Steve Landau | FCPA, FCA

Steve retired as a partner of Ernst & Young in June 2021 following a 30-year career with the firm. Prior to his retirement, Steve was a co-founder of EY's Transaction Tax group based in Toronto with extensive experience in consulting on the tax aspects of mergers, acquisitions, divestitures, and restructurings. He was the founder and long-time leader of the seller side practice within the Transaction Tax group and was considered a leading advisor in Canada on tax planning for private company sale transactions. Steve's practice focused on advising entrepreneurs with the design and implementation of tax strategies for the sale or recapitalization of mid to larger privately owned businesses, including advising on estate planning matters related to the monetization of family wealth.

Effective September 2021, Steve joined Creaghan McConnell Group on a part-time basis as an independent consultant. He'll be focused on enhancing CMG's capabilities in assisting business families and their professional advisors to fully understand tax and estate planning matters – and how they connect to life insurance planning. Steve will also be offering his insights and expertise on business reorganizations, family business transitions and divestiture transactions.

In Steve's own words:

> "In my view, the people at CMG are highly credible authorities on estate planning and transitions for Canada's successful business families. I've worked with them on many client situations throughout my career. They have an extremely professional approach, never aggressive or 'out on the edge' with their insurance and related tax strategies. I've seen them work with family advisory teams exceptionally well, which is vital in the estate planning process. I'm drawn to their credibility in the market. And I think together we can help many business families elevate their insurance and estate planning process. Often families (or even some of their advisors) don't fully understand the benefits of insurance in their estate plan – and I think it's important for these families to be fully informed in order to make the best decisions possible"

Why is insurance an “under-understood area” for business families?

As successful business owners consider their own retirement and family wealth objectives many often look at monetizing and diversifying their wealth by selling all or a portion of their business. When these owners sell, they’re primarily looking at family wealth diversification, as well as the opportunity to reduce (or defer) tax on the proceeds. This often results in the tax deferred proceeds being retained in an investment holding company.

This typically leads to estate planning considerations, as the related tax liability is often deferred until the death of the surviving spouse. Insurance can play an important role in funding or reducing this tax liability on a tax efficient basis.

But Steve sees three myths that business owners often have about insurance. “There are misconceptions of insurance that I’ve seen over the years in dealing with owners.”

Namely:

1. **They think don’t need it.**
“I’m already wealthy. I have lots of cash and plenty of wealth. I’m liquid and sort of self-insured.”

2. **They see it as a cost, not an investment.**
“Why spend on something I don’t need?”

3. **They consider it a poor investment.**
“I’m better off with stocks, real estate – or even investing in my own business.”

How Steve views these myths:

First, I encourage owners to view insurance not as a cost, but as a re-allocation and diversification of their investment portfolio.

In other words: insurance is another asset class. It's a way to take something out of their fixed income allocation and invest in a vehicle – an insurance product – where the value *accumulates on a tax-advantaged basis*. Owners can then use the proceeds from their insurance policy to pay and reduce the income taxes payable on their death – and leave more of their wealth to their family.

Second, I see a corporate-owned insurance policy as a little-shared secret for business owners.

The policy's premiums are paid by the holding company using pre-distribution tax dollars. The proceeds of the policy, including any accumulated investment income, are received by the company tax-free and for the most part can be distributed to the family tax-free. *It's a double win.*

Third, insurance has multiple uses for business families and their futures.

As an investment product. As an effective way to reduce taxes on death. And also as a prudent way to fund taxes at death.

> "In my time at EY, I was typically most involved with the owner during the sale process. In those circumstances, there's usually a lot going on with the deal and the owner is still trying to run a successful business. It can feel like 'drinking from a fire hose' for the owner. At a time like that It can be difficult to get owners to appreciate insurance as a "different asset class" in their portfolio. They're not really attuned to that kind of thinking. Instead, I tried to focus on advising owners in optimizing their tax result, and sincerely helping them understand how estate and insurance planning is a key component to achieving an efficient tax and investment structure for their family following the closing of the deal."

The bottom line?

Life insurance has provided business owners with unique tax-efficient wealth accumulation for decades.

"I encourage business owners to view insurance as a *re-allocation* of their asset mix, not a cost. I'm a believer in life insurance, and I recommend it to business families. I believe they need to be fully educated and informed on insurance – in order to make the best decisions for themselves and for their own estate planning."