Your personal financial plan

Wealth
Management

Compass Financial Plan

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Prepared exclusively for

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Wealth Management

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Introduction

Your Compass Financial Plan is intended to provide an analysis of your current financial situation, and to determine your ability to meet your goals and objectives with your existing and expected future resources. Having a clear picture of your financial situation makes it possible for us to provide you with highly customized advice and recommendations around strategies that are expected to help you meet your goals and objectives, and enhance your financial situation wherever possible.

It is important to remember that your plan is intended to be an illustration at a point in time that provides a framework to help you make informed financial decisions. Kevin Gibson will review your goals and circumstances with you on a regular basis. An updated financial plan may be prepared upon your request if there are any material changes to your circumstances or goals that have the potential to significantly impact your financial plan.

It is also important to remember that your financial plan is dependent on the information that you have provided to us and a significant number of assumptions such as investment returns, tax rates, future cash flows and others. Therefore, the financial projections should be viewed as an illustration of how your financial situation will evolve over time.

Your Goals and Objectives

Your goals and objectives provide the basic framework for the development of your financial plan. Based on our discussions with you to date, our understanding of your main financial goals and objectives are as follows:

1) **Retirement** – You wish to ensure adequate retirement income to fund your retirement needs.
2) **Income Taxes** – You wish to ensure that you minimize your annual income taxes now and in the future.
3) **Building Equity** – You wish to ensure that you are building and protecting your net worth.
4) **Legacy Planning** – You wish to ensure gifting of specific bequests upon your death.

Key Findings

The following is a summary of our *key findings*:

- Our financial projections indicate that you will have sufficient financial resources to fund your stated goals and that you will have surplus wealth available to transfer to your beneficiaries.
- There are tax and estate planning opportunities available for you to further strengthen your financial position. These are highlighted through the advice and recommended actions throughout this report.
- In the event either spouse should die prematurely or become permanently disabled, your resources and existing insurance appear to be sufficient to meet your family's needs. Please refer to the *Risk Management* section for a detailed analysis.

Financial Assumptions

Your financial plan is based on the information you have provided to us as well as financial assumptions made regarding the future including projected investment rates of return, inflation and income tax rates. Please keep in mind that these assumptions are subject to change over time.

Basic Planning Assumptions:

	John	Elizabeth
Description:		
Date of Birth (Current Age)	March 1972 (49)	March 1972 (49)
Retirement Date (Age)	January 2026 (53)	January 2026 (53)
Life Expectancy	95	95
Government Benefits:		
CPP Start Age	65	65
Annual Benefit	75%	60%
Sharing CPP	Yes	Yes
OAS Start Age	65	65
Annual Benefit[1]	100%	100%
Indexation Assumption	2.00%	2.00%
Income Assumptions:		
Salary	$195,000 / year	$85,000 / year
Indexation Assumption	2.00%	2.00%
Defined Benefit Pension:		
Annual Contributions		$2,400
Start Date (Age)		January 2026 (53)
Estimated Benefits		$24,000 / year
Survivor Benefit		50%
Indexation Assumption		0.00%
Lifestyle Expenses:		
Current and Throughout Retirement	$140,000 / year	
Percentage Allocated	50%	50%
If Sole Survivor	85%	85%
Indexation Assumption	2.00%	2.00%
Tax Deductible Expenses:		
Donations (2022 - Life)	$10,000 / year	
Indexation Assumption	0.00%	
Other Expenses:		
Vacation (2022 - 2052)	$20,000 / year	
New Car (2025 - Life)	$35,000 (Every 7 years)	
New Car (2027 - Life)		$40,000 (Every 7 years)
Indexation Assumption	2.00%	

[1] For individuals who elect to receive OAS at age 65, the maximum amount in 2022 is approximately $642 per month. For 2022, part or all of this amount may have to be repaid due to the OAS pension recovery tax (more commonly known as clawback) if the individual's annual net income is above $81,761, and the full OAS pension is eliminated when net income is $133,141 or above. Please note that there is also the option to defer OAS to age 70 which may impact the upper limit for the OAS pension recovery tax.

Financial Assumptions

Projected Amounts: Please note that all schedules, tables and graphs in your plan beyond the current year reflect projected amounts in "future" dollars. For example, the purchasing power of $100,000 in 2030 will not equal $100,000 today, due to inflation.

Taxes: Your financial projections have been prepared based on the Canadian Federal and Provincial Income Tax Acts and may not be inclusive of all current or applicable parts. In preparing the projections, we assume that current tax rates and calculations will not change, and that tax brackets and tax credits will increase by the assumed inflation rate.

Cash Account: You are currently holding $150,000 in a cash account. To be conservative, we have assumed that your cash account will not generate a return. We have assumed that the balance of this account will be available to cover cash flow needs as required.

RRSP Contributions: We have assumed that you will both maximize your RRSP contributions annually, taking into consideration any pension adjustment (PA) that you may have until retirement (in 2026).

Tax Free Savings Account (TFSA): We have assumed that you both will contribute $6,000 to a TFSA annually for life.

Surplus Savings Strategy: When you are expected to have cash flow surpluses or capital receipts, we have assumed that they will be saved to your individual non-registered portfolios.

Retirement Pension Splitting: We have assumed that you will both elect to split your eligible pension incomes for tax purposes, to the extent that you would benefit from doing so.

Asset Redemption: When necessary, investment assets are liquidated in order of the lowest tax cost to the highest tax cost. As a result, once your non-registered assets are depleted, we have assumed that you will repay any outstanding shareholder loan then draw dividends from your private corporation prior to voluntary payments from your registered plans. RRSP funds are assumed to be converted to a Registered Retirement Income Fund (RRIF) when needed to meet expenses, but no later than the year you turn age 71. It is also assumed that your Locked-in RRSP funds are converted to a Life Income Fund (LIF) at age 71.

Lifestyle Assets: The table below presents a summary of your lifestyle assets.

	Principal Residence	Cottage
Ownership	Joint	Joint
Current Value	$1,500,000	$775,000
Purchase Price	$800,000	$650,000
Annual Growth	2.00%	2.00%
Sale Date	Never	Never

Financial Assumptions

Liabilities: The table below presents a summary of your existing liabilities.

	Mortgage
Borrower	Joint
Balance	$275,000
Payment	$2,750 (Monthly)
Payment Type	Principal and Interest
Interest Rate	2.50%
Projected Payoff Date	June 2031
Deductibility	No
Related Asset	Principal Residence
Insured	No

Life Insurance: The table below presents a summary of your life insurance coverage.

	Universal Life	Universal Life
Premium Payer/Owner	John	Elizabeth
Insured	John	Elizabeth
Beneficiary	Elizabeth	John
Annual Premium	Paid-Up	Paid-Up
Death Benefit	$500,000	$500,000
Coverage Cease Date	For Life	For Life
Cash Surrender Value (CSV)	$45,000	$45,000

Disability Insurance: The table below presents a summary of your disability insurance coverage.

	Group Long Term	Individual Long Term
Insured	Elizabeth	John
Monthly Benefit	$4,500	$8,000
Taxable	No	No
Benefits Indexed	No	No
Waiting Period	90 Days	90 Days
Benefits Paid Until	Age 65	Age 65
Annual Premium	Included in Lifestyle Expenses	Included in Lifestyle Expenses

Financial Assumptions

Private Shares: The following is a summary of your private share holdings:

JT Technologies Inc.

Share Structure:

Common Shares	% Ownership	Number of Shares	Adjusted Cost Base (ACB)	Paid Up Capital (PUC)	Sale Date
John	100%	100	$10	$10	Never

Assets:

Asset	FMV	ACB	Growth Rate	Sale Date
Investment Portfolio	$4,500,000	$3,750,000	5.00%*	As Needed

* Please refer to the *Assumed Rate of Return on Your Investment Assets* in the next section for additional details.

Loans Receivable	Loan Amount	Monthly Payment	Interest Rate	Re-Payment Date
Receivable	$750,000	Not Applicable	0.00%	December 2022
Balance of Sale	$150,000	Not Applicable	0.00%	December 2026

Life Insurance	Universal Life	Universal Life
Insured	John	Elizabeth
Owner	JT Technologies Inc.	JT Technologies Inc.
Beneficiary	JT Technologies Inc.	JT Technologies Inc.
Death Benefit (DB)	$500,000	$250,000
Annual Premium*	$2,500	$1,000
Premium Cease Date	For Life	For Life
Coverage Cease Date	For Life	For Life

*Note: We have assumed that the corporate life insurance premiums would not be paid from the corporate investment portfolio but from operating cash flow.

Liability:

Shareholder Loan	Loan Amount	Monthly Payment	Interest Rate	Re-Payment Date
Due to John	400,000	Not Applicable	0.00%	As Needed

Tax Balances:

Opening RDTOH Balance	Opening CDA Balance
$0	$0

Financial Assumptions

Please note that dividends will be paid as needed to fund cash flow needs. We have assumed that this strategy will be applied in your base plan as well as your *Alternate Scenarios* and the *Risk Management* section.

Since the corporation is expected to earn some passive income in the form of eligible dividends from other Canadian corporations, a portion of the dividend streams (indicated above) could be classified as "eligible" dividends. In addition, Capital gains benefit from preferential tax treatment, as only half of the gains are taxable. In order to maintain this preferential treatment within a company, a Capital Dividend Account (CDA) tracks the net balances between realized capital gains and losses. The non-taxable portion of realized capital gains is added to this account while one-half of the net realized capital losses reduce the account. We have considered these different tax treatments relating to dividend income and classified dividend income from your private corporation into non-taxable capital dividends, eligible dividends, and ineligible dividends.

The amount of annual dividends provided are a simplified assumption used in our projections and not a specific recommendation on the annual amount that you should be paying yourselves every year. We recommend that you always consult a qualified tax advisor to determine the optimum withdrawal strategy that reflects your personal situation.

Corporate Estate Assumptions:

For the purposes of your financial projections, we have assumed that your private corporation would be liquidated upon your death and that the net proceeds would be paid out to your beneficiaries during the first taxation year of your estate.

Financial Assumptions

Assumed Rate of Return on Your Investment Assets: Based on discussions with Kevin Gibson, we have assumed that your investment assets will earn a rate of return associated with a *Growth* investor profile. While this can vary over time, our current *Growth* investor profile would have an asset allocation range as follows:

Asset Type	Cash	Fixed Income	Equities			
			Canadian	U.S.	Foreign	Emerging
Minimum	0%	8%	8%	20%	9%	0%
Benchmark	2%	23%	18%	30%	19%	8%
Maximum	15%	38%	28%	40%	29%	18%

For the purposes of preparing our financial projections, the assumed net rate of return for the portfolio above is ***5.00%***[2], before income taxes.

Annual Asset Yield Assumptions: In the following table, we provide the gross rates of return used in projecting the income derived from your investment assets. Note that investment income is taxed differently depending on whether it is interest, dividends, realized capital gains, or deferred growth (which triggers a capital gain only when the investment is sold). Although no one can accurately predict how often you and /or your advisor might sell securities and realize capital gains over an extended period, we assume that a portion of your equity portfolio is disposed (and reinvested in the same asset class) each year. This is represented by the "Capital Gain" rate, whereas the "Deferred Capital Gain" represents the unrealized capital gains in your portfolio.

Asset Type	Interest	Dividend	Capital Gain	Deferred Capital Gain	Total Return
Cash	2.00%				2.00%
Fixed Income	2.63%				2.63%
Equities					
Canadian		2.34%	2.82%	2.14%	7.30%
U.S.		1.75%**	2.13%	2.32%	6.20%
Foreign		1.93%**	2.60%	2.67%	7.20%
Emerging Markets		2.57%**	3.45%	3.58%	9.60%

**Dividends paid from foreign holdings do not qualify for the dividend tax credit and are taxed at the same rate as interest income.

