

Income Focus Checklist

An Insured Retirement Plan (IRP) is a financial strategy that combines permanent life insurance with a compound line of credit. The line of credit is used to create income to supplement your other sources of retirement income, while the life insurance provides security for the line of credit and pays off the debt for your estate.

What makes the IRP an effective financial strategy is how it takes advantage of current income tax rules, by combining tax-free loan advances with the many tax-advantages of life insurance, but it is not for everyone. Like any financial strategy, you need to weigh the pros and cons before committing to it.

Use the checklist below to help you assess if the IRP strategy is something you may want to invest in.

NAME:

DATE:

Analysis:

- | | | |
|--|---------------------------|--------------------------|
| 1. I have a comprehensive analysis illustrating my current financial situation. | <input type="radio"/> Yes | <input type="radio"/> No |
| 2. I am projected to have more assets than I will need to fund my retirement. | <input type="radio"/> Yes | <input type="radio"/> No |
| 3. I will have taxable investments that will be used for income in retirement. | <input type="radio"/> Yes | <input type="radio"/> No |
| 4. I am comfortable making an investment with limited liquidity for several years. | <input type="radio"/> Yes | <input type="radio"/> No |
| 5. I am comfortable carrying a large amount of debt secured by life insurance. | <input type="radio"/> Yes | <input type="radio"/> No |

If you answered Yes to all the Analysis statements, proceed to Investing and Taxation. Even one No is an indication that the IRP strategy may not be right for you.

Investing and Taxation:

- | | | |
|---|---------------------------|--------------------------|
| 1. I have utilized all my past RRSP contribution room. | <input type="radio"/> Yes | <input type="radio"/> No |
| 2. I plan to contribute the maximum to my RRSP each year. | <input type="radio"/> Yes | <input type="radio"/> No |
| 3. I have utilized all my past TFSA contribution room. | <input type="radio"/> Yes | <input type="radio"/> No |
| 4. I plan to contribute the maximum to my TSFA each year. | <input type="radio"/> Yes | <input type="radio"/> No |
| 5. My pre-retirement marginal tax rate is projected to be greater than 40%. | <input type="radio"/> Yes | <input type="radio"/> No |
| 6. My marginal tax rate in retirement is projected to be greater than 30%. | <input type="radio"/> Yes | <input type="radio"/> No |
| 7. My average tax rate in retirement is projected to be greater than 15%. | <input type="radio"/> Yes | <input type="radio"/> No |

If you answered Yes to all the Investing and Taxation statements, the IRP strategy may be a good fit and further consideration and analysis is suggested. Even one No is an indication the IRP strategy may have limited advantages and you should proceed with caution.

Marginal tax rate is the rate of tax payable on your last dollar of taxable income.