

# CORPORATE WEALTH ESCALATOR PLAN

A financial strategy you can use to increase the value of your company<sup>1</sup> to benefit your estate

Company1

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Advisor Guest  
Life and Health Insurance Advisor

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<sup>1</sup> In this document, “company” refers to a corporation that is designated as a private corporation under the Income Tax Act.

# CORPORATE WEALTH ESCALATOR PLAN (WITH PARTICIPATING LIFE INSURANCE)

## YOUR CURRENT SITUATION

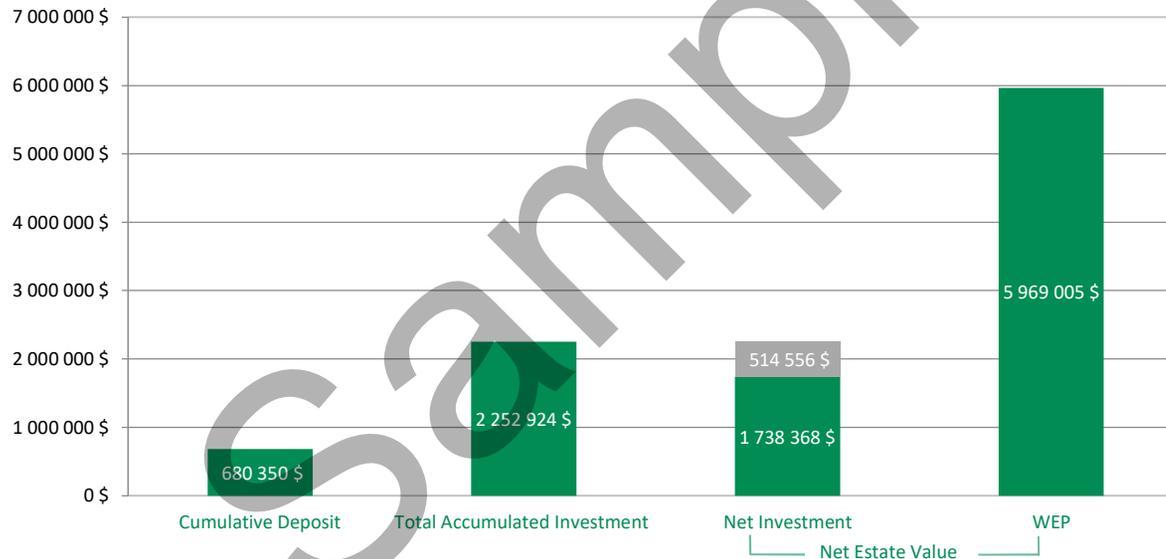
Business is booming. Your company is well-established and generating higher revenues than the expenses associated with its day-to-day operations. You now have the opportunity to increase the value of your company's surplus earnings by investing in taxable investments. However, this may prove to be less profitable than expected since the company's returns on investments are subject to tax<sup>2</sup>. 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 Wealth Escalator Plan and taxable investment, at the life expectancy (age 86)



	Investment	WEP	Difference	
<b>Cumulative Deposit</b>	680 350 \$	680 350 \$	\$	%
<b>Net Estate Value</b>	1 738 368 \$	5 969 005 \$	4 230 637 \$	243%
<b>Cost per dollar</b>	0,39 \$	0,11 \$		

<sup>2</sup> 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.

# CORPORATE WEALTH ESCALATOR PLAN (WITH PARTICIPATING LIFE INSURANCE)

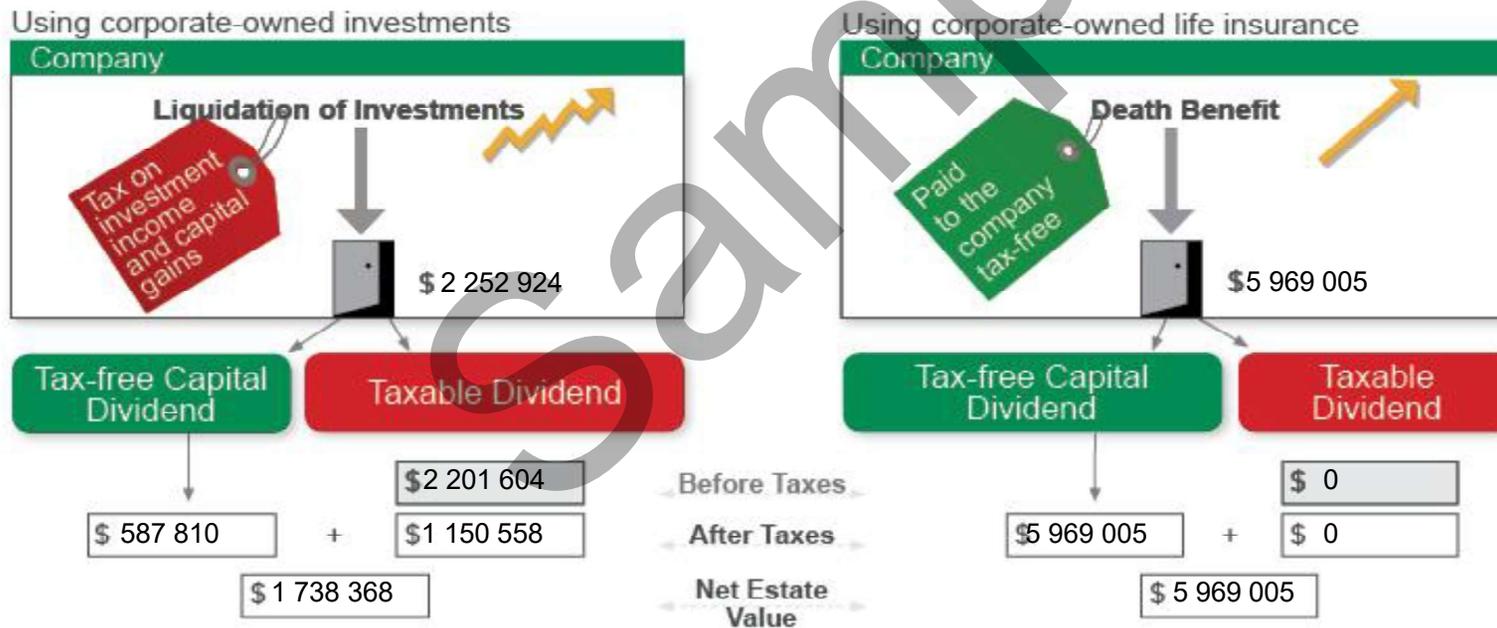
## HOW DOES THIS STRATEGY WORK?

