

# The Exempt Transfer



## Helping You Make An Informed Decision Tax Savings For Corporate Owners

Prepared for:

**Male age 60, 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 60, 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 60, non-smoker  
Presented by: Aaron Ledlie, QAFP  
Prepared by: Raymond Matt, CLU, TEP, CHS

## The assumed fact pattern:

- o Mr A. is 60, 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 82.
- 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: 3.50%
  - Universal Life plan: 3.50%
  - Reinvested dividends: 3.50%
  - 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

Date: February 18, 2021  
 Prepared for: Male age 60, non-smoker  
 Presented by: Aaron Ledlie, QAFP  
 Prepared by: Raymond Matt, CLU, TEP, CHS

## Investco Assets Prior to Death - Age 82

	No Life Insurance	Term-to-100 Life Insurance	Universal Life Level Cost	Participating Whole Life
Fixed income portfolio	\$ 2,053,144	\$ 1,490,973	\$ 1,028,052	\$ 1,028,052
Life insurance cash surrender value	-	-	919,002	1,486,024
NERDTH refund*	22,030	16,003	11,031	11,031
<b>Total Investco Assets</b>	<b>\$ 2,075,175</b>	<b>\$ 1,506,976</b>	<b>\$ 1,958,085</b>	<b>\$ 2,525,107</b>

## Reinvested Shareholder Dividends Prior to Death

After-tax reinvested shareholder dividends*	\$ 750,914	\$ 653,392	\$ 446,570	\$ 446,570
<b>Total Assets Prior to Death</b>	<b>\$ 2,826,088</b>	<b>\$ 2,160,368</b>	<b>\$ 2,404,655</b>	<b>\$ 2,971,677</b>
Total Assets Relative to No Life Insurance	100%	76.4%	85.1%	105.2%

\*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 60, non-smoker  
 Presented by: Aaron Ledlie, QAFP  
 Prepared by: Raymond Matt, CLU, TEP, CHS

## Investco Assets at Death - Age 82

	No Life Insurance	Term-to-100 Life Insurance	Universal Life Level Cost	Participating Whole Life
Fixed income portfolio	\$ 2,053,144	\$ 1,490,973	\$ 1,028,052	\$ 1,028,052
Life insurance death benefit	-	1,075,552	2,219,002	1,826,453
NERDTOH refund	22,030	16,003	11,031	11,031
<b>Total Investco Assets</b>	<b>\$ 2,075,175</b>	<b>\$ 2,582,528</b>	<b>\$ 3,258,085</b>	<b>\$ 2,865,536</b>

## Less Taxes Paid

Corporate non-refundable tax	\$ -	\$ -	\$ -	\$ -
Taxes on Terminal return	-	-	-	-
Taxes in Estate on wind-up	983,378	811,775	768,607	850,896

## **Net Investco Assets Received by Estate**

<b>\$ 1,091,797</b>	<b>\$ 1,770,753</b>	<b>\$ 2,489,478</b>	<b>\$ 2,014,640</b>
---------------------	---------------------	---------------------	---------------------

## Reinvested Shareholder Dividends at Death

After-tax reinvested shareholder dividends	\$ 750,914	\$ 653,392	\$ 446,570	\$ 446,570
--	------------	------------	------------	------------

