

Your Company Name

Corporate Insured Retirement

(current date)

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"Generating additional retirement income by rearranging assets!"

Are you a major shareholder or partner of a small business?

Is providing additional retirement income one of your financial goals?

Have you maximized your RRSP contributions?

Have you maximized the amount of tax preferred income you could obtain?

Many people are unaware that:

- * There are ways to exchange assets to reduce business income tax payable!
- * The business does not have to risk money in an Equity investment to have higher after tax growth!
- * Financial institutions see cash value in an insurance policy as a bona fide asset!

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 tax advantaged account for a small business. This account is totally accessible and under the control of your business while you are alive, and is paid out to your business at death. Your business can then pay out most or all of the proceeds to the shareholders tax-free. This means that the business avoids paying income taxes on the growth in the account if it never withdraws it, and that is exactly what happens. The business (the policy owner) makes a collateral assignment of the policy to the financial institution, who then creates a lien against the policy by advancing the business funds to pay you taxable income over the rest of your life.

Then, on your death, the financial institution has first call against the death benefit, and the rest (less the ACB of the policy - if any) goes to your business for tax-free distribution to shareholders.

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This illustration shows how the tax free growth of funds within a life insurance policy can be used to generate retirement income for an employee/shareholder through use of the policy as collateral against annual loans from a bank/trust company.

The policy owner (the business) makes a partial assignment of the policy to a financial institution giving them first charge against the assets. Ownership is not relinquished. The tax free cash flow is generated through a series of monthly loans against the security of the policy in a manner which postpones the repayment of the loan until the insured dies. Upon death, the financial institution has first call upon the Estate Benefit of the policy, and after clearing the loan and accumulated interest, pays the balance to the company. The company can then pay out the balance to shareholders as described below.

This illustration assumes that the loan interest is compounded monthly at the calculated monthly loan rate. It is also assumed that the income will be loaned in monthly increments equal to 1/12 of the annual income.

It is also assumed that each month, the COMPOUND INTEREST is paid off in full, and that the loan amount for the subsequent month will be equal to the amount of compound interest paid in the current month. This is to get around the problem of compound interest not being deductible to companies. Also, it is assumed that the "Tax Savings on Interest" will be used to pay that portion of the interest directly each month.

When the "Benefit Available To Shareholders at Death After Deducting Corporate Taxes" is calculated, the taxable portion of the Adjusted Cost Basis (ACB) is NOT subtracted. This column simply illustrates how much money is available (after the company pays any taxes owing) to distribute to shareholders if the company so desires. No attempt, in this case, is made to determine how much tax those shareholders will have to pay once they receive the money, and no attempt has been made to illustrate the amount of RDTOH refund the company would get after paying out dividends.

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It should be noted that if the following two conditions apply, this arrangement will very likely be deemed an RCA by Revenue Canada. This would result in serious tax consequences to the company. Accordingly, steps MUST be taken to ensure that these two conditions do not apply:

- 1) *The employer has an obligation to pay the employee retirement benefits and a formal agreement has been drawn up for this purpose.*
- 2) *The employer acquires an interest in a life insurance policy or an annuity that may reasonably be considered to be acquired to fully or partially fund the benefits.*

NOTE: The dividend tax rate is calculated as follows:

Dividend Tax Rate = 1.25 x (MarginalTaxRate - 0.2)

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: Middle Age Executive,
Male Age 40 Non-Smoker

Prepared By:

Name: Broker

Product

Name: Universal Life
Policy Type: Single Life
Face Amount: \$500,000
Payment Method: Planned Deposits (15 Years)
Projected Annual Growth Rate: 6.000%

Alternative Investment

Growth Breakdown: 50% Interest
10% Dividends
25% Realized Capital Gains
15% Unrealized Capital Gains

