Create a valuable gift for your children and grandchildren.

Your personal wealth can be measured by what’s most important – your family.

When deciding on options for your family’s future, have you ever considered the following?

• Would you like to provide financially for the future of your children or grandchildren?
• Should you be giving while you are still alive or at death through your will?
• Do you think that creating an inheritance for your children or grandchildren is unaffordable and out of your reach?
• Have you wondered what the tax consequences are of giving money to your children?
• Did you want to gift while still alive, while you maintain control of your assets and benefit from tax-deferred savings?

The Family Wealth Transfer Strategy offers you an affordable way to provide for your child or grandchild at each stage of life. This strategy is ideal for parents who would like to start saving for their child’s future, and grandparents who would like to leave an inheritance for their children or grandchildren.

You will be able to take care of what’s important now.

Unlike traditional insurance solutions that provide benefits upon death of the parent or grandparent, the Family Wealth Transfer Strategy is built around a universal life insurance policy on the life of the child. A universal life insurance plan from Transamerica Life Canada provides you with an opportunity to provide a lasting gift for your children’s important life events. By investing in this powerful tax-efficient financial tool, you will be able to give them a great start in life – a sound education, their dream wedding or help them purchase a home of their own. And since the insurance is on the life of the child, it will provide lifetime protection for the next generation.

There are so many benefits to using the Family Wealth Transfer Strategy.

Your savings will go so much further. You can create a valuable gift for your children and grandchildren that offers benefits during your lifetime. The Family Wealth Transfer Strategy provides a powerful savings tool, as well as establishing important insurance protection. There are many advantages to using this strategy:

• You will be able to maintain full control of the funds.
• The plan has lower set-up and administration costs than other forms of wealth transfer.
• Funds may be used for any purpose.
• You will lock in the insurability of your child for life.
• Under some conditions, the policy can be protected from creditors.

• While your gift grows, it is tax-deferred. Withdrawals are taxed in the hands of your children after the policy is transferred to them.
• The gift bypasses the will and the estate and is exempt from costly probate and other estate-related costs.
• You will have access to a variety of investment funds and interest options.

Our Family Wealth Transfer Strategy offers a more flexible alternative to other savings options such as RESPs and family trusts. Unlike others, our strategy is simple to set up and easy to maintain. You will be able to use the funds when and how you wish, while other financial alternatives are established for limited purposes. By using life insurance as the vehicle to transfer your non-registered assets, you will immediately increase the value of your estate by minimizing probate, legal and executor fees and investment income taxes.

How can the Family Wealth Transfer Strategy work for you?

Our universal life insurance policies have unique features and tax advantages that make them ideal mechanisms to help transfer wealth between generations. Transfers can be done in a tax-efficient way, without having to give up control of the gift.

By purchasing a tax-exempt universal life insurance policy on the life of your child,* you will be able to deposit your otherwise taxable non-registered assets into the policy. Deposits within the policy will then accumulate on a tax-deferred basis. Any income that builds is not taxed until it is withdrawn, usually at the child’s marginal tax rate after transfer. Also, benefit payments on death, critical illness, disability or long-term care are tax-free.
You will remain the policyowner, while your child is designated contingent owner of the policy at time of application. In this way, you will have control of the policy until the ownership is transferred to the child.

Usually, when the ownership of a life insurance policy is transferred to another person, there is a disposition of the policy for income tax purposes. However, a provision of the Income Tax Act (subsection 148(8)) allows for a life insurance policy to be transferred from the owner to his or her child on a tax-deferred, “rollover” basis.

To be eligible for the rollover:

- The child must be the only life insured under the policy at the time of transfer, but need not necessarily be the person to whom ownership is being transferred. For example, the life insured may be the grandchild and the policy may transfer from the grandparent to his or her child (i.e., the parent of the insured).
- The policy must transfer for no consideration (free) to a child.
- The transfer of ownership must be a direct transfer. It is important that in the event of the owner’s death, the child receives the ownership directly through a contingent ownership designation in the policy and not through the will.

Transfer of ownership

Transfer of ownership may take place at any time, provided that the new owner can legally own the contract. (In most provinces, it is at age 16, and age 18 in the province of Quebec.) If you choose to transfer the policy while you are still living, the child as the new owner will then have control over the policy and may withdraw funds as he or she sees fit. Should you wish to transfer ownership but still remain in control of the funds within the policy, you may choose to designate yourself as an irrevocable beneficiary, where the child may not access funds without your consent.

For transfer on death, you must designate the child as contingent owner while you are still living. The ownership of the policy will then be transferred automatically to the child on your death. This way, all assets within the policy are transferred outside of the will and will be exempt from probate and other estate-related costs.

Prior to the transfer, the parent will have full control over the funds during his or her lifetime, should money be needed for emergencies.

Joint life coverage

If you purchase a joint last-to-die policy on the lives of a parent and a child, the fund value can be elected to be paid out on first death. On the death of the parent (presuming that he or she passes away first), the fund value could then be paid out to the surviving child as a tax-free death benefit, thus avoiding probate and other estate taxes. Please note that under this set-up, ownership can only be transferred upon the death of the parent.

Living Benefits

Our universal life insurance plans include built-in Living Benefits to help you cope with the financial impact of a life-threatening illness, disability or long-term care, and could help you to protect your quality of life. The tax-free benefit payments from the fund value of the policy are available as a lump sum or recurring payments.

The results

Before transfer of ownership, you will be able to maintain full control of the funds and will have access should you ever require them. This will give you peace of mind, knowing that you will have a financial cushion should circumstances ever change.

Once the policy is transferred, the child then owns a powerful financial vehicle that includes permanent life insurance and tax-deferred investments. He or she may then use the accumulated assets as he or she chooses. The child also may use the policy as security for collateral loans. Or the child can choose to maintain the policy for the protection of his or her own family and also continue investing on a tax-advantaged basis for wealth accumulation or estate maximization purposes. All savings within the policy will also be available as tax-free Living Benefits.

Helping your children through life as best you can will always be your first priority. Let your advisor show you how. With the Family Wealth Transfer Strategy, you have an affordable and tax-efficient way to provide for your child at each stage of life.

Universal life insurance can be complex. Transamerica Life Canada recommends that you consult your financial advisor to determine if this strategy is right for you.

The intent of this guide is to provide an overview of the concept. This material has been prepared for use in conjunction with other product information. For a precise understanding of your rights and obligations, please refer to the policy contract.

* The definition of child is very broadly defined and includes natural child, grandchild, adopted child, stepchild, child of a spouse; a person who, at any time before the person attained the age of 19 years, was wholly dependent on the parent for support and was in custody and control of the parent; a child of the person’s spouse or common-law partner, a spouse or common-law partner of the child.
Transamerica Life Canada is a leader in the Canadian marketplace, providing a broad range of individual life insurance and protection products and services, all designed to help Canadians protect against financial risk and transform their tomorrows. Distribution is through a number of channels, resulting in a national network of thousands of independent advisors. For over 100 years, Transamerica Life Canada has been delivering on our promises and intends to continue that strength and stability to be able to keep making the things that make tomorrow better.

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Understanding the health and wellness issues affecting Canadians, Transamerica Life Canada commits funds annually to our in the spirit of hope charitable giving program, which supports our neighbours and communities through donations to numerous non-profit organizations.

IMPORTANT:
This guide is not designed to provide tax, legal, accounting or other professional advice. If you are not qualified to provide such advice, you should suggest that your client seek the advice of other appropriate professionals.
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