Is there a simpler way to transfer assets to my heirs?

You have accumulated a sizeable estate and are planning to transfer assets to your children or grandchildren. However, while you do not see an immediate need to access all of these investment assets, you still want to maintain control of your money.

You also want the flexibility to decide if a portion, or all, of these funds will be transferred to your heirs during your lifetime or as part of your estate.

In addition, you realize that given these investments form part of your estate value (which will be taxed), probate taxes and other charges will further decrease their value, leaving less to transfer to your heirs.

You have several options to transfer assets to your children:

Option to transfer assets from parent to child (or grandchild)	What you should consider
Non-registered GICs or mutual funds	✓ Simple and easy to purchase ✗ All (or a portion) of the investment income for these options can be taxable on an annual basis
Trust for your child or grandchild	✗ Can be complicated ✗ Can be costly due to legal and trust setup fees and ongoing maintenance costs
Registered Education Savings Plan (RESP)	✓ Provides tax benefits on contributions ✗ Contribution amounts are limited
Gifts	✓ Simple and easy to do ✗ You may not be willing to give up control of the assets

There is a better alternative: the Family Asset Transfer Plan

- A simple, tax effective way to transfer your assets to your children (or grandchildren) which could also minimize the risk of having your will contested and without losing significant amounts to probate, taxes and other estate charges.
- You maintain control of your money and can transfer money to your children (or grandchildren) when you are ready.
- A reduction in future taxable income since assets are transferred into a life insurance policy with tax-deferred accumulation.
- You can access the Cash Value of the investment portion of your policy at any time.
- Your child (or grandchild) is provided with valuable insurance protection.
- You may designate a beneficiary for the death benefit to whom tax-free proceeds will be paid.

Client Profile

For example: Sam and Bill

Sam is 60 years old and has a 50% marginal tax rate. He has $75,000 invested in a non-registered Balanced Fund that he would like to eventually transfer to his son, Bill. However, he is not yet ready to transfer these funds into Bill's name.

Bill is 35 and has just become the father of a new baby girl, Julie. After consulting with his advisor, Bill determines that he should purchase $500,000 of insurance to protect his family.

Sam has two options:

Transfer the money into the Family Asset Transfer Plan from BMO Insurance

OR

Keep his money in a Balanced Fund.

BMO Insurance

Continued

Comparison of Values: Wealth Dimensions

Non-registered investment vs. Family Asset Transfer Plan from BMO Insurance

Family Asset Transfer Plan at 5%			Alternative investment at 5.5%[3]		
Year	Fund Value	Death Benefit	Year	Account Value	Estate Value
5	$82,654	$500,000	5	$83,030	$81,785
10	$102,105	$500,000	10	$98,186	$96,713
15	$126,156	$500,000	15	$116,108	$114,366
20	$156,823	$500,000	20	$137,301	$135,242
30	$244,690	$500,000	30	$192,000	$189,120
40	$388,587	$528,224	40	$268,489	$264,461

Note: This example is based on a Wealth Dimensions (Wave v56.0) universal life 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. This projection is not complete unless it is accompanied by all the pages of a Wealth Dimensions projection from the Wave Illustration software from BMO Insurance. See your insurance advisor for more details.

[3] Assuming a Balanced Fund that has the following income: 50% interest, 30% dividends, 10% unrealized capital gains and 10% realized capital gains, probate fees of 1.5%, and Individual Dividend Tax Rate of 35%.

Note: Probate Fees are not applicable in Quebec.

The results

- Over a period of five years, Sam's $75,000 investment (net of charges) will grow within a tax-deferred environment.
- Sam's future taxable income is reduced since assets are transferred into a life insurance vehicle with tax-deferred accumulation.
- Sam maintains control of his assets and is able to transfer this amount to Bill during his lifetime or at death.
- As owner of the policy, Sam may access the Cash Value of his policy at any time.
- Bill has $500,000 of flexible permanent insurance protection.
- Both Sam and Bill can pass on a legacy to Julie, grandchild/child, through the insurance protection.

Note: Before proceeding, you should determine the tax consequences of transferring assets from other investment vehicles into the Family Asset Transfer Plan. BMO Insurance will review that an insurable interest exists between you (the owner) and your child (the insured) before the insurance coverage can be approved and issued.

Our commitment to you

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