



# Wealth Insights

TD Wealth Private Investment Advice

Monthly Perspectives From The Daley Group Wealth Management

## The Many Faces of Insurance

Insurance today is just as much about life as death. There was a time when insurance was largely purchased to protect dependents against the untimely death of a family breadwinner.

Fast forward to today, and while income protection is still a goal, insurance can support solutions for investment, tax, retirement and succession planning.

### Planning for Longevity

These days, we find clients to be increasingly concerned about remaining healthy as life expectancies continue to rise. How can we protect ourselves should something happen to our health? This often involves products like disability insurance or critical illness policies. As the boomer generation retires, long-term health care insurance is being used to support the costs of care often not covered by our healthcare system. As these types of policies may be difficult to obtain with a pre-existing condition, it may be easier to buy before health issues arise.

### Investing & Tax Planning

Many insurance products blend certain aspects of insurance and investing. Universal life offers insurance protection alongside investment savings, with the two portions unbundled for flexibility. Depending on the company, such policies can offer choice in how the investment portion is invested, and potential for an amount of growth to be tax-sheltered. Upon death, the proceeds generally pass to beneficiaries tax free. Owners of private corporations should consider taking advantage of the Capital Dividend Account which may be used to distribute life insurance proceeds to shareholders, considerably tax free. Their life insurance proceeds can be used as part of a share redemption strategy to reduce capital gains taxes, arisen from the deemed disposition on shares prior to death.

Another product, the segregated fund, is similar to a mutual fund but is actually an insurance contract. It provides unique benefits to buyers because it has some of the attributes of insurance: the potential for a minimum guaranteed return over a stated time period,



potential protection from creditors and a way to bypass probate (where applicable).

### Retirement Planning

For retirement planning, some forms of life insurance can be used as an adjunct to retirement savings plans, to provide a supplementary way to save money on a tax-deferred basis. Investors can also use insurance to complement their retirement income strategy. As part of a larger-diversified plan, an insured annuity can provide a low-risk component that can increase after-tax cash flow and yield, while also helping to preserve capital for the eventual transfer to heirs.

### Estate Planning

Life insurance policies can be used in estate planning to cover future tax liabilities, to help ensure that a certain estate value is passed along to heirs. One of the most contentious estate assets is the family cottage. While many wish to pass it along for the generations to come, a problem can arise when capital gains taxes are due upon the death of the owner. Life insurance can help to cover these liabilities and relieve potential monetary stresses for heirs. For those looking to provide a significant gift to a charity, without impacting bequests to heirs or retirement income, an insurance policy may be a good solution.

### Insurance: A Partner in Investing

You may be surprised at the opportunities for insurance to play a role in your overall financial well-being. There are many products and techniques available. Given our familiarity with your investment circumstances, we can offer perspectives for your particular situation.

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