

The Exempt Transfer



Helping You Make An Informed Decision Tax Savings For Corporate Owners

Prepared for:

Male age 50, non-smoker

Date February 18, 2021

Presented by:

Aaron Ledlie, QAFP

Independent Insurance Broker

President

Mobile: 705-427-5945

aaron@csiplan.ca

Prepared by:

Raymond Matt, CLU, TEP, CHS

Independent Insurance Broker

Founder

Mobile: 416-452-2334

raymond@csiplan.ca

MLP Corporate Solutions Inc.

543 Yonge Street

Midland, ON L4R 2C6

Bus: 705-526-2807

Fax: 705-526-0615

www.csiplan.ca

Objectives & Comparisons

Date: February 18, 2021
Prepared for: Male age 50, non-smoker
Presented by: Aaron Ledlie, QAFP
Prepared by: Raymond Matt, CLU, TEP, CHS

The objectives are:

- o Preserve capital assets by providing liquidity for capital gains tax & recapture.
- o Provide a platform for tax-exempt growth & reduce taxable income.
- o Reduce the impact on the small business deduction on passive income in excess of \$50,000.
- o Convert retained earnings into capital dividends at life expectancy.
- o Bolster Investco's balance sheet.
- o Provide unencumbered tax-free liquidity for business continuity planning.

We will analyze & compare:

- o No life insurance vs. three different life insurance plans.
- o Isolate \$1.0 million of the fixed income portfolio for comparative.
- o Assets a moment prior to death.
- o Assets at death - life expectancy.
- o Post-mortem planning implications.

Assumed Fact Pattern and Assumptions

Date: February 18, 2021
Prepared for: Male age 50, non-smoker
Presented by: Aaron Ledlie, QAFP
Prepared by: Raymond Matt, CLU, TEP, CHS

The assumed fact pattern:

- o Mr A. is 50, non-smoker; married; Canadian resident and taxpayer.
- o Mr A. owns 100% of the common shares of Investco.
- o Shares of Investco have nominal PUC and ACB.
- o Isolate a portion of Investco's fixed income portfolio
 - Fixed income: \$2,000,000
- o Annual dividends are paid to recoup Non-Eligible Dividend Tax on Hand (NERDTH).*
- o Non-eligible dividends are reinvested by the shareholders.
- o Mr A.'s spouse dies first and all assets are transferred per ss 70(6).
- o Death of the last life insured occurs at age 80.
- o No Freeze was previously undertaken.

The assumptions applied are:

- o Three different insurance plans:
 - Term-to-100.
 - Universal Life Face plus Fund with level cost of insurance.
 - Participating Whole Life (Par).
- o Returns:
 - Fixed income: 4.00%
 - Universal Life plan: 4.00%
 - Reinvested dividends: 4.00%
 - Current Par dividend interest rate: 6.15%
 - Illustrated Par dividend interest rate: 4.15%
- o Tax paid annually on reinvested Shareholder dividends.*
- o Top marginal tax rates are applied.

Investco Assets & Reinvested Shareholder Dividends Prior To Death



Helping You Make An Informed Decision

Date: February 18, 2021
 Prepared for: Male age 50, non-smoker
 Presented by: Aaron Ledlie, QAFP
 Prepared by: Raymond Matt, CLU, TEP, CHS

Investco Assets Prior to Death - Age 80

	No Life Insurance	Term-to-100 Life Insurance	Universal Life Level Cost	Participating Whole Life
Fixed income portfolio	\$ 2,068,748	\$ 1,452,362	\$ 1,036,082	\$ 1,036,082
Life insurance cash surrender value	-	-	1,376,467	1,697,744
NERDTH refund*	25,367	17,814	12,705	12,705
Total Investco Assets	\$ 2,094,116	\$ 1,470,176	\$ 2,425,254	\$ 2,746,531

Reinvested Shareholder Dividends Prior to Death

After-tax reinvested shareholder dividends*	\$ 1,323,662	\$ 1,142,530	\$ 760,753	\$ 760,753
Total Assets Prior to Death	\$ 3,417,778	\$ 2,612,705	\$ 3,186,006	\$ 3,507,284
Total Assets Relative to No Life Insurance	100%	76.4%	93.2%	102.6%

*Annual dividends were paid to the shareholder to recoup Non-Eligible Dividend Tax on Hand (NERDTH) and reinvested.

Investco Assets & Reinvested Shareholder Dividends at Death

Date: February 18, 2021
 Prepared for: Male age 50, non-smoker
 Presented by: Aaron Ledlie, QAFP
 Prepared by: Raymond Matt, CLU, TEP, CHS

Investco Assets at Death - Age 80

	No Life Insurance	Term-to-100 Life Insurance	Universal Life - Level Cost	Participating Whole Life
Fixed income portfolio	\$ 2,068,748	\$ 1,452,362	\$ 1,036,082	\$ 1,036,082
Life insurance death benefit	-	1,485,116	3,376,467	2,157,343
NERDTH refund	25,367	17,814	12,705	12,705
Total Investco Assets	\$ 2,094,116	\$ 2,955,292	\$ 4,425,253	\$ 3,206,130

Less Taxes Paid

Corporate non-refundable tax	\$ -	\$ -	\$ -	\$ -
Taxes on Terminal return	-	-	-	-
Taxes in Estate on wind-up	992,354	785,874	707,816	823,778

