



Conventional retirement planning has been based on statutory plans - government-controlled, tax-assisted programs like:

- Defined benefit pension plans
- Defined contribution pension plans
- Registered retirement savings plans
- Deferred profit sharing plans

*Can these plans alone provide enough income for your lifestyle?*

The enhanced retirement income concept is based on using life insurance to accumulate tax-advantaged growth of policy values. The cash value of the life insurance policy can later be accessed to provide added income at retirement and a tax-free transfer, at death, of the remaining death benefit to your intended heirs or charitable organization.

Under current Canadian income tax legislation, a life insurance policy is exempt from annual income taxation on the growth of the policy values, provided certain conditions are met. Cash withdrawals are subject to taxation based on the rates and rules in effect at the time you withdraw funds.

**Exempt life insurance: a powerful tool in your financial security portfolio.**

The Income Tax Act (ITA) provides that the cash value accumulation is exempt from annual accrual taxation, provided certain conditions, as set out in the regulations, are met. Depending on the terms of the insurance contract, funds within a life insurance policy may be accessed by direct withdrawals or by means of a policy loans. The tax treatment of these transactions will vary depending on the individual circumstances.

Under current Canadian income tax legislation, using a life insurance policy as collateral to secure loan proceeds from a lending institution will not generally result in taxation, but loan interest may be required and must be considered.

### **The Traditional RRSP**

The problem: you can only defer taxation on 18% of your eligible earned income up to the maximum amount prescribed in the ITA. Taxpayers with income in excess of this threshold are, therefore, disadvantaged by a reduced savings deposit to income ratio. The ability to defer taxation on the growth of your savings deposits can dramatically affect your income at retirement.

### **Enhancing your retirement income: a solution**

Life insurance provides tax-advantaged growth and competitive returns. It is not restricted to the RRSP limit. Later access can be achieved on a tax-advantaged basis, possibly at a lower tax rate (no legislated age maximum for accessing funds or pre-determined schedule for accessing funds). Retirement income may be substantially enhanced. Generally, some insurance benefits will remain for estate planning purposes.



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

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