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.

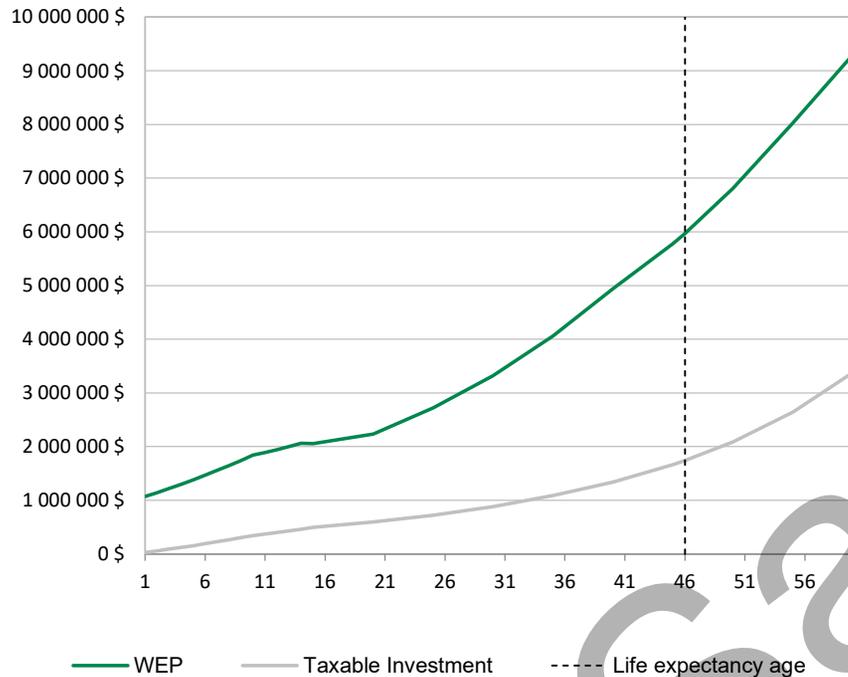
The Wealth Escalator Plan uses the company's surplus earnings to pay for a tax-exempt life insurance policy, rather than investing that same money in taxable investments. This may reduce your company's taxable earnings each year. A larger after-tax estate value typically results when compared to using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

### Net Estate Value on shareholder's death at the Life Expectancy (age 86)



# 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

## Insured

New Client1  
Male, 40, Preferred / Non-smoker  
Life expectancy: age 86 (Duration 46)

## Policyowner

Company1

## Illustration

Product	Participating Life Insurance
Coverage Category	Permanent Life
Coverage Type	Individual
Coverage	Estate Enhancer – 20 Pay
Amount	1 000 000 \$
Annual Premium	53 840,00 \$
Annual premium	28 390,00 \$
1st year ADO	25 450,00 \$

**Dividend Option** Paid-Up Additions (PUA)

**Dividend Scenarios** Current

**Premium Offset** Yes, begins at year 16

**Add. Deposit Option (ADO)** Yes, refer to illustration for details.

**Withdrawals** No

## Tax Information (Ontario)

Marginal Tax Rate	53,53 %
Dividend Tax Rate	47,74 %
Maximum Tax Rate on Interest	50,17 %
Dividend Tax Rate	38,33 %
Capital Gain Inclusion Rate	66,67 %
RDTOH Rate	30,67 %
Dividend Refund Rate	38,33 %

## Taxable Investment

	Allocation	Rate of Return
Interest	50,00 %	2,30 %
Dividends	25,00 %	3,20 %
Differed Capital Gains	25,00 %	6,20 %

\* Portfolio is rebalanced every 3 years.

