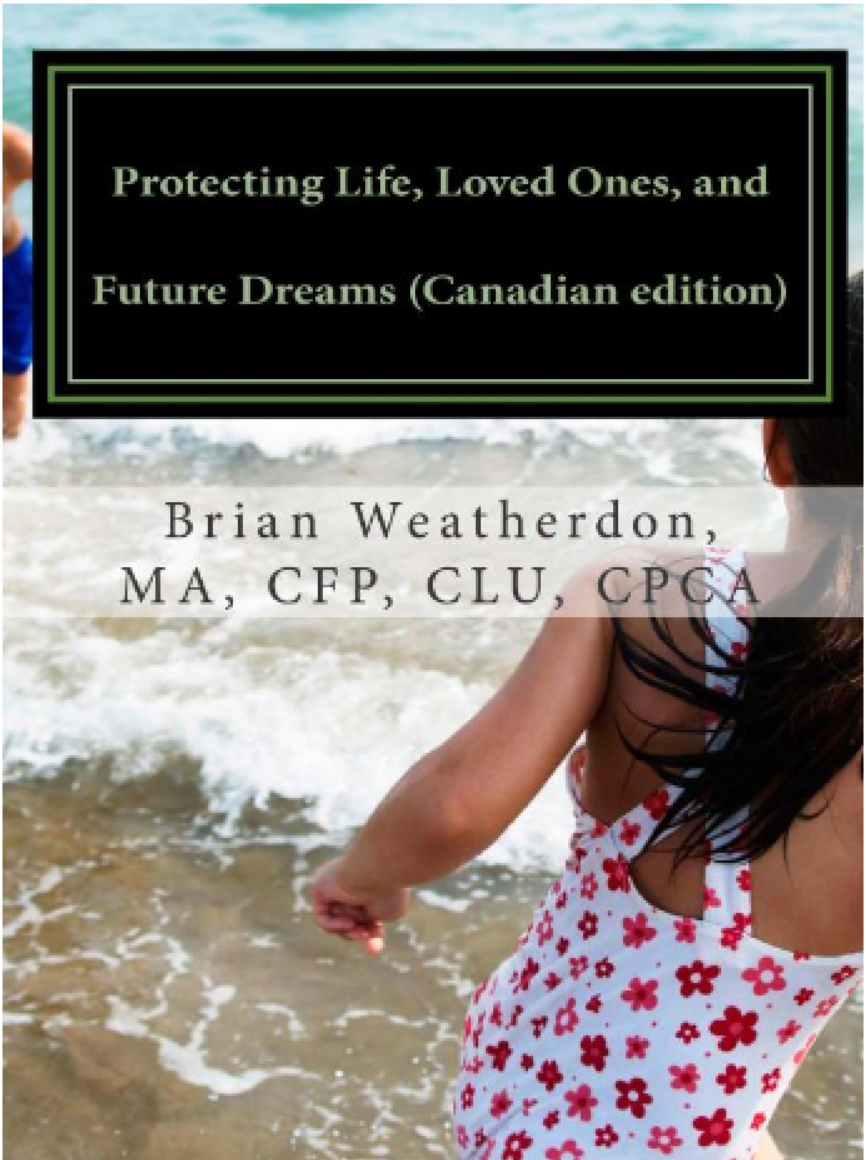
Protecting Life, Loved Ones, and
Future Dreams (Canadian edition)
Brian Weatherdon,
MA, CFP, CLU, CPCA

# Protecting Life, Loved Ones,

# and Future Dreams

**Brian Weatherdon**
**MA, CFP, CLU, CPCA, MDRT**

## Getting value and results you want

## with your insurances, investments,

## debt freedom, financial planning,

## and inter-generational wealth.

**This is a book to answer questions that can**

**soon become easier than you had imagined.**

**Dive in freely.  Turn here for answers.**

**Use these pages to increase financial freedom**

**and pave the road to your future success.**

**You'll make amazing progress.**

**If you have received this book as a gift,**

**be sure to thank the one who gave it to you.**

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Author: Brian Weatherdon, Burlington Ontario, Canada.

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## DEDICATION AND ACKNOWLEDGEMENTS

I dedicate this book to the reader for it is you who will truly claim and apply the value I am sharing with you. I dedicate it to my parents and others who provided the base from which I conceive the vital role of financial service and security for families and community. I dedicate it to my own family today, my wife Virginia and my four children with whom I share the "calling" to serve and help others strengthen our homes and wider community. I gratefully acknowledge the trust and kindness of my clients, also the team with whom I serve each day in bringing excellence in financial service to our client-family. I warmly thank my dear friend Doug Russell for proofing this work, which is a difficult and valuable task to ensure best results for the reader. Not least, I thank anyone who may have given you this book, whether family or friend or another advisor who has felt my writing could help assist your financial comfort and success. Thank <u>you</u>!

Also see, <u>A Lifetime of Wealth – and how not to lose it</u>, Brian Weatherdon, 2013. Focusing on key wealth events such as: pension decisions, sale or succession of family business, inheritance, lotteries or other winnings, and the key hazards you want to avoid in order to sustain life income and family estate.

## About Brian Weatherdon, MA, CFP, CLU, CPCA, MDRT

Brian Weatherdon is a certified financial planner, a chartered life underwriter, and a certified professional consultant on aging. He was a minister (until 1995) and the reader will soon feel the personal sense that Brian has listened and been a valued resource amid peoples' hopes, struggles, and successes throughout the years.

His service as an insurance and financial advisor comes from heart and soul because he helps families and businesses reduce risk and enjoy success in life and wealth.

Brian's foremost theme is aligning peoples' wealth with the lives they want to enjoy. This is "lifestyle financial planning" because it aligns life and wealth to create and sustain the results you want. He believes people put too much stress into their lives and, instead, can find how to enjoy stronger results and greater freedom, both currently and also through the decades ahead.

Originally from Victoria, British Columbia, Brian has lived and worked in British Columbia, Alberta, Quebec, Nova Scotia, and Ontario. Living on the escarpment in Waterdown, Ontario since 1998, he is married to Virginia and has four children. He enjoys the YMCA, canoeing, walking and hiking with two dog, and traveling abroad to enjoy the cultural varieties of foods, tastes, music, and languages.