The rates of return used in our Financial Plans are based on RBC Investment Strategy Committee's long-term expectations of the markets and do not take into account exchange rate fluctuations.

The following table provides an illustration of historical rates of return for the various asset classes and a comparison with the rates of return used within your financial plan. Please keep in mind that past performance is not indicative of future performance and that the rates used do not necessarily correspond to current market returns.

Historical Percentage Returns (as of December 31st, 2019) *				
	10 years	20 years	30 years	Compass Rates**
Inflation (CPI)	1.74%	1.90%	1.96%	2.00%
Cash (FTSE CDN 30 Day T-Bill)	0.87%	1.96%	3.39%	2.00%
Fixed Income (FTSE Universe)	4.31%	5.48%	7.00%	2.63%
CDN Equities (S&P / TSX Composite)	6.90%	6.25%	7.67%	7.30%
U.S. Equities (S&P 500)	16.00%	5.46%	10.38%	6.20%
Foreign Equities (MSCI EAFE)	7.77%	2.74%	4.93%	7.20%
Emerging Markets Equities (MSCI EM)	9.49%	8.21%	10.04%	9.60%

* Rates of return above are calculated using an applicable index's historical rate of return. All rates of returns are expressed in Canadian dollars.
** Compass rates provided are before income taxes and management costs.

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[2] The assumed rate of return is 5.95% and we have considered an investment management cost of 0.95% which is an approximation and may not be reflective of the actual fees you pay.

Your Current Net Worth

Your net worth statement summarizes your assets and liability as we have understood from our discovery meeting with you in December 2021. It serves as a reference point for future comparisons and will provide a means of tracking your progress towards your objectives. Investment Assets (such as non-registered and registered plans) are income producing assets that will fund your current and future objectives. Lifestyle Assets (such as your principal residence) generally do not produce income and are used in your day to day living.

	John	Elizabeth	Joint	Total
Assets				
Non-Registered Assets				
Investment Portfolio			950,000	950,000
Cash		150,000		150,000
Life Insurance CSV	45,000	45,000		90,000
Subtotal	**45,000**	**195,000**	**950,000**	**1,190,000**
Registered Assets				
RRSP	790,000	235,000		1,025,000
LIRA	65,000			65,000
TFSA	78,000	75,000		153,000
Subtotal	**933,000**	**310,000**		**1,243,000**
Business Holdings				
JT Technologies Inc. - Common Shares	5,000,000			5,000,000
Shareholder Loan	400,000			400,000
Subtotal	**5,400,000**			**5,400,000**
Lifestyle Assets				
Principal Residence			1,500,000	1,500,000
Cottage			775,000	775,000
Subtotal			**2,275,000**	**2,275,000**
Liability				
Mortgage			**(275,000)**	**(275,000)**
Total Net Worth	**$6,378,000**	**$505,000**	**$2,950,000**	**$9,833,000**

Please note the above table does not include the value of your commuted value of your defined benefit pension plan. We have treated this as a future cash inflow rather than an asset throughout the projections.

Your Financial Projections

Projected Cash Flow Statement (For the Next 5 Years)

Your cash flow statement is fundamental in identifying your ability to save, or whether you have any cash flow deficiencies. The amounts below should match the information that you have provided, with the exception of amounts resulting from the assumptions that we have outlined in this report (such as investment income and income taxes).

Cash Inflows	2022	2023	2024	2025	2026
Salary	**280,000**	**285,600**	**291,312**	**297,138**	**0**
Non-Registered Investment Income	**32,545**	**34,172**	**35,880**	**36,386**	**34,658**
DBPP Income	**0**	**0**	**0**	**0**	**24,000**
Non-Registered Liquidations					
Investment Cost Base	63,973	61,381	25,934	49,214	125,676
Capital Gains from Investment Liquidations	0	0	444	17,958	48,559
Subtotal	**63,973**	**61,381**	**26,378**	**67,172**	**174,235**
Total Cash Inflows	**$376,518**	**$381,153**	**$353,570**	**$400,696**	**$232,893**

Cash Outflows	2022	2023	2024	2025	2026
Lifestyle Expenses					
Regular Lifestyle Expenses	160,000	163,200	166,464	206,935	173,190
Mortgage Interest Payments	6,539	5,874	5,191	4,493	3,773
Mortgage Principal Payments	26,461	27,126	27,809	28,508	29,226
Subtotal	**193,000**	**196,200**	**199,464**	**239,936**	**206,189**
Employment Expenses					
CPP Contributions	6,764	7,210	7,728	8,265	0
EI Premiums	1,826	1,862	1,900	1,937	0
Subtotal	**8,590**	**9,072**	**9,628**	**10,202**	**0**
Non-Registered Reinvestments	**32,545**	**34,172**	**0**	**0**	**0**
Registered Savings					
DBPP Contributions	2,400	2,400	2,400	2,400	0
RRSP Contributions	44,210	40,094	40,996	41,916	0
TFSA Contributions	12,000	12,000	12,000	12,000	12,000
Subtotal	**58,610**	**54,494**	**55,396**	**56,316**	**12,000**
Charitable Donations	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**
Personal Income Taxes	**73,774**	**77,214**	**79,081**	**84,242**	**4,704**
Total Cash Outflows	**$376,518**	**$381,153**	**$353,570**	**$400,696**	**$232,893**

Non-Registered Investment Income includes: projected interest, dividends and realized capital gains from non-registered investments.

Regular Lifestyle Expenses include: ongoing living expenses, vacations, and periodic car purchases.

Your Financial Projections

Projected Cash Flows – Table

The following table provides you with a breakdown of your projected incomes and expenses by source.

	Cash Inflows							Cash Outflows				
	Pre-Tax Income				Withdrawals and Investment Income			Total Expenses		Contributions and Reinvestments		
Year & Ages	Earned Income	Pension Income	CPP & OAS	Corporate Inflows	Non-Registered	Registered	Total Cash Inflows	Personal Expenses	Personal Income Taxes	Non-Registered	Registered	Total Cash Outflows
2022 (50/50)	280,000	0	0	0	96,518	0	**$376,518**	211,590	73,774	32,545	58,610	**$376,519**
2023 (51/51)	285,600	0	0	0	95,553	0	**$381,153**	215,272	77,214	34,172	54,494	**$381,152**
2024 (52/52)	291,312	0	0	0	62,258	0	**$353,570**	219,092	79,081	0	55,396	**$353,569**
2025 (53/53)	297,138	0	0	0	103,558	0	**$400,696**	260,138	84,242	0	56,316	**$400,696**
2026 (54/54)	0	24,000	0	0	208,893	0	**$232,893**	216,189	4,704	0	12,000	**$232,893**
2027 (55/55)	0	24,000	0	0	257,708	0	**$281,708**	263,816	5,891	0	12,000	**$281,707**
2028 (56/56)	0	24,000	0	0	214,766	0	**$238,766**	223,186	3,580	0	12,000	**$238,766**
2029 (57/57)	0	24,000	0	0	217,856	0	**$241,856**	226,790	3,066	0	12,000	**$241,856**
2030 (58/58)	0	24,000	0	0	220,989	0	**$244,989**	230,466	2,523	0	12,000	**$244,989**
2031 (59/59)	0	24,000	0	200,000	1,796	0	**$225,796**	212,705	0	1,092	12,000	**$225,797**
2032 (60/60)	0	24,000	0	200,000	35,704	0	**$259,704**	247,704	0	0	12,000	**$259,704**
2033 (61/61)	0	24,000	0	174,504	22,436	0	**$220,940**	208,940	0	0	12,000	**$220,940**
2034 (62/62)	0	24,000	0	251,648	0	0	**$275,648**	263,648	0	0	12,000	**$275,648**
2035 (63/63)	0	24,000	0	204,977	0	0	**$228,977**	216,977	0	0	12,000	**$228,977**
2036 (64/64)	0	24,000	0	209,117	0	0	**$233,117**	221,117	0	0	12,000	**$233,117**
2037 (65/65)	0	24,000	40,219	195,223	0	0	**$259,442**	225,339	22,103	0	12,000	**$259,442**
2038 (66/66)	0	24,000	54,697	188,726	0	0	**$267,423**	229,646	25,778	0	12,000	**$267,424**
2039 (67/67)	0	24,000	55,791	253,915	0	0	**$333,706**	283,047	38,659	0	12,000	**$333,706**
2040 (68/68)	0	24,000	56,907	211,649	0	0	**$292,556**	238,519	42,037	0	12,000	**$292,556**
2041 (69/69)	0	24,000	58,045	293,555	0	0	**$375,600**	301,362	62,238	0	12,000	**$375,600**
2042 (70/70)	0	24,000	59,206	223,151	0	0	**$306,357**	247,752	46,605	0	12,000	**$306,357**
2043 (71/71)	0	24,000	60,390	227,937	0	0	**$312,327**	252,507	47,821	0	12,000	**$312,328**
2044 (72/72)	0	24,000	61,598	64,855	0	192,417	**$342,870**	257,357	73,512	0	12,000	**$342,869**
2045 (73/73)	0	24,000	62,830	61,858	0	195,960	**$344,648**	262,304	70,344	0	12,000	**$344,648**
2046 (74/74)	0	24,000	64,086	128,731	0	199,583	**$416,400**	323,645	80,756	0	12,000	**$416,401**

Your Financial Projections

Projected Cash Flows – Table (Continued)

	Cash Inflows							Cash Outflows				
	Pre-Tax Income				Withdrawals and Investment Income			Total Expenses		Contributions and Reinvestments		
Year & Ages	Earned Income	Pension Income	CPP & OAS	Corporate Inflows	Non-Registered	Registered	Total Cash Inflows	Personal Expenses	Personal Income Taxes	Non-Registered	Registered	Total Cash Outflows
2047 (75/75)	0	24,000	65,368	64,695	0	203,247	**$357,310**	272,497	72,814	0	12,000	**$357,311**
2052 (80/80)	0	24,000	72,172	71,901	0	222,483	**$390,556**	299,818	78,738	0	12,000	**$390,556**
2057 (85/85)	0	24,000	79,683	40,344	0	243,121	**$387,148**	289,985	85,164	0	12,000	**$387,149**
2062 (90/90)	0	24,000	87,977	134,178	0	265,236	**$511,391**	407,447	91,944	0	12,000	**$511,391**
2066 (94/94)	0	24,000	95,229	51,535	0	282,958	**$453,722**	344,607	97,115	0	12,000	**$453,722**

Beginning in 2047, illustrated in five-year increments and the last year of your plan.

Withdrawals and Investment Income includes: projected interest, dividends and realized capital gains from non-registered investments, RRIF and LIF withdrawals, and capital gains resulting from the redemption of capital required to fund cash flow needs.

