



corporate | solutions

Helping You Make An Informed Decision

Life Insurance Solutions For Corporate Owners

Corporate Life Insurance Plan

Opportunity Overview

This strategy is designed for a Canadian resident taxpayer who:

- Owns shares of a Canadian Controlled Private Corporation (CCPC)
- Is in good health, relative to their age, with no major health challenges
- Has excess cash
- Cares about the next generation and tax planning

The strategy allows you to take excess cash and:

- o **Grow It – Fully Sheltered From Tax** ⁽¹⁾
 - **39% tax efficient on a balanced portfolio (passive income)** ⁽²⁾
 - **25% tax efficient on capital gains (passive income)** ⁽²⁾
- o **Move It To The Next Generation Tax Free** ⁽³⁾
 - **47% tax savings on non-eligible dividends paid to shareholder(s)** ⁽⁴⁾⁽⁵⁾
- o **Reduce the impact of the Small Business Deduction grind**
 - **Business limit reduced when passive income exceeds \$50k** ⁽⁶⁾

Corporate Life Insurance Plan

Common Tax Planning Concepts

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Incorporation - Establishing an Operating Company (OpCo)

An owner generally establishes an OpCo to:

- Benefit from the small business tax rate (12.5% in Ontario)
- Benefit from the small business capital gains exemption (SBCGE \$866,912 for 2019)
- Income split (subject to Tax on Split Income rules - TOSI) ⁽⁸⁾
- Limit legal liability in certain circumstances
- Create an entity with an unlimited life span

Reorganization - Establishing a Holding Company (HoldCo)

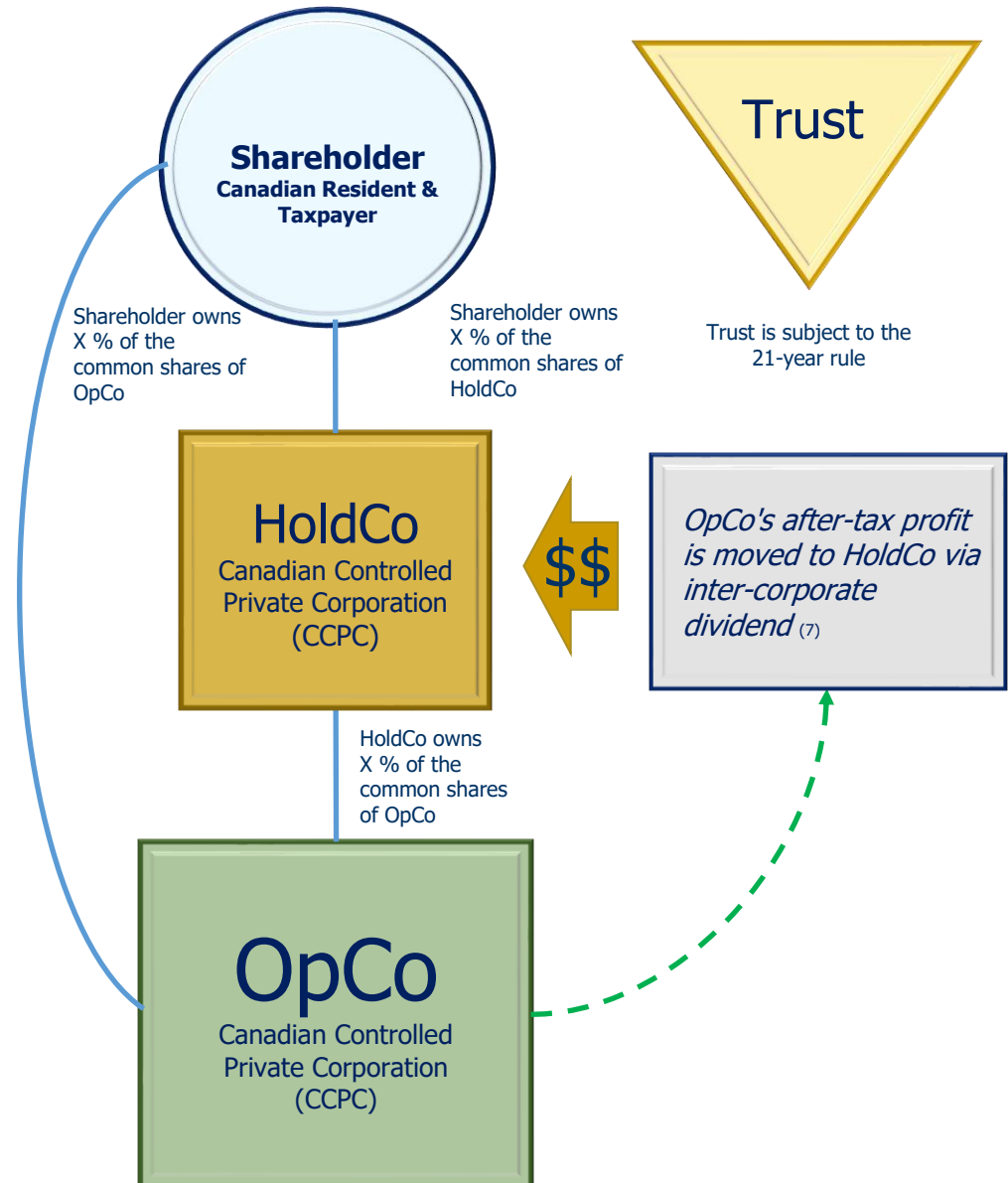
An owner generally establishes a HoldCo to:

