How can I leave more to my family?

Each year, you pay income tax on the investment income earned on the extra money you have set aside for estate purposes. Also, you realize this burden will increase significantly when these assets are passed on to your heirs since probate fees and other estate charges could further reduce their value – leaving less for you to transfer to them.

There is a solution: The Personal Asset Transfer Plan

The Personal Asset Transfer Plan allows you to transfer your surplus investments into a tax-exempt life insurance policy to cover your life insurance needs and to benefit from the tax-deferred growth within the policy. Then, upon death, the plan allows you to transfer these sums tax efficiently to your heirs. When compared to traditional taxable investment options, this approach can maximize the after-tax value they receive.

- An immediate increase in the after-tax value of your estate based on the amount of life insurance that you and your advisor determine you need.
- A conversion of your taxable investment into non-taxable death benefit.
- A reduction in future taxable income, since assets are transferred into a life insurance policy with tax-deferred accumulation.

Plus:

- You'll be able to access the Cash Value of the plan at any time through cash withdrawals or loans secured by your policy.
- You'll be able to transfer the insurance proceeds to your heirs outside of your will – reducing the liabilities that result from settling your estate.

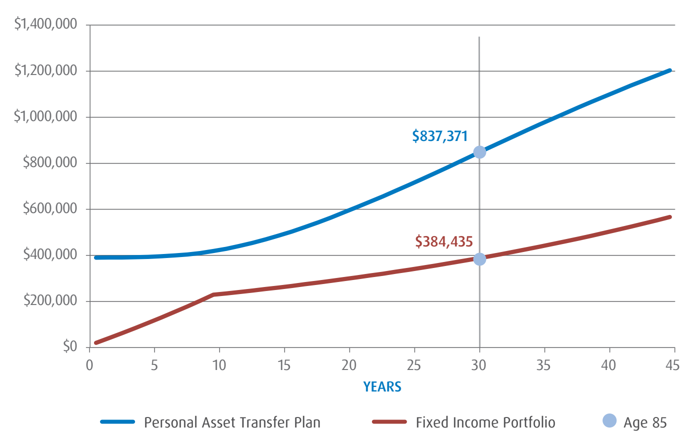
Note: Before proceeding, you should work with your insurance advisor to determine the full impact of transferring assets from other investment vehicles into the Personal Asset Transfer Plan.

For example:

Sam and Sally are both 55 years old and have $400,000 invested in a non-registered fixed income portfolio that they would like to eventually transfer to their children, Bill and Betty. Currently, Sam and Sally are taxed at a rate of 50% on the investment income earned within this portfolio. When they factor-in the tax they paid on the investment income, their 5.25% net annual return translates into just over a 2.63% net return after-tax![1]

Sam and Sally are looking for an alternative and are considering the Personal Asset Transfer Plan for a portion ($200,000) of the portfolio.

A Projection of Net After-Tax Estate Values[2]



The Results

- By using the Personal Asset Transfer Plan, Sam and Sally will have significantly increased the value of their estate.
- Over a ten year period, $200,000 of their taxable investment portfolio (net of charges) will grow tax-deferred within the whole life policy, greatly reducing their annual tax bill.
- Upon death, the life insurance can be paid to Sam and Sally's heirs tax-free.
- By using a direct beneficiary designation, they will be able to reduce the estate administration taxes which would typically be assessed on other types of assets.

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[1] Certain limits apply. See your insurance advisor for more details.

[2] This example is a projection based on BMO Insurance Whole Life Estate Protector assuming a 4.75% Performance Bonus Rate, 10-Pay ($20,000 per year) and a face solve of $390,182. The Fixed Income Portfolio is projected at 5.25%, 1% probate fee and 45% individual dividend tax rate. Please contact your advisor for full detail. Source: The Wave 56.0.

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