Effective Tax Rate On Interest: 54.67%

Effective Tax Rate On Dividends: 33.33%

Effective Tax Rate On Realized Capital Gains: 41.00%

Effective Tax Rate On Unrealized Capital Gains*: 41.00% (* not taxed until disposition)

Projected Annual Growth Rate: 6.000%

Other Details

From Year: 26

To: 46

Corporate Tax Rate: 48.00%

Annualized Bank Loan Rate: 8.000% [0.643% Monthly]

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USING A CORPORATELY OWNED ALTERNATIVE INVESTMENT FOR RETIREMENT NEEDS

Pol Yr	Age	Annual Deposit	Annual Growth	Tax Due on Growth	Tax on Unrealized Gains on Withdrawal	Balance	Benefit Available To S/Hs at Death After Deducting Corporate Taxes	Net After-Tax Retirement Income	Portion of Retirement Income From Tax Savings
1	41	13,349	801	328	45	13,822	13,777	0	0
2	42	13,349	1,630	667	137	28,134	27,997	0	0
3	43	13,349	2,489	1,018	277	42,954	42,677	0	0
4	44	13,349	3,378	1,382	467	58,298	57,832	0	0
5	45	13,349	4,299	1,759	709	74,187	73,479	0	0
6	46	13,349	5,252	2,149	1,004	90,639	89,635	0	0
7	47	13,349	6,239	2,553	1,355	107,674	106,319	0	0
8	48	13,349	7,261	2,971	1,763	125,313	123,550	0	0
9	49	13,349	8,320	3,404	2,231	143,578	141,346	0	0
10	50	13,349	9,416	3,853	2,761	162,489	159,728	0	0
11	51	13,349	10,550	4,317	3,355	182,072	178,717	0	0
12	52	13,349	11,725	4,798	4,014	202,348	198,334	0	0
13	53	13,349	12,942	5,296	4,742	223,343	218,601	0	0
14	54	13,349	14,202	5,811	5,541	245,082	239,542	0	0
15	55	13,349	15,506	6,345	6,413	267,592	261,179	0	0
16	56		16,056	6,570	7,316	277,078	269,762	0	0
17	57		16,625	6,803	8,251	286,900	278,649	0	0
18	58		17,214	7,044	9,220	297,071	287,851	0	0
19	59		17,824	7,293	10,222	307,601	297,379	0	0
20	60		18,456	7,552	11,260	318,505	307,245	0	0
21	61		19,110	7,820	12,335	329,796	317,461	0	0
22	62		19,788	8,097	13,448	341,487	328,039	0	0
23	63		20,489	8,384	14,601	353,592	338,991	0	0
24	64		21,216	8,681	15,794	366,127	350,332	0	0
25	65		21,968	8,989	17,030	379,106	362,076	0	0
26	66		18,666	7,638	14,424	322,129	307,705	63,618	61,074
27	67		15,247	6,239	12,202	263,133	250,930	63,510	60,970
28	68		11,708	4,791	9,681	202,045	192,364	63,406	60,870
29	69		8,042	3,291	6,857	138,792	131,935	63,305	60,773
30	70		4,247	1,738	3,726	73,296	69,570	63,208	60,679
31	71		317	130	286	5,479	5,193	63,114	60,589
32	72				(3,266)		3,266	1,938	1,860

