

WEALTH ESCALATOR PLAN FOR YOUR COMPANY¹

A financial strategy you can use to increase the value of your company to benefit your estate

Company1

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Desjardins Insurance refers to Desjardins Financial Security
Life Assurance Company

¹ In this document, "company" refers to a corporation that is designated as a private corporation under the Income Tax Act.

WEALTH ESCALATOR PLAN FOR YOUR COMPANY

YOUR CURRENT SITUATION

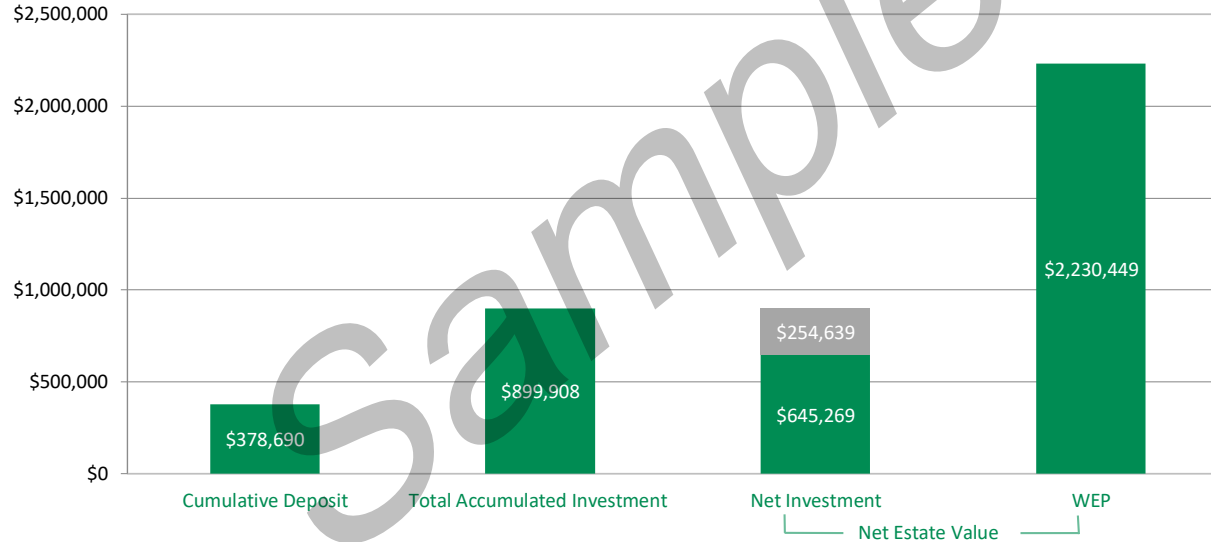
Business is booming. Your company is well-established and generating higher revenues than the expenses associated with its day-to-day operations. You now have the opportunity to increase the value of your company's surplus earnings by investing in taxable investments. However, this may prove to be less profitable than expected since the company's returns on investments are subject to tax². That is why you will most likely favor investment options that could help reduce your company's tax burden. The Wealth Escalator Plan is the solution that meets your needs.

WHAT IS THE WEALTH ESCALATOR PLAN?

The Wealth Escalator Plan for your company is a financial strategy that can grow the value of your business and offer tax advantages while diversifying your company's assets through lower risk investments.

This strategy leverages the tax structure of participating whole life insurance and could generate a net value upon death that would be higher than that of a taxable investment made for the same disbursement.

Comparison of the Corporate Wealth Escalator Plan and taxable investment, at the life expectancy (age 82)



	Investment	WEP	Difference	
Cumulative Deposit	378,690 \$	378,690 \$	\$	%
Net Estate Value	645,269 \$	2,230,449 \$	1,585,180 \$	246%
Cost per dollar	0.59 \$	0.17 \$		

² For tax years after 2018, the federal 2018 budget proposes gradually reducing the small-business limit for private corporations with investments between \$50,000 and \$150,000, effectively increasing the company's tax bill. See your tax advisor for more information.

