

# Intergenerational Wealth Transfer

- *Helping clients transfer wealth using tax-efficient & financially-effective strategies*



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***"To my husband, I leave my opinion of him."***



## Legacy

### Goals of ~~Estate~~ Planning

- Wealth creation
- Wealth accumulation
- Wealth preservation
- Wealth transfer

# Wealth transfers

## *Role of life insurance*



- Strategic advantages
  - Direct to beneficiary
  - Creditor protection
  - Tax advantages

# Wealth transfers

## *Role of life insurance*

- Lifetime uses
  - Tax-sheltered growth
  - *Tax cost base rollovers*
- Uses at death
  - Tax-free proceeds
  - Replace income
  - Pay taxes & expenses; retire debt
  - Maintain surviving spouse's lifestyle
  - Support ongoing business interests



# Scenario

- Situation
- parent/grandparent interested in passing on estate to children
  - create or accumulate
  - maintain control of monies
  - access to monies
  - tax-efficient growth, investment choice



# Scenario 1

- The specifics
- female @ 70
- wants to maximize (*optimize*) savings for grandchildren
- some health problems and concerned over costs of program
- sees no need for insurance

# Scenario 1 cont'd

- “borrows” life of son  
@ 40 NS
- deposits of \$10,000  
per year into program\*
- wants some  
diversification of  
investment

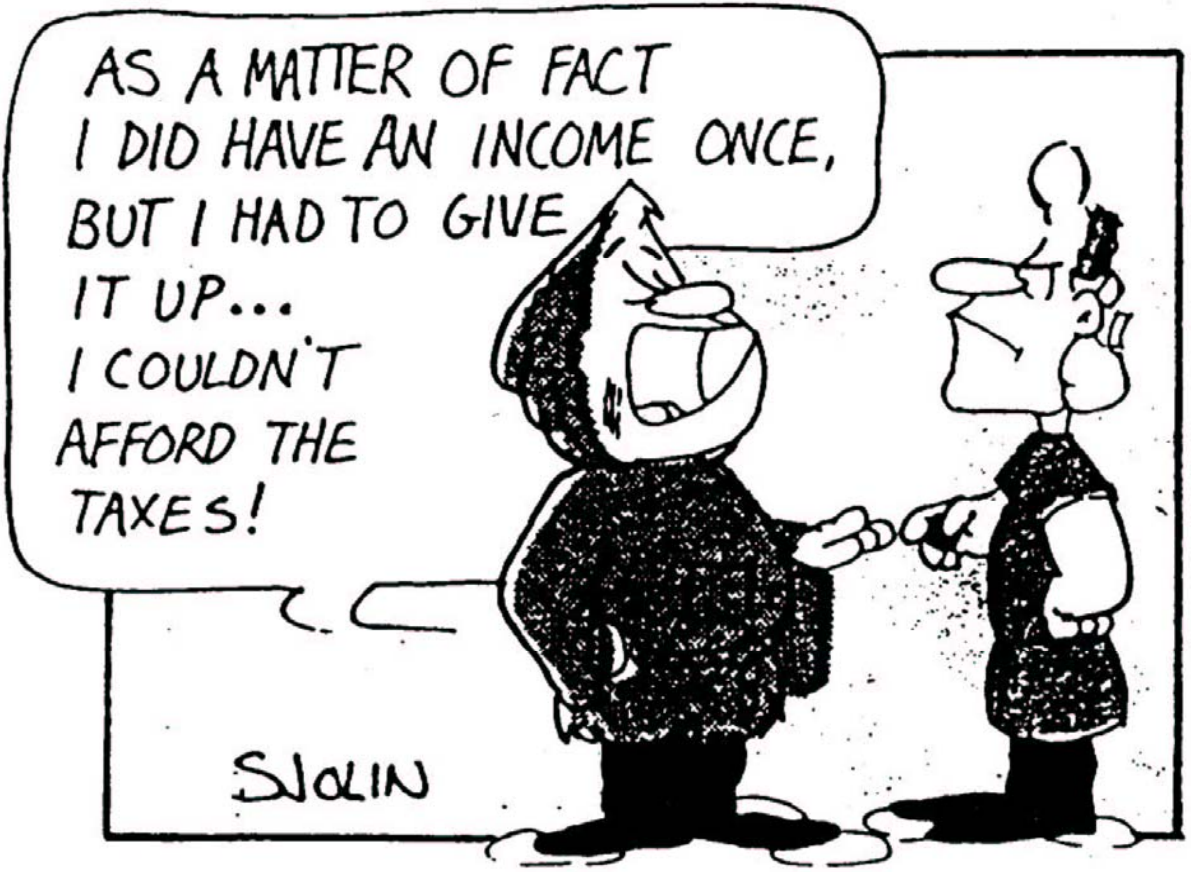


\*shared with son?