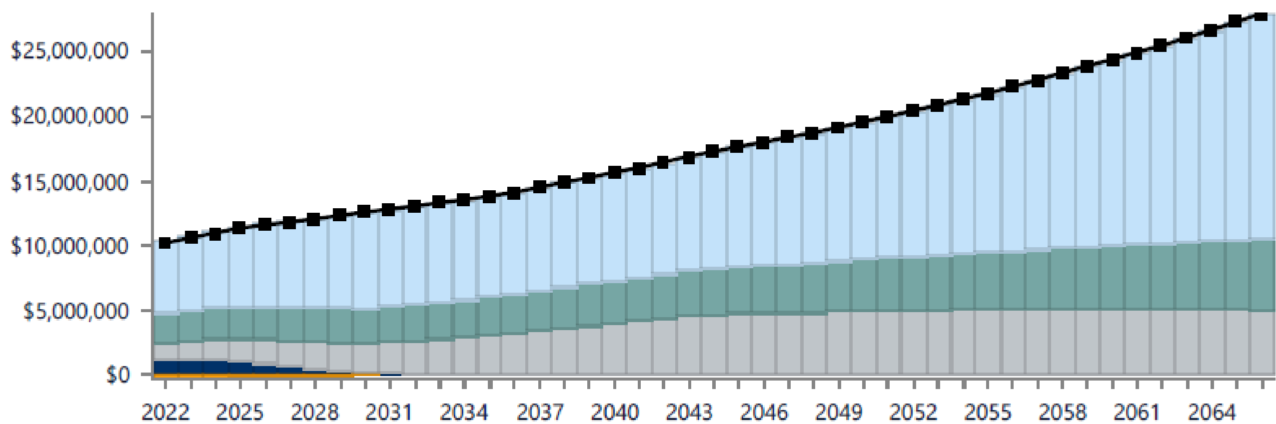
Personal Expenses include: ongoing living expenses, employment expenses, debt repayments, vacations, periodic car purchases and charitable donations.

A Look into the Future

Projected Net Worth – Graph

We will now provide you with an illustration of how your wealth will evolve over time based on the assumptions that we have outlined.

The graph below provides an illustration of how your net worth is expected to change over your lifetimes.



Your projected net worth in 2066 of $27,955,548 represents $11,696,622 in today's dollars (assuming 2.00% inflation). In comparison, your current net worth is $9,833,000.

As stated in the *Financial Assumptions* section, we have assumed that dividends from your private corporation would be paid as needed to fund your lifestyle needs.

Finding:

- Our financial projections indicate that you will have sufficient financial resources to fund all of your stated goals and that you will have surplus wealth available to transfer to your beneficiaries.

[3] Investment Assets include Life Insurance CSVs.

A Look into the Future

Projected Net Worth – Table

The following table provides a summary of the expected variation in the different types of assets throughout your lifetimes at the end of each calendar year.

Year & Ages	Lifestyle Assets	Investment Assets*	TFSA Assets	Registered Retirement Assets	Business Holdings		Total Net Worth
					Due to Shareholder	Value of Private Shares	
2022 (50/50)	2,071,961	1,173,529	173,250	1,190,921	400,000	5,165,161	**$10,174,822**
2023 (51/51)	2,145,497	1,162,023	194,513	1,292,566	400,000	5,363,910	**$10,558,509**
2024 (52/52)	2,220,644	1,152,134	216,838	1,400,240	400,000	5,569,953	**$10,959,809**
2025 (53/53)	2,297,438	1,101,683	240,280	1,514,263	400,000	5,783,559	**$11,337,223**
2026 (54/54)	2,375,914	943,374	264,894	1,589,976	400,000	6,005,005	**$11,579,163**
2027 (55/55)	2,456,110	728,336	290,739	1,669,475	400,000	6,240,084	**$11,784,744**
2028 (56/56)	2,538,065	545,487	317,876	1,752,950	400,000	6,483,791	**$12,038,169**
2029 (57/57)	2,621,818	350,405	346,369	1,840,597	400,000	6,736,442	**$12,295,631**
2030 (58/58)	2,707,408	142,436	376,288	1,932,626	400,000	6,998,366	**$12,557,124**
2031 (59/59)	2,773,212	144,353	407,702	2,029,258	200,000	7,251,122	**$12,805,647**
2032 (60/60)	2,828,677	111,367	440,687	2,130,721	0	7,505,402	**$13,016,854**
2033 (61/61)	2,885,250	90,000	475,322	2,237,257	0	7,605,180	**$13,293,009**
2034 (62/62)	2,942,955	90,000	511,688	2,349,119	0	7,625,985	**$13,519,747**
2035 (63/63)	3,001,814	90,000	549,872	2,466,576	0	7,697,475	**$13,805,737**
2036 (64/64)	3,061,850	90,000	589,966	2,589,904	0	7,769,290	**$14,101,010**
2037 (65/65)	3,123,087	90,000	632,064	2,719,400	0	7,911,090	**$14,475,641**
2038 (66/66)	3,185,549	90,000	676,267	2,855,369	0	8,060,961	**$14,868,146**
2039 (67/67)	3,249,260	90,000	722,681	2,998,138	0	8,171,290	**$15,231,369**
2040 (68/68)	3,314,245	90,000	771,415	3,148,045	0	8,316,402	**$15,640,107**
2041 (69/69)	3,380,530	90,000	822,586	3,305,447	0	8,407,676	**$16,006,239**
2042 (70/70)	3,448,141	90,000	876,315	3,470,720	0	8,553,470	**$16,438,646**
2043 (71/71)	3,517,104	90,000	932,731	3,644,255	0	8,700,224	**$16,884,314**
2044 (72/72)	3,587,446	90,000	991,967	3,628,881	0	8,961,210	**$17,259,504**
2045 (73/73)	3,659,195	90,000	1,054,165	3,609,100	0	9,228,249	**$17,640,709**
2046 (74/74)	3,732,379	90,000	1,119,474	3,584,609	0	9,452,184	**$17,978,646**
2047 (75/75)	3,807,026	90,000	1,188,047	3,555,131	0	9,734,641	**$18,374,845**
2052 (80/80)	4,203,265	90,000	1,585,906	3,321,805	0	11,217,548	**$20,418,524**
2057 (85/85)	4,640,744	90,000	2,093,686	2,909,714	0	13,069,273	**$22,803,417**
2062 (90/90)	5,123,756	90,000	2,741,755	2,261,741	0	15,248,178	**$25,465,430**
2066 (94/94)	5,546,118	90,000	3,386,928	1,527,713	0	17,404,789	**$27,955,548**
2066 (94/94)	***2,320,500***	***37,656***	***1,417,093***	***639,196***	***0***	***7,282,177***	***$11,696,622***

* Investment Assets include Life Insurance CSVs.

Beginning in 2047, illustrated in five-year increments and the last year of your plan.

**In the final year, we have provided you with both the actual projected dollar values, and the equivalent values in today's dollars, based on an assumed inflation rate of 2.00%.

In the table above, your lifestyle assets are projected net of your liability.

Although the cash surrender values of your life insurance policies may change over time, we have assumed that they will remain constant throughout your projections.

A Look into the Future

Private Corporation Projected Details – Table

The following table provides a year over year projection of your different types of assets held within your private corporation, as well as the details of the expected shareholder loan repayments and dividends paid to yourself throughout your lifetimes.

Year & Ages	Corporate Values				Corporate Cash Outflows	
	Investment Portfolio	Balance of Sale	Due to Shareholder	Total Value	Dividend Distributions	Shareholder Loan Repayments
2022 (50/50)	5,415,161	150,000	(400,000)	**$5,165,161**	0	0
2023 (51/51)	5,613,910	150,000	(400,000)	**$5,363,910**	0	0
2024 (52/52)	5,819,953	150,000	(400,000)	**$5,569,953**	0	0
2025 (53/53)	6,033,559	150,000	(400,000)	**$5,783,559**	0	0
2026 (54/54)	6,405,005	0	(400,000)	**$6,005,005**	0	0
2027 (55/55)	6,640,084	0	(400,000)	**$6,240,084**	0	0
2028 (56/56)	6,883,791	0	(400,000)	**$6,483,791**	0	0
2029 (57/57)	7,136,442	0	(400,000)	**$6,736,442**	0	0
2030 (58/58)	7,398,366	0	(400,000)	**$6,998,366**	0	0
2031 (59/59)	7,451,122	0	(200,000)	**$7,251,122**	0	200,000
2032 (60/60)	7,505,402	0	0	**$7,505,402**	0	200,000
2033 (61/61)	7,605,180	0	0	**$7,605,180**	174,504	0
2034 (62/62)	7,625,985	0	0	**$7,625,985**	251,648	0
2035 (63/63)	7,697,475	0	0	**$7,697,475**	204,977	0
2036 (64/64)	7,769,290	0	0	**$7,769,290**	209,117	0
2037 (65/65)	7,911,090	0	0	**$7,911,090**	195,223	0
2038 (66/66)	8,060,961	0	0	**$8,060,961**	188,726	0
2039 (67/67)	8,171,290	0	0	**$8,171,290**	253,915	0
2040 (68/68)	8,316,402	0	0	**$8,316,402**	211,649	0
2041 (69/69)	8,407,676	0	0	**$8,407,676**	293,555	0
2042 (70/70)	8,553,470	0	0	**$8,553,470**	223,151	0
2043 (71/71)	8,700,224	0	0	**$8,700,224**	227,937	0
2044 (72/72)	8,961,210	0	0	**$8,961,210**	64,855	0
2045 (73/73)	9,228,249	0	0	**$9,228,249**	61,858	0
2046 (74/74)	9,452,184	0	0	**$9,452,184**	128,731	0
2047 (75/75)	9,734,641	0	0	**$9,734,641**	64,695	0
2052 (80/80)	11,217,548	0	0	**$11,217,548**	71,901	0
2057 (85/85)	13,069,273	0	0	**$13,069,273**	40,344	0
2062 (90/90)	15,248,178	0	0	**$15,248,178**	134,178	0
2066 (94/94)	17,404,789	0	0	**$17,404,789**	51,535	0

Beginning in 2047, illustrated in five-year increments and the last year of your plan.

Dividend distributions include: non-taxable capital dividends as well as eligible and non-eligible taxable dividends.

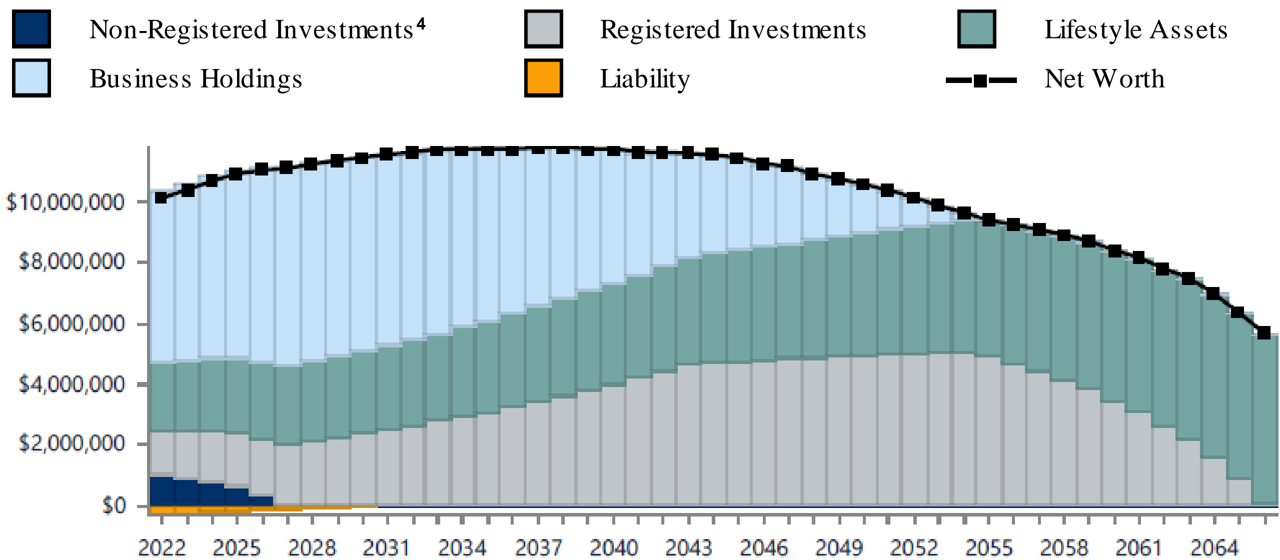
Alternate Scenarios

We will now provide illustrations of how a change in certain key variables could potentially affect your financial projections.