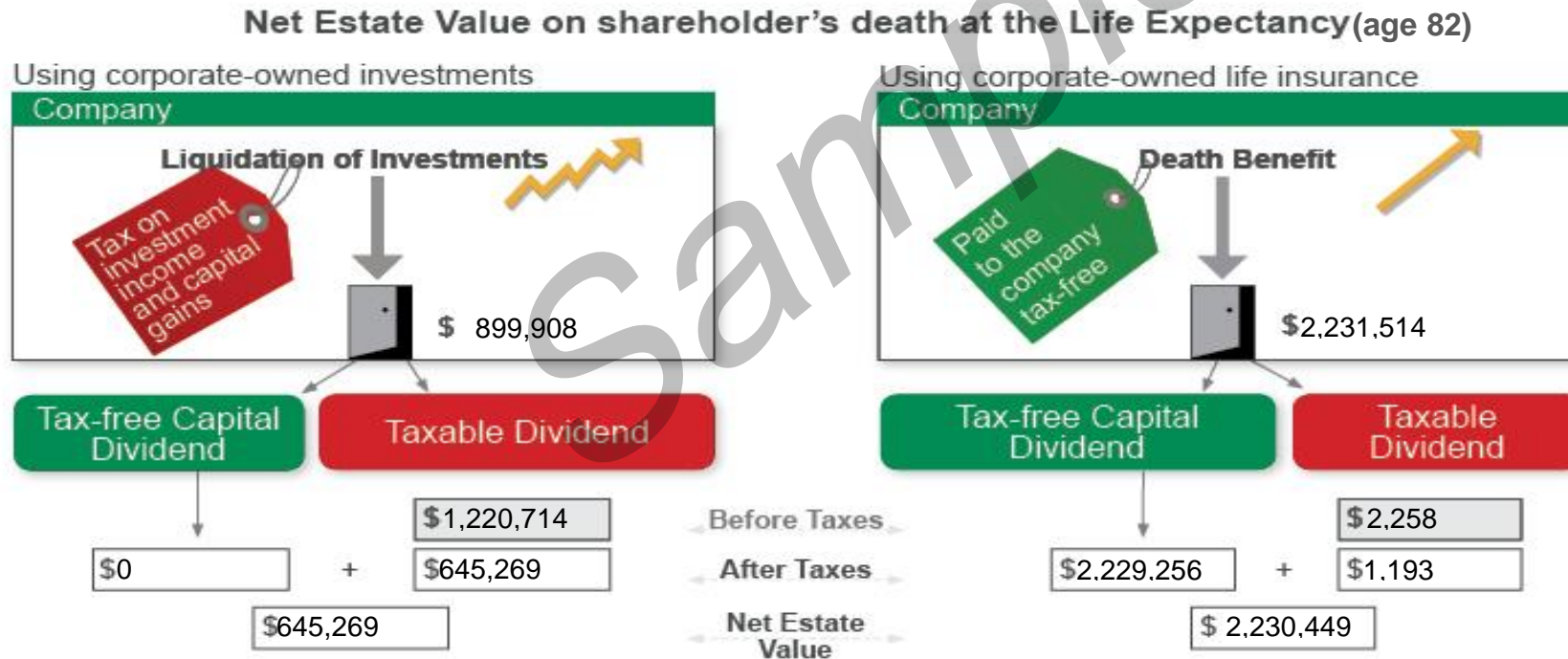
WEALTH ESCALATOR PLAN FOR YOUR COMPANY

HOW DOES THIS STRATEGY WORK?

Your company purchases a life insurance policy on your life, using surplus earnings to pay the premiums.