# NET ESTATE VALUE COMPARISON

## Corporate Wealth Escalator Plan with Participating Whole Life Insurance

## Investment

End of Year	M/40/P	Cumulative Premiums and 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	41	53 840 \$	26 668 \$	26 668 \$	1 095 803 \$	53 383 \$	1 070 318 \$	1887,96%	54 970 \$	29 135 \$	-45,89%	1 041 183 \$
2	42	107 680 \$	55 771 \$	55 771 \$	1 194 493 \$	106 581 \$	1 143 611 \$	313,58%	111 112 \$	59 306 \$	-33,74%	1 084 305 \$
3	43	161 520 \$	87 432 \$	87 432 \$	1 295 997 \$	159 614 \$	1 219 798 \$	142,88%	168 472 \$	90 556 \$	-26,26%	1 129 242 \$
4	44	215 360 \$	121 819 \$	121 819 \$	1 400 390 \$	212 460 \$	1 298 962 \$	86,98%	227 099 \$	122 927 \$	-21,21%	1 176 034 \$
5	45	269 200 \$	167 447 \$	167 447 \$	1 507 648 \$	265 080 \$	1 381 099 \$	60,58%	287 042 \$	156 466 \$	-17,57%	1 224 633 \$
6	46	323 040 \$	215 473 \$	215 473 \$	1 617 901 \$	317 449 \$	1 466 351 \$	45,61%	348 355 \$	191 221 \$	-14,82%	1 275 130 \$
7	47	376 880 \$	268 803 \$	268 803 \$	1 731 271 \$	369 527 \$	1 554 859 \$	36,14%	411 094 \$	227 243 \$	-12,68%	1 327 616 \$
8	48	430 720 \$	327 612 \$	327 612 \$	1 847 785 \$	421 268 \$	1 646 672 \$	29,69%	475 318 \$	264 586 \$	-10,96%	1 382 086 \$
9	49	484 560 \$	387 881 \$	387 881 \$	1 967 479 \$	472 614 \$	1 741 853 \$	25,06%	541 089 \$	303 305 \$	-9,55%	1 438 547 \$
10	50	538 400 \$	452 573 \$	452 573 \$	2 090 337 \$	523 523 \$	1 840 407 \$	21,61%	608 473 \$	343 462 \$	-8,37%	1 496 945 \$
11	51	566 790 \$	510 526 \$	510 526 \$	2 151 712 \$	548 556 \$	1 889 832 \$	18,78%	651 555 \$	371 347 \$	-6,92%	1 518 484 \$
12	52	595 180 \$	572 887 \$	572 887 \$	2 216 620 \$	573 106 \$	1 943 019 \$	16,58%	695 839 \$	400 310 \$	-5,82%	1 542 709 \$
13	53	623 570 \$	639 851 \$	618 410 \$	2 285 099 \$	597 115 \$	2 000 036 \$	14,84%	741 379 \$	430 400 \$	-4,95%	1 569 637 \$
14	54	651 960 \$	711 690 \$	665 938 \$	2 357 215 \$	620 497 \$	2 060 990 \$	13,44%	788 235 \$	461 671 \$	-4,24%	1 599 318 \$
15	55	680 350 \$	760 249 \$	701 516 \$	2 365 328 \$	643 181 \$	2 058 273 \$	11,96%	836 468 \$	494 182 \$	-3,64%	1 564 092 \$
20	60	680 350 \$	1 091 006 \$	847 930 \$	2 522 277 \$	606 501 \$	2 232 734 \$	8,50%	949 391 \$	595 040 \$	-0,96%	1 637 693 \$
25	65	680 350 \$	1 555 910 \$	1 049 929 \$	2 981 845 \$	547 378 \$	2 720 527 \$	7,37%	1 090 301 \$	721 448 \$	0,31%	1 999 078 \$
30	70	680 350 \$	2 093 562 \$	1 265 682 \$	3 531 062 \$	443 412 \$	3 319 377 \$	6,70%	1 268 107 \$	881 601 \$	1,08%	2 437 776 \$
35	75	680 350 \$	2 799 701 \$	1 527 931 \$	4 186 400 \$	264 780 \$	4 059 995 \$	6,26%	1 494 769 \$	1 086 504 \$	1,62%	2 973 491 \$
40	80	680 350 \$	3 677 299 \$	1 832 398 \$	4 936 076 \$	0 \$	4 936 076 \$	5,93%	1 786 362 \$	1 337 546 \$	2,00%	3 598 530 \$
45	85	680 350 \$	4 750 976 \$	2 367 411 \$	5 780 464 \$	0 \$	5 780 464 \$	5,59%	2 164 506 \$	1 662 388 \$	2,31%	4 118 076 \$
46	86	680 350 \$	4 992 857 \$	2 487 941 \$	5 969 005 \$	0 \$	5 969 005 \$	5,53%	2 252 924 \$	1 738 368 \$	2,37%	4 230 637 \$
50	90	680 350 \$	6 066 086 \$	3 022 730 \$	6 804 432 \$	0 \$	6 804 432 \$	5,33%	2 658 311 \$	2 086 815 \$	2,57%	4 717 617 \$
55	95	680 350 \$	7 457 674 \$	3 716 159 \$	8 025 034 \$	0 \$	8 025 034 \$	5,13%	3 306 993 \$	2 644 584 \$	2,80%	5 380 450 \$
60	100	680 350 \$	9 297 848 \$	4 633 117 \$	9 297 848 \$	0 \$	9 297 848 \$	4,93%	4 163 409 \$	3 375 611 \$	3,00%	5 922 236 \$

