

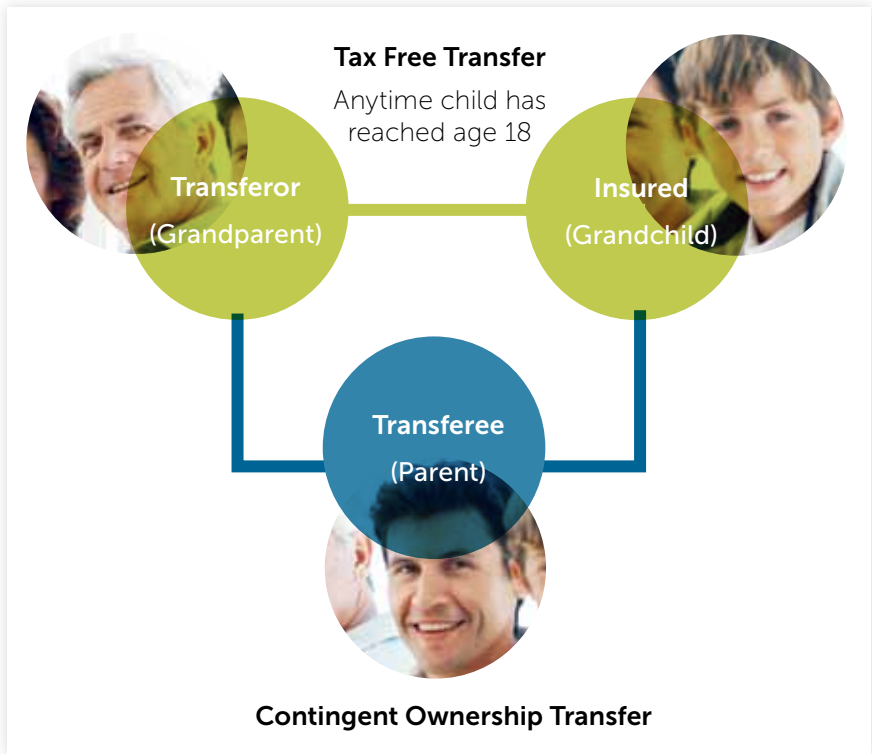
INTERGENERATIONAL WEALTH TRANSFERS

A legacy building strategy

Generation skipping
tax shelter



Life Insurance as a tax-deferred transferable asset



Benefits

- Income on investment account grows tax-sheltered
- Transfer is tax-free
- Withdrawals taxed at owner's income tax rate – presumably child's rate is lower than parent's
- Creditor protection available
- Contingent ownership transfer by-passes estate
- Proceeds from policy claim by-pass estate
- Builds estate foundations for future generations

Why

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

- No consideration received
- Transfer is tax-free

Child now has ownership of policy including investment account

Beneficiaries of policy can be changed by owner

Control of policy maintained by naming parent/grandparent irrevocable beneficiary for small % of policy

How

Policy purchased on life of child

- Owner – parent or grandparent
- Insured – child
- Beneficiary – likely the owner
- Contingent owner should be named
- Guaranteed insurability option should be considered

Maximum amount allowable should be invested in the policy

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 investments (universal life)
- Withdrawals can be structured to be taxed at lower personal income tax rates (universal life)
- Creditor proofing can be achieved
- Life insurance proceeds can by-pass the estate

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¹ *Financial Post Magazine*, June 2010, based on revenue

² As at June 22, 2011

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