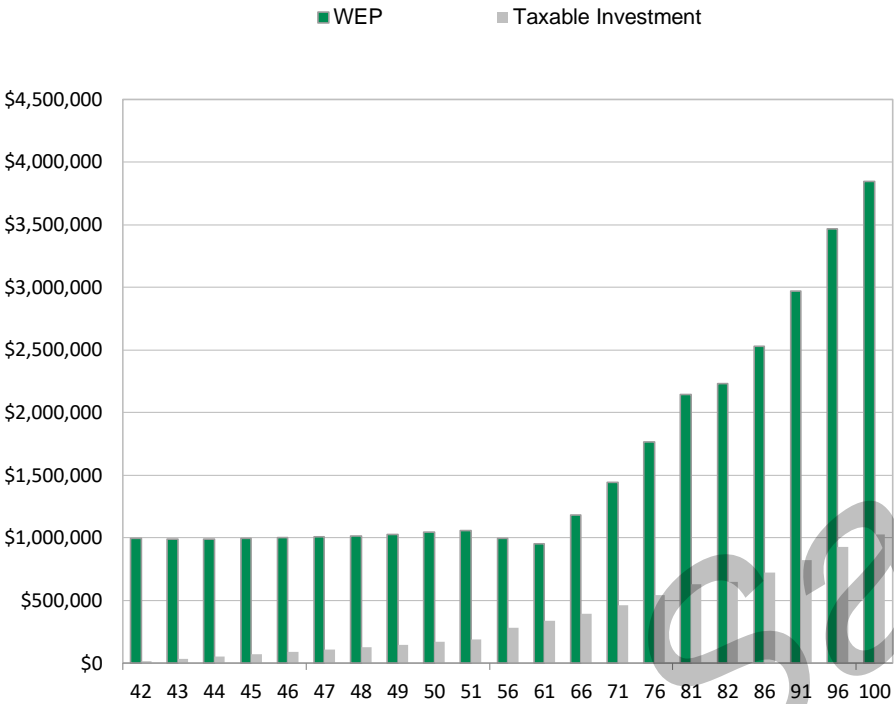
As the beneficiary, your company would receive the tax-free life insurance amount upon your death. Most or all of this amount could be credited to your company's Capital Dividend Account (CDA), which could then be paid out to your estate as a tax-free capital dividend.

The Wealth Escalator Plan uses the company's surplus earnings to pay for a tax-exempt life insurance policy, rather than investing that same money in taxable investments. This may reduce your company's taxable earnings each year. A larger after-tax estate value typically results when compared to using taxable investments owned by your company.



THE BENEFITS OF PARTICIPATING WHOLE LIFE INSURANCE

Net Estate Value comparison over time



COVERAGE

The benefits of participating life insurance

Life insurance is there to meet your company's coverage needs from the time of purchase. And since the insurance amount increases over time, thanks to dividends, it can also meet your company's future needs.

TAX PREFERRED GROWTH DURING YOUR LIFETIME

The surrender value of your policy will grow tax-deferred, unlike investment earnings and capital gains, which are taxable. Any growth in the death benefit is not taxed.

REDUCE THE CORPORATE TAX BURDEN ON DEATH

On death, only the cash surrender value of the life insurance policy contributes to the value of your shares, unlike the value of corporate investments. This may reduce the capital gains tax payable on the value of your shares.

The tax-free insurance amount is paid to your company and most, or even all, of the amount can be paid out as a tax-free capital dividend, maximizing the value of your estate for your loved ones when you die.

OPPORTUNITY FOR DIVERSIFICATION

Participating whole life insurance allows you to enhance the performance of your company's investment portfolio. It offers stable growth and diversification, while reducing the portfolio's exposure to market volatility.

ACCESS TO LIQUIDITY

The policy's cash surrender value can be used during your lifetime for business purposes or to meet other company needs. Your company can also assign the life insurance policy to a financial institution as collateral for a loan.

