PERSONAL
RETIREMENT OPTIMIZER

Prepared for Mr. Peter Client, Mrs. Diane Client
September 24, 2010

Jean Le Conseiller
Conseiller en sécurité financière
Bons conseils et associés
1234, rue du Conseil
Montréal(Québec)
Telephone:514-555-5555
Fax:514-555-5555

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September 24, 2010

Mr. Peter Client, Mrs. Diane Client

Personal Retirement Optimizer and Estate Analysis

Imagination serving your well-being!

This document is the result of a series of calculations applied to your personal situation. The information contained in this simulation is taken from the interview that we conducted.

PRO and Estate is specially designed for those who want to properly prepare themselves for retirement and analyzed there tax liability upon death.

For the retirement perspective, the simulation evaluates your standard of living now and at retirement, and, with the help of tools and original calculations, establishes the optimum method of withdrawing your investments with the goal of maintaining your standard of living objective. The projections are made using assumed rate of return, inflation and income increases.

On the estate side, the application identifies and isolates taxable assets at death and applies a different treatment whether they are rolled over to the spouse or not. In addition to accountancy all life insurance policies, PRO and Estate calculates each years the latent income tax in relation with withdrawals, deposits, growth and future transactions.

With PRO and Estate, it is now possible to forecast with a comfortable level of precision the tax liability by simulating the reputed disposition of all assets each year. Depending on the outcome, we will be in a position to recommend right away some reliable strategies to help you fulfill your retirement and estate objectives.

Regards,

* Warning: The results of this simulation are based on information provided to us. We ensure the fiscal legitimacy and accuracy of mathematical calculations used in the simulation, but are not able to verify specific data included in this document.
The returns used for this simulation are not guaranteed and all future projections are included as a general guide and do not represent a prediction of your financial future.

Jean Le Conseiller
Conseiller en sécurité financière
Bons conseils et associés

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Summary

PERSONAL INFORMATION	Client	Spouse
Name:	Mr. Peter Client	Mrs. Diane Client
Date of Birth:	7/25/1956	4/7/1960
Current age:	54	50
Retirement age:	64	60
FINANCIAL INFORMATION		
Current gross annual income:	$54,600	$42,600
Expected annual contributions to RRSP:	$8,400	$6,000
Annual deposit to the TFSA:		
Annual deposit to non-registered savings:		
Current standard of living	$56,100	$41,928
Desired standard of living after retirement with inflation:	$60,950	$60,950
ASSUMPTIONS		
Inflation rate:	2.0 %	2.0 %
Rate of increase in income until retirement:	2.0 %	2.0 %
RRSP Investment returns before retirement	6.0 %	6.0 %
RRSP Investment returns after retirement	6.0 %	6.0 %
Return on non-registered investments before retirement	5.0 %	0.0 %
Return on non-registered investments after retirement	5.0 %	0.0 %
Holding company provided yield rate before retirement	5.0 %	5.0 %
Holding company provided yield rate after retirement	5.0 %	5.0 %
Locked-In account rate before retirement	5.0 %	5.0 %
Locked-In account rate after retirement	5.0 %	5.0 %

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Statement of net worth
According to data received as at:
September 24, 2010

ASSETS	Client	Spouse	Couple
Investments			
Non-registered investments	$0	$16,000	$16,000
Registered investments	$106,603	$72,787	$179,390
Holding Company	$240,000	$140,000	$380,000
Real estate			
Principal residence	$150,000	$150,000	$300,000
Rental Properties			
Other Assets			
Total assets	**$496,603**	**$378,787**	**$875,390**

LIABILITIES	Client	Spouse	Couple
Mortgages			
Other liabilities			
Total Liabilities			**$0**
Net worth	**$496,603**	**$378,787**	**$875,390**

Current standard of living

Calculation of the current standard of living	Effective tax rate *		Before tax		After tax	
Current income	**Client**	**Spouse**	**Client**	**Spouse**	**Client**	**Spouse**
Gross employment income (average annual bonus included)			$54,600	$42,600		
Net income from rental properties			$0	$0		
Other taxable income			$0	$0		
Government benefits			$0	$0		
Registered annuity			$0	$0		
Prescribed annuity			$0	$0		
Defined benefit pension plan			$0	$0		
Taxable dividends (before gross-up)			$12,000	$8,000		
holding company dividends			$0	$0		
Investment income			$0	$0		
Minimum withdrawals from RIF			$0	$0		
Subtotal			**$66,600**	**$50,600**		
Personal contributions to the QPP / CPP / E.I. / DBPP / Union			($2,100)	($2,672)	($2,100)	($2,672)
Personal contributions to an RRSP / RPP			($8,400)	($6,000)	($8,400)	($6,000)
Tax savings			$0	$0	$4,032	$3,330
Total taxable income	**23.8 %**	**20.1 %**	**$56,100**	**$41,928**	**$41,589**	**$33,396**
Annual savings			$0	$0	$0	$0
Investment income reinvested			$0	$0	$0	$0
Non Taxable income			$0	$0	$0	$0
Amount from your investment income used to maintain your standard of living			$0	$0	$0	$0
Total current standard of living			**$56,100**	**$41,928**	**$41,589**	**$33,396**

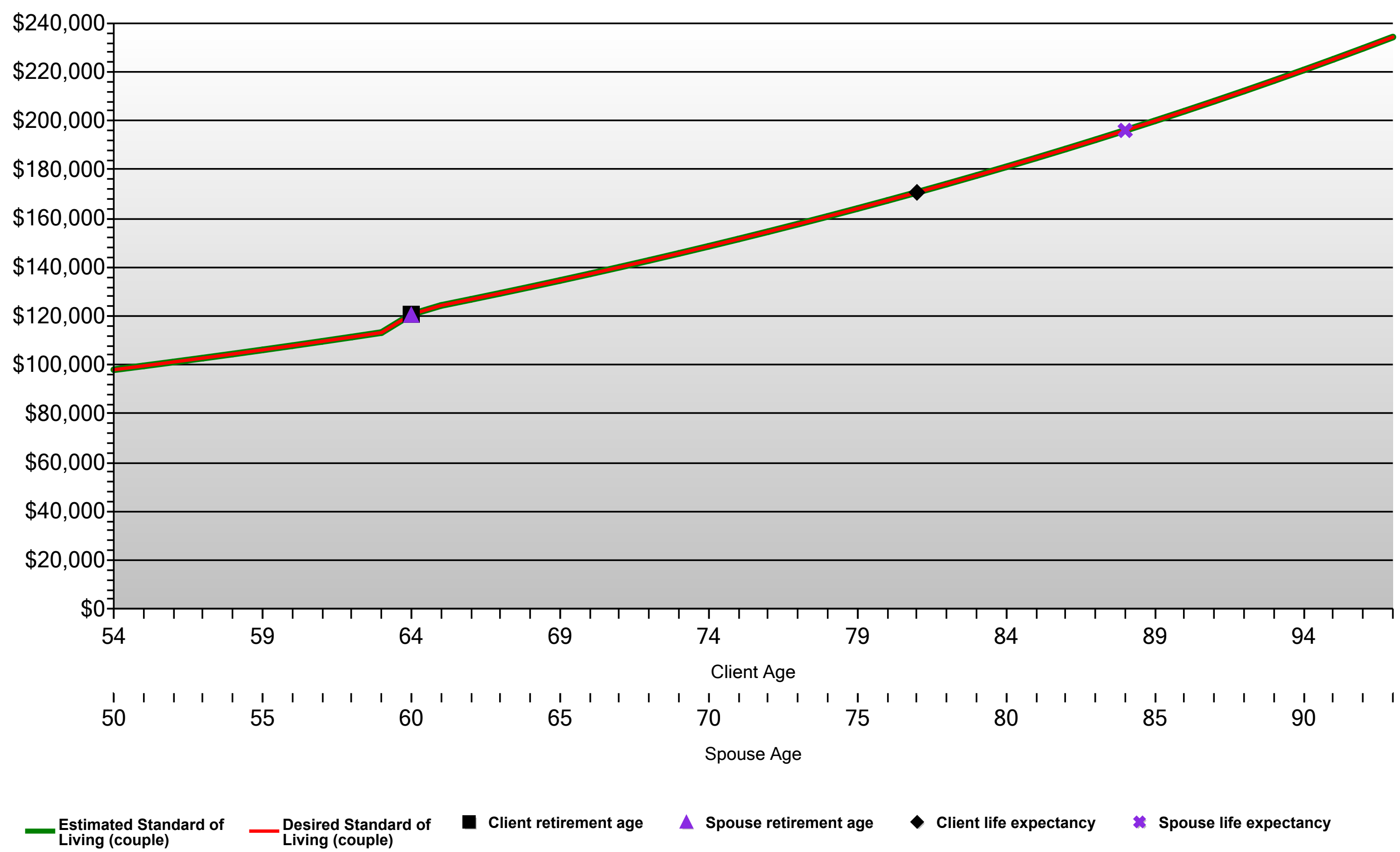
* The effective tax rate is calculated after dividend gross-up and includes investment income (interest)

After retirement standard of living objective, current scenario

Calculation of the standard of living objective at retirement	Before tax		After tax	
	Client	Spouse	Client	Spouse
Current standard of living	**$56,100**	**$41,928**	**$41,589**	**$33,396**
Change in current spending				
End of liability payments	$0	$0	$0	$0
Standard of living after retirement before inflation	**$56,100**	**$41,928**	**$41,589**	**$33,396**
Standard of living after retirement (with 2% inflation)	**$68,386**	**$51,110**	**$50,697**	**$40,709**
Standard of living chosen by you, the client (with 2% inflation)	**$60,950**	**$60,950**	**$44,838**	**$44,838**

