

Flatten the Tax for Corporate Clients

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Presentation Objective

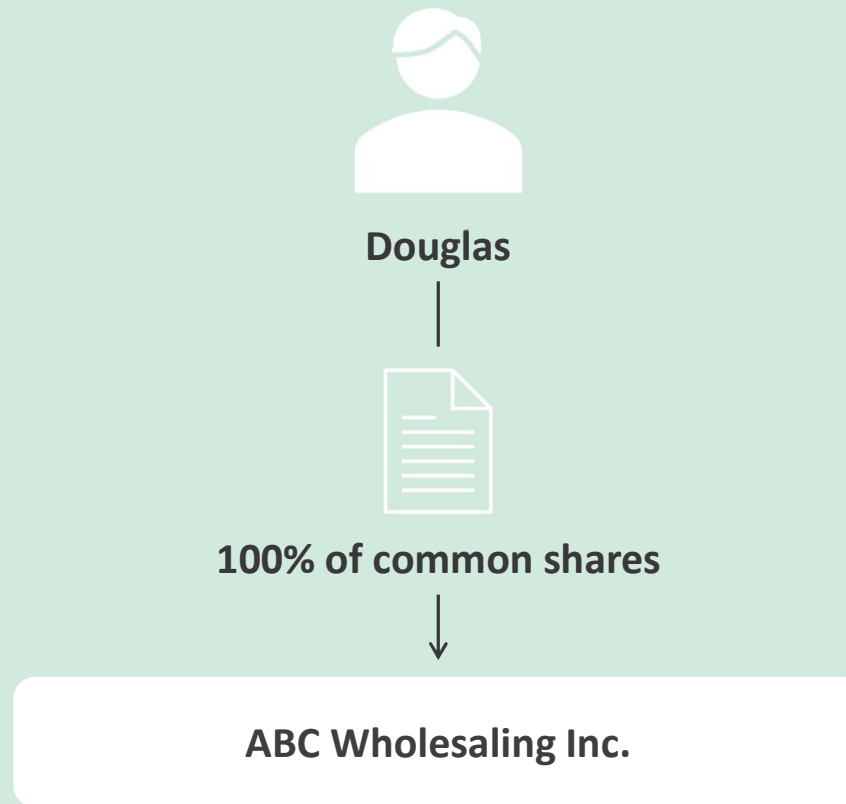
- 01** Support planning with Life Insurance for Corporate Clients.
- 02** Build upon the PAR as Corporate Asset Class discussion.
- 03** Demonstrate a way to show clients how to achieve more with their fixed income assets in their retained earnings by recapturing the wealth lost to taxes.

