

# Your Company Name Capital Gains Protector

(current date)

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## **You can't take it with you. But do you really want to leave it to Revenue Canada?**

When you die, you can transfer your assets to your spouse without triggering any taxation. However, on the death of your spouse, the capital assets in your estate, such as stocks, bonds, real estate (other than your principal residence), jewelry and so on, are treated for tax purposes as if they were sold. Your estate is then taxed on 75% of the Capital Gain of the asset. Under the current Income Tax Act, some small businesses and farms qualify for a \$500,000 lifetime Capital Gains exemption.

The taxes must be paid before the remaining property can be passed on. Properly planned, your estate can pass intact to your children or other beneficiaries but improperly planned your estate may be subject to a "fire sale" to generate the cash to satisfy the tax bill.

Life insurance is undoubtedly the most effective estate planning tool that can be used to help eliminate this financial burden. Life insurance is unique in that it delivers the cash at the precise moment it is needed.

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This illustration shows how life insurance can offset your future Capital Gains Tax liability at death. This is based on the inputted Asset values and their projected growth rates. According to the Income Tax Act, you are deemed to have disposed of your assets immediately before death, and therefore must remit tax based on the taxable Capital Gain. This may place a heavy tax burden on your family, and they may have to sell some or all of your assets, perhaps at less than Fair Market Value, to pay for the taxes. Life insurance can pay for this liability.

The cost of an asset at the time of acquisition is the Adjusted Cost Base (ACB). The current value of an asset is referred to as the Fair Market Value (FMV). The taxable portion is typically 75% of the difference between the FMV and the ACB. In the illustration, the FMV is shown for each year in the ASSET VALUE column. The ACB is assumed to remain the same, so it is shown once at the top of the illustration.

Assets such as shares of Canadian Small Businesses and Farm Property may be eligible for a special \$500,000 lifetime Capital Gains exemption. The total exemptions claimed may not exceed \$500,000. The exemptions remaining are shown at the top of the illustration, and are used in calculating the CAPITAL GAINS TAX column.

The life insurance coverage is shown under the DEATH PROCEEDS column. The cost of the insurance is shown under the INSURANCE COST column. Finally, the insurance cost is expressed as a percentage of the FMV of your assets.

The following is a list of your assets, the values you ascribed to them and your projected growth rates for each asset.

#	Asset Name	Exempt?	Adjusted Cost Base	Fair Market Value	Projected Growth Rate
1	Canadian Small Corp.	Yes	\$100,000	\$3,000,000	4.00%
2	Equities	No	\$20,000	\$250,000	6.00%
3	Land	No	\$100,000	\$300,000	5.00%
4	Personal Property	No	\$57,000	\$125,000	4.00%

*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

**Joint Insured #1:** Mr. Business Owner,  
Male Age 65 Non-Smoker  
**Joint Insured #2:** Mrs. Business Owner,  
Female Age 65 Non-Smoker

### Prepared By:

**Name:** Agent / Broker

### Product

**Name:** Universal Life  
**Policy Type:** Joint Last-To-Die  
**Face Amount:** \$1,000,000  
**Payment Method:** Planned Deposits (10 Years)  
**Projected Annual Growth Rate:** 6.000%

### Other Details

**Available Exemption (\$500,000 Lifetime):** \$500,000  
**Current Tax Liability:** \$1,030,388  
**Projected Asset Growth Rate:** 4.22%

**Death Proceeds are not payable until the second death.  
The equivalent single age for a male 65 and female 65 is male age 53.**

