



## Practical Wealth Creation Ideas

*...for Simplified Financial Success™*

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### Succession Strategies TO INCREASE RETIREMENT INCOME

Retirement income can be sourced from both personal investments and your company payroll when you own a family business. However, if you are planning to leave your business to a child, you may not have enough capital, after retirement, to pay for estate taxes. You may also find that your child cannot afford to save enough money or access money from the company to pay for the capital gains taxes that may be due on your business when you die.

Consider the tactic of taking out life insurance with the goal to pay off the estate taxes when you and your spouse die. Meanwhile, the income generated from your retirement savings will provide a much larger monthly cheque because you will have freed up capital otherwise dedicated to pay any estate taxes.

As well as paying you a salary, the children who are to succeed you in the company (and possibly other children), could pay for the life insurance premiums. The face amount could cover any future tax liabilities relating to the death of both spouses—capital gains tax on a cottage, income tax payable on RRSPs/RRIFs, income tax in relation to capital gains on the value of your company's shares passing to your children (deemed disposed of at the time of death). Life insurance could also redeem debts relating to personal or company loans or past overdue taxes, while creating a tax-free benefit for any other child not inheriting your company.

When purchasing life insurance in advance, you minimize the chances of eroding the value of the assets left to your heirs. As well, you need not reserve that portion of your retirement savings that will be newly created as a tax free death benefit. The bottom line states that you will free up more money for your retirement enjoyment.