Individual Investment Shelter Strategy

Our estate plan strategy is simple. More estate, less taxes. A simple, sensible way to maximize your estate using tax-exempt life insurance.

Meet Louis and Marie

They've taken care of their retirement income. Now how can they leave a greater legacy for their heirs?

If you're like Louis and Marie, you've worked hard, invested well and you're looking forward to your retirement years. You're also thinking about your estate – the more, the better. An individual investment shelter strategy could be the answer.

Louis and Marie have prepared themselves for a comfortable retirement income – with a sizable amount left over, much of it in non-registered investments: mutual funds and securities.

The challenge

Their estate isn't all it could be. The reason? Taxes.

Your estate should be for your children. Or for charities you believe in. However, taxes can take away their share, because:

- Non-registered investment income is taxed during your lifetime.
- Non-registered investment gains are taxed when you pass on.
- Your estate is faced with settlement fees and expenses.
- As you can imagine, taxes and other costs can prevent much of your estate from going where you wish.

Unless...

The solution

Use an individual investment shelter strategy to protect extra assets from tax.

This strategy uses a permanent life insurance policy in two ways:

It's insurance. A part of your annual premium immediately increases your estate's worth. That's more for your heirs already.

It's an investment. Some of your premium goes into an investment vehicle and the money, while inside the policy, grows tax-deferred. With Universal Life policies the policy owner chooses how the money is invested. With Whole Life insurance, it is invested in an account that is managed by the insurance company.

Three key advantages of an individual investment shelter strategy:

- Cash value accumulates in the investment portion, but is not taxed as long as it stays in the policy.
- Beneficiaries get the full value of the policy. Both the initial insurance and growth are theirs tax-free.
- Benefits can go straight to your beneficiaries – generally avoiding probate costs, estate fees, and settlement delays.

The result

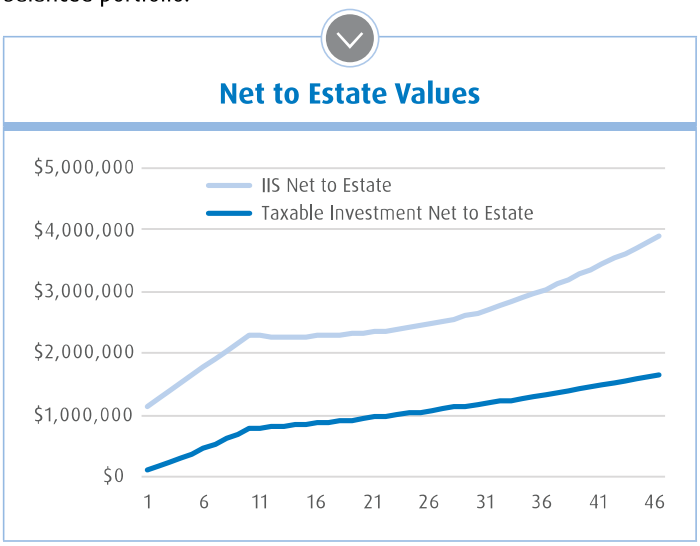
The individual investment shelter strategy made a significant difference to their after-tax estate value.

Let's say Louis and Marie shift $65,425 per year over the next 10 years from their non-registered investments into a $1,000,000 permanent life insurance policy. They now have an additional $1,000,000 in life insurance, and the value of the death benefit will grow and grow.

Continued

Here's how it stacks up

With this simple shift, Louis and Marie will be able to leave $1,000,000 to $1,500,000 more than if they maintain their current balanced portfolio.*



* Assumed current dividend scale of participating insurance plan, and 4 per cent for the taxable fixed-income investment. Both age 55, non-smoker, standard risk. Illustration generated on April 23, 2022.

Seek advice

As you can see, the individual investment shelter strategy may benefit anyone whose estate plan is more estate and fewer taxes.

For more information, please speak with your BMO financial professional who will refer you to an Estate & Insurance Advisor (Financial Security Advisor In Quebec) from BMO Estate Insurance Advisory Services.

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