

Corporate Estate Liquidity Strategy (ON)

Strategic Objective: Unlocking Trapped Safe Income at High Tax-Equivalent IRR

The proposal is a Level Tax-Free Sum Insured Universal Life policy with a face amount of \$15,416,486, funded by five annual premiums of \$1,700,000, designed for a 70-year-old Male standard-health non-smoker.

At life expectancy (age 85), the corporation receives \$15,416,486 of tax-free insurance proceeds. These proceeds generate a total available Capital Dividend Account (CDA) credit of \$11,221,416 attributable to the policy, which is used to maximize the estate's net value, with the remaining balance distributed as a taxable dividend.

The resulting distribution is efficient and transparent:

- **Total Death Benefit:** \$15,416,486
- **Tax-Free CDA Dividend:** \$11,221,416
- **Taxable Portion:** \$4,195,070
 - Tax at 47.74%: (\$2,002,727)

This results in a total net benefit to the estate of \$13,413,759

To achieve the same outcome by allocating the same five annual deposits of \$1,700,000 into passive corporate investments, the corporation would need to grow a portfolio to \$18,281,390 by age 85. This requires sustaining an 12.1% annual return every year for the next 15 years. Only at this level—after corporate tax, dividend distribution, and RDTOH recovery—would the estate net an equivalent \$13,413,760.

Please see the attached analysis

David Kakon, Math Honours, B.Sc.

Armstrong Financial Services

Tel: (833) 603-5500

Email: info@ArmstrongLife.com

Universal Life (Level) - Policy Summary

Yr	Age	Deposit	Cash Value	Face Value	CDA	Net to Estate ¹	Hurdle Rate ²
1	71	\$1,700,000	-	\$15,416,486	\$13,790,793	\$14,640,380	1903.0%
2	72	1,700,000	1,221,292	15,416,486	12,202,835	13,555,412	341.7%
3	73	1,700,000	2,540,614	15,416,486	10,641,803	12,457,062	140.8%
4	74	1,700,000	4,243,962	15,416,486	9,103,007	11,266,543	70.5%
5	75	1,700,000	5,707,732	15,416,486	7,582,107	10,148,690	36.4%
6	76	-	5,795,487	15,416,486	7,794,599	10,226,647	27.7%
7	77	-	5,506,311	15,416,486	8,043,255	10,422,752	22.8%
8	78	-	5,786,986	15,416,486	8,331,296	10,485,141	19.2%
9	79	-	5,354,198	15,416,486	8,662,125	10,758,914	17.0%
10	80	-	4,834,332	15,416,486	9,032,919	11,075,072	15.5%
11	81	-	4,199,474	15,416,486	9,442,286	11,440,422	14.4%
12	82	-	3,426,805	15,416,486	9,884,650	11,858,410	13.6%
13	83	-	2,496,891	15,416,486	10,347,587	12,328,306	13.0%
14	84	-	1,370,978	15,416,486	10,807,811	12,849,365	12.5%
15	85	-	-	15,416,486	11,221,416	13,413,759	12.1%
16	86	-	-	15,416,486	11,507,630	13,550,398	11.4%
17	87	-	-	15,416,486	11,803,299	13,691,550	10.7%
18	88	-	-	15,416,486	12,107,949	13,836,990	10.2%
19	89	-	-	15,416,486	12,421,018	13,986,450	9.7%
20	90	-	-	15,416,486	12,741,902	14,139,639	9.2%
21	91	-	-	15,416,486	13,069,982	14,296,265	8.8%
22	92	-	-	15,416,486	13,404,571	14,455,998	8.5%
23	93	-	-	15,416,486	13,744,926	14,618,483	8.2%
24	94	-	-	15,416,486	14,090,265	14,783,348	7.9%
25	95	-	-	15,416,486	14,439,688	14,950,163	7.6%
26	96	-	-	15,416,486	14,792,201	15,118,452	7.4%
27	97	-	-	15,416,486	15,146,572	15,287,629	7.2%
28	98	-	-	15,416,486	15,416,486	15,416,486	7.0%
29	99	-	-	15,416,486	15,416,486	15,416,486	6.7%
30	100	-	-	15,416,486	15,416,486	15,416,486	6.5%

Insured = Male 70 Std NS (ON) / Sun Life Level UL YRT85 @ 3.5%

¹Net to Estate = CDA + [(FV-CDA) × (1-47.74%) - [CV × 26.76%]]

²Pre-Tax Corporate Passive Income Equivalent, See Attached Detail

Armstrong Financial / David E. Kakon, Math B.Sc.

info@ArmstrongLife.com / Tel. (833) 603-5500

Feb 09, 26 / For illustrative purposes only / E&OE

Corporate Income (Hurdle Rate) @ 12%

	Deposit	Fund BOY	Income	Income Tax	Fund EOY	RDTOH
	<i>a</i>	<i>b</i>	<i>c</i>	<i>d</i>	<i>e</i>	<i>f</i>
	$a + e_{(y-1)}$		$b \times 12.12\%$	$c \times 50.17\%$	$b + c + d$	$\Sigma c \times 30.67\%$
1 71	\$ 1,700,000	\$ 1,700,000	\$ 206,055	\$ (103,378)	\$ 1,802,677	\$ 63,190
2 72	1,700,000	3,502,677	424,556	(213,000)	3,714,233	193,387
3 73	1,700,000	5,414,233	656,253	(329,242)	5,741,244	394,638
4 74	1,700,000	7,441,244	901,945	(452,506)	7,890,683	671,235
5 75	1,700,000	9,590,683	1,162,476	(583,214)	10,169,945	1,027,727
6 76	-	10,169,945	1,232,688	(618,439)	10,784,194	1,405,752
7 77	-	10,784,194	1,307,140	(655,792)	11,435,542	1,806,608
8 78	-	11,435,542	1,386,089	(695,401)	12,126,230	2,231,675
9 79	-	12,126,230	1,469,807	(737,402)	12,858,635	2,682,416
10 80	-	12,858,635	1,558,581	(781,940)	13,635,275	3,160,381
11 81	-	13,635,275	1,652,717	(829,168)	14,458,824	3,667,214
12 82	-	14,458,824	1,752,538	(879,248)	15,332,114	4,204,659
13 83	-	15,332,114	1,858,388	(932,353)	16,258,149	4,774,565
14 84	-	16,258,149	1,970,632	(988,666)	17,240,115	5,378,892
15 85	-	17,240,115	2,089,655	(1,048,380)	18,281,390	6,019,720

A) Corporate Income / Year 15

Total Taxable Dividend Distribution Declared: \$24,301,109 (e + f)

Distribution	Type	Amount	Tax Rate	Taxes	Net to Estate
Dividend	Eligible	8,500,000	39.34%	(3,343,900)	5,156,100
Dividend	Non-Eligible	15,801,109	47.74%	(7,543,450)	8,257,660
Total Net					13,413,760

B) Life Insurance / Year 15

Total Corporate Policy Proceeds Distributed: \$15,416,486

Distribution	Type	Amount	Tax Rate	Taxes	Net to Estate
Dividend	CDA	11,221,416	-	-	11,221,416
Dividend	Non-Eligible	4,195,070	47.74%	(2,002,727)	2,192,344
Total Net					13,413,759