Good decisions today could protect your clients and their heirs down the road:

A good investment strategy for small business owners, self-employed individuals and professionals.

Your small business clients take calculated risks every day, but they may not be aware that some of these decisions could affect their personal savings down the road. By investing in segregated funds and guaranteed investments offered through an insurance company, your clients may be able to shelter their personal savings from being seized by creditors in the event that their business fails or they're sued. Good decisions today can help protect your clients and their families in the future.

In order to secure a loan for their business, most owners are required to pledge personal assets. And while the reality is that many small businesses fail, few owners have taken the steps needed to protect their unencumbered assets from the hands of creditors. Many small business owners don't realize that even assets that have not been pledged as collateral may be seized by creditors. Segregated funds and guaranteed investments from an insurance company offer the potential for creditor protection for both RRSP and non-registered assets yet most business owners are unaware of this.

Who should be interested in creditor protected investments? If your clients are self-employed individuals, small business owners, or professionals such as doctors or accountants, they should take the necessary steps now to ensure their savings are not at risk.

If your clients act now, before any hint of trouble, their RRSPs and other investments should be out of harm's way. If they wait until the first signs of difficulties, they may be too late. Knowing trouble is approaching and looking for ways to keep assets away from creditors is called "fraudulent conveyance" and the courts don't look favourably on this type of behaviour.

Legislation stipulates that a transfer into a creditor protected investment must be effected one year prior to the bankruptcy, or 5 years prior to a bankruptcy if the assets would have been required during the 5 year period to pay the individual's debts. The courts will even rule in favour of the creditors in situations beyond 5 years where fraudulent intent can be demonstrated.

It's not enough to have funds invested in segregated funds (i.e., an Individual Variable Insurance Contract) or in guaranteed investments such as term funds – your clients have to name a "preferred class" beneficiary (e.g., spouse, parent, child or grandchild of the Annuitant) in the contract. The funds can also be exempt from seizure if an irrevocable beneficiary is designated in the contract. In Quebec, however, the named beneficiary must be the spouse, an ascendant or descendant of the contract owner or named irrevocably. In some provinces, "preferred class" beneficiaries include common-law and same-sex partners (living together in a conjugal relationship). Clients who name their estate or business partner as beneficiary negate any potential for creditor protection.

If your clients are small business owners, or face personal liability in business, they should consider investments offered by an insurance company.

The legal entity chosen has an impact on the amount of personal liability at risk

Sole Proprietorship
In a sole proprietorship, the owner is personally responsible for all of the debts and obligations incurred by the business—he or she has unlimited liability.

Partnership

i) *General Partnership*: In a general partnership, all partners are fully liable for all expenses and debts of the partnership. The liability goes beyond contributed cash or other assets to include all personal assets as well. Individual partners can make legal commitments that are binding for all the partners.

ii) *Limited Partnership*: The partners combine only capital. They are not involved in managing the business and cannot be held liable for more than the amount of capital they contribute. This is known as limited liability.

Private Corporation
Limited Liability: A primary advantage to incorporating a business is the limited liability conferred upon its shareholders. The shareholders are not liable, in most cases, for the debts and other obligations of the corporation. A shareholder's liability for the debts of the corporation is limited the amount of funds that a shareholder invests in the corporation. Creditors only have rights against the corporation itself, not against the shareholders.

Standard Life's Ideal Segregated Fund family offers your clients 15 traditional segregated funds and 4 Ideal Portfolios from which to choose. Our Ideal Segregated Funds are managed by Standard Life Investments Inc, whose winning formula continues to classify them as one of this country's leading asset management companies.

Our guaranteed term funds offer redeemable and non-redeemable terms of up to 10 years, simple and compound interest and many more features. Our rates are amongst the highest in the industry.

Remember, proper planning today enables your clients to protect their savings from creditors and focus on their other very important asset – running a profitable business.

For more information on Standard Life's savings and retirement income plans, contact your General Agent or your Standard Life Regional Centre.

Ideal Segregated Funds and term funds are offered under Standard Life's Ideal Solutions for Savings and Portfolio RIF contracts. Please refer to the Information Folder for more details.