Advisor
Individual insurance

Universal life

Sales Concepts
Wealth Notes

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1. Objective of the wealth notes concepts

Universal Life policy is an excellent financial planning tool and an effective tax shelter for investments purposes. The objective of the Wealth Notes concepts is to show how investing in a tax-exempt life insurance policy can be advantageous from a financial standpoint. A comparison between savings in a tax exposed environment and investments in a tax-exempt universal life policy shows in a concrete way the differences between the two investment options.

2. Description of the wealth notes concepts

Personal Wealth Note

The client purchases on his life a tax-exempt universal life policy with an increasing death benefit. The client chooses to invest higher amounts than the minimum premium needed to keep the policy in force. With time, the cash value increases substantially since it accumulates on a tax-deferred basis. Upon the client's death, the total death benefit (including the fund value of the policy) will be paid tax-free to the beneficiary of the policy.

Corporate Wealth Note

A corporation purchases a tax-exempt universal life policy with an increasing death benefit. The corporation is both the owner and the beneficiary of the policy, and the shareholder/key person is the insured. The corporation deposits funds into the policy in excess of what is needed to keep the policy in force while remaining exempt. Upon the insured's death (shareholder/key person), the total death benefit (including the fund value of the policy) will be paid tax-free to the beneficiary of the policy (the corporation).

The life insurance death benefit paid to the corporation, minus the adjusted cost basis of the policy, will be credited to the capital dividend account of the corporation. Tax-free dividends (from the capital dividend account) can then be paid to the shareholders of the corporation.

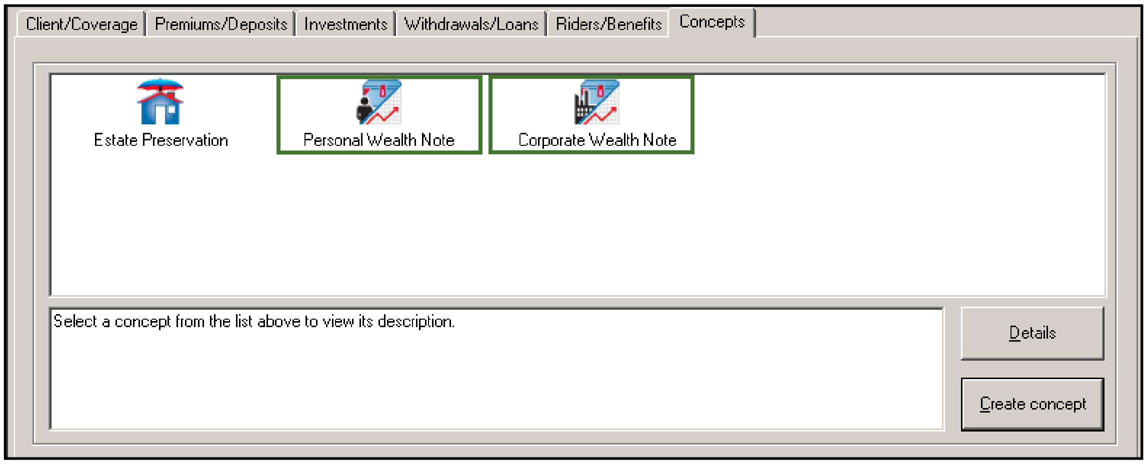
To Sum Up

	Owner	Insured	Beneficiary
Personal	Insured	Insured	Estate
Corporate	Corporation	Shareholder/Key person	Corporation

