

Your Company Name Capital Dividend Account

(current date)

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"Pay the cost of your Corporate Insurance from your company bank account, and create a tax free payout of proceeds at death!"

Are you aware that your Private Corporation can pay the premiums on an insurance policy on you or any other key individual, and that typically a large percentage of the death benefit can flow into the Capital Dividend Account tax free!

The amount of death benefit that exceeds the Adjusted Cost Basis (ACB) of the policy qualifies as tax-free surplus for the Capital Dividend Account (CDA). Moneys in this account can be paid out tax free to the Canadian-resident shareholders of the corporation.

Many people are unaware that:

- * They can pay the cost of Collateral Insurance, Key Person Insurance, or Buy-Sell Insurance from the corporate accounts, usually with the corresponding advantage of a lower income tax rate.
- * Paying taxes on income needed to fund Term Insurance premiums, means that you are working for the government when it is not necessary!
- * If the ACB portion of the policy proceeds paid at death is kept in the corporation then it remains tax-free and is credited to retained earnings!

A life insurance policy that qualifies under section 148 of the Income Tax Act is an excellent planning tool that can be used to create a growing tax advantaged account. This account is totally accessible and under your control while you are alive, and is paid out to your company as the designated beneficiary at death. Any additional cash flow available due to tax savings using your corporate tax rate can accumulate in the "tax-exempt" policy, allowing you to grow the death benefit.

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A private corporation is entitled to maintain a notional tax account, called the Capital Dividend Account (CDA) which keeps track of various tax-free surpluses accumulated by the corporation. These surpluses may be distributed as capital dividends free of tax to the corporation's Canadian-resident shareholders.

If the corporation owns a life insurance policy and receives the proceeds upon the death of the insured, that portion of the death benefit which exceeds the Adjusted Cost Basis of the policy qualifies as a tax-free surplus for the CDA under the Income Tax Act (Canada).

The illustration shows what portion of the Estate Benefit, in the event of the death of the life insured at the end of any policy year can be credited to the CDA and paid out to the shareholders tax-free. The amount, equivalent to the ACB, if flowed through to the shareholder(s) would be as either a taxable bonus or a taxable dividend. If this portion remains within the corporation, it remains tax free and is a credit to retained earnings.

This is an illustration only and NOT a Contract. Rates of return and values contained within are projections only and are not guarantees or forecasts of future performance. It must be read in conjunction with a policy illustration from the Life Company.

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CONCEPT ASSUMPTIONS

Insureds

Insured: Business Owner,
Male Age 40 Non-Smoker

Prepared By:

Name: Agent / Broker

Product

Name: Universal Life
Policy Type: Single Life
Face Amount: \$200,000
Payment Method: Planned Deposits (20 Years)
Projected Annual Growth Rate: 6.000%