\$370K UL @ 7%  
deposit: \$10K/yr. for 15 yrs  
Life expectancy of son 35 yrs

Year	Estate Benefit	Cash Value
10	\$ 570,222	\$ 145,789
20	785,608	393,152
35	1,510,196	1,133,377
40	1,934,113	1,564,113



# Diverting Tax Dollars to Charity



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# Diverting Tax Dollars To Charity

- Current Situation:
  - RRIF Value at death \$250,000
  - No surviving spouse
  - 40 % Marginal Tax Rate
- Tax Man receives \$100,000
- Children receive \$150,000

# Diverting Tax Dollars To Charity

- Client buys \$250,000 Life Insurance policy
- Client bequeaths \$250,000 RRIF to charity
- Charity issues \$250,000 Receipt at death
- Tax Receipt generates \$100,000 Tax Credit
- Tax Credit eliminates tax payable on RRIF

# Diverting Tax Dollars To Charity

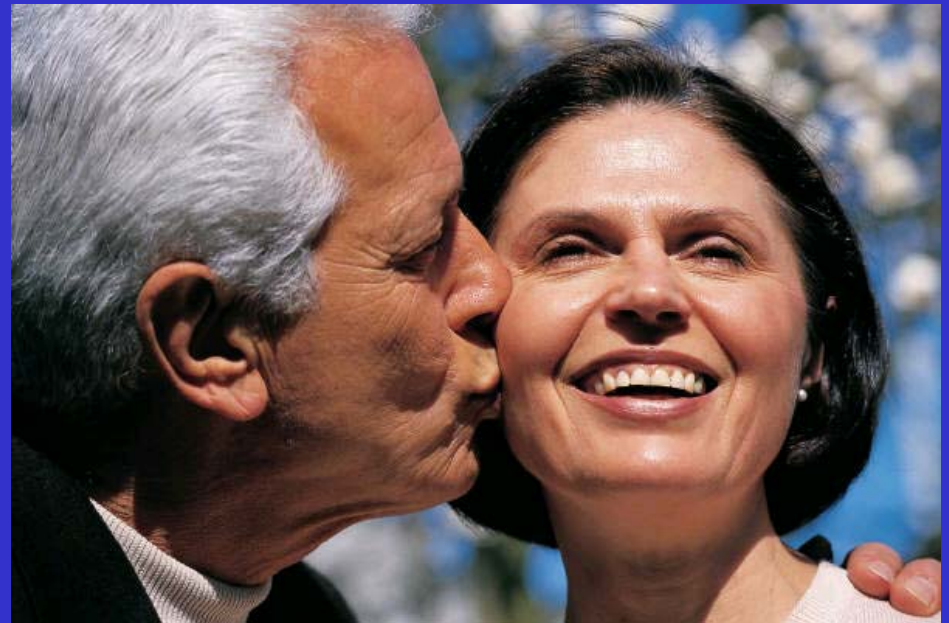
- Charity receives \$250,000
- Children receive \$250,000
- Tax Man receives \$ 0

- RRSP  
Maturity  
Multiplier



# The scenario

- Husband @55, wife @53
- Have GICs, fund portfolio, pension, RRSPs and are debt free
- RRSP has \$100K\*
- *\*no anticipated need for this money for income purposes*





# Let's look at the RRSP holdings

- No need for cash so continue to accumulate
- Assuming 7% rate of return
  - in just over 10 years funds grow to \$200K
  - by his age 71, funds grow to around \$275K

