Reallocating Your Wealth

POOLS OF CAPITAL		
PENSION	NON-REGISTERED	RSP/RIF

STOCKS/MUTUAL FUNDS	FIXED-INCOME	REAL ESTATE

What is the purpose?

Insured Annuity
(you need income)

1 Transfer wealth into a life annuity, which will create an income stream, like the interest from a GIC.

Level, guaranteed, lifetime income

2 A part of that income is taxable.

3 Another part pays the premium on an insurance policy, which will replace the original capital at death.

4 The resulting net income is often much higher than the after-tax yield that can be generated from other fixed-income investments.

The insurance benefit returns the capital—just like any safe investment — to the individual's beneficiary(ies) upon death. The money flows free of taxes and avoids any estate-related costs and delays.

Investment Shelter
(you don't need income)

- Annual Deposits
- Tax-deferred growth

Face amount
+
Fund value

- Cost of insurance
- Administrative fees
- Provincial premium tax

- In order to take advantage of this strategy, you must apply for a certain amount of insurance coverage, which would match your level of annual deposits.
- The solution has 2 components, which are linked:
  - Face amount
  - Fund value
- Every year, you transfer a portion of your wealth into the insurance
  - The cost of the coverage, premium tax, and administrative fees are all deducted on a monthly basis
  - The balance is invested and accumulates on a tax-deferred basis to form your fund value
- When you die, everything goes to your beneficiary tax-free and avoids your estate

By reallocating wealth from one pool of capital—the fixed income portion of your non-registered pool—to another—life insurance—you can significantly increase your net income, your estate value, or both.

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We all have the same pools of capital within which to invest our wealth—pension, RSP, and non-registered assets. Within the non-registered option there are such vehicles as equities, fixed-income, mutual funds, and real estate. Typically, the fixed-income portion of your assets is meant to derive income that supports your lifestyle. However, if your main concern is to retain your capital, this part of your portfolio may exist simply because it is a safe investment and is "ear marked" for either the next generation or charities. As you look at the wealth you have invested in fixed-income, ask yourself one simple question:

Do I own these positions because I need the income or because I like the safety of capital?

No matter how you answer that question, there is an insurance concept that you should consider. By reallocating assets, you may significantly enhance your ability to create additional capital.

INSURED ANNUITY

- For individuals who want an increased net income but who cannot risk their original capital
- Combines two products—a life annuity and life insurance contract—to deliver a higher net income than is likely achievable from traditional fixed-income products and to return your original capital
- Reduces your taxable income while the net amount to your beneficiaries likely increases because your capital avoids probate and is not subject to the same costs and delays as your other assets
- The increased net income is guaranteed for life without any reinvestment hassles

INVESTMENT SHELTER

- For individuals who do not require income from their assets and simply want to accumulate wealth for the next generation
- The Investment Shelter is designed around tax-exempt life insurance that facilitates tax-deferred growth (just like your RSP) as a means to maximize your estate value
- By transferring a portion of your wealth every year into this solution, you not only gain access to a tax shelter, you purchase an immediate and significant benefit for your estate (the insurance coverage) and continue to maintain some degree of liquidity
- You can either create your own diversified portfolio within this tax-exempt environment or entrust professional managers to do so for you — this becomes the choice between Universal Life and Whole Life as the ultimate insurance vehicle
- All proceeds are tax-free at death and go directly to your named beneficiaries
- Any assets within the insurance contract may be protected from creditors
- The net results are usually significantly higher than what is achievable from a typical non-registered portfolio

Whether you own fixed-income products for the cash flow or safety of capital, you can reallocate assets into an insurance solution that will likely enhance your wealth and increase your ability to achieve your financial goals.

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