

## 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

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# **Universal Life (Level) - Policy Summary**

<b>Yr</b>	<b>Age</b>	<b>Deposit</b>	<b>Cash Value</b>	<b>Face Value</b>	<b>CDA</b>	<b>Net to Estate<sup>1</sup></b>	<b>Hurdle Rate<sup>2</sup></b>
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	-	<b>4,834,332</b>	<b>15,416,486</b>	<b>9,032,919</b>	<b>11,075,072</b>	<b>15.5%</b>
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%
<b>15</b>	<b>85</b>	-	-	<b>15,416,486</b>	<b>11,221,416</b>	<b>13,413,759</b>	<b>12.1%</b>
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	-	-	<b>15,416,486</b>	<b>12,741,902</b>	<b>14,139,639</b>	<b>9.2%</b>
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	-	-	<b>15,416,486</b>	<b>15,416,486</b>	<b>15,416,486</b>	<b>6.5%</b>

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

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

<sup>2</sup>Pre-Tax Corporate Passive Income Equivalent, See Attached Detail

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# Corporate Income (Hurdle Rate) @ 12%

		<b>Deposit</b>	<b>Fund BOY</b>	<b>Income</b>	<b>Income Tax</b>	<b>Fund EOY</b>	<b>RDTOH</b>
		a	b	c	d	e	f
			a + e_(y-1)	b x 12.12%	c x 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
<b>15</b>	<b>85</b>	<b>-</b>	<b>17,240,115</b>	<b>2,089,655</b>	<b>(1,048,380)</b>	<b>18,281,390</b>	<b>6,019,720</b>

## 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
<b>Total Net</b>					<b>13,413,760</b>

## 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
<b>Total Net</b>					<b>13,413,759</b>