CONCEPT

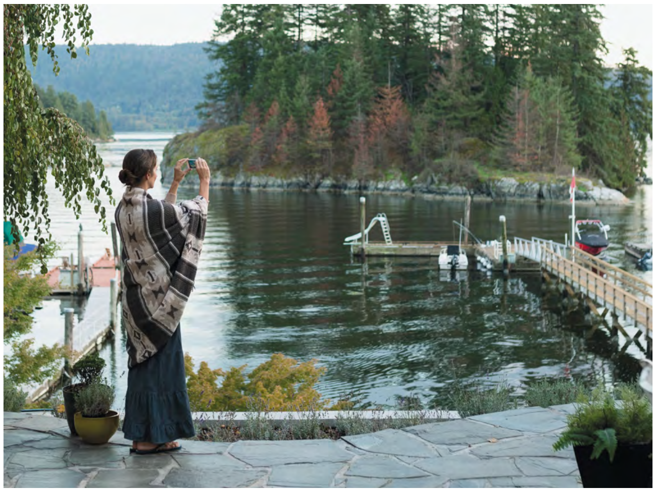
Wealth Escalator Plan

LIFE INSURANCE CONCEPT FOR INDIVIDUALS

Build your estate and save on taxes

The Wealth Escalator Plan is a financial strategy that helps you generate more after-tax wealth upon your death. By **redirecting money from taxable investments**, you can purchase a permanent life insurance policy, the proceeds of which could enhance the inheritance.

It's a tax-efficient solution that allows you to ensure that your assets are transferred tax-free.



Is this strategy right for you?

If you reached your maximum RRSP and TFSA contributions and you have taxable investments that are generating income you don't need to maintain your quality of life, this strategy offers you the dual benefit of having more wealth and paying less taxes.

- Enjoy lifelong insurance coverage
- Leave more money behind, tax-free
- Cover end-of-life expenses like debts, funeral costs and taxes payable at death
- Secure the financial future of your designated beneficiaries with a hassle-free insurance payout they won't have to wait for or pay probate fees on
- Creditor-proof your assets by designating an eligible beneficiary[1]

Desjardins Insurance
Life • Health • Retirement

[1] Conditions apply and must be met.

Shield your estate from tax consequences

Part of your wealth is made up of assets like real estate and investments, which are subject to capital gains tax. The other part is your registered plans, such as RRSPs, which aren't taxed as capital gains. In the event of your death, the total value of your registered plans will be taxed as regular income unless you roll them over to your spouse. As per the *Income Tax Act*, you will be deemed to have sold all your assets at fair market value when you die, and **the resulting capital gains will need to be reported**.

That means unless you transfer your assets to your spouse or a spousal trust, your beneficiaries will be exposed to a potentially hefty tax bill.

THE TAX CONUNDRUM

What you want

What could happen

Leave more for your loved ones

Right now, you're focused on living life to the fullest. But you still want to be able to leave something sizeable behind. That's where **the right financial planning strategy** comes in—to make sure you achieve your goals of growing and protecting your estate.

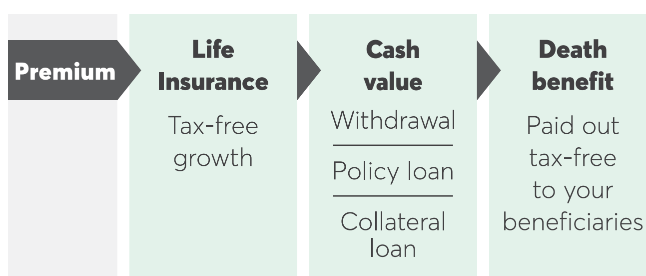
Life insurance is an excellent option for supplementing what you leave to your family in the form of a non-taxable lump-sum payment. What's more, some types of life insurance[2] even give you access to the policy cash surrender value when you need it throughout your lifetime.

BENEFIT TODAY AND TOMORROW

- Life insurance coverage
- Tax-sheltered growth
- Cash value that you can use to:
  - Withdraw funds
  - Get a policy loan
- Put up your policy as collateral for a loan from a financial institution.

AFTER YOU DIE

- Insurance amount paid out tax-free to your beneficiaries



[2] Exception: Term to 100 insurance.

The advantages of permanent life insurance

There are a number of advantages to permanent life insurance. Unlike term insurance, which only covers you to a certain age, it provides lifetime coverage. And some permanent insurance products even let you accumulate cash value tax-free inside your policy.[3]

Another advantage is the option of buying a life insurance with increasing coverage to account for the taxes payable on your assets as they increase in value over the years. With **participating life insurance**, policy dividends can be used to offset your estate's tax burden.

A properly structured insurance policy can be a **valuable part of an effective and well-planned investment strategy**.