SCENARIOS AND ASSUMPTIONS

Wealth Escalator Plan

Annual Premium:	\$29,130.00
Coverage:	Estate Enhancer - 20 Pay
Basic Insurance Amount:	\$1,000,000
Dividend Option:	Paid-Up Additions (PUA)
Premium Offset:	Yes
Begins at year:	14
Dividend Scenario:	Current

Client

New Client1 (41, Male, Preferred / Non-smoker)
Life Expectancy:

82

Policyowner

Company1

Taxable Investment (Quebec)

Annual Deposit:	\$29,130.00
Marginal Tax Rate (Personal):	53.31%
Dividend Tax Rate n.e. (Personal):	47.14%
Tax Rate (Business):	50.17%
Dividend Tax Rate (Business):	38.33%
Capital Gain Tax Rate (Business):	25.09%
RDTOH Rate:	30.67%
Dividend Refund Rate:	38.33%

Type of Investment	Allocation	Rate of Return
Interest:	100.00%	5.00%
Dividend:	0.00%	0.00%
Deffered Capital Gain:	0.00%	0.00%

NET ESTATE VALUE COMPARISON

Wealth Escalator Plan with Participating Whole Life Insurance

Investment

End of Year	Age	Cumulative Deposits	Total CSV	CSV if surrendered by company	Life Insurance amount	Adjusted Cost Basis (ACB)	Net Estate Value	After tax return on Death	Total Accumulated Investments	Net Estate Value	After tax return on Death	WEP Advantage
1	42	\$29,130	\$2,430	\$2,430	\$1,008,474	\$28,680	\$994,955	3315.57%	\$29,856	\$16,018	-45.01%	\$978,937
2	43	\$58,260	\$5,757	\$5,757	\$1,019,492	\$57,200	\$992,528	435.85%	\$60,455	\$32,671	-32.89%	\$959,857
3	44	\$87,390	\$10,020	\$10,020	\$1,032,932	\$85,602	\$992,580	184.85%	\$91,817	\$49,975	-25.45%	\$942,604
4	45	\$116,520	\$15,285	\$15,285	\$1,048,777	\$113,870	\$995,098	108.07%	\$123,961	\$67,947	-20.44%	\$927,152
5	46	\$145,650	\$30,235	\$30,235	\$1,066,950	\$141,996	\$1,000,013	72.97%	\$156,905	\$86,602	-16.85%	\$913,411
6	47	\$174,780	\$45,617	\$45,617	\$1,087,433	\$169,974	\$1,007,308	53.42%	\$190,670	\$105,958	-14.16%	\$901,350
7	48	\$203,910	\$64,285	\$64,285	\$1,110,213	\$197,777	\$1,016,981	41.19%	\$225,276	\$126,033	-12.06%	\$890,949
8	49	\$233,040	\$86,309	\$86,309	\$1,135,285	\$225,388	\$1,029,037	32.93%	\$260,745	\$146,844	-10.38%	\$882,193
9	50	\$262,170	\$107,400	\$107,400	\$1,162,600	\$252,773	\$1,043,443	27.05%	\$297,097	\$168,409	-9.01%	\$875,034
10	51	\$291,300	\$130,509	\$130,509	\$1,192,148	\$279,923	\$1,060,192	22.70%	\$334,355	\$190,748	-7.87%	\$869,444
15	56	\$378,690	\$262,891	\$262,891	\$1,161,397	\$353,187	\$994,905	10.48%	\$474,585	\$282,065	-3.30%	\$712,840
20	61	\$378,690	\$421,547	\$377,770	\$1,111,509	\$333,993	\$954,064	6.61%	\$536,727	\$335,131	-0.87%	\$618,933
25	66	\$378,690	\$659,552	\$482,610	\$1,323,132	\$305,668	\$1,179,040	6.03%	\$607,005	\$395,145	0.22%	\$783,895
30	71	\$378,690	\$899,367	\$577,590	\$1,565,511	\$255,813	\$1,444,921	5.65%	\$686,486	\$463,018	0.84%	\$981,903
35	76	\$378,690	\$1,214,095	\$692,658	\$1,844,302	\$171,222	\$1,763,588	5.38%	\$776,374	\$539,778	1.23%	\$1,223,811
40	81	\$378,690	\$1,603,691	\$820,100	\$2,162,740	\$36,508	\$2,145,530	5.18%	\$878,032	\$626,588	1.49%	\$1,518,941
41	82	\$378,690	\$1,692,360	\$847,309	\$2,231,514	\$2,258	\$2,230,449	5.14%	\$899,908	\$645,269	1.53%	\$1,585,180
45	86	\$378,690	\$2,089,051	\$1,044,525	\$2,531,490	\$0	\$2,531,490	4.95%	\$993,001	\$724,766	1.67%	\$1,806,724
50	91	\$378,690	\$2,681,041	\$1,340,521	\$2,973,237	\$0	\$2,973,237	4.76%	\$1,123,023	\$821,169	1.77%	\$2,152,069
55	96	\$378,690	\$3,244,805	\$1,622,403	\$3,464,899	\$0	\$3,464,899	4.59%	\$1,270,071	\$928,692	1.84%	\$2,536,207
59	100	\$378,690	\$3,846,359	\$1,923,180	\$3,846,359	\$0	\$3,846,359	4.44%	\$1,401,456	\$1,024,762	1.89%	\$2,821,598