Local and wider involvements include the Chamber of Commerce, the Estate Planning Council, and other business and charitable groups. In the Burlington and Oakville Community Foundations, he and Virginia initiated the "Early and Lifelong Nutrition Fund" to advance programs for nutrition and skills development for children and young families, plus nutrition and socialization for seniors. You see on the closing page "proceeds of this book" that he is passionate in supporting human relief and development world-wide.

Other resources that Brian shares with you include writing for a variety of publications; his recent book, A Lifetime Of Wealth – And How Not To Lose It; and an informative and interactive website (and blogging community) for you at www.GuaranteedIncome4Life.ca. He welcomes questions and engages easily whether on the web, by email, by phone, and certainly in person!

You can reach Brian:

| | |
|---|---|
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## INTRODUCTION

Welcome to this little book of insurance and financial matters. The table of contents alone is a resource for the questions you might raise over time with someone who has been serving your family in financial security. But the thing is, you might never have asked the questions you didn't think of, so you don't know what you didn't ask.

My goal therefore is to combine nearly two decades of my own financial service among community and families so that, as briefly as possible, I can touch areas where you'd want strong results to assure your own financial freedom and independence.

This is a great book to dip in anywhere as you choose to get the clarity and value you want. The table of contents will lead you in where you'll learn ways to immediately reduce costs, save money, overcome debts, reduce taxes, and accelerate your wealth. You'll feel more successful with your money. You'll be more comfortable at month-end and see results at the end of each year. Ideas here will also help you counsel older or younger generations of your family (young adults to senior parents) because money can also represent life value between generations! For people 50 to 90 years old, we help you sustain income, avoid burdening children, and protect estate values for the future.

No other book has offered this much value in such an easy and brief format. You'll keep this as a reference and guide for your own planning. And if needing support for these or other concerns, this book opens the door to our speaking together when you choose.

Can you share this book with others? Yes of course! If you give this book away, we can make sure it's easy for you to get a fresh new copy.

Life is much more than money, yet money has an enormous impact on our personal experience and our families. Do you need help clarifying goals for your future? Do you need help to confirm you're on the right track and how to reach goals more easily? If you reach us directly, we'll help address the concerns you have most in mind and align your financial well-being with the life you want to enjoy!

*To advise: The views expressed are those of the author alone and do not necessarily reflect the financial firms and product manufacturers he represents.*

Precious words from "Living Life" by Bonnie Mohr
"Life is not a race – but indeed a journey. Be honest.
Work hard. … Dreaming does matter. … Laugh often. …
Live for today, enjoy the moment."

## 1. REDUCING COST FOR LIFE INSURANCE YOU NEED

At least three matters arise here: how it works, what it costs, and how to assure the value you want!

Firstly, we can look at peoples' experience with lenders versus insurance companies. Have you bought life insurance privately or is the insurance connected to your mortgage contract? The difference is vital.

Let's consider John and Jan whose mortgage is insured through the bank or other lender. If one dies, the lender can then seek medical information to determine whether to cancel the remaining mortgage. Generally, they will decide "yes" and, if so, then the mortgage ends. But this doesn't credit the surviving spouse for prepayments they made through the years to reduce their mortgage. The surviving spouse may also find themselves short of money and without access to further credit.

Neighbours Barb and Bob were similar but they owned contracts with a life insurance company. When Bob died, the insurer didn't need further health questions, and the original amount of insurance was quickly paid in full. Barb appreciates that this paid her more than the amount still owing on the mortgage; it also protected her access to credit because she can choose how much (if any) to pay down on the mortgage right now. This gives Barb more control over financial resources for her family, allowing her more flexibility to pause from work or other obligations. Insuring privately with an insurer was smooth and comforting when Barb needed it most.

Cost is another obvious factor. If you compare costs of bank versus life insurance you may discover how to cut your costs in half.  You can do this whenever you're ready: if already insured with a lender, you can replace that life insurance by removing it from the mortgage, once you've secured new contracts with a life insurer.

At time of writing, we can compare the following costs. I'm not mentioning which lenders and insurers we're comparing because rates change.  Here you'll see the overall perspective which holds true in most instances.  If you're a non-smoker in reasonable health, the following comparison can help you consider your options and reach out for support.  Life insurers may also credit you with 25% to 40% further savings (not shown here) for good health. To learn how you can qualify, licensed life insurance advisors (like us) can be of help to you.

Age 35 male, $500,000 life insurance, $29/month.
Age 35 female, $500,000 life insurance, <u>$23/month.</u>
Combined $1 million coverage totals only $52/month.
Lender caps at $500,000 and costs $88/month.

Age 45 male, $250,000 life insurance, $29/month.
Age 45 female, $250,000 life insurance, <u>$22/month.</u>
Combined $500,000 coverage totals only $51/month.
Lender's coverage $250,000 costs $92/month.

Age 60 male, $150,000 life insurance, $69/month.
Age 60 female, $150,000 life insurance, <u>$49/month.</u>
Combined $300,000 coverage totals only $118/month.
Lender's coverage $150,000 costs $134/month.

You also want the right amount of life insurance.  How will you know the amount you need?  How will you learn the savings you can achieve by consolidating your insurance plans?  So perhaps you'll discuss these matters with us, but here is a format we use to calculate how much insurance you believe you should own. Note that husband and wife may need differing amounts as their income and ongoing survivor needs may differ. *(By the way, if math stresses you, we can calculate the bottom-line numbers for you.)*

| | |
|---|---|
| Needed for death/burial | $ |
| Mortgage owing | $ |
| Line of credit | $ |
| Other loans/credit cards | $ |
| Lease obligations | $ |
| Education trust(s) for children | $ |
| Survivor's emergency fund | $ |
| Business debts/obligations | $ |
| Family business succession | $ |
| Charitable donations or trusts | $ |
| Other | $ |
| **(A)** Total immediate need: | $____________ |

Plus monthly income to survivor $_____________/month for sufficient years to secure financial well-being for life, or fulfill obligations and care for children/parents, i.e. systematic monthly income after taxes and inflation

**(B)** Total to support survivor's income: $____________

Total life insurance required: (A) + (B) = $____________

Finally, you might guess that short-term insurances for ten or twenty years cost less than insurances guaranteed to age 100 or beyond! If cash is tight, you'll generally opt for low-cost coverage because children and mortgage/debts are limiting your cash flow today. We want you to know that it's okay to choose low-cost for now.

