



Intergenerational wealth transfer strategy

Transferring wealth to an adult child



Meet Walter – Planning to leave a long-term financial legacy for future generations.

Situation

Walter, age 66, recently sold the successful business that he had built from the ground up over 30 years.

He is now enjoying retirement with his wife, Beth, and they are secure financially. Walter doesn't need all of the money from the sale of his business to sustain his retirement lifestyle. He also already has insurance in place to ensure his estate plan will be achieved.

However, Walter does want to reduce the impact of income taxes on his investment portfolio. In the future, he would also like to minimize any probate fees and income tax that his Estate may have to pay. Walter is an ideal candidate for an intergenerational wealth transfer strategy.

Goals

Walter wants to minimize his taxes and maximize what he leaves for his daughter Christine, age 34, and her family. He would like to provide a long-lasting legacy for Christine and her two young children.

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

Recommendation

- Purchase a whole life insurance policy (Equitable's® Equimax Estate Builder® with a 20-year premium payment schedule) on the life of his daughter, Christine. The premium deposits of \$50,000 a year for ten years will be transferred from Walter's investment portfolio.
- Walter will be the original owner of this policy, with an insurance face amount of \$1,173,158.
- Christine will be the Life Insured and Contingent Policy Owner. Suppose Walter passes away or chooses to relinquish his ownership of the policy. In that case, Christine will automatically become the Policy Owner with no tax consequences.¹
- After ten years of premium payments, Walter will stop the payments. At that time, he can transfer ownership of the policy to his daughter Christine whenever he is ready, without tax consequences.¹
- Walter's grandchildren, Casey and Connor, will be the named policy beneficiaries. When Christine dies, they will equally share the tax-free life insurance death benefit from the policy. Christine's husband, Abe, 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 Christine's age 50, in sixteen (16) years, the illustration shows a cash value of 679,705², and may continue to grow over the years until withdrawn.

This cash value can be accessed whenever the policy owner chooses³. For instance, it could eventually help fund the grand kids' post-secondary education or be used as supplemental retirement income for Christine when she retires.

The life insurance death benefit may continue to grow and the illustration shows a death benefit that may reach over \$4.4 million by Christine's age 85² and over \$5.6 million by age 95².

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

Christine's Age	Cash Value ^{2, 4}
50	\$679,705
60	\$1,050,876
65	\$1,377,173
70	\$1,780,270
75	\$2,271,635
Christine's Age	Death Benefit ^{2, 4}
85	\$4,420,135
95	\$5,648,604

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

Contact your advisor below with any questions, or to obtain a personalized plan for your unique situation.

Advisor Name:	
Tel:	Advisor Email:

Equitable 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 20 pay premium option and paid-up additions dividend option for a female, age 34, standard non-smoker rates in effect as of October 5, 2024 with an initial death benefit of \$1,173,158 and an annual payment of \$50,000 (\$27,839 premium and \$22,161 Excelsior Deposit Option payment). 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 a premium offset point at year 10, after which time you may be able to stop paying premiums for your policy. A decrease in the life insurance dividend scale will affect the illustrated values; may delay the premium offset point and require you to pay premiums for longer than previously illustrated; or require you to resume paying premiums for a period of time if your policy has been on premium offset. 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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