PAR as a Corporate Asset Class

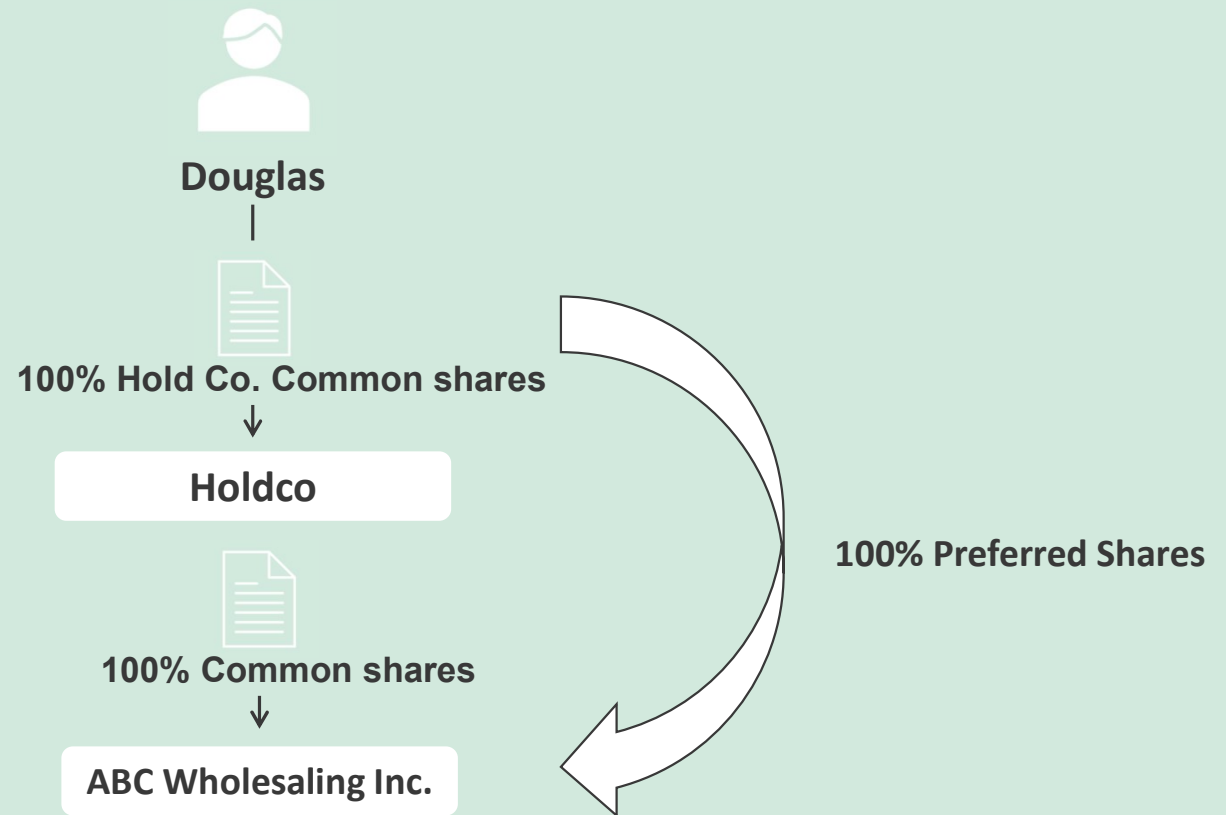
- You're a business owner, you've worked hard, you employed people, paid tax, lots of tax, and now they want more. There's a way to manage these taxes and structure your affairs to keep your cash on the balance sheet with the strategic use of life insurance.
- Let's examine the corporate structure as well as a brief overview of tax....



Basic Corporate Structure



Corporate Structure with common holding company



Small, general, passive tax rates

	Canadian- Controlled Private Corporations (CCPCs)			Other Corporations	
	Active Business Income (ABI)		Investment Income	Manufacturing & Processing	Other
	Rate	Income Limit			
Federal	9.00%/4.50%	500,000	38.67%	15.00%/7.50%	15.00%
Provincial					
British Columbia	2.00	500,000	12.00	12.00	12.00
Alberta	2.00	500,000	8.00	8.00	8.00
Saskatchewan	1.00	600,000	12.00	10.00	12.00
Manitoba	0.00	500,000	12.00	12.00	12.00
Ontario	3.20	500,000	11.50	10.00	11.50
Quebec	3.20	500,000	11.50	11.50	11.50
New Brunswick	2.50	500,000	14.00	14.00	14.00
Nova Scotia	1.50	700,000	14.00	14.00	14.00
Prince Edward Island	1.00	500,000	16.00	16.00	16.00
Newfoundland & Labrador	2.50	500,000	15.00	15.00	15.00
Yukon	0.00	500,000	12.00	2.50	12.00
Northwest Territories	2.00	500,000	11.50	11.50	11.50
Nunavut	3.00	500,000	12.00	12.00	12.00

2025 Corporate Income Tax Rates, 2025

Small business tax rate grind

Reduction of the small business limit at selected passive income levels

Passive Income Earned	Reduction of small business limit	Small business limit available
\$50,000	Nil	\$500,000
\$70,000	$5 \times (\$70,000 - \$50,000) = \$100,000$	\$400,000
\$90,000	$5 \times (\$90,000 - \$50,000) = \$200,000$	\$300,000
\$100,000	$5 \times (\$100,000 - \$50,000) = \$250,000$	\$250,000
\$120,000	$5 \times (\$120,000 - \$50,000) = \$350,000$	\$150,000
\$150,000	$5 \times (\$150,000 - \$50,000) = \$500,000$	\$nil

Attributes of Participating Whole Life

Accelerated Growth with Maximum ADO

- Fixed income alternative on the balance Sheet
- Participating fund is typically not correlated to other portfolios
- Higher early access to cash values
- Tax deferred growth
- Death benefit for corporate or personal estate liquidity
- Capital dividend account





Consideration for PAR as a corporate asset

Once we've established an interest, insurance want/need, and examined the corporate structure to determine where the whole life policy should reside, an advisor must now ask.....