Eventually, you'll explore reasons to own permanent insurance (whole or universal life) which may cost more today but save you a fortune over coming decades. In fact, whole life and/or universal life can build a safe basket of tax-free wealth to get emergency cash when you need it, help you retire earlier, outpace current limits of TFSA and RRSP investments, stabilize your business, distribute your estate fairly, and reduce taxes and fees that can devour up to 50% of a family's estate. In short, insurance planning can offer "billionaire ideas" to millionaires, when you are ready. *(By the way, billionaires generally prefer whole life as top-tier no risk capital fitting their financial objectives.)*

A book cannot tell you which kind of insurance to buy. The right insurance is the one that pays the amount you need when the time comes that you need it. We deliver the biggest cheque you'll ever see, when everyone else is delivering bills. We make it possible for survivors to grieve safely without putting a "For Sale" sign on the lawn.

## 2. CRITICAL ILLNESS (CI) CAN BE YOUR MOST VALUED INSURANCE

People are far more likely to get a diagnosis of some illness and survive than they are to pass away by age 65. British insurers have statistics suggesting a 12 times greater likelihood of an illness compared to dying by age 65. Over 50% of couples will experience some kind of critical illness during their working life. Securing resources for such a time can be vital.

Can you imagine the comfort of receiving $100,000 or $250,000 or more in the event you or a family member were diagnosed with an illness? If income drops, CI will put money in the bank. If bills keep coming *(and they will)*, CI fills your bank account to help cover them. If expensive medications are excluded from your health plan, you have a sudden inflow of money to cover these costs. If you'd choose faster health care in another country, the money is yours to pay for this decision. If your business could be jeopardized by an illness, money in the bank offers security to clients and staff so you'll return when healthy to a continuing enterprise. CI cheques allow a working spouse to take weeks or months off work to be present with you during your treatments. CI covers parking at hospitals, sometimes $1,000/month. As a bonus, CI insurance can pay for your family's "recovery vacation" once you're on the mend, anywhere in the world you choose!

Critical illness coverage is <u>not</u> about getting ill some day. It's about getting better, having resources when ill, choice for stronger care, not taking gambles, eliminating stress about debt, and taking care of your family's needs and your personal comfort and confidence when it matters most.

No one ever wants to get a CI cheque. But when I've had to deliver these cheques, people were immensely grateful. A couple told me their daughter could stay in college because our insurance provided a significant buffer for personal needs and care, while ensuring the tuition and living expenses at college were still intact. A woman explained that she covered her daughter's salary for six months to allow 100% mother daughter time during treatments and recuperation. CI coverage brings blessings you may not imagine today and this may become the most valuable possession you'll ever own.

Some calculations you might include for CI coverage:

| | |
|---|---|
| 6 months of mortgage payments | $ |
| Dispose and clear all or most other debts | $ |
| Uninsured medications (figure $1,000/month) | $ |
| Reduced personal income (1/3 of salary) | $ |
| Hiatus of spousal income (3 to 6 months) | $ |
| Treatment faster outside Canada | $ |
| Childcare during distant medical care | $ |
| Business survival during your absence | $ |
| Business debts (3 to 6 months) | $ |
| Business overhead expenses (3 to 6 months) | $ |
| Leisure vacation for family on recovery | $ |

We're not suggesting prices for critical illness coverage here. As illness is twelve times more likely to occur rather than death by age 65, you know CI must cost more than life insurance. However, you may require a smaller sum of CI coverage. So, instead of looking at prices, it's best to speak with a professional about the comfort and security you would need and the payment you'd want to receive. Then, we can help qualify you for coverage and confirm the cost and value you choose.

## 3. DISABILITY INSURED AT WORK?

Ask many people about their biggest asset and they'll probably say it's their "house". And they insure this house against all risks because fire or other calamity could destroy much or all of its value.

But no, your house is not your biggest asset value. Capacity to earn income is for most people a far greater asset. Compare your house at $500,000 or $2 million, whatever it may be, to the power of your earnings between now and age 60 or age 70. Which asset seems bigger now?

This has been compared to owning a money-printing machine in your basement. Imagine you turn on your money-printing machine every morning and for eight or ten hours a day you can print money, $50,000 to $250,000 or more per year! What's that worth to you *plus annual increases and other benefits* from today until you're age 60 or age 70? Would it surprise you to learn this money-printing machine (i.e. your capacity to earn money) may be worth $5 million or more?

Your power to earn income may be five to ten times as valuable as the house you're living in. Most likely you want to protect this financial value, the nest egg or money-printing business you own here.

One option for protecting your income is relying on Long Term Disability (LTD) coverage at work. It can seem cheaper than owning a private disability policy. And, if it's easier on the budget, you might not spend time thinking about it *until you need to claim benefits*. If you want a better understanding of taxable or non-taxable LTD, or clarity about 75% or 67% versus "tiered" coverage, or how you'd claim benefits in the event you were disabled, you can ask us such questions.

Ten vital questions can give you more control and spare you a lot of worry. When comparing "Group LTD" and private forms of disability coverage, here's a checklist of some key areas you'd want to know:

- Will this guarantee my income to age 65 or are the definitions so tight it could stop paying me after two years?
- Would my disability benefit increase to match inflation in health and other costs?
- Will it protect my income if I'm partially disabled and can work in a lesser capacity or for fewer hours?
- Will my current plan insure rising earnings without making me reapply with further health questions?
- Will it force me as a business owner to ignore matters in my business, at risk of invalidating my disability claim?
- Will my coverage force me to accept the insurer's prescribed medical visits and treatments, or can I take therapeutic treatments that I choose, without voiding my disability claim?
- Will it provide savings for my future *since disability often renders people unable to save for retirement?*
- Will it pay me a refund some day if I've never claimed, or if claims are less than a contractual refund?
- Will my disability program help a partner buy out my share of the business if my disability lasts beyond a specified 12, 18, 24 months?
- Will disability coverage discriminate against me as a professional and higher-income earner? At higher income levels, Group LTD may replace 1/3 of your income, while private coverage can protect up to 85% of your net earnings.

