

Your Company Name Leveraged Corporate Insured Annuity

(current date)

page 1 of 5

"Exchanging corporate assets subject to capital "gains for assets that flow through the "Capital Dividend Account!"

Many people are unaware that:

- * They can purchase an insured annuity with existing corporate assets, then create a tax deductible loan to continue earning active business income.
- * If the loan is for business purposes, and the insurance is required for collateral purposes, the interest on the loan and the NCPI of the insurance are both deductible as expenses.
- * The asset transfer at death due to the special tax treatment of corporate life insurance is greatly enhanced!

A Leveraged Corporate Insured Annuity combines two well known insurance products in a unique way. A "Non-Prescribed Annuity" provides you with a guaranteed tax-preferred income for the rest of your life. A Term to 100 life insurance policy, issued for the same amount as your annuity deposit, guarantees the original asset will be paid to your corporation as the designated beneficiary at death. The combination can result in higher dividend payments while living and a larger after-tax payout to heirs at death.

Your Company Name

Leveraged Corporate Insured Annuity

(current date)

page 2 of 5

A leveraged corporate insured annuity can be an effective product combination to increase the after-tax inheritance value of a business. The usual approach calls for an operating company to be owned by a holding company. The operating company borrows money from a regular lending institution to pay dividends to the holding company. The operating company transfers the loan proceeds to the holding company to invest the money in a non-prescribed life annuity without a guaranteed period. Payments from the annuity are used to pay dividends to shareholders. The operating company buys a Term to 100 life insurance policy and assigns it to the lending institution as collateral, in addition to the annuity, for the loan.

It is assumed that the interest on the loan is tax deductible and that there is sufficient operating income to deduct the loan interest payments.

The NCPI portion of the life insurance premium is tax deductible on the assumption that the lending institution has requested the insurance as a condition to grant the loan.

The deductibility of the interest on the loan and the NCPI portion of the life insurance premium can result in tax savings. These potential savings, when added to the guaranteed yearly annuity payments for life, are usually sufficient to cover the annual tax which is payable on the taxable portion of the annuity, the annual guaranteed insurance deposit and the annual loan interest. The loan is set up in a manner that postpones the repayment of the principal until the insured dies.

When the insured dies, the face value less the adjusted cost basis of the insurance policy is deposited to the Capital Dividend Account and then paid as a capital dividend tax-free to beneficiaries. The remaining "taxable" portion of the insurance proceeds is also paid to the estate. The loan is then paid off from company funds.

The taxation aspects of a Leveraged Corporate Insured Annuity in general and the deductibility of the interest on the loan that was taken out to purchase the annuity in particular, are complex. There are a number of issues to consider that are beyond the scope of this illustration. The advice of an accountant and/or lawyer must be sought.

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.

Your Company Name

Leveraged Corporate Insured Annuity

(current date)

page 3 of 5

CONCEPT ASSUMPTIONS

Insureds

Insured: Retired Business Owner,
Male Age 65 Non-Smoker

Prepared By:

Name: Agent / Broker

Product

Name: Term to 100
Policy Type: Single Life
Face Amount: \$1,000,000
Payment Method: Life Pay

Other Details

Loan Rate: 8.00%
Loan: \$1,000,000
Annuity Income: \$87,929
Corporate Tax Rate: 48.00%

Your Company Name

Leveraged Corporate Insured Annuity

(current date)

