



Ron Clarke CFP, CLU
R.P. Clarke Financial Services

Contact me!
905-331-2090
or
1-866-833-1333

JOINT, LAST-TO-DIE INSURANCE

A Quick Overview

Joint, Last-To-Die Insurance was designed to protect family assets for the beneficiaries of a couple's estate. It is designed to pay a *tax-free* benefit upon the death of the *last* surviving spouse.

When one dies, it is deemed for tax purposes that their assets are sold, which creates a taxable event. The value of the taxable assets is included in the deceased's income for the year of death. Some assets are excluded from income taxes such as the value of the principal residence and assets that have been incurring income taxes on an on-going basis such as non-registered investments - for example, a savings account. A non-registered stock will be deemed to have been sold and 50% of the capital gain will be added to income in the year of death. The full value of assets such as RRSPs/RRIFs is taxed as income.

When one has a spouse, the assets can be transferred at death to the name of the surviving spouse tax-free, thereby delaying the inevitable income tax bite until the death of that surviving spouse. Couples that have significant balances in RRSPs/RRIFs or business interests and/or own vacation properties are very concerned about the depletion of their estate (could be as much as 40% - 50% depending upon the mix of assets) when the last spouse dies. They worked hard in building up an estate and don't wish to see it eroded before being passed on to the beneficiaries.

Many a cottage has been lost to the children as it had to be sold to pay the income taxes on the estate. For example, let's say a couple purchased a cottage 30 years ago for \$100,000 as a vacation property and invested another \$100,000 over the years to improve the property. At the death of the last spouse the property is deemed to be worth \$700,000, then a capital gain of \$500,000 (\$700,000 - \$100,000 - \$100,000) would be realized and 50% of that, \$250,000, would be added as income for income tax purposes to the terminal tax return of the deceased. At a tax rate of say 40%, approximately \$100,000 would be owing on this transaction alone, for the sake of argument. It gets worse with RRSP and RRIF balances.

To avoid the depletion of estate values and to prevent such situations where a family cottage must be sold to pay the income taxes on the estate, *Joint Last-To-Die* insurance is an effective and inexpensive solution.

To protect and benefit you, your family and your way of life now and into the future.



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The following page illustrates an example of the cost assuming a male of 60 and a female of 58 both in good health and non-smokers. They purchase \$250,000 of insurance payable only at the death of the surviving spouse with children as beneficiaries.

\$250,000 of Joint Last-To-Die life insurance with a level premium for lifetime protection and payable only at the death of the surviving spouse:

Annual Cost = \$2,400

To illustrate the inexpensive nature of this product, if this same couple purchased a Joint First-To-Die policy where the proceeds are paid out to the joint holder at the first death, the annual cost is:

Annual Cost = \$7,900

If one purchased the insurance in their name alone to be paid to the spouse or beneficiaries at their death, the annual cost is:

Annual Cost = \$5,600

Conclusion

Joint, Last-To-Die Life Insurance is the most effective and usually least expensive way of ensuring that your beneficiaries will receive the **full** value of your estate upon the death of the last surviving spouse. What the Government taketh, this insurance giveth back, if done correctly.

There are other ways of protecting estate values such as Trusts and Joint Ownership with the beneficiaries but you must be careful and deal with professionals to ensure that whatever method you use, it does protect as you wish and that there are no hidden pitfalls. For instance, if one transferred ownership of a cottage from the last surviving

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spouse's name to be joint with a child so at death of the parent their would be no capital gains, there could be capital gains owing at the time of the transfer which makes it imperative that one has the advice of an expert in that area – in this case it would be an Accountant.

It is important to plan ahead if it is your goal to preserve your assets for your children, your grandchildren or other beneficiaries. Through the use of life insurance you protect your estate values while at the same time you can grow the value of your assets with the insurance while protecting such increased values against creditor attack.

Let me help you design a plan to grow, protect and preserve the assets you have worked so hard to accumulate and look for ways to increase your retirement nest egg.

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