Younger families often feel the budget is tight and so they rely on their group plan at work. If so, they may opt to get critical illness insurance. Even though critical illness is not the same as disability, life can bring circumstances when you'd get the CI lump sum plus the monthly disability benefit. CI coverage can therefore strengthen your security if you're relying on a weaker type of disability plan.

Business owners will generally include "overhead" expenses and buyout provisions in a comprehensive disability plan. This helps them meet obligations for payroll, utilities, debts, etc., and eventually find an orderly way to sell their business for fair value. Imagine how comforting this is, compared to staff leaving, clients going to your competitor, and having to fight creditors and former business partners in court. If you want a pre-planned way to guarantee your income, sustain your business value, and eventually sell the business on preferred terms if needed, then updating your disability plan is a key priority.

Considerations for your disability coverage:

| | |
|---|---|
| Preserve up to 85% of after-tax income | $ |
| Payments start at day 1, or 31, or 61, or 91, or when? | |
| Benefits continue for 2, or 5, or 10 years, or to age 65? | |
| Benefits will be indexed for inflation? How? | |
| Allow partial/proportional loss of income? | |
| "Own occupation" versus "any occupation"? | |
| Savings/trust fund to support retirement? | |
| Business expenses and overhead | $ |
| Business buyout for prolonged disability | $ |
| Continuing cash to assist your return to work? | |

It's generally said that one-third of workers will experience disability, and one-third of these will be disabled for an average period of three years, very possibly for life. What impact would hit your life, your family and home, your assets and future, if you suddenly lost most of your income for three years or to age 65 and beyond? Let's make sure you have the opportunity to protect your #1 asset, which is this money-printing machine, i.e. your capacity to be paid for the rest of your working years!

## 4. LONG TERM CARE – NOW OR FOR AGING PARENTS

At virtually any age, Long Term Care Insurance (LTCI) can provide a monthly income when an accident or other event leaves you incapable of the most basic “activities of daily living”. We might call this “disability insurance for seniors” but the truth is LTCI can provide rich protection even to young professional families.

The story comes to mind of a corporate accountant whose high-speed accident left him paralysed and incapable of the most basic personal activities and self-care. His disability coverage paid a portion of his former income, and his LTCI also paid a further tax-free income that helped purchase medical equipment, therapy, and in-home care to reduce the overwhelming burden his wife would have carried.

More often, LTCI is considered for our later years when age-related illness or frailty can raise our costs for health and personal services at home or in “a home” (facility). Such costs will obviously rise as the “baby boomer” generation gets older, the same generation that may not have saved enough for retirement. At risk too are the children of these boomers, who legally will become responsible for mom’s or dad’s care, but how will the children enjoy their own retirement if frail boomers start tapping children’s savings! Having a guaranteed LTCI income paying up to $8,500/month guards the values and comfort of each generation: boomers, their children, and their grandchildren. Don’t risk your children’s savings by failing to plan for later-life health costs.

Surprising perspectives arise with Long Term Care Insurance. One such perspective was held by a widow who felt that her stepchildren would have begrudged her care and put her into a minimum facility.  A gentleman chose LTCI as a way to preserve assets for children and third generation trusts, rather than let health costs diminish his estate.  A healthy couple worried because many friends had gone into care, putting a crushing strain on the healthier spouse and family, so the couple bought enough LTCI to offset costs of outside help and respite care.  A widower got LTCI after his children insisted because they knew he'd never spend money on himself, but would more willingly spend what came into his bank account through this health coverage.

Considerations for Long Term Care coverage:

| | |
|---|---|
| What will in-home healthcare support cost | $ |
| What kind of facility care would you choose | $ |
| What additional equipment might you need | $ |
| What added therapy services would help | $ |

Could 24-hour care be needed for a time?
Would you accept daily-capped reimbursements?
Prefer guaranteed monthly income in bank account?
Choose benefit for 2 years, 5 years, unlimited for life?
Insuring one person, or a couple with discounts?

Long Term Care Insurance signifies compassion to the whole family.  When one is incapacitated, he or she does not suffer alone.  Spouse, children, church, even neighbours give all they can to help.  LTCI protects dignity and independence as you choose, and assures your family that money is "in the bank" every month to offset costs.  For you, or parents, or children, LTCI is a precious resource to guard family wealth and health.

## 5. HEALTH AND DENTAL COVERAGES

Many have health/dental and related benefits through work. You also may own a business and have coverage there, or have arranged it privately. For families without such coverage, we can review private or business coverage that will be best suited for you.

A failure of work-based benefit plans is that people rely on the life insurance that is contained within them. You can revisit Chapter 1 in this book to see how to decide on the amount of life insurance you want to own. But realize too, that you don't "own" life insurance in a group benefits plan, i.e. you only have it while you work there. If circumstances arise and you leave that employer, or fall chronically ill along the way, more often than not the life insurance will disappear. Treat employee-based life insurance as a supplement, but never as the base of your insurance planning.

A question you want to ask is, "Where's the greatest value in my benefits plan?" Can I respond with a question: "which benefits would help you avoid losing your home and life savings?" That's how you'll identify the greatest value. So, when considering health and drug coverage, imagine a "super drug" at $53,000 a year, or foreign hospital stay at $360,000, resulting in financial ruin! No dental, vision, or other benefits (excepting disability) are as vital as an excellent health and drug plan.

You wouldn't lose your home due to lack of dental coverage, or massage, or chiropractic, or vision wear. These by comparison are convenient and tax-effective rewards of a group benefits plan. But, when you're reviewing which coverage is truly most important, you'll think of the items that guard you from losing your home and life savings.

I’ve seen drug plans sadly capped at $2,000/year, which means that you would be left to pay for today’s “super drugs” from your own pocket. We had a woman who used to speak for our business whose medications cost her over $30,000 per year. Out-of-Canada hospital stays have forced people to remortgage or lose their homes.

When you have questions about your coverage, you can review your employee card and benefits handbook, or reach the insurance company directly for answers. You can also call or email the advisor/broker, and hopefully soon receive a direct reply you can print to keep with your other key documents. Your personnel or human resources people can also offer guidance, and may hold staff meetings to review the questions you and others wish to raise.

If you need further support, we too can answer questions you’d raise, or help you compare alternatives, if the current plan isn’t giving what you need.