# CORPORATE WEALTH ESCALATOR PLAN DETAILS

End of Year	M/40/P	Total Annual Premium and Additional Deposits	Annual Dividend	Premium and Addl. Deposits Paid by Corporation	Total Death Benefit	Adjusted Cost Basis (ACB)	Tax-Free Capital Dividend	Non-Eligible Dividend (= ACB)	Tax on Non-Eligible Dividend	Net Estate Value	After tax return on Death
1	41	53 840 \$	3 072 \$	53 840 \$	1 095 803 \$	53 383 \$	1 042 419 \$	53 383 \$	25 485 \$	1 070 318 \$	1887,96%
2	42	53 840 \$	4 704 \$	53 840 \$	1 194 493 \$	106 581 \$	1 087 911 \$	106 581 \$	50 882 \$	1 143 611 \$	313,58%
3	43	53 840 \$	6 388 \$	53 840 \$	1 295 997 \$	159 614 \$	1 136 383 \$	159 614 \$	76 200 \$	1 219 798 \$	142,88%
4	44	53 840 \$	8 169 \$	53 840 \$	1 400 390 \$	212 460 \$	1 187 930 \$	212 460 \$	101 428 \$	1 298 962 \$	86,98%
5	45	53 840 \$	10 020 \$	53 840 \$	1 507 648 \$	265 080 \$	1 242 568 \$	265 080 \$	126 549 \$	1 381 099 \$	60,58%
6	46	53 840 \$	11 991 \$	53 840 \$	1 617 901 \$	317 449 \$	1 300 452 \$	317 449 \$	151 550 \$	1 466 351 \$	45,61%
7	47	53 840 \$	14 088 \$	53 840 \$	1 731 271 \$	369 527 \$	1 361 744 \$	369 527 \$	176 412 \$	1 554 859 \$	36,14%
8	48	53 840 \$	16 286 \$	53 840 \$	1 847 785 \$	421 268 \$	1 426 517 \$	421 268 \$	201 113 \$	1 646 672 \$	29,69%
9	49	53 840 \$	18 590 \$	53 840 \$	1 967 479 \$	472 614 \$	1 494 864 \$	472 614 \$	225 626 \$	1 741 853 \$	25,06%
10	50	53 840 \$	20 989 \$	53 840 \$	2 090 337 \$	523 523 \$	1 566 814 \$	523 523 \$	249 930 \$	1 840 407 \$	21,61%
11	51	28 390 \$	22 924 \$	28 390 \$	2 151 712 \$	548 556 \$	1 603 156 \$	548 556 \$	261 880 \$	1 889 832 \$	18,78%
12	52	28 390 \$	24 959 \$	28 390 \$	2 216 620 \$	573 106 \$	1 643 514 \$	573 106 \$	273 601 \$	1 943 019 \$	16,58%
13	53	28 390 \$	27 106 \$	28 390 \$	2 285 099 \$	597 115 \$	1 687 984 \$	597 115 \$	285 062 \$	2 000 036 \$	14,84%
14	54	28 390 \$	29 382 \$	28 390 \$	2 357 215 \$	620 497 \$	1 736 718 \$	620 497 \$	296 225 \$	2 060 990 \$	13,44%
15	55	28 390 \$	31 792 \$	28 390 \$	2 365 328 \$	643 181 \$	1 722 147 \$	643 181 \$	307 055 \$	2 058 273 \$	11,96%
20	60	0 \$	41 592 \$	0 \$	2 522 277 \$	606 501 \$	1 915 776 \$	606 501 \$	289 544 \$	2 232 734 \$	8,50%
25	65	0 \$	54 252 \$	0 \$	2 981 845 \$	547 378 \$	2 434 467 \$	547 378 \$	261 318 \$	2 720 527 \$	7,37%
30	70	0 \$	73 038 \$	0 \$	3 531 062 \$	443 412 \$	3 087 650 \$	443 412 \$	211 685 \$	3 319 377 \$	6,70%
35	75	0 \$	96 168 \$	0 \$	4 186 400 \$	264 780 \$	3 921 621 \$	264 780 \$	126 406 \$	4 059 995 \$	6,26%
40	80	0 \$	118 202 \$	0 \$	4 936 076 \$	0 \$	4 936 076 \$	0 \$	0 \$	4 936 076 \$	5,93%
45	85	0 \$	150 926 \$	0 \$	5 780 464 \$	0 \$	5 780 464 \$	0 \$	0 \$	5 780 464 \$	5,59%
46	86	0 \$	159 267 \$	0 \$	5 969 005 \$	0 \$	5 969 005 \$	0 \$	0 \$	5 969 005 \$	5,53%
50	90	0 \$	197 667 \$	0 \$	6 804 432 \$	0 \$	6 804 432 \$	0 \$	0 \$	6 804 432 \$	5,33%
55	95	0 \$	236 538 \$	0 \$	8 025 034 \$	0 \$	8 025 034 \$	0 \$	0 \$	8 025 034 \$	5,13%
60	100	0 \$	243 242 \$	0 \$	9 297 848 \$	0 \$	9 297 848 \$	0 \$	0 \$	9 297 848 \$	4,93%