Maximum Annual Expenses

This analysis illustrates the maximum level of annual expenses (in today's dollars) that your financial resources could support throughout your lifetimes, without drawing on the value of your lifestyle assets. This illustration is intended to provide you with an indication of the strength of your financial position and the amount of flexibility that you may have to incur expenses above the level of your stated goals.

The graph below provides an illustration of how your net worth is expected to change over your lifetimes.



	Annual Lifestyle Expenses *	Net Worth in 2066
Based on Current Financial Assumptions	$140,000	$27,955,548
Based on Maximum Annual Expenses Scenario	$240,000	$5,662,902

* In today's dollars

Your total projected net worth in 2066 of $5,662,902 represents $2,369,362 in today's dollars (assuming 2.00% inflation).

Findings:

- You will have significant flexibility to incur expenses above the level of your stated goals.
- This flexibility may enable you to follow through on other objectives that may be important to you. For example, funding long-term care needs, gifting funds to your children or charitable organizations early, insuring your estate liability (to be reflected shortly), or increasing your spending.

[4] Investment Assets include Life Insurance CSVs.

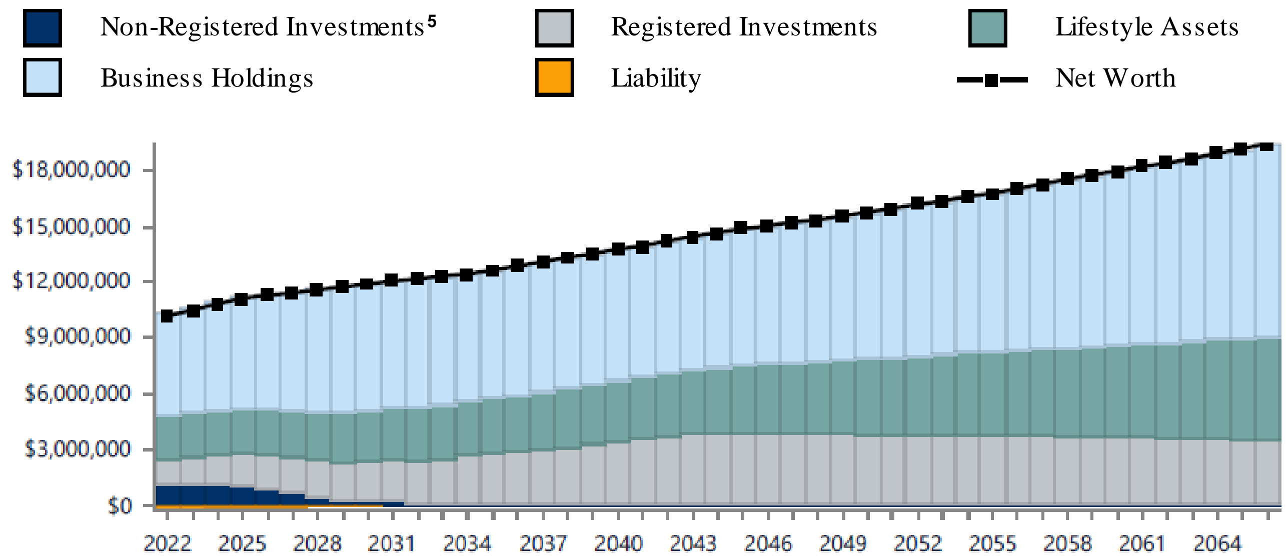
Alternate Scenarios

Impact of Lower Returns

This analysis is intended to provide you with an indication of the impact a *1.00%* reduction in the expected net annual investment rate of return could have on your ability to meet your financial goals.

As stated in your *Financial Assumptions*, the expected annual return based on a *Growth* investment asset mix is *5.00%*. Under this analysis, we have assumed a *4.00%* expected net annual rate of return.

The graph below provides an illustration of how your net worth is expected to change over your lifetimes.



	Portfolio Return	Net Worth in 2066
Based on Current Financial Assumptions	5.00%	$27,955,548
Based on Lower Rate of Return Scenario	4.00%	$19,394,945

Your projected net worth in 2066 of $19,394,945 represents $8,114,859 in today's dollars (assuming 2.00% inflation).

Finding:

- When considering an expected annual net investment return of ***4.00%***, your financial resources would likely still be sufficient to fund your stated goals.

[5] Investment Assets include Life Insurance CSVs.

Tax and Retirement Planning

We will now focus on tax and retirement planning strategies that would be expected to enhance the strength of your financial position relative to your goals.

Projected Marginal Tax Rate and Repayment of Social Benefits

As a framework for certain tax planning strategies, the following table illustrates your projected marginal tax rates:

Year & Ages	Marginal Tax Rate for John	Marginal Tax Rate for Elizabeth
2022 (50/50)	50	35
2023 (51/51)	50	35
2024 (52/52)	50	35
2025 (53/53)	50	37
2026 (54/54)	25	25
2027 (55/55)	25	25
2028 (56/56)	25	25
2029 (57/57)	25	25
2030 (58/58)	25	25
2035 (63/63)	0	0
2040 (68/68)	43	25
2045 (73/73)	35	35
2050 (78/78)	35	35
2055 (83/83)	35	35
2060 (88/88)	35	35
2065 (93/93)	35	35
2066 (94/94)	35	35

As mentioned in the Financial Assumptions section, part or all of your OAS pension may have to be repaid due to the OAS pension recovery tax (more commonly known as clawback) if your annual net income is above $81,761 and the full OAS pension is eliminated when your net income is $133,141 or above. Please note that you may also choose to defer your OAS to age 70 which may impact the upper limit for the OAS pension recovery tax.

In your situation, our projections indicate that you may be subject to the OAS pension recovery tax. The table above does not reflect the impact of this amount in the calculation of your marginal tax rate.

Please note that the table above also includes the assumption that you will elect to split your pension incomes.

Finding:

- The above projections indicate that there is some further opportunity for income splitting to reduce your total tax payable as a couple. In this section, we have also identified other tax planning opportunities that may enhance the strength of your financial position.

Tax and Retirement Planning

Tax Planning Advice and Strategies to Consider:

Tax-Free Savings Account (TFSA)

The TFSA is a registered plan which allows you to earn investment income which is not subject to income tax. It can be used to complement other savings such as RRSPs, pension plans or non-registered accounts to help you meet your financial goals.

Key features of the TFSA include:

- Annual contributions of up to $6,000 can be made each year.
- The TFSA is available to all Canadian residents, aged 18 or older, with a Social Insurance Number.
- Contributions into the account are not deductible for income tax purposes; however, the investment income earned within the account is not subject to tax.
- Withdrawals from the TFSA are tax-free and are not included in the calculation of income for purposes of many income tested benefits including Old Age Security.
- Amounts that are withdrawn are added to the following year's contribution limit.
- Balances on death can be rolled over to a spouse free of any probate fees and can be maintained as TFSA assets.
- Balances on death can pass to a named beneficiary free of any probate fees.

The TFSA may also provide an income-splitting opportunity. Generally speaking, a transfer of funds between spouses will be subject to attribution rules and the investment income and capital gains must be reported by the transferor and subject to their marginal income tax rate. However, since the investment income earned within the TFSA is not taxable, an individual can invest in a TFSA for themselves and gift funds to their spouse who could then contribute to their own TFSA without either spouse having to report the investment income.

Recommended Action:

- We recommend that John maximizes his annual TFSA contribution and also transfers funds to Elizabeth allowing her to contribute the maximum annual amount to her own TFSA in order to reduce your total income taxes as a couple.

Tax and Retirement Planning

Maximizing Your Registered Retirement Savings Plan (RRSP)

You may wish to consider maximizing your annual RRSP contribution in order to take advantage of the tax benefits associated with RRSPs.

The main benefits of investing in an RRSP for you may include:

- **Tax deductible contributions:** Subject to your RRSP deduction limit, contributions to an RRSP are deductible for income tax purposes. Only once you withdraw the funds will it be subject to income tax. Deferring the tax to future years is an important benefit of RRSPs.
- **Tax-deferred compounding:** Income earned within an RRSP accumulates tax-free until withdrawn. This allows your RRSP plan assets to grow more quickly since the full amount rather than the after-tax amount is reinvested and accumulates every year.
- **Deferring taxation of the income until you are subject to tax at a lower marginal tax rate:** If you expect to be subject to tax at a lower marginal tax rate in future years—such as during your retirement years—you may also save tax, based on the difference in your income tax rates. Your tax savings will depend on your marginal tax rates during the years you are contributing to your RRSP and the years you withdraw the funds.
- **Income splitting:** Utilizing income-splitting strategies between spouses can provide significant tax savings. One of the most simplistic, yet effective methods of income splitting between spouses is achieved by contributing to a spousal RRSP. The objective of this strategy is to provide both spouses with similar retirement incomes and thus similar income tax rates in retirement.

Recommended Action:

- We recommend that you maximize your annual RRSP contributions in order to take advantage of the tax benefits associated with RRSPs.

Using Your Financial Assets to Meet Your Income Needs

In order to ensure you are using your financial resources wisely, it is important to determine how to best combine your various sources of income to provide the cash required to fund your lifestyle expenses.

Choosing which sources of income and which assets to use to cover your expenses — and in which order — is important as the tax implications resulting from these may vary significantly.

Each year, your personal and corporate tax rates may vary considerably, therefore, it is important to consult with qualified tax advisor annually to make the best decision possible regarding which investments to draw on to maximize your after-tax income.

Determining which investment assets to draw on:

Step 1 – The first step is to determine how much after-tax cash flow you will have from various sources of income. Some examples include:

- Earned income (e.g., employment income, business income, disability benefits, etc.).
- Payments from a defined benefit pension plan.
- Government income sources such as CPP and OAS retirement benefits.
- Mandatory payments from a RRIF or LIF for persons who are over 71 years of age.
- Investment income (e.g., interest & dividend income from your investment portfolio), which is often variable rather than fixed.

Tax and Retirement Planning

Step 2 – In any given year when your lifestyle expenses are expected to be greater than the total of the above sources of income, you will need to withdraw from your assets to cover the difference. Generally, it is best to first redeem from assets that attract the least amount of tax such as:

- Capital dividends from your private corporation (tax free).
- Repayment of shareholder loans owed to you by your private corporation (tax free).
- Withdrawals from a Tax Free Savings Account (tax free).
- Policy Loans against the cash surrender value of your whole life or universal life insurance policies (tax free up to the policies' adjusted cost basis). You may be charged interest on loans from the cash value of your whole life insurance policies.
- Non-registered assets, beginning with investments that have the lowest accrued capital gains (often little or no tax payable).
- Taxable dividends from your private corporation (taxable at a preferred rate).

Step 3 – Once most of the above assets have been depleted you will need to withdraw from assets that may be less tax efficient or fully taxable including:

- Payments from locked-in registered plans, above the mandatory minimum (fully taxable).
- Lump sum RRSP withdrawals / RRIF payments above the mandatory minimum (fully taxable).

Where there is a significant difference between your marginal tax rates, it is generally best to redeem capital from assets that will result in a taxable event (such as the realization of a capital gain or a withdrawal from a registered plan) being reported by the lower income spouse. Where assets are available to be redeemed without any tax implications (such as cash equivalents in a non-registered account), this should generally be withdrawn from the account of the higher income spouse.

Determining the optimal strategy for redeeming assets to cover an income shortfall in any given year can be a complicated process. While the above is intended to provide you with some guidance, you should always rely on the advice of a qualified tax advisor or insurance specialist, in the case of insurance policy loans, to confirm the best strategy for you, particularly where you are considering extracting funds from your private corporation. Please refer to *Your Financial Projections* for a detailed breakdown of how we have assumed that you will use your financial assets to fund your cash flow needs over time.

