

Often we are asked by clients to provide them a little more security or a little more safety or a lot less volatility, a little risk BUT I want a good return! Have we got a deal for you! We know we are starting to sound like a property vacation promoter in Afghanistan (great opportunity right now, low prices, distressed market and plenty of upside potential). So where do we look for some of the elusive "better, safer, guaranteed deals"?

Well a life insurance company for a start. Oh, did I touch a nerve? Why the heck do I want to invest my hard earned money with a life insurance company? Well let's look at the benefits and consider your options.

GIC's :

GIC's issued by insurance companies offer three distinct features that set them apart from bank GIC's: an estate planning benefit, more extensive potential protection from creditors and tax advantages for non-registered contracts. The estate planning benefit means that if you name a beneficiary other than your estate on the insurance GIC contract at the time of purchase, the proceeds (including interest) of your investment will bypass your estate if you pass away. This is significant because it means that your beneficiaries will receive the proceeds privately and directly, without administrative charges, while avoiding potential probate and estate fees.

Insurance-based GIC's may also protect your personal savings from professional liability. As long as the GIC investment is made before an individual or business runs into financial difficulties, generally the proceeds of the GIC will be protected from creditors. This can be an attractive feature for owners of small businesses or those in any other profession where liabilities have the potential to threaten your personal savings.

For clients age 65 and older, interest from a non-registered GIC is eligible for the pension income tax credit and pension income splitting.

Now let's look at Segregated Funds:

A Guaranteed Investment Fund product, otherwise known as a segregated fund contract, is an insurance contract offered through an insurance company. These investment vehicles typically provide several investment options managed by many different fund managers in a wide range of asset classes. In addition, guaranteed Investment Funds can deliver a number of features unavailable through other types of investment vehicles.

Depending on the type of contract, Guaranteed Investment Funds can offer benefits including income protection from market downturns, maturity guarantees and guaranteed death benefits. Investors typically pay additional fees for these types of protection features.

Some investors – including younger investors – may not need these protection features. Fortunately, some insurance companies now offer a base Guaranteed Investment Fund contract that doesn't include more expensive guarantees until they are needed. Fees are highly competitive with those charged by mutual funds – but even the base contracts include some additional benefits of interest to many investors.

Getting Down to Basics: The following features are common to all segregated funds offered by insurance companies.

Estate Planning Benefits:

Death Benefit Guarantee: In the event of death, your beneficiaries are guaranteed to receive 75-100 per cent of all deposits made (reduced proportionally by withdrawals) even after market downturns.

Bypass of Estate: In the event of death, unless you have named your estate as beneficiary, the proceeds of an insurance contract can pass privately and directly to your designated beneficiaries, without the expense and delay of settling the estate. That way, the proceeds avoid probate and estate administration fees, meaning more money goes to your beneficiaries quickly and efficiently.

Creditor Protection Benefits:

As insurance contracts, Guaranteed Investment Funds have the potential to protect an investor's assets from creditors. This feature is ideal for professionals and small business owners looking to help shield their personal assets from professional liability.

More Flexibility, More Investment Choice:

Another benefit of base Guaranteed Investment Fund contracts is the flexibility and variety of investment choices they provide. Depending on the company you invest with, many different Guaranteed Investment Funds may be available, representing a range of asset classes including Canadian and global equity funds. What's more, you

can move your deposits among a number of highly respected asset management firms generally without triggering switching charges or redemption fees.

Additional advantages provided by some companies that offer Guaranteed Investment Funds include an objective fund manager selection and monitoring process that helps to ensure that each fund remains true to its stated investment objectives. These monitoring processes typically use stringent criteria to make sure the investment funds available represent the highest-quality investment managers. You'll never have to second-guess your choice of investments again.

Finally let's look at Permanent Life insurance policies:

With all life insurance plans, including term insurance, you pay premiums to the insurance company. When you die, the insurance company pays a death benefit (lump sum of money) to your beneficiaries. This money is received tax-free. However, with permanent life insurance plans there's an added benefit. With permanent life insurance plans, part of the premium you pay helps accumulate savings on a tax-deferred basis. The best part is you can usually access this cash at any time, for any reason. For example, the money can be used to help pay for your child's education, to help cover your household expenses, if you lose your job, or to supplement your retirement income.

All permanent life insurance plans provide financial protection that remains in force throughout your lifetime, as long as you pay your premiums as stated in the policy. However, some plans offer more guarantees than others and provide a safe and secure vehicle that can guarantee estate plans. The full details of the choices are beyond the scope of this article but our associates would be pleased to discuss these ideas further.

In Summary:

There are many options available outside of direct stock, bond, real estate and mutual fund investments that our clients should be aware of and seriously consider. These insurance vehicles have benefits such as the ability to name beneficiaries, by pass probate, creditor protection, estate and tax planning, safety, and security protection by Assuris. The Assuris protection plan is similar to CDIC coverage www.assuris.ca. It is up to you to decide what works best for your situation along with guidance and expertise from your advisor. We have solutions to your concerns.