- Create a layer of creditor protection
- Hold after-tax profits not needed for operations & growth
- Income split (subject to Tax on Split Income rules - TOSI) ⁽⁸⁾
- Purify OpCo for a future sale
- Accomplish personal planning objectives outside of OpCo

Family Trust

A settlor (original property owner) generally sets up a family trust to:

- Quantifying the future tax liability - An estate freeze
- Protect against family law or marital regime claims
- Protect & control of assets for minors, individuals, or special needs dependents
- Income split (subject to TOSI and attribution rules)
- Ensure confidentiality regarding inter-generational & family wealth transfer

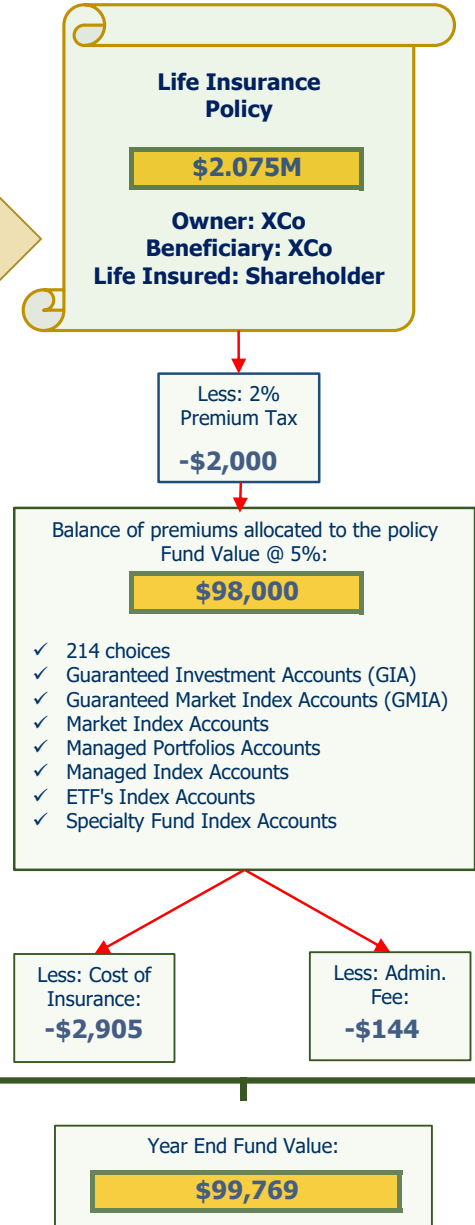
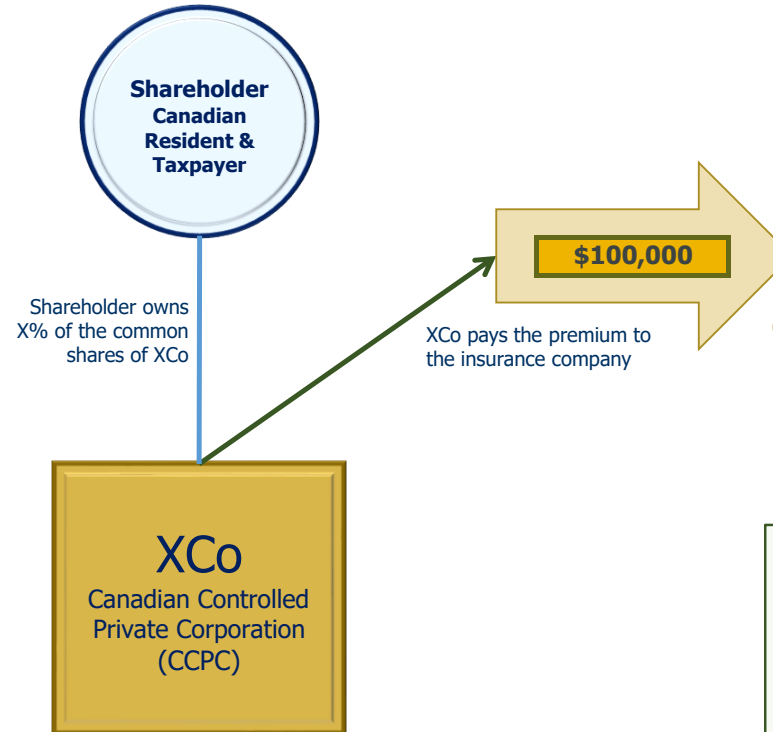