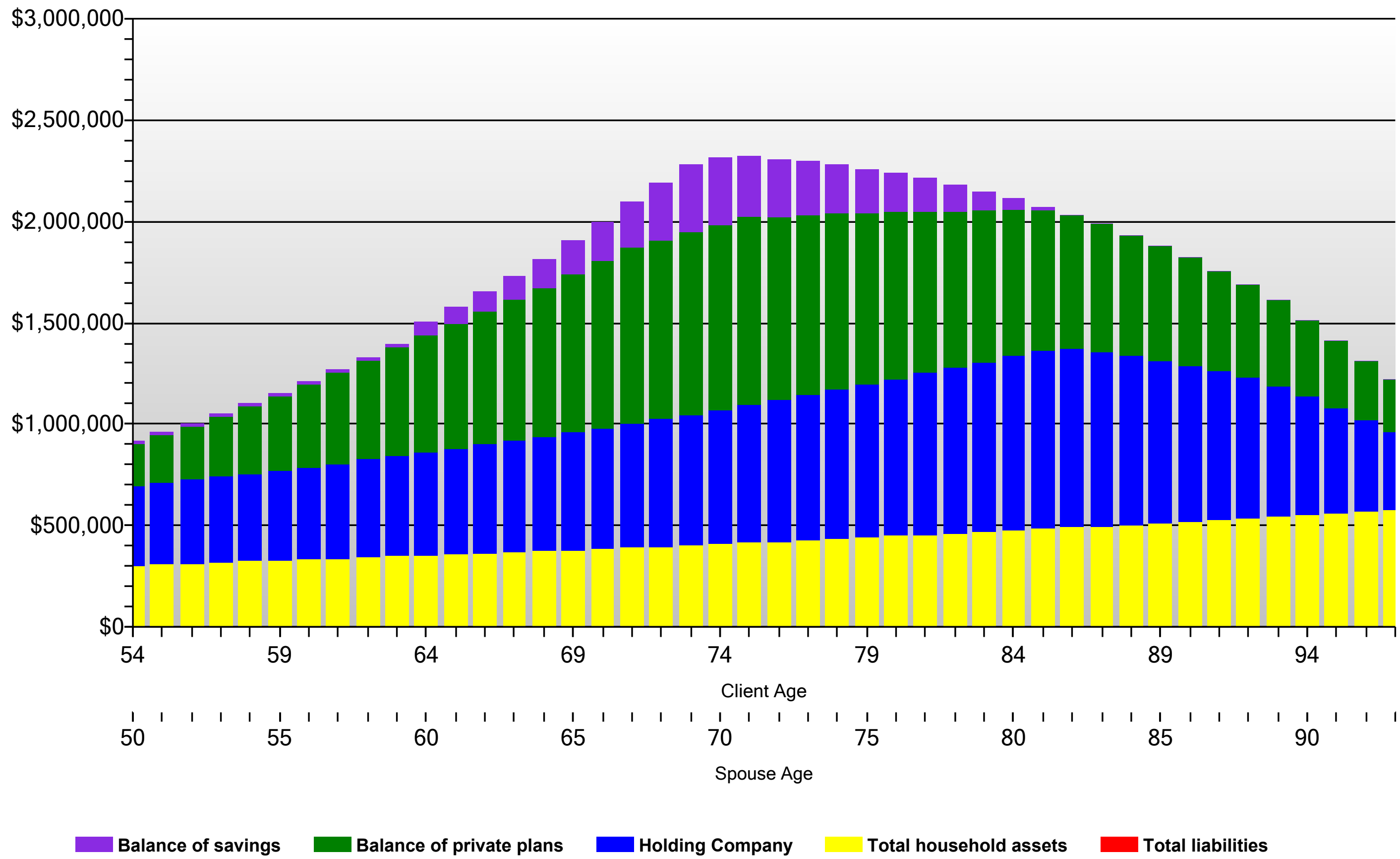
Mr. Peter Client, Mrs. Diane Client

Standard of living simulation at retirement, current scenario



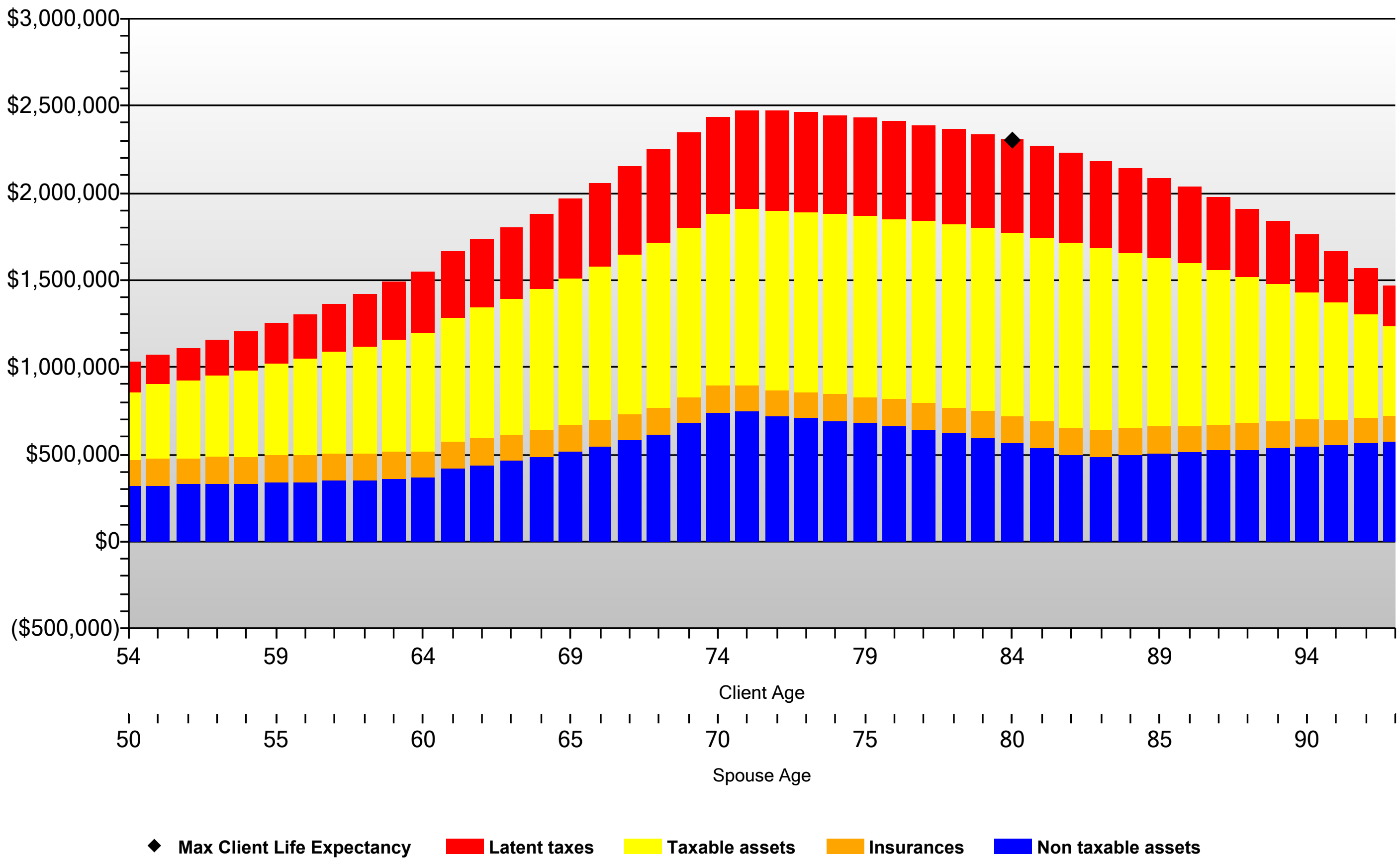
Mr. Peter Client, Mrs. Diane Client

Balance sheet simulation, current scenario



Mr. Peter Client, Mrs. Diane Client

Family estate simulation, current scenario



Optimizations

List of selected optimizations	Description
Increase RRSP Contributions	The RRSP remains one of the most efficient retirement planning tools. RRSP contributions allow you to reduce your taxable income (deduction) and the growth within the plan remains tax sheltered. In the optimized scenario, we have modified your RRSP contribution (see commentary for details) to help you reach your retirement goal or at least, close the gap between the objective and the current situation.
Maximize TFSA usage	A TFSA is a flexible savings tool that Canadian residents can contribute to each year and then withdraw the funds at their discretion in order to meet any need. Individuals can deposit amounts in the TFSA throughout their adult life and are not required to make withdrawals at any given age. It is also possible to contribute to your spouse's TFSA without breaking the income attribution rules. This optimization allows for an increase in your TFSA contributions and the pooling of both spouses' savings, which increases this tool's potential efficiency.
Income Splitting	In 2007, new income tax regulations regarding retirement income splitting between spouses came into effect. They basically consists of transferring income to the spouse with the lowest effective tax rate. In certain cases, this strategy could reduce the couple's tax burden, allowing each individual to obtain the pension revenue credit and recover the OAS. The income splitting takes place each year when the income tax returns are completed.
Estate Optimization	The latent income taxes arise as a result of the deemed disposition on taxable assets such as registered funds, shares of a private company or real estate (other than principal residence). If you choose to rollover all of your assets to your spouse, the ultimate taxation will take place when the survivor spouse dies. One of your objectives is to reduce the income tax at death and preserve the integrity of the family estate. In this respect, you may want to protect your estate and have adequate financial resources to pay the bill. If such is the case, it is usually recommended to apply for a "last -to-die" insurance policy. This strategy will provide a tax free lump sum; it will secure your estate and enable you to leverage your estate.

Comments (Retirement)
In the current scenario, we assumed that the business is sold outside the family unit.
In the optimized scenarion, we've simulated an estate freeze:
The result of that transaction is $600,000 worth of preferred shares for Peter and $400,000 worth of preferred shares for Diane.
These shares will pay an annual dividend of 2%.
In the simulation, this money is partly used to take advantage of the unused RRSP contribution ($4,000 added for each).
At the age of retirement, the preferred shares are bought by Dylaun at a pace of 1/10 per year.

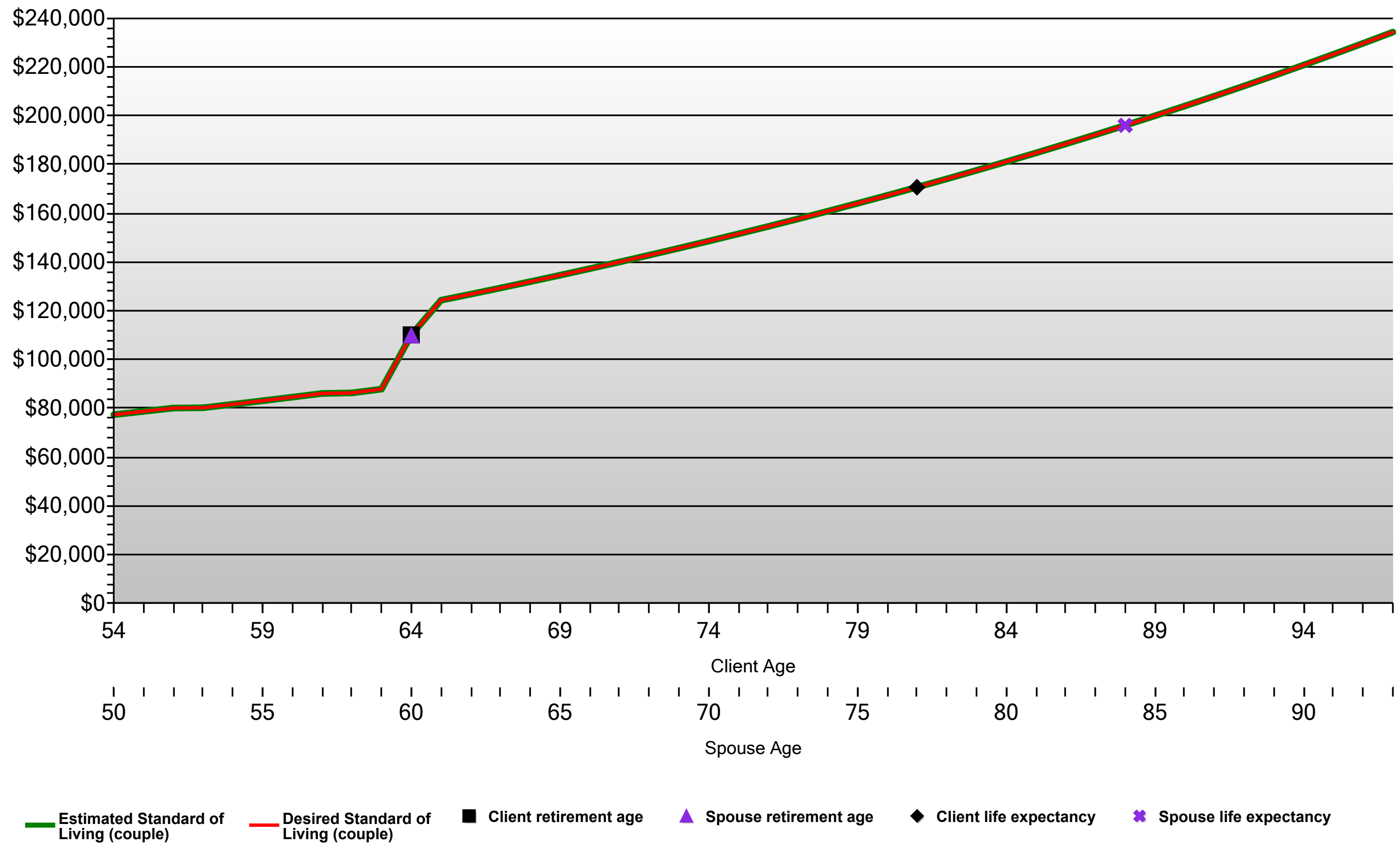
Comments (Retirement)

(See full analysis for more details)

