Don't let age be an obstacle:
Segregated fund strategies for elderly clients

When it comes to transferring wealth to their children, your clients ideally want to preserve their estate from court challenges and minimize estate settlement costs.

Segregated funds are a simple and cost-effective solution. However, these plans have maximum issue age limits which can prevent your elderly clients from investing in these funds.

Plus, according to a recent study, 70% to 90% of people who inherit significant wealth, immediately fire their parent's financial advisor.[1]

So, how can you address this planning dilemma while bridging the relationship gap to preserve these blocks of business?

For example, meet Alice:

- A 93-year-old mother of one adult child, Mei
- Just sold her house for $1.5 million
- Wants to transfer funds to Mei

Segregated funds appear to be a solution, but how can this work for Alice, given her advanced age?

Solution: gifting BMO Guaranteed Investment Funds

✓ Ideal when the owner is too old to be the annuitant
✓ Contract does not end upon the owner's death
✓ Continues while the annuitant is alive
✓ Funds pass outside an individual's estate which
  - allow funds to transfer quickly to intended beneficiaries
  - minimize any estate settlement costs

In this case, Alice could purchase and be the **policy owner** of a segregated fund policy and designate Mei as the **annuitant** and **successor owner**. She could designate her granddaughter, Li, as the sole **beneficiary**.

Note that this strategy works for non-registered contracts only.

The Result:

- When Alice passes away, the segregated fund policy will transfer to Mei
- A taxable disposition will occur when Mei takes ownership of the policy
- If Mei predeceases Alice, the death benefit will be paid to Li
- Funds will be transferred outside of Alice's estate quickly and cost effectively

Plus, this approach creates an opportunity for Alice's advisor to have an open dialogue with Mei and Li, bridging that relationship gap and providing an opportunity to keep these assets on the books.

Family dynamics can be complex and structuring segregated fund policies needs to be approached with care. If you need guidance, contact your BMO Insurance Business Development Manager for support.

Parties to a Segregated Fund

The **policy owner** is the individual or entity that owns the investments, pays the taxes due and has the authorization to make decisions on the policy.

The **annuitant** is the life measured and can be the policy owner or another person.

The **beneficiary** will receive the final recipient of the death benefit payment when there is no surviving annuitants.

In a segregated fund policy, a **contingent/successor policy owner** can also be named but is not required. However, naming one affects the structure and flow of the how the proceeds are transferred.

For more details, please refer to Estate Planning with Segregated Funds (Common Ownership Structures) (952E)

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[1] Source: forbes.com/sites/davidrae/2022/06/23/4-reasons-to-fire-your-parents-advisor-when-receiving-an-inheritance/

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

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