Equitable Life of Canada®

Intergenerational Wealth Transfer Strategy

Transferring wealth to an adult child

MEET JOY – Planning to leave a long-term financial legacy for future generations

SITUATION

Joy, age 72, ran a successful business for many years that she recently sold.

She is now enjoying retirement, and she is secure financially. Joy doesn't need all of the money from the sale of her business to sustain her retirement lifestyle. She also already has insurance in place meet her estate planning needs.

Joy is currently invested in taxable investments and she has concerns about the potential tax impact, and in the future, any probate fees her Estate may have to pay. She likes guarantees and wants something in place that will be paid for while she is living. Joy is an ideal candidate for an intergenerational wealth transfer strategy.

GOALS

Joy wants to minimize her taxes and maximize what she leaves for her son Jim and his family. She would like to provide a long-lasting legacy for Jim and his children.

Joy wants a well-designed intergenerational wealth transfer plan and meets with her financial advisor to discuss how best to achieve her objectives. She wants to make sure that her financial gift will help Jim in the future by providing him with direct access to cash if he needs it.She also wants the strategy to benefit her grandkids and will include them in the plan.

RECOMMENDATION

- Purchase a whole life insurance policy (Equitable Life's® Equimax Estate Builder® with a 10-year premium payment schedule) on the life of her son Jim, age 40. The premium deposits of $50,000 a year for ten years will be transferred from Joy's investment portfolio.
- Joy will be the original owner of this policy, with an insurance face amount of $944,287.
- Jim will be the Life Insured and Contingent Policy Owner. Suppose Joy passes away or chooses to relinquish her ownership of the policy. In that case, Jim will automatically become the Policy Owner with no tax consequences.[1]
- After ten years of premium payments the plan will be paid-up. At that time, Joy can choose to transfer ownership of the policy to her son Jim whenever she is ready, without tax consequences.[1]
- Joy's grandchildren, will be the named policy beneficiaries. When Jim dies, they will equally share the tax-free life insurance death benefit from the policy. Jim's wife will be named the Trustee for the children should the death benefit be payable to them while still minors.

[1] Transfer of ownership can be tax-free if the transfer is to a child of the transferor. See subsection 148(8) of *the Income Tax Act* for the definition of "child."

THE RESULT

By Jim's age 65, the illustration shows a cash value of $1,000,525[2], and may continue to grow over the years until withdrawn.

This cash value can be accessed whenever the policy owner chooses[3]. For instance, it could eventually help fund the grand kids' post-secondary education or be used as supplemental retirement income for Jim when he retires.

The life insurance death benefit may continue to grow and the illustration shows a death benefit that may reach over $2.9 million by Jim's age 85[2] and over $3.8 million by age 95[2].

As beneficiaries, Jim's children will eventually receive this significant death benefit completely tax-free.

Jim's Age	Cash Value[2, 4]
50	$316,133
60	$769,734
65	$1,000,525
70	$1,280,369
75	$1,618,960
Jim's Age	**Death Benefit[2, 4]**
85	$2,968,961
95	$3,820,342

Ready to see how intergenerational wealth transfer could work for you?

Contact your advisor who will assess your unique situation and prepare a customized plan.	
Name:	
Tel:	Email:

Equitable Life has made every effort to ensure the accuracy of the information presented; however, accuracy is not guaranteed.

The Intergenerational Wealth Transfer strategy is a concept. It is not a product or contract. It is based on current tax legislation which may change. This information does not constitute legal, tax, investment, or other professional advice. Advisors must determine whether this concept/ product is suitable for a specific client based on the client's circumstances and needs.

[2] Illustrated values are based on an Equimax Estate Builder® with a 10 pay premium option and paid-up additions dividend option for a male, age 40, standard non-smoker rates in effect as of August 12, 2023 with an initial death benefit of $944,287 and an annual premium payment of $50,000. Illustrated values are based on the current dividend scale assuming a 1% reduction in the dividend scale interest rate continuing in effect for the life of the policy. This sales illustration for this case study shows the policy will be paid-up at year 10. A decrease in the life insurance dividend scale will affect the illustrated values. Dividends are not guaranteed and are paid at the sole discretion of the Board of Directors. Dividends may be subject to taxation. Dividends will vary based on the actual investment returns in the participating account as well as mortality, expenses, lapses, claims experience, taxes, and other experience of the participating block of policies. [3]Cash value withdrawals or policy loan withdrawals may trigger a policy gain. The policy gain would be taxable to the Policy Owner. [4]Values shown assume that no policy loan or cash withdrawals will be made.

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