# TAXABLE INVESTMENT - SUMMARY

End of Year	M/40/P	Annual Deposit	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	41	53 840 \$	27 229 \$	13 726 \$	14 015 \$	54 970 \$	755 \$	526 \$	526 \$	55 217 \$	26 361 \$	278 \$	29 135 \$
2	42	53 840 \$	54 769 \$	27 722 \$	28 621 \$	111 112 \$	2 289 \$	1 593 \$	1 593 \$	111 853 \$	53 399 \$	852 \$	59 306 \$
3	43	53 840 \$	82 625 \$	41 995 \$	43 852 \$	168 472 \$	4 627 \$	3 219 \$	3 219 \$	169 952 \$	81 135 \$	1 739 \$	90 556 \$
4	44	53 840 \$	110 801 \$	56 549 \$	59 749 \$	227 099 \$	7 796 \$	5 420 \$	5 420 \$	229 560 \$	109 592 \$	2 959 \$	122 927 \$
5	45	53 840 \$	139 299 \$	71 391 \$	76 352 \$	287 042 \$	11 823 \$	8 216 \$	8 216 \$	290 725 \$	138 792 \$	4 534 \$	156 466 \$
6	46	53 840 \$	168 124 \$	86 525 \$	93 706 \$	348 355 \$	16 739 \$	11 626 \$	11 626 \$	353 498 \$	168 760 \$	6 483 \$	191 221 \$
7	47	53 840 \$	197 280 \$	101 958 \$	111 856 \$	411 094 \$	22 573 \$	15 669 \$	15 669 \$	417 931 \$	199 520 \$	8 832 \$	227 243 \$
8	48	53 840 \$	226 769 \$	117 696 \$	130 853 \$	475 318 \$	29 359 \$	20 367 \$	20 367 \$	484 080 \$	231 100 \$	11 605 \$	264 586 \$
9	49	53 840 \$	256 597 \$	133 744 \$	150 748 \$	541 089 \$	37 129 \$	25 743 \$	25 743 \$	552 004 \$	263 527 \$	14 828 \$	303 305 \$
10	50	53 840 \$	286 766 \$	150 109 \$	171 598 \$	608 473 \$	45 920 \$	31 819 \$	31 819 \$	621 763 \$	296 830 \$	18 529 \$	343 462 \$
11	51	28 390 \$	304 410 \$	160 309 \$	186 836 \$	651 555 \$	55 413 \$	38 371 \$	38 371 \$	667 321 \$	318 579 \$	22 606 \$	371 347 \$
12	52	28 390 \$	322 257 \$	170 710 \$	202 871 \$	695 839 \$	65 635 \$	45 418 \$	45 418 \$	714 175 \$	340 947 \$	27 082 \$	400 310 \$
13	53	28 390 \$	340 308 \$	181 317 \$	219 754 \$	741 379 \$	76 616 \$	52 979 \$	52 979 \$	762 375 \$	363 958 \$	31 983 \$	430 400 \$
14	54	28 390 \$	358 566 \$	192 133 \$	237 536 \$	788 235 \$	88 388 \$	61 073 \$	61 073 \$	811 974 \$	387 636 \$	37 334 \$	461 671 \$
15	55	28 390 \$	377 033 \$	203 162 \$	256 274 \$	836 468 \$	100 983 \$	69 723 \$	69 723 \$	863 028 \$	412 010 \$	43 163 \$	494 182 \$
20	60	0 \$	399 140 \$	224 015 \$	326 236 \$	949 391 \$	171 364 \$	117 786 \$	117 786 \$	988 976 \$	472 137 \$	78 202 \$	595 040 \$
25	65	0 \$	422 542 \$	247 009 \$	420 749 \$	1 090 301 \$	256 719 \$	175 520 \$	175 520 \$	1 140 286 \$	544 373 \$	125 535 \$	721 448 \$
30	70	0 \$	447 317 \$	272 363 \$	548 426 \$	1 268 107 \$	361 591 \$	245 756 \$	245 756 \$	1 324 385 \$	632 261 \$	189 477 \$	881 601 \$
35	75	0 \$	473 545 \$	300 319 \$	720 905 \$	1 494 769 \$	492 060 \$	332 268 \$	332 268 \$	1 551 180 \$	740 533 \$	275 857 \$	1 086 504 \$
40	80	0 \$	501 310 \$	331 145 \$	953 906 \$	1 786 362 \$	656 279 \$	440 105 \$	414 449 \$	1 808 264 \$	863 265 \$	392 547 \$	1 337 546 \$
45	85	0 \$	530 704 \$	365 136 \$	1 268 666 \$	2 164 506 \$	865 195 \$	576 031 \$	513 893 \$	2 128 215 \$	1 016 010 \$	550 183 \$	1 662 388 \$
46	86	0 \$	536 786 \$	372 341 \$	1 343 796 \$	2 252 924 \$	913 557 \$	607 337 \$	536 490 \$	2 201 604 \$	1 051 046 \$	587 810 \$	1 738 368 \$
50	90	0 \$	561 821 \$	402 615 \$	1 693 875 \$	2 658 311 \$	1 133 525 \$	749 122 \$	637 698 \$	2 532 875 \$	1 209 194 \$	763 134 \$	2 086 815 \$
55	95	0 \$	594 762 \$	443 941 \$	2 268 290 \$	3 306 993 \$	1 481 073 \$	971 569 \$	793 519 \$	3 049 703 \$	1 455 928 \$	1 050 809 \$	2 644 584 \$
60	100	0 \$	629 635 \$	489 509 \$	3 044 266 \$	4 163 409 \$	1 934 505 \$	1 259 769 \$	980 923 \$	3 704 904 \$	1 768 721 \$	1 439 428 \$	3 375 611 \$

