

# Estate preservation and wealth transfer – a simple alternative to trusts.

When it comes to estate planning, many parents want to leave money for their children. In certain cases, they may be wary of leaving a lump sum or a gift of an investment account especially in cases where their children are unable to manage their inheritance due to their age, disability or lifestyle.

Trusts are an option, but the set-up and ongoing cost may be prohibitive especially when assets are under \$1,000,000. There's also a 21-year rule which requires the trustee to file a tax return. This triggers a deemed disposition and taxes on the accrued gains over that period of time.

With all of this complexity, it may be worth looking at an alternative.

## Case Study: Roy and Marlene's story

- ✓ Roy (55) was married to his second wife Marlene (51)
- ✓ Would like to transfer assets equally to their two adult children, Rachel and Mark
- ✓ This included a \$500,000 jointly owned investment portfolio
- ✓ While Mark had a fulltime job, he spent more than he made

### A year later

Roy had an accident and passed away. The \$500,000 investment portfolio dropped in value to \$400,000 due to a decline in the equity market.

### The following year

Marlene passed away from a life-threatening virus. The investment portfolio hadn't increased in value and these assets also became subject to the probate process since they were part of Roy and Marlene's Wills. This would cost time and money to process.

### Many months later

The estate was finally settled (at a cost of \$40,000) and the net amount was finally distributed to Rachel and Mark. However, given his spending habits, Mark's share of the inheritance was gone within a year!

*While Roy and Marlene could have set-up a trust for the investment portfolio, the cost and complexity didn't make it a viable option for the size of their assets. There was an alternative that they should have considered.*

### BMO Guaranteed Investment Funds (GIF) 75/100 with an Annuity Settlement Option

With this option, your clients can get:

- Timely payments made directly to intended beneficiaries
- Protection from stock market drops and creditors<sup>1</sup>
- A Death Benefit guarantee that includes automatic triennial death benefit guarantee resets to lock-in market gains<sup>2</sup>
- Maximum transfer of wealth since estate administration or probate<sup>3</sup>, as well as executor and associated fees, don't apply
- No paperwork and fees associated with the set-up and maintenance of a trust
- 21-year tax rule (associated with trusts) doesn't apply, reducing potential tax liabilities
- Privacy (minimizes conflict amongst heirs)
- An Annuity Settlement Option which gives them the option to distribute funds through a combination of instalments and a lump sum upon death

A traditional approach	
Original investment:	\$500,000
Decrease in market value:	-\$100,000
Death Benefit guarantee "top-up":	N/A
Probate <sup>3</sup> , executor, legal, accounting fees:	\$40,000
Net Value:	\$360,000
<b>Rachel's share (50%):</b>	<b>\$180,000</b>
<b>Mark's share (50%):</b>	<b>\$180,000</b>

BMO GIF 75/100 option with Annuity Settlement Option (This could have been the result for Roy and Marlene)	
Original investment:	\$500,000
Decrease in market value:	-\$100,000
Death Benefit guarantee "top-up":	+\$100,000
Probate <sup>3</sup> , executor, legal, accounting fees:	\$0
Net Value:	\$500,000
<b>Rachel's share (50%):</b>	<b>\$250,000</b>
<b>Mark's share (50%):</b> (paid in instalments through a life annuity)	<b>\$250,000</b>

When it comes to estate planning and wealth transfer, BMO GIFs get money into the hands of the people your clients want quickly, privately and cost-effectively.

## Let's connect

To find out more about BMO Insurance products, please call your MGA, contact the BMO Insurance regional sales office in your area or call 1-855-639-3867 or email [ClientServices.BMOLifeGIF@bmo.com](mailto:ClientServices.BMOLifeGIF@bmo.com).

### **BMO Life Assurance Company**

60 Yonge Street, Toronto, ON M5E 1H5

Ontario Region  
1-800-608-7303

Quebec – Atlantic Region  
1-866-217-0514

Western Region  
1-877-877-1272

[bmoinsurance.com/advisor/gif](http://bmoinsurance.com/advisor/gif)



We're here to help.™

<sup>1</sup> Creditor protection rules vary by province and cannot be guaranteed.

<sup>2</sup> 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. Standard feature on GIF 75/100 and GIF 75/100 Plus; optional feature on GIF 100/100 (additional fee applies).

<sup>3</sup> The probate process and its fees may not apply in Quebec.

**Any amount that is allocated to a segregated fund is invested at the risk of the policyowner and may increase or decrease in value. BMO Life Assurance Company is the sole issuer and guarantor of the BMO GIF individual variable insurance contract. This document provides general information. Please consult the Policy Provisions and Information Folder for details of BMO GIF.**

The information presented in this brochure is general in nature and should not be construed as legal, lending or tax advice. You and your clients are encouraged to seek the advice of other professionals such as legal, lending and tax experts to ensure that the ideas presented are appropriate for the circumstances of the individual(s) for whom these ideas are being considered.

™/® Trademark/Registered trademark of Bank of Montreal, used under licence.

Insurer: BMO Life Assurance Company