Wealth Management
Dominion Securities

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Ensure your family's continued financial security

Strategy 5 – Risk management

You have worked hard to accumulate your assets, so it's important that you take precautions to protect them from the various risks that are a part of life.

When it comes to protecting your wealth, there are three primary risks that you should plan for: unforeseen liabilities, market downturns and income loss. Fortunately, there's a way to protect yourself from each risk.

Unforeseen liabilities

Depending on your employment, business and personal activities, there is always the chance that you will be faced with unforeseen liabilities. Unexpected liabilities can arise in different ways, including lawsuits, negligence claims, obligations connected with acting as a director of a public company and giving warranties upon the sale of your business.

Risk	Common wealth protection strategy
Unforeseen liabilities	Asset protection
Market downturn	Diversification
Income loss	Insurance

It is critical to note that asset preservation planning is not about defrauding legitimate creditors – it's about restructuring the ownership or deployment of your assets using common and legal strategies at a time when you have no existing or foreseeable claims.

In addition to any professional, business, car or house liability insurance you can purchase, the following are some typical strategies to protect your assets:

- **Gifts.** Although giving assets to a family member reduces the amount of assets you have that are available to satisfy your personal liabilities, it also increases the assets that may be subject to the family member's creditors. Furthermore, other than gifts to a spouse, making gifts to family members may potentially trigger a taxable capital gain, which is a tax implication that needs to be considered. In addition, you will lose any control over the assets.

- **Trusts.** Transferring assets into a trust results in a change of legal ownership of the assets. This may help reduce those personal assets that may be subject to the claims of your creditors. Note that this transfer may trigger a taxable capital gain. There is also a loss of some or all of the control over these assets. It is important for you to be confident that the trustee is someone who will protect and manage your assets as outlined in the trust agreement.

Consider a corporate trustee for this purpose due to their reputation and expertise in managing trust assets. Depending on the circumstances, offshore trusts may sometimes provide greater protection than domestic trusts, as the trust is governed by the laws of another country and claimants are often reluctant to pursue assets in a foreign jurisdiction.

It is possible to appoint RBC Estate and Trust Services* as your corporate trustee. One of the key benefits of using RBC Estate and Trust Services as your corporate trustee is the security of knowing you are engaging experienced professionals to protect the interests and requirements of your trust. RBC Estate and Trust Services can administer the trust and invest in assets according to the directions set out in the trust agreement. Speak to us for more information on how RBC Estate and Trust Services can help.

* Naming or appointing Estate and Trust Services refers to appointing either Royal Trust Corporation of Canada or, in Quebec, The Royal Trust Company.

- **Life insurance.** Based on provincial laws and court precedents, the investment component of a properly structured insurance policy may not be subject to creditors.

- **Business owners.** If you are a business owner and you have accumulated surplus assets in your business that are not needed for operating expenses, then consider transferring these assets to a holding company. Depending on the circumstances, this kind of strategy may help protect the assets from the operating company's creditors. In addition, consider having your company contribute the assets to an Individual Pension Plan (IPP). This kind of plan is protected under pension legislation and may help to boost your retirement assets.

Risk of market downturns

Diversification is one of the golden rules of investing to reduce your risk of losing capital due to market downturns. Traditionally, diversification has meant allocating your assets among the three main asset classes (cash, fixed income and equities) as well as among different geographic areas and sectors of the economy. More and more people with $1 million-plus investment portfolios are considering alternative investments for further diversification to help protect assets and boost returns. Speak to us about different alternative investment options.

Risk of income loss

If you become disabled or die, are you confident that you/your family will have the financial resources to maintain your existing lifestyle? Adequate disability and life insurance coverage should be a top priority when it comes to planning your finances, without which you/your family risk rapidly depleting the assets you have worked to accumulate and a lower standard of living.

You should also have a discussion with your insurance representative about living benefits insurance which includes critical illness and long-term care insurance. These types of coverage are becoming increasingly necessary as people live longer and live for long periods with challenging health issues, requiring additional care and financial support.

Family wealth management tip

If you are an incorporated, self-employed business owner or professional looking to boost your retirement savings, or an employer looking to enhance retirement benefits for a key employee, the ideal solution may be an IPP. RBC can help make setting up an IPP easy for you. Ask for a copy of our brochure about IPPs and how this form of retirement benefit may be right for you and your business.