Insurance Planning: It's Never Too Late

As part of the retirement-planning process, we often suggest that our clients consider the use of life insurance for its many benefits. As life insurance is often more difficult and costly to obtain in the later years, it's worth considering at a younger age and while an individual is in good health. But, even if you haven't planned in advance for insurance as part of your wealth plan, it may not be too late. We most often see individuals in their 60s and 70s purchase life insurance as a planning tool and certain insurance companies will even issue life insurance to individuals up to age 85.

Here are four areas where it may prove valuable in your planning:

Complement Investment Returns — Many insurance products blend certain aspects of insurance with investing. Depending on the type of insurance and the policy, there may even be options for how the investment portion is invested, and the potential for a certain amount of growth to be on a tax-sheltered basis. This may be one way to complement investment returns (usually the more conservative portion of a portfolio), especially in situations in which the cost of managing the policy is reasonable. Upon death, the proceeds will pass to beneficiaries on a tax-free basis. While older individuals will be subject to higher premiums, there may still be a benefit gained from the tax-sheltering opportunity and the eventual tax-free benefit payout.

Support Philanthropic Efforts — Insurance may be a way to create a legacy and, in some cases, provide benefits even while you are alive. For example, you could have a charitable organization purchase an insurance policy on your life while you donate the cash annually to pay the premiums. This way, you would receive a tax credit for the annual cash donated. You could own a life insurance policy and name the charity as the beneficiary or donate appreciated shares to fund an insurance policy. There are a variety of tax-efficient ways to use insurance to support your charitable endeavours.

Help to Cover Taxes on Death — Many estates incur a considerable amount of taxes on death and this situation may be complicated by the presence of illiquid assets such as real estate or a family corporation. A life insurance policy may help to effectively cover those taxes, so that your estate isn't left with a shortage of cash when these taxes come due. For example, there may be a significant capital gains tax liability upon the transfer of a cottage or cabin and the proceeds from an insurance policy can help to cover these taxes and keep the property within the family.

Equalize an Estate — In cases where you wish to leave your estate to multiple beneficiaries and it is important to provide assets of approximately the same value, life insurance may be able to support the equalization. An insurance assessment can determine if this may be an equalization alternative. As well, you may have assets that are better left to certain beneficiaries, rather than being shared, such as a family business. In this instance, the insurance death benefit may potentially be used to help equalize the inheritance for those heirs who may not be the beneficiary of these assets.

We Can Assist

In many cases, it is never too late to explore the opportunities for insurance to play a role in retirement and beyond. There are many products available to support a variety of investment, tax, retirement and succession planning solutions. For a broader discussion, please call the office.

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