Where will the funding come from?

Options

1. Consider the clients Cash Flows and see how much they feel comfortable setting aside.
2. Examine how much the client is retaining on an annual basis and then determine what would be a comfortable amount?
3. Examine flattening the tax on the existing corporate investment account by moving the after-tax earnings into a tax advantaged, participating whole life policy.

The final option is a combination of #2 and #3, moving the interest and reallocating the portfolio into a tax advantaged, participating whole life policy in order to ensure that the portfolio earnings do not reduce or eliminate the small business tax rate.

Flatten the tax example



Male 45 Non-Smoker

_____ ☐

**Business owner for over
12 years**

_____ ☐

**Retained Earnings of
\$765,000 invested in
fixed income**

_____ ☐

**Primary interests:
protection, tax savings,
and liquidity.**

_____ ☐

\$765,000 at 4% gross ROR, 50% tax rate, equals 2% net rate of return*.

Year	Starting Balance	Interest Earned	Taxes payable	Closing Balance
1	\$765,000	\$30,324	\$15,162	\$780,162
5	\$827,477	\$32,800	\$16,400	\$843,877
10	\$912,796	\$35,182	\$18,091	\$930,888
15	\$1,006,913	\$39,914	\$19,957	\$1,026,870
20	\$1,110,734	\$44,030	\$22,015	\$1,132,749
25	\$1,225,260	\$48,568	\$24,284	\$1,249,544
30	\$1,351,595	\$53,576	\$26,788	\$1,378,383
35	\$1,490,955	\$59,102	\$29,551	\$1,520,507
40	\$1,644,685	\$65,196	\$32,598	\$1,677,283

*This example uses a hypothetical tax rate for demonstration purposes only. Please refer to the actual tax rates applicable in your province.

\$765,000 at 4% gross ROR, 50% tax rate, equals 2% net rate of return.

Year	Starting Balance	Interest Earned	Taxes payable	Closing Balance
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40	\$1,644,685	\$65,196	\$32,598	\$1,677,283

Total Cumulative Taxes
=
\$912,283

*This example uses a hypothetical tax rate for demonstration purposes only. Please refer to the actual tax rates applicable in your province.

This represents a growing tax problem



Could we flatten the tax and recapture the wealth?



\$765,000 starting balance, \$15,000 transferred to a Pay to age 100 Accelerated Growth, subsequent deposits to be transferred from the after-tax interest of the account.

Year	Starting Balance	Interest Earned	Taxes payable	Closing Balance
1	\$750,000	\$30,000	\$15,000	\$750,000
5	\$750,000	\$30,000	\$15,000	\$750,000
10	\$750,000	\$30,000	\$15,000	\$750,000
15	\$750,000	\$30,000	\$15,000	\$750,000
20	\$750,000	\$30,000	\$15,000	\$750,000
25	\$750,000	\$30,000	\$15,000	\$750,000
30	\$750,000	\$30,000	\$15,000	\$750,000
35	\$750,000	\$30,000	\$15,000	\$750,000
40	\$750,000	\$30,000	\$15,000	\$750,000

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10	\$750,000	\$30,000	\$15,000	\$750,000
15	\$750,000	\$30,000	\$15,000	\$750,000
20	\$750,000	\$30,000	\$15,000	\$750,000
25	\$750,000	\$30,000	\$15,000	\$750,000
30	\$750,000	\$30,000	\$15,000	\$750,000
35	\$750,000	\$30,000	\$15,000	\$750,000
40	\$750,000	\$30,000	\$15,000	\$750,000

Total Cumulative Taxes =
\$600,000

*This example uses a hypothetical tax rate for demonstration purposes only. Please refer to the actual tax rates applicable in your province.

Let's examine the growth in the Participating Whole Life

Years	Deposit	Total CSV	Total DB
1	\$15,000	\$9,751	\$278,211
2	\$15,000	\$20,857	\$307,402
3	\$15,000	\$33,316	\$337,423
4	\$15,000	\$47,178	\$368,276
5	\$15,000	\$62,484	\$399,926
6	\$15,000	\$81,278	\$432,245
7	\$15,000	\$102,239	\$465,202
8	\$15,000	\$125,400	\$498,755
9	\$15,000	\$147,796	\$532,786
10	\$15,000	\$171,590	\$567,311
15	\$15,000	\$297,516	\$747,810
20	\$15,000	\$465,294	\$950,206
25	\$15,000	\$675,821	\$1,181,859
30	\$15,000	\$951,124	\$1,455,209
35	\$15,000	\$1,297,334	\$1,766,137
40	\$15,000	\$1,723,503	\$2,114,891

Values are based on the current dividend scale interest rate and include both guaranteed and non-guaranteed components. They are subject to fluctuation and not guaranteed.


