

# Pre-Retirement

## Strategies to achieve your personal goals



The strategies you need to achieve your personal and financial goals are as individual as you are. So while we can't make specific recommendations here, we want to give you an example of how insurance can be used to manage the risks to the lifestyle you've built for yourself and your family – and play an important role in your diversified investment portfolio.

One of our TD Waterhouse® Life Licensed Advisors<sup>1</sup> developed this sample scenario of a typical family to illustrate how certain insurance strategies might give them the peace of mind they need at this stage in their financial lives. Please remember that there are a variety of other strategies that may also be appropriate for you. We look forward to working with you to develop a customized plan that is uniquely yours.

### Imagine Sandra and Dan<sup>2</sup>

- Sandra and Dan are both 55 years old and non-smokers.
- Their combined income is \$300,000.
- The couple has three grown children and four grandchildren.
- They have two Permanent Insurance policies: \$150,000 coverage on Dan and \$100,000 coverage on Sandra.

### Personal circumstances and concerns

- Sandra plans to retire at age 60.
- Dan plans to continue working to age 65 to ensure their retirement is as comfortable as possible.
- With retirement fast approaching, the couple wants to protect their plans as much as possible and ensure that, when the time comes, their wealth passes to their children and grandchildren, tax efficiently.
- They have friends whose retirement savings were seriously depleted as a result of illness and Sandra and Dan want to protect themselves in the event of similar challenges.

### Financial snapshot

Assets		Liabilities	
■ Cash and equivalents	\$150,000	■ Loan	\$50,000
■ Non-registered investments	\$350,000	■ Mortgage	\$0
■ Registered investments	\$300,000	■ Other debt	\$0
■ House	\$700,000		
■ Cottage	\$450,000		

## Our TD Waterhouse Life Licensed Advisor's recommendations<sup>3</sup>

As the first step in tailoring a plan for Sandra and Dan, our TD Waterhouse Life Licensed Advisor would conduct a comprehensive review of their personal and financial circumstances and determine the funds available for insurance. The couple has between \$20,000 and \$25,000 annually to spend to ensure a worry-free retirement.

After careful analysis, our TD Waterhouse Life Licensed Advisor recommends a comprehensive plan combining Living Benefits, Family Wealth Transfer, Insured Retirement Plans and Segregated Fund strategies.

The table below summarizes the various products that can be used when the couple are in good health to effect these strategies. On the next page is the allocation of available funds among the specific products chosen, followed by an overview of the coverage details and a rationale for each recommendation.

### LIVING BENEFITS OPTIONS

#### Critical Illness Insurance

- Provides a lump sum benefit if you are diagnosed with any of a number of medical conditions such as heart attack, cancer or stroke.
- There are no restrictions on how the money may be used.
- Optional policy features may provide for a partial or full return of premiums if no claims are made, or at death.

#### Disability Insurance

- Provides income replacement if you are unable to work because of illness or injury.
- You can coordinate the waiting period with other disability coverage you may have and also narrow the definition of “occupation” to mean what you have been trained to do, as opposed to “any occupation” you are physically capable of performing.
- Additional features may include cost of living increases and return of premiums if no claims are made.

#### Long Term Care Insurance

- Provides tax-free benefits to help maintain your quality of life if you become unable to care for yourself.
- Avoids the problem of paying for long-term care with retirement savings.
- Lets you remain in your home or get the appropriate care in the facility of your choice.

### FAMILY WEALTH TRANSFER

- This strategy uses the special features of Universal Life Insurance to pass on tax-free benefits to children and/or grandchildren, while reducing taxes on investment income and simplifying the estate transfer.
- May provide the tax-advantaged transfer of family wealth through one or more generations.