Net Investco Assets Received by Estate

\$ 1,101,762	\$ 2,169,418	\$ 3,717,438	\$ 2,382,352
---------------------	---------------------	---------------------	---------------------

Reinvested Shareholder Dividends at Death

After-tax reinvested shareholder dividends	\$ 1,323,662	\$ 1,142,530	\$ 760,753	\$ 760,753
--	--------------	--------------	------------	------------

Total Assets & Reinvested Shareholder Dividends

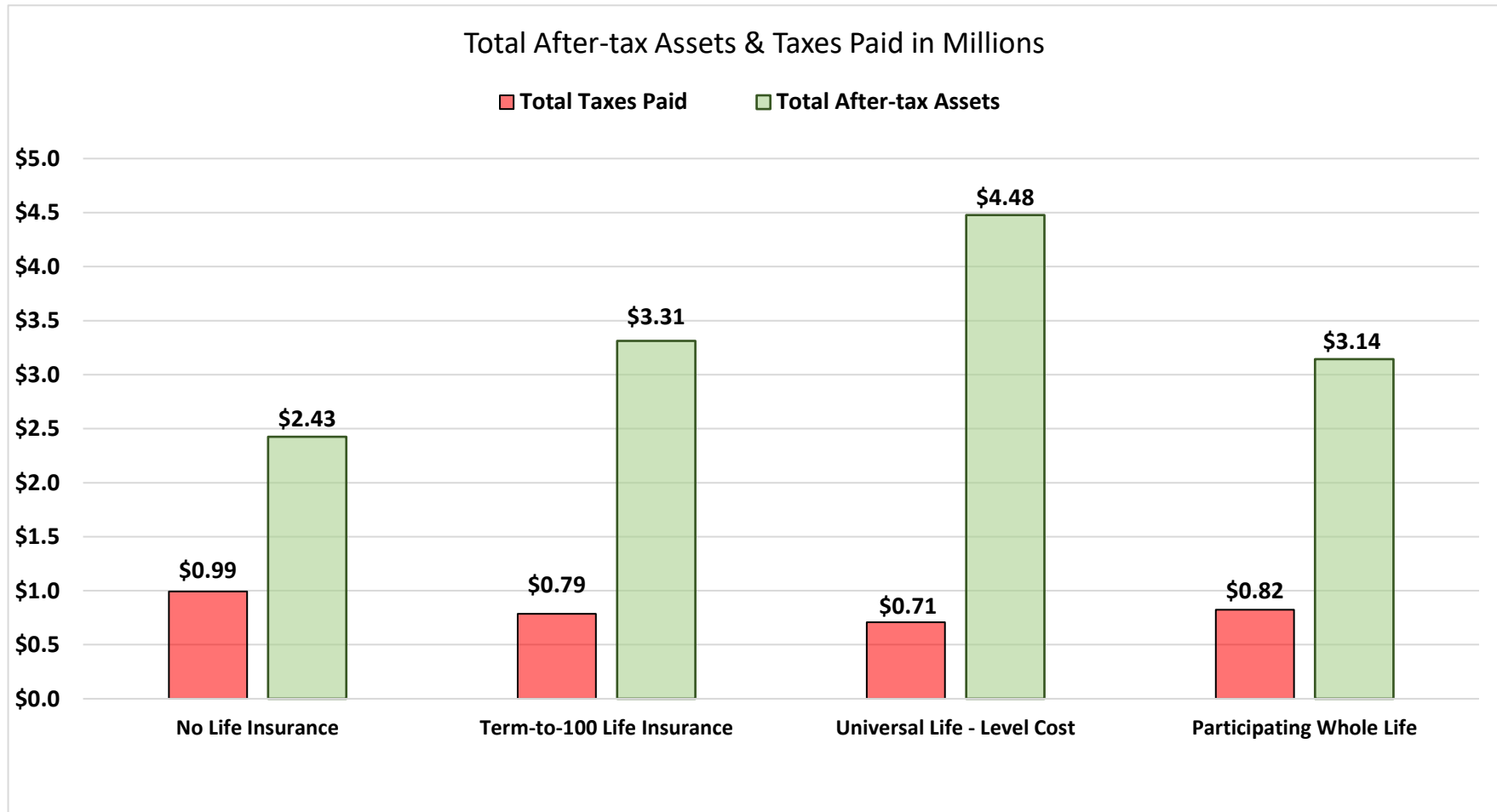
\$ 2,425,423	\$ 3,311,947	\$ 4,478,190	\$ 3,143,105
---------------------	---------------------	---------------------	---------------------

Taxes as a % of corporate assets	47.39%	26.59%	15.99%	25.69%
----------------------------------	--------	--------	--------	--------

Total Assets Relative to No Life Insurance	100%	136.6%	184.6%	129.6%
--	------	--------	--------	--------

Total After-tax Assets & Taxes Paid in Millions - Graph

Date: February 18, 2021
Prepared for: Male age 50, non-smoker
Presented by: Aaron Ledlie, QAFP
Prepared by: Raymond Matt, CLU, TEP, CHS



Corporate Owned Universal Life - Diagram

Date: February 18, 2021
 Prepared for: Male age 50, non-smoker
 Presented by: Aaron Ledlie, QAFP
 Prepared by: Raymond Matt, CLU, TEP, CHS

