

Life Letter *mature*

Grandma and Grandpa Santa

Is it Christmas again already? Time passes too fast when you achieve grandparent status, and George and Grace are wondering once again what to give their grandchildren. Some years ago they realized they had no idea what toys were suitable, so started giving them cash. It seemed to get frittered away on things that soon became boring or obsolete.

Now George and Grace wonder if there's some way to provide something that's meaningful and has lasting value. Something, perhaps, that will accumulate funds for future education or opportunities and reduce the financial strain on their children. It might even help to make their grandkids more aware of the advantages of long term saving. Might the miracle of Christmas be an introduction to the magic of compound interest?

Ideally the plan should be something where the money stays put, so Grace and George can add to it on future occasions, and the grandchildren can see how it grows. It should also accumulate interest or other earnings so they learn that money makes money. This eliminates ordinary bank savings accounts because the deposits are too accessible and the interest is infinitesimal. Here are some of the plans they are considering:

Registered Education Savings Plan (RESPs) - Provides tax deferred growth and may qualify for the Canadian Education Savings Grant (CESG) of up to \$500 per year. Must be used for education purposes or CESG is lost and growth would be taxable to

the subscriber if plan collapsed. Control is ultimately in the child's hands.

In-Trust For Account - Provides greater flexibility in how money is used. Ongoing growth is taxed in the hands of the trustee of the plan. Usually in child's name in trust and again control will ultimately be the child's. Funds must be turned over to the child from the account at the relatively young age of 18 or 19, depending on province of residence.

Life Insurance Policy - Provides tax-deferred growth that can be transferred in the future at a time the grandparents choose. This transfer occurs without triggering a tax bill for the grandparents. The life insurance could be on each grandchild, his or her parents, or even on George and Grace. Control of the plan remains in the hands of the grandparents.

There are several other plans George and Grace are considering. They just know they want something that will benefit their grandchildren and serve as a meaningful memorial of Grandma and Grandpa. Of course any of these plans can also be set up by parents.

*Want help with your financial gift plans?
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Shelley L. Bertram

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