# TAXABLE INVESTMENT - INTEREST

End of Year	M/40/P	Annual Deposit	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	41	53 840 \$	26 920 \$	619 \$	311 \$	27 229 \$	190 \$	190 \$	27 418 \$	13 090 \$	14 329 \$
2	42	53 840 \$	26 920 \$	1 245 \$	625 \$	54 769 \$	382 \$	572 \$	55 341 \$	26 420 \$	28 921 \$
3	43	53 840 \$	26 920 \$	1 879 \$	943 \$	82 625 \$	576 \$	1 148 \$	83 773 \$	39 993 \$	43 780 \$
4	44	53 840 \$	26 920 \$	2 520 \$	1 264 \$	110 801 \$	773 \$	1 921 \$	112 722 \$	53 813 \$	58 908 \$
5	45	53 840 \$	26 920 \$	3 168 \$	1 589 \$	139 299 \$	971 \$	2 892 \$	142 192 \$	67 882 \$	74 309 \$
6	46	53 840 \$	26 920 \$	3 823 \$	1 918 \$	168 124 \$	1 173 \$	4 065 \$	172 189 \$	82 203 \$	89 986 \$
7	47	53 840 \$	26 920 \$	4 486 \$	2 251 \$	197 280 \$	1 376 \$	5 441 \$	202 720 \$	96 779 \$	105 942 \$
8	48	53 840 \$	26 920 \$	5 157 \$	2 587 \$	226 769 \$	1 582 \$	7 022 \$	233 791 \$	111 612 \$	122 179 \$
9	49	53 840 \$	26 920 \$	5 835 \$	2 927 \$	256 597 \$	1 790 \$	8 812 \$	265 408 \$	126 706 \$	138 702 \$
10	50	53 840 \$	26 920 \$	6 521 \$	3 272 \$	286 766 \$	2 000 \$	10 812 \$	297 578 \$	142 064 \$	155 514 \$
11	51	28 390 \$	14 195 \$	6 922 \$	3 473 \$	304 410 \$	2 123 \$	12 935 \$	317 345 \$	151 501 \$	165 845 \$
12	52	28 390 \$	14 195 \$	7 328 \$	3 676 \$	322 257 \$	2 247 \$	15 182 \$	337 439 \$	161 093 \$	176 346 \$
13	53	28 390 \$	14 195 \$	7 738 \$	3 882 \$	340 308 \$	2 373 \$	17 556 \$	357 863 \$	170 844 \$	187 019 \$
14	54	28 390 \$	14 195 \$	8 154 \$	4 091 \$	358 566 \$	2 501 \$	20 056 \$	378 622 \$	180 754 \$	197 868 \$
15	55	28 390 \$	14 195 \$	8 573 \$	4 301 \$	377 033 \$	2 629 \$	22 686 \$	399 719 \$	190 826 \$	208 893 \$
20	60	0 \$	0 \$	9 076 \$	4 554 \$	399 140 \$	2 784 \$	36 292 \$	435 432 \$	207 875 \$	227 557 \$
25	65	0 \$	0 \$	9 608 \$	4 821 \$	422 542 \$	2 947 \$	50 697 \$	473 239 \$	225 924 \$	247 315 \$
30	70	0 \$	0 \$	10 172 \$	5 103 \$	447 317 \$	3 120 \$	65 945 \$	513 263 \$	245 032 \$	268 231 \$
35	75	0 \$	0 \$	10 768 \$	5 402 \$	473 545 \$	3 303 \$	82 088 \$	555 633 \$	265 259 \$	290 374 \$
40	80	0 \$	0 \$	11 399 \$	5 719 \$	501 310 \$	3 496 \$	99 178 \$	600 488 \$	286 673 \$	313 815 \$
45	85	0 \$	0 \$	12 068 \$	6 054 \$	530 704 \$	3 701 \$	117 269 \$	647 973 \$	309 342 \$	338 631 \$
46	86	0 \$	0 \$	12 206 \$	6 124 \$	536 786 \$	3 744 \$	121 013 \$	657 799 \$	314 033 \$	343 766 \$
50	90	0 \$	0 \$	12 775 \$	6 409 \$	561 821 \$	3 918 \$	136 421 \$	698 242 \$	333 341 \$	364 901 \$
55	95	0 \$	0 \$	13 525 \$	6 785 \$	594 762 \$	4 148 \$	156 696 \$	751 459 \$	358 746 \$	392 712 \$
60	100	0 \$	0 \$	14 318 \$	7 183 \$	629 635 \$	4 391 \$	178 160 \$	807 795 \$	385 641 \$	422 154 \$