Combined values on the balance sheet

Years	Deposit	Total CSV	Total DB
1	\$15,000	\$9,751	\$278,211
5	\$15,000	\$62,484	\$399,926
10	\$15,000	\$171,590	\$567,311
15	\$15,000	\$297,516	\$747,810
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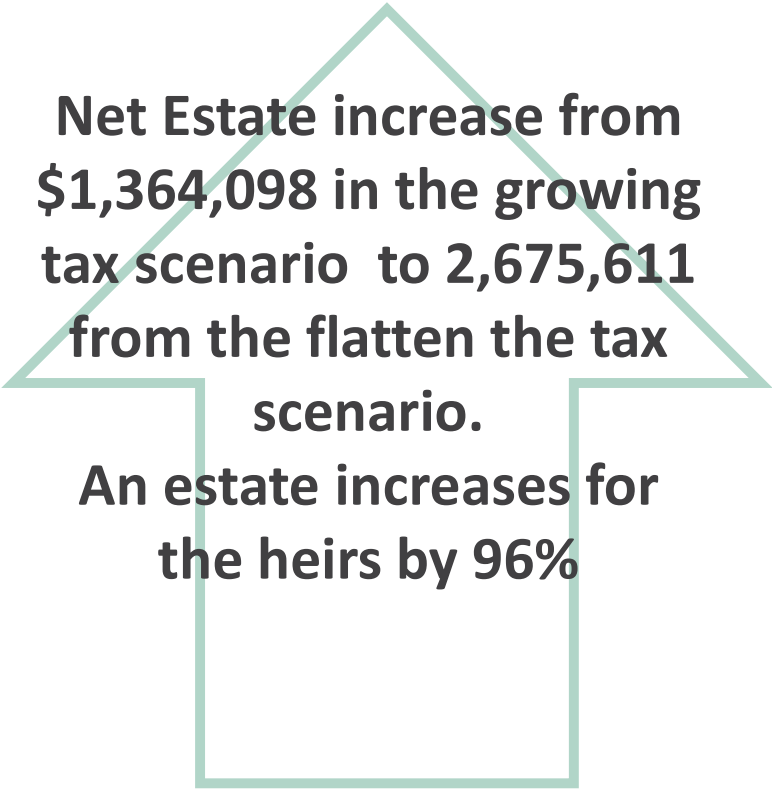
Cash account	Combined Cash and Cash Value	Combined Cash and Gross DB
\$750,000	\$759,751	\$1,028,211
\$750,000	\$812,484	\$1,149,926
\$750,000	\$921,590	\$1,317,311
\$750,000	\$1,047,516	\$1,497,810
\$750,000	\$1,215,294	\$1,700,206
\$750,000	\$1,425,821	\$1,931,859
\$750,000	\$1,701,124	\$2,205,209
\$750,000	\$2,047,334	\$2,516,137
\$750,000	\$2,473,503	\$2,864,891

Values are based on the current dividend scale interest rate and include both guaranteed and non-guaranteed components. They are subject to fluctuation and not guaranteed.

Let's compare, or examine, the net effects on the tax savings and the net effects on the estate for the heirs



Tax transfer is reduced by 35% from \$912,283 in the growing tax scenario to \$600,000 in the flatten the tax scenario.



Net Estate increase from \$1,364,098 in the growing tax scenario to 2,675,611 from the flatten the tax scenario.

An estate increases for the heirs by 96%

Concepts to keep liquidity, access, & control

- Corporate Wealth Escalator Plan (CWEP)
- Corporate IFA
- Corporate Insured Retirement Plan (CIRP)



Par as a corporate asset class provides:

- 01** Life insurance coverage.
- 02** A policy that is both tax deferred and is non-correlated to their other portfolios.
- 03** Liquidity, access, and control over their money without interrupting the compounding of the asset.
- 04** A unique asset that helps in maintain the Small Business Tax Rate.
- 05** A tax efficient way to get assets off the corporate balance sheet via the CDA at death.



Thank you!