Portfolio *Confidential*

Barbara Stewart

My husband and I have an Insured Retirement Plan (IRP) account that is bleeding us. I hope there is some way we can work around this to minimize the losses. Also, I can't recall why we opened this type of account in the first place. Your comments will be most welcome.

Insurance Coverage and Benefits:	
Single Life Yearly Renewable Term	$500,000
Ten-Year Renewable Term Rider	$500,000
Investment Account: of each deposit:	Allocation
American Equity Index	30%
U.S. Technology Index	70%

I am normally sceptical about any type of insurance account or fund because I am keenly aware that the insurance industry is set up to incent brokers and financial advisors to sell products rather than offer advice.

In doing my research on IRP accounts, I found out that, indeed, there is a big problem with those brokers, financial salespeople, and insurance agents:

a) they get paid very well to sell IRPs and, more importantly,

b) they get paid the majority of the commission upfront in the first year.

This leads to a lot of mis-selling and a lack of proper planning! An insurance rep will want to be quick to close a sale, but there is no incentive whatsoever for them to continue to offer advice or service in the later years of the policy.

With this in mind, I did some research to find a licensed insurance representative who uses insurance as one of many financial planning tools (within a broader wealth management firm) to shed some light on IRP accounts and when they are appropriate for investors.

Ian Calvert's core business activity is not selling insurance products. He does provide insurance solutions when used as a tax planning and risk management tool to achieve a family's estate goals. As part of his overall role as Vice President & Principal, Wealth Planning at HighView Financial Group, Ian also acts as a "servicing advisor" to many policies issued by other insurance representatives who have failed to service their clients in the later years of the policy or have left the industry altogether. He regularly reviews previously sold IRP accounts as part of his financial planning services for his clients but does not receive any direct compensation for his advice and recommendations for policies previously sold by other insurance representatives.

What is an IRP account, and why would this type of account be appropriate for an investor?

Ian: *An IRP is not necessarily an investment product…it is more of a concept or strategy. To execute this concept, you need to have a permanent policy that also builds up a cash value in the policy. There are two types of insurance products designed this way: a Whole Life Policy and a Universal Life Policy. Within both policies, you are paying premiums to cover a death benefit, plus you are building up a cash value or an investment account within the policy.*

The main reason to build up cash reserves in an insurance retirement plan is that this account is tax-exempt. It remains one of the few places to accumulate tax-exempt assets in Canada. In a participating Whole Life Policy, you receive a dividend payment every year from the insurance company that can be used to buy more insurance and build a cash value within the policy. In a Universal Life Policy, you can build a tax-exempt investment account with additional deposits within limits. An IRP makes sense for someone who has already maxed out their Registered Retirement Savings Plan

(RRSP) and Tax-Free Savings Account (TFSA) contribution limits but still has either a sizeable non-registered investment account or they have built up additional assets in a corporate account.

An IRP is a long-term strategy—you need to have enough years ahead to get the cash value large enough to borrow against it. It does not make sense to take out a loan against the policy or collapse the policy in the early years because the cash value is too small or if there is a surrender charge, and you would forgo a lot of the premiums you have paid for the first couple of years. I do see a lot of mis-selling with IRP products due to the attractive upfront compensation in the first year for insurance representatives. An IRP should only be sold when there has been a needs analysis in the context of an overall financial plan – it is critically important that the investor has the ability to fund the policy for the long term.

An IRP account shouldn't be the first place to go for investors looking to invest in a tax-efficient way…it is most appropriate when investors are running out of other options: tax shelters such as RRSPs or TFSA accounts. If the cash flow analysis clearly shows that the investor can afford to make the premium payments for the long term, an IRP can help them achieve significant tax benefits.

How can I minimize the losses inside my IRP account?

In good news, if you are uncomfortable with the volatility of your current holdings in your Universal Life Account, you can make changes without incurring any tax implications. Your IRP holdings are quite aggressive—I'm not surprised that you have experienced intense volatility, given the environment we are in. It is unclear how you decided on this asset mix and whether you received proper financial advice, and what investment options you have within the policy.

My daughter will graduate this spring with a Bachelor of Commerce degree. She isn't yet sure exactly what she wants to do when she graduates other than be a successful "woman in finance." Do you have any tips for her?

Yes! I interviewed 50 accomplished women from around the world for my 2020 Rich Thinking® research paper Top Tips for Business Success. I'll share insights from three women in the finance industry about what they think are the key ingredients to their success:

Be curious!

Cathy Hwang, a Principal at Zumaya Equity in Taipei, says, "Be fundamentally curious about the world, especially if you are in the business of investing. Whether it's about travelling to interesting places, interacting with different types of people, seeking out new experiences, or being disciplined about reading diverse publications. You need to have a wide lens for information flow."

Focus on business karma!

Aline Reichenberg Gustafsson is the Editor in Chief of sustainability platform NordSIP.com in Stockholm. She believes in creating her own karma: "Often, I meet someone interesting and highly competent, but we don't see any immediate and concrete opportunity to collaborate. These 'unusable' contacts still make it onto my mental matchmaking list because I don't want our interaction to go to waste. Why do I care about this? First, I (selfishly) enjoy being the source of successful introductions. Second, I am paying forward to those past introductions that have benefited me throughout my career. Last, but not least, I know that the more I help people, the stronger our relationship will be. They will remember me, talk about me, and generate a positive buzz around me and my business."

Have a positive mindset!

Cristina Arceo is a Vice President at China Banking Corporation Treasury Group in Manila who thinks that "Just like life, markets have their ups and downs—I don't let it get to me. I think trading is a perfect job because although there is lots of stress, you can learn to have the discipline to assess the current situation and cut your losses if necessary and move forward. I don't stay in a bad situation in trading…or in life."

Do you have questions about your own investment portfolio?

I have recently set up The Rich Thinking® Financial Advice Hotline. This will be a win/win: you get a free 30-minute confidential Zoom chat offering an independent, unbiased perspective on your financial situation with no sales pitch! In exchange, I get to use the anonymized data that will come from these conversations to make my Rich Thinking research even better. Email me tobook your Zoom discussion:

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