Comments

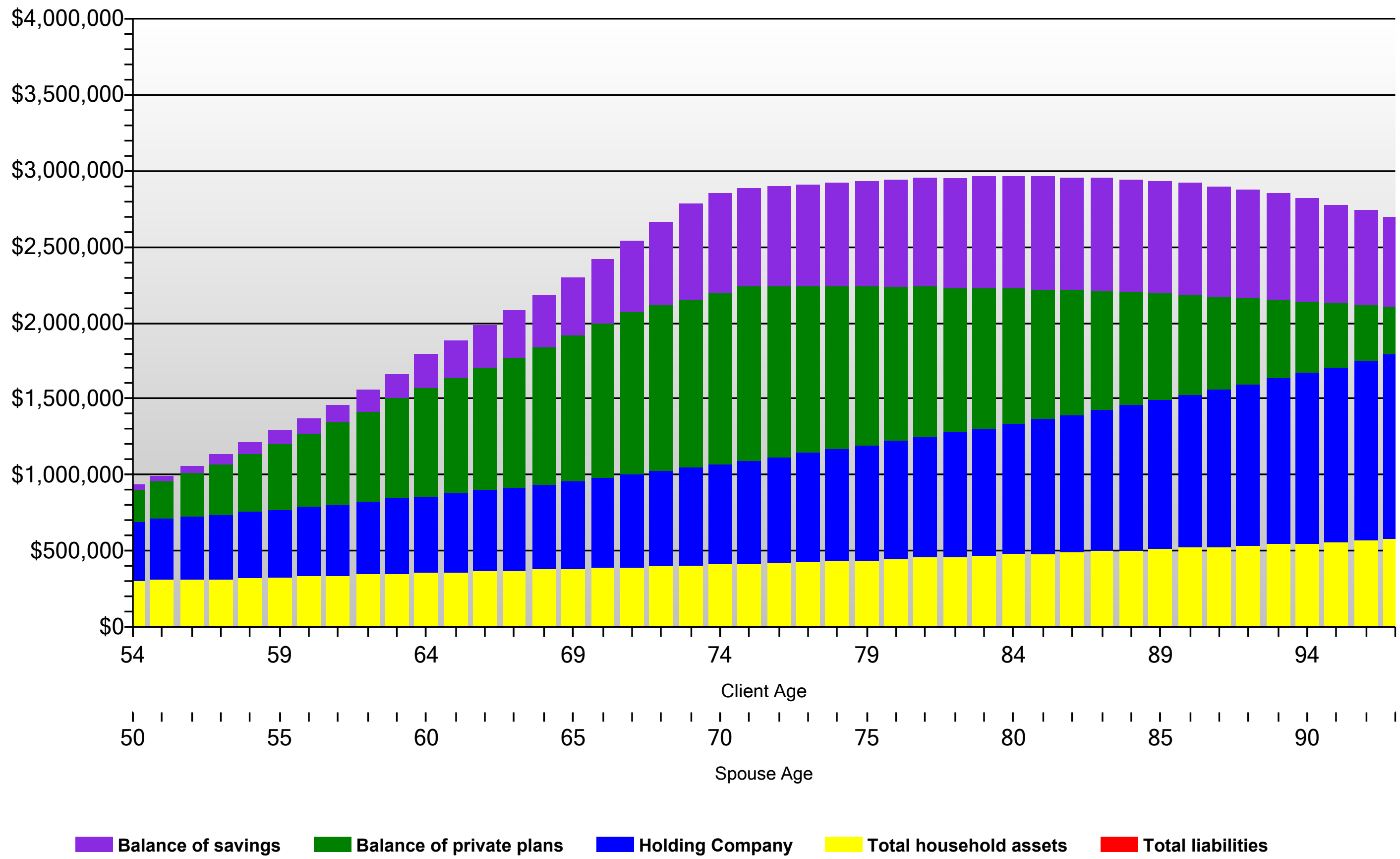
Mr. Peter Client, Mrs. Diane Client

Standard of living simulation at retirement, optimized scenario



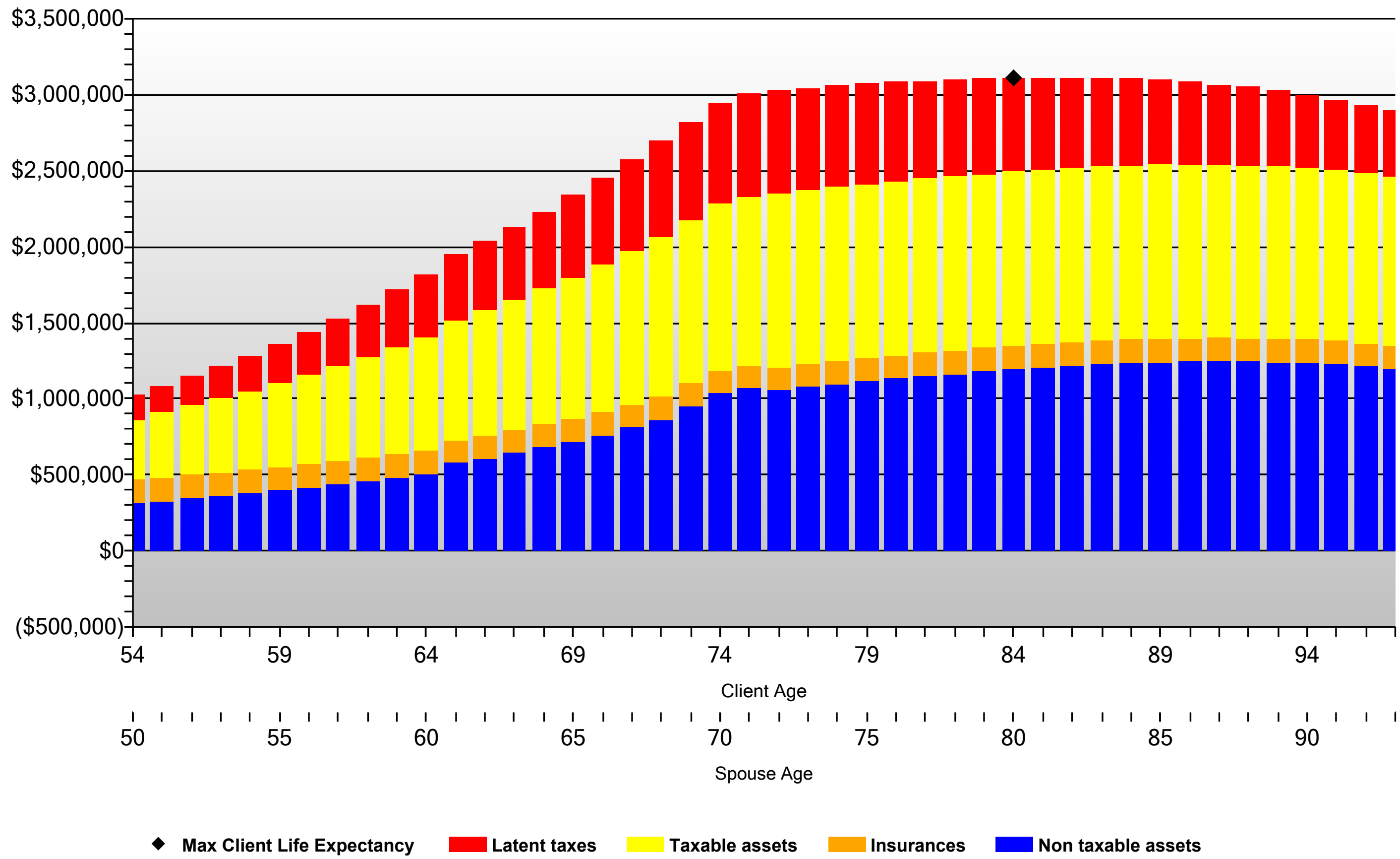
Mr. Peter Client, Mrs. Diane Client

Balance sheet simulation, optimized scenario



Mr. Peter Client, Mrs. Diane Client

Family estate simulation, optimized scenario



Mr. Peter Client, Mrs. Diane Client

Income projection, optimized scenario

Age (Mr.)	Age (Mrs)	Gross employment income	Other income[1]	Total government benefits	Registered savings	Non-taxable withdrawals	Gross Withdrawals	Contributions to different plans	Estimated standard of living	Standard of living to maintain	Income surplus (deficit)
54	50	$97,200	$20,000	$0	$0	$0	$0	$39,812	$77,388	$77,388	$0
55	51	$99,144	$20,000	$0	$0	$0	$0	$40,414	$78,730	$78,730	$0
56	52	$101,127	$20,000	$0	$0	$0	$0	$41,027	$80,100	$80,100	$0
57	53	$103,149	$20,000	$0	$0	$0	$0	$42,933	$80,216	$80,216	$0
58	54	$105,212	$20,000	$0	$0	$0	$0	$43,575	$81,637	$81,637	$0
59	55	$107,317	$20,000	$0	$0	$0	$0	$44,228	$83,089	$83,089	$0
60	56	$109,463	$20,000	$0	$0	$0	$0	$44,892	$84,571	$84,571	$0
61	57	$111,652	$20,000	$0	$0	$0	$0	$45,572	$86,080	$86,080	$0
62	58	$113,885	$20,000	$0	$0	$0	$0	$47,582	$86,304	$86,304	$0
63	59	$116,163	$20,000	$0	$0	$0	$0	$48,297	$87,866	$87,866	$0
64	60	$51,547	$8,929	$10,700	$0	$42,881	$53,026	$14,133	$110,070	$110,070	$0
65	61	$0	$0	$23,573	$0	$83,010	$100,765	$0	$124,337	$124,337	$0
66	62	$0	$0	$28,506	$0	$80,020	$98,318	$0	$126,824	$126,824	$0
67	63	$0	$0	$29,076	$0	$81,102	$100,284	$0	$129,361	$129,361	$0
68	64	$0	$0	$29,658	$0	$82,035	$102,290	$0	$131,948	$131,948	$0
69	65	$0	$0	$36,359	$0	$77,132	$98,228	$0	$134,587	$134,587	$0
70	66	$0	$0	$39,373	$0	$76,280	$97,906	$0	$137,279	$137,279	$0
71	67	$0	$0	$40,160	$0	$77,141	$99,864	$0	$140,024	$140,024	$0
72	68	$0	$0	$40,964	$45,565	$40,612	$56,296	$0	$142,825	$142,825	$0
73	69	$0	$0	$41,783	$45,340	$42,047	$58,558	$0	$145,681	$145,681	$0
74	70	$0	$0	$42,618	$45,120	$43,470	$60,857	$0	$148,595	$148,595	$0
75	71	$0	$0	$43,471	$44,896	$44,238	$63,200	$0	$151,567	$151,567	$0
76	72	$0	$0	$44,340	$87,063	$15,664	$23,194	$0	$154,598	$154,598	$0
77	73	$0	$0	$45,227	$86,596	$17,434	$25,867	$0	$157,690	$157,690	$0
78	74	$0	$0	$46,132	$86,161	$19,205	$28,551	$0	$160,844	$160,844	$0
79	75	$0	$0	$47,054	$85,737	$20,993	$31,269	$0	$164,061	$164,061	$0
80	76	$0	$0	$47,995	$85,353	$22,778	$33,994	$0	$167,342	$167,342	$0
81	77	$0	$0	$48,955	$84,875	$24,652	$36,858	$0	$170,689	$170,689	$0

1 - Other income includes: Corporate dividends, Part-time employment, Integrated defined benefit plans, Non-integrated defined benefit plans, Registered annuities, Prescribed annuities, Withdrawals from non-registered investments, Net rental income and other income

Mr. Peter Client, Mrs. Diane Client

Income projection, optimized scenario

Age (Mr.)	Age (Mrs)	Gross employment income	Other income[1]	Total government benefits	Registered savings	Non-taxable withdrawals	Gross Withdrawals	Contributions to different plans	Estimated standard of living	Standard of living to maintain	Income surplus (deficit)
82	78	$0	$0	$49,934	$84,391	$26,557	$39,777	$0	$174,102	$174,102	$0
83	79	$0	$0	$50,933	$83,963	$28,449	$42,688	$0	$177,584	$177,584	$0
84	80	$0	$0	$51,952	$83,497	$30,394	$45,687	$0	$181,136	$181,136	$0
85	81	$0	$0	$52,991	$82,997	$32,391	$48,771	$0	$184,759	$184,759	$0
86	82	$0	$0	$54,051	$82,457	$34,446	$51,947	$0	$188,454	$188,454	$0
87	83	$0	$0	$55,132	$81,943	$36,513	$55,149	$0	$192,223	$192,223	$0
88	84	$0	$0	$56,234	$81,403	$38,629	$58,430	$0	$196,068	$196,068	$0
89	85	$0	$0	$57,359	$80,817	$40,810	$61,813	$0	$199,989	$199,989	$0
90	86	$0	$0	$58,506	$80,207	$43,040	$65,275	$0	$203,989	$203,989	$0
91	87	$0	$0	$59,676	$79,579	$45,319	$68,814	$0	$208,069	$208,069	$0
92	88	$0	$0	$60,870	$78,908	$47,663	$72,452	$0	$212,230	$212,230	$0
93	89	$0	$0	$62,087	$78,169	$50,092	$76,219	$0	$216,474	$216,474	$0
94	90	$0	$0	$63,329	$77,391	$52,587	$80,084	$0	$220,804	$220,804	$0
95	91	$0	$0	$64,595	$75,929	$55,600	$84,696	$0	$225,220	$225,220	$0
96	92	$0	$0	$65,887	$69,757	$61,972	$94,080	$0	$229,724	$229,724	$0
97	93	$0	$0	$67,205	$64,430	$67,850	$102,684	$0	$234,319	$234,319	$0
98	94	$0	$0	$68,549	$59,828	$73,309	$110,628	$0	$239,005	$239,005	$0

1 - Other income includes: Corporate dividends, Part-time employment, Integrated defined benefit plans, Non-integrated defined benefit plans, Registered annuities, Prescribed annuities, Withdrawals from non-registered investments, Net rental income and other income