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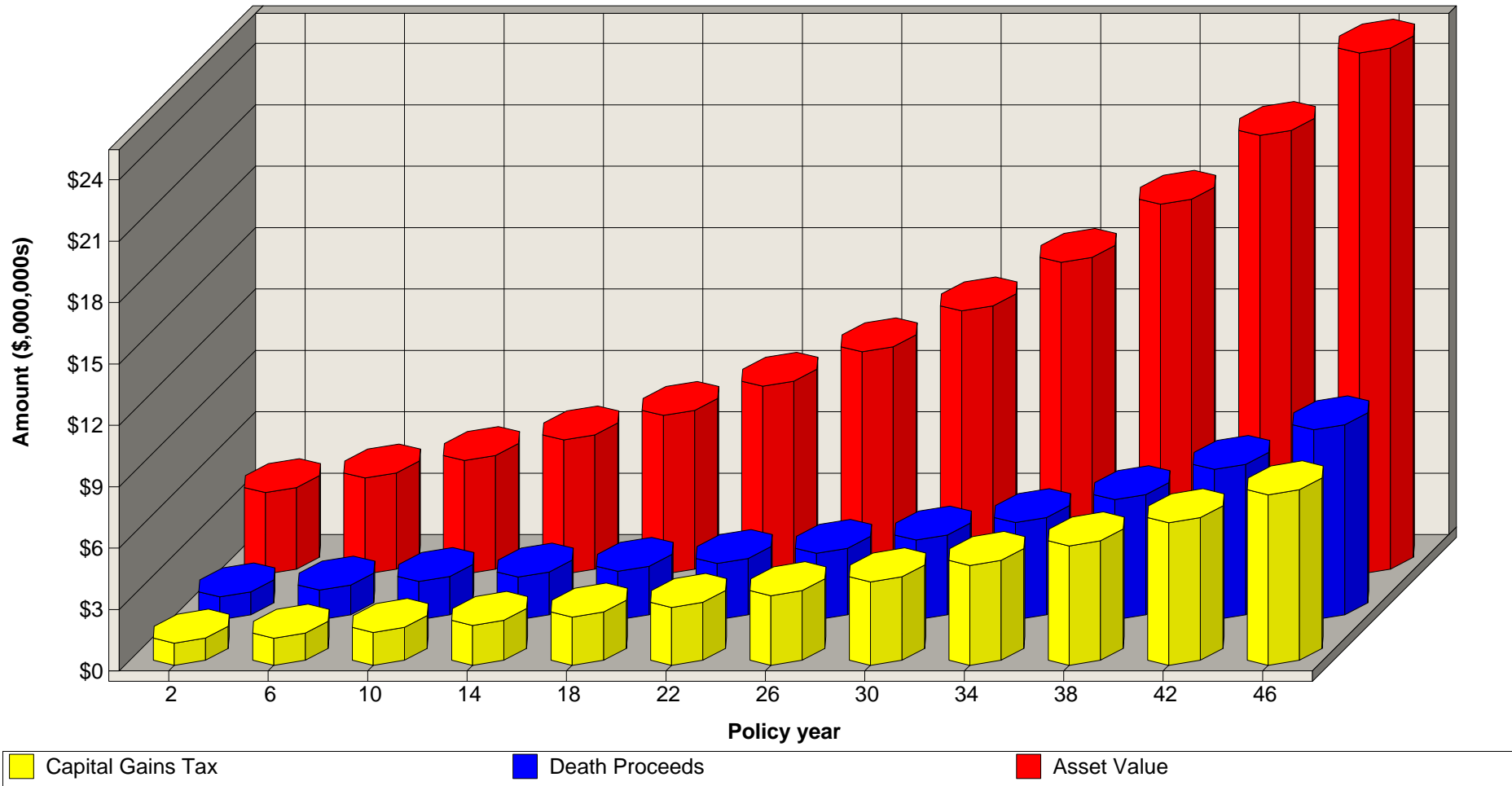
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Pol Yr	Age	Asset Value	Capital Gains Tax	Death Proceeds	Insurance Cost	Cost As % of Assets
1	54	3,830,000	1,030,388	1,064,333	74,089	1.93%
2	55	3,991,650	1,084,944	1,132,526	74,089	1.86%
3	56	4,160,242	1,141,844	1,204,810	74,089	1.78%
4	57	4,336,079	1,201,189	1,281,432	74,089	1.71%
5	58	4,519,481	1,263,087	1,364,464	74,089	1.64%
6	59	4,710,780	1,327,651	1,452,918	74,089	1.57%
7	60	4,910,325	1,394,997	1,547,148	74,089	1.51%
8	61	5,118,477	1,465,248	1,647,531	74,089	1.45%
9	62	5,335,618	1,538,533	1,754,470	74,089	1.39%
10	63	5,562,144	1,614,986	1,872,712	74,089	1.33%
11	64	5,798,470	1,694,746	1,921,846		
12	65	6,045,032	1,777,961	1,974,449		
13	66	6,302,282	1,864,783	2,030,766		
14	67	6,570,694	1,955,372	2,091,059		
15	68	6,850,766	2,049,896	2,155,609		
16	69	7,143,017	2,148,531	2,224,716		
17	70	7,447,988	2,251,458	2,298,702		
18	71	7,766,247	2,358,871	2,377,911		
19	72	8,098,389	2,470,969	2,462,712		
20	73	8,445,033	2,587,961	2,553,500		
21	74	8,806,830	2,710,068	2,650,699		
22	75	9,184,459	2,837,517	2,754,759		
23	76	9,578,631	2,970,550	2,866,166		
24	77	9,990,089	3,109,418	2,985,438		
25	78	10,419,613	3,254,382	3,113,131		
26	79	10,868,016	3,405,718	3,249,838		
27	80	11,336,150	3,563,713	3,396,198		
28	81	11,824,908	3,728,669	3,552,890		
29	82	12,335,223	3,900,900	3,720,645		
30	83	12,868,073	4,080,737	3,900,244		
31	84	13,424,479	4,268,524	4,092,522		
32	85	14,005,513	4,464,623	4,298,375		
33	86	14,612,295	4,669,412	4,518,761		
34	87	15,245,999	4,883,287	4,754,706		
35	88	15,907,854	5,106,663	5,007,309		
36	89	16,599,147	5,339,975	5,277,746		
37	90	17,321,225	5,583,676	5,567,276		
38	91	18,075,498	5,838,243	5,877,247		
39	92	18,863,446	6,104,176	6,209,101		
40	93	19,686,616	6,381,995	6,564,385		
41	94	20,546,629	6,672,250	6,944,751		
42	95	21,445,184	6,975,512	7,351,971		
43	96	22,384,061	7,292,383	7,787,941		
44	97	23,365,125	7,623,492	8,254,691		
45	98	24,390,329	7,969,499	8,754,393		
46	99	25,461,720	8,331,093	9,289,374		
47	100	26,581,444	8,709,000	9,862,125		

# Your Company Name

Proposal For: Mr. Business Owner Prepared By: Agent / Broker

## Capital Gains Protector



Male 53 NS. PRODUCT: Universal Life. FACE AMOUNT: \$1,000,000. TAX RATE: 45.00%  
CURRENT TAX LIABILITY: \$1,030,388. PROJECTED ASSET GROWTH RATE: 0.04%.  
NOTE: Must accompany a policy illustration. E.&O.E.