## 6. TRAVEL MEDICAL INSURANCE

Many people forget to check their health coverage before traveling outside Ontario or Canada. Chapter 5 mentioned financial losses that can hit due to an accident or illness while traveling, even to the point of losing your home and life savings.

Typically, you will have some kind of coverage if your workplace has a benefits plan. If so, you can read your handbook, even confirm by phone or email, so you know the coverage you have. Make sure you make time for this. My brother was in a foreign hospital for two months in 1979 and I figure the cost in today's dollars would approach $2 million! Fortunately, my brother's costs were insured speedily, fully, and effectively. But, if your family had such an experience, would you have $2 million to spare and are you willing to face that kind of risk?

Senior travelers have even greater need for global medical coverage. At 60, the cost can be very small for year-round global coverage. In our 70s, costs and terms are still reasonable. Even in special health situations, we can usually insure you effectively. In our 80s, the process can take more time, and some may be declined, yet we can help confirm the coverage to satisfy your needs.

I met with two friends recently, one of whom spent last winter in Florida, at the age of 79, without any medical coverage. He had a mini-stroke, requiring hospital time and further tests that cost a rich sum. OHIP, Ontario's health plan, has refused to reimburse most of these expenses. That dropped his wealth and will impact his income! Obviously, it reduces his estate too, so even grandchildren will lose because a grandfather wasn’t insured for global medical care.

Wouldn’t you want friends and family to have global medical coverage?  Especially in senior years!

## 7. STRATEGIES TO BE FREE OF "BAD DEBT"

Since I entered financial service in 1995, one of the key services, especially for young families *(sometimes even for retirees)*, has been how to manage debt. If you're wanting ways to cut costs and enjoy life more richly, this section can be your gold mine.

To put this in the fewest words, let's visit an imaginary Pat and Paul which could be you or someone related to you by family or friendship. Their financial picture is a big stress:

> $250,000 mortgage at 4%
> $60,000 on line of credit at 7%
> $12,000 on a credit card at 11%
> $8,000 on another card at 13%
> $4,000 on a department store card at 29%

Some have it worse than this, but Pat and Paul have spotted the problem and want solutions to make their life easier and to stop paying so many bills! What are some options?

> Earn more by working overtime?
> Start a home-based business?
> Try reducing clothing, food, cable, and vacations?
> Pay a fee to consolidate and ease their debts?
> Borrow from parents, if willing to ask them?
> Buy a lottery ticket (*at a million to one odds*)?

But Pat and Paul already knew these things. Trying didn't make enough difference, and the irritation at home has been ongoing. While they've improved a bit, monthly bills are proof that they're not really getting ahead.

So, let's look at the assets and their potential growth:

House worth $350,000 growing 3%/year
RRSPs totalling $125,000 at 6%/year
TFSA (emergency) $11,000 at 4%/year
Whole life insurance equity $18,000 at 6%/year
Discretionary savings account $7,000 near 3%/year
Available on line of credit: $40,000, if needed

Looking at this, can you imagine some of the solutions we might put together to ease Pat's and Paul's worries and help them pay less while getting ahead? Here is a simple combination of ideas to ease their life and literally save their family thousands of dollars. Looking this over, you may see even more ways to reduce debt and save costs; the following list can get things started:

- Ø Take $4,000 from savings, pay 29% card, and cancel it.
- Ø Take $8,000 from TFSA, pay 13% card, and cancel it.
- Ø Add $12,000 to line of credit, pay 11% card to zero.
- Ø Earn additional $300/month from employment and home business.
- Ø Review term life insurances to potentially save 40% or more.
- Ø Reduce clothing and cable budgets; reduce all utility bills.
- Ø Sort a low-cost vacation; this is still vital family time!
- Ø Take lunches to work: possibly save $200 or more here.
- Ø Discuss with children/family; they'll help too.

* Your good eye and calculator will find more savings. This simplified discussion is simply to help you get started.

How much easier this feels now!

ASSETS:
House worth $350,000 growing 3%/year
RRSPs totalling $125,000 at 6%/year
TFSA (emergency) $3,000 at 4%/year
Whole life insurance (emergency) $18,000 at 6%/year
Discretionary savings (emergency) $3,000 at 3%/year
Available on Line of credit: $28,000, if needed

DEBTS:
$250,000 mortgage at 4%
$72,000 line of credit at 7%

NET DISCRETIONARY INCOME:
Improved by $850/month to help pay down credit line.

Results? Pat and Paul now feel completely different since making these changes. They implemented this planning without paying us a fee for the service. They reduced debt by $12,000 instantly. Their highest interest rate is 7%, instead of 29%. Savings for emergency needs are $24,000 and growing. The line of credit allows a further $28,000 for contingencies (plus $850/month they're adding to borrowing eligibility). Now owing only two debts instead of five, they're less stressed, even enjoying family time more now since reducing the cable bill. The children are helping too by turning off the lights, understanding the costs of long showers, and gaining financial skills for their own future.

Good debt, and how to use it, would be a different discussion. Pat and Paul may be ready for that in three or four years. With strong planning they may then use debt to accelerate RRSPs, reduce taxes, finance a rental property, build a dedicated investment account, and make early retirement a reality.

As an advisor, I am enormously thrilled with such accomplishments, and look forward to ongoing reviews when we can celebrate continued achievement and progress.

## 8. GIVING IS RECEIVING: POWER OF CHARITY

Someone said God's math is different than our math. If you're interested in this, I'll share some secrets with you. Giving 2% or even 10% of income, from your heart and with total dedication, may result in higher savings and greater lifelong security. You ask, "How can that work?" The answer is probably based in "faith" and yet it works reliably!

Does this work because of the tax refund? Well, the refund can be significant and, in rare times, giving actually *increases* net income, but that's not the whole answer.

Is this successful because of the discipline you build in making the most of your other resources? This is part of the secret.

And is it psychology, where you tell yourself, "if I can give this much to charity, then I must be doing well"? So, you reduce "retail therapy" *(shopping)* as a way to alleviate stress or feel worthwhile, because heartfelt giving of time and wealth fills vital areas of our lives.

I suppose there are many theories of the happiness and sufficiency that follow dedicated giving. In every country of the world, in any religion or none at all, giving stimulates opportunity, conscience, and capacities to achieve goals that seemed impossible on 100% of your income. Life can work better on 90% or 95%.