Corporate Life Insurance Plan

Corporate Structure & Permanent Life Insurance

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- Steps
1. Shareholder applies for a permanent life insurance policy
 2. The insurance company makes an offer of life insurance to the shareholder
 3. The shareholder accepts the offer & XCo pays a premium to put the policy in force
 4. Shareholder chooses the investment options
 5. Ownership & beneficiary changed to XCo (Articles & Business Identification Number (BIN) required)



The assumptive 5% return on the Fund Value is net of all fees & MER's.

The policy fee of 1.75% breaks out as follows:

- .375% - Federal Investment Income Tax against insurance company's assets
- .375% - Asset Based Compensation which is paid to the broker
- .500% - Compensation Recovery to cover commission amortization costs
- .250% - Administration, Contingency, Investment Expenses, Profit and Capital Costs
- .250% - Cumulative Fund Bonus credited to the policy after the fifth policy year

Corporate Life Insurance Plan

Problem & Solution - Corporate Passive Income

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Problem - Corporate Passive Income

- Profit not needed for growth, operations or personal needs are invested in an Alternative Investment
- Passive investment income generated by the Alternative Investment is taxed at the top corporate rate
- Passive income in excess of \$50k grinds Small Business Deduction (SBD)
- XCo books refundable tax - NERDTH - offsets corporate tax on non-eligible dividends when declared (5)



Alternative Investment @ Age 80

Total investment:	\$	500,000
Total Income @ 5%:	\$	1,083,053
Tax paid @ 39%:	\$	(422,391)
Net @ age 80:	\$	1,160,662
NERDTH:	\$	332,136

Solution - Permanent Life Insurance

- ✓ XCo purchases a permanent tax-exempt life insurance policy on the life of the shareholder(s) as one of the assets it owns
- ✓ XCo is the owner, beneficiary and premium payor
- ✓ Growth of the life insurance policy is fully tax-exempt - no taxable passive income is generated (1)
- ✓ Reduces the impact of the SBD grind (6)
- ✓ The cash surrender value of the life insurance policy is an asset on XCo's balance sheet
- ✓ Premiums are not deductible, in specific circumstances premiums may be deductible



Insurance Investment @ Age 80

Total investment:	\$	500,000
Policy fund @ 5%:	\$	1,251,029
Total costs:	\$	(344,323)
Net @ age 80:	\$	1,406,706
NERDTH:		N/A

Corporate Life Insurance Plan

Problem & Solution - Dividend Tax

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Problem - Dividend Tax

- Surviving shareholder(s) of XCo can elect to take dividends from XCo's retained earnings for personal use
- These surviving shareholders are often a combination of a spouse, children, and grandchildren
- Dividends declared by surviving shareholders are taxed at the taxpayers top marginal rate ⁽⁴⁾
- NERDTH subject to ordering rule ⁽⁵⁾