WEALTH ESCALATOR PLAN DETAILS

End of Year	Age	Annual Deposit	Annual Dividend	Premium Paid by Company	Total Death Benefit	Adjusted Cost Basis (ACB)	Tax-Free Capital Dividend	Non-Eligible Dividend from ACB	Tax on Non-Eligible Dividend	Net Estate Value	After tax return on Death
1	42	\$29,130	\$2,430	\$29,130	\$1,008,474	\$28,680	\$979,794	\$28,680	\$13,520	\$994,955	3315.57%
2	43	\$29,130	\$3,254	\$29,130	\$1,019,492	\$57,200	\$962,292	\$57,200	\$26,964	\$992,528	435.85%
3	44	\$29,130	\$4,089	\$29,130	\$1,032,932	\$85,602	\$947,330	\$85,602	\$40,353	\$992,580	184.85%
4	45	\$29,130	\$4,965	\$29,130	\$1,048,777	\$113,870	\$934,907	\$113,870	\$53,678	\$995,098	108.07%
5	46	\$29,130	\$5,865	\$29,130	\$1,066,950	\$141,996	\$924,954	\$141,996	\$66,937	\$1,000,013	72.97%
6	47	\$29,130	\$6,807	\$29,130	\$1,087,433	\$169,974	\$917,460	\$169,974	\$80,126	\$1,007,308	53.42%
7	48	\$29,130	\$7,795	\$29,130	\$1,110,213	\$197,777	\$912,437	\$197,777	\$93,232	\$1,016,981	41.19%
8	49	\$29,130	\$8,834	\$29,130	\$1,135,285	\$225,388	\$909,897	\$225,388	\$106,248	\$1,029,037	32.93%
9	50	\$29,130	\$9,910	\$29,130	\$1,162,600	\$252,773	\$909,827	\$252,773	\$119,157	\$1,043,443	27.05%
10	51	\$29,130	\$11,036	\$29,130	\$1,192,148	\$279,923	\$912,225	\$279,923	\$131,955	\$1,060,192	22.70%
15	56	\$0	\$16,397	\$0	\$1,161,397	\$353,187	\$808,210	\$353,187	\$166,492	\$994,905	10.48%
20	61	\$0	\$20,846	\$0	\$1,111,509	\$333,993	\$777,516	\$333,993	\$157,444	\$954,064	6.61%
25	66	\$0	\$25,143	\$0	\$1,323,132	\$305,668	\$1,017,464	\$305,668	\$144,092	\$1,179,040	6.03%
30	71	\$0	\$32,438	\$0	\$1,565,511	\$255,813	\$1,309,698	\$255,813	\$120,590	\$1,444,921	5.65%
35	76	\$0	\$41,382	\$0	\$1,844,302	\$171,222	\$1,673,080	\$171,222	\$80,714	\$1,763,588	5.38%
40	81	\$0	\$51,836	\$0	\$2,162,740	\$36,508	\$2,126,231	\$36,508	\$17,210	\$2,145,530	5.18%
41	82	\$0	\$54,306	\$0	\$2,231,514	\$2,258	\$2,229,256	\$2,258	\$1,064	\$2,230,449	5.14%
45	86	\$0	\$66,706	\$0	\$2,531,490	\$0	\$2,531,490	\$0	\$0	\$2,531,490	4.95%
50	91	\$0	\$85,283	\$0	\$2,973,237	\$0	\$2,973,237	\$0	\$0	\$2,973,237	4.76%
55	96	\$0	\$93,059	\$0	\$3,464,899	\$0	\$3,464,899	\$0	\$0	\$3,464,899	4.59%
59	100	\$0	\$91,451	\$0	\$3,846,359	\$0	\$3,846,359	\$0	\$0	\$3,846,359	4.44%