HENRY AND REBECCA

After maximizing their RRSP and TFSA contributions, Henry (age 52) and Rebecca (age 50) decided to invest $15,060 per year in a participating life insurance policy that will be paid up after 20 years. If Henry dies after his spouse at age 92 (his life expectancy), their children will receive a tax-free payment of $1,355,428, which includes the life insurance amount plus the dividends accumulated in the policy year after year.[4]

The calculations below are based on Henry's estimated life expectancy of 92 years. See the assumption parameters.[4]

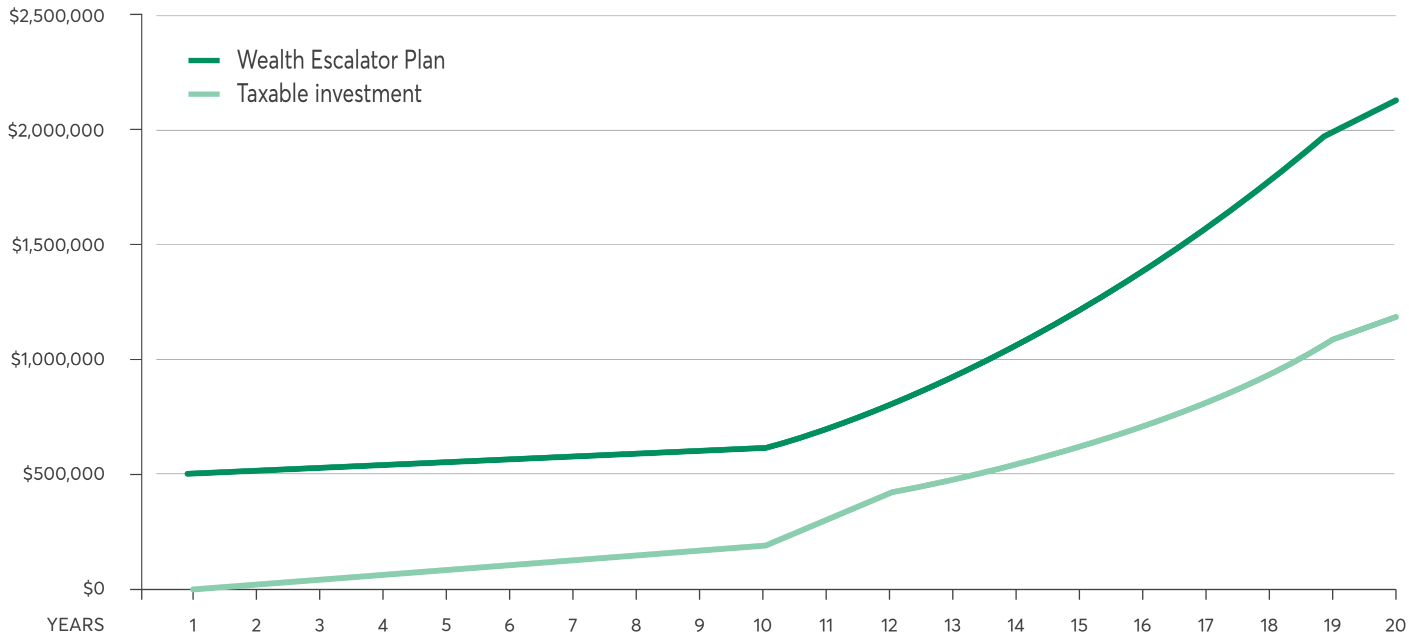
	Wealth Escalator Plan	Traditional investment
Cumulative investment of **$15,060** per year by Henry and Rebecca After 20 years: **$301,200**	Life insurance amount paid after second death: **$500,000**	**$15,060** invested annually After 20 years: **$301,200**
	+	+
	Amount of paid-up additions at age 92: **$855,428**	**3%** interest* Dividends and capital gains of **6%** until Henry reaches age 92 * Compound interest on the amount invested
Total paid to beneficiaries	**$1,355,428** (net estate value)	**$718,032** (net estate value)

The Wealth Escalator Plan provides an advantage of $637,396 over a traditional taxable investment.

[3] Conditions apply and must be met.

[4] Assumptions: $500,000 joint last-to-die 20 pay participating life insurance policy, 52-year-old male, 50-year-old female, both non-smokers. With this strategy, Henry and Rebecca will be able to leave **$637,396 more to their beneficiaries** than if they'd invested the same amount over 20 years in a traditional investment with 3% interest, dividends and capital gains of 6%.

AFTER-TAX ESTATE VALUE



The Wealth Escalator Plan with a permanent life insurance policy can help you pay less tax, manage your financial risk and leave more to your loved ones.

You worked hard to build a legacy—we can help you protect it.

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17083E01 (2020-12)