



Professional Development

For more information about Certified Financial Planner (CFP), and Certified Health Insurance Specialist (CHS) designations, visit [ADVOCIS](#) or the [CFP Board of Standards](#)

T.I.M.E & Finance

Creditor Protection

Available Under Provincial Insurance Legislation

Potential creditor protection is available for life insurance products. If the policy meets certain criteria, there is the potential to be protected from creditors in the event of an attack of your assets.

Lifetime Potential Protection

During the lifetime of the policy owner, the rights and interests of the policy owner and the values in the life insurance contract are potentially protected from the policy owner's creditors, where the preferred designated beneficiary is:

- The spouse, child, grandchild, or parent of the person insured (common law provinces)
- The spouse, civil union spouse, ascendants or descendants of the policy owner (QC)
- An irrevocable beneficiary

Exemptions

Funds exempt from execution and seizure may be protected only while they remain in the policy. While a trustee in bankruptcy is in place, the trustee 'owns' the policy, even though the trustee cannot access it.

Sean Farrell, BA CFP, CHS

T.I.M.E & Finance



this issue

The Art of Financial Planning **P.1**

Income Protection **P.2**

Wage Loss Replacement **P.3**

Creditor Protection **P.4**

The Science

T.I.M.E.

Taxes

- business owners hire lawyers, accountants, & financial planners to minimize taxes

Inflation

- investments need to outpace inflation for wealth to grow in real terms.

Mistakes

- financial mistakes can seriously erode wealth.
- Example...Not enough diversification to deal with economic changes.

Emergencies

- death, disability, and critical illness of family members are the biggest factors that can cripple wealth accumulation and wealth management.

The Art

August 2012: It was another wonderful summer day in BC. My friend couldn't have picked a better day for a BBQ. As is the case at social events, the topic of one's career inevitably comes up. My conversation partner at the time, a 45 year old, male executive for a manufacturing company asked, "What does a financial planner really do? I know a lot of people that have tried it, quit, and moved on. How long have you done it? Why do you like it?"

3 magical questions with 3 very important answers that have defined the nature of my practice.

What is a Certified Financial Planner (CFP)?

In my view, becoming a CFP shows your clients that you truly care about them and are willing to go through rigorous studies, a demanding 10 hour exam, and annual education upgrades to provide the most current financial and planning advice to help them maximize their lifestyle.

We adhere to a strict code of professional ethics that guides us to do what is best for our clients in our role as advisor and catalyst for change.

How long have you been an advisor?

I've been advisor for more than two decades; four years with a major bank and 18 years with a major insurance company.

Why do you like being an advisor?

The greatest satisfaction I get comes when a client thanks me for helping them navigate, with proper planning and advice, through difficult events in their life.

CFPs are focused on the planning and the advising. We often work in a team based approach with other professionals like lawyers and accountants. We help everyday people - not just high net worth individuals. We work with you to solve every day issues like re-organizing and reducing debt... planning for retirement ..setting up estate plans..business succession planning...risk management strategies.

Estate Planning Understanding the Basics

An Estate Plan:

- Preserves wealth by taking advantage of tax savings opportunities
- Provides savings for retirement
- Provides adequate support for dependents
- Conserves Assets
- Provides liquidity
- Ensures equity in estate distribution at death
- Allows for a comfortable retirement
- Includes planning to maintain your family's standard of living in the event of critical illness or disability.

Estate planning is not just needed by high-income earners; every parent, spouse, business owner or professional should have an estate plan.

With a proper and current estate plan, you can dramatically reduce the added strain to your executor caused by the legal and financial issues surrounding the settling of an estate.



The Most Important Questions About

INCOME PROTECTION

What Is Income Protection?

In the event of an accident or sickness, an income will be paid to maintain your current lifestyle. It may also be used to protect your business if you are unable to work. Wouldn't you agree that your INCOME is your GREATEST ASSET?

What Am I Protecting?

The fact is your health is your wealth... Can you afford to lose your greatest asset?

Why Do I Need Income Protection?

Consider the odds of at least one disability lasting more than 90 days before 65:

- Age 30: 5 out of 9
- Age 40: 4 out of 9
- Age 50: 1 out of 3

If your disability does last 90 days, the average length of a disability will be:

- Age 30 2.5 years
- Age 40 3.1 years
- Age 50 3.1 years

How Do I Collect?

You collect when, due to an accident or sickness you are:

- Unable to do your work (totally or partially);
- Under the care of a doctor;
- Not working in your own occupation.

Will Inflation Affect My Benefit if I Become Disabled?

To protect against inflation, a Cost of Living Adjustment (COLA) option can be added to your benefit.

Can I Increase My Benefit When I Earn More?

Your program allows you to increase your protection in the future.

You can increase your benefit without having to answer any medical questions. All you have to do is qualify financially.

Can My Contract Be Changed?

Your contract and your premiums are fully guaranteed and cannot be changed in any way by the company.

Even if your health deteriorates or you change occupation, your contract cannot be changed or cancelled. Only you can bring changes to your contract.

“Critical Coverage...for Critical Times”

How Much Will I Receive?

The amount you will receive depends on:

- Your health and your specific needs
- A premium level with which you are comfortable.

How Much Does it Cost to Get Income Protection?

It costs more not to have it.



Wage Loss Replacement

Wage loss replacement plans (aka Salary Continuation Plans) are a way to bundle individual disability or critical illness plans and realize cost savings through your business

You need at least two employees to qualify for the wage loss replacement plan or grouped individual critical illness insurance plan. Coverage must be offered to all employees within the selected class.

The business establishing the plan must be paying the salaries of the employees participating in the plan.

Premiums paid by the business are a tax deductible expense.

The premium is not considered a taxable employee benefit if the plan qualifies as a group sickness or accident insurance plan under the Income Tax Act.

Lump sum critical illness insurance benefits are paid tax free to employees provided benefits are not in lieu of periodic benefits.

This plan is an excellent tool for attracting and retaining key employees.

It also helps protect against the high cost of continuing salary payments to long term disabled or critically ill employees.

For implementation purposes, required documentation evidencing the plan includes:

- **Corporations:** Typically a board resolution is passed and entered into the corporation's minutes authorizing the plan.
- **Partnerships & Sole Proprietorships:** Typically the owner of the business draws up an agreement that contains language similar to the board resolution.

This Month's Planning Tip

Q: What's Critical Illness Protection?

A: Surviving a critical illness or condition can turn your life upside down. It can affect you physically, emotionally, and financially. It can also affect the people close to you – your spouse, your family, your business partner.

Critical Illness insurance can be yours as a lump sum benefit, provided at a critical time in your life.

Use the benefit for personal or family needs such as:

- financing a recovery vacation
- paying down mortgage and personal loans
- hiring a nurse or domestic help
- paying for timely non-insured or experimental treatment outside Canada
- modifying your home
- protecting retirement savings

Use the benefit for business needs such as:

- replacing a key person
- buying out a critically ill partner
- paying outstanding debts or loans

THE FACTS ON Probate

DEFINITION

Assets to be included in the application for probate include:

- Loans that are not forgiven upon death
- Mutual fund shares or units
- GICs
- Real estate
- Private corporation shares
- Other investments
- Registered assets with a designated beneficiary (exempt in BC, PEI, and SK) excluding insured RRSPs
- Assets with infant beneficiaries

Assets NOT to be included in the application for probate include:

- jointly owned assets (where this is joint beneficial ownership)
- insurance products payable directly to a named beneficiary
- forgivable loans
- trust assets
- corporation assets