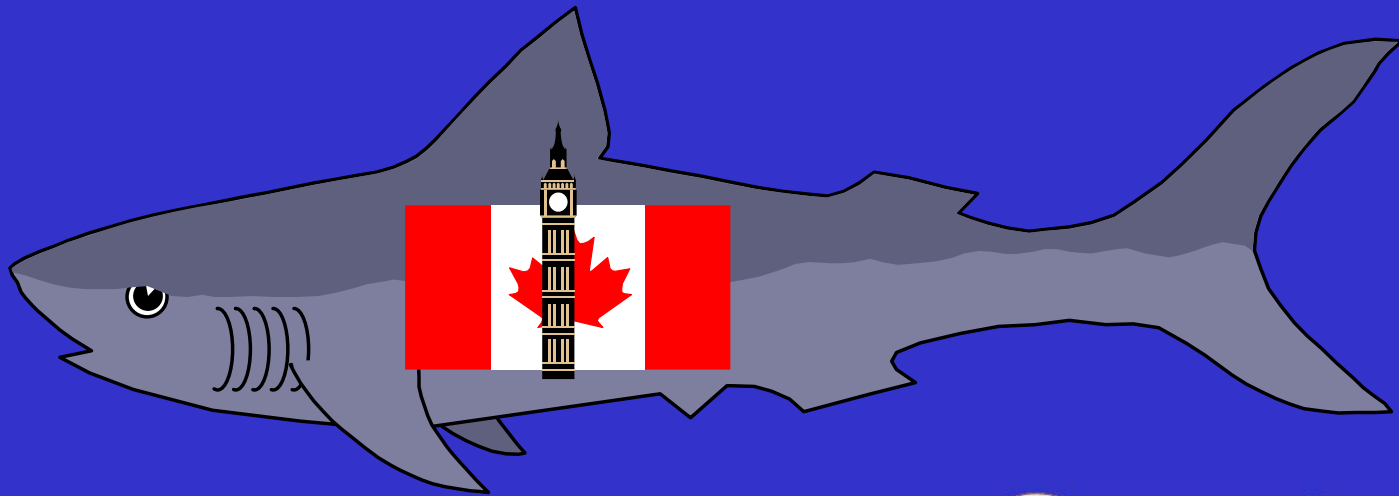
# At age 71 still no need for cash

## SO...

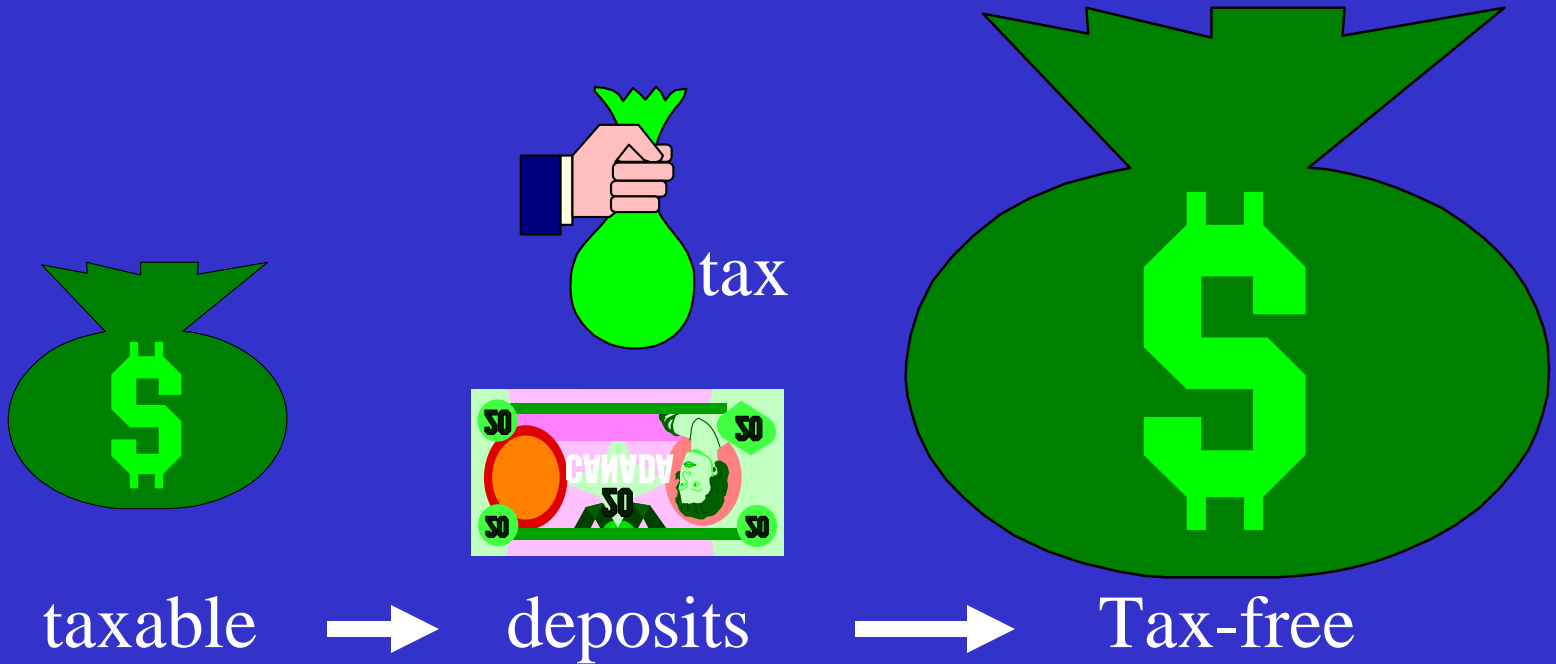
- Convert to a RRIF, minimum payout based on her age
- 10 years later funds remaining grow to about \$280K
- At her mortality funds remaining stand at around \$240K

# Where does balance of monies go?

- As much as 46% of accumulated value lost to taxes
- Balance to children (~\$130K)



Make a small taxable pot of money  
turn into a large tax-free pot of money



# Option 1: Crunching out the numbers

- \$100K deposit into annuity:
  - \$6,240.78 (life 0)
  - \$6,239.23 (life 10)
- net income @ 40% tax is \$3,744.47
- deposit all of net income into RRSP  
Maturity Multiplier (life insurance)

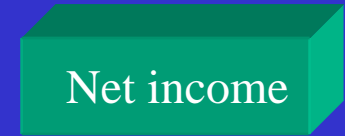
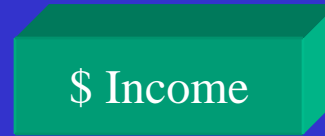
# RRSP Maturity Multiplier Schematic

**Existing**



.....→ *Fully taxable*

**Program**



.....→ *Tax-free*

# RRSP Maturity Multiplier

- \$696,400 tax-free for beneficiaries @ \$3744.60/yr.
- This maximizes multiplier effect on original taxable pot of money
- Assumes clients will not need any part of income as supplement down the road