Manulife

Insurance

GROUP NATALE FIRM FINANCIAL & INSURANCE SERVICES

Tax, Retirement & Estate Planning Services

WEALTH TRANSFER STRATEGY

For more information and or a FREE consultation click or call
www.groupnatale.com
info@groupenatale.com
514 996-7227

Wealth Transfer Strategy ... A Client Profile

The Wealth Transfer Strategy is a financial planning strategy that lets your clients use permanent life insurance as a tax effective way to transfer wealth to their children or grandchildren, while maintaining control of this wealth until it is transferred.

WHO IS IT FOR?

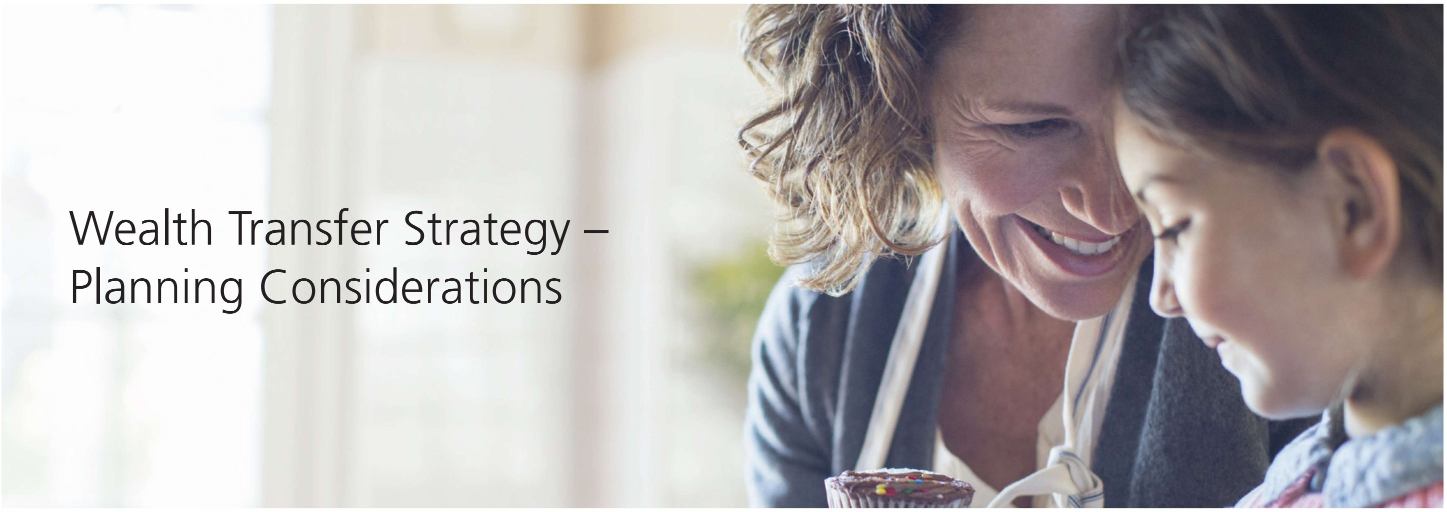
- individual, Canadian-resident taxpayers
- affluent clients with more wealth than they'll need in their lifetime
- have children or grandchildren in good health
- strong desire to transfer wealth while they are still living

HOW DOES IT WORK?

Your client has excess wealth and purchases a permanent life insurance policy on the life of a child or grandchild. As the owner of the policy, your client pays premiums in excess of what is needed to pay for the insurance. This creates cash value. At some point in the future, your client transfers the ownership of the policy to the insured child or grandchild and that child or grandchild assumes responsibility for the policy. This transfer may qualify as a tax-free rollover under rules set out in the Income Tax Act and the child or grandchild becomes the new owner of the policy. As the new policy owner, he or she can now access the cash value to meet current or future cash needs, such as paying for post-secondary education or purchasing a home.

WHY DOES IT WORK?

- life insurance protection on the life of your client's child or grandchild
- tax-free death benefit
- tax-sheltered growth of cash value
- ability to transfer future ownership of the policy to your client's child or grandchild on a tax-free rollover basis
- after the transfer, the child or grandchild can access the cash value as required
- if the cash value is accessed by way of policy withdrawals and the child or grandchild is 18 years of age or older, any tax liability is taxable to the child or grandchild, not to your client
- after the transfer, the child or grandchild can name a beneficiary who is important to them and the insurance policy can become an important part of their financial plan



Wealth Transfer Strategy – Planning Considerations

HOW TO QUALIFY FOR THE TAX-FREE ROLLOVER:

- life insured must be the policyowner's child or grandchild
  - Child includes the spouse or common law partner of the child
  - Child includes step-children
  - Grandchild also includes a great grandchild
- child or grandchild receiving the policy does not have to be the same child or grandchild whose life is insured
- transfer must take place for no consideration
- there can only be one life insured under the policy at the time of transfer
- rollover will not apply if the policy is transferred pursuant to a Will

UNDERWRITING ISSUES IF THE CHILD OR GRANDCHILD IS A MINOR:

- underwriting minors based on individual consideration
- if the initial policyowner is a grandparent, the grandchild's parent or legal guardian will be required to consent to the life insurance coverage on the child
- must be part of a larger planning picture not isolated to insuring just one child or grandchild
- coverage amounts in excess of $250,000 require additional underwriting requirements
- considerations for parents or grandparents include their individual net worth, the amount of inforce insurance on their life and their income
- insurance restricted to one million dollars on a child less than one year old

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CS2336E 01/2016