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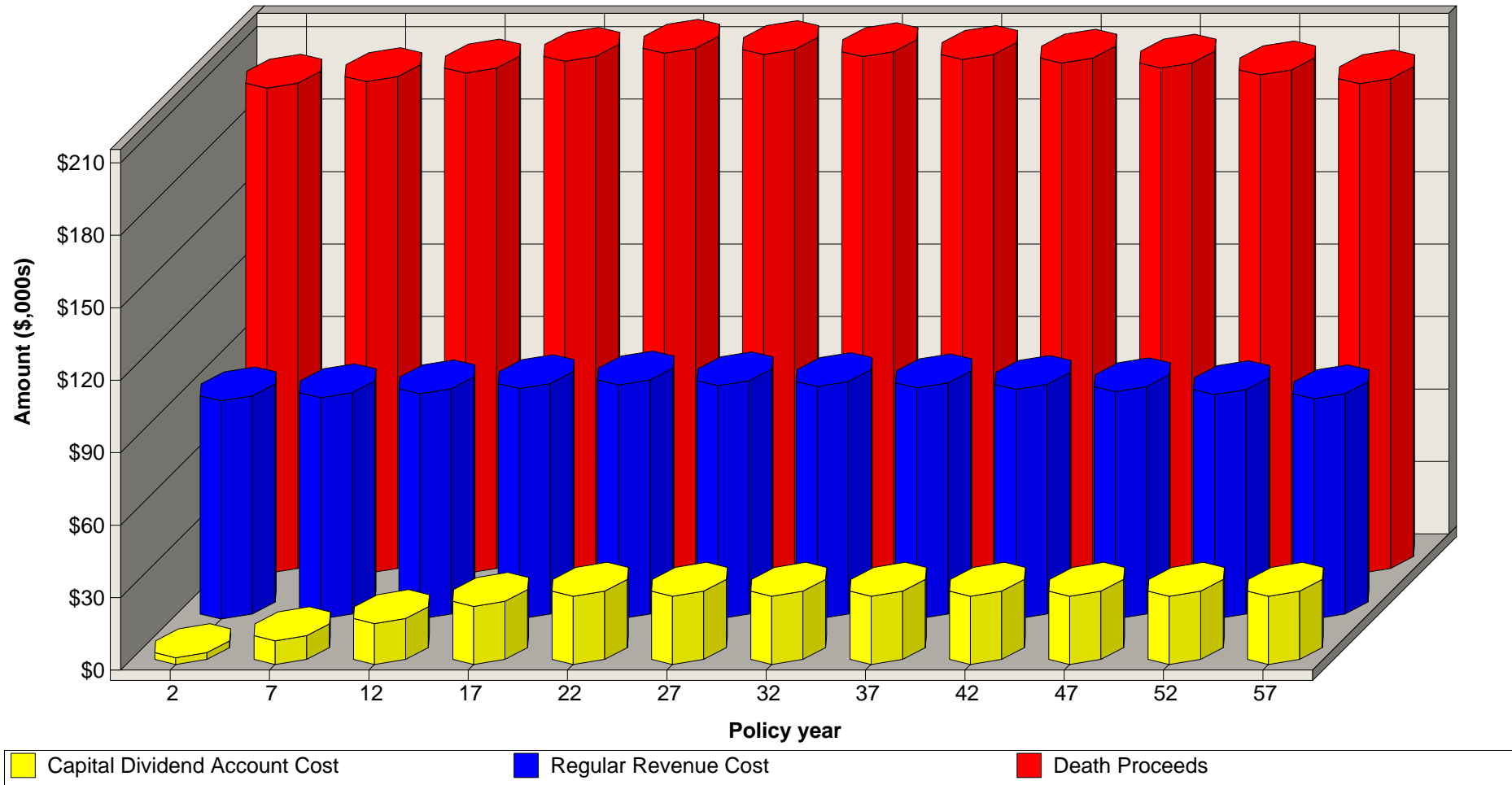
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Pol Yr	Age	Annual Deposit	Estate Benefit	Credit to Capital Dividend Account	Credit to Retained Earnings	Capital Dividend Portion as Percent of Estate Benefit
1	41	1,414	200,425	199,147	1,278	99.36%
2	42	1,414	200,875	198,342	2,533	98.74%
3	43	1,414	201,352	197,589	3,763	98.13%
4	44	1,414	201,858	196,894	4,964	97.54%
5	45	1,414	202,394	196,260	6,134	96.97%
6	46	1,414	202,963	195,698	7,265	96.42%
7	47	1,414	203,565	195,212	8,353	95.90%
8	48	1,414	204,204	194,818	9,386	95.40%
9	49	1,414	204,881	194,515	10,366	94.94%
10	50	1,414	205,599	194,310	11,289	94.51%
11	51	1,414	206,359	194,204	12,155	94.11%
12	52	1,414	207,165	194,212	12,953	93.75%
13	53	1,414	208,020	194,356	13,664	93.43%
14	54	1,414	208,926	194,654	14,272	93.17%
15	55	1,414	209,886	195,125	14,761	92.97%
16	56	1,414	210,904	195,833	15,071	92.85%
17	57	1,414	211,983	196,737	15,246	92.81%
18	58	1,414	213,127	197,847	15,280	92.83%
19	59	1,414	214,339	199,176	15,163	92.93%
20	60	1,414	215,625	200,746	14,879	93.10%
25	65		215,056	212,489	2,567	98.81%
30	70		214,294	214,294		100.00%
35	75		213,275	213,275		100.00%
60	100		200,005	200,005		100.00%

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Proposal For: Business Owner Prepared By: Agent / Broker

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Male 40 NS. PRODUCT: Universal Life. FACE AMOUNT: \$200,000. TAX RATE: 45.00%
NOTE: F.V. shown as portion of D.B. Must accompany a policy illustration. E.&O.E.