



Intergenerational Wealth Transfers

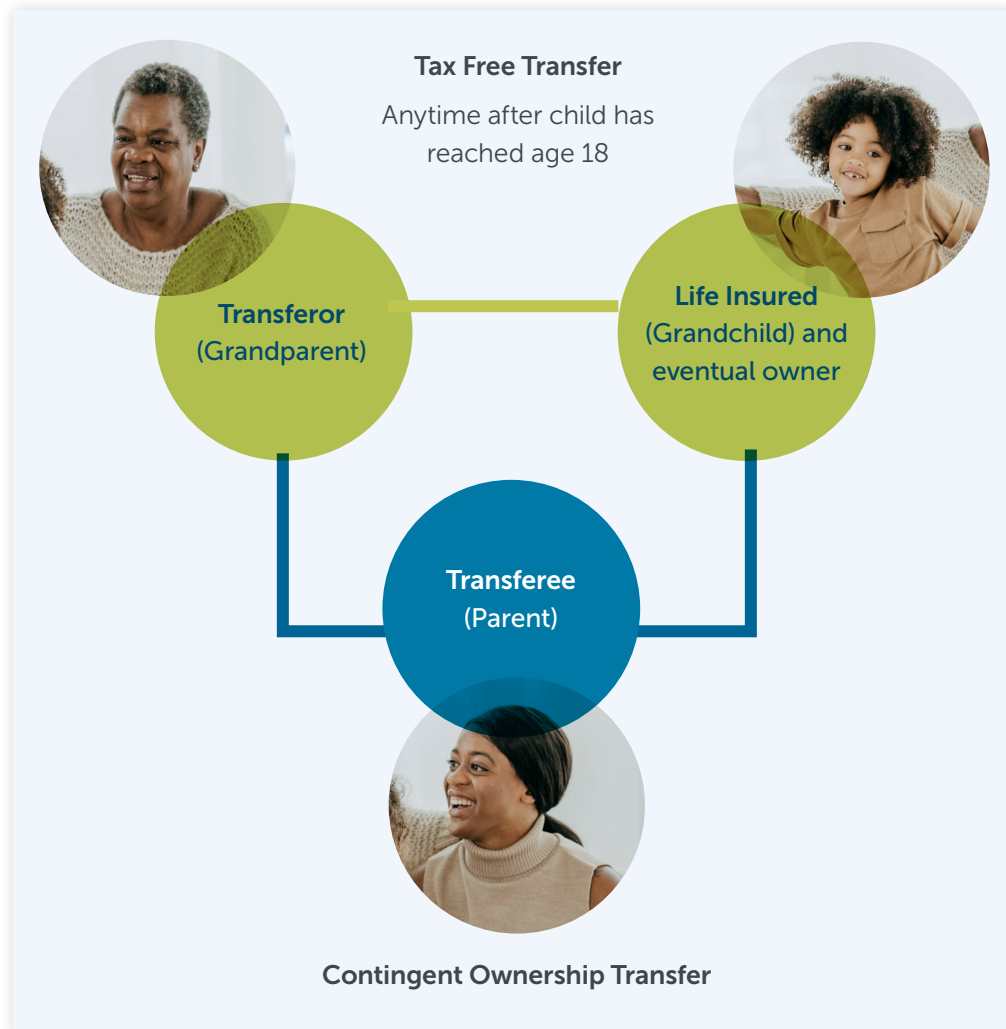
A legacy building strategy

Generation skipping tax shelter

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Life Insurance as a tax-deferred transferable asset



Benefits

- Cash value generally grows tax-sheltered within limits set under the Income Tax Act
- Transfer is tax-free and withdrawals taxed at owner's income tax rate – presumably child's rate is lower than parent's
- Creditor protection possible under certain circumstances
- Contingent ownership transfer can bypass the estate
- Proceeds from policy claim bypass estate if a beneficiary has been named
- Builds estate foundations for future generations



Why

Anytime after child has reached 18, ownership of the policy may be transferred to the child

- Provided no consideration received
- Transfer is tax-free

Child now has ownership of policy including cash value

Beneficiaries of policy can be changed by owner

Control of policy can be managed by naming parent/grandparent irrevocable beneficiary for small percentage of policy



How

Policy purchased on life of child

- Owner – parent or grandparent
- Life Insured – child
- Beneficiary – likely the owner
- Contingent owner should be named if life insured is a minor
- Guaranteed insurability option should be considered

Consider investing maximum amount allowable in the policy to optimize tax sheltered growth



The Power of Life Insurance

- The Income Tax Act allows the tax-free transfer of ownership from one generation to another
- Tax-sheltered growth on cash value
- Withdrawals and loans can be structured to be taxed at lower personal income tax rates
- Creditor protection can be achieved in certain circumstances
- Life insurance proceeds can bypass the estate if a beneficiary has been named

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