Mr. Peter Client, Mrs. Diane Client

Quebec / Canadian Benefits, optimized scenario

Age (Mr.)	Age (Mrs)	Provincial Pension Plan	Old Age Security Pension	Reimbursement of transfer payments	Total government benefits
54	50	$0	$0	$0	$0
55	51	$0	$0	$0	$0
56	52	$0	$0	$0	$0
57	53	$0	$0	$0	$0
58	54	$0	$0	$0	$0
59	55	$0	$0	$0	$0
60	56	$0	$0	$0	$0
61	57	$0	$0	$0	$0
62	58	$0	$0	$0	$0
63	59	$0	$0	$0	$0
64	60	$10,700	$0	$0	$10,700
65	61	$20,233	$3,339	$0	$23,573
66	62	$20,638	$7,868	$0	$28,506
67	63	$21,051	$8,026	$0	$29,076
68	64	$21,472	$8,186	$0	$29,658
69	65	$21,901	$14,458	$0	$36,359
70	66	$22,339	$17,034	$0	$39,373
71	67	$22,786	$17,374	$0	$40,160
72	68	$23,242	$17,722	$0	$40,964
73	69	$23,707	$18,076	$0	$41,783
74	70	$24,181	$18,438	$0	$42,618
75	71	$24,664	$18,806	$0	$43,471
76	72	$25,158	$19,183	$0	$44,340
77	73	$25,661	$19,566	$0	$45,227
78	74	$26,174	$19,957	$0	$46,132
79	75	$26,698	$20,357	$0	$47,054
80	76	$27,232	$20,764	$0	$47,995
81	77	$27,776	$21,179	$0	$48,955
82	78	$28,332	$21,603	$0	$49,934
83	79	$28,898	$22,035	$0	$50,933
84	80	$29,476	$22,475	$0	$51,952

Mr. Peter Client, Mrs. Diane Client

Quebec / Canadian Benefits, optimized scenario

Age (Mr.)	Age (Mrs)	Provincial Pension Plan	Old Age Security Pension	Reimbursement of transfer payments	Total government benefits
85	81	$30,066	$22,925	$0	$52,991
86	82	$30,667	$23,383	$0	$54,051
87	83	$31,280	$23,851	$0	$55,132
88	84	$31,906	$24,328	$0	$56,234
89	85	$32,544	$24,815	$0	$57,359
90	86	$33,195	$25,311	$0	$58,506
91	87	$33,859	$25,817	$0	$59,676
92	88	$34,536	$26,333	$0	$60,870
93	89	$35,227	$26,860	$0	$62,087
94	90	$35,931	$27,397	$0	$63,329
95	91	$36,650	$27,945	$0	$64,595
96	92	$37,383	$28,504	$0	$65,887
97	93	$38,131	$29,074	$0	$67,205
98	94	$38,893	$29,656	$0	$68,549

Mr. Peter Client, Mrs. Diane Client

Registered portfolio simulation (RRSP/RRIF), optimized scenario

Age (Mr.)	Age (Mrs)	Starting balance	Utilization of unused contribution room	Contribution	Investment income	Desired minimum RRIF withdrawal	Minimum required withdrawal	Withdrawal to cover the desired standard of living	Ending balance
54	50	$179,390	$0	$22,400	$12,107	$0	$0	$0	$213,897
55	51	$213,897	$0	$22,848	$14,205	$0	$0	$0	$250,950
56	52	$250,950	$0	$23,305	$16,455	$0	$0	$0	$290,710
57	53	$290,710	$0	$23,771	$18,869	$0	$0	$0	$333,350
58	54	$333,350	$0	$24,246	$21,456	$0	$0	$0	$379,053
59	55	$379,053	$0	$24,731	$24,227	$0	$0	$0	$428,011
60	56	$428,011	$0	$25,226	$27,194	$0	$0	$0	$480,431
61	57	$480,431	$0	$25,731	$30,370	$0	$0	$0	$536,532
62	58	$536,532	$0	$26,245	$33,767	$0	$0	$0	$596,543
63	59	$596,543	$0	$26,770	$37,399	$0	$0	$0	$660,712
64	60	$660,712	$0	$11,813	$40,352	$0	$0	$0	$712,877
65	61	$712,877	$0	$0	$42,773	$0	$0	$0	$755,649
66	62	$755,649	$0	$0	$45,339	$0	$0	$0	$800,988
67	63	$800,988	$0	$0	$48,059	$0	$0	$0	$849,048
68	64	$849,048	$0	$0	$50,943	$0	$0	$0	$899,990
69	65	$899,990	$0	$0	$53,999	$0	$0	$0	$953,990
70	66	$953,990	$0	$0	$57,239	$0	$0	$0	$1,011,229
71	67	$1,011,229	$0	$0	$60,674	$0	$0	$0	$1,071,903
72	68	$1,071,903	$0	$0	$61,580	$0	$45,565	$0	$1,087,919
73	69	$1,087,919	$0	$0	$62,555	$0	$45,340	$0	$1,105,133
74	70	$1,105,133	$0	$0	$63,601	$0	$45,120	$0	$1,123,614
75	71	$1,123,614	$0	$0	$64,723	$0	$44,896	$0	$1,143,441
76	72	$1,143,441	$0	$0	$63,383	$0	$87,063	$0	$1,119,761
77	73	$1,119,761	$0	$0	$61,990	$0	$86,596	$0	$1,095,155
78	74	$1,095,155	$0	$0	$60,540	$0	$86,161	$0	$1,069,533
79	75	$1,069,533	$0	$0	$59,028	$0	$85,737	$0	$1,042,824
80	76	$1,042,824	$0	$0	$57,448	$0	$85,353	$0	$1,014,919
81	77	$1,014,919	$0	$0	$55,803	$0	$84,875	$0	$985,847
82	78	$985,847	$0	$0	$54,087	$0	$84,391	$0	$955,543
83	79	$955,543	$0	$0	$52,295	$0	$83,963	$0	$923,875

Mr. Peter Client, Mrs. Diane Client

Registered portfolio simulation (RRSP/RRIF), optimized scenario

Age (Mr.)	Age (Mrs)	Starting balance	Utilization of unused contribution room	Contribution	Investment income	Desired minimum RRIF withdrawal	Minimum required withdrawal	Withdrawal to cover the desired standard of living	Ending balance
84	80	$923,875	$0	$0	$50,423	$0	$83,497	$0	$890,800
85	81	$890,800	$0	$0	$48,468	$0	$82,997	$0	$856,271
86	82	$856,271	$0	$0	$46,429	$0	$82,457	$0	$820,243
87	83	$820,243	$0	$0	$44,298	$0	$81,943	$0	$782,599
88	84	$782,599	$0	$0	$42,072	$0	$81,403	$0	$743,267
89	85	$743,267	$0	$0	$39,747	$0	$80,817	$0	$702,197
90	86	$702,197	$0	$0	$37,319	$0	$80,207	$0	$659,309
91	87	$659,309	$0	$0	$34,784	$0	$79,579	$0	$614,515
92	88	$614,515	$0	$0	$32,136	$0	$78,908	$0	$567,743
93	89	$567,743	$0	$0	$29,374	$0	$78,169	$0	$518,949
94	90	$518,949	$0	$0	$26,493	$0	$77,391	$0	$468,051
95	91	$468,051	$0	$0	$23,527	$0	$75,929	$0	$415,650
96	92	$415,650	$0	$0	$20,754	$0	$69,757	$0	$366,646
97	93	$366,646	$0	$0	$18,133	$0	$64,430	$0	$320,349
98	94	$320,349	$0	$0	$15,631	$0	$59,828	$0	$276,152

Mr. Peter Client, Mrs. Diane Client

Non-registered portfolio simulation, optimized scenario

Age (Mr.)	Age (Mrs)	Annual deposit	Lump sum	Income surplus at retirement	Tax on income surplus at retirement	Tax on disposition of assets	Transfers[1]	Investment income	Tax on investment income	Cumulative withdrawal[2]	Ending balance[3]
54	50	$0	$0	$0	$0	$0	$0	$0	$0	$0	$16,000
55	51	$0	$0	$0	$0	$0	$0	$0	$0	$0	$16,000
56	52	$0	$0	$0	$0	$0	$0	$0	$0	$0	$16,000
57	53	$0	$0	$0	$0	$0	$0	$0	$0	$0	$16,000
58	54	$0	$0	$0	$0	$0	$0	$0	$0	$0	$16,000
59	55	$0	$0	$0	$0	$0	$0	$0	$0	$0	$16,000
60	56	$0	$0	$0	$0	$0	$0	$0	$0	$0	$16,000
61	57	$0	$0	$0	$0	$0	$0	$0	$0	$0	$16,000
62	58	$0	$0	$0	$0	$0	$0	$0	$0	$0	$16,000
63	59	$0	$0	$0	$0	$0	$0	$0	$0	$0	$16,000
64	60	$0	$100,000	$0	$0	$0	$0	$0	$0	$54,881	$61,119
65	61	$0	$100,000	$0	$0	$0	$0	$1,985	$367	$95,010	$67,726
66	62	$0	$100,000	$0	$0	$0	$0	$2,635	$530	$93,020	$76,811
67	63	$0	$100,000	$0	$0	$0	$0	$3,463	$717	$94,102	$85,456
68	64	$0	$100,000	$0	$0	$0	$0	$4,273	$918	$88,535	$100,275
69	65	$0	$100,000	$0	$0	$0	$0	$5,014	$1,118	$96,632	$107,539
70	66	$0	$100,000	$0	$0	$0	$0	$5,377	$1,232	$90,280	$121,404
71	67	$0	$100,000	$0	$0	$0	$0	$6,070	$1,433	$91,141	$134,899
72	68	$0	$100,000	$0	$0	$0	$0	$6,745	$1,932	$54,612	$185,100
73	69	$0	$100,000	$0	$0	$0	$0	$9,255	$2,700	$57,047	$234,609
74	70	$0	$40,000	$0	$0	$0	$0	$11,730	$3,499	$58,470	$224,370
75	71	$0	$0	$0	$0	$0	$0	$11,218	$3,366	$51,738	$180,485
76	72	$0	$0	$0	$0	$0	$0	$9,024	$2,930	$23,164	$163,415
77	73	$0	$0	$0	$0	$0	$0	$8,171	$2,664	$25,434	$143,488
78	74	$0	$0	$0	$0	$0	$0	$7,174	$2,348	$27,205	$121,109
79	75	$0	$0	$0	$0	$0	$0	$6,055	$1,990	$28,993	$96,181

1 - This column includes transactions for any fixed assets and special project.

2 - Cumulative withdrawal includes: Standard of living and Transfer to TFSA

3 - This column includes insurance premiums.

Mr. Peter Client, Mrs. Diane Client

Non-registered portfolio simulation, optimized scenario

Age (Mr.)	Age (Mrs)	Annual deposit	Lump sum	Income surplus at retirement	Tax on income surplus at retirement	Tax on disposition of assets	Transfers[1]	Investment income	Tax on investment income	Cumulative withdrawal[2]	Ending balance[3]
80	76	$0	$0	$0	$0	$0	$0	$4,809	$1,587	$31,278	$68,126
81	77	$0	$0	$0	$0	$0	$0	$3,406	$1,128	$33,152	$37,252
82	78	$0	$0	$0	$0	$0	$0	$1,863	$619	$35,057	$3,439
83	79	$0	$0	$0	$0	$0	$0	$172	$57	$3,554	$0
84	80	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
85	81	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
86	82	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
87	83	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
88	84	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
89	85	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
90	86	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
91	87	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
92	88	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
93	89	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
94	90	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
95	91	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
96	92	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
97	93	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
98	94	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

1 - This column includes transactions for any fixed assets and special project.

2 - Cumulative withdrawal includes: Standard of living and Transfer to TFSA

3 - This column includes insurance premiums.

