You want to leave a legacy to loved ones

Can they afford the tax bill?

Learn how the Estate Preserver Plan can help

Planning for the future involves more than accumulating wealth: It's also about ensuring that your wealth is preserved for loved ones. Many people who are completing the asset accumulation phase of their lives have built significant wealth (such as investment portfolios, RRSPs, properties, and businesses).

To pass on this wealth, taxes need to be paid on all tax-deferred and registered plans (a tax-free rollover may be available to the surviving spouse, in which case the tax liability is payable upon their passing). These taxes can significantly reduce the value of the estate remaining for beneficiaries. Estate costs like probate[1] or estate administration fees (where applicable), legal, accounting, and executor fees, can add to the erosion of the estate.

Without proper planning, your estate could leave a financial burden for your children and other heirs.

What can you do to find the money to pay the tax?

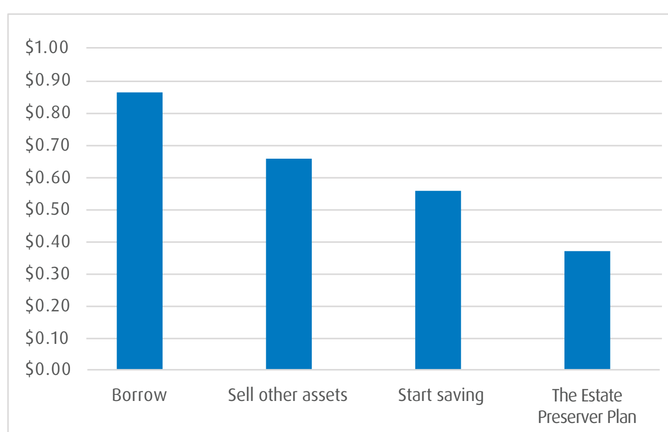
It's important to weigh the options and decide what's right for you and your family. Here are some strategies to think about:

- Ask your family to start saving for the future tax bill
- Sell other assets from your estate
- Ask your family to borrow from a bank to pay for the tax
- Use the Estate Preserver Plan from BMO Insurance

The first three options are expensive and may not be in line with what you want to happen with your estate.

On the other hand, the Estate Preserver Plan uses life insurance as a cost-effective solution to cover the taxes due. Your beneficiaries can use the lump-sum, tax-free cash proceeds from the insurance policy to offset the tax bill and receive the full value of your estate.

Present value cost per $1,000 of future capital gains tax[2]



Continued

Understanding the Estate Preserver Plan

Permanent life insurance is considered one of the tax-efficient ways that Canadians can protect and pass along their wealth.[3] The Estate Preserver Plan incorporates permanent life insurance and is designed to help individuals and couples offset the taxes and costs that can diminish an estate upon death.

By buying a life insurance policy tailored to cover the projected expenses that can deplete your estate value, you can ensure that your beneficiaries receive the maximum value of your estate without the burden of unforeseen financial obligations.

- With the help of your advisor, you can pick the amount and type of permanent life insurance that makes the most sense for you.
- Depending on the type of insurance, you may also be able to customize premiums to fit with your personal financial goal.
- If you select universal life insurance, you can choose to invest your money in a broad range of investment accounts. These offer tax-deferred growth on investment returns for amounts above the cost of insurance.
- If you select whole life insurance, select a guaranteed pay structure that works best for your budget. For example, with BMO Insurance, a guaranteed 10-pay (where you pay your premiums for 10 years) would be the most efficient way to pay for your policy.
- If predictability regarding the cash value growth of your policy is a top priority, you may want to consider whole life insurance.

Case study: Wealth transfer comes with costs

To see how wealth transfer, and its accompanying costs, could play out on an individual level, consider the following example:

- Bill is 68 and Janice is 67
- They will retire comfortably and aren't worried about retirement income
- They have built up a sizeable estate which includes the following, in its current value:

Asset	Value
Principal residence	$1 million
RRSP	$350,000
GICs	$250,000
Stocks	$250,000 (purchase price $120,000)
Cottage	$500,000 (purchase price $120,000)
Total estate value	**$2,350,000**

They have no outstanding debt or mortgages and want to pass on their estate to their three daughters Gillian, Christina, and Melanie. Most importantly, they want to ensure that the family cottage remains a gathering place for the entire family, including their grandchildren and sons-in-law.

However, after an advisor evaluates their situation, they learn that their tax liability is $408,250 – more than 17% of the value of their estate – and this amount could grow over time.[4]

Their advisor creates an Estate Preserver Plan from BMO Insurance to offset the tax liability due on their estate. The advisor determines that Bill and Janice should purchase $297,035 of permanent, whole life coverage from BMO Insurance and fund it over 10 years.

Using the Estate Preserver Plan, Bill and Janice's advisor shows them that the value of their estate can remain intact. This approach will maximize the estate their daughters receive and cover off the tax due on the cottage when it is transferred.[5]

Estate Preserver Plan advantages

Tax liability coverage: Upon death, assets such as investment portfolios, RRSPs, properties, and businesses may incur significant tax liabilities. The Estate Preserver Plan provides a tax-free death benefit that can be used to pay these taxes, providing a financing alternative to liquidating assets.

Estate preservation: By addressing potential tax burdens proactively, the plan helps maintain the value of your estate, ensuring that your heirs receive the inheritance you intended.

Cost-effective solution: Compared to other methods of covering estate taxes – such as selling assets or borrowing funds – the Estate Preserver plan is extremely efficient.

Plus, with BMO Insurance, you get affordable and competitive insurance that's backed by the financial strength of BMO Financial Group, one of Canada's most recognized brands.

The information contained in this guide is general in nature and should not be construed as legal or tax advice. You are encouraged to seek the advice of other professionals such as legal and tax experts to ensure that the ideas presented are appropriate for your circumstances.

Our commitment to you

Our insurance business has a solid history and reputation for being a trusted insurance provider for thousands of Canadians, including their families and businesses. BMO Insurance is confident that we are able to meet the financial obligations we make to all our policyholders.

Let's connect

For more information about BMO Insurance or our products, please consult your insurance advisor or contact us at 1-877-742-5244.

1-877-742-5244

bmoinsurance.com

BMO Insurance

[1] Probate costs vary by province. Probate is not applicable in Quebec.

[2] Present value takes into consideration the timing of cash flows to equate each solution on a comparable basis as of today. Present value calculated based on a discount rate of 2.00%. The savings option assumes an accumulation rate of 5.75% over a period of 10 years. The borrowing option is based on a loan rate of 5.75% for a duration of 10 years.

[3] How to use permanent life insurance to create tax efficiency in estate planning, grow a business – The Globe and Mail

[4] This calculation is based on a growth rate as follows: 3% for principal residence, 3% for RRSP, 3% for GICs, 6% for stocks, 3% for their cottage, and is calculated using the The Wave 56.0.

[5] Note: This example is based on BMO Whole Life Guaranteed 10 pay Estate Protector (The Wave 56.0) policy and is merely a projection of future results, using a set of assumptions that will change over time. Actual results are not guaranteed and will vary.

02/25-0122_ACC

683E (2025/04/14)