Intergeneration Wealth Transfer

Planning your financial legacy for future generations.

Intergenerational wealth transfer refers to the process of passing assets, financial resources, and investments from one generation to the next, typically from grandparents to their grandchildren. This practice is significant for grandparents who wish to secure their family's financial future, provide a lasting legacy, and support their grandchildren's endeavors, such as education, home ownership, or business ventures. By strategically managing their wealth and utilizing tax-efficient methods, grandparents can ensure that their resources continue to benefit their family for generations to come.

For grandparents who have sufficient wealth to support their own lifestyle and wish to share their wealth with their children and grandchildren, an intergenerational wealth transfer strategy using life insurance is an excellent solution. This approach can help you effectively transfer wealth to future generations while maintaining control over your assets.

- Transfer wealth while maintaining full control of your assets for as long as you desire.
- Enjoy tax-preferred compound growth of your cash value, which you can access anytime.
- Transfer ownership of the insurance policy to the next generation tax-free when you're ready.
- Beneficiaries receive a tax-free benefit upon the insured's death, without incurring probate fees.

How does an intergenerational wealth transfer strategy work?

In this strategy, a grandparent purchases a permanent life insurance policy on their grandchild's life. The grandparent funds the policy, building up cash value on a tax-preferred basis. The grandparent retains ownership and control of the policy until they are ready to transfer it to their adult child, who is the parent of the insured grandchild.

When the grandparent is ready to transfer ownership, it can be done tax-free[1]. At policy setup, the adult child is named as the contingent owner. If the grandparent passes away before transferring the policy, the adult child becomes the policy owner and beneficiary in case of the grandchild's death.

The adult child owns the policy until they decide to transfer ownership to the insured grandchild[1]. The grandchild then gains access to the policy's cash value[2], which can be used for various purposes, such as education expenses, a down payment on a home, or starting a business.

The death benefit may continue to grow and will be paid tax-free to the named beneficiaries upon the insured grandchild's death. This strategy ensures that the grandparents' financial legacy can extend to future generations.

Utilizing a permanent life insurance policy is a tax-efficient way for grandparents to transfer wealth to their grandchildren, ensuring financial security for future generations.

Grandparents

Original Policy Owner	*Pays premiums *Maintains control as the policy owner *Grandchild is life insured

Adult Child

Contingent Policy Owner / Secondary Policy Owner / Initial Beneficiary	*Assumes ownership of the policy *Can access the cash value any time

GrandChild	
Life Insured / Final Policy Owner	*Assumes ownership of the insurance policy *Can access cash value any time

Beneficiaries	
Other Family members / Great Grand Children	*Final Beneficiary - receives the death benefit tax free upon death of the life insured

Why consider wealth transfer through life insurance?

Transferring wealth to a grandchild using life insurance provides lifelong financial security and support for the grandchild. This strategy can also extend to future family generations, such as great-grandchildren. Building cash value in a permanent life insurance policy offers compounded, tax-preferred growth over time. The tax-free insurance death benefit is not considered part of the estate if paid to a named beneficiary, thus avoiding probate fees.

Utilizing a permanent life insurance policy is a tax-efficient way for grandparents to transfer wealth to their grandchildren, ensuring financial security for future generations. By employing an intergenerational wealth transfer strategy, grandparents can maintain control of their assets, enjoy tax-preferred growth, and provide a tax-free benefit to named beneficiaries. This approach offers a seamless transfer of ownership and can extend the grandparents' financial legacy beyond their grandchildren, benefiting great-grandchildren and future generations.

1. Transfer of ownership can be tax- free if the person transferred to is a child. See subsection 148(8) of the income tax act for the definition of a child which includes child, grandchild, and great-grandchild.
2. Accessing a policy's cash value may trigger a taxable gain. This gain would be taxable to the owner of the policy.

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