Alternative Investment:
\$500,000

XCo
Taxable Alternative Investment
At Age 80
\$ 1,160,662

Shareholder elects a taxable dividend ⁽⁵⁾

Taxable Dividend	
Dividend:	\$ 1,160,662
NERDTH:	\$ 332,136
Tax paid @ 47%:	\$ (701,615)
Net:	\$ 791,183

Surviving Shareholder nets tax-paid
\$792K

Solution - Permanent Life Insurance

- ✓ The XCo purchases a permanent tax-exempt life insurance policy on the life of the shareholder(s) as one of the assets it owns
- ✓ At death the life insurance proceeds are paid tax-free to the beneficiary (XCo) ⁽¹⁾
- ✓ Death benefits paid to XCo (beneficiary) qualify for capital dividend account (CDA) treatment ⁽³⁾
- ✓ Capital dividends declared by surviving shareholders are tax-free dividends

Insurance Premiums:
\$500,000

XCo
Tax-free Insurance Death Benefit
At Age 80
\$ 2,075,000

Shareholder elects a capital dividend ⁽³⁾

Capital Dividend	
Capital Dividend:	\$ 2,075,000
Taxable Dividend:	\$ -
Tax paid @ 47%:	\$ -
Net:	\$ 2,075,000

Surviving Shareholder nets tax-paid
\$2.075M

Permanent Life Insurance vs. Alternative Investment

Summary

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Date: September 3, 2019
 Prepared for: Male, 50, Non-smoker
 Prepared by: Raymond Matt, CFP, CLU, TEP, CHS