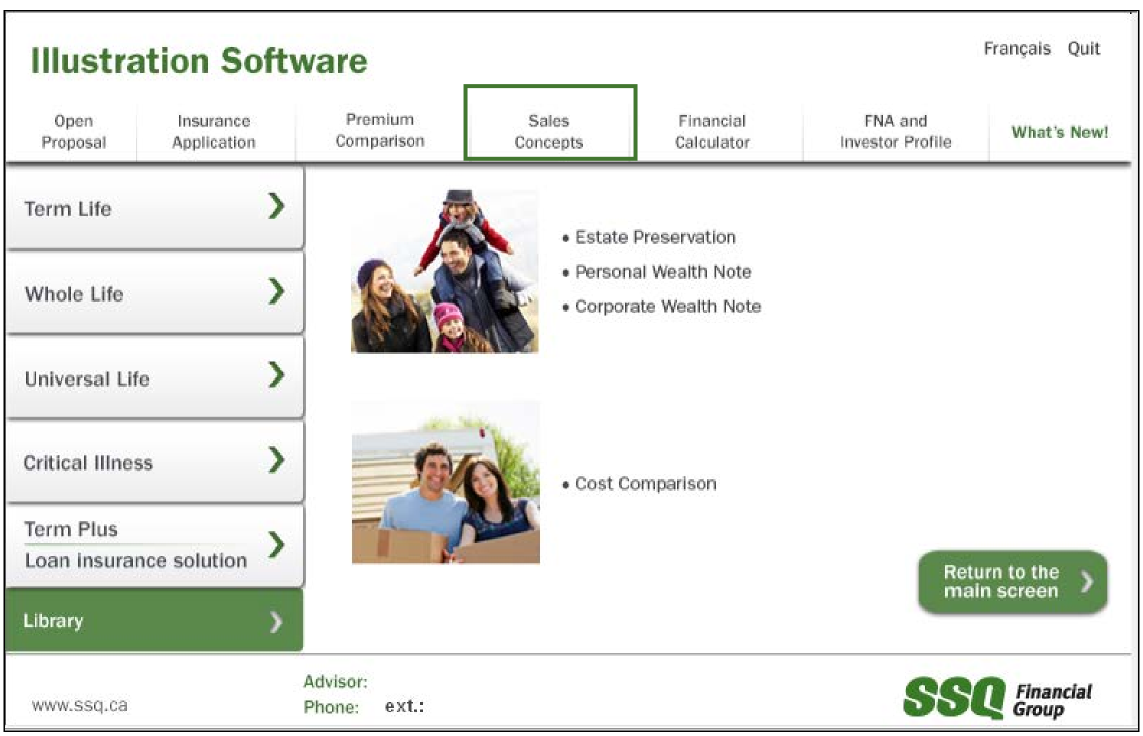
3. Wealth notes concepts of the illustration software

There are two ways to access the wealth notes sales concepts in the illustration software:

- From the software's main screen: click on "Universal Life", choose "Concepts" tab, then select on the appropriate concept image and click on the "Create concept" button.



- From the software's main screen (direct access): click on "Sales Concepts" and then follow the same steps above.



4. Target market

Personal wealth note

- An individual Canadian of age 40 or older
- An individual who wishes to leave an inheritance (to family members, loved ones or a charitable organization)
- An individual who makes regular annual investments
- An individual who has non-registered savings

Corporate wealth note

- A private Canadian corporation
- A corporation with at least one shareholder of 40 years old or older
- A holding corporation, a corporation operating with a sole shareholder or a family business
- A corporation with net annual income
- A corporation with funds available for investments
- A corporation whose shareholders have specified heirs

5. Advantages of the wealth notes concepts

- Tax-deferred growth of the fund value within the policy
- The total life insurance earnings paid tax-free at death
- A larger, more liquid estate upon death
- For a corporation, the amount paid out upon death can be credited to the capital dividend account

6. Questions and answers – Personal wealth note

Which tax rate should be used?

The purpose of the concept is to compare the financial advantage of investing savings in a tax-exempt universal life policy with that of a taxable investment product.

Therefore, you should enter the tax rate on the revenue earned by the individual.

Since personal tax rates differ from province to province, you must choose the appropriate tax rate based on the client's province of residence.

You must also enter the appropriate personal tax rate for dividends, especially if the client has dividend revenue generated by savings.

What is the difference between the realized capital gain and the differed capital gain?

Taxes are calculated annually on realized capital gains.

There is no annual taxation of differed capital gains.

However, the illustration will take into account the disposition of any capital gain (differed and realized) upon the insured's death.

7. Questions and answers – Corporate wealth note

Which rates should be used?

The purpose of the concept is to compare the financial advantage of investing savings in a tax-exempt universal life policy with that of a taxable investment product.

Therefore, you should enter the tax rate on the investment revenue earned by the corporation.

Since corporate tax rates differ from province to province, you must choose the appropriate corporate tax rate based on the corporation's Provincial tax rate.

You must also enter the appropriate tax rate for corporate dividends.

What is the difference between the realized capital gain and the differed capital gain?

Taxes are calculated annually on realized capital gains.

There is no annual taxation of differed capital gains.

However, the illustration will take into account the disposition of any capital gains (differed and realized) upon the insured's death.

Does the net estate value include the capital dividend paid?

Yes, the net estate value includes the total value to be inherited once the taxes are paid, as well as the capital dividend payment.

Will the total amount of the death benefit paid to the corporation be payable tax-free to the beneficiaries?

After the death of the insured shareholder, the insurer will pay the total death benefit of the policy to the beneficiary. In this concept, the beneficiary is the corporation.

The corporation can then apply a credit to the corporation's capital dividend account.

This credit is equal to the total death benefit minus the adjusted cost basis of the policy.

This amount can then be paid as a tax-free capital dividend to the shareholders.

About SSQ Insurance

Founded in 1944, SSQ Insurance is a mutualist company that puts community at the heart of insurance. With assets under management of $12 billion, SSQ Insurance is one of the largest companies in the industry. Working for a community of over three million customers, SSQ Insurance employs 2,000 people. Leader in group insurance, the company also sets itself apart through its expertise in individual life and health insurance, general insurance and the investment sector.

For more information, go to ssq.ca

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