

# Retirement Planning with Life Insurance

Retirement is costly. Help your clients plan for it.



Foresters   
Financial



## Retirement Planning with Life Insurance

### The situation

The future of Old Age Security (OLA) and Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) is uncertain, interest rates remain low, and many employers are cutting back on qualified plan funding.

With these headwinds, will your clients have the resources for a comfortable retirement? What happens if one spouse dies during the wealth accumulation stage of the couple's lives?

### The strategy

Retirement Planning with Life Insurance shouldn't replace other saving vehicles within your client's strategy. Rather, life insurance may provide the boost these other plans need due to:

- Plan limitations
- Restrictions on funding
- Tax benefits, and
- An abrupt end to funding plans due to the loss of income from an unexpected death.

### The advantages

- Built-in protection with a generally tax-free death benefit to support a client's family members after death<sup>1</sup>
- No funding limitations compared to other retirement vehicles such as Registered Retirement Savings Plans or Registered Pension Plans
- Opportunity for tax-deferred cash value accumulation and tax-advantaged collateral loans<sup>2</sup>
- No required minimum distributions
- Complete control of the insurance coverage
- Diversification



### Sources of Retirement Income

Old Age Security (OLA)  
Canada Pension Plan (CPP)  
Quebec Pension Plan (QPP)  
Private Pension  
Registered Retirement Savings Plan (RRSP)  
Other Accounts

## Meet Bill and Sarah

Bill is 39 years old. Sarah is 37 years old. They are married with one child and have a combined income of \$250,000.

Both their employers offer a registered pension plan, with a projected retirement income of \$3,400 per month for Bill and \$2,300 per month for Sarah starting at age 65. They have no other retirements accounts. Bill currently has a \$400,000 30-year term policy and Sarah has no coverage.

### Their goal?

Create an additional retirement bucket providing for potentially tax-free income they can leverage during down-market years. As well, provide family protection from an unexpected death to Sarah.



#### STEP 1

Bill and Sarah meet their advisor to discuss their goals for retirement. During the meeting they complete a fact finder and determine they can set aside \$600 per month.



#### STEP 2

Based on their discussions, they determine that Sarah should purchase Foresters Advantage Plus Whole Life<sup>3</sup> 20 Pay with Foresters Financial™. They like the fact it provides a guaranteed cash value growth and any declared dividends<sup>4</sup> can be applied towards purchasing paid-up additions.



#### STEP 3

Sarah decides to apply for an initial total insurance amount of \$498,808 (Basic Insurance Amount of \$303,276 and Enhanced Insurance Amount of \$195,535) with a 30-year Term Rider<sup>3</sup> for \$300,000. Additionally, any declared dividends will be applied towards paid-up additions. Sarah applies and is approved Standard Non-Smoker.



#### STEP 4

They meet with their advisor periodically to review their current certificate and to ensure they're on course for retirement.



#### STEP 5

At Sarah's retirement at age 65, the couple would have the ability to leverage the cash value within the certificate to secure collateral loans with a third-party. They could choose to use these funds during down markets or use them to potentially delay taking OLA and CPP.



#### STEP 6

At Sarah's death, the death benefit (net of any loans) will help her family meet financial expenses, potentially supplement Bill's retirement, or leave a legacy.

# Fact finder: Retirement Planning with Life Insurance

Date

## 1 Personal Information

Client Name		Date of birth	
Province of Residence		Y	N
		Smoker	
Spouse Name		Date of birth	
Province of Residence		Y	N
		Smoker	
Children (#)			

## 2 Financial Information

\$	\$	\$	\$
Client's Annual Salary	Client's Other Income	Spouse's Annual Salary	Spouse's Other Income
\$	%	Client: \$	Spouse: \$
Total Adjusted Gross Income	Income Tax Bracket	Amount of Life Insurance	

## 3 Retirement Information

	\$		\$
Client Retirement Age	Annual Income Goal	Spouse's Retirement Age	Annual Income Goal
		%	
Years for Retirement Income		Assumed Inflation Rate	
Client: \$	Spouse: \$	Client: \$	Spouse: \$
Current Qualified Plan Balance		Ongoing Contributions To Qualified Plans	
Client: \$	Spouse: \$	% \$	
Other Retirement Saving Balances		Assumed Growth	Other Expected Retirement Income Rate

## 4 Insurance Information

Client: \$	Spouse: \$	Client: \$	Spouse: \$
Death Benefit Needed		Insurance Premium Affordable	
Frequency (M,Q,S,A)	# Of Years To Fund Insurance	Province of Purchase	

<sup>1</sup> Foresters, their employees and life representatives, do not provide, on Foresters behalf, legal or tax advice. The information given here is merely a summary of our understanding of current laws and regulations. Advise your clients and prospective purchasers to consult their tax or legal advisor.

<sup>2</sup> Source: <https://www.savvynewcanadians.com/money-needed-in-retirement>. Accessed November 2021.

<sup>3</sup> Access to tax-advantaged collateral loans via third-party agreements assuming the certificate stays in-force until death or taking withdrawals from the certificate up to adjusted cost basis. If the certificate lapses, there may be tax consequences on any cash value above the cost basis. Withdrawals or loans will reduce death benefit and cash values and may affect how long the insurance contract is in effect.

<sup>4</sup> Underwritten by The Independent Order of Foresters.

<sup>5</sup> Dividends are not guaranteed. Past dividends are not an indicator of future dividend performance.

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