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Pol Yr	Age	Annual Deposit	Net After-Tax Retirement Income	Accumulating Loan			Life Insurance Policy		
				Annual Loan Draw	Loan Balance	% of Fund Value	Fund Value	Fund Value After Loan	Benefit Available To S/Hs at Death After Deducting Corporate Taxes
1	41	13,349	0	0	0	0%	11,382	11,382	511,382
2	42	13,349	0	0	0	0%	23,448	23,448	523,448
3	43	13,349	0	0	0	0%	36,237	36,237	536,237
4	44	13,349	0	0	0	0%	49,793	49,793	549,793
5	45	13,349	0	0	0	0%	64,163	64,163	564,163
6	46	13,349	0	0	0	0%	79,395	79,395	579,395
7	47	13,349	0	0	0	0%	95,541	95,541	595,541
8	48	13,349	0	0	0	0%	112,656	112,656	612,656
9	49	13,349	0	0	0	0%	130,798	130,798	630,798
10	50	13,349	0	0	0	0%	165,862	165,862	665,862
11	51	13,349	0	0	0	0%	188,132	188,132	688,132
12	52	13,349	0	0	0	0%	211,856	211,856	711,856
13	53	13,349	0	0	0	0%	237,130	237,130	737,130
14	54	13,349	0	0	0	0%	264,053	264,053	764,053
15	55	13,349	0	0	0	0%	304,674	304,674	804,674
16	56		0	0	0	0%	322,025	322,025	829,977
17	57		0	0	0	0%	340,557	340,557	840,557
18	58		0	0	0	0%	360,298	360,298	860,298
19	59		0	0	0	0%	381,329	381,329	881,329
20	60		0	0	0	0%	421,812	421,812	921,812
21	61		0	0	0	0%	446,859	446,859	946,859
22	62		0	0	0	0%	473,542	473,542	973,542
23	63		0	0	0	0%	501,968	501,968	1,001,968
24	64		0	0	0	0%	532,249	532,249	1,032,249
25	65		0	0	0	0%	589,699	589,699	1,089,699
26	66		66,438	69,096	70,643	11%	625,710	555,067	1,055,067
27	67		66,438	69,096	144,225	22%	664,072	519,847	1,019,847
28	68		66,438	69,096	220,868	31%	704,939	484,071	984,071
29	69		66,438	69,096	300,699	40%	748,474	447,775	947,775
30	70		66,438	69,096	383,851	46%	830,233	446,382	946,382
31	71		66,438	69,096	470,462	53%	881,950	411,488	911,488
32	72		66,438	69,096	560,676	60%	937,045	376,368	876,368
33	73		66,438	69,096	654,643	66%	995,737	341,093	841,093
34	74		66,438	69,096	752,520	71%	1,058,261	305,742	805,742
35	75		66,438	69,096	854,468	73%	1,174,847	320,380	820,380
36	76		66,438	69,096	960,656	77%	1,249,068	288,412	788,412
37	77		66,438	69,096	1,071,263	81%	1,328,135	256,872	756,872
38	78		66,438	69,096	1,186,470	84%	1,412,365	225,895	725,895
39	79		66,438	69,096	1,306,470	87%	1,502,096	195,625	695,625
40	80		66,438	69,096	1,431,463	86%	1,668,579	237,117	737,117

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Pol Yr	Age	Annual Deposit	Net After-Tax Retirement Income	Accumulating Loan			Life Insurance Policy		
				Annual Loan Draw	Loan Balance	% of Fund Value	Fund Value	Fund Value After Loan	Benefit Available To S/Hs at Death After Deducting Corporate Taxes
41	81		66,438	69,096	1,561,655	88%	1,775,041	213,386	713,386
42	82		66,438	69,096	1,697,262	90%	1,888,454	191,191	691,191
43	83		66,438	69,096	1,838,512	92%	2,009,273	170,761	670,761
44	84		66,438	69,096	1,985,637	93%	2,137,981	152,345	652,345
45	85		66,438	69,096	2,138,882	90%	2,375,953	237,071	737,071
46	86		66,438	69,096	2,298,503	90%	2,553,892	255,389	755,389
47	87				2,394,120	87%	2,745,346	351,225	851,225
48	88				2,493,716	84%	2,951,341	457,625	957,625
49	89				2,597,454	82%	3,172,982	575,528	1,075,528
50	90				2,705,509	79%	3,411,458	705,949	1,205,949
51	91				2,818,058	77%	3,668,047	849,989	1,349,989
52	92				2,935,289	74%	3,944,124	1,008,835	1,508,835
53	93				3,057,397	72%	4,241,170	1,183,773	1,683,773
54	94				3,184,585	70%	4,560,777	1,376,193	1,876,193
55	95				3,317,063	68%	4,904,660	1,587,597	2,087,597
56	96				3,455,053	66%	5,274,662	1,819,609	2,319,609
57	97				3,598,783	63%	5,672,767	2,073,983	2,573,983
58	98				3,748,493	61%	6,101,108	2,352,615	2,852,615
59	99				3,904,430	60%	6,561,984	2,657,554	3,157,554
60	100				4,066,854	58%	7,057,864	2,991,010	3,491,010

