

INVESTMENT STRATEGIES

Intergenerational Wealth Transfers

Use life insurance on a child or grandchild's life as a tax-deferred, transferable asset to build wealth across generations. A grandparent or parent purchases a permanent policy; once the child reaches age 18, ownership transfers tax-free.

- Cash value generally grows tax-sheltered within limits set under the Income Tax Act
- The transfer of ownership is completely tax-free (provided no consideration is received)
- Withdrawals are taxed at the child's (presumably lower) income tax rate
- Creditor protection is possible under certain circumstances
- Contingent ownership transfer can bypass the estate entirely
- Policy proceeds bypass the estate if a named beneficiary is designated
- Builds estate foundations for future generations

Maximize by depositing the allowable maximum to optimize tax-sheltered growth, and consider adding a Guaranteed Insurability Option.