Mr. Peter Client, Mrs. Diane Client

TFSA Simulation, optimized scenario

Age (Mr.)	Age (Mrs)	Starting balance	Annual deposit	Investment income	Withdrawal to cover the desired standard of living	Withdrawals for asset needs	Ending balance
54	50	$0	$10,000	$500	$0	$0	$10,500
55	51	$10,500	$10,000	$1,025	$0	$0	$21,525
56	52	$21,525	$10,000	$1,576	$0	$0	$33,101
57	53	$33,101	$11,000	$2,205	$0	$0	$46,306
58	54	$46,306	$11,000	$2,865	$0	$0	$60,172
59	55	$60,172	$11,000	$3,559	$0	$0	$74,730
60	56	$74,730	$11,000	$4,287	$0	$0	$90,017
61	57	$90,017	$11,000	$5,051	$0	$0	$106,068
62	58	$106,068	$12,000	$5,903	$0	$0	$123,971
63	59	$123,971	$12,000	$6,799	$0	$0	$142,769
64	60	$142,769	$12,000	$7,138	$0	$0	$161,908
65	61	$161,908	$12,000	$8,095	$0	$0	$182,003
66	62	$182,003	$13,000	$9,100	$0	$0	$204,104
67	63	$204,104	$13,000	$10,205	$0	$0	$227,309
68	64	$227,309	$6,500	$11,365	$0	$0	$245,174
69	65	$245,174	$19,500	$12,259	$0	$0	$276,933
70	66	$276,933	$14,000	$13,847	$0	$0	$304,779
71	67	$304,779	$14,000	$15,239	$0	$0	$334,018
72	68	$334,018	$14,000	$16,701	$0	$0	$364,719
73	69	$364,719	$15,000	$18,236	$0	$0	$397,955
74	70	$397,955	$15,000	$19,898	$0	$0	$432,853
75	71	$432,853	$7,500	$21,643	$0	$0	$461,996
76	72	$461,996	$7,500	$23,100	$0	$0	$492,596
77	73	$492,596	$8,000	$24,630	$0	$0	$525,225
78	74	$525,225	$8,000	$26,261	$0	$0	$559,487
79	75	$559,487	$8,000	$27,974	$0	$0	$595,461
80	76	$595,461	$8,500	$29,773	$0	$0	$633,734
81	77	$633,734	$8,500	$31,687	$0	$0	$673,921
82	78	$673,921	$8,500	$33,696	$0	$0	$716,117
83	79	$716,117	$3,555	$35,806	$28,450	$0	$727,028

Mr. Peter Client, Mrs. Diane Client

TFSA Simulation, optimized scenario

Age (Mr.)	Age (Mrs)	Starting balance	Annual deposit	Investment income	Withdrawal to cover the desired standard of living	Withdrawals for asset needs	Ending balance
84	80	$727,028	$0	$36,351	$30,394	$0	$732,985
85	81	$732,985	$0	$36,649	$32,391	$0	$737,243
86	82	$737,243	$0	$36,862	$34,446	$0	$739,659
87	83	$739,659	$0	$36,983	$36,513	$0	$740,128
88	84	$740,128	$0	$37,006	$38,629	$0	$738,505
89	85	$738,505	$0	$36,925	$40,810	$0	$734,621
90	86	$734,621	$0	$36,731	$43,040	$0	$728,311
91	87	$728,311	$0	$36,416	$45,319	$0	$719,408
92	88	$719,408	$0	$35,970	$47,663	$0	$707,715
93	89	$707,715	$0	$35,386	$50,092	$0	$693,009
94	90	$693,009	$0	$34,650	$52,587	$0	$675,072
95	91	$675,072	$0	$33,754	$55,600	$0	$653,226
96	92	$653,226	$0	$32,661	$61,972	$0	$623,916
97	93	$623,916	$0	$31,196	$67,850	$0	$587,262
98	94	$587,262	$0	$29,363	$73,309	$0	$543,316

Mr. Peter Client, Mrs. Diane Client

Holding Company, optimized scenario

Age (Mr.)	Age (Mrs)	Starting balance	Holding Company Deposits	Investment income	Annual Tax Amount	Refundable Tax Amount	Dividend Paid	Maximum Recoverable	End Cumulative RDTOH	Insurance Premiums	Ending balance
54	50	$380,000	$0	$19,000	$8,848	$5,067	$0	$0	$5,067	$0	$390,152
55	51	$390,152	$0	$19,508	$9,085	$5,203	$0	$0	$10,270	$0	$400,575
56	52	$400,575	$0	$20,029	$9,327	$5,342	$0	$0	$15,612	$0	$411,276
57	53	$411,276	$0	$20,564	$9,577	$5,484	$0	$0	$21,096	$0	$422,263
58	54	$422,263	$0	$21,113	$9,832	$5,631	$0	$0	$26,727	$0	$433,544
59	55	$433,544	$0	$21,677	$10,095	$5,781	$0	$0	$32,508	$0	$445,126
60	56	$445,126	$0	$22,256	$10,365	$5,936	$0	$0	$38,444	$0	$457,018
61	57	$457,018	$0	$22,851	$10,642	$6,094	$0	$0	$44,538	$0	$469,227
62	58	$469,227	$0	$23,461	$10,926	$6,257	$0	$0	$50,795	$0	$481,762
63	59	$481,762	$0	$24,088	$11,218	$6,424	$0	$0	$57,220	$0	$494,633
64	60	$494,633	$0	$24,732	$11,518	$6,596	$0	$0	$63,816	$0	$507,847
65	61	$507,847	$0	$25,392	$11,825	$6,772	$0	$0	$70,588	$0	$521,414
66	62	$521,414	$0	$26,071	$12,141	$6,953	$0	$0	$77,541	$0	$535,343
67	63	$535,343	$0	$26,767	$12,465	$7,139	$0	$0	$84,680	$0	$549,645
68	64	$549,645	$0	$27,482	$12,798	$7,330	$0	$0	$92,009	$0	$564,329
69	65	$564,329	$0	$28,216	$13,140	$7,525	$0	$0	$99,534	$0	$579,405
70	66	$579,405	$0	$28,970	$13,491	$7,726	$0	$0	$107,261	$0	$594,884
71	67	$594,884	$0	$29,744	$13,852	$7,933	$0	$0	$115,194	$0	$610,776
72	68	$610,776	$0	$30,539	$14,222	$8,145	$0	$0	$123,338	$0	$627,093
73	69	$627,093	$0	$31,355	$14,602	$8,362	$0	$0	$131,701	$0	$643,846
74	70	$643,846	$0	$32,192	$14,992	$8,586	$0	$0	$140,286	$0	$661,046
75	71	$661,046	$0	$33,052	$15,392	$8,815	$0	$0	$149,101	$0	$678,706
76	72	$678,706	$0	$33,935	$15,804	$9,051	$0	$0	$158,152	$0	$696,837
77	73	$696,837	$0	$34,842	$16,226	$9,292	$0	$0	$167,444	$0	$715,453
78	74	$715,453	$0	$35,773	$16,659	$9,541	$0	$0	$176,985	$0	$734,567
79	75	$734,567	$0	$36,728	$17,104	$9,795	$0	$0	$186,780	$0	$754,191
80	76	$754,191	$0	$37,710	$17,561	$10,057	$0	$0	$196,837	$0	$774,339
81	77	$774,339	$0	$38,717	$18,030	$10,326	$0	$0	$207,163	$0	$795,025
82	78	$795,025	$0	$39,751	$18,512	$10,602	$0	$0	$217,765	$0	$816,264
83	79	$816,264	$0	$40,813	$19,007	$10,885	$0	$0	$228,650	$0	$838,071

Mr. Peter Client, Mrs. Diane Client

Holding Company, optimized scenario

Age (Mr.)	Age (Mrs)	Starting balance	Holding Company Deposits	Investment income	Annual Tax Amount	Refundable Tax Amount	Dividend Paid	Maximum Recoverable	End Cumulative RDTOH	Insurance Premiums	Ending balance
84	80	$838,071	$0	$41,904	$19,514	$11,176	$0	$0	$239,825	$0	$860,460
85	81	$860,460	$0	$43,023	$20,036	$11,474	$0	$0	$251,300	$0	$883,447
86	82	$883,447	$0	$44,172	$20,571	$11,781	$0	$0	$263,080	$0	$907,049
87	83	$907,049	$0	$45,352	$21,121	$12,095	$0	$0	$275,176	$0	$931,280
88	84	$931,280	$0	$46,564	$21,685	$12,419	$0	$0	$287,594	$0	$956,159
89	85	$956,159	$0	$47,808	$22,264	$12,750	$0	$0	$300,345	$0	$981,703
90	86	$981,703	$0	$49,085	$22,859	$13,091	$0	$0	$313,436	$0	$1,007,929
91	87	$1,007,929	$0	$50,396	$23,470	$13,441	$0	$0	$326,877	$0	$1,034,856
92	88	$1,034,856	$0	$51,743	$24,097	$13,800	$0	$0	$340,676	$0	$1,062,503
93	89	$1,062,503	$0	$53,125	$24,740	$14,168	$0	$0	$354,845	$0	$1,090,887
94	90	$1,090,887	$0	$54,544	$25,401	$14,547	$0	$0	$369,392	$0	$1,120,030
95	91	$1,120,030	$0	$56,002	$26,080	$14,936	$0	$0	$384,327	$0	$1,149,952
96	92	$1,149,952	$0	$57,498	$26,777	$15,335	$0	$0	$399,662	$0	$1,180,673
97	93	$1,180,673	$0	$59,034	$27,492	$15,744	$0	$0	$415,406	$0	$1,212,215
98	94	$1,212,215	$0	$60,611	$28,226	$16,165	$0	$0	$431,571	$0	$1,244,599

Mr. Peter Client, Mrs. Diane Client

Insurance, optimized scenario

Age (Mr.)	Age (Mrs)	Actual Individual Insurance	Actual first-to-die Insurance	Actual last-to-die Insurance	Recommended Individual Insurance	Recommended first-to-die Insurance	Recommended last-to-die Insurance	Total Insurances
54	50	$152,000	$0	$0	$0	$0	$0	$152,000
55	51	$152,000	$0	$0	$0	$0	$0	$152,000
56	52	$152,000	$0	$0	$0	$0	$0	$152,000
57	53	$152,000	$0	$0	$0	$0	$0	$152,000
58	54	$152,000	$0	$0	$0	$0	$0	$152,000
59	55	$152,000	$0	$0	$0	$0	$0	$152,000
60	56	$152,000	$0	$0	$0	$0	$0	$152,000
61	57	$152,000	$0	$0	$0	$0	$0	$152,000
62	58	$152,000	$0	$0	$0	$0	$0	$152,000
63	59	$152,000	$0	$0	$0	$0	$0	$152,000
64	60	$152,000	$0	$0	$0	$0	$0	$152,000
65	61	$152,000	$0	$0	$0	$0	$0	$152,000
66	62	$152,000	$0	$0	$0	$0	$0	$152,000
67	63	$152,000	$0	$0	$0	$0	$0	$152,000
68	64	$152,000	$0	$0	$0	$0	$0	$152,000
69	65	$152,000	$0	$0	$0	$0	$0	$152,000
70	66	$152,000	$0	$0	$0	$0	$0	$152,000
71	67	$152,000	$0	$0	$0	$0	$0	$152,000
72	68	$152,000	$0	$0	$0	$0	$0	$152,000
73	69	$152,000	$0	$0	$0	$0	$0	$152,000
74	70	$152,000	$0	$0	$0	$0	$0	$152,000
75	71	$152,000	$0	$0	$0	$0	$0	$152,000
76	72	$152,000	$0	$0	$0	$0	$0	$152,000
77	73	$152,000	$0	$0	$0	$0	$0	$152,000
78	74	$152,000	$0	$0	$0	$0	$0	$152,000
79	75	$152,000	$0	$0	$0	$0	$0	$152,000
80	76	$152,000	$0	$0	$0	$0	$0	$152,000
81	77	$152,000	$0	$0	$0	$0	$0	$152,000
82	78	$152,000	$0	$0	$0	$0	$0	$152,000
83	79	$152,000	$0	$0	$0	$0	$0	$152,000

Mr. Peter Client, Mrs. Diane Client

Insurance, optimized scenario

Age (Mr.)	Age (Mrs)	Actual Individual Insurance	Actual first-to-die Insurance	Actual last-to-die Insurance	Recommended Individual Insurance	Recommended first-to-die Insurance	Recommended last-to-die Insurance	Total Insurances
84	80	$152,000	$0	$0	$0	$0	$0	$152,000
85	81	$152,000	$0	$0	$0	$0	$0	$152,000
86	82	$152,000	$0	$0	$0	$0	$0	$152,000
87	83	$152,000	$0	$0	$0	$0	$0	$152,000
88	84	$152,000	$0	$0	$0	$0	$0	$152,000
89	85	$152,000	$0	$0	$0	$0	$0	$152,000
90	86	$152,000	$0	$0	$0	$0	$0	$152,000
91	87	$152,000	$0	$0	$0	$0	$0	$152,000
92	88	$152,000	$0	$0	$0	$0	$0	$152,000
93	89	$152,000	$0	$0	$0	$0	$0	$152,000
94	90	$152,000	$0	$0	$0	$0	$0	$152,000
95	91	$152,000	$0	$0	$0	$0	$0	$152,000
96	92	$152,000	$0	$0	$0	$0	$0	$152,000
97	93	$152,000	$0	$0	$0	$0	$0	$152,000
98	94	$152,000	$0	$0	$0	$0	$0	$152,000

