



Are taxes a necessary evil? Not necessarily!

*After years of working hard and managing your assets, you have accumulated considerable wealth... Did you know that your heirs might actually receive only **half** of this wealth?*

When you die, the following assets are automatically subject to income tax, at a rate of about 50%:

- Your retirement savings plan (RSP) or retirement income fund (RIF)
- Taxable capital gains on your investments, secondary residence or property holdings
- Your operating or holding company
- Your other assets in Canada and elsewhere



WHAT HAPPENS TO YOUR ASSETS WHEN YOU DIE

Fortunately, there is something you can do!

The estate-planning strategy with the *net* advantage

Including life insurance in your estate planning gives you a definite advantage. It allows you to leave your heirs as much as possible of what you have built during your lifetime. Through NBF Financial Services, a financial services firm exclusive to National Bank Financial, your Investment Advisor can offer you some of the best life insurance products on the market, along with solid estate-planning expertise.

For more information, call your Investment Advisor today!

NBF Financial Services

A financial services firm exclusive to



An effective way to protect the value of your estate



NBF Financial Services

A financial services firm exclusive to



Don't let your loved ones inherit a problem

When you die, your heirs may be surprised to find that the tax man is about to claim a significant portion of their inheritance. Some of the shock will be cushioned if you are survived by your husband or wife: under certain conditions, some assets, such as an RSP and a RIF, can be rolled over to a spouse tax free. However, when your spouse dies, tax authorities will deem all your assets to have been disposed of, which can result in substantial taxable income and/or capital gains.

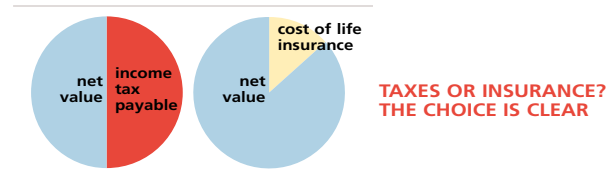
Your children or other beneficiaries, whom you had hoped would enjoy their full inheritance, will be required to pay income tax on the income and capital gains. They may even have to liquidate some of your estate's assets to do so, with no guarantee that market prices will be favourable at that point in time. The family legacy you worked so hard to ensure could be severely depleted.

There is something you can do to prevent this. One option involves a product you're probably very familiar with, and which features undeniable advantages. Most importantly, it allows you to pass on a significant portion of your estate, completely tax free. That product is life insurance.



Protect your estate with life insurance

Life insurance plays a very simple role in estate planning by protecting the net value of your estate after you and your spouse die.



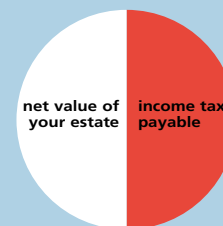
To give you a better idea of exactly how important life insurance can be in estate planning, let's consider the fictional – but painfully realistic – case of the following couple.

- Right now, husband and wife are both 50.
- They have a retirement savings plan (RSP) worth \$200,000, to which they contribute \$10,000 a year, and which earns them an average rate of return of 7% per year.

SCENARIO 1

At age 50, husband and wife take no steps to protect their estate from income tax.

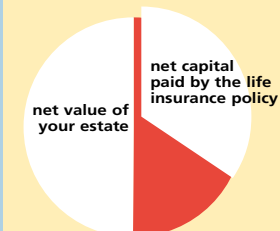
| | |
|--|--------------------|
| Value of the RIF when the wife dies at age 85: | \$1,038,294 |
| Income tax payable at the rate of 50%: | - \$519,147 |
| Net amount remaining in the estate: | \$519,147 |



SCENARIO 2

At age 50, husband and wife take out a \$500,000 joint life insurance policy, payable when both spouses have died, to protect their estate from income tax.

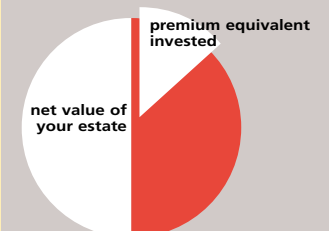
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|--|--------------------|
| Value of the RIF when the wife dies at age 85: | \$1,038,294 |
| Income tax payable at the rate of 50%: | - \$519,147 |
| Net amount remaining in the estate: | \$519,147 |
| Capital paid by the life insurance policy: | + \$500,000 |
| Cost of the policy over 35 years*: | - \$157,337 |
| Net amount remaining in the estate: | \$861,810 |



SCENARIO 3

At age 50, husband and wife decide not to take out a life insurance policy to protect their estate from income tax; instead, they invest an amount equivalent to the premiums they would have paid, thus adding to the capital in their estate

| | |
|---|--------------------|
| Value of the RIF when the wife dies at age 85: | \$1,038,294 |
| Income tax payable at the rate of 50%: | - \$519,147 |
| Net amount remaining in the estate: | \$519,147 |
| Premium equivalent (\$2,280 a year) invested for 35 years at an average rate of 7% per year, less income tax: | + \$157,337 |
| Net amount remaining in the estate: | \$676,484 |



The examples in this document are for illustration purposes and have no contractual value. The amounts and rates of return are projections only; they do not guarantee or forecast performance.

* Based on an annual premium of \$2,280 for 35 years, plus lost income of \$77,587 that would have been earned had the annual premiums been invested at 7% instead.

- They expect to continue contributing at this rate until they turn 69, at which point they will have to convert their RSP into a retirement income fund (RIF) and make minimum withdrawals every year.

Let's say that the husband dies before his wife, and she lives to age 85. What happens to their assets when she dies?

The answer depends entirely on the decision the couple makes today, at age 50!

See for yourself...