

## Insurance Policy Illustration - Revision

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Using the same policy values, please show me a modified "zero cost" insurance schedule with the following adjustments:

1. Use a corporate tax rate of 22% instead of 50%.
2. Maintain the outstanding interest loan rate at 6.95% for the duration of the strategy.
3. Assume the policy's investment fund will perform at a rate 1% lower than today's rate.

Please also address the CRA correspondence memo below and confirm in writing that the credits you are integrating are acceptable as per CRA guidelines for the duration of the strategy. If you are unable to provide this written guarantee, I would like to see the impact in the above scenario where the CRA denies the tax credits.

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*CRA Correspondance 2000-005146*

*The deductibility of interest for income tax purposes is governed by paragraph 20(1)(c) of the Income Tax Act which allows a deduction for interest on borrowed money used for the purpose of earning income from a business or property. **Specifically excluded from eligibility for deduction, however, is interest on borrowed money used to acquire a life insurance policy. Accordingly, if money is borrowed to purchase a life insurance policy, the interest paid or payable on those borrowed funds is not deductible for income tax purposes.***

*for Director  
Financial Industries Division  
Income Tax Rulings Directorate  
Policy and Legislation Branch*