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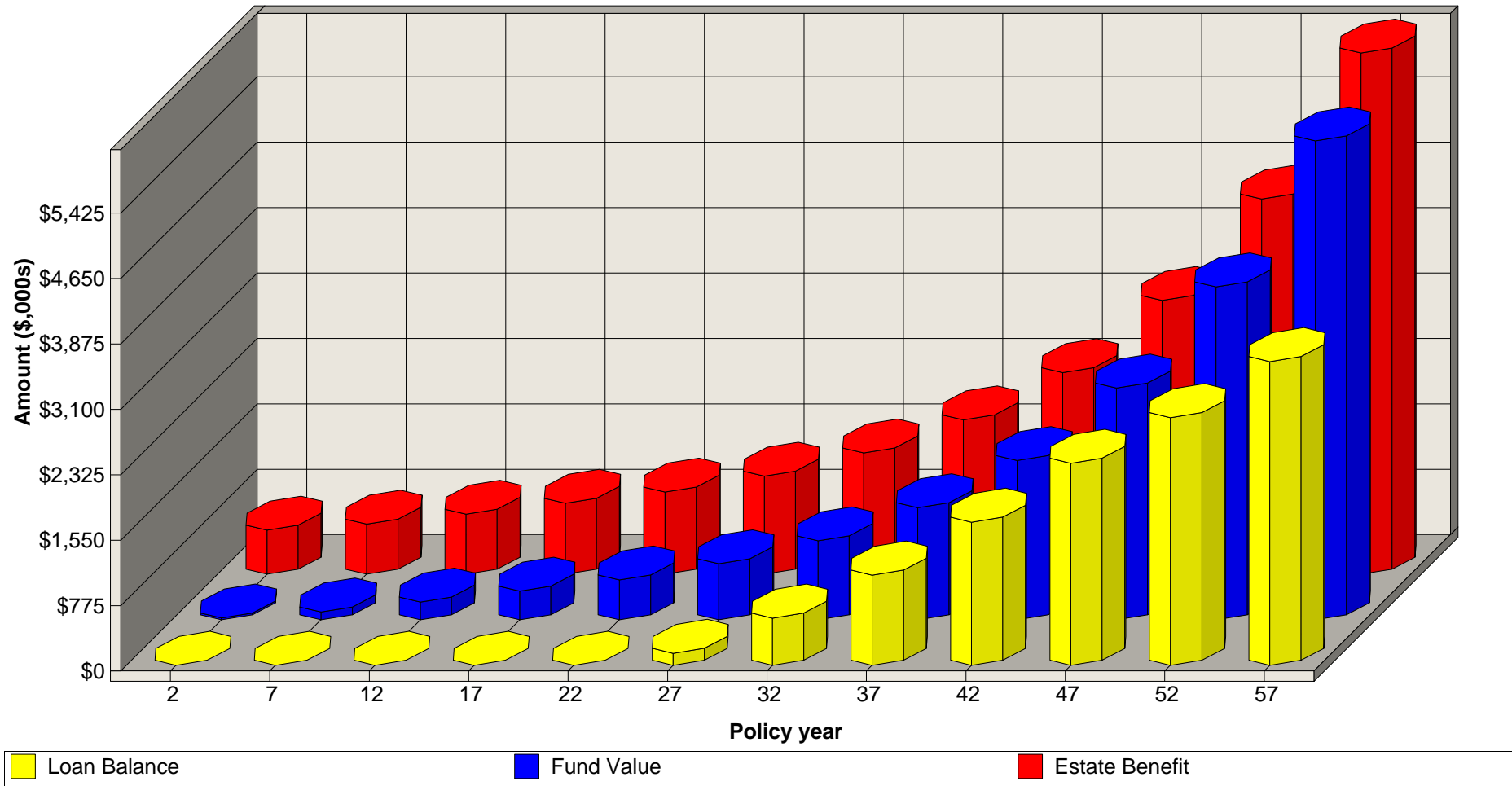
LOAN AND INCOME BREAKDOWN

