Corporate estate transfer

Releasing locked-in corporate surplus

Strategies

Now’s the time to plan

- Close to $1 trillion will transfer to the next generation in the next 20 years*
- Planning is more important than ever
  - To transition your business tax efficiently
  - To maximize your personal estate

* The Canadian Inheritance Study, Decima Research 2006

Canada Life™

Your situation

- Do you have
  - Shares of a private corporation?
  - Cash flow in excess of what’s required to operate the business?
  - A need for life insurance?

Canada Life™

Your goals

- Do you want to
  - Access the excess cash flow for your personal use?
  - Maintain company's surplus?
  - Minimize tax at your personal tax rate?
  - Enhance value of your estate?

Canada Life™

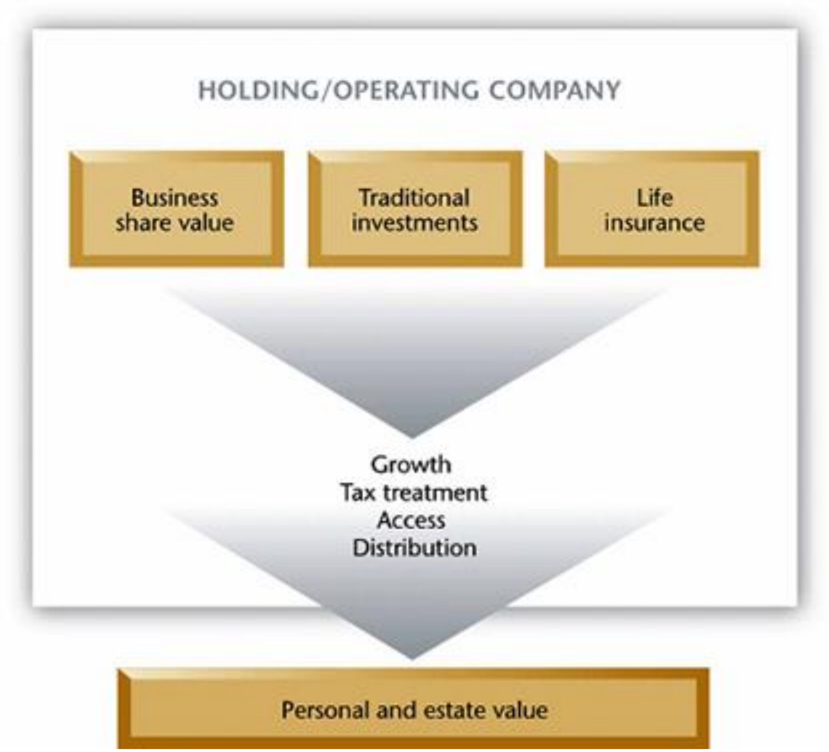
The opportunity

- Use the excess funds that aren't needed for operations
  - Distribute them for personal use while living
  - Or leave them in corporation for heirs or successors
- What strategy can you use to access retained earnings and distribute in a tax-advantaged manner?

Corporate estate transfer strategy

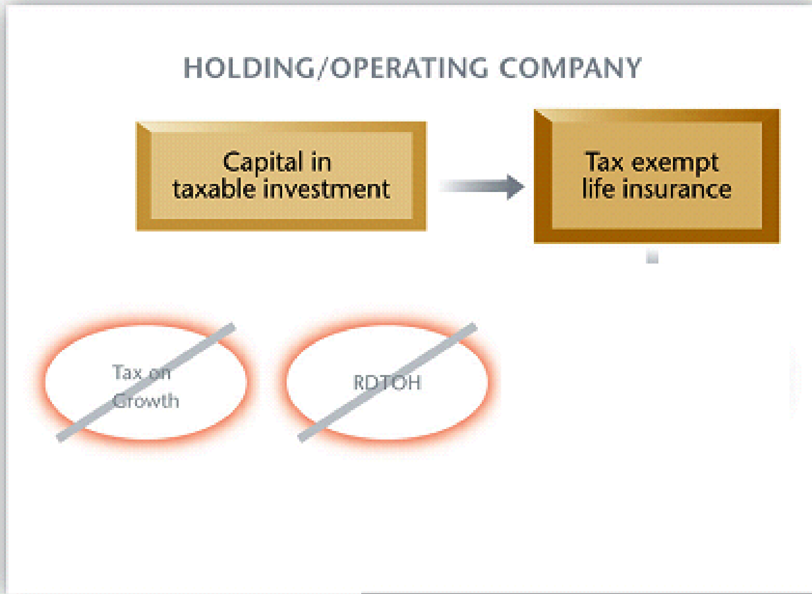
- Corporation retains control of capital
  - In tax-advantaged life insurance policy
- Preserves more assets for transfer to heirs
  - Compared with traditional investments, where income is taxable every year

Look at your asset allocation



- Assets types differ
  - Growth and risk
  - Tax treatment
  - Access and liquidity
  - Distribution
- Transfer funds between asset types to support your goals