# TAXABLE INVESTMENT - DIVIDENDS

End of Year	M/40/P	Annual Deposit	Dividend Income Allocation	Dividends from private corporations	Tax on Dividend Income	Net Accumulated Dividend Investments	RDTOH	RDTOH Recovery Paid as Non-Eligible Dividend	Non-Eligible Taxable Dividend	Tax on Non-Eligible Dividend	Net Estate Value (Dividends)
1	41	53 840 \$	13 460 \$	431 \$	165 \$	13 726 \$	165 \$	165 \$	13 891 \$	6 631 \$	7 259 \$
2	42	53 840 \$	13 460 \$	870 \$	333 \$	27 722 \$	333 \$	499 \$	28 221 \$	13 473 \$	14 748 \$
3	43	53 840 \$	13 460 \$	1 318 \$	505 \$	41 995 \$	505 \$	1 004 \$	42 998 \$	20 527 \$	22 471 \$
4	44	53 840 \$	13 460 \$	1 775 \$	680 \$	56 549 \$	680 \$	1 684 \$	58 233 \$	27 800 \$	30 433 \$
5	45	53 840 \$	13 460 \$	2 240 \$	859 \$	71 391 \$	859 \$	2 543 \$	73 933 \$	35 296 \$	38 638 \$
6	46	53 840 \$	13 460 \$	2 715 \$	1 041 \$	86 525 \$	1 041 \$	3 583 \$	90 109 \$	43 018 \$	47 091 \$
7	47	53 840 \$	13 460 \$	3 200 \$	1 226 \$	101 958 \$	1 226 \$	4 810 \$	106 768 \$	50 971 \$	55 797 \$
8	48	53 840 \$	13 460 \$	3 693 \$	1 416 \$	117 696 \$	1 416 \$	6 225 \$	123 921 \$	59 160 \$	64 761 \$
9	49	53 840 \$	13 460 \$	4 197 \$	1 609 \$	133 744 \$	1 609 \$	7 834 \$	141 578 \$	67 590 \$	73 989 \$
10	50	53 840 \$	13 460 \$	4 711 \$	1 806 \$	150 109 \$	1 806 \$	9 640 \$	159 749 \$	76 264 \$	83 485 \$
11	51	28 390 \$	7 098 \$	5 031 \$	1 928 \$	160 309 \$	1 928 \$	11 568 \$	171 877 \$	82 054 \$	89 823 \$
12	52	28 390 \$	7 098 \$	5 357 \$	2 053 \$	170 710 \$	2 053 \$	13 621 \$	184 332 \$	88 000 \$	96 332 \$
13	53	28 390 \$	7 098 \$	5 690 \$	2 181 \$	181 317 \$	2 181 \$	15 802 \$	197 119 \$	94 105 \$	103 014 \$
14	54	28 390 \$	7 098 \$	6 029 \$	2 311 \$	192 133 \$	2 311 \$	18 113 \$	210 246 \$	100 371 \$	109 874 \$
15	55	28 390 \$	7 098 \$	6 375 \$	2 444 \$	203 162 \$	2 444 \$	20 557 \$	223 719 \$	106 803 \$	116 915 \$
20	60	0 \$	0 \$	7 030 \$	2 695 \$	224 015 \$	2 695 \$	33 518 \$	257 533 \$	122 946 \$	134 587 \$
25	65	0 \$	0 \$	7 751 \$	2 971 \$	247 009 \$	2 971 \$	47 809 \$	294 818 \$	140 746 \$	154 072 \$
30	70	0 \$	0 \$	8 547 \$	3 276 \$	272 363 \$	3 276 \$	63 568 \$	335 931 \$	160 373 \$	175 557 \$
35	75	0 \$	0 \$	9 424 \$	3 612 \$	300 319 \$	3 612 \$	80 944 \$	381 263 \$	182 015 \$	199 248 \$
40	80	0 \$	0 \$	10 392 \$	3 983 \$	331 145 \$	3 983 \$	100 103 \$	431 249 \$	205 878 \$	225 370 \$
45	85	0 \$	0 \$	11 458 \$	4 392 \$	365 136 \$	4 392 \$	121 229 \$	486 365 \$	232 190 \$	254 174 \$
46	86	0 \$	0 \$	11 684 \$	4 479 \$	372 341 \$	4 479 \$	125 708 \$	498 049 \$	237 769 \$	260 280 \$
50	90	0 \$	0 \$	12 634 \$	4 843 \$	402 615 \$	4 843 \$	144 524 \$	547 138 \$	261 204 \$	285 934 \$
55	95	0 \$	0 \$	13 931 \$	5 340 \$	443 941 \$	5 340 \$	170 162 \$	614 103 \$	293 173 \$	320 930 \$
60	100	0 \$	0 \$	15 361 \$	5 888 \$	489 509 \$	5 888 \$	187 629 \$	677 137 \$	323 265 \$	353 872 \$

