



# INTERGENERATIONAL WEALTH TRANSFER STRATEGY

# Want to give your child or grandchild a gift that will benefit them for their lifetime?

## THE STRATEGY IN BRIEF

This strategy is for people who are in an enviable position and want to be able to provide a solid financial foundation for their child or grandchild. The intergenerational wealth transfer strategy is a tax-advantaged way to provide such a foundation.

— A parent or grandparent purchases for their child or grandchild, iA PAR participating life insurance or any other permanent life insurance product that contains a surrender value.

— To pay up the policy, they pay the premiums in 10 or 20 years and can also pay excess premiums in the policy, thus creating a surrender value which grows over the years, sheltered from tax.

— When the child reaches legal age, the parent or grandparent may decide to assign ownership of the life insurance policy to the child, free of payments. Under paragraph 148(8)\* of the ITA, this transfer is made without tax consequences.

— The child or grandchild can benefit from the surrender value accumulated in the life insurance policy to assume certain expenses or benefit from its growth later on.

## CASE STUDY

### Meet: Robert

#### Implementation strategy: \$271,739 iA PAR Estate QP10 life insurance policy

Policy owner: Robert (Age 65)

Insured: Emma (Age 1)

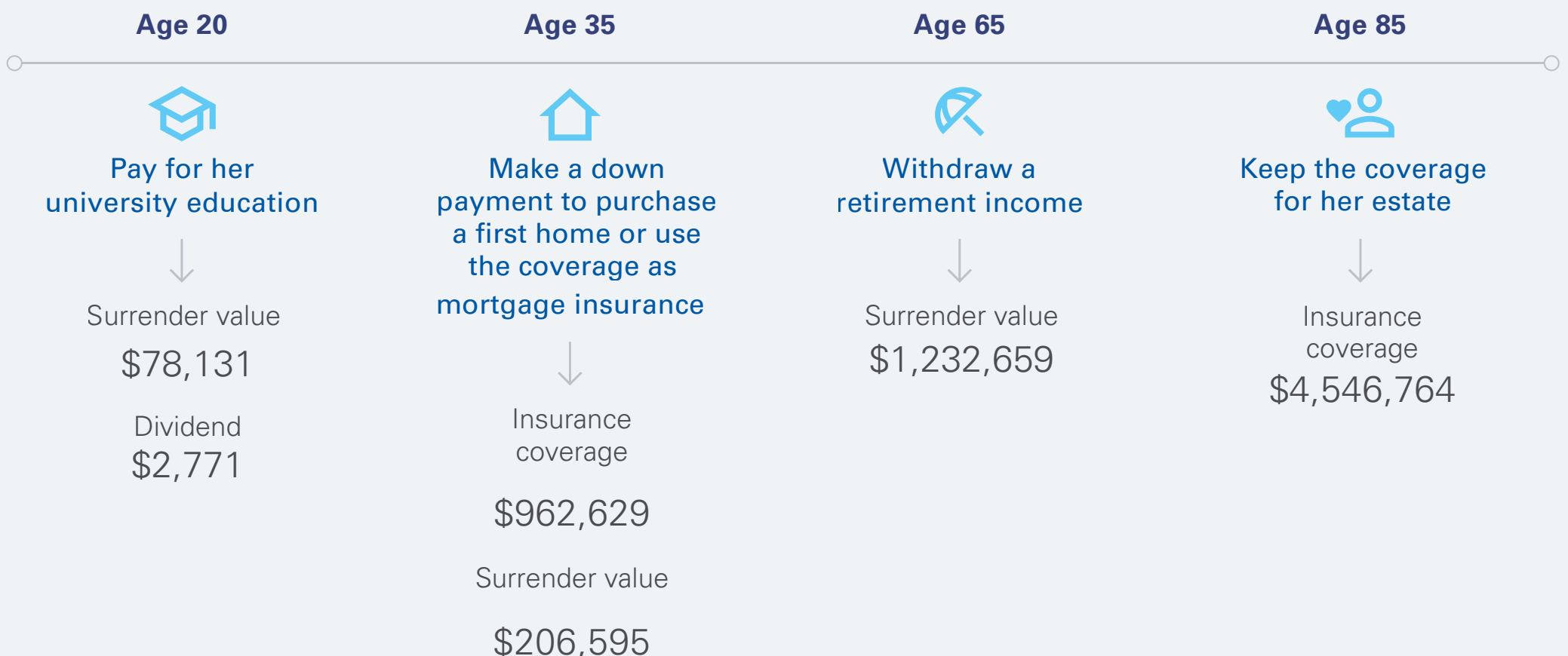
+ Robert plans to make 10 annual deposits of \$5,000 (and nothing to pay afterward)

— His son Adam, Emma's father, is named contingent policy owner (in the event of Robert's death).

— Once Emma reaches age 18, she will be designated as new policy owner. The transfer will be made tax-free.



#### With the accumulated surrender value, Emma has several options:



## ROBERT'S OBJECTIVES

- Transfer a portion of his wealth to his grandchildren
- Benefit from low costs of insurance for a 1-year old child
- Guarantee Emma's insurability
- Give Emma access to the surrender value for future expenses (education, buying a house, marriage, retirement, etc.)
- Benefit from Emma's low tax rate when she is 18, or when she enters the workforce
- Ability to keep control of the policy surrender values (through the irrevocable beneficiary designation)



### Example of the values accumulated in the policy (with current dividend of 6.35%)

	Age 20	Age 35	Age 65	Age 85
Annual dividend	\$2,771	\$6,157	\$36,405	\$134,634
Guaranteed surrender value	\$36,741	\$59,654	\$149,576	\$227,888
Surrender value (rate in effect)	\$78,131	\$206,595	\$1,232,659	\$3,704,162
Death benefit	\$587,326	\$962,629	\$2,316,657	\$4,546,764