Mr. Peter Client, Mrs. Diane Client

Balance sheet at Year End, optimized scenario

***Values rounded to thousand dollars ($).**

Age (Mr.)	Age (Mrs)	Balance from non-registered portfolios	Balance from registered portfolios	Holding Company Amount	Residences (main / secondary)	Assets for personal use	Total household assets	Rental properties	Total assets	Total liabilities	Total net worth before tax
54	50	26	214	390	304	0	304	0	545	0	935
55	51	38	251	401	309	0	309	0	598	0	998
56	52	49	291	411	314	0	314	0	654	0	1 065
57	53	62	333	422	318	0	318	0	714	0	1 136
58	54	76	379	434	323	0	323	0	778	0	1 212
59	55	91	428	445	328	0	328	0	847	0	1 292
60	56	106	480	457	333	0	333	0	919	0	1 376
61	57	122	537	469	338	0	338	0	997	0	1 466
62	58	140	597	482	343	0	343	0	1 080	0	1 561
63	59	159	661	495	348	0	348	0	1 168	0	1 662
64	60	223	713	508	353	0	353	0	1 289	0	1 797
65	61	250	756	521	359	0	359	0	1 364	0	1 885
66	62	281	801	535	364	0	364	0	1 446	0	1 981
67	63	313	849	550	370	0	370	0	1 531	0	2 081
68	64	345	900	564	375	0	375	0	1 621	0	2 185
69	65	384	954	579	381	0	381	0	1 719	0	2 299
70	66	426	1 011	595	386	0	386	0	1 824	0	2 419
71	67	469	1 072	611	392	0	392	0	1 933	0	2 544
72	68	550	1 088	627	398	0	398	0	2 036	0	2 663
73	69	633	1 105	644	404	0	404	0	2 142	0	2 786
74	70	657	1 124	661	410	0	410	0	2 191	0	2 852
75	71	642	1 143	679	416	0	416	0	2 202	0	2 881
76	72	656	1 120	697	423	0	423	0	2 198	0	2 895
77	73	669	1 095	715	429	0	429	0	2 193	0	2 908
78	74	681	1 070	735	435	0	435	0	2 185	0	2 920
79	75	692	1 043	754	442	0	442	0	2 176	0	2 930
80	76	702	1 015	774	448	0	448	0	2 165	0	2 940
81	77	711	986	795	455	0	455	0	2 152	0	2 947

Mr. Peter Client, Mrs. Diane Client

Balance sheet at Year End, optimized scenario

***Values rounded to thousand dollars ($).**

Age (Mr.)	Age (Mrs)	Balance from non-registered portfolios	Balance from registered portfolios	Holding Company Amount	Residences (main / secondary)	Assets for personal use	Total household assets	Rental properties	Total assets	Total liabilities	Total net worth before tax
82	78	720	956	816	462	0	462	0	2 137	0	2 953
83	79	727	924	838	469	0	469	0	2 120	0	2 958
84	80	733	891	860	476	0	476	0	2 100	0	2 960
85	81	737	856	883	483	0	483	0	2 077	0	2 960
86	82	740	820	907	490	0	490	0	2 050	0	2 957
87	83	740	783	931	498	0	498	0	2 020	0	2 952
88	84	739	743	956	505	0	505	0	1 987	0	2 943
89	85	735	702	982	513	0	513	0	1 950	0	2 931
90	86	728	659	1 008	520	0	520	0	1 908	0	2 916
91	87	719	615	1 035	528	0	528	0	1 862	0	2 897
92	88	708	568	1 063	536	0	536	0	1 812	0	2 874
93	89	693	519	1 091	544	0	544	0	1 756	0	2 847
94	90	675	468	1 120	552	0	552	0	1 695	0	2 816
95	91	653	416	1 150	561	0	561	0	1 630	0	2 779
96	92	624	367	1 181	569	0	569	0	1 560	0	2 740
97	93	587	320	1 212	578	0	578	0	1 485	0	2 697
98	94	543	276	1 245	586	0	586	0	1 406	0	2 650

Mr. Peter Client, Mrs. Diane Client

Estate, optimized scenario

***Values rounded to thousand dollars ($).**

Age (Mr.)	Age (Mrs)	Balance from non-registered portfolios	Balance from registered portfolios	Holding Company Amount	Residences (main / secondary)	Total assets	Total liabilities	Total net assets before tax	Deferred Taxes (Presumed disposition at death)	Life Insurances Total (Actual and proposed)	Estate Net Value (After taxes)
54	50	26	214	390	304	935	30	905	172	152	885
55	51	38	251	401	309	998	30	968	191	152	929
56	52	49	291	411	314	1 065	30	1 035	213	152	974
57	53	62	333	422	318	1 136	30	1 106	236	152	1 023
58	54	76	379	434	323	1 212	30	1 182	260	152	1 074
59	55	91	428	445	328	1 292	30	1 262	286	152	1 128
60	56	106	480	457	333	1 376	30	1 346	314	152	1 185
61	57	122	537	469	338	1 466	30	1 436	344	152	1 244
62	58	140	597	482	343	1 561	30	1 531	375	152	1 308
63	59	159	661	495	348	1 662	30	1 632	409	152	1 375
64	60	223	713	508	353	1 797	30	1 767	435	152	1 484
65	61	250	756	521	359	1 885	30	1 855	458	152	1 549
66	62	281	801	535	364	1 981	30	1 951	483	152	1 620
67	63	313	849	550	370	2 081	30	2 051	510	152	1 693
68	64	345	900	564	375	2 185	30	2 155	538	152	1 769
69	65	384	954	579	381	2 299	30	2 269	568	152	1 853
70	66	426	1 011	595	386	2 419	30	2 389	599	152	1 942
71	67	469	1 072	611	392	2 544	30	2 514	632	152	2 034
72	68	550	1 088	627	398	2 663	30	2 633	644	152	2 141
73	69	633	1 105	644	404	2 786	30	2 756	656	152	2 251
74	70	657	1 124	661	410	2 852	30	2 822	669	152	2 305
75	71	642	1 143	679	416	2 881	30	2 851	683	152	2 320
76	72	656	1 120	697	423	2 895	30	2 865	676	152	2 341
77	73	669	1 095	715	429	2 908	30	2 878	669	152	2 362
78	74	681	1 070	735	435	2 920	30	2 890	661	152	2 381
79	75	692	1 043	754	442	2 930	30	2 900	653	152	2 400
80	76	702	1 015	774	448	2 940	30	2 910	644	152	2 417

Mr. Peter Client, Mrs. Diane Client

Estate, optimized scenario

***Values rounded to thousand dollars ($).**

Age (Mr.)	Age (Mrs)	Balance from non-registered portfolios	Balance from registered portfolios	Holding Company Amount	Residences (main / secondary)	Total assets	Total liabilities	Total net assets before tax	Deferred Taxes (Presumed disposition at death)	Life Insurances Total (Actual and proposed)	Estate Net Value (After taxes)
81	77	711	986	795	455	2 947	30	2 917	635	152	2 434
82	78	720	956	816	462	2 953	30	2 923	626	152	2 450
83	79	727	924	838	469	2 958	30	2 928	616	152	2 464
84	80	733	891	860	476	2 960	30	2 930	605	152	2 477
85	81	737	856	883	483	2 960	30	2 930	594	152	2 488
86	82	740	820	907	490	2 957	30	2 927	583	152	2 497
87	83	740	783	931	498	2 952	30	2 922	570	152	2 504
88	84	739	743	956	505	2 943	30	2 913	557	152	2 508
89	85	735	702	982	513	2 931	30	2 901	544	152	2 509
90	86	728	659	1 008	520	2 916	30	2 886	529	152	2 509
91	87	719	615	1 035	528	2 897	30	2 867	514	152	2 505
92	88	708	568	1 063	536	2 874	30	2 844	499	152	2 497
93	89	693	519	1 091	544	2 847	30	2 817	482	152	2 487
94	90	675	468	1 120	552	2 816	30	2 786	465	152	2 473
95	91	653	416	1 150	561	2 779	30	2 749	447	152	2 455
96	92	624	367	1 181	569	2 740	30	2 710	431	152	2 432
97	93	587	320	1 212	578	2 697	30	2 667	416	152	2 404
98	94	543	276	1 245	586	2 650	30	2 620	403	152	2 370

Peter and Diane Client
Table of contents

1- Current situation and Objectives

Personal information

See Summary in PRO and Estate (page 4)

Children:

Name	DOB	Age	Notes
Dylan	July 15, 1983	29	Interested in getting into the business but not sure how to.
Mary	Janurary 15, 1985	25	Not interested in the business. Working as a teacher
Mark	June 24, 1989	21	Works on oil rigs during the busy season; may have an interest for the business. May be too young to make a decision at this time.

Financial information

See Summary in PRO and Estate (page 4)

Current situation

Peter (60 %) and Diane (40 %) own 100 % of the shares of ACME Ltd. The business was started in 1983 under Peter's Shop; but was incorporated in 1988 under the current name. The company is currently engaged in welding. For Peter and Diane, the company represents a major component of their retirement assets.

Peter and Diane are working long hours in the business and they would like to have a little more time for themselves. They would like to see their son Dylan (who is presently working in the business) take the operations into his own hands over a period of time. Peter is ready to show Dylan the ropes but he would like his son to make a real commitment to acquire the company.

1- Current situation and Objectives cont'd…

Peter and Mary would like to retire between the ages of 60 and 65 with a combined desired income (before tax) of roughly $100,000. For the purpose of this analysis, we have set the age of retirement at 64 for Peter and 60 for Diane. This represents a 10 year window between now and the moment of complete retirement, which is perfect for a business succession plan.

At this moment, Peter and Diane feel they have 3 main options:

1- Dylan will purchase the business over a period of time.
2- If Dylan doesn't commit or find the financial resources to buy, they will have to find a buyer outside the family unit.
3- If Dylan doesn't buy the business, they will reduce their working hours by hiring more people.

Selling the business **outside the family** unit or transferring the business to a family member implies very different approaches. If the business is to be sold to a third party, your main objectives should be the following:

1- Get the optimized value for the business
2- For each shareholder, benefit from the $750,000 lifetime capital gains exemption

What are the implications?

1- The most important distinction is between selling the shares of a company and selling the assets. For a shareholder to benefit from the capital gains exemption, it's the shares that must be sold. In a transaction of this sort, the seller and the buyer have different points of view. Most of the time, the buyer will want to acquire the assets of the company and begin a new corporation in order to be liberated from any possible lawsuit addressed to the previous owner.
2- The seller, on the other hand, will want to benefit from that very important tax break using the $750,000 capital gains exemption. Everything will be decided during the negotiations.

In order to have access to that CGE, there are some criteria to be respected. These criteria relate to:

1. who owns the shares;
2. the company and its activities and finally;
3. the assets of the company.

1- Current situation and Objectives cont'd…

Lifetime capital gains exemption (LCGE)

In order to be eligible for the lifetime capital gains exemption, you must be an individual (not a corporation) who is a Canadian resident and who has sold shares of a qualified small business corporation.

Qualified small business corporation shares (QSBC)

A share of a corporation will be considered to be a qualified small business corporation share if all the following conditions are met:

- The corporation is a Canadian-controlled private corporation.
- At the time the shares are sold, at least 90% of the assets are used to carry on an active business in Canada
- You have owned the shares for the 24 months before the sale

In the case of Peter and Diane, most of the criteria are respected except for the second one that requires that 90% of the assets are used to carry on an active business (at the moment of the sale) and 50% during the course of the last 24 months. According to the latest Financial Statements, the value of the current assets is $1,095,000 with more than $450,000 in cash and cash equivalents. It's well under 90 %.

Since Peter and Diane forecast their retirement in about 10 years, there is then enough time to "purify" the company so it will meet the requirement for the CGE.

To do so, we suggest setting up a Holding Company with Peter and Diane as owners, HOLDCO P&D (same percentage of shares as in ACME Ltd.) and to transfer an important portion of the cash as a tax free dividend into HOLDCO P&D.

Every year until the time of sale an analysis should be made in order to always satisfy the criteria for CGE.

1- Current situation and Objectives cont'd…

At the moment of the sale, the common shares are sold to the new owner and Peter and Diane would receive the proceeds completely tax free.

Transferring the business to your children (Dylan)
If your son Dylan is interested in buying out the business over a period of time, the strategy would be different.

In such a situation, we have to deal with a different reality. The personal objectives of the seller are the same (getting the optimized value for the business and benefit from the CGE), but most of the time, the buyer (son) doesn't have money to buy out the business.

We understand that your son is interested in taking over ACME Ltd. for an estimated value of $1M (excluding the cash and cash equivalent). In a situation where you are transferring ownership to your child, one strategy that is often used to minimize tax is the estate freeze. In your situation, we are combining the estate freeze strategy with a leverage buyout plan. This plan will work out as follows:

1) The estate freeze will require new common shares to be issued to your son (assume 100 common shares to be issued). Preferred shares will be issued to you and your wife. The value of the preferred shares is $1M.
This is the frozen value. Peter will have 600,000 preferred shares ($1 per share) and Diane will have 400,000 preferred shares ($1 per share).

2) The new common shares will be held by a newly created HOLDCO for your son HOLCO D. Your son will be the main shareholder of HOLDCO D and this will enable dividends to flow from OPCO to HOLDCO D, tax-free.