Permanent Life Insurance: \$ 500,000
 Alternative Investment: \$ 500,000

Death benefit: \$2.075M
 Deposit years: 5

After-tax Estate Benefit

Cash Value

Cumulative Costs & Taxes

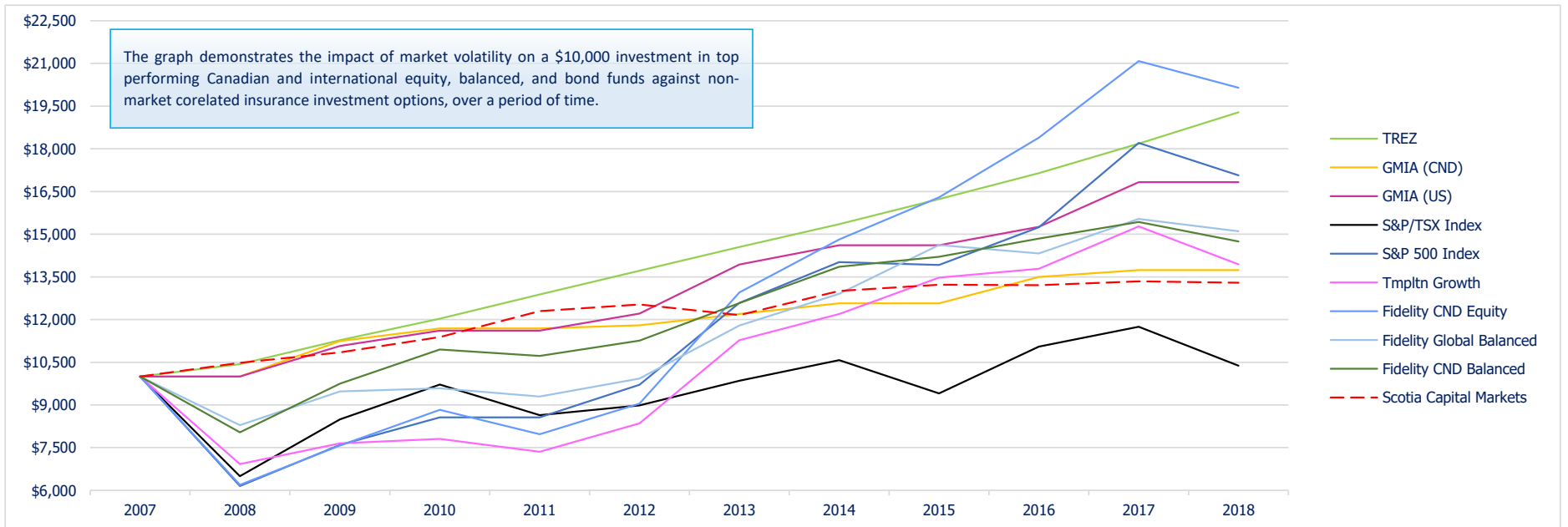
		After-tax Estate Benefit			Cash Value			Cumulative Costs & Taxes		
Year	Age	Permanent Life Insurance	Alternative Investment	Diff. %	Permanent Life Insurance	Alternative Investment	Diff. %	Permanent Life Insurance	Alternative Investment	Difference %
1	51	2,028,811	55,429	3560.2%	33,122	103,050	-211.1%	5,049	1,950	-158.9%
2	52	1,982,958	113,362	1649.2%	136,839	209,243	-52.9%	11,111	5,909	-88.0%
3	53	1,937,365	173,874	1014.2%	245,079	318,675	-30.0%	17,819	11,940	-49.2%
4	54	1,892,041	237,044	698.2%	369,382	431,445	-16.8%	24,971	20,104	-24.2%
5	55	1,846,997	302,954	509.7%	489,244	547,654	-11.9%	32,438	30,467	-6.5%
6	56	1,849,291	316,257	484.7%	511,676	564,357	-10.3%	38,467	41,146	6.5%
7	57	1,851,973	329,966	461.3%	545,823	581,570	-6.5%	45,052	52,151	13.6%
8	58	1,855,079	344,094	439.1%	580,602	599,308	-3.2%	52,201	63,492	17.8%
9	59	1,858,662	358,652	418.2%	616,040	617,587	-0.3%	59,918	75,178	20.3%
10	60	1,862,772	373,654	398.5%	663,102	636,423	4.0%	68,377	87,221	21.6%
11	61	1,867,480	389,114	379.9%	688,598	655,834	4.8%	77,474	99,632	22.2%
12	62	1,872,863	405,045	362.4%	714,740	675,837	5.4%	87,245	112,420	22.4%
13	63	1,879,003	421,462	345.8%	742,421	696,450	6.2%	96,856	125,599	22.9%
14	64	1,886,000	438,380	330.2%	771,749	717,692	7.0%	106,280	139,180	23.6%
15	65	1,893,972	455,814	315.5%	802,809	739,581	7.9%	115,519	153,175	24.6%
16	66	1,903,037	473,780	301.7%	835,706	762,138	8.8%	124,559	167,597	25.7%
17	67	1,912,976	492,293	288.6%	869,731	785,384	9.7%	134,183	182,458	26.5%
18	68	1,923,865	511,372	276.2%	904,753	809,338	10.5%	144,576	197,773	26.9%
19	69	1,935,776	531,032	264.5%	940,777	834,023	11.3%	155,785	213,556	27.1%
20	70	1,948,791	551,292	253.5%	977,776	859,460	12.1%	167,886	229,819	26.9%
21	71	1,962,989	572,169	243.1%	1,015,775	885,674	12.8%	180,906	246,578	26.6%
22	72	1,978,434	593,684	233.2%	1,054,794	912,687	13.5%	194,877	263,849	26.1%
23	73	1,995,202	615,854	224.0%	1,094,832	940,524	14.1%	209,849	281,646	25.5%
24	74	2,013,346	638,701	215.2%	1,135,926	969,210	14.7%	225,842	299,987	24.7%
25	75	2,032,914	662,245	207.0%	1,178,083	998,771	15.2%	242,901	318,886	23.8%
26	76	2,053,935	686,507	199.2%	1,221,343	1,029,233	15.7%	261,040	338,362	22.9%
27	77	2,075,000	711,509	191.6%	1,265,728	1,060,625	16.2%	280,297	358,432	21.8%
28	78	2,075,000	737,273	181.4%	1,311,340	1,092,974	16.7%	300,629	379,115	20.7%
29	79	2,075,000	763,823	171.7%	1,358,281	1,126,310	17.1%	321,998	400,428	19.6%
30	80	2,075,000	791,183	162.3%	1,406,706	1,160,662	17.5%	344,323	422,391	18.5%
31	81	2,075,000	819,378	153.2%	1,456,848	1,196,062	17.9%	367,452	445,023	17.4%
35	85	2,075,000	941,021	120.5%	1,682,176	1,348,795	19.8%	462,643	542,672	14.7%
40	90	2,087,724	1,115,146	87.2%	2,087,724	1,567,421	24.9%	535,058	682,450	21.6%
45	95	2,696,300	1,317,495	104.7%	2,696,300	1,821,486	32.4%	535,778	844,884	36.6%
50	100	3,482,518	1,551,917	124.4%	3,482,518	2,116,731	39.2%	536,498	1,033,648	48.1%

