

## MASTERING THE ART OF PLANNING FOR THE FUTURE

BY RENNAY CRAATS

When people think about life insurance, they imagine a high-pressure salesperson pushing cookie-cutter plans. For more than four decades, Don Smith, Chartered Life Underwriter has blown that stereotype to pieces by offering his brand of dedicated service and financial solutions tailor-made for every client.

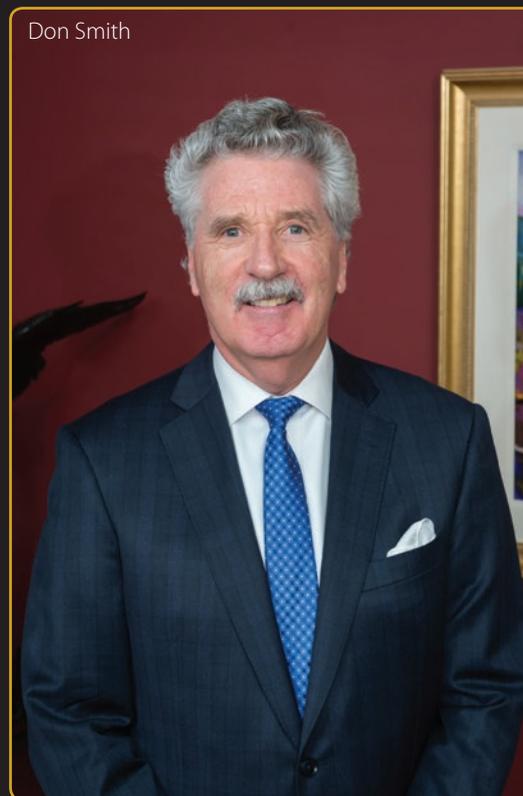
In 1975, Don Smith earned his Bachelor of Commerce and immediately started working in the life insurance industry. Four years later he incorporated DSI Estate Planning Inc. and began working with business owners, professionals and executives in Calgary. He offered plans for income averaging annuities as a way to tax shelter capital gains until the practice was abolished in 1981, but that experience led him to his current expertise.

"It really sprung me into a group of higher net worth clients. I started working with entrepreneurs in the area of shareholder agreements and capital gains tax in their estates," says Don Smith, principal of DSI Estate Planning. "Later in the '80s, I broadened it to start focusing on estate planning for family business owners."

Today, DSI has a client base of about 100 entrepreneurial families, professionals and wealth holders. Don creates customized strategies for these clients to ensure they have the money needed for their retirement and estate requirements, while reducing the tax liabilities that come with settling an estate. After all, these successful business owners have worked hard and reinvested profits back into growing their businesses. They also want their companies to continue long after they are gone. When an entrepreneur dies, the Income Tax Act treats the business as if it was sold at fair market value in order to determine how much tax is required, which equals about 25 per cent.

Not many companies have 25 per cent of their value in cash available for such a payout. That liquidity traditionally comes from one of two sources: selling assets or borrowing from the bank. DSI offers a third option, which is life insurance.

"We show clients how life insurance owned in the corporation can be a very effective financial tool to deliver the cash on a tax-free basis to pay the tax liability on the shares," he says.



Don Smith

Don's plans are essentially king-sized tax-free savings accounts – the premiums clients invest aren't tax deductible but the proceeds and the growth of the investment are tax-free. These tax-exempt insurance products provide a rate of return that is equivalent in most cases to getting eight to 10 per cent on a bond with very little variability, so it's attractive to clients.

But what's truly attractive to one client may not be to another. Don takes the time to get to know clients well and to understand their individual situation and what is motivating before customizing the plan to fit their specific needs. Some clients use

DON WORKS WITH ENTREPRENEURIAL FAMILIES AND WEALTH HOLDERS TO STRUCTURE INSURED ESTATE PLANS THAT MAXIMIZE THE PRESERVATION OF CAPITAL AND MINIMIZE THE IMPACT OF TAX.

the life insurance as a way to minimize the impact of estate taxes and preserve capital while others use it for spousal or descendant trusts. Still others set up insurance plans to be exempt from creditors or to support their philanthropic interests.

"We help clients move the chips on the table in a way that directs their capital where they want it. They are enhancing family capital, their philanthropic causes and reducing the amount that goes out in tax," he says.

Don has spent 41 years learning what clients need and how to provide it for them. Whether in good times when business owners are confident in the future or times when the future is uncertain, DSI has been there to guide clients toward good estate planning. And in all those years, he has experienced the ebb and flow of Alberta's economy alongside his clients.

He weathered the storms of the national energy program in the early 1980s and again when oil prices plummeted below \$10 in 1986. He worked through the local recession in 1991-92 when Calgary's economy faltered and the global downturn of 2008.

"This is my fifth recession," he says. "It's really hit a lot of Calgary businesses and wealth holders."

To make matters worse, tax rates have skyrocketed this year, especially for many of DSI's high net worth clients. He has come up with new strategies and tax-exempt insurance plans for clients, helping them make the best decisions given the market as well as legislation.

Don is continually expanding his knowledge in order to better serve clients and as an industry leader, he's often found speaking at events. He's also one of the founding directors of Canadian Association of Family Enterprise (CAFE) Calgary and a founding member of the Conference for Advanced Life Underwriting (CALU) in Ottawa.

As Chair of CALU in 2013-14, Don met with the Department of Finance in Ottawa to consult on the new tax rules affecting

"I'm seeing the money do the job that it was intended to do by benefiting the family, the business and their philanthropic causes – and it's very rewarding," says Don

life insurance and clarifying the rules around the amount Canadians can tax shelter inside a policy. CALU was able to negotiate grandfathering into the legislation so plans in place before December 31, 2016 would follow current tax laws. Those submitted after would be subject to the new rules, which increase the amount that's taxable and lengthen the time it takes to get all of the proceeds out of the company tax-free. While the rules will still be favourable, clients will have to pay higher premiums to get the same rate of return as existing policies.

Changes are inevitable, both within a company and beyond. He is closely involved with his clients and can offer alternate or additional plans to meet their changing needs. Plans are ongoing and relationships are long term, and Don becomes a partner invested in making sure clients are covered and satisfied. And when a client passes, he mourns the loss but can see the importance of the work he's doing.

"I'm seeing the money do the job that it was intended to do by benefiting the family, the business and their philanthropic causes – and it's very rewarding," says Don.