3) HOLDCO D will have to purchase a last-to-die insurance policy (on Peter and Diane) with a death benefit of $2,000,000. HOLDCO D will pay the insurance premium. In addition, HOLDCO D will over-fund the insurance policy, in order to build cash value in the insurance policy. The cash value is payable at first death.

4) Your son will be able to borrow the required funds from the banks, based upon the cash value of the insurance policy as a guarantee and will use the borrowed money to buy your preferred shares.

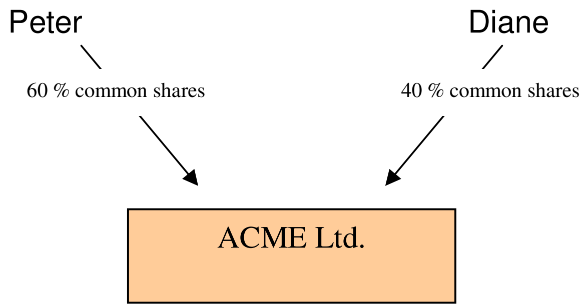
1- Current situation and Objectives cont'd…

5) Since your son will be buying the preferred shares personally (through borrowing), this will trigger a capital gains transaction and the utilization of the $750,000 lifetime capital gain exemption (LCGE). The net proceeds (up to $2,000,000 of the Fair Market Value) of the sale of your business would thus be tax free assuming that your business qualifies for the lifetime capital gain exemption as explained earlier. If OPCO or HOLDCO D were to redeem the shares, this would be considered as "deemed dividends". In other words, the funds received from HOLDCO D, would be taxed as dividends in the hands of Peter and Diane.

6) The death benefit of $2,000,000 would also serve as extra cash flow for your son's company thus ensuring its success and longevity.

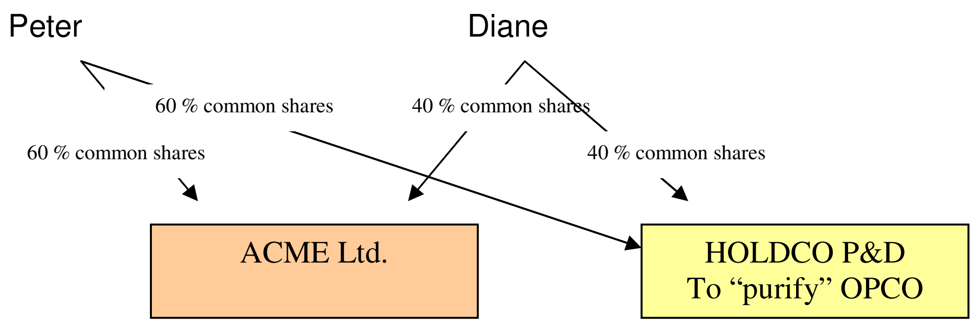
2- Corporate structure

Current situation



2- Corporate structure cont'd…

If you sell out side the family unit



Transfer interco dividends tax-free

Selling outside the family unit, Peter and Diane would preferably sell their common shares in ACME Ltd. (OPCO). The proceeds of the sale of the common shares in OPCO would be added to their non-registered savings. They would remain owners of HOLDCO P&D and they could draw dividends from that company.

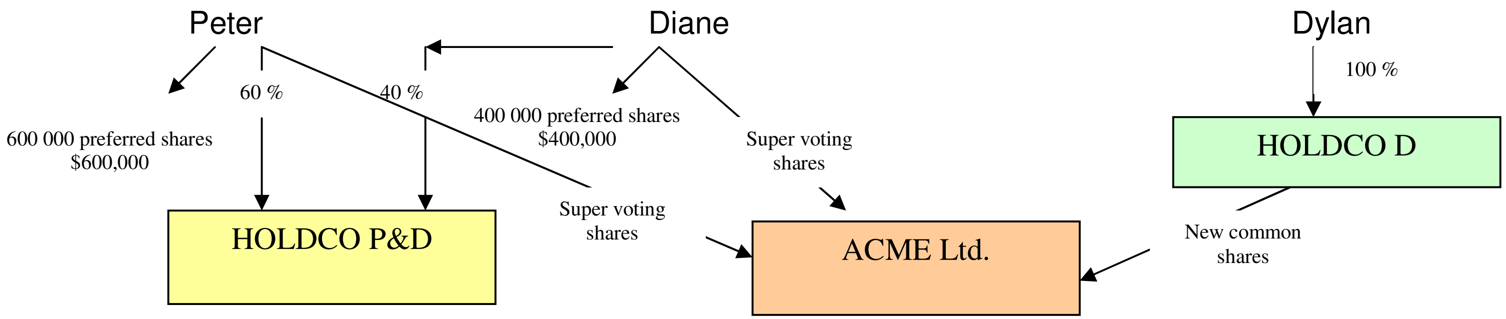
We've estimated an initial transfer to HOLCO P&D of $400,000 and subsequent transfers of $100,000 for the next 10 years. With a rate of return of 3% and a tax rate of 45%, the estimated value of the HOLDCO P&D in 2020 would be $1.5M.

2- Corporate structure cont'd…

Steps to follow if you were to sell to Dylan in 10 years:

1) Do an estate freeze now at today's Fair Market Value (FMV);
2) Create a new HOLDCO P&D;
3) Create HOLDCO D.

(New common shares to HOLDCO D and new super voting shares to Peter and Diane (does not add value but keeps control with Mom & Dad until fully paid off))



2- Corporate structure cont'd…

Share description and characteristics

Description	Issued	Owners	Characteristics
Preferred shares	1 000 000	Peter: 600 000 Diane: 400 000	Estate freeze, no added value, annual dividend of 2% Will be bought back by Dylan starting in 10 years. 1 share = $1
Super voting Non participating	20	Peter: 12 Diane: 8	No added value, to keep control of the company until the full payment or satisfactory percentage paid to parents. No value
New common shares	100	HOLDCO D	Participating shares; will allow dividends from ACME LTD to flow towards Dylan's HOLDCO. The dividends will pay for the premium of the policy and finance the cash value. In 10 years, Dylan will personally borrow money from the bank by giving the cash value of the policy in guarantee. With that loan, Dylan will buy the preferred shares of Peter and Diane at a predefined pace. Initial value per share = $1 Consequence: Dylan's ACB will be equal to the purchase price and when he decides to sell, this portion will be tax free (otherwise impossible if the transaction was to be considered a "Deemed Dividend". The policy is a last-to-die contract with the funds payable at first death. When this situation occurs, the loan is paid in full to the bank.

3- Questions and concerns that need to be addressed in this analysis

In this analysis, we will answer the following questions and concerns that you have regarding your situation:

1- Do we have enough for retirement?
2- What do we need to do to maintain our standard of living at retirement?
3- How can we take money out of the business before selling it?
4- What should we do with the money ($450,000) that is sitting in the business; how to take it out efficiently?
5- How does our son buy into the business?
6- How do we structure the business to help Dylan buy the business without giving up the control right away?

4- Recommendations in regards to retirement

According to the Canadian Institute of Actuaries (table 1986 -1992), your life expectancy is:

Peter: age 81 (male non smoker age 54)
Diane: age 84 (female non smoker age 50)

Analysis

One of your concerns is to assess whether or not you will have enough money for retirement. To answer that question, we need to identify the sources of your retirement income, project them into the future, and evaluate whether they are sufficient to meet your desired standard of living at retirement.

Reminder

For the purpose of this analysis, we've projected a full retirement in 10 years with a combined standard of living of $100,000 (before tax) in today's dollars.

At retirement, your sources of income will come from:

1) Canada Pension Plan (CPP)
2) Old Age Security pension (OAS)
3) RRSP/RRIF savings
4) Non-registered savings
5) Dividends from HOLDCO (to be setup)
6) Sale of your operating company's shares

CPP

According to the CPP statements available, here are the pensions that you are entitled to at retirement:

1. Retirement age for Peter: 64 years old; monthly pension: $827 (today's dollars)
2. Retirement age for Diane: 60 years old; monthly pension: $478 (today's dollars)

4- Recommendations in regards to retirement cont'd…

The CPP pension is indexed according to the pension rate indexation (similar to the CPI). The maximum insurable gains for the CPP in 2010 are $43,700. Diane's salary of $42,600, being just under this maximum, we recommend an increase in her salary in order to optimize her CPP retirement income.

OASP (Old Age Security Pension)

The Old Age Security Pension is a monthly benefit available to most Canadians aged 65 and over. Some requirements related to residence must be fulfilled but someone who has lived in Canada for more than ten years but less than forty may be eligible for a reduced pension. Moreover, pensioners with an individual net income greater than $66,335 must repay part or even their entire pension amount (claw back). In addition, the OASP is indexed to inflation.

In your particular case, we have estimated that you will be entitled to the following monthly pension:

Peter: **$643** in future dollars
Diane: **$695** in future dollars

The simulation indicates a partial claw back of your OASP between the ages of 72 and 77 (Peter), because of the minimum withdrawals from your RRIF.

RRSP/RRIF

An RRSP is an account used primarily for saving for retirement. An RRSP enables a taxpayer to defer taxation on a portion of their income and also shelters the investment income generated each year as follows:

- Contributions to RRSPs may be deducted from your total income. You will end up with a lower taxable income which may result in a reimbursement from the tax authorities of some of your taxes deducted at source.
- Income earned within the account (interest, dividends, and capital gains) are not taxed while they accumulate within the RRSP. An RRSP allows the investment to grow faster than the same investments would grow if they were held outside the RRSP, as the latter is subject to tax.

- Withdrawals should be made from an RRSP when one has a lower income tax bracket; retirement being the best example, instead of when one is working full time. Moreover, when you turn 71 and before the end of the year, i.e. December 31st, your RRSP must be converted to a RRIF (registered retirement income fund) or an annuity. Any amount cashed out from an RRSP or from a RRIF is fully taxable. You must begin the minimum withdrawals from your RRIF the year following the conversion.

Except for your house, almost all of your assets are locked into ACME LTD. Together, you have accumulated $179,390 in your RRSPs. For your retirement plan to work as intended, you have to count on cashing in, over a period of time, the value of the business. In fact, the sale of the business is the cornerstone of the plan. To be on the safe side, we recommend that you take full advantage of the RRSP, in order to level your retirement income between registered funds and proceeds from the sale of the business.
Maximum contributions:

Peter: $9,700
Diane: $7,560

Transfer of a retirement allowance to an RRSP

At the moment of retirement, Peter and Diane will be entitled to a retirement allowance, since they will still be the owners of the company. The importance of the retirement allowance could be calculated to equal the value of the allowed maximum transfer to their respective RRSPs.

Here are the criteria for the calculation:

The amount that is eligible for transfer under section 60(j.1) of the *Income Tax Act* is limited to:

- $2,000 for each year or part of a year before 1996 plus;
- $1,500 for each year or part of a year before 1989 of that employment in which no contributions were made to a RPP or DPSP.

4- Recommendations in regards to retirement cont'd…

It would be possible to transfer a retirement allowance of $17,500 to each RRSP. These amounts don't affect the regular RRSP contributions.

Investing in an RRSP will diversify your sources of income at retirement. Therefore, in the plan, we have projected the maximum allowable contribution to your RRSP (18% of your employment income up to the maximum allowed each year). In addition, we simulated additional contributions to your RRSP, by using your unused RRSP contribution room over a 10 year time table.

Non RRSP savings

In order to reduce the tax burden at retirement, it is usually recommended to draw from non-registered funds to finance retirement financial needs. Using non-RRSP funds meets the objective of reducing the tax bill at retirement, as non-RRSP funds have already been taxed. Furthermore, we have adopted a conservative approach and considered all investment income (dividends or capital gains) as interest income. At the moment of retirement, whether the business is sold to Tyler or outside the family unit, you should dispose of an important amount of non-registered savings derived from the sale of your companies.

Investment strategies

There is a tremendous array of investment products available on the market. The challenge that any investor has to cope with is to find a perfect match for his needs. Indeed, an investor has to balance his investment objectives in terms of income, growth, capital protection, taxation, and types of products. Therefore, after a careful evaluation of your needs, you may want to consider using segregated funds for their unique characteristics like avoiding probate fees, different types of guarantees (maturity and at death) and creditor protection. This feature is of primary concern for business owners or professionals as their assets may be exposed to creditors. You may be able to achieve potential creditor protection by naming a "preferred" or "irrevocable" beneficiary. The key relationship is between the life insured (the annuitant) and the beneficiary. There are exceptions to this and it is recommended that you refer to your financial advisor.

4- Recommendations in regards to retirement cont'd…

Investor profile

According to the Investment Policy Statement that we've consulted, you are investors who are willing to overweigh stocks for the potential of higher returns, and your investment time horizon is long. Nonetheless you are not willing to endure as much emotional stress as would a typical aggressive investor. You include bonds, which provide stability and moderate levels of income.

