

# Estate Planning and Wealth Transfer Series

## "Estate Wedge" – The Tipping Point

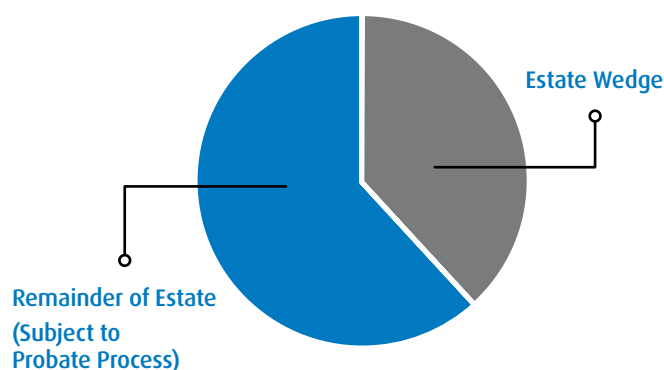
As your clients age, their financial objectives may shift. Initially, debt management and wealth creation may be top of mind. However, as they approach retirement (age 60-75), their debt is typically reduced (or eliminated) and they've accumulated sizeable investment assets which can provide retirement income. It's at this stage that retirees start to think about estate preservation and wealth transfer.

As they get even older (age 75+), these issues may become their primary focus. So, if they're looking for higher potential returns, estate preservation and a way to transfer assets to their heirs upon death in a timely, private and cost-effective manner, consider an "Estate Wedge". This type of planning can be an essential part of your client's overall financial strategy.



### The Tipping Point

<p>Pre-retirees, professionals and business owners</p> <p><b>Focus on:</b></p> <ul style="list-style-type: none"> <li>• Debt management</li> <li>• Wealth creation</li> </ul>	<p>Recently retired clients (60-75)</p> <p><b>Focus on:</b></p> <ul style="list-style-type: none"> <li>• Retirement income</li> <li>• Wealth preservation "<b>Estate Wedge</b>" is introduced</li> </ul>	<p>Later stage retirees (75+)</p> <p><b>Focus on:</b></p> <ul style="list-style-type: none"> <li>• Wealth transfer (quick, private, cost effective)</li> </ul>



An **Estate Wedge** is a portion of an individual's non-registered investment portfolio (typically 20-50%) to hold outside of the estate. Assets in the Estate Wedge remain liquid and within control of the investor.

## Steps to getting an “Estate Wedge” established in a tax-efficient manner:

**Step 1.** Segment your clients based on the above age scale. Other factors may include:

- clients with large non-registered assets
- double income earners with children
- widowed clients with children
- clients who take commuted values of pensions (or if there are non-registered assets as part of employment severance)
- clients who are executors, beneficiaries and/or have power of attorney for their parents (as a way to generate referrals to older parents to aid in and simplify their estate planning)

The Estate Wedge is an effective asset gathering strategy and can help generate more referrals.

**Step 2.** Have your clients decide on an initial amount for their Estate Wedge (e.g. an allocation of \$300,000 from their non-registered account with \$100,000 going to each of three beneficiaries = \$300,000 Estate Wedge).

**Step 3.** Gradually transfer assets into segregated funds. Preference should be given to:

- Existing assets close to their Adjusted Cost Base (ACB)
- Existing assets that are part of a regular year-end tax loss selling initiative (which can also offset and free-up assets with embedded gains)
- RRIF/LIF payments that clients don't require for income needs
- A specified amount annually (and realize some tax consequences that won't bump the client into a higher tax bracket)
- Consolidation of other outside assets (e.g. maturing GICs, high balances in savings accounts, home/cottage sale proceeds)

### Why BMO GIF segregated funds for your Estate Wedge?

- Avoid probate<sup>1</sup>/estate administration process (distribution of assets is quick and private)
- Maximize wealth transfer (no probate,<sup>1</sup> executor, legal or other associated fees)

- Lock-in market gains/protection from drops (100% deposit guarantees<sup>2</sup> on death with automatic triennial death guarantee amount resets<sup>3</sup>)
- Protection from creditors<sup>4</sup>
- Flexible payout options to beneficiaries: lump sum, installments (annuity settlement) or a combination of both
- High Net Worth pricing (Prestige) at \$250,000
- Highly competitive and industry leading MERs from 1.95% (Prestige from 1.85%):
  - **GIF 75/100** (to age 80)
  - **GIF 75/100 Plus** (to age 85)
- All portfolios managed by BMO Global Asset Management, with a global view of its investment strategies
- Flexible Chargeback options:
  - i) 3% upfront commission (with 2-year chargeback);
  - ii) 5% upfront commission (with 5-year chargeback)

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<sup>1</sup> The probate process and its fees may not apply in Quebec.

<sup>2</sup> GIF 75/100 and GIF 75/100 Plus: At Death, 100% on deposits made before the Annuitant is age 80 (age 85 for GIF 75/100 Plus) and 75% of deposits made on or after age 80 (age 85 for GIF 75/100 Plus), reduced proportionately for withdrawals.

<sup>3</sup> GIF 75/100 and GIF 75/100 Plus: Automatic resets of the Death Guarantee Amount occur every 3<sup>rd</sup> policy anniversary up to and including the last policy anniversary before the Annuitant's 80<sup>th</sup> birthday.

<sup>4</sup> Creditor protection rules vary by province and cannot be guaranteed.

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