Pol Yr	Age	Income Breakdown				Loan Breakdown		
		Portion of Income from Tax Savings	Portion of Income from Bank Loan	Total Pre-Tax Retirement Income	Total After-Tax Retirement Income	Annual Interest	Tax Savings on Interest	Bank Loan Balance
26	66	63,781	69,096	132,876	66,438	2,976	1,428	70,643
27	67	63,781	69,096	132,876	66,438	8,627	4,141	144,225
28	68	63,781	69,096	132,876	66,438	14,513	6,966	220,868
29	69	63,781	69,096	132,876	66,438	20,645	9,910	300,699
30	70	63,781	69,096	132,876	66,438	27,031	12,975	383,851
31	71	63,781	69,096	132,876	66,438	33,684	16,168	470,462
32	72	63,781	69,096	132,876	66,438	40,612	19,494	560,676
33	73	63,781	69,096	132,876	66,438	47,830	22,958	654,643
34	74	63,781	69,096	132,876	66,438	55,347	26,567	752,520
35	75	63,781	69,096	132,876	66,438	63,177	30,325	854,468
36	76	63,781	69,096	132,876	66,438	71,333	34,240	960,656
37	77	63,781	69,096	132,876	66,438	79,828	38,317	1,071,263
38	78	63,781	69,096	132,876	66,438	88,677	42,565	1,186,470
39	79	63,781	69,096	132,876	66,438	97,893	46,989	1,306,470
40	80	63,781	69,096	132,876	66,438	107,493	51,597	1,431,463
41	81	63,781	69,096	132,876	66,438	117,493	56,396	1,561,655
42	82	63,781	69,096	132,876	66,438	127,908	61,396	1,697,262
43	83	63,781	69,096	132,876	66,438	138,756	66,603	1,838,512
44	84	63,781	69,096	132,876	66,438	150,056	72,027	1,985,637
45	85	63,781	69,096	132,876	66,438	161,826	77,677	2,138,882
46	86	63,781	69,096	132,876	66,438	174,086	83,561	2,298,503
47	87					183,880	88,263	2,394,120
48	88					191,530	91,934	2,493,716
49	89					199,497	95,759	2,597,454
50	90					207,796	99,742	2,705,509
51	91					216,441	103,892	2,818,058
52	92					225,445	108,213	2,935,289
53	93					234,823	112,715	3,057,397
54	94					244,592	117,404	3,184,585
55	95					254,767	122,288	3,317,063
56	96					265,365	127,375	3,455,053
57	97					276,404	132,674	3,598,783
58	98					287,903	138,193	3,748,493
59	99					299,879	143,942	3,904,430
60	100					312,354	149,930	4,066,854

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Proposal For: Middle Age Executive Prepared By: Broker