TAXABLE INVESTMENT – SUMMARY

End of Year	Age	Total Annual Investment	Net Accumulated Interest Investments	Net Accumulated Dividend Investments	Net Deferred Capital Gain	Total Accumulated Investments	Corporate Cumulative Total Tax	Total Accumulated RDTOH	RDTOH Recovery Paid as Non-Eligible Dividend	Non-Eligible Taxable Dividend	Tax on Non-Eligible Dividend	Tax-Free Capital Dividend	Net Estate Value
1	42	\$29,130	\$29,856	\$0	\$0	\$29,856	\$731	\$447	\$447	\$30,302	\$14,285	\$0	\$16,018
2	43	\$29,130	\$60,455	\$0	\$0	\$60,455	\$2,210	\$1,351	\$1,351	\$61,807	\$29,136	\$0	\$32,671
3	44	\$29,130	\$91,817	\$0	\$0	\$91,817	\$4,458	\$2,725	\$2,725	\$94,542	\$44,567	\$0	\$49,975
4	45	\$29,130	\$123,961	\$0	\$0	\$123,961	\$7,492	\$4,580	\$4,580	\$128,541	\$60,594	\$0	\$67,947
5	46	\$29,130	\$156,905	\$0	\$0	\$156,905	\$11,332	\$6,927	\$6,927	\$163,833	\$77,231	\$0	\$86,602
6	47	\$29,130	\$190,670	\$0	\$0	\$190,670	\$15,999	\$9,780	\$9,780	\$200,450	\$94,492	\$0	\$105,958
7	48	\$29,130	\$225,276	\$0	\$0	\$225,276	\$21,512	\$13,151	\$13,151	\$238,427	\$112,395	\$0	\$126,033
8	49	\$29,130	\$260,745	\$0	\$0	\$260,745	\$27,894	\$17,052	\$17,052	\$277,797	\$130,954	\$0	\$146,844
9	50	\$29,130	\$297,097	\$0	\$0	\$297,097	\$35,166	\$21,497	\$21,497	\$318,595	\$150,186	\$0	\$168,409
10	51	\$29,130	\$334,355	\$0	\$0	\$334,355	\$43,349	\$26,500	\$26,500	\$360,855	\$170,107	\$0	\$190,748
15	56	\$0	\$474,585	\$0	\$0	\$474,585	\$96,549	\$59,023	\$59,023	\$533,608	\$251,543	\$0	\$282,065
20	61	\$0	\$536,727	\$0	\$0	\$536,727	\$159,115	\$97,271	\$97,271	\$633,997	\$298,866	\$0	\$335,131
25	66	\$0	\$607,005	\$0	\$0	\$607,005	\$229,873	\$140,526	\$140,526	\$747,532	\$352,387	\$0	\$395,145
30	71	\$0	\$686,486	\$0	\$0	\$686,486	\$309,896	\$189,446	\$189,446	\$875,933	\$412,915	\$0	\$463,018
35	76	\$0	\$776,374	\$0	\$0	\$776,374	\$400,398	\$244,772	\$244,772	\$1,021,146	\$481,368	\$0	\$539,778
40	81	\$0	\$878,032	\$0	\$0	\$878,032	\$502,749	\$307,341	\$307,341	\$1,185,373	\$558,785	\$0	\$626,588
41	82	\$0	\$899,908	\$0	\$0	\$899,908	\$524,774	\$320,806	\$320,806	\$1,220,714	\$575,445	\$0	\$645,269
45	86	\$0	\$993,001	\$0	\$0	\$993,001	\$618,502	\$378,104	\$378,104	\$1,371,104	\$646,339	\$0	\$724,766
50	91	\$0	\$1,123,023	\$0	\$0	\$1,123,023	\$749,412	\$458,132	\$430,455	\$1,553,478	\$732,310	\$0	\$821,169
55	96	\$0	\$1,270,071	\$0	\$0	\$1,270,071	\$897,463	\$548,639	\$486,818	\$1,756,889	\$828,198	\$0	\$928,692
59	100	\$0	\$1,401,456	\$0	\$0	\$1,401,456	\$1,029,744	\$629,505	\$537,178	\$1,938,634	\$913,872	\$0	\$1,024,762

