



Grant Karst, CFP, CLU, CHFC

Blue Sky Financial Planning
207-4401 Albert St. Regina, Sk.
306.757.5038
grant@mybluesky.ca
www.mybluesky.ca

Someone once said, "If had known how much fun grandchildren are, I would have had them first!"

Grandchildren truly are special and grandparents love to shower them with attention and gifts. Here are a few ideas for gifts that won't end up in the toy pile and will provide a lifetime of benefits.

Registered Education Savings Plan (RESP)

The value of a post-secondary education is priceless, but it is also expensive. The costs of tuition, books, and accommodations are increasing faster than inflation and it is difficult for parents to set enough money aside for education while paying their mortgage and for their children's activities. Fortunately, the federal government provides assistance by offering education grants in an RESP, but there is a catch—money must go into the plan before the grant is awarded.

Where will the money come from? You guessed it—generous grandparents who are able to leverage their savings in an RESP for their grandchildren. For every dollar deposited into an RESP, the federal government adds a 20 per cent education grant. The deposits and grants grow tax-sheltered until the funds are used for a qualifying post-secondary program. When the money is paid out, the grants and earnings are taxable to the student which usually means little or no tax is paid. A \$100 per month deposit plus the 20 per cent grant earning five per cent interest over 18 years will grow to over \$35,000!

Life Insurance

Starting a life insurance program for a grandchild is a gift that keeps on giving. Whole life insurance is a popular choice for this gift because it offers the following benefits;

- Level life-time premiums based on the age of the child.
- Tax-sheltered cash values.
- Dividends that purchase additional paid-up insurance which also grows tax-sheltered. Dividends are not guaranteed and will vary upward or downward.
- Protection of insurability. Once the policy is in force, any changes in health or risks associated with occupation, avocation or lifestyle will not have an impact on the premiums.

Let's examine a policy for a new granddaughter. The premium for a \$100,000 policy is \$75 per month. At age 20, the dividends purchasing additional insurance more than doubles the original value to over \$200,000. At age 40, the policy has grown to half a million. If the child lives to 100, which may be common by then, the policy has a death benefit of over three million dollars and the premium is still 75.00 per month. The grandparent can start



the policy and transfer it without incurring any taxes to the grandchild when she is an adult.

Critical Illness Insurance

Purchasing critical illness insurance for a grandchild has similar benefits—level premiums based on the age of the child and protection of insurability—but there are additional features unique to this type of policy. A lump sum benefit is paid out in the event the child is diagnosed with a critical illness like cancer (over 25 illnesses are covered). No one likes to think of this happening but if it does, money is often needed for treatment, care and recovery.

The parents in this situation don't need financial stress added to their plate and the grandparents may be called upon to help out. On the bright side, if a claim is never made, all or a portion of the premiums paid can be recovered. For example, a premium of \$57.00 per month will pay for a \$100,000 policy on a new granddaughter. At age 25, 75 per cent of the premiums paid (\$12,697) are paid out if there hasn't been a claim. The policy continues to provide coverage at the same premium rate and 100 per cent of the premiums paid can be recovered any time after age 40 if the policy is terminated.

Do you want to give something special to your grandchild? Give them a gift they will never grow out of. Give them a gift that will make a difference in their lives long after you are gone.FLR

Advice for Life!

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