Investment Options

Market Analysis

Date: January 14, 2019
 Prepared by: Raymond Matt, CFP, CLU, TEP, CHS

Year	TREZ Capital	Annual Return	CND GMIA	Annual Return	US GMIA	Annual Return	S&P/TSX Index	Annual Return	S&P 500 Index	Annual Return	Tmpltn Growth	Annual Return	Fidelity CND Equ.	Annual Return	Fidelity Glo. Bal.	Annual Return	Fidelity CND Bal.	Annual Return
2007	\$10,000		\$10,000		\$10,000		\$10,000		\$10,000		\$10,000		\$10,000		\$10,000		\$10,000	
2008	10,435	4.4%	10,000	0.0%	10,000	0.0%	6,497	-35.0%	6,151	-38.5%	6,923	-30.8%	6,193	-38.1%	8,290	-17.1%	8,038	-19.6%
2009	11,275	8.1%	11,247	12.5%	11,070	10.7%	8,491	30.7%	7,593	23.5%	7,651	10.5%	7,575	22.3%	9,478	14.3%	9,749	21.3%
2010	12,029	6.7%	11,690	3.9%	11,608	4.9%	9,718	14.5%	8,564	12.8%	7,805	2.0%	8,829	16.6%	9,587	1.2%	10,951	12.3%
2011	12,883	7.1%	11,690	0.0%	11,608	0.0%	8,642	-11.1%	8,564	0.0%	7,353	-5.8%	7,971	-9.7%	9,293	-3.1%	10,726	-2.1%
2012	13,720	6.5%	11,795	0.9%	12,209	5.2%	8,988	4.0%	9,712	13.4%	8,353	13.6%	9,047	13.5%	9,927	6.8%	11,262	5.0%
2013	14,550	6.1%	12,199	3.4%	13,937	14.2%	9,847	9.6%	12,587	29.6%	11,274	35.0%	12,952	43.2%	11,788	18.7%	12,580	11.7%
2014	15,351	5.5%	12,570	3.0%	14,616	4.9%	10,578	7.4%	14,021	11.4%	12,199	8.2%	14,812	14.4%	12,904	9.5%	13,853	10.1%
2015	16,234	5.8%	12,570	0.0%	14,616	0.0%	9,405	-11.1%	13,918	-0.7%	13,472	10.4%	16,300	10.0%	14,623	13.3%	14,206	2.6%
2016	17,146	5.6%	13,495	7.4%	15,257	4.4%	11,051	17.5%	15,246	9.5%	13,783	2.3%	18,389	12.8%	14,327	-2.0%	14,844	4.5%
2017	18,180	6.0%	13,739	1.8%	16,829	10.3%	11,748	6.3%	18,207	19.4%	15,274	10.8%	21,083	14.7%	15,537	8.4%	15,430	4.0%
2018	19,284	6.1%	13,739	0.0%	16,829	0.0%	10,380	-11.6%	17,071	-6.2%	13,942	-8.7%	20,147	-4.4%	15,103	-2.8%	14,745	-0.4%
Average		6.2%		3.0%		5.0%		1.9%		6.7%		4.3%		8.7%		4.3%		4.5%



Assumptions

Helping You Make An Informed Decision

We help private Canadian shareholder's implement and manage permanent life insurance plans, fully sheltered from tax, and move residual wealth to the next generation tax-free. The objective is to minimize the impact of market volatility over time by seeking out policy returns that are not correlated to the broader equity markets. Our focus is capital preservation, risk reduction, and consistency over time.