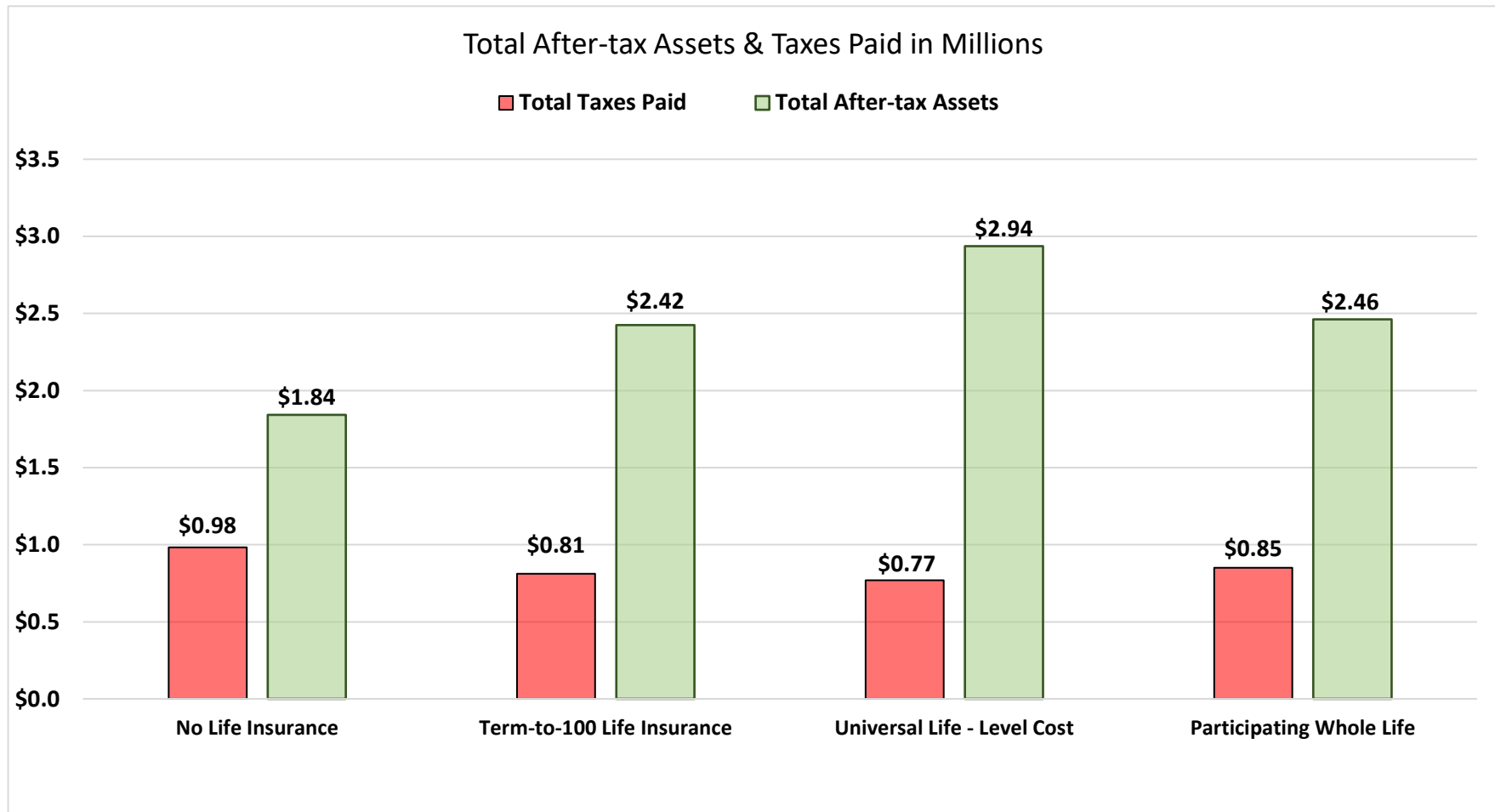
## **Total Assets & Reinvested Shareholder Dividends**

<b>\$ 1,842,710</b>	<b>\$ 2,424,145</b>	<b>\$ 2,936,048</b>	<b>\$ 2,461,210</b>
---------------------	---------------------	---------------------	---------------------

Taxes as a % of corporate assets	47.39%	31.43%	23.59%	29.69%
Total Assets Relative to No Life Insurance	100%	131.6%	159.3%	133.6%

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

Date: February 18, 2021  
Prepared for: Male age 60, 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 60, non-smoker  
 Presented by: Aaron Ledlie, QAFP  
 Prepared by: Raymond Matt, CLU, TEP, CHS