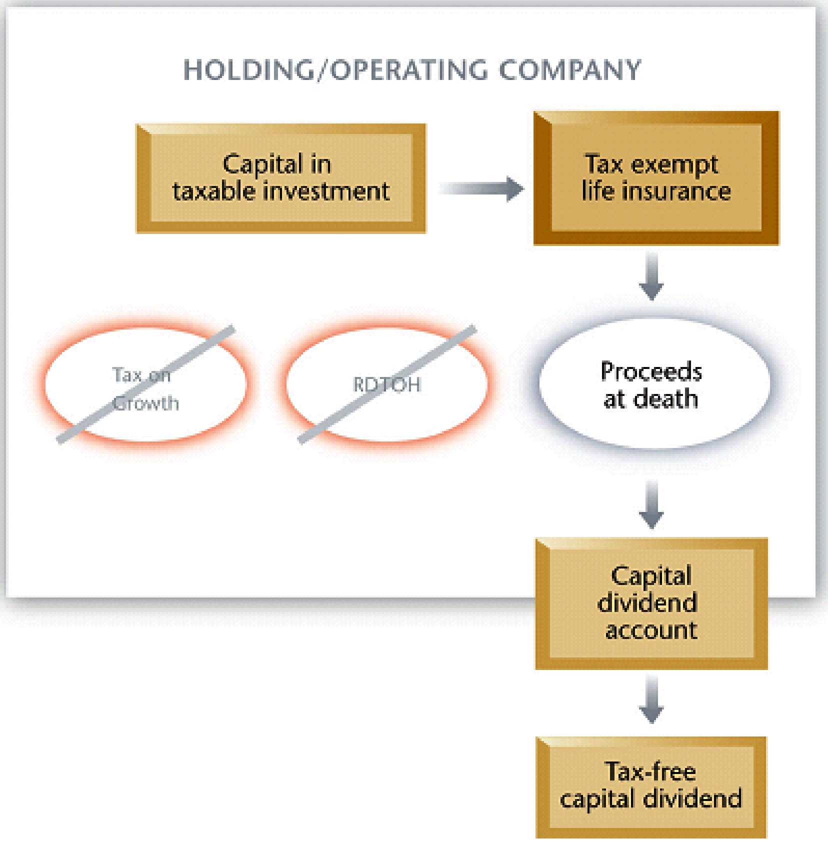
How it works during lifetime



- Transfer excess assets from taxable investments to tax-exempt life insurance policy
- Growth inside policy
  - Not subject to tax while in the policy
  - Not subject to refundable dividend tax-on-hand (RDTOH)

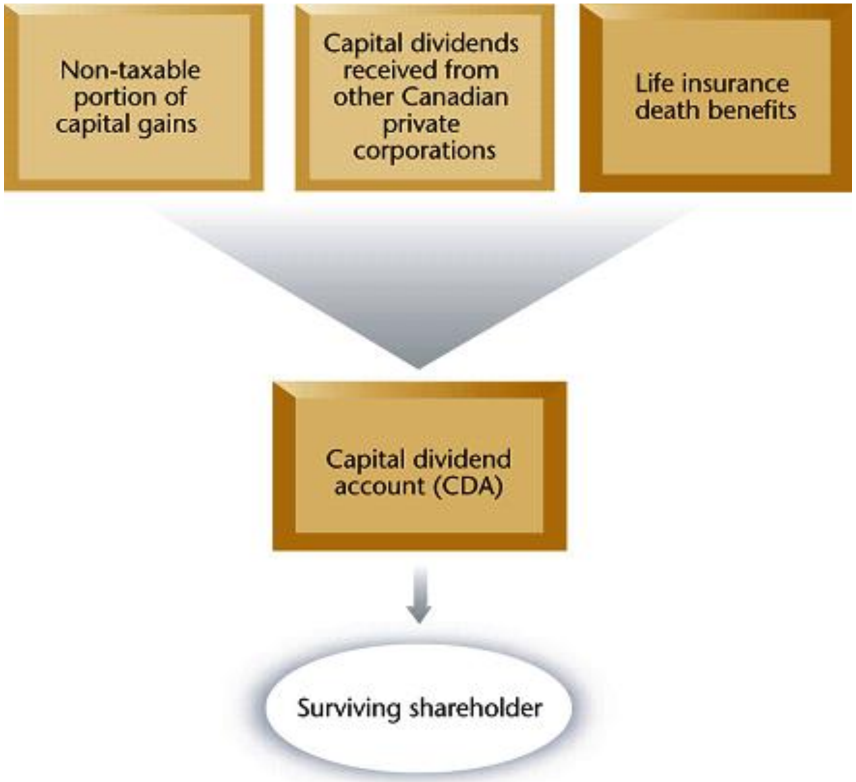
Canada Life™

How it works after death



- Proceeds at death, in excess of adjusted cost basis
  - Can be credited to capital dividend account
  - Then distributed as tax-free dividends

Capital dividend account (CDA)



- CDA tracks income earned by private corporations and distributed to shareholders
- Helps ensure income is taxed the same as if shareholders earned it directly

Benefits to you

- Maximum growth of corporate assets
- Enhanced asset transfer to heirs
- Cost effective, compared to traditional taxable assets

Notes

- All comments related to taxation are general in nature and are based on current Canadian tax legislation for Canadian residents, which is subject to change. For individual circumstances, consult with a tax professional.
- An exempt life insurance policy, where the savings element is exempt from annual accrual taxation, is defined in regulations 306 and 307 of the Income Tax Act (the Act). The Act provides that if a policy is to be exempt, the conditions set out in the regulations must be met.
- Any premium for a *Millennium universal life insurance* policy that would exceed the estimated maximum premium is put in an account outside the policy and credited with interest. The interest is taxable to the policyowner and Canada reports the income to the policyowner and government each year.
- The information in this presentation is current as of September 2010.

Canada Life™

Contact your Financial Advisor

Sunil Heda, CPA (US)

Investment Advisor, Manulife Securities Incorporated.

Life Insurance Advisor, Manulife Securities Insurance Inc.

(416)571-0369 / (905)605-7400

sunil.heda@manulifesecurities.ca

www.sunilheda.com

Canada Life™