Equitable™

Intergenerational wealth transfer

Planning a financial legacy for future generations

A tax-efficient way to transfer wealth to future generations using permanent life insurance

For Canadians who have enough wealth to support their lifestyle and wish to share their wealth with their children and grandchildren, an intergenerational wealth transfer strategy provides:

- An efficient way to transfer wealth to future generations, while maintaining complete control for as long as you wish
- Tax savings through tax-preferred compounded growth of your cash value which can be accessed at any time
- The ability to transfer ownership of the insurance policy to the next generation tax-free[1]
- No probate fees and a tax-free death benefit to the named beneficiaries upon death of the life insured

How does an intergenerational wealth transfer strategy work?

Under an intergenerational wealth transfer strategy, a grandparent purchases a permanent life insurance policy on their adult child.

The grandparent funds the policy, building up cash value on a tax-preferred basis.[2]

The grandparent maintains control of the policy until they are ready to transfer ownership to an adult child on a tax-free basis[1], while alive or upon their death (by naming the adult child as the contingent policy owner).

Usually, they will designate their grandchild(ren) as the beneficiary.

As the new policy owner, the adult child will then have access to the policy cash value and may use it at any time.[3]

The death benefit may continue to grow over time and ultimately will be paid tax-free to the next generation, the grandchild(ren), upon the life insured's death.

Ownership

The wealth transferor (1st generation)

Original policy owner

- Pays the premuims
- Maintains control of policy as the policy owner

Life insured & contingent owner

The adult child (2nd generation)

Adult child of original policy owner

- Assumes ownership from original policy owner
- Can access cash value for any purpose (as the new owner)

Beneficiary(ies)

The grandchildren (3rd generation)

Grandchild(ren) of original policy owner

- Receives the death benefit **tax free** upon the death of the life insured

Why consider wealth transfer through life insurance?

By building cash value in a permanent life insurance policy, you achieve tax-preferred growth. If assets remained in a taxable investment (such as public company shares, bonds, or real estate) rather than being deposited into a life insurance policy, income on the investment would be taxable (either annually, upon disposition, or both).

Moreover, a life insurance death benefit is not part of an estate if there is a named beneficiary. The death benefit would not be subject to probate fees or taxes when the life insured dies.

Next steps

We encourage you to discuss your objectives with your financial advisor, who will guide you through the entire wealth transfer planning process.

Your advisor can provide you with a copy of the transferring wealth to an adult child case study. The case study describes a typical situation that could benefit from this approach when planning a wealth transfer to an adult child.

Please contact your advisor to discuss the intergenerational wealth transfer strategy further.

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

[1] Transfer of ownership can be tax-free if the person transferred to is a child or grandchild of the policy owner. See subsection 148(8) of the Income Tax Act for the definition of "child".

[2] There is an upper limit on the permitted maximum annual premium that you can deposit. An Exempt Test is processed annually by the insurer to determine and maintain the tax-exempt status per the Income Tax Act (Canada).

[3] Cash value accessed either by policy loan or cash withdrawal may trigger a taxable gain. The policy gain would be taxable to the Policy Owner. 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.

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