

# 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: 5.00%
  - Universal Life plan: 5.00%
  - Reinvested dividends: 5.00%
  - Current Par dividend interest rate: 6.15%
  - Illustrated Par dividend interest rate: 5.15%
- 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	\$ 2,076,719	\$ 1,509,179	\$ 1,040,512	\$ 1,040,513
Life insurance cash surrender value	-	-	959,835	1,486,024
NERDTOH refund*	31,828	23,139	15,947	15,947
<b>Total Investco Assets</b>	<b>\$ 2,108,547</b>	<b>\$ 1,532,318</b>	<b>\$ 2,016,294</b>	<b>\$ 2,542,483</b>

## Reinvested Shareholder Dividends Prior to Death

After-tax reinvested shareholder dividends*	\$ 1,172,071	\$ 1,023,593	\$ 702,856	\$ 702,856
<b>Total Assets Prior to Death</b>	<b>\$ 3,280,617</b>	<b>\$ 2,555,911</b>	<b>\$ 2,719,150</b>	<b>\$ 3,245,339</b>
Total Assets Relative to No Life Insurance	100%	77.9%	82.9%	98.9%

\*Annual dividends were paid to the shareholder to recoup Non-Eligible Dividend Tax on Hand (NERDTOH) 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	\$ 2,076,719	\$ 1,509,179	\$ 1,040,512	\$ 1,040,513
Life insurance death benefit	-	1,075,552	2,659,835	1,826,453
NERDTOH refund	31,828	23,139	15,947	15,947
<b>Total Investco Assets</b>	<b>\$ 2,108,547</b>	<b>\$ 2,607,870</b>	<b>\$ 3,716,294</b>	<b>\$ 2,882,912</b>

## Less Taxes Paid

Corporate non-refundable tax	\$ -	\$ -	\$ -	\$ -
Taxes on Terminal return	-	-	-	-
Taxes in Estate on wind-up	999,193	823,785	716,883	859,131
<b>Net Investco Assets Received by Estate</b>	<b>\$ 1,109,354</b>	<b>\$ 1,784,085</b>	<b>\$ 2,999,411</b>	<b>\$ 2,023,781</b>

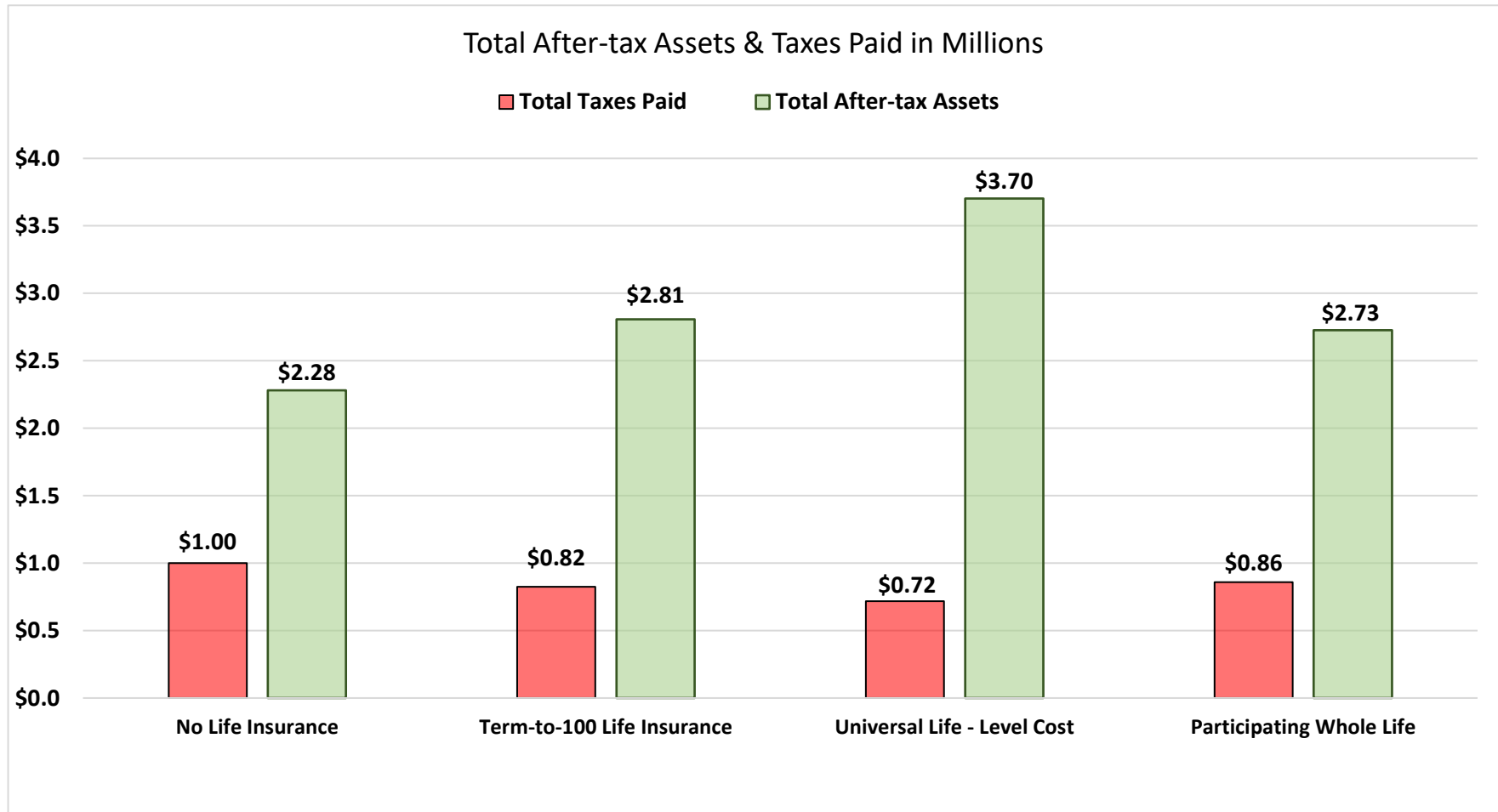
## Reinvested Shareholder Dividends at Death

After-tax reinvested shareholder dividends	\$ 1,172,071	\$ 1,023,593	\$ 702,856	\$ 702,856
<b>Total Assets &amp; Reinvested Shareholder Dividends</b>	<b>\$ 2,281,424</b>	<b>\$ 2,807,679</b>	<b>\$ 3,702,267</b>	<b>\$ 2,726,637</b>

Taxes as a % of corporate assets	47.39%	31.59%	19.29%	29.80%
Total Assets Relative to No Life Insurance	100%	123.1%	162.3%	119.5%

# 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