"Baby boomers" and older readers can bring these principles into their estate planning. If you wanted to bequeath your whole wealth to family, you'd find that tax authorities want a hefty slice too! But, charitable gifting in your estate can cut out Ottawa's portion, and advanced giving strategies can leave your family with more. Beyond this, the secret sauce to lasting wealth in future generations isn't how much money you leave your family, but the "values" you communicate with that money so that heirs sustain a richer experience of life and wealth through your example of giving. *(See more in my book, A Lifetime Of Wealth – And How Not To Lose It, Chapter 3, Inheriting Wealth; also Chapter 5 on how to avoid losing your wealth.)*

Choose a project, a community need, a compelling story your family can embrace together, and establish specific weekly or monthly contributions to that cause or charity. Your gifts of time, talent, and money will bring rewards, enjoyment, and opportunities far beyond any cost you choose to invest.

## 9. VALUE OF PROFESSIONAL ADVISORS

We're in a do-it-yourself age where we believe we can access everything from the internet. And, that's true; we can access all kinds of good, bad, and dangerous advice without discerning its quality. Just a few comments here could help guide you and save considerable costs and grief.

Remember when you negotiated your mortgage? Did you do it yourself? Whether you compared lenders or used a mortgage broker to do this work for you, ultimately I'm sure a professional completed this process for you. This process helps you get the most advantageous rate for the best terms which will fit your needs.

Accounting and tax planning is another area that people often take on themselves (*or use some kiosk in a grocery store for tax filing in March/April*). The fact is, it's good to know how to file your own taxes, and the software to support this is better and easier than ever. Yet an accountant can still help you: (i) claim expenses you had missed, (ii) avoid claiming benefits that would raise flags to the tax authorities, (iii) catch carry forwards that can save you thousands, (iv) preserve electronic tax files for much longer than your computer and software will last, (v) avoid penalties, (vi) strategize the most tax-beneficial way to draw income from your business, (vii) use all available income deductions and credits that people too easily miss, and (viii) advocate for you when there's a discrepancy with the tax people. Good accounting can be like a business manager who helps you achieve stronger results year over year.

Legal help came into the picture when you bought your home or sold a previous one. Lawyers can be general practitioners or specialists. Specialists become important because in this life "no one does it all"! Consider real estate, commercial law, family law, criminal law, estate law *(see Chapter 12)*, injury law, employment law, and so on. Is it reasonable to assume one person is capable beyond one or two of these areas? Sometimes, when families lose money or face disastrous costs, the situation arose because they didn't know how to select a lawyer or firm that would best serve their needs.

Financial service is similar. There are many ways to buy investments, insurances, funds, shares, properties, and anything else without clear and accredited advice and guidance. So, I urge you to look at peoples' designations. Have they earned their experience and studied to gain recognized accreditations? Can you research who they are and the value of work that they've done for others? Are they biased towards a particular product or company, or can they offer full dedication and service to you? And will they be able to pull the whole picture together, make life easier for you, combining assets and strategies into a conscientious and comprehensive financial plan for you? If the answer to such questions is "yes", you should be able to rely on their service as the years continue.

## 10. CASCADING WEALTH – NEXT GENERATIONS

Don't let dice fall where they may. Effective strategies can turn family wealth into a cascading waterfall, abundantly protecting your children, grandchildren, and beyond.

As you're reading this, your age may put you into: (i) retirement, (ii) middle years, or (iii) young family segments. Your personal age and circumstances likely shape how you read this section. Here are some comments you can bring into wider discussions for your family's permanent well-being.

Seniors in early, mid, and later years can easily start thinking about their estate. Some have fewer resources and just fear becoming a burden. Others have some affluence and want to preserve value for children and grandchildren. In my earlier book, A Lifetime Of Wealth – And How Not To Lose It, I address issues of inheriting money and recognizing "values" that come with inheriting wealth. For senior clients and their estate planning, I want to ensure the orderly and smooth succession of wealth to the next generation(s). We use strategies of cascading wealth, with or without life insurance, to preserve or even increase that wealth. Our strategies support "income-for-life" while setting an estate value you want to preserve for your heirs.

If you're 45 to 60, a middle or 'sandwich' generation, you might ponder the value of what your parents have saved through their hard work and diligence. This isn't your money yet, and may never be if long life and low interest rates cause your parents to run out of money. "Income mandates", which I address in other writings and online, can sustain your parents' income for life, while preserving their ability to pass an estate on to you and your family. The oldest client I've worked with was 98 years of age, still healthy and living in her own home, with income and estate planning being a twofold focus for her and the family. My relationship with that family began by referral from an accountant. In your family's case, if the discussion isn't already happening, it may fall on your shoulders to open this subject and explore how we can best serve your parents' needs, values, and ultimate wishes.

Young families are less involved in grandparents' financial matters or estate wishes. What I share is that, if you receive or expect to receive an inheritance, take time to reflect on what this money means, the work that created it in the first place, and the love, soul, and passion that chose to give this to you. Inheritance is a sacred "trust" with responsibility to do your best with it, to improve and enjoy your life, and create similar value, if you can, for the generations that follow you. This can then create a perpetual "cascading wealth" that moves through you and into the future.

## 11. "INCOME-FOR-LIFE" – AGE 105 AND BEYOND

In the book, A Lifetime Of Wealth – And How Not To Lose It, I open the concept of "Income Mandates". That book is primarily written for people who have already built up sizable pensions, or selling a business, or receiving large inheritances, or winnings (realizing there was 0% chance of winning, and yet 100% of losing it all in under three years). Ultimately, you want to ensure your money can align with the life you want to enjoy as long as you live.

"Income mandates" are how I present a combination of strategies for income from dividends, infrastructure, real estate, high paying bonds from lower debt countries and corporations, and an option for life payout annuities laddered to generate high income with very low tax. The simplicity of this fivefold approach is clear, as you can count each focus with the fingers of one hand. The allocations we commit to each area depend on one's personal investment profile, the type of assets, and how we're aiming to reduce taxes and government clawbacks. Where too many of our neighbours (or family) may lose their savings by age 80, our results can safely secure high income, lower taxes, and low risk.

