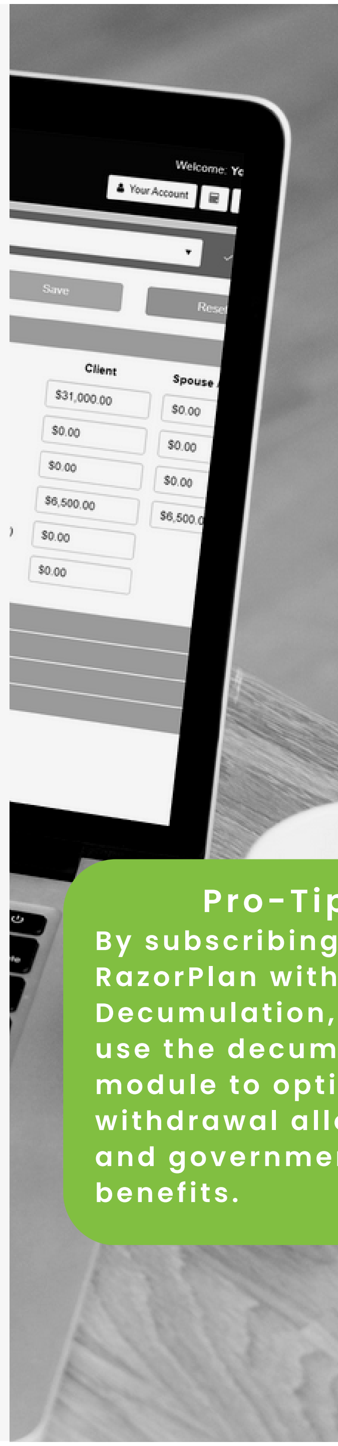
- If your client answers Yes to all the Analysis statements, proceed to the Investing and Taxation section for further assessment.
- If your client answers No to even one of the Analysis statements, the Estate Bond strategy may not be appropriate for your client at this time, and you should consider recommending other options.

1) I have a comprehensive analysis illustrating my current financial situation.

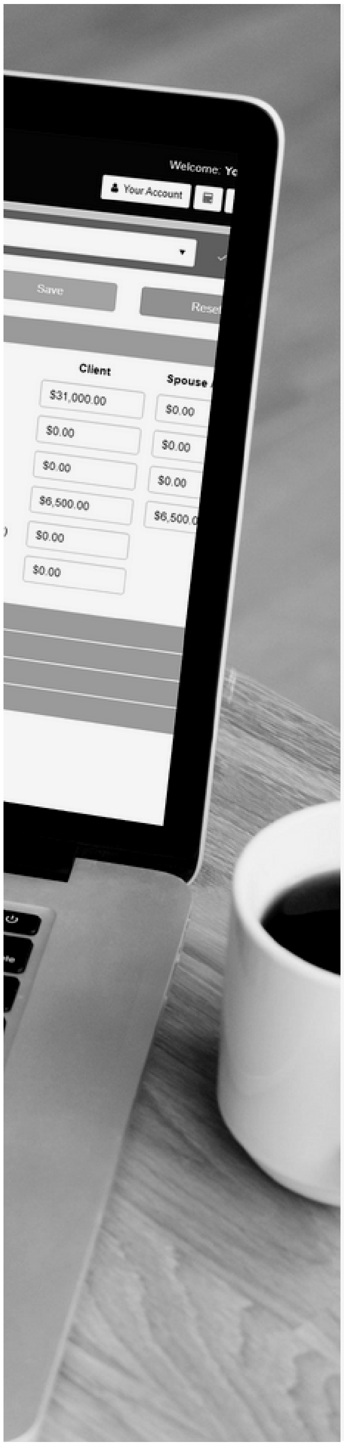
Using an Estate Bond strategy to minimize taxes and enhance estate values should only be considered as part of a comprehensive financial planning engagement. Proper analysis of the client's situation can help ensure that an Estate Bond recommendation aligns with the client's overall financial goals and objectives.

2) I am projected to have more assets/income than I will need for retirement.

Your comprehensive analysis should demonstrate that the client has more than enough savings to fully fund their retirement income needs.



Pro-Tip:
By subscribing to RazorPlan with Decumulation, you can use the decumulation module to optimize withdrawal allocation and government benefits.



Clients that do not have adequate savings to meet their income needs in retirement should consider other tax planning strategies over the Estate Bond.

3) I want to leave a financial legacy to the people I care most about when I die.

