Wealth transfer to grandchild

INTERGENERATIONAL WEALTH TRANSFER –
planning a financial legacy for future generations

A TAX-EFFICIENT WAY TO LEAVE A FINANCIAL GIFT FOR YOUR GRANDCHILD USING PERMANENT LIFE INSURANCE

For grandparents who have enough wealth to support their lifestyle and wish to share their wealth with their children and grandchildren, there is a simple solution for transferring wealth to future generations. The intergenerational wealth transfer strategy using life insurance can help put their plans into action:

- A cost-effective way to transfer wealth, while maintaining complete control of your assets for as long as you wish
- Tax savings through tax-preferred compounded growth of your cash value which can be accessed at any time
- Easily transfer ownership of the insurance policy to the next generation when you are ready, tax-free[1]
- No probate fees and a tax-free death benefit paid to the named beneficiary upon death of the life insured

HOW DOES AN INTERGENERATIONAL WEALTH TRANSFER STRATEGY WORK?

Using this strategy, a grandparent purchases a permanent life insurance policy on the life of their grandchild.

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

The grandparent owns the policy and retains control until they are ready to transfer it to their adult child (the insured grandchild's parent). Any transfer of ownership to an adult child can be tax-free.[1]

At policy set-up, the adult child would be named as the contingent policy owner. The adult child will become the policy owner should the grandparent die before transferring the policy. The adult child would also be named as the beneficiary in case of the grandchild's death.

Using this strategy, the adult child would own the policy until they choose to transfer ownership to the insured grandchild. As the policy owner, the grandchild will then have access to the policy cash value to use as they wish[3] – for education expenses, a down payment on a home, starting a business, or any other purpose.

The death benefit may continue to grow and ultimately will be paid tax-free to the named beneficiaries. Upon the insured grandchild's death, the grandparent's original financial legacy could extend to further generations (see diagram).

Ownership

Grandparent (1st generation)

Original Policy Owner

- Pays the premuims
- Maintains control as the policy owner
- Grandchild is the life insured

Contingent Owner

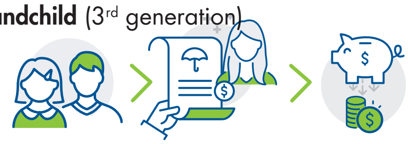
Adult Child/Parent (2nd generation)

Contingent Policy Owner/Second Policy Owner/Initial Beneficiary

- Assumes ownership of the insurance policy
- Can access the cash value at any time, for any purpose

Insured and Owner of Policy after Adult Child

Grandchild (3rd generation)



Life Insured/Final Policy Owner

- Assumes ownership of the insurance policy
- Can access the cash value at any time, for any purpose

Beneficiary(ies)

Other Family Members/Great Grandchildren (4th generation)

Final Beneficiary

- Receives the policy Death Benefit **tax-free** upon the death of the Life insured

[1]Transfer of ownership can be tax-free if the person transferred to is a child. 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 payment 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.

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WHY CONSIDER WEALTH TRANSFER THROUGH LIFE INSURANCE?

Transferring wealth to a grandchild through life insurance can provide a lifetime of financial security and assistance for the grandchild. This strategy can even extend to future family generations, such as the great-grandchildren of the wealth transferor.

Building cash value in a permanent life insurance policy can provide a lifetime of compounded tax-preferred cash value growth.[4] The tax-free insurance death benefit is also not considered part of an estate if paid to a named beneficiary. Therefore, it is not subject to probate fees.

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 a grandchild Case Study. It describes a typical situation that could benefit from this approach if planning a wealth transfer to a grandchild.

They can also provide you with an example tailored to your specific situation to show how the intergenerational wealth transfer approach could work for you. There are different options available to you to meet your unique situation and needs.

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:

[4]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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