Recommended Action:

- We recommend that you consult with a qualified tax advisor annually to ensure that you draw upon your financial assets in the most efficient way possible to meet your needs, based on your personal tax rates and the tax situation of your private corporation each year.

Business Planning

Business Planning Advice and Strategies to Consider:

Through our analysis we have identified the following advice and strategies that would likely enhance your financial situation.

Active and Passive Business Income, RDTOH and CDA

When a private corporation earns active business income (ABI) they may be eligible for the small business deduction (SBD). This is a reduction on the general corporate tax rate on the first $500,000 of active business income earned (the $500,000 is shared between associated corporations).

When a corporation earns passive investment income (for example: interest, Canadian dividends from non-connected corporations, taxable capital gains and rents from investment properties) refundable tax applies to achieve an important principle of the Canadian tax system commonly referred to as ***"integration"***. When a tax system is perfectly integrated, an individual will be indifferent to earning investment income in a corporation versus earning it personally.

A Canadian corporation is subject to a general rate of tax on its investment income under Part I of the Income Tax Act (Act). If the corporation is a Canadian Controlled Private Corporation (CCPC), it is subject to an additional tax of *10⅔%* for a total federal tax of ***38⅔%***. The "refundable portion of Part I tax" is calculated as 30⅔% of the investment income. Canadian source dividends received from corporations that are **not connected** are subject to Part IV tax of ***38⅓%. The refundable portion of Part I and the Part IV tax is recoverable by the CCPC when it pays a taxable dividend to its shareholders***. The total amount of corporate taxes payable on passive investment income (including the refundable tax) varies by province and also depends on the type of investment income earned in the corporation.

This refundable tax is tracked through the use of a notional account referred to as the "Refundable Dividend Tax on Hand" ***(RDTOH)*** account. If there is a positive balance in the RDTOH account, the corporation will receive a refund when it pays a taxable dividend to a shareholder. The corporation receives a dividend refund at a rate of 38⅓% of the taxable dividends it pays and the dividend refund is limited to the balance in the RDTOH account. The individual shareholder receiving the taxable dividend must then pay taxes on the dividend income in the year it is received.

Based on current income tax rates in New Brunswick, there is a "prepayment" of tax when eligible dividend income is earned by a corporation and not distributed as a taxable dividend to its shareholders during the same year. There is however, a significant deferral of income tax if active business income, interest income, capital gains and non-eligible dividends are earned and retained in the corporation.

Business Planning

The following table illustrates the amount of prepayment of tax on eligible dividend income received (and retained in the corporation) and the amount of tax deferral on other income earned in a corporation.

Type of Income	Tax Rate if Retained in the Corporation	Combined Corporate and Personal Tax Rate When Distributed to Shareholders	Resulting "Prepayment" (or Deferral) of Tax if Left in Corporation
Active Business Income (Small Business Rate)	11.50%	53.76%	(42.26%)
Active Business Income (General Rate)	29.00%	52.79%	(23.79%)
Interest	52.67%	59.25%	(6.58%)
Capital Gains	26.34%	29.62%	(3.28%)
Eligible Dividends	38.33%	33.51%	4.82%
Non-Eligible Dividends	38.33%	47.75%	(9.42%)

The above figures are based on the assumption that the shareholder pays tax at the top marginal tax rate, and are based on 2022 New Brunswick personal and corporate tax rates.

Planning Opportunity Regarding Retaining Active Business Income Within a Corporation

The corporate tax rates on active business income in New Brunswick are significantly lower than the highest personal tax rate. Therefore, individuals who are earning active business income can achieve immediate tax deferral on the income retained inside a corporation. The exception is for individuals in a low personal tax bracket with corporations earning income that is subject to the general active business rate.

Planning Opportunity Regarding the RDTOH for Eligible Dividends

In preparing your financial projections, we have made a simplified assumption that the corporation retains the investment income unless you require taxable dividends from the corporation to fund your financial goals.

However, if your corporation is expected to earn eligible dividends from non-connected corporations (portfolio dividends) you may wish to consider paying out as a dividend to yourselves any eligible dividends received in order to "clear out" your corporation's RDTOH account on an annual basis, and avoid the prepayment of tax on eligible dividends described above, giving you more funds to invest in your personally owned portfolio.

Tax-Free Amounts Paid From Your Capital Dividend Account

Corporations, like individuals, are subject to tax on only 50% of realized capital gains. Its "capital dividend account" (CDA) keeps track of the non-taxable portion of capital gains and non-deductible portion of capital losses as well as other amounts such as capital dividends received or paid by the corporation and certain life insurance proceeds received in excess of the policy's adjusted cost base. It is intended that the tax-free character of these amounts be transferable to shareholders. The aggregate balance in the CDA is reduced by the amount of capital dividends paid.

Planning Opportunity Regarding the CDA

In preparing your financial projections, we have made a simplified assumption that the corporation does not elect to distribute capital dividends to you in every year that it realizes capital gains (unless required to supplement personal cash flow needs) even though the non-taxable portion of the capital gains realized is credited to the corporation's CDA balance.

However, since a capital loss could reduce or eliminate the CDA balance (depending on the size of the loss), the corporation may wish to consider making capital dividend payments to you when the CDA has a positive balance. This would provide you with the opportunity to reinvest these funds in your personally owned portfolios and earn investment income which may be taxed at a lower rate.

Passive Investment Income in a Private Corporation

There is a tax deferral advantage for business owners who retain after-tax income in their corporation. This is because corporate business income is generally taxed at lower rates than business income earned personally. Tax measures have been put in place to limit the tax deferral advantages of investing inside a corporation.

- Limiting Access to the Small Business Deduction

  The federal government has reduced the small business limit on a straight-line basis where the Canadian Controlled Private Corporation (CCPC) and its associated corporations have between $50,000 and $150,000 of investment income in a year. This measure reduces the business limit by $5 for every $1 of passive investment income above the $50,000 threshold. The federal business limit will be eliminated if a CCPC, and its associated corporations, earn at least $150,000 of passive investment income in a year. This reduction to the business limit will apply to taxation years that begin after 2018. It will operate alongside the existing rules related to taxable capital between $10 million and $15 million. The reduction in a corporation's business limit will be the greater of the reduction based on taxable capital employed in Canada and the reduction based on passive investment income.

- Limiting Access to the Dividend Refund

  When a corporation pays out a taxable dividend to its shareholder, the corporation may receive a refundable dividend tax on hand (RDTOH) refund (called a "dividend refund"). An eligible dividend can only be paid by a private corporation to the extent that the corporation has active business income (ABI) that has been taxed at the general corporate tax rate or to the extent that it received eligible dividends from another corporation. A non-eligible dividend is generally paid from income that was taxed at the small business rate or passive investment income (excluding eligible dividends received from other corporations).

  A private corporation will generally only receive a dividend refund on the payment of non-eligible dividends. An exception will be provided where the RDTOH arises from eligible dividends received by the corporation on portfolio investments. In this case, the corporation will still be able to obtain a dividend refund upon the payment of eligible dividends.

  The "non-eligible RDTOH" account tracks refundable taxes paid on passive investment income (excluding eligible dividends received by the corporation). This account also tracks the refundable taxes paid on non-eligible dividends received from non-connected corporations. A corporation will only be able to obtain a refund from the non-eligible RDTOH account upon the payment of a non-eligible dividend.

  The "eligible RDTOH" account tracks refundable taxes paid on eligible portfolio dividends. Any taxable dividend (eligible or non-eligible) paid by a corporation will entitle the corporation to a refund from its eligible RDTOH account. However, an ordering rule requires that a private corporation paying a non-eligible dividend must exhaust its non-eligible RDTOH account before claiming a refund from its eligible RDTOH account.

Business Planning

Recommended Actions:

- Considering the tax prepayment or deferral applying to your investment income, we recommend that you consult with a qualified tax advisor about planning opportunities regarding your corporate ABI, RDTOH and CDA to ensure the ideal amount of taxable dividends and capital dividends are paid from your corporation to yourselves each year.
- We recommend that you meet with Kevin Gibson along with a qualified tax advisor to review your corporate investment portfolio to limit the impact passive investment income may have on the small business deduction.

Shareholder Loans To and From Your Corporation

An additional benefit to incorporating includes the ability to loan your corporation funds as well as to take a loan from your corporation as a shareholder ("shareholder loan").

In certain circumstances, you can arrange for your company to lend you funds ("shareholder loan") as another method of accessing funds in your corporation. Generally, a shareholder loan is considered a taxable benefit, which means that you will be required to add the amount of the loan to your income in the year the loan is made. However, there are exceptions to this general rule.

The first exception is if the loan is repaid within one year after the end of your corporation's fiscal year-end in which the loan was made.

The other exceptions require you to receive the loan in your capacity as an employee and not as a shareholder. There must also be a bona fide arrangement to have the loan repaid within a reasonable time and you must meet one of the following criteria:

1. You use the loan to purchase a home, a vehicle for use in carrying out the duties of employment or the purchase of treasury shares of the corporation.
2. You own less than 10% of the shares of the corporation or if a family member is receiving the loan, they own less than 10% of the shares of the corporation.

Recommended Action:

- We recommend that you consult with a qualified tax advisor about the potential income tax implications of lending funds to and/or receiving loans from your private corporation.

Withdrawing Sums of Money from Your Company

Since the corporation is a separate legal entity from you, the shareholder, there are certain methods of withdrawing funds when you have immediate or short term cash flow needs. Each available method to extract corporate funds results in its own individual tax implications. This allows significant flexibility to choose the method that best fits your own personal and business circumstances.

Of the numerous methods available, the most common mechanism is to arrange for your corporation to pay you a mix of salary and dividends. The best mix of salary and dividends for your case will require careful consideration of factors such as your cash flow needs, your income level and that of your corporation, as well as your corporation's tax status.

Assuming you need to withdraw the cash immediately, your optimum salary and dividend mix will generally ensure that your corporation pays out enough salary to reduce your corporation's active business income to the small business deduction limit. This maximizes the amount of active income that is taxed at a significantly lower small business tax rate while minimizing the impact of higher tax rates on active income beyond the small business deduction limit. Any excess funds that you require may be withdrawn as dividends to take advantage of their favourable tax treatment due to the dividend tax credit. Alternatively, if your company earns active income that is less than the federal small business limit, it's generally better to declare dividends. However, drawing dividends alone will not provide you with earned income to make contributions to your RRSP, CPP benefits, and Individual Pension Plan (IPP).

Despite the above general rules concerning whether your company earns active business income over or under the federal small business deduction limit, it is important to note that there is no simple formula that applies in all cases. You should always consult your personal tax advisor to determine the optimum withdrawal strategy that reflects your personal situation. This will require a careful analysis to assess the merits of paying yourself enough salary against foregoing the benefits of a salary in favour of dividends, and perhaps even leaving funds invested in your corporation where your cash flow needs are not immediate.

Recommended Action:

- We recommend that you consult with a qualified tax advisor annually to determine the best salary / dividend mix from your private corporation.

Your Investments

Portfolio Asset Allocation

The right portfolio asset allocation for you will depend on a number of factors such as your risk tolerance, the purpose of the funds, and the time remaining to meet your financial objectives and goals.

Achieving a balance between a variety of investment options such as cash, fixed income, Canadian and or foreign equities is a key element in any investment portfolio. Each investment type provides the investor with different attributes and tax implications.

