RBC Growth Insurance and RBC Growth Insurance Plus

Transferring your wealth using participating whole life insurance

Insurance

Wealth transfer

The purpose of estate planning is to help people leave an inheritance in the most tax-efficient way possible. Whether you plan to give money to your loved ones, a charity or some other organization, you want as much as possible to go directly to your beneficiaries.

For many Canadians, permanent life insurance is an important part of a successful estate plan.

Dividing your assets equally

Some assets are difficult to share equally among beneficiaries. A small business, farm or cottage are good examples. This can be particularly complicated if your goal is to keep the asset in the family, but not all of your beneficiaries value it equally.

It's a common problem that permanent life insurance can help solve. An advisor can show you how the right policy can help you treat your beneficiaries equally without having to liquidate assets that are important to you.

Here's an example of how it works.

Let's say you own a business and have three children: Claire, Andrew and Jennifer. Claire loves the business and wants to keep it running. Andrew and Jennifer would rather not.

In this scenario, you could purchase an RBC Growth Insurance™ or RBC Growth Insurance Plus™ policy with a death benefit twice the value of the business. When you pass away, the benefit can be split evenly between Andrew and Jennifer, and ownership of the business can be transferred to Claire. This would provide all three kids with an equal inheritance.

Business valued at $1 million left to Claire	Life insurance policy with a death benefit of $2 million shared evenly by Andrew and Jennifer

If your business has some accrued tax liability that Claire will inherit when the business gets transferred to her, you have the option to help her cover this tax expense by increasing the death benefit of your policy. It's also important to note that tax expenses will increase if the value of the business increases. To ensure that Claire has access to the required cash amount when the time comes, you can work with your insurance company ahead of time to increase the life insurance policy's death benefit.

Giving to a charity that matters to you

RBC Growth Insurance or RBC Growth Insurance Plus can be useful if you plan to leave money to a charity. You can make a charitable organization the beneficiary of your life insurance policy in the same way you can make any other person a beneficiary.

To do so, you need to be both the payer of the policy's premiums and the policy's insured person, which an advisor can help you set up.

There are two ways to own the policy:

- The charity can be the owner and the policy beneficiary to claim the death benefit. You would pay the premiums and get a tax receipt for them annually.
- You can own the policy. In this case your estate would be the beneficiary and the charity would receive the death benefit through your will. Again, you would pay the premiums and the tax receipt would be based on the amount of the death benefit the charity receives. As a result, your estate would receive a sizeable donation tax credit, which might help offset the tax liabilities triggered at the time of your passing. It is also possible to name the charity as the beneficiary of the policy, instead of your estate. Naming a charity as beneficiary may help avoid issues such as probate fees, estate creditors, estate litigation, etc.

You can talk to your advisor and accountant about which option is best for you.

How wealth transfer works

Owner: Charity Insured: Client Beneficiary: Charity Premium payor: Client	→	Client pays premium	→ Client receives tax receipt for the premiums paid
Owner: Client Insured: Client Beneficiary: Estate* Premium payor: Client	→	Estate receives death benefit	→ All or a portion of the death benefit is paid to the charity and the client receives a tax receipt for the donation

* If the estate qualifies as a "Graduated Rate Estate," the donation tax credit may be claimed by the estate, or in the last two tax returns of the deceased.

Transferring wealth from generation to generation

Perhaps you'd like to leave money to your grandchildren. You can do so by transferring wealth during your lifetime with an RBC Growth Insurance policy.

Imagine you have a daughter and son-in-law who want to save for their child's post-secondary education, and you'd like to help.

You can do this by purchasing an RBC Growth Insurance policy to insure your grandchild. You name your daughter as a contingent owner so the policy will transfer to her tax-free if you pass away unexpectedly. You also name your daughter and son-in-law as beneficiaries to receive the death benefit in the unlikely event of your grandchild's untimely death.

Your daughter may pay into the insurance policy to build up its cash value faster.

Eventually, you will be able to transfer the ownership of the policy to your daughter as a gift. She can then make decisions regarding the cash value, and her husband can be designated as a contingent policy owner.

Finally, the life insurance policy may be transferred to your grandchild when they reach the legal age. The transfer must be a gift. When they're ready to use the cash value, they can consult an insurance advisor to discuss the most effective way to do that.

Your grandchild will be free to use the policy's cash value in multiple ways. It could pay for post-secondary education, for example, even while the insurance continues. Your grandchild would be both the policy owner and the insured at this point.

All of this can be done through the life insurance contract, without the need for legal intervention. It's a gift that a child or grandchild will never forget.

Remember

- **Tax rule:** At death, all assets in registered accounts, and gains on other investments, are taxable.
- **Issue:** Income and probate taxes erode inheritance.
- **Strategy:** Transfer wealth using life insurance while you are still alive.

Step 1: Buy the policy	Step 2: Ownership transfer #1	Step 3: Ownership transfer #2
Owner: You Contingent owner: Your daughter Insured: Your grandchild Beneficiaries: Your daughter and son-in-law (50% each)	Owner: Your daughter Contingent owner: Your son-in-law Insured: Your grandchild Beneficiaries: Your daughter and son-in-law (50% each)	Owner: Your grandchild Insured: Your grandchild Beneficiaries: Your grandchild's estate/spouse/children

RBC participating life insurance is available in two options

	RBC Growth Insurance	RBC Growth Insurance Plus
Minimum coverage amount	▪ Coverage starts at $25,000	▪ Coverage starts at $250,000
Access to cash values	▪ Accessible at the end of policy year 5	▪ Accessible at the end of policy year 1
Cost of insurance	▪ Pay less and get more opportunities for long-term financial growth	▪ Pay for early cash values and long-term financial growth opportunities

Choosing the right option for you

- If the goal is to receive a specific amount of the death benefit for an estate equalization purchase or charitable donation, then buying a policy that provides the intended death benefit with a lower annual premium commitment would be helpful.
- If the goal is to achieve a specific cash value by the time a life insured child reaches a certain age, you may want to consider a policy that provides the intended cash value growth. In such cases, using the additional deposit option may also be helpful.
- As an RBC Growth Insurance policy has a lower annual premium commitment, your advisor may consider it first. If required, the additional deposit option may be added. However, if you feel you may need to borrow money against the cash value on multiple occasions in the future, the policy that provides earlier cash value growth, with or without the additional deposit option, may be something you should consider.

Contact your Insurance Advisor to discuss how participating life insurance can work for you.

RBC® Insurance

This brochure has been prepared for general information purposes only. Any information provided in this brochure is not intended to be relied upon as tax, legal or financial advice. You should consult your own lawyer, accountant, insurance advisor or other professional when planning to implement a strategy. Although RBC Life Insurance Company has taken all reasonable efforts to provide current and accurate information, we reserve the right to correct any errors or omissions. Please note that tax rules are subject to change. Coverage will be governed by the terms of the policy as issued, if any.

Underwritten by RBC Life Insurance Company.

VPS108783

125796 (09/2021)