This presentation demonstrates the advantages of using permanent life insurance as part of your overall tax and estate planning strategy. We highlight the impact of planning with, and without, life insurance, using apples-to-apples comparisons, with conventional tax and estate planning structures.

This presentation uses the following assumptions:

• Interest Rate & Cost of Borrowing Assumptions Net of Fees & MER's:

- Alternative Investment: 5.0%
- Permanent Life Insurance: 5.0%
- Cost of Borrowing: 5.0%

• Tax Rate Assumptions:

- T5 Income: 50.0%
- Capital Gains: 25.0%
- Non-eligible Dividends: 47.0%
- Passive Income: 39.0%
- Refundable Tax: 30.7%
- Capital Gains Inclusion: 50.0%

• Ontario's Combined Top Marginal Tax Rates for individuals earning in excess of \$220,000:

- T4 & T5 Income: 53.5%
- Capital Gains: 26.8%
- Eligible Dividends: 39.3%
- Non-eligible Dividends: 47.4%

• Small Business Income Threshold:

- \$ 500,000

• Small Business Exemption Grind Starts At:

- \$ 50,000

• Ontario's Combined Tax Rates For Income Earned by a CCPC:

- Income up to \$500,000: 12.5%
- Active Business Income: 26.5%
- Passive Income: 50.2%
- Refundable Tax: 30.7%

Footnotes & Notice To Reader

Notice To Reader

This analysis is provided for general information and discussion purposes only. This document is made available only for the purposes of assisting in determining a level of interest in the proposed life insurance plan. It will not form part of the insurance contract. It is subject to underwriting and approval and is intended to demonstrate benefits based on specific assumptions. These assumptions will change over time and should be considered hypothetical. Interest rates for loans and investment accounts are assumptions; they are neither guarantees nor estimates of future performance. Consult the contract for specific details including policy charges and surrender charges. If there is any discrepancy between any illustration provided to you and your policy contract, your contract governs. Every implementation is different; such as, but not limited to, the client's specific facts and circumstances. Care and attention should be paid to Subsection 55(2) as it relates to safe income. All post-mortem planning (164(6) & 88(1)(d)) will vary based on the deceased's will, current tax legislation, the intentions of the beneficiaries and may be subject to stop-loss rules 112(3.2). All loans, unless otherwise stated in writing, are assumed to be personal loans secured with personal assets. Loans secured with corporate assets for a personal benefit could result in a deemed benefit for tax purposes.

Any taxpayer considering this insurance plan should consult with his or her tax advisor for advice as to the income tax consequences to him or her and any other relevant parties having regard to his or her own particular circumstances prior to implementation.

A copy of the assumptions used for all illustrations will be made available upon request. Errors & Omissions Excepted.

Footnotes

1. Section 148 of the ITA - Life Insurance Rules
2. January 1, 2019 - Federal and Provincial tax rate for passive investment income earned by a CCPC
3. Subsections 83(2) & 89(1)(d) - Reg. 2101: Capital Dividends and Life Insurance Capital Dividends Payable by Private Corporations
4. January 1, 2019 - Top marginal tax rate in Ontario for individuals with taxable income in excess of \$220,000
5. Subsection 129(1)(a) of the ITA - Ordering Rules for Refundable Dividend Tax On Hand (RDTOH) Accounts
6. Subsection 125(1)(a) of the ITA - Passive Income Small Business Deduction (SBD) Grind Rules
7. Subsection 55(2) of the ITA - Inter-corporate Dividend Safe Income Rules
8. Subsection 120.4(1) of the ITA - Tax On Split Income (TOSI)

Contact Information

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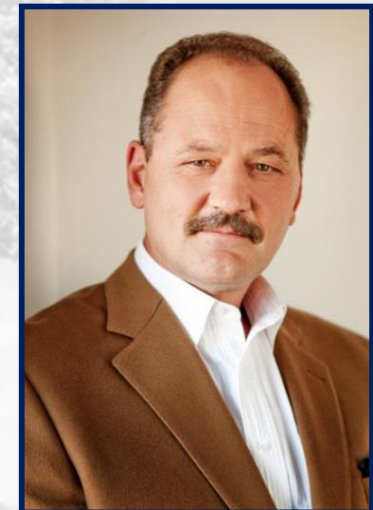
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