

# Intergenerational Wealth Transfer Strategy New Sales Concept Materials Available

People traditionally inherit their parents' assets **after** they pass away – at which time there is usually also a tax liability to the deceased's estate.

Through the **intergenerational wealth transfer strategy** using permanent life insurance, a grandparent can share their wealth and potentially live to see their children and grandchildren reap the benefits. They can also reap the benefits of lower taxes today and in the future.

Two new marketing flyers and related case studies that illustrate this strategy are now available to help advisors present this concept to their high net worth clients who are looking to share their wealth with their loved ones.

1. **Wealth Transfer to an Adult Child (#1980) + Case Study #1 (#1981)**
2. **Wealth Transfer to a Grandchild (#1988) + Case Study #2 (#1989)**

## MARKETING MATERIALS

### Intergenerational Wealth Transfer to an Adult Child

The flyer (1980) and case study (1981) focus on transferring wealth to an adult child. The flyer includes sections on 'A TAX EFFICIENT WAY TO TRANSFER WEALTH TO FUTURE GENERATIONS USING PERMANENT LIFE INSURANCE', 'HOW DOES AN INTERGENERATIONAL WEALTH TRANSFER STRATEGY WORK?', and 'RECOMMENDATION'. The case study (1981) features a photo of a family and details a scenario where a grandfather transfers wealth to his adult child through a permanent life insurance policy.

Flyer (1980)

Case Study (1981)

### Intergenerational Wealth Transfer to a Grandchild

The flyer (1988) and case study (1989) focus on transferring wealth to a grandchild. The flyer includes sections on 'A TAX EFFICIENT WAY TO LEAVE A FINANCIAL GIFT FOR YOUR GRANDCHILD USING PERMANENT LIFE INSURANCE', 'HOW DOES AN INTERGENERATIONAL WEALTH TRANSFER STRATEGY WORK?', and 'RECOMMENDATION'. The case study (1989) features a photo of a family and details a scenario where a grandfather transfers wealth to his grandchild through a permanent life insurance policy.

Flyer (1988)

Case Study (1989)

FOR PRESENTATION TO ADVISORS ONLY



## Underwriting Considerations for Intergenerational Wealth Transfer cases

The points below highlight a few underwriting considerations applicable to new insurance applications purchased for wealth transfer.

Our standard underwriting requirements will apply for all new insurance applications purchased for a wealth transfer situation.

However, the intergenerational wealth transfer concept should target high net worth (HNW) clients with significant financial assets that are not needed to support their lifestyle. Therefore, our underwriters will be considering the following factors as part of their underwriting review:

### TOTAL ESTATE VALUE

As a general rule, your prospect should have a total projected estate value above \$1 million (excluding the value of their primary residence) that they expect to pass on to their beneficiaries at the end of their lives. Exclude their primary residence value from the projection of estate value.

We do not include the primary residence value in the estate value as in many urban housing markets; it is common to find couples living very frugally in a house bought for a modest sum 30 or 40 years ago and which is now worth millions. They will most likely not have access to this value as they will ultimately pass it on to family via their estate.

### EXISTING INSURANCE IN FORCE

Underwriters will be looking at the prospective policy owner's life insurance in-force. The underwriter will expect to see that the prospective policy owner has entirely covered their own insurance needs before applying for coverage on other family members. As a guideline:

- Both the grandparents and the parents of the children being insured should have at least twice the face amount of life insurance in-force on their lives as the total amount of life insurance that will be put in-force on the grandchildren.
- All grandchildren who are insurable should be insured for the same total amount of insurance on their lives, or for equal amounts of annual premium.

Include a summary of the existing insurance that your prospects have in place in a **Cover Letter with the application**.

## FINANCIAL DETAILS

While the application requests the financial details of the proposed insured, since it is the grandparents purchasing the insurance, the underwriter will need the financial details necessary to confirm the grandparents' wealth. Tax returns or notices of assessment, bank or investment portfolio statements, and corporate financial statements of owned businesses may be required, depending on the amount requested.

## PREMIUM AS % OF ANNUAL INCOME

Underwriting will expect that the total annual premium on all insurance contracts the client pays for does not exceed 20% of their total yearly income.

For older individuals with high value in assets that are not necessary to meet their personal needs during their lives, using this discretionary money towards a wealth transfer strategy may be acceptable.

## FACE AMOUNT PROPORTIONATE TO NEED

Like all insurance, the death benefit needs to be proportionate to an actual monetary loss to the beneficiary on the death of the life insured and proportional to the grandparents' coverage and premium amount. That a grandparent is very wealthy does not in itself create a justification for a jumbo insurance amount on a much less affluent offspring.

If the guidelines for the grandparents' insurance and the premium amount are respected, this should produce a face amount that our Underwriters will consider reasonable.

Please note that Equitable Life reserves the right at all times to request any additional evidence of insurability which it considers necessary to appraise the risk accurately.

## Your business is important to us!

At Equitable Life®, we want to make it easy for you to do business with us.

If you have underwriting questions regarding your Wealth Transfer Strategy applications, please reach out to your Regional Sales Manager to get connected to a Senior Underwriting Consultant for possible next steps.

® Denotes a trademark of The Equitable Life Insurance Company of Canada.