Investment Type	Cash	Fixed Income	Equities
Attributes	• Liquidity for emergencies and investment purchases	• Stable income and in some cases capital appreciation	• Capital growth and tax efficiency
Tax Treatment	• Interest income fully taxable at marginal rate	• Interest income fully taxable at marginal rate • Potential for some capital gains; 50% of which would be taxable at marginal rate	• CDN dividend income taxable at preferred rate • Foreign dividends taxable at marginal rate • Capital gains; 50% taxable at marginal rate

Tax Considerations

You can maximize the benefits of your asset allocation by looking at not only the type of investment income being earned, but also by considering which assets you hold in which of your accounts.

To maximize tax efficiency the following concepts should be considered:

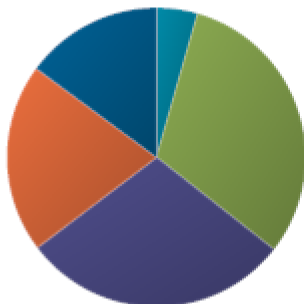
- Investments that generate interest and foreign source income (i.e. dividends from non-Canadian companies) are fully taxable and should generally be held within your registered retirement accounts in priority to non-registered accounts.
- Investments that generate capital gains and Canadian source dividends should be generally held within your tax-exposed investment accounts to benefit from their tax preferred treatment.
- Where possible, investments in individual U.S. stocks (and other securities that are considered "U.S. situs assets") should generally be held in a corporate investment portfolio to reduce potential exposure to U.S. estate tax.

It is very important to consider the quality of the investment, and not just the potential tax advantage of the investment. Be sure to speak with Kevin Gibson to ensure the investment type is suitable for your situation.

Your Investments

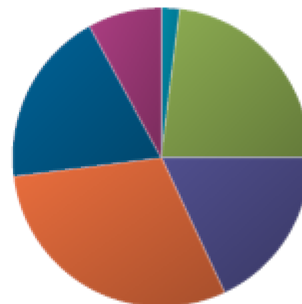
Detailed Asset Mix Comparison

Current Asset Mix
Investor Profile: Current - Not Rebalanced



Rate of Return: 4.05%

*** Implemented Asset Mix**
Investor Profile: Growth



Rate of Return: 5.00%

	Current		Implemented		
Asset Class	**Market Value**	**%**	**Market Value**	**%**	**Change**
Cash	$304,513	4.45%	$136,860	2.00%	(2.45%)
Fixed Income	$2,130,226	31.13%	$1,573,890	23.00%	(8.13%)
Canadian Equities	$1,991,313	29.10%	$1,231,740	18.00%	(11.10%)
U.S. Equities	$1,400,078	20.46%	$2,052,900	30.00%	9.54%
Foreign Equities	$1,016,870	14.86%	$1,300,170	19.00%	4.14%
Emerging Market Equities	$0	0.00%	$547,440	8.00%	8.00%
Total	**$6,843,000**		**$6,843,000**		

We do not recommend any sudden or drastic changes to your current asset mix. Market timing and personal experience as well as the advice from Kevin Gibson should dictate any adjustments.

Finding:

- Our analysis indicates that *Canadian Equities* and *fixed income* are currently over-weighted in your asset mix when compared to our model asset mix. Note that variances may exist due to market and economic conditions and any specific recommendations Kevin Gibson has provided you.

Recommended Actions:

- We recommend that you speak with Kevin Gibson to evaluate your asset mix and any tax efficiencies to determine if any adjustments are necessary at this time.
- We recommend that you speak with Kevin Gibson and if necessary, your Tax Advisor to determine if it would be advisable to hold a greater proportion of your U.S. individual stocks in your corporate investment portfolio as a means of reducing your potential exposure to U.S. estate tax.

Risk Management

We will now provide an analysis of your exposure to financial risk in the event of premature death or disability.

Risk of Premature Death

The following is an analysis of the potential financial impact of a premature death on your financial situation. In addition to the emotional impact associated with the death of an individual there can also be significant financial consequences due to the loss of a spouse's income.

A Snapshot if Either Spouse Were to Die Prematurely

We have assumed the following would occur if John were to die **at the end of 2022:**

- All assets and liability would be transferred to Elizabeth.
- A total of $1,000,000 would be paid out in existing insurance benefits to Elizabeth. This amount includes the life insurance held by your private corporation. We have considered that the death benefit will be paid to the company, which will in turn pay this amount directly to Elizabeth through the Capital Dividend Account (CDA). A life insurance death benefit paid to a company will generally increase the Capital Dividend Account by the amount that the death benefit exceeds the adjusted cost basis of the policy. This amount allows the company to pay a tax-free capital dividend to the shareholder.
- Your annual expenses would represent 85% of lifestyle expenses. All other expenses remain unchanged.
- John's salary, RRSP contributions and TFSA contributions would cease at the end of 2022.
- All other *Financial Assumptions* remain unchanged.

We have assumed the following would occur if Elizabeth were to die **at the end of 2022:**

- All assets and liability would be transferred to John.
- A total of $750,000 would be paid out in existing insurance benefits to John. This amount includes the life insurance held by your private corporation. We have considered that the death benefit will be paid to the company, which will in turn pay this amount directly to John through the Capital Dividend Account (CDA). A life insurance death benefit paid to a company will generally increase the Capital Dividend Account by the amount that the death benefit exceeds the adjusted cost basis of the policy. This amount allows the company to pay a tax-free capital dividend to the shareholder.
- Your annual expenses would represent 85% of lifestyle expenses. All other expenses remain unchanged.
- John would receive 50% of Elizabeth's DBPP income as a survivor benefit.
- Elizabeth's salary, RRSP contributions, TFSA contribution and DBPP contributions would cease at the end of 2022.
- All other *Financial Assumptions* remain unchanged.

Risk Management

The following projects the value of the survivor's net worth should either spouse die at the end of 2022:

Projected Net Worth	In 2066
Based on Current Financial Assumptions	$27,955,548
If John were to die in 2022	$32,543,398

Projected Net Worth	In 2066
Based on Current Financial Assumptions	$27,955,548
If Elizabeth were to die in 2022	$31,488,906

Finding:

- Our analysis indicates that your current life insurance coverage and financial resources are sufficient to provide for the survivor's needs in the event of either spouse's premature death.

Risk Management

Risk of Permanent Disability

The following is an analysis of the potential financial impact of a permanent disability on your financial situation.

A Snapshot if Either Spouse Were to Become Disabled

We have assumed the following would occur if John were to become disabled **at the end of 2022**.

- You would receive a monthly benefit of $8,000 (not indexed) as tax free income. It is assumed that there is a 90-day waiting period until benefits will be received and that they will be paid until age 65.
- We have assumed that you would not be entitled to any CPP disability benefit.
- Your annual expenses in the event of disability would remain unchanged.
- Your salary and RRSP contributions would cease at the end of 2022.
- All other *Financial Assumptions* remain unchanged.

We have assumed the following would occur if Elizabeth were to become disabled **at the end of 2022**.

- You would receive a monthly benefit of $4,500 (not indexed) as tax free income. It is assumed that there is a 90-day waiting period until benefits will be received and that they will be paid until age 65.
- We have assumed that you would not be entitled to any CPP disability benefit.
- Your annual expenses in the event of disability would remain unchanged.
- Your salary, RRSP and DBPP contributions would cease at the end of 2022.
- All other *Financial Assumptions* remain unchanged.

The following projects the value of your net worth should either spouse become permanently disabled at the end of 2022:

Projected Net Worth	In 2066
Based on Current Financial Assumptions	$27,955,548
If John were to become disabled in 2022	$30,955,194

Projected Net Worth	In 2066
Based on Current Financial Assumptions	$27,955,548
If Elizabeth were to become disabled in 2022	$29,758,025

Finding:

- Our analysis indicates that your current disability insurance coverage and financial resources are sufficient to provide for your needs in the event that either of you should become permanently disabled.

Your Estate Planning

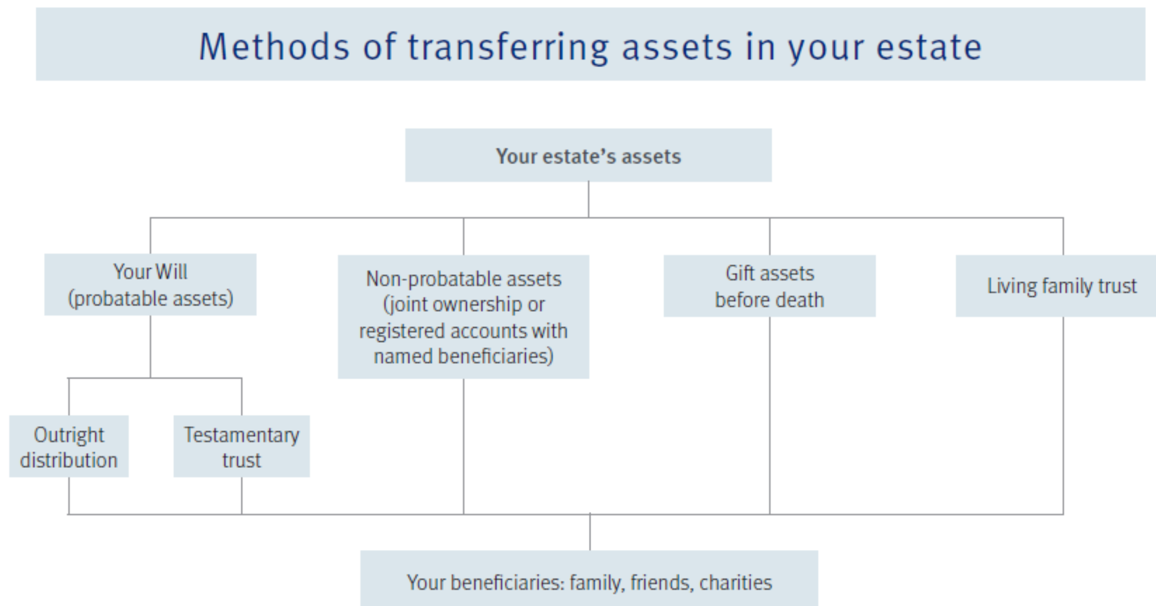
We will now provide an analysis of the following key areas that should be considered when creating your estate plan:

- The Status of Your Wills and Powers of Attorney.
- Taxes upon Death.

The Status of Your Wills and Powers of Attorney

Your Wills

There are generally four methods of transferring assets (illustrated below) that should be considered when creating or refining your estate plan. Your Will represents the most common means of transferring estate assets. Your estate planning professional can provide you with details on how all of these methods can be combined to achieve the intended distribution of your wealth during your lifetime and on death.



A sound financial plan should consider the effective transfer of your estate to your intended beneficiaries. Ignoring this aspect of your financial plan could result in additional costs and complexity and may result in undue hardship for your heirs.

The distribution of an estate can be an emotionally charged period that may result in friction between family members. It may be beneficial to discuss your estate plan with beneficiaries to ensure your intentions are understood.

Having a valid Will that reflects your wishes is likely the most important element of your overall estate plan.

Your Estate Planning

Your Powers of Attorney

You have indicated that you currently have Powers of Attorney in place. Following is information on the importance of such a document.

The most common form of this document, a financial power of attorney, is also referred to as a power of attorney for personal property or financial decisions. The authority that you give the individual acting as your "attorney" can be either limited to specific activities or assets, called a "limited power of attorney," or can provide the attorney with wide-ranging control of your financial affairs called a "general power of attorney." A general power of attorney may be temporary or of indefinite duration, but in all cases the authority provided by this document ends upon death or incapacity. The appointment of a committee or guardian by a court order will also terminate a power of attorney. It is important to note that the power of attorney document (general, limited or financial) will not be valid if you become mentally incapacitated unless it specifically states that the attorney's authority is to be maintained under this circumstance. Additional wording is necessary to ensure the document is considered enduring in subsequent mental incapacity. A power of attorney that contains this clause is generally known as an "enduring" or "continuing" power of attorney.