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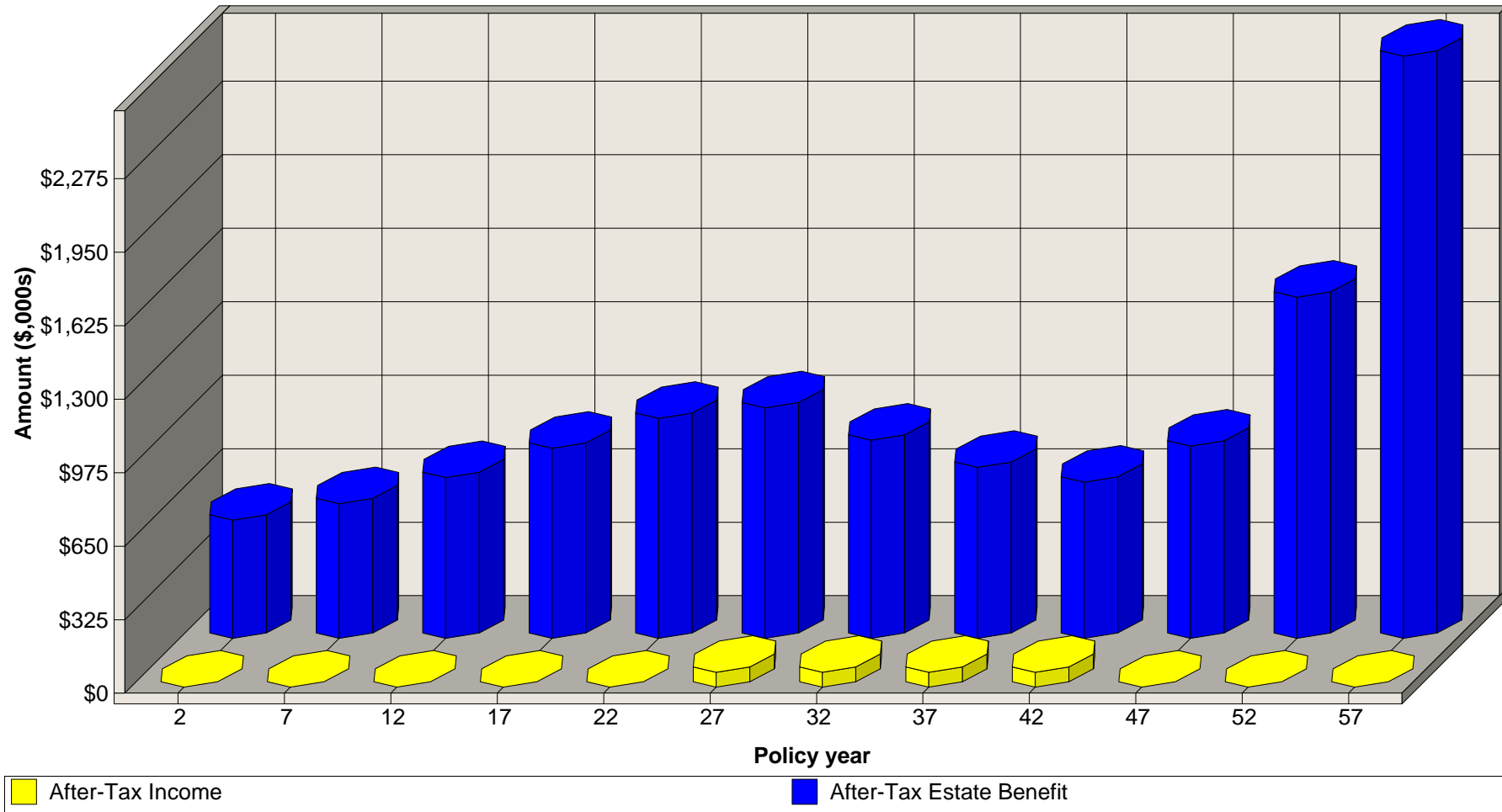


Male 40 NS. PRODUCT: Universal Life. FACE AMOUNT: \$500,000. TAX RATE: 50.00%
Plan Income: From Year 26 To 46 Loan Rate Spread: 2.00% Corporate Tax Rate: 48.00%.
NOTE: F.V. shown as portion of D.B. Must accompany a policy illustration. E.&O.E.

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