TAXABLE INVESTMENT – INTEREST

End of Year	Age	Total Annual Investment	Interest Income Allocation	Interest Income	Tax on Interest Income	Net Accumulated Interest Investments	RDTOH	RDTOH Recovery Paid as Non-Eligible Dividend	Non-Eligible Taxable Dividend	Tax on Non-Eligible Dividend	Net Estate Value (Interest)
1	42	\$29,130	\$29,130	\$1,457	\$731	\$29,856	\$447	\$447	\$30,302	\$14,285	\$16,018
2	43	\$29,130	\$29,130	\$2,949	\$1,480	\$60,455	\$905	\$1,351	\$61,807	\$29,136	\$32,671
3	44	\$29,130	\$29,130	\$4,479	\$2,247	\$91,817	\$1,374	\$2,725	\$94,542	\$44,567	\$49,975
4	45	\$29,130	\$29,130	\$6,047	\$3,034	\$123,961	\$1,855	\$4,580	\$128,541	\$60,594	\$67,947
5	46	\$29,130	\$29,130	\$7,655	\$3,840	\$156,905	\$2,348	\$6,927	\$163,833	\$77,231	\$86,602
6	47	\$29,130	\$29,130	\$9,302	\$4,667	\$190,670	\$2,853	\$9,780	\$200,450	\$94,492	\$105,958
7	48	\$29,130	\$29,130	\$10,990	\$5,514	\$225,276	\$3,371	\$13,151	\$238,427	\$112,395	\$126,033
8	49	\$29,130	\$29,130	\$12,720	\$6,382	\$260,745	\$3,901	\$17,052	\$277,797	\$130,954	\$146,844
9	50	\$29,130	\$29,130	\$14,494	\$7,272	\$297,097	\$4,445	\$21,497	\$318,595	\$150,186	\$168,409
10	51	\$29,130	\$29,130	\$16,311	\$8,183	\$334,355	\$5,003	\$26,500	\$360,855	\$170,107	\$190,748
15	56	\$0	\$0	\$23,152	\$11,616	\$474,585	\$7,101	\$59,023	\$533,608	\$251,543	\$282,065
20	61	\$0	\$0	\$26,184	\$13,136	\$536,727	\$8,031	\$97,271	\$633,997	\$298,866	\$335,131
25	66	\$0	\$0	\$29,612	\$14,857	\$607,005	\$9,082	\$140,526	\$747,532	\$352,387	\$395,145
30	71	\$0	\$0	\$33,490	\$16,802	\$686,486	\$10,271	\$189,446	\$875,933	\$412,915	\$463,018
35	76	\$0	\$0	\$37,875	\$19,002	\$776,374	\$11,616	\$244,772	\$1,021,146	\$481,368	\$539,778
40	81	\$0	\$0	\$42,834	\$21,490	\$878,032	\$13,137	\$307,341	\$1,185,373	\$558,785	\$626,588
41	82	\$0	\$0	\$43,902	\$22,025	\$899,908	\$13,465	\$320,806	\$1,220,714	\$575,445	\$645,269
45	86	\$0	\$0	\$48,443	\$24,304	\$993,001	\$14,857	\$378,104	\$1,371,104	\$646,339	\$724,766
50	91	\$0	\$0	\$54,786	\$27,486	\$1,123,023	\$16,803	\$430,455	\$1,553,478	\$732,310	\$821,169
55	96	\$0	\$0	\$61,960	\$31,085	\$1,270,071	\$19,003	\$486,818	\$1,756,889	\$828,198	\$928,692
59	100	\$0	\$0	\$68,369	\$34,301	\$1,401,456	\$20,969	\$537,178	\$1,938,634	\$913,872	\$1,024,762