The current asset mix in your portfolios is slightly off track with that previous statement. We recommend that you decrease the weight of Canadian equities and transfer some money to Canadian bonds and/or High Yield Bonds.

Tax-Free Savings Account (TFSA)

The Tax-Free Savings Account (TFSA) is a flexible, registered general-purpose savings vehicle that allows Canadians to earn tax-free investment income to more easily meet lifetime savings needs. It means that interest income, dividends or capital gains earned within the TFSA are exempt from tax. The TFSA complements existing registered savings plans like the Registered Retirement Savings Plans (RRSP) and the Registered Education Savings Plans (RESP).

The TFSA dollar limit is $10,000 in 2010, and will be indexed to inflation and rounded to the nearest $500 in later years. Unused TFSA contribution room can be carried forward to later years. The total of TFSA withdrawals in a calendar year is added to the TFSA contribution room for the next calendar year.

4- Recommendations in regards to retirement cont'd…

Observation

Whether the business is sold to Dylan or outside the family unit for the estimated value that you provided to us, we see no problem in reaching your retirement goals of $100,000 (before tax), in today's dollars, indexed. In reality, you will be able to spend even more, depending on your objectives regarding the family estate.

Recommendations:
Personal

- Apply for CPP (age 64 for Peter and age 60 for Diane)
- Diane's annual income should be equal or superior to the maximum insurable gain (CPP)
- Use your non-registered funds to finance your retirement needs at the onset
- Contribute the maximum allowable funds to your RRSP and make use of your unused RRSP contribution room
- Wait until December 31st of the year in which you reach age 71 before converting your RRSP to a RRIF or an annuity; at this time, it's presently too early to make the choice
- Think of using segregated funds for your RRSP (creditor protection and probate fees)
- Open a TFSA as soon as you have non-registered funds available

Business wise (regardless of the implication of Dylan)

- Create a Holding company (Peter and Diane)
- Transfer any unnecessary cash that is sitting in ACME LTD to HOLDCO P&D (tax-free dividend)
- Use tax efficient investments for the money in HOLDCO P&D
- At retirement, draw dividends from HOLDCO P&D whenever needed

5- Recommendations in regards to disability

Current situation

1- The standard of living objective in case of disability is
Peter: $44,000 (current standard of living, before tax, or $35,000 after tax)
Diane: $34,000 (current standard of living, before tax, or $28,000 after tax)
2- You have no disability insurance.

Analysis

Even though you are both shareholders in ACME LTD, a large part of the success of the business is related to your daily presence in the shop. You've mentioned having a lot of difficulty finding responsible and qualified employees. The value of the business and customer fidelity lie almost solely on your shoulders.

In our opinion, it is very important to secure Peter and Diane's income in case of disability. This would prevent a fire sale of the company if anything would happen to either one of the owners.

Protection recommended:
- Peter: $3,000/month
- Diane: $2,300/month

Suggestion

- Your health condition permitting, apply for disability coverage, through individual policies or a group insurance plan for all employees; in that case, make sure that the disability portion of the premium is paid by the employee in order to have a non-taxable benefit.

6- Recommendations in regards to critical illness

Current situation

1- The standard of living objective in case of disability is
Peter: $44,000 (current standard of living, before tax)
Diane: $34,000 (current standard of living, before tax)
2- You have no critical illness insurance.

Analysis

The needs analysis in case of critical illness involves several pitfalls. One of these is whether the standard of living objective will be the same during the critical illness period. Another is the duration of a disability caused by the critical illness. For example, an individual may be subject to a heart attack, require an operation and be active again following a recovery of six months to one year.

On the other hand, a degenerative disease means that one would no longer work, thus, the need for adequate financial resources. Generally, the life expectancy of an individual diagnosed with a critical illness is reduced significantly, but lifestyle changes may result in the same life expectancy as that of a healthy individual. Recommendations must consider these unknown variables as well as good common sense.

In your case, in order to have adequate protection against critical illness, you may want to consider applying for a critical illness insurance policy. This insurance policy will be held in joint ownership between you and your company[1]. In the eventuality that you are diagnosed with a critical illness, the insured capital will be paid to the company tax free. The company will then be able to use this cash to find a replacement for you (hiring a head hunter firm for example), and to continue to pay your salary.

Recommendations

1- Consider critical illness insurance coverage of $100,000 for Peter and $50,000 for Diane
2- We recommend term policies (10 years).

7- Recommendations related to the estate

Current situation (Peter)

1- Your personal estate is currently estimated at $1,256,483 in 2010.
2- We've estimated the standard of living objective for your survivor at $63,000 before tax (80% of the combined current standard of living).
3- You have a XYZ insurance policy of $255,000 (cash value of $64,500); included in the personal estate evaluation.
4- In the event of your death, all your assets are rolled over to your spouse (according to your Last Will and Testament).
5- We have estimated final expenses at $15,000.
6- Date of the Last Will and Testament: 2007.

Current situation (Diane)

1- Your personal estate is currently estimated at $782,787 in 2010.
2- We've estimated the standard of living objective for your survivor at $63,000 before tax (80% of the combined current standard of living).
3- You have no personal life insurance.
4- In the event of your death, all your assets are rolled over to your spouse (according to your Last Will and Testament).
5- We have estimated last expenses around $15,000.
6- Date of the Last Will and Testament: 2007.

Analysis

According to the Wills, in the event of your death, all assets are rolled over to the spouse. This will defer the income tax payable on the deemed disposition of the assets. However, in the case of premature death of Peter or Diane, the survivor will rely on the following financial resources to maintain the desired standard of living:

- The surviving spouse benefit from the CPP

- RRSP
- Non-registered savings
- The value of the shares of the deceased

In case of a premature death of Peter, we have to assess whether or not Diane will be willing to continue operating ACME LTD. If Dylan is well integrated in the business, there may not be any reason to sell her remaining shares. The shareholder agreement between Peter and Diane doesn't define what should happen in case of death, disability or critical illness of either party. We think that to ensure that the full value of the shares of Peter and Diane be considered in case of death, a first-to-die term policy of $500,000 should be considered. The policy should be held by the company; beneficiary: ACME LTD.

Recommendations

- Consider applying for a joint first-to-die term insurance policy ($500,000).
- Consider drafting an Enduring Power of Attorney.

Transferring your personally owned insurance policy to your company

You have a personal life insurance contract with XYZ. This contract is a whole life participating policy issued in 1975.

Basic insurance: $255,000 ($75,000 originally)
Cash value: ~$64,500

It is possible for an individual to withdraw, from his corporation, an amount (tax free) equal to the FMV of a life insurance policy. This is accomplished by transferring a personally owned policy to the company at its FMV. Once the transfer is completed, the corporation would pay the future premium using pre-tax dollars.

7- Recommendations related to the estate cont'd…

Only an actuary is entitled to do a thorough assessment of the FMV to help determine the exact tax advantage. However, we are able to do a preliminary evaluation of your policy and roughly estimate the amount which could be withdrawn from the corporation tax free.

In order to do the assessment, we use the following essential information:

- Cash value of the policy
- Any cash advance or loan on the policy
- The death benefit
- Your health condition as evaluated by an insurance company today
- Conversion rights
- Riders
- Cost of replacement

Most of these items are known; others are estimated.

The next pages follow with a brief discussion of the guidelines used to assess the approximate FMV of your policy.

Assessing Tax on Disposition

Firstly, transferring ownership of a life insurance policy is considered to be a disposition. As such, this type of transaction may trigger a tax liability if the cash value of the policy is higher than the adjusted cost base (ACB).

a. Cash value : ~$64,500
b. ACB: ~$24,000

In this case, the cash value is greater than the ACB and could trigger a tax liability of:
($64,500 -$24,000 = $32,500 * 27% = $8,775)

The second step of this process is to estimate the FMV of your policy. To do so, we must calculate the replacement cost of a similar policy and assess the difference.

7- Recommendations related to the estate cont'd…

Establishing FMV

Replacement with New Policy (A)

A- Annual premium to replace the present policy[1]: $3,500
- i. Life expectancy [2]: 27 years
- ii. Discount Rate: 5.00%
- iii. FMV: $51,250

B- Annual premium in 1990: $700
- i. Life expectancy: 27 years
- ii. Discount Rate: 5.00%
- iii. FMV: $10,250

Transferable amount: A – B = $51,250 - $10,250= $41,000

Calculating Net benefit

Net transferable amount to shareholder (Using New Policy (A))

Insurance policy:	$41,000
Less	
Tax liability:	$8,775
Total:	**$32,225**

1- Annual premium to replace the present policy
2- Life expectancy as calculated in the retirement section

7- Recommendations related to the estate cont'd…

Step by step process

1- Obtain Actuarial Assessment (the average cost of a complete report is about $1,500 per policy)
2- Draft Sale Contract (between the owner of the policy and the corporation)
3- Draft Director's Resolution of the corporation
4- Submit documentation with the life insurance company to modify the ownership
5- Gather legal and tax opinion for your file (optional)

Please note that this is an incomplete assessment. We strongly recommend that you consult with an actuary in order to obtain a comprehensive analysis of the FMV before going forward with this strategy.

Deemed disposition

Current situation:

1. In 2010, the latent income tax is evaluated at $166,000
2. In 2010, the total net worth of your estate is estimated at $1,892,000
3. In 2044, at Diane's life expectancy age (84), the projected latent income tax is estimated at $518,000 and the net worth is evaluated (before latent taxes) at $2,181,000.

Analysis

The latent income taxes arise as a result of the deemed disposition of assets. Canada Revenue Agency (CRA) considers that when a person dies, he or she has disposed of all property rights before death, even though there was not an actual sale. The proceeds of the deemed disposition is used to calculate the latent taxes. In the event of death of both spouses, latent taxes will be claimed on taxable assets such as: RRSP and shares still owned in your company.

7- Recommendations related to the estate cont'd…

In this respect, you may want to protect your estate and have adequate financial resources to pay the bill. If such is the case, it is usually recommended to purchase a "last-to-die" insurance policy. A "last -to-die" policy would bring the following benefits to your heirs:

- Balance the amount left to each heir
- Provide a tax free lump sum for tax purposes
- Secure your estate
- Enable you to leverage your estate by transferring taxable dollars in HOLCO P&D to tax free dividends

It is recommended that the proposed HOLDCO P&D apply for the insurance policy. In the event of your death, the amount insured will be credited to the CDA (Capital Dividend Account) of the company, thus enabling the shareholders of the company to draw the proceeds of the insurance as a tax-free dividend. The main advantage of paying the premium through your HOLDCO P&D is the opportunity to transform the insurance premium (this expense is paid after tax) as a tax free dividend (death benefit).

7- Recommendations related to the estate cont'd…

Legal

Testamentary trust

Analysis of the effectiveness of testamentary trusts in terms of succession planning.

The estate analysis shows us that your estate is of value. For the sake of your heirs, we recommend that you consider creating a testamentary trust at your death.

The creation of testamentary trusts at your death would allow you:

1 - To exert a certain control on your estate after your death;
2 - To realize important tax savings for your heirs, therefore, to draw advantage from taxation.

Control

Certain people find it important to be able to determine how the capital that they bequeathed will be used and at what time. For example, a Will can propose the creation of a trust, which will give money to the children until age 35, and then the capital could be fully remitted. It is this kind of control that we are suggesting. Or, you can simply give full control to your heirs at death.

For children considered to be less responsible or who have personal problems, it could be a solution to consider.

Taxation

At tax level, the creation of a testamentary trust would bring the creation of an additional taxpayer. An additional taxpayer with a distinct income tax return will have to be filed for the trust. The Trust is not entitled to tax credits but it is taxed at the same rate as an individual taxpayer.

Generally, this kind of trust will be advantageous for tax purposes when funds (such as non-registered savings) are bequeathed to the trust are significant and beneficiaries are already paying income tax. However, each situation is unique and requires a thorough analysis.

For example, let us analyze the following situation:

- the deceased bequeaths $600,000 to his children and spouse;
- the spouse/children has taxable income of $50,000
-

	No Testamentary Trust			Creation of a Testamentary Trust		
		Effective tax rate	Tax payable		Tax rate	Tax payable
Taxable income:	*$50, 000*	*22.77% **	*$11,385*	*$50, 000*	*22.77% **	*$11,385*
Bequeathed amount $600,000 x 5 % return :	$30,000			$30 000	17,81% **	$5,343
Revised Taxable income :	$80,000	26.78% *	$21,424	$80,000		$16,728
Tax payable :			**$21,424**			**$16,728**
Tax savings	**$4,696**					

* Effective tax rate for an individual
** Tax rate of the Trust

8- Conclusion

You have been working hard and have built a