

Corporate Estate Liquidity Strategy (QC)

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 48.70%: (\$2,042,999)

This results in a total net benefit to the estate of \$13,373,487

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 \$18,494,814 by age 85. This requires sustaining an 12.3% 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 \$13,373,487.

Please see the attached analysis

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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	\$14,624,774	1938.2%
2	72	1,700,000	1,221,292	15,416,486	12,202,835	13,525,933	346.3%
3	73	1,700,000	2,540,614	15,416,486	10,641,803	12,414,078	142.6%
4	74	1,700,000	4,243,962	15,416,486	9,103,007	11,210,700	71.4%
5	75	1,700,000	5,707,732	15,416,486	7,582,107	10,079,890	37.0%
6	76	-	5,795,487	15,416,486	7,794,599	10,159,985	28.1%
7	77	-	5,506,311	15,416,486	8,043,255	10,358,153	23.2%
8	78	-	5,786,986	15,416,486	8,331,296	10,423,622	19.5%
9	79	-	5,354,198	15,416,486	8,662,125	10,700,085	17.3%
10	80	-	4,834,332	15,416,486	9,032,919	11,019,218	15.8%
11	81	-	4,199,474	15,416,486	9,442,286	11,387,786	14.6%
12	82	-	3,426,805	15,416,486	9,884,650	11,809,153	13.8%
13	83	-	2,496,891	15,416,486	10,347,587	12,282,448	13.2%
14	84	-	1,370,978	15,416,486	10,807,811	12,806,661	12.7%
15	85	-	-	15,416,486	11,221,416	13,373,487	12.3%
16	86	-	-	15,416,486	11,507,630	13,512,873	11.5%
17	87	-	-	15,416,486	11,803,299	13,656,864	10.9%
18	88	-	-	15,416,486	12,107,949	13,805,228	10.3%
19	89	-	-	15,416,486	12,421,018	13,957,693	9.8%
20	90	-	-	15,416,486	12,741,902	14,113,963	9.4%
21	91	-	-	15,416,486	13,069,982	14,273,738	9.0%
22	92	-	-	15,416,486	13,404,571	14,436,683	8.6%
23	93	-	-	15,416,486	13,744,926	14,602,436	8.3%
24	94	-	-	15,416,486	14,090,265	14,770,616	8.0%
25	95	-	-	15,416,486	14,439,688	14,940,786	7.8%
26	96	-	-	15,416,486	14,792,201	15,112,459	7.5%
27	97	-	-	15,416,486	15,146,572	15,285,038	7.3%
28	98	-	-	15,416,486	15,416,486	15,416,486	7.1%
29	99	-	-	15,416,486	15,416,486	15,416,486	6.8%
30	100	-	-	15,416,486	15,416,486	15,416,486	6.6%

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

¹Net to Estate = CDA + [(FV-CDA) × (1-48.70%)] - [CV × 26.65%]

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

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Corporate Income (Hurdle Rate) @ 12.3%

	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>
	$a + e_{(y-1)}$		$b \times 12.31\%$	$c \times 50.17\%$	$b + c + d$	$\Sigma c \times 30.67\%$
1 71	\$ 1,700,000	\$ 1,700,000	\$ 209,257	\$ (104,984)	\$ 1,804,273	\$ 64,172
2 72	1,700,000	3,504,273	431,350	(216,408)	3,719,215	196,453
3 73	1,700,000	5,419,215	667,065	(334,667)	5,751,613	401,020
4 74	1,700,000	7,451,613	917,238	(460,179)	7,908,673	682,306
5 75	1,700,000	9,608,673	1,182,757	(593,389)	10,198,041	1,045,018
6 76	-	10,198,041	1,255,303	(629,786)	10,823,559	1,429,978
7 77	-	10,823,559	1,332,300	(668,415)	11,487,444	1,838,550
8 78	-	11,487,444	1,414,019	(709,413)	12,192,049	2,272,182
9 79	-	12,192,049	1,500,751	(752,927)	12,939,874	2,732,413
10 80	-	12,939,874	1,592,803	(799,109)	13,733,567	3,220,872
11 81	-	13,733,567	1,690,501	(848,124)	14,575,944	3,739,292
12 82	-	14,575,944	1,794,191	(900,146)	15,469,989	4,289,511
13 83	-	15,469,989	1,904,241	(955,358)	16,418,872	4,873,478
14 84	-	16,418,872	2,021,042	(1,013,957)	17,425,958	5,493,264
15 85	-	17,425,958	2,145,006	(1,076,150)	18,494,814	6,151,066

A) Corporate Income / Year 15

Total Taxable Dividend Distribution Declared: \$24,645,881 (e + f)

Distribution	Type	Amount	Tax Rate	Taxes	Net to Estate
Dividend	Eligible	8,500,000	40.11%	(3,409,350)	5,090,650
Dividend	Non-Eligible	16,145,881	48.70%	(7,863,044)	8,282,837
Total Net					13,373,487

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	48.70%	(2,042,999)	2,152,071
Total Net					13,373,487