

RAWLING REPORT

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BY RAWLING FINANCIAL INC.

HELPING CLIENTS MAKE WISE DECISIONS REGARDING THEIR WEALTH



Company vs. personally-owned life insurance

Clients often ask, "Should the owner of the life insurance policy be the company

or the individual?" The answer depends on your situation. To begin determining your needs, ask yourself these questions:

- What is the purpose of the life insurance?
- Who'll need the death benefit or cash surrender value of the policy?
- Will the policy be transferred in the future?
- Who has the cash flow to pay the policy premiums, the individual or the company?

PERSONAL OWNERSHIP

Advantages

- Policy may provide creditor protection
- Cash surrender value will not affect the enhanced capital gains exemption

Disadvantages

- Requires more pre-tax dollars to pay the premium if personal tax rate is greater than corporate tax rate

CORPORATE OWNERSHIP (OPERATING COMPANY)

Advantages

- Ease of administration if multiple policies are required

- Requires fewer pre-tax dollars to pay the premium if corporate tax rate is less than personal tax rate
- Part of the premium may be deductible as a business expense
- Disadvantages
- Not protected from corporate creditors
- Policy gains and taxable benefits may arise on future transfers of the policy

HOLDING COMPANY OWNERSHIP

Advantages

- Policy may not have to be transferred out on sale of the operating company
- Cash values in a holding company may be available to supplement retirement income
- Full credit to the capital dividend account may be possible (if the operating company is named the beneficiary)

Disadvantages

- Enhanced capital gains exemption might not be available
- Policy gains and taxable benefits might arise on a future transfer of the policy to a shareholder of the holding company

For help to determine whether you should be considering company-owned or personally-owned life insurance as part of your financial security plan, please contact Hugh today.

Comparing participating life insurance with universal life insurance

The following chart compares the differences between these two types of permanent life insurance products: participating life insurance and universal life insurance.

Participating insurance	Comparing:	Universal life insurance
Participating policy premiums (and other basic guaranteed policy values) are determined using long-term assumptions for factors such as investment returns, mortality, expenses, and taxes.	Premium	Cost of insurance (COI) and expenses are deducted monthly. As long as there are sufficient funds to maintain the policy, the premium payment and premium frequency are flexible.
Protection for life. This is as long as the policyowner keeps the policy in force.	Protection	Protection for life. This is as long as the policyowner keeps the policy in force.
Long-term focused, quality investments. Majority of assets held are fixed income. The asset mix is chosen and managed by investment experts.	Investment options	Variety of investment options to choose from. Includes guaranteed interest options, equity and bond index options. Can select from a variety of equity index options to mirror their own risk tolerance profile.
Core of guaranteed values. Policyowners can benefit from improvements in mortality through policyowner dividends. Dividend values belong to the policyowner once paid. Participating account managed by investment experts. Stability in investments.	Advantages to buyer	Flexibility of premium payments Ability to manage the investment mix. Can have a significant equity investment component in insurance program if this type of investment option is chosen.
Policyowner doesn't manage the investment component.	Disadvantages to buyer	Potentially more volatility in investment returns depending on the investment selections. Policyowner may not benefit from improvements in future mortality experience.
Participating life insurance is managed at the participating account level.	Other	Universal life is managed at the policy level. Investment performance (net of MER's) of policyowner' asset mix reported separately.



**RAWLING
FINANCIAL
INC.**

Hugh Rawling, CFP, CLU, CH.F.C.

Financial Coach

Rawling Financial Inc.

Suite 420, 200 Queens Avenue, London, ON N6A 1J3

519-963-4400 • Toll free: 1-866-963-4400 • Fax: 519-963-4402

Customer Care Line: 519-963-4401 • Toll free: 1-866-963-4401

E-mail: hugh@rawlingfinancial.com • admin@rawlingfinancial.com

Website: www.rawlingfinancial.com

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