## 12. WILLS AND POWERS OF ATTORNEY

This is a discussion you'd have with a lawyer, but I mention it because over 60% of readers may not yet have Wills and Powers of Attorney (POA). A few notes here may balance the costs that you didn't want to pay, with the advantages and the confidence you want to achieve by getting your Will and POA.

I first got a Will when I was only 19, in contemplation of marriage. Okay, that's too young to marry, but not too young to get a Will. If you're married, or in a different long-term relationship, or have significant debts or assets, you need a Will. If you're in a non-married relationship a Will can be even more vital for you.

In short, every reader here needs to have a Will that expresses your wishes as to what should happen in the event of your death. Without a Will, you're effectively telling the government to pick sides and solutions for you, and they don't know you well enough to get your wishes right. Without a Will, you're leaving your family unguided and everything up to chance. Own a Will.

Some people ask about "holographic" wills and you can google that to learn more. At its simplest, you'd make sure that you organize your thoughts and put them to paper in your own handwriting. Doing this could be a step toward sharing it with a lawyer who can advise on the personal, financial, and legal issues you want to express, and frame this in the correct legal language. Without a lawyer's service, your estate may spend far more on litigating the Will than it would have cost to have a suitable Will in the first place.

You can read about Powers of Attorney for health and for property.  Laws and terminology depend on your province of residence.  What you're effectively saying, *and be sure to discuss it fully with a lawyer*, is that, if you're incapacitated and unable to exercise your own decisions for health or for property, your specified "attorney" (spouse or other) is authorized to make decisions legally on your behalf.  Special care must be taken or you could be giving someone authority to sell your home and run off with your money.  Your lawyer will also help you specify the decisions that your attorney can make to honour your wishes in events such as brain death and mechanically assisted survival.

## CONCLUSION

We could probably offer 50 chapters on protecting your family, wealth, and future dreams. We could relay surprising truths and cautions about RESPs, TFSAs, RRSPs, pensions, insurance plans, and so on. We could show how people are paying too much tax and spending more than enough for the results they've been getting. I'd add that people let far too much stress into their life while sadly feeling that they're sliding behind their friends and failing to get ahead.

The gentle and surprising truth is that you've already succeeded at being among the most fortunate 3% in the entire world. And, the fact that you've been reading this book means you can achieve and enjoy more, give more, and protect more for the ones you love, and enjoy even greater successes.

Looking ahead now, imagine how confident you will feel as you make these strategies and discussions your own!

## APPENDIX – 15 QUESTIONS AND ANSWERS

1. **Should we pay down the mortgage or deposit more to our RRSP?** This is a valuable question to discuss in person with a professional financial advisor. Often it feels good and is safer to pay down the mortgage because this is money you no longer owe. And, growth in any investment would have to equal the mortgage interest, plus the tax rate you pay, in order to justify the investment. However, you may feel, after a full review, that saving taxes by depositing to the RRSP will then allow you to deposit your tax refund against the mortgage, so you're actually winning on both fronts.

2. **What's the best way to use a group RRSP?** Firstly, make sure that you are getting all the money that your employer is willing to match into your group RRSP. Let's say the employer would contribute $2 or $3 for every dollar you invest from your pay. Clearly, it makes sense to deposit all you can into the group RRSP and thus have your employer fully match. A second consideration is evaluating the investment options in the group RRSP; sometimes they are severely limited, and often very little advice is given, so people may "go safe" and earn nothing, or be aggressive and take high risks. If you have some accounts with another firm, hopefully that firm will help guide you as to how to get the best from your group RRSP.

3. **How much RRSP is enough, or too much?** The real question here is, "what size of RRSP could put me into a higher tax rate during retirement?",

because we don't want that! Realize that every financial institution advertises that you have to invest as much as you can. But, they seldom caution you about the future tax burden, and the clawback of other benefits which add more to your future tax rate. If you and your spouse each aim for $500,000 in RRSPs, you'll perhaps draw $40,000/year income and remain at a modest tax rate. But at some point, RRSPs can become dangerous. Check 11. below for further ideas, and be sure to get a written financial plan to guide your steps forward.

4. **How can I evaluate pension options when it comes time to retire?** This is a vital area! Pension plans can assure a guaranteed fixed income for life (minus perhaps 20% downside risk for pensions that were underfunded). Or, some pensions permit you to remove this asset from the pension plan as a personalized pension arrangement with greater freedom for lifestyle spending, and the ability to bequeath pension value for your estate. You'll find more discussion on these two options at www.GuaranteedIncome4Life.ca and in my book, A Lifetime Of Wealth – And How Not To Lose It.

5. **What about the sale or succession of a family business?** This and related questions can arise years before a family will actually be ready for any change, or sadly come during the stress of an owner's sudden illness or recent demise. Several excellent resources are available, including the website and book noted in 4. above and also others we can share with you. Most often the question will arise from an owner needing to move forward

beyond business and into a full and affluent retirement, while family, employees, and/or outsiders assume ownership and management of the continuing business. Find more information at www.GuaranteedIncome4Life.ca and in my book, A Lifetime Of Wealth – And How Not To Lose it.

6. **Can owning a rental property help accelerate our wealth?** Real estate generally holds and increases in value, except when it potentially drops 25% or more for some years. Having a renter pay the costs of mortgage, taxes, utilities, and so forth can greatly add to your wealth over time, if you're willing to accept the responsibilities for late-night calls, late payments, a possible bout in Small Claims Court, and the financial management required for your rental property. A certified financial plan can clarify the decision of personally owning rental real estate, as compared with other forms of holding real estate within your investments. Your accountant can discuss tax filing issues. An insurance advisor and estate lawyer can help clarify tax issues, if you want to preserve such properties for gifting through your estate.

7. **In our 60s, is it better to draw income from an RRSP or from an RRIF?** A vital question like this is illuminated by running several tax filing calculations yourself or ensuring your accountant provides an answer for you. A recent situation arose where someone in early retirement could draw casual sums from his RRSP, or convert the RRSP to an RRIF and draw it as income from there. His bottom line on drawing from the RRSP was owing $500 more in tax. Yet, drawing instead from the

RRIF qualified him and his wife for pension credits, yielding a tax refund of nearly $2,000. The difference between the two positions was to owe $500 or get $2,000. I include the question because many in their 60s could benefit from discussing this with their accountant and financial planner.