### INSURED RETIREMENT PLANS

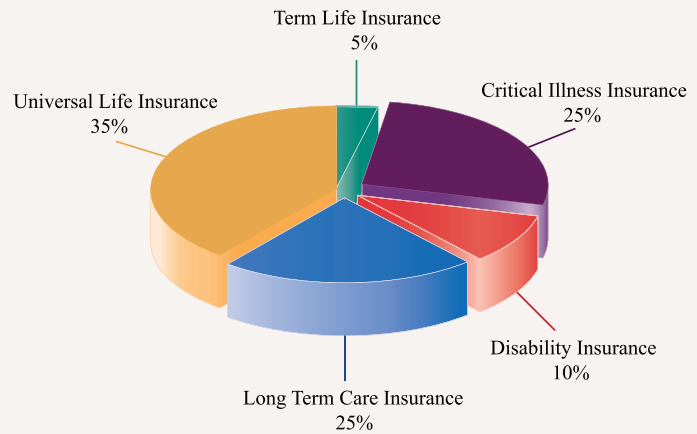
- This strategy uses the tax-advantaged investment earnings of Universal Life Insurance to potentially generate tax-free retirement income.
- Up to certain limits, deposits in excess of the cost of insurance are sheltered from tax inside the policy. On retirement, up to 90% (when invested in fixed income) of the accumulated capital could possibly be accessed by using the policy as collateral for a consumer loan.
- The loans are repaid with the tax-free death benefit and the balance of the value of the policy is paid to the beneficiaries, tax-free.

### SEGREGATED FUNDS

- These investment funds offered by insurance companies combine the growth potential of mutual funds with the security of insurance.
- Up to 100% of the principal may be guaranteed on maturity of the contract or death of the policy holder and reset options may allow the periodic lock-in of investment gains.
- The investment is potentially protected against creditors and the proceeds pass directly to beneficiaries, avoiding the expense and delay of probate.

## Funding allocation

This graph shows the approximate allocation of available funds to achieve the couple's objectives. These funds do not include the transfer of any investments to Segregated Funds.



## Recommended coverage

Type of coverage	Benefit amount for Sandra	Benefit amount for Dan	Rationale
<b>Term Life Insurance</b> (10-year term)	\$200,000	\$250,000	Although most assets may be transferred tax-free to the surviving spouse, this coverage will allow the survivor to maintain his/her standard of living until retirement.
<b>Critical Illness Insurance</b> (10-year term)	\$200,000	\$200,000	Because Sandra and Dan are in their crucial saving years, a serious illness could result in economic stress. Putting this coverage in place until they are both retired will add considerable stability to their overall financial plan.
<b>Long Term Care Insurance</b> (90-day elimination period and benefits of \$300/day)	\$600,000	\$600,000	Having seen the effects of aging on family and friends – coupled with the deteriorating state of our medical system – the couple places a high priority on being able to afford private care, if necessary. The \$300/day benefit is the maximum coverage currently available.
<b>Universal Life Insurance</b> (with an increasing death benefit and level cost of insurance)	\$250,000 Joint Last to Die coverage		This permanent policy will pay the couple's final taxes and leave their estate intact. Sandra and Dan can fund the policy to ensure that all the premiums are paid before Dan retires. They can then continue to fund the policy to optimize the tax-advantaged investment growth and, if necessary, access a portion of the accumulated capital, tax-free, as retirement income.

## Ensure your financial well being

As a TD Waterhouse client, you have access to an exceptional team of banking, estate, trust, insurance and investment professionals. We work together to grow and preserve your assets and help achieve what is important to you in the transition of your wealth to future generations. As an integral part of this team, your TD Waterhouse Life Licensed Advisor is an objective specialist who has been carefully trained to provide a customized strategy using products from a variety of leading insurance suppliers.

Protect your personal and financial goals and the well being of your family. Find out what specific strategy recommendations your TD Waterhouse Life Licensed Advisor has for your personal situation.

*We look forward to being of service.*

<sup>1</sup> TD Waterhouse Life Licensed Advisors are licensed insurance agents of TD Waterhouse Insurance Services Inc. They offer insurance products from a variety of leading insurance suppliers.

<sup>2</sup> The people and situations identified in this brochure are fictional. The life stages and strategies identified are presented for illustration purposes only and are not intended to reflect the full range of stages or strategies available to customers. These examples are intended to assist customers in identifying their needs. While assumptions and values used for the examples were reasonable at the time the examples were prepared, using tax laws in effect at that time, they are for illustration purposes only. The circumstances emphasize the attributes of the products and strategies being described.

<sup>3</sup> The insurance strategies described are not appropriate for all individuals. Particular insurance strategies should be evaluated relative to each individual's objectives and in consultation with a TD Waterhouse Life Licensed Advisor or other professional.

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