page 4 of 5

ILLUSTRATION OF ANNUITY PAYMENTS AND DEDUCTIONS OF CORPORATE TAXES AND LIFE INSURANCE DEPOSITS

Pol Yr	Age	Gross Annuity Income	Taxable Portion	Tax At Corporate Rate	Income After Tax	Insurance Deposits	Net Annuity Income
1	66	87,929	0	0	87,929	30,145	57,784
2	67	87,929	46,907	22,515	65,414	30,145	35,269
3	68	87,929	45,517	21,848	66,081	30,145	35,936
4	69	87,929	44,111	21,173	66,756	30,145	36,611
5	70	87,929	42,694	20,493	67,436	30,145	37,291
6	71	87,929	41,268	19,809	68,120	30,145	37,975
7	72	87,929	39,836	19,121	68,808	30,145	38,663
8	73	87,929	38,402	18,433	69,496	30,145	39,351
9	74	87,929	36,970	17,746	70,183	30,145	40,038
10	75	87,929	35,541	17,060	70,869	30,145	40,724
11	76	87,929	34,118	16,377	71,552	30,145	41,407
12	77	87,929	32,704	15,698	72,231	30,145	42,086
13	78	87,929	31,300	15,024	72,905	30,145	42,760
14	79	87,929	29,911	14,357	73,572	30,145	43,427
15	80	87,929	28,541	13,700	74,229	30,145	44,084
16	81	87,929	27,195	13,054	74,875	30,145	44,730
17	82	87,929	25,878	12,421	75,508	30,145	45,363
18	83	87,929	24,593	11,805	76,124	30,145	45,979
19	84	87,929	23,341	11,204	76,725	30,145	46,580
20	85	87,929	21,882	10,503	77,426	30,145	47,281

Your Company Name Leveraged Corporate Insured Annuity

(current date)

page 5 of 5

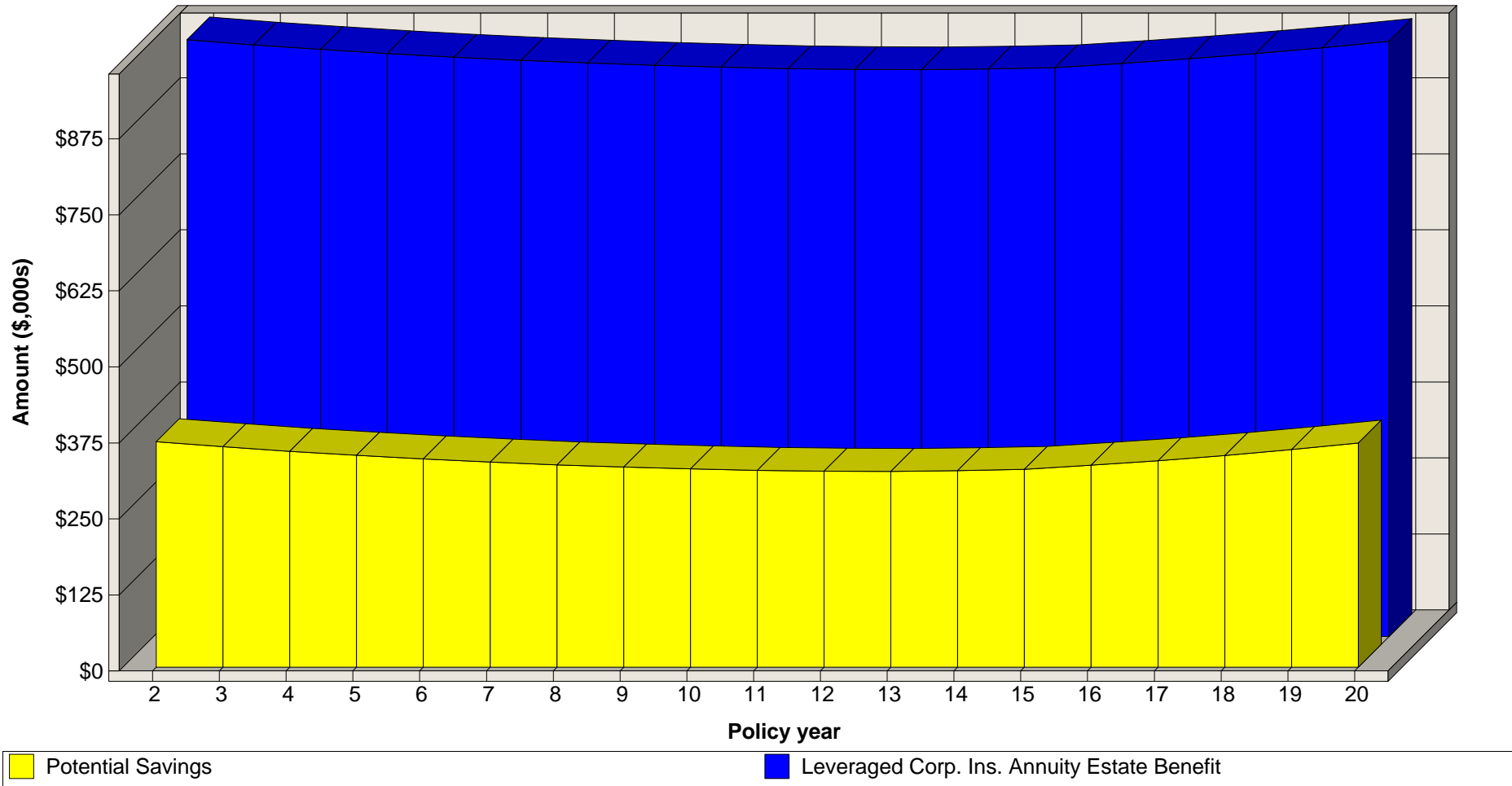
CASH FLOW ILLUSTRATION SHOWING TAX CREDITS FOR LOAN AND INSURANCE DEPOSITS AND AMOUNT AVAILABLE TO THE CDA ACCOUNT