Your Powers of Attorney for Personal Care

The purpose of a Power of Attorney for Personal Care is to provide instructions regarding your medical care if you were to become incapacitated and unable to state your wishes. This document may indicate the type of treatment you may or may not wish to receive. It should also be created with the assistance of a qualified legal advisor and discussed with your family physician and family members.

Powers of Attorney are very important documents to have in place, particularly in the event that you were to become incapacitated or otherwise unable to manage your affairs on your own.

If you do not have a named attorney to act on your behalf, it may be necessary to apply to the courts for the appointment of someone to attend to your affairs.

Finding:

- You have indicated that although you have Wills and Powers of Attorney in place, they are outdated and do not reflect your wishes, and may need to be reviewed and updated.

Recommended Actions:

- We recommend that you review your Wills and Powers of Attorney with a qualified legal advisor, and update them as necessary.
- We recommend that you meet with our Will and Estate Consultant to review your Wills and overall Estate plan.
- We recommend that you review your legal documents on a regular basis.

Your Estate Planning

Estate Planning Advice and Strategies to Consider:

Through our analysis we have identified the following advice and strategies that would likely enhance the effectiveness of your overall estate plan.

Appointing a Professional Executor

An important decision to make when updating your Wills is choosing your executor.

Settling an estate can be a very time consuming and complicated process. You will want to ensure you choose someone who you trust and has the required time, knowledge and desire to carry out the required work. Naming someone as your executor who is not able or does not have the time or expertise to settle the estate can be a disservice to them and to your beneficiaries.

As a result of owning a business, settling John's estate may involve additional complexities. A more complicated estate could result in a greater risk of errors, missed tax planning opportunities, and other issues for an inexperienced executor to address.

Settling an estate for any family can often involve complex family dynamics. There is also the potential for dispute or scrutiny of the executor's decisions. Having an unrelated and objective professional who is familiar with the estate settlement process can often minimize conflicts within family members and remove the pressure or stress involved for the children who would otherwise be responsible for administering the estate.

Duties of an Executor	
Take Preliminary Steps	• Read and interpret Will and meet with family; • Safeguard all assets; • Communicate with all beneficiaries in the Will; • Review the estate settlement and administration process with the beneficiaries.
Protect Estate Assets	• Review insurance required on estate assets; • Ensure on-going management of private business; • Protect real estate.
Assemble Inventory and Value Assets	• Write to financial institutions; • Notify Investment Advisors, bankers, business associates; • Complete claims for life insurance, & company & government pensions; • Value investments, collect income and manage investments; • Value real estate, business, cars, household and personal effects; • Prepare inventory of assets and liabilities; • File notice of closure of inventory with Registrar.
Administer Estate	• Close bank, investment accounts, safety deposit boxes, collect insurance proceeds; • Arrange for the residence(s) to be emptied, locks changed and the property sold, if necessary; • Register assets in estate's name; • Arrange for sale of business and/or real estate if required; • Deliver household and personal effects bequeathed to beneficiaries; • Convert assets to cash to pay off debts and taxes if necessary; • Prepare and file income tax returns; • Maintain all necessary tax and financial records; • Obtain tax clearance from the Canada Revenue Agency and discharge debts.
Distribute Estate	• Pay legacies, other bequests, and residue of estate; • Establish trust(s) per instructions in the Will; • Submit full accounting to beneficiaries and obtain release; • File notice of closure of accounting with Registrar; • Act as trustee per instructions in the Will.

Please ask Kevin Gibson for a copy of our publications which provide more information about the executor's role and responsibilities and options with respect to appointing a professional executor.

Recommended Action:

- We recommend that when updating your Wills, you consider appointing a professional executor.

Your Estate Planning

Vacation Property Succession Planning

When you own a vacation property, there are implications on gifting the property during your lifetime or transferring it as part of your estate. The following are three main ways to transfer your vacation property and subsequent issues to consider when choosing the option that best suits your needs and objectives.

Option 1: Give the property away to your intended beneficiaries during your lifetime:

If your children will inherit the property and you expect it to appreciate significantly, consider gifting it to them now. Although these results in a disposition at market value which will trigger accrued capital gains to you today, the future capital gains tax is deferred to your children and probate fees on the vacation property may be avoided in your estate. Also, if the property is *sold* to your children, in some cases you can spread the recognition of the capital gain for tax purposes over five years.

Some of the reasons why you might want to transfer it to them now include:

- You are comfortable giving up ownership & control.
- You are prepared to pay taxes on a disposition at market value today.
- Your use of the property is minimal, and your children regularly use the vacation property.

If you are not prepared to pay the full tax liability on the disposition at market value today but comfortable giving up some ownership and control, you can consider changing title on the property to joint tenancy with right of survivorship (JTWROS). This method may avoid future probate fees, as the property will pass to the other owners directly on the death of any one of the owners. Further, unlike gifting the whole property outright, changing title on the property may only trigger gains on the share of the property that was actually gifted. This will reduce the capital gains tax liability you would otherwise realize if you were to gift the whole property and transfer a portion of the future capital gains to your beneficiaries.

Option 2: Transfer the ownership to an Inter-Vivos Family Trust

Another option is to transfer the vacation property to a trust for the benefit of your beneficiaries. This method allows you to maintain control over the property; however, it also results in a disposition at market value. In addition, every 21 years, there is a deemed disposition at market value of the vacation property within the trust and tax on any accrued gains must be paid at that time.

Some of the reasons why you might want to transfer ownership to an Inter-Vivos Family Trust include:

- You want to maintain control over the property and structure it in such a way that sets clear guidelines on use and maintenance of the vacation property.
- You are prepared to pay taxes on a disposition at market value today.
- You want to control how your beneficiaries' interests in the Trust are treated upon your death.

Your Estate Planning

Option 3: Gift it to your beneficiaries through your Will

Leave the vacation property to one or more family members under the terms of your Will. Some options include granting children the option to buy the property, allowing a child to take the property as part of their share in the estate, or creating a trust to hold the vacation property under the terms of your Will.

Some of the reasons why you might want to transfer the property at death include:

- You want to retain ownership and controls over the use of the vacation property while you are alive.
- You would prefer to have your estate pay any taxes on the disposition of the vacation property, deferring taxes for as long as possible.

Minimizing the Capital Gain

Regardless of the succession planning option chosen, two strategies to minimize capital gains tax on the disposition or deemed disposition of your vacation property are:

- Ensure that vacation property renovation costs are tracked as they add to the cost of the property for tax purposes and will reduce any future capital gain.
- Use your principal residence exemption to reduce or eliminate capital gains tax on the property. Note only one principal residence can be designated per family unit for years after 1981. If the exemption to minimize the capital gains tax is used for the vacation property, then it cannot be used to reduce tax on the disposition of your family home or on any other property related to years after 1981.

Insurance Considerations

Life insurance can be used to pay any capital gains taxes triggered by the disposition of the property when your estate is settled. It also creates a pool of funds to pay children who may not be interested in inheriting the property. In addition, life insurance can be used to provide your children with the money necessary to pay for the maintenance and expenses related to the property. Since your children will benefit from this insurance coverage, consider asking them to pay the premiums.

Recommended Action:

- We recommend that you speak with a qualified tax and / or legal advisor about the different succession planning options for your vacation property.

Your Estate Planning

Taxes upon Death

When you die, there are potential taxes and fees that may be payable by your estate. These generally consist of the following:

- Income Tax Due to the Deemed Disposition Rules: The deemed disposition rules of the Income Tax Act treat all capital property owned by the deceased (including shares of your private corporation) as if it was sold at fair market value immediately prior to death (unless your assets are transferred to a surviving spouse). Therefore, all unrealized capital gains and losses are triggered at that point, potentially resulting in an income tax liability.

- Deregistration of Registered Accounts: It is necessary to deregister (i.e. collapse) any registered assets such as RRSPs or RRIFs at the point of death. The full value of any registered asset must be included on the deceased's final tax return.

  There are exceptions to this deregistration requirement: If the registered asset is left to the surviving spouse and under certain circumstances to a financially dependent child/grandchild, it can be transferred on a tax deferred basis to the surviving party's own plan.

- U.S. Estate Tax on your U.S. Assets: In addition to the taxes payable in Canada, your estate may also be liable for U.S. estate taxes if the value of your worldwide estate and value of assets considered to be situated in the United States (referred to as "U.S. Situs Assets") exceed a certain threshold amount.

- Estate Tax Issues Related to Your Private Corporation: Individuals owning shares in a private corporation at death can be subject to double-taxation. First, there is tax on the capital gain, if any, resulting from the deemed disposition at death of the shares of the private corporation owned by the shareholder. Second, on the actual sale of the underlying capital property within the private corporation there is tax to pay on any gains realized. It may be possible to defer or eliminate this potential double tax if the shares of the company were to pass to a spouse or a spousal trust, or if the private corporation was wound up within the first taxation period of the estate. In our estate calculations, we assume that your private corporation will be liquidated upon your death, and the net proceeds, after-tax, in the company will be paid to your beneficiaries during the first taxation year of your estate. Be aware, however, that the actual taxes will differ from that shown if these actions are not taken during that one year time frame.

- Probate Fees: Upon death, the executor of your estate will typically be required to file for probate with the provincial court. The executor of your estate must submit the original Will and an inventory of your assets. With the executor's submission to the court, he/she must also remit a probate fee. This fee is based on the total value of the assets that flow through the Will.

New Brunswick	Probate Fee
Up to $5,000	$25
$5,001 - $10,000	$50
$10,001 - $15,000	$75
$15,001 - $20,000	$100
More than $20,000	$5 per $1,000, or part thereof

For example, an estate of $1,000,000 would be subject to $5,000 of probate fees.

Note that we have not considered probate fees or U.S. estate taxes in our projections.

Your Estate Planning

Projected Estate Analysis - Over Time

We will now provide an estimate of the expected change in the value of your estate, known as *“estate impact”*. Your estate impact can be “estate shrinkage”, due to taxes payable upon death and estate expenses, or “estate enhancement”, when your insurance benefits exceed the additional taxes and expenses payable on death in a given year. The calculation of “estate impact” consists of comparing the total of income taxes payable and estate expenses to the amount of insurance coverage in place at death.

The following table illustrates the amount your estate would be impacted if you both were to die in 2022, 2033, 2044, 2055, and 2066:

	2022	2033	2044	2055	2066
Non-Registered Investments					
Non-Registered Portfolio	**1,083,529**	**0**	**0**	**0**	**0**
Registered Investments					
RRSP	1,122,671	2,120,526	3,439,541	2,937,624	1,448,004
LIRA	68,250	116,731	189,340	161,710	79,710
TFSA	173,250	475,322	991,967	1,875,606	3,386,928
Subtotal	**1,364,171**	**2,712,579**	**4,620,848**	**4,974,940**	**4,914,642**
Business Holdings					
JT Technologies Inc.	**5,565,161**	**7,605,180**	**8,961,210**	**12,235,722**	**17,404,789**
Lifestyle Assets					
Principal Residence	1,530,000	1,902,363	2,365,349	2,941,014	3,656,781
Cottage	790,500	982,887	1,222,097	1,519,524	1,889,337
Subtotal	**2,320,500**	**2,885,250**	**3,587,446**	**4,460,538**	**5,546,118**
Liability					
Mortgage	**(248,539)**	**0**	**0**	**0**	**0**
Projected Net Worth	**$10,084,822**	**$13,203,009**	**$17,169,504**	**$21,671,200**	**$27,865,549**
Estate Impact					
CPP Death Benefits	5,000	5,000	5,000	5,000	5,000
Personal Insurance Proceeds	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Personal Income Taxes	(2,950,561)	(4,336,200)	(5,846,131)	(7,031,105)	(8,278,204)
Corporate Insurance and Taxes	697,099	1,194,522	1,357,818	2,068,013	3,112,202
Funeral Expenses	(30,000)	(37,302)	(46,380)	(57,666)	(71,702)
Total Estate Impact	**($1,278,462)**	**($2,173,980)**	**($3,529,693)**	**($4,015,758)**	**($4,232,704)**
Final Estate	**$8,806,360**	**$11,029,029**	**$13,639,811**	**$17,655,442**	**$23,632,845**

As you can see in the above table, as your final estate increases, so does the subsequent estate tax liability.

