Something to Save You

Why Potential Creditor Protection can be an emergency lifeline

In terms of segregated fund policy protection features, potential creditor protection isn't often talked about on its own. Most focus on the investment return and certain aspects of risk totally ignoring a very big aspect of risk. What happens when your creditors come after you and demand immediate payment? For business owners and professionals, the potential to keep personal assets out of creditors' reach may be a reason they choose to invest in a segregated fund policy. Creditor protection is a definite must in risk management strategies. No business owner plans to fail…the danger is in failing to plan.

You may wish to have the potential for creditor protection if you ever face the following:

- The dreaded lawsuit against the business! As an owner or even an officer or director of a corporation, a professional may be held personally liable if lawsuits are filed against the corporation. Nobody wants to see years of savings wiped out in an instant by a court judgement.

- Personal litigation – for example, a car accident causing serious injury may not covered by property or casualty insurance depending on circumstances. In the blink of an eye decades of wealth accumulation could be erased.

- Bankruptcy- sometimes life deals us an unfortunate curveball. It could be a prolonged critical illness that was covered by insurance. It could be an out of country medical emergency. A lack of proper money management is not the only reason that leads to a bankruptcy.

Under certain circumstances, for segregated fund policies, this means if a client faces a situation like those mentioned above, the policy can't be accessed by creditors during the policy owner's lifetime or even after their death.

HOW

When a life insurance policy or insurance company investment contract meets certain criteria, creditor protection may be available under provincial insurance legislation. This legislation is intended to protect the rights of the beneficiaries under the insurance contract. This means during the policy owner's lifetime, the assets covered by the policy are potentially untouchable by creditors when there's an appropriate beneficiary designation. After the policy owner's death, the assets pass directly to the beneficiary, bypassing the estate.

Creditor protection may be achieved by ensuring the beneficiary designated on your insurance plan is:

- The spouse, child, grandchild, or parent of the life insured (in all provinces except Quebec)
- An ascendant or descendant relation or in a spousal relationship with the policy owner, not the life insured. (except in Quebec)
- An irrevocable beneficiary

Beneficiaries that would not qualify for this type of creditor protection include estates, corporations or charitable foundations.

www.theintuerigroup.com

To have a deeper conversation about how this subject will affect you or your business, please contact:

Mandie La Montagne MA, CHRP
CERTIFIED HUMAN RESOURCES PROFESSIONAL & MANAGEMENT CONSULTANT

mandie@theintuerigroup.com
C: 604 644 0177

Sean Farrell BA, CFP, CHS
CERTIFIED FINANCIAL PLANNER & MANAGEMENT CONSULTANT

sean@theintuerigroup.com
C: 604 760 7205