Estate preservation and wealth transfer – why take the risk?

By far, as the largest demographic with disposable wealth, boomers are looking for higher potential returns while preserving estate values and wanting to transfer assets to their beneficiaries. Doing this through a Will and probate is fraught with problems ... long delays/challenges, additional costs, lack of privacy, exposure to creditors ... all leading potentially to assets not going to the intended recipients.

Case Study: Aaron's story

- ✓ Aaron is a 73 year-old, Ontario resident
- ✓ He's a recent widower
- ✓ He has two adult children, Nisha and Ari, who don't get along
- ✓ Nisha had an accident several years ago and needs a wheelchair to get around

At the beginning of the year

Aaron invested $800,000 from the proceeds of his wife's estate into non-registered mutual funds. He'd like to leave this as an inheritance for Nisha (75%) and Ari (25%).

A few months later

Aaron suddenly passed away. Equity markets had recently plummeted and the value of his $800,000 investment dropped to $600,000 (a 25% decrease)! Shortly thereafter, upon notification of death by the advisor, the mutual funds were transferred into a money market fund, crystallizing the investment losses. Since the portfolio was part of Aaron's Will, it became part of the estate administration process.

Later that year

During the administration process, creditors came forward claiming $150,000 from Aaron's estate for amounts previously unpaid, further reducing the value of the inheritance. Furthermore, Ari contested the Will claiming that he should receive half of the inheritance – much more than what Aaron intended.

18 months after Aaron passed way

After Aaron's terminal income tax return was filed, the remaining estate was finally ready to be paid to his beneficiaries. The interest earned on the money market fund was negligible. The $600,000 portfolio value was further reduced by $150,000 owed to creditors and reduced a further $50,000 for estate administration, executor, legal and other fees, leaving only $400,000.

The court directed that the net proceeds be split equally between Nisha and Ari, leading to much family squabbling and bitterness. Finally, funds were distributed with a greatly reduced value and not in accordance with Aaron's wishes.

Traditional Approach (Mutual Funds)	
Original investment	$800,000
Decrease in market value	-$200,000
Creditor claims	-$150,000
Probate[1], executor, legal, accounting fees	-$50,000
Net Value	$400,000
Nisha's share (50%)	**$200,000**
Ari's share (50%)	**$200,000**

The Alternative: BMO Guaranteed Investment Funds (GIF)

Aaron could have invested in a BMO GIF, naming Nisha and Ari as beneficiaries of the policy. The extra annual fees associated with BMO GIF segregated funds (vs. mutual funds) were nominal at a fraction of one percent.

By selecting the BMO GIF 75/100 option, the 100% death benefit guarantee[2] on Aaron's deposit meant that BMO Insurance paid an $800,000 death benefit (by providing a "top-up" payment of $200,000). Since BMO GIF is considered an insurance policy with named beneficiaries, it avoids the estate administration process and its associated delays, cost and aggravation. Moreover, the BMO GIF policy also offered creditor protection[3] and the death benefit was paid according to Aaron's wishes to his beneficiaries within weeks after his death.

With BMO GIFs, your clients can get a simple solution to the investing dilemma and estate administration process:

- Timely payments made directly to intended beneficiaries
- Maximum transfer of wealth since no estate administration, executor or associated fees apply
- Privacy (minimizes bickering amongst heirs)
- Protection from stock market drops and creditors[3]
- Automatic triennial death benefit guarantee resets that lock-in market gains[4]
- No complicated paperwork and fees associated with the set-up and maintenance of a trust

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.

BMO GIF (75/100 option)	
Original investment	$800,000
Decrease in market value	-$200,000
Death Benefit guarantee "top-up"	+$200,000
Creditor claims	$0
Probate[1], executor, legal, accounting fees	$0
Net Value	$800,000
Nisha's share (75%)	**$600,000**
Ari's share (25%)	**$200,000**

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 ClientServices.BMOLifeGIF@bmo.com

Ontario Region	**Quebec – Atlantic Region**	**Western Region**
1-800-608-7303	1-866-217-0514	1-877-877-1272

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[1] The probate process and its fees may not apply in Quebec.
[2] 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.
[3] Creditor protection rules vary by province and cannot be guaranteed.
[4] Automatic resets of the Death Guarantee Amount occur every 3rd policy anniversary up to and including the last policy anniversary before the Annuitant's 80th birthday.

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