Please note that the positive values in the corporate taxes section are attributed to large RDTOH balances in your private corporation. The refundable taxes in that notional account are assumed to be received back by the shareholder during the year of death. As a result, our projections indicate a net positive impact to your estate from liquidating your corporate assets in those years.

Your Estate Planning

In estimating the taxes payable on death relating to your private shares, we have assumed that the shares would be redeemed by the corporation.

Please note that we have not included the commuted value of your pension plan in your estate analysis calculation.

We recommend that you consult with a qualified tax advisor to review the projected estate tax liability analysis (estate shrinkage) prior to implementing the advice and recommended actions included in this section. These amounts are stated for illustration purposes only. The actual impact on your estate may vary from what we have illustrated as many factors and financial variables can impact these results. A more in depth analysis with a qualified tax advisor is strongly recommended.

Findings:

- The impact of estate shrinkage will be highest in 2066, at approximately $4,233,000. This represents the amount by which your estate may be reduced upon the death of the second spouse.
- Throughout your lifetimes the minimum net value of your estate is projected to be approximately $8,806,000.

Recommended Action:

- We recommend that you review this content with a qualified tax professional, Kevin Gibson, and a licensed insurance specialist to discuss insuring against any estate shrinkage.

Your Estate Planning

Corporate Wealth Transfer

You have surplus cash invested in your corporation, a desire to leave assets to your beneficiaries, and would like to examine ways to maximize the funds available to your estate.

A Corporate Wealth Transfer strategy would allow you to transfer the value of your surplus corporate investments to your beneficiaries with little or no tax.

How it works
This strategy requires your corporation to use its surplus cash to purchase a life insurance policy. By replacing the taxable investments with a life insurance policy, you will increase the funds available to your beneficiaries when you die, reduce the amount of current and future tax your corporation pays, and benefit from a mechanism to move funds out of your corporation tax free when you die.

During your lifetime
To implement this strategy, your corporation would purchase a life insurance policy on your life and be named as beneficiary of the policy. The corporation then deposits funds into the policy in excess (certain maximums apply) of what is needed to pay the policy charges, creating cash value. This cash value accumulates on a tax deferred basis, increasing the death benefit payable under the policy.

Upon death
When you die, your corporation receives the proceeds of the policy tax free. The corporation receives a credit to its capital dividend account for the amount of the life insurance proceeds, less the insurance policy's adjusted cost basis. Dividends can be paid tax free to your estate out of the capital dividend account. The remaining balance will be paid as a taxable dividend.

The result is that you benefit from tax efficiencies during your life time and your estate is maximized at the time it is transferred to your beneficiaries.

The following illustration is for information only and is meant to demonstrate the benefit of the Corporate Wealth Transfer Strategy. The specifics of this strategy will differ based on your age, health, initial investment, current investment rates, personal marginal tax and corporate tax rates.

Assumptions Used:	
Couple: Male age 55 and Female age 55	
Corporate Tax Rate: 51.7%	
Personal Dividend Tax Rate: 38.8%	
Savings / Deposits for the next 10 years: $50,000 / year	
Corporate Investment Portfolio	**Corporate Wealth Transfer Strategy**
Investor Profile: Balanced – 5.00%	Investor Profile: Balanced – 3.50%*
	Insurance Policy: Permanent Life
	Owner and Beneficiary: Corporation
	Initial Death Benefit: $1,250,000

* The rate of return has been reduced in order to reflect any applicable management fees.

Your Estate Planning

		Corporate Investment Portfolio		Corporate Wealth Transfer Strategy				
Year	**Ages**	**Annual Deposit**	**Net Estate Value**	**Annual Deposit**	**Account Value**	**Death Benefit**	**CDA Credit**	**Net Estate Value**
1	56/56	$50,000	$32,079	$50,000	$35,986	$1,285,986	$1,236,821	$1,266,910
5	60/60	$50,000	$176,224	$50,000	$193,463	$1,443,463	$1,200,575	$1,349,222
10	65/65	$50,000	$396,308	$50,000	$454,220	$1,704,220	$1,226,721	$1,518,950
15	70/70	$0	$492,188	$0	$504,815	$1,754,815	$1,305,817	$1,580,604
20	75/75	$0	$606,067	$0	$570,247	$1,820,247	$1,418,395	$1,664,329
25	80/80	$0	$741,681	$0	$654,867	$1,904,867	$1,572,780	$1,776,017
30	85/85	$0	$903,609	$0	$764,303	$2,014,303	$1,781,990	$1,924,166
35	90/90	$0	$1,097,479	$0	$905,833	$2,155,833	$2,058,229	$2,117,963
40	**95/95**	**$0**	**$1,330,218**	**$0**	**$1,088,867**	**$2,338,867**	**$2,338,867**	**$2,338,867**

Benefit of using the Corporate Wealth Transfer Strategy: **$1,008,649**

Source: as of August 1, 2021 – joint last-to-die universal life.

In the illustration provided above, implementing the Corporate Wealth Transfer strategy increased the client's total estate value by approximately $1,009,000 at age 95. This is mainly attributable to the tax-free investment growth in the tax-exempt insurance and the death benefit provided by the life insurance and the tax-free dividend through the CDA.

The Net Estate Value is the after-tax amount received by your beneficiaries assuming the corporation is liquidated at death.

With a Corporate Investment Portfolio, the underlying investments would first be liquidated and the balance, net of applicable taxes, would be withdrawn by means of taxable dividends. If there is a CDA balance, this amount would be paid as a non-taxable dividend.

For the Corporate Wealth Transfer Strategy, the CDA Credit may be withdrawn tax-free. The difference between the CDA credit and the life insurance death benefit, due to the insurance policy's adjusted cost basis, may be withdrawn as a taxable dividend. Over time, there is a convergence where the full death benefit of the life insurance is credited to the CDA and the entire amount can be withdrawn tax-free.

Since this strategy requires life insurance coverage, you must qualify or be eligible for life insurance to implement this solution.

Recommended Action:

- As you appear to have investable assets within your corporation that will continue to grow and are not required to fund your day to day living expenses, we recommend that you speak with a licensed insurance specialist to explore the benefits of the Corporate Wealth Transfer strategy.

Final Word

Congratulations on taking this important step toward better understanding your finances and helping to ensure that your financial objectives are achieved.

Your financial plan has been prepared entirely from the information you provided in your confidential questionnaire. As you read through this report you may discover new opportunities to increase your wealth, serious gaps in your insurance coverage or pleasant surprises in store for the future if you continue to manage your finances wisely.

It is important that you understand that although this report is a thorough analysis of your current finances it should only be viewed as a starting point in the planning process. I would be happy to assist you with the next step in this process, which requires your evaluation and implementation of the report recommendations. You should bear in mind that the legal and tax aspects of this report are recommendations only and do not constitute tax and legal advice. Therefore, I would suggest that you review the relevant recommendations with your tax and/or legal advisors prior to implementation.

Remember that one of the biggest problems you face in achieving your objectives is time. The longer you wait before you act the more difficult it will be to achieve your objectives. It is also important that you recognize that even the most effective financial plans should be continuously updated. This is particularly true if your life undergoes a major change.

I am available to assist you in the evaluation and implementation of the investment and insurance component of your financial plan. I can also refer you to professionals capable of assisting you in the execution of the estate and tax components of this report.

Kevin Gibson
Investment Advisor

Please Remember...

The Client hereby acknowledges that a RBC Dominion Securities Inc. ("RBC DS") authorized representative has prepared this financial planning report, including general recommendations, based on the information provided by the Client or gathered from third party upon Client consent and the assumptions made regarding tax, inflation, mortality and rates of return set out in the report. Over time, your financial objectives will change, and markets and interest rates may not perform as expected. As the future cannot be forecast with certainty, actual results may vary from these projections. Accordingly, recommendations may change over time with changes to your personal or financial situation, and changes in financial markets.

The Client also acknowledges that they reviewed the "Financial Assumptions", as well as the Net Worth and Cash Flow Statements, and that the information contained therein accurately reflects their financial situation.

The analyses, projections and matters for discussion produced in the financial planning report are provided for your general guidance and benefit, and are based on information regarding the personal circumstances, goals and objectives which you provided to us. The validity and relevance of the financial planning report as it applies to you is entirely dependent on the completeness and accuracy of this information. We have neither reviewed nor otherwise attempted to verify the accuracy or completeness of this information. You should consult your RBC advisor when planning to implement any aspect of the financial planning report to ensure that action is taken on the latest available financial information and to ensure the report is still relevant given your circumstances at that time. RBC DS has made every reasonable effort to ensure accurate calculations; however, we cannot guarantee them. While RBC DS believes the financial information contained in the financial planning report to be accurate as at the time it is produced, the Client acknowledges that interest rates, market conditions, special offers, tax rulings and other investment factors are subject to rapid change. Therefore, your personal financial plan should be reviewed and updated periodically to adjust for changing circumstances.

Your personal financial plan is designed to assist you in evaluating your current financial situation and determine your ability to achieve your objectives for the future. All final decisions relating to your investment strategies, cash flow management, and/or any recommendation in the report are yours. Consultation with your lawyer, accountant or other professional advisor is recommended.

RBC DS is registered as an investment dealer and a financial planning firm (where applicable) with the appropriate provincial regulatory body. The financial planning report prepared by RBC DS is not intended as a solicitation to purchase specific investments.

Summary of Recommended Actions

Meet with Kevin Gibson to discuss	Time Frame	Completed
Holding a greater proportion of your U.S. individual stocks in your corporate investment portfolio.	Within 3 months	☐
Evaluating your asset mix and any tax efficiencies to determine if any adjustments are necessary.	Annually	☐
Maximizing your annual RRSP contributions.	Annually	☐
Maximizing your TFSA contributions.	Annually	☐

Meet with Kevin Gibson and a qualified tax advisor to discuss	Time Frame	Completed
Converting your financial assets to income in the most tax efficient and effective method.	Annually	☐
Determining the appropriate mix of taxable and capital dividends payable from your private corporation.	Annually	☐
Withdrawing money from a private corporation using an optimal blend of salary and dividends.	Annually	☐
Reviewing your corporate investment portfolio to limit the impact that passive investment income may have on the small business deduction.	Annually	☐
Reviewing potential income tax implications of receiving funds from a private corporation.	When Applicable	☐

Meet with Kevin Gibson and a licensed insurance specialist to discuss	Time Frame	Completed
Maximizing the funds available to your estate through the use of a corporate wealth transfer strategy.	Within 6 months	☐

Meet with Kevin Gibson and a licensed insurance specialist and a qualified tax advisor to discuss	Time Frame	Completed
Insuring against any estate shrinkage expected over the projection period.	Within 3 months	☐

Meet with Kevin Gibson and a qualified legal advisor to discuss	Time Frame	Completed
Updating your Wills and Powers of Attorney.	As soon as possible	☐
Appointing a professional executor in your Wills.	Within 3 months	☐
Reviewing your legal documents.	Every 5 years	☐

Meet with Kevin Gibson and a qualified tax and legal advisor to discuss	Time Frame	Completed
Reviewing the options for passing on your vacation property to future generations.	Within 6 months	☐