# TAXABLE INVESTMENT - CAPITAL GAIN

End of Year	M/40/P	Annual Deposit	Capital Gain Allocation	Deferred Capital Gain	Gross Accumulated Capital Gain	Tax on Capital Gain When Realized	RDTOH	Tax-Free Capital Gain	Tax-Free Capital Dividend	Non-Eligible Taxable Dividend	RDTOH Recovery Paid as Non-Eligible Dividend	Tax on Non-Eligible Dividend	Net Estate Value (Capital Gain)
1	41	53 840 \$	13 460 \$	835 \$	14 295 \$	279 \$	171 \$	278 \$	278 \$	13 737 \$	171 \$	6 640 \$	7 546 \$
2	42	53 840 \$	13 460 \$	1 721 \$	29 475 \$	855 \$	522 \$	852 \$	852 \$	27 769 \$	522 \$	13 506 \$	15 637 \$
3	43	53 840 \$	13 460 \$	2 662 \$	45 597 \$	1 745 \$	1 067 \$	1 739 \$	1 739 \$	42 113 \$	1 067 \$	20 614 \$	24 305 \$
4	44	53 840 \$	13 460 \$	3 662 \$	62 719 \$	2 970 \$	1 816 \$	2 959 \$	2 959 \$	56 790 \$	1 816 \$	27 978 \$	33 586 \$
5	45	53 840 \$	13 460 \$	4 723 \$	80 902 \$	4 550 \$	2 781 \$	4 534 \$	4 534 \$	71 819 \$	2 781 \$	35 614 \$	43 520 \$
6	46	53 840 \$	13 460 \$	5 850 \$	100 212 \$	6 506 \$	3 978 \$	6 483 \$	6 483 \$	87 222 \$	3 978 \$	43 539 \$	54 145 \$
7	47	53 840 \$	13 460 \$	7 048 \$	120 720 \$	8 864 \$	5 419 \$	8 832 \$	8 832 \$	103 024 \$	5 419 \$	51 770 \$	65 504 \$
8	48	53 840 \$	13 460 \$	8 319 \$	142 499 \$	11 646 \$	7 120 \$	11 605 \$	11 605 \$	119 248 \$	7 120 \$	60 328 \$	77 645 \$
9	49	53 840 \$	13 460 \$	9 669 \$	165 629 \$	14 881 \$	9 097 \$	14 828 \$	14 828 \$	135 920 \$	9 097 \$	69 231 \$	90 614 \$
10	50	53 840 \$	13 460 \$	11 103 \$	190 192 \$	18 595 \$	11 367 \$	18 529 \$	18 529 \$	153 069 \$	11 367 \$	78 502 \$	104 463 \$
11	51	28 390 \$	7 098 \$	12 232 \$	209 522 \$	22 686 \$	13 868 \$	22 606 \$	22 606 \$	164 230 \$	13 868 \$	85 024 \$	115 680 \$
12	52	28 390 \$	7 098 \$	13 430 \$	230 050 \$	27 178 \$	16 615 \$	27 082 \$	27 082 \$	175 789 \$	16 615 \$	91 854 \$	127 632 \$
13	53	28 390 \$	7 098 \$	14 703 \$	251 850 \$	32 096 \$	19 621 \$	31 983 \$	31 983 \$	187 771 \$	19 621 \$	99 009 \$	140 366 \$
14	54	28 390 \$	7 098 \$	16 055 \$	275 002 \$	37 466 \$	22 904 \$	37 334 \$	37 334 \$	200 202 \$	22 904 \$	106 511 \$	153 929 \$
15	55	28 390 \$	7 098 \$	17 490 \$	299 590 \$	43 316 \$	26 480 \$	43 163 \$	43 163 \$	213 110 \$	26 480 \$	114 381 \$	168 373 \$
20	60	0 \$	0 \$	23 627 \$	404 716 \$	78 479 \$	47 976 \$	78 202 \$	78 202 \$	248 035 \$	47 976 \$	141 316 \$	232 897 \$
25	65	0 \$	0 \$	31 918 \$	546 730 \$	125 981 \$	77 015 \$	125 535 \$	125 535 \$	295 214 \$	77 015 \$	177 702 \$	320 062 \$
30	70	0 \$	0 \$	43 118 \$	738 576 \$	190 150 \$	116 243 \$	189 477 \$	189 477 \$	358 949 \$	116 243 \$	226 856 \$	437 812 \$
35	75	0 \$	0 \$	58 249 \$	997 741 \$	276 836 \$	169 236 \$	275 857 \$	275 857 \$	445 048 \$	169 236 \$	293 259 \$	596 882 \$
40	80	0 \$	0 \$	78 688 \$	1 347 846 \$	393 941 \$	240 824 \$	392 547 \$	392 547 \$	561 359 \$	215 169 \$	370 714 \$	798 360 \$
45	85	0 \$	0 \$	106 299 \$	1 820 803 \$	552 137 \$	337 533 \$	550 183 \$	550 183 \$	718 483 \$	275 394 \$	474 477 \$	1 069 584 \$
46	86	0 \$	0 \$	112 890 \$	1 933 693 \$	589 897 \$	360 617 \$	587 810 \$	587 810 \$	755 986 \$	289 770 \$	499 244 \$	1 134 322 \$
50	90	0 \$	0 \$	143 599 \$	2 459 719 \$	765 844 \$	468 177 \$	763 134 \$	763 134 \$	930 741 \$	356 753 \$	614 650 \$	1 435 979 \$
55	95	0 \$	0 \$	193 988 \$	3 322 830 \$	1 054 540 \$	644 663 \$	1 050 809 \$	1 050 809 \$	1 217 481 \$	466 660 \$	804 009 \$	1 930 941 \$
60	100	0 \$	0 \$	262 058 \$	4 488 805 \$	1 444 539 \$	883 078 \$	1 439 428 \$	1 439 428 \$	1 604 837 \$	615 134 \$	1 059 814 \$	2 599 585 \$

## 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 lifetime<sup>3</sup>.

## 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.

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

# IMPORTANT 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 dividends<sup>4</sup>, 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 Corporate Wealth Escalator Plan concept presentation is only complete if it contains all pages. It must be accompanied by a complete illustration of the appropriate life insurance product, prepared within 30 days of the date of this conceptual presentation, as it forms an integral part of the document.**

*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.*

<sup>4</sup> 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.