8. **What most valuable “baskets of wealth” secure my financial independence?** Aside from insuring against loss of income, illness, or early demise, the most profound “baskets of wealth” are those which tend to grow the most and cause the lowest lifelong tax burden. We would certainly include your principal residence and becoming mortgage free. We would also include whole life participating life insurance when you’re ready to own this, because it’s the only insurance which does all of the following: guarantees deposit levels, has zero downward investment risk, pays dividends that historically have matched and smoothed returns of all other major assets categories, cash value growth remains tax-free in most cases, and the death benefit is tax-free in nearly 100% of all instances. So, having up to 20% of wealth in this asset group can protect your wealth. Other “baskets of wealth” include RRSPs, RRIFs, rental real estate, cottages, other investments, and certainly a family business, yet note that each of these fluctuate in value and add eventually to taxation.

9. **When to start an RESP for children or grandchildren?** There are different kinds of RESPs and my hope simply is to say that we don’t have to “buy the advertising”. RESPs are valuable and create opportunity for children’s future studies

whether in “individual” or “family” plans or a “scholarship” plan. But consider, what is a child’s greatest financial security? Surely not an RESP! A child’s greatest security is their parents and the family’s total financial well-being. So, I worry if parents have high mortgage and other debts, and are already funding an RESP. Get things in order and reduce debts and, hopefully, while children are still toddlers, you may feel all is secure and begin funding an RESP. *(By the way, there’s a legal issue with RESPs if the parent or grandparent planholder dies, which could force the RESP to totally collapse unless the plan provides for a successor owner or the Will clarifies successor ownership of the RESP; discuss this with your lawyer preparing your Will.)*

10. **What are most people missing in TFSAs?** I’m often surprised people think only banks offer Tax Free Savings Accounts, and they’re earning 2% or less. Someone forgot to tell the world how many choices there are. Proper planning will ensure you’re using the TFSA to hold emergency or surplus cash, hopefully growing significantly as you’d expect any investments to do, and perhaps with few or no strings so that you can get money out quickly should you need to do so.

11. **How can I exceed the tax sheltering of RRSPs and TFSAs?** Someone who is highly affluent can be tempted to hide money abroad or find other ways to shelter assets and their growth from taxation. In the U.S. and the U.K. for example, there are far higher tax shelter facilities as compared with Canada’s RRSPs, RRIFs, LIFs, and TFSAs. Peek back at 8. above and you’ll find a way that, for

more than a century, has allowed nearly unlimited deposits for tax sheltered growth, enjoying dividends that over time have approximately matched world equities (with smoothed returns to avoid losing years), supporting tax freedom for family wealth and estates.

12. **What problems arise with joint ownership (e.g. parent and children)?** Sometimes it's no problem, but the question arises because joint ownership is often a family's attempt to manage bank accounts and other assets in the event a parent passes away. Mom has daughter (Mary) sign a form so the bank will recognize mom's account as joint with rights of survivorship. But this ignores what's known as the **"**four laws of joint tenancy**"**. Check this on google and discuss it with a good lawyer. Otherwise, you may find that the account or the assets aren't truly in joint ownership. Problems can include high frustration, unintended taxation, complexity to the estate, review of probate fees, and more. Cottage and other assets can easily be problematic for joint tenancy. If a parent's assets are enough to merit joint ownership strategies, consider personal research and the support of an estate lawyer.

13. **What are some ways that assets can bypass estate fees and taxes?** Beyond the scope of this brief paragraph you could be considering: (i) insured strategies through life insurance and/or segregated funds that can be paid directly and immediately to named beneficiaries, (ii) trust structures that can hold assets beyond the death of the original owner, and (iii) corporate structures. Depending on your need and the complexity of your

family's wealth, you may want to engage your accountant, business attorney, estate lawyer, along with a professional life insurance advisor.

14. **What do we need to know about inflation and how bad could it get?** We look around today and say inflation is the lowest it's been in fifty years or more, and it may remain modest even for another ten years. However, that ignores two bombshells you want to know. Firstly, inflation is the "thief in the night" that makes your money worth less than it was the day before. Even modest inflation is the loss of purchasing power. It's a hidden tax, a silent thief. Inflation depreciates our money! But, you've seen nothing yet unless you're aware of the rising costs in healthcare which have ranged 10% or more annually over the past couple of decades. In 2009, the International Monetary Fund said future health costs of the developed world *(us)* will hit with ten times the force of the 2008 worldwide financial meltdown. If that doesn't jolt us, what will? Wise planning for future income *(see 11. above)* and preserving resources for healthcare and personal dignity *(see 2. and 4. above)* will be among the most vital elements of any financial plan. If you don't have a written financial plan, or if it doesn't address this kind of inflation and hazard in the years ahead, then let's make absolutely certain we get you the planning you need.

15. **How can we keep a cottage in the family for future generations?** As you saw in 12. above, joint ownership of the cottage may be useful or a silent and serious hazard. And, leaving a cottage "to the kids" may prove disastrously unfair when

one of them really isn't that interested, another never contributes to the bills and taxes, and some would never have enough money saved to buy out another sibling's interest and maintain ownership. Often the best answer to this question is life insurance. It doesn't matter what type, so long as it pays the amount of money you'll need at the very moment when death triggers the problem. Proper planning can suggest how much money will be needed at an estimated future time; life insurance provides the funding at the moment it's needed. And, if cost is an issue, joint last life insurance on parent owners can be surprisingly reasonable even in their mid-to-late 70s. Don't lose the cottage for lack of considering the options.

Other publications by this author include the website and resources at, www.GuaranteedIncome4Life.ca, and a book, A Lifetime Of Wealth – And How Not To Lose It (available at Amazon, Kindle, & bookstores).

Protecting Life, Loved Ones, and Future Dreams is not intended to replace existing advisory relationships you may have and to which you remain loyal, but to help secure your home, life and loved ones with the highest excellence in financial security so you can more easily achieve your goals and dreams.

*To advise: The views expressed are those of the author alone and do not necessarily reflect the financial firms and product manufacturers he represents.*

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for stronger homes, futures, communities, and world**!**

Yours gratefully,

Brian Weatherdon