Pol Yr	Age	Loan Interest	Corporate Tax Saving On Loan Interest	NCPI Portion of Insurance Deposit	Tax Saving on NCPI Portion	Total Tax Saving	Corporate Cash Flow	Insurance Proceeds Paid to CDA	Potent. Saving
1	66	80,000	38,400	5,640	2,707	41,107	18,891	990,198	380,198
2	67	80,000	38,400	13,020	6,250	44,650	(82)	981,092	371,092
3	68	80,000	38,400	22,343	10,725	49,125	5,060	972,763	362,763
4	69	80,000	38,400	33,711	14,470	52,870	9,480	965,252	355,252
5	70	80,000	38,400	47,114	14,470	52,870	10,160	958,556	348,556
6	71	80,000	38,400	62,486	14,470	52,870	10,845	952,646	342,646
7	72	80,000	38,400	79,696	14,470	52,870	11,532	947,472	337,472
8	73	80,000	38,400	98,712	14,470	52,870	12,221	943,021	333,021
9	74	80,000	38,400	119,473	14,470	52,870	12,908	939,267	329,267
10	75	80,000	38,400	142,013	14,470	52,870	13,594	936,225	326,225
11	76	80,000	38,400	166,364	14,470	52,870	14,277	933,908	323,908
12	77	80,000	38,400	192,950	14,470	52,870	14,956	932,484	322,484
13	78	80,000	38,400	222,366	14,470	52,870	15,630	932,192	322,192
14	79	80,000	38,400	254,983	14,470	52,870	16,296	933,181	323,181
15	80	80,000	38,400	291,243	14,470	52,870	16,954	935,627	325,627
16	81	80,000	38,400	337,926	14,470	52,870	17,600	942,242	332,242
17	82	80,000	38,400	387,067	14,470	52,870	18,232	949,841	339,841
18	83	80,000	38,400	438,758	14,470	52,870	18,849	958,459	348,459
19	84	80,000	38,400	493,128	14,470	52,870	19,450	968,149	358,149
20	85	80,000	38,400	550,099	14,470	52,870	20,150	978,880	368,880

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Proposal For: Retired Business Owner Prepared By: Agent / Broker

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Male 65 NS. PRODUCT: Term to 100. FACE AMOUNT: \$1,000,000. TAX RATE: 52.00%
LOAN AMOUNT: \$1,000,000. LOAN INTEREST RATE: 8.00%.
NOTE: Must accompany a policy illustration. E.&O.E.