How does life insurance held by your company affect the value of your shares when you die?

Investments and other assets held by your company are generally taken into consideration when establishing the fair market value of your shares.

The Income Tax Act uses the cash surrender value to establish the value of a life insurance policy taken out on your life by your company. The insurance amount payable at your death isn't included in the share value. That means the capital gains tax owed on your death could be reduced by taking out a corporate owned life insurance policy.

How can taxes erode the value of your company?

Since you're a shareholder, your company's assets are at risk of "double taxation" upon your death. The deemed disposition of your shares to the company at their fair market value could result in a capital gain. In addition, if taxable investments are liquidated to be distributed to the estate, the company may have to pay capital gains tax and the distribution of the company's net assets to the estate may result in a taxable dividend.

Your company can use life insurance to reduce its tax burden over time and to cover the taxes owing when you die. By choosing a life insurance amount that meets your needs, the net value of your estate may be higher and your company will have access to the money accumulated inside the contract during your lifetime³.

What is tax integration?

According to the principle of tax integration, income earned by a company and distributed to shareholders whether as salary or dividends should be subject to essentially the same taxation rate as if it had been earned directly by the shareholders. On that basis, the tax system should be structured so that amounts that would be tax-free if received directly by shareholders are not taxed when received by a company and subsequently flowed through to its shareholders.

What is the Capital Dividend Account (CDA)?

The CDA is a notional tax account used by private companies to track any tax-free amounts they receive and pass through to shareholders as tax-free capital dividends.

This account is a way for shareholders to receive tax-free capital dividends when a portion of the life insurance amount payable upon your death exceeds the contract's adjusted cost basis (ACB).

What is "adjusted cost basis" (ACB)?

The ACB of a life insurance policy represents the cost of the insurance policy for tax purposes. The ACB consists of the premiums payable for life insurance (excluding additional coverages) less the net cost of pure insurance. Only the insurance company can calculate the contract's ACB. The policyholder must contact the insurance company if they need this information.

³ If the corporation withdraws these amounts, a taxable gain may result. Talk to your tax advisor for more information.

How does the ACB work?

Under the Income Tax Act, if your company receives an insurance amount from a policy on your life, the benefit credited to the CDA is equal to the insurance amount payable upon death less the ACB.

If the policy's ACB is zero at that time, the full insurance amount will be credited to the CDA. In this case, the company could pay the entire insurance amount to your estate as a tax-free capital dividend, subject to certain conditions. Calculating the CDA balance can be complex, and business owners should consult their tax advisor when considering declaring a capital dividend.

What is Refundable Dividend Tax on Hand (RDTOH)?

The RDTOH is a notional and generally temporary federal income tax account for a company's investment income.

This income tax will be refunded to your company when it pays taxable dividends⁴, at a prescribed dividend rate, up to the balance of the RDTOH. This type of reimbursement is called a dividend refund.

For illustrative purposes, the dividend refund is assumed to be returned to the estate as dividends.

This document is intended for general information only and should not be considered tax advice. Before making any decision, you should consult a tax specialist about your situation. Desjardins Insurance has taken reasonable steps to ensure the accuracy of this information, but makes no representation or warranty as to such, as the information may no longer be up-to-date, complete or accurate.

⁴ For tax years after 2018, the federal 2018 budget proposes gradually reducing the small-business limit for private corporations with investments between \$50,000 and \$150,000, effectively increasing the company's tax bill. See your tax advisor for more information.