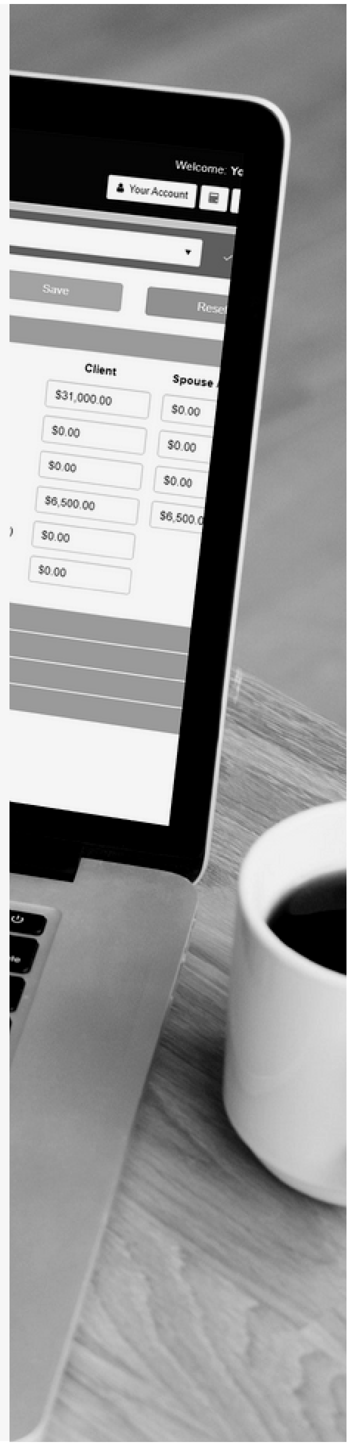
Clients will often confuse leaving a legacy with minimizing taxes. The focus is on how much tax will be payable rather than focusing on the after-tax value of their estate. Although the Estate Bond strategy can help to reduce tax payable, it is designed to enhance the after-tax value of the estate, creating a financial legacy to achieve the goals your client has.

4) I am comfortable making an investment with limited liquidity for several years.

Funding a permanent life insurance policy as part of an Estate Bond strategy can require 10 years or more of premium deposits with limited liquidity. It is important that your client understands this limitation and has other liquid sources of capital to draw on should they need to.

5) I am between the ages of 50 and 75 and in average or better health.

An investment in the Estate Bond strategy positions life insurance as an alternative asset class. But unlike other investments, your client must be in average or better health to qualify. Having poor health or being a smoker, will increase the cost of the life insurance component, limiting the estate planning benefits.



Investing &Taxation

Suggested action:

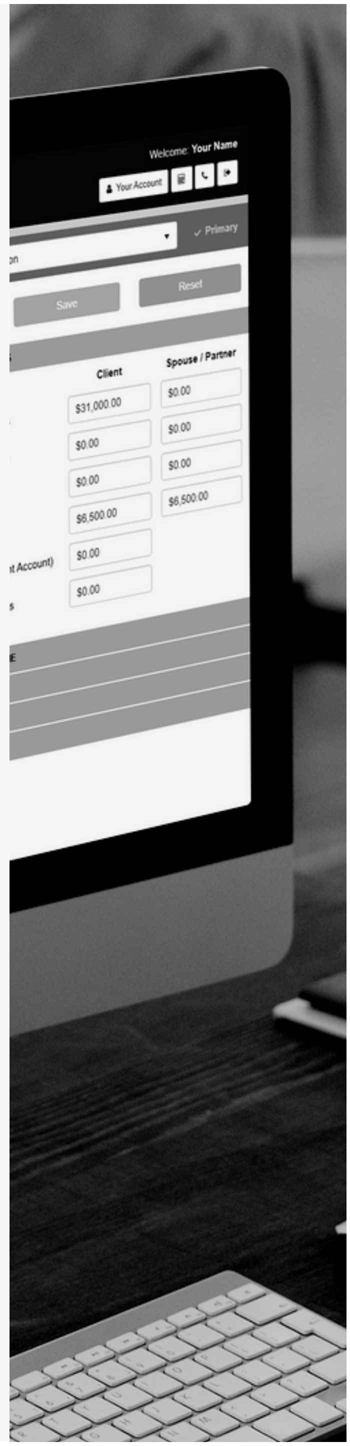
- If your client answers Yes to all the Investing and Taxation statements, the Estate Bond strategy may be a good fit and further consideration and analysis is suggested.
- If your client answers No to one or more of the Investing and Taxation statements, the Estate Bond strategy may have limited advantages and you should proceed with caution.

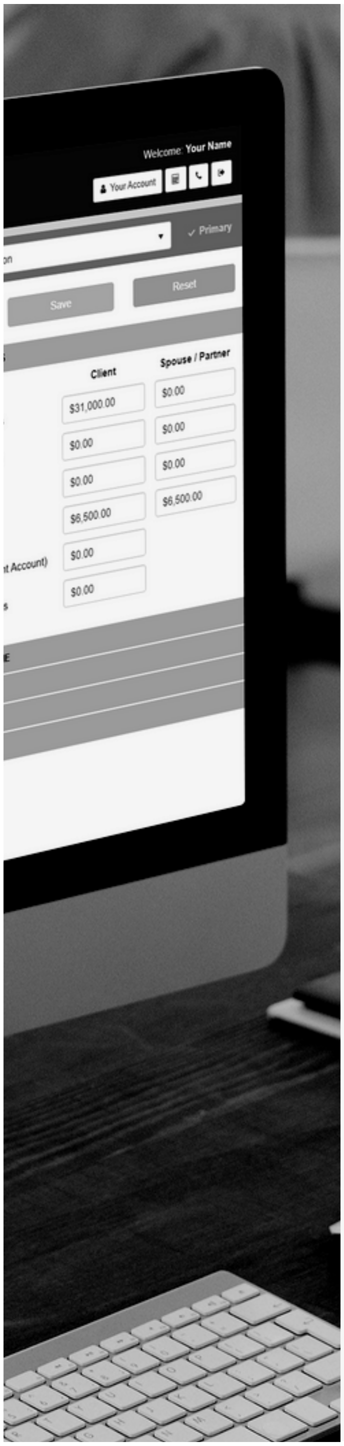
1) I have utilized all my past TFSA contribution room.

Before recommending an Estate Bond strategy, you should question why your client has not fully utilized their past TFSA contribution room. Clients who have not taken full advantage of TFSA contributions should evaluate the advantages of TFSA investments before considering an Estate Bond strategy.

2) I plan to contribute the maximum to my TFSA each year.

Clients will often view TFSA as something you contribute savings to and will stop making contributions once they retire.





But TFSAs should continue to be used by allocating other savings and/or excess income to take advantage of the tax-free investment growth. Using savings that could be allocated to TFSA to fund an Estate Bond strategy should align with the client's overall financial goals and objectives.

3) I will have non-registered investments earning taxable interest.

Funding the Estate Bond strategy requires making premium deposits to fully fund a permanent life insurance policy. Allocating these investments to life insurance will tax-shelter future investment returns that if declared as income could impact the claw-back of Old Age Security (OAS) and/or the Age Credit.

4) My pre-retirement marginal tax rate is projected to be greater than 40%.

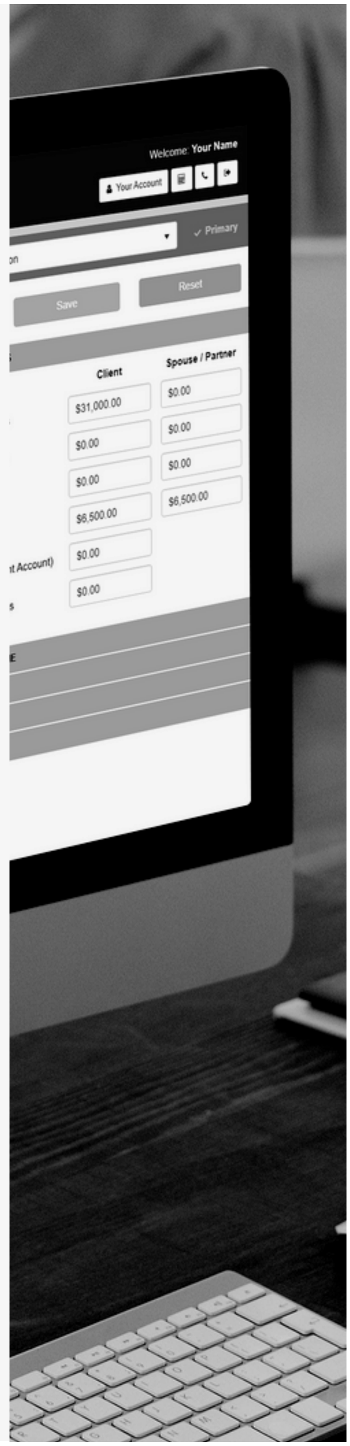
For pre-retirement planning, the Estate Bond strategy works best for clients that have a marginal tax rate of 40% or more. Allocating non-registered investments to permanent life insurance when investment income is taxed at 40% helps to enhance the long-term advantages of the tax-sheltered investment in life insurance.

5) My marginal tax rate in retirement is projected to be greater than 30%.

For post-retirement planning, the Estate Bond strategy works best for clients that are projected to have a marginal tax rate of approximately 30% or more. If your client is projected to have a significantly lower marginal tax rate in retirement, you should ensure the Estate Bond strategy aligns with the client's overall financial goals and objectives.

6) My average tax rate in retirement is projected to be greater than 15%.

Your married clients will be able to split certain types of income in retirement to lower income taxes. When recommending an Estate Bond strategy to clients that are projected to have a combined average tax rate in retirement of less than 15%, you should validate the effectiveness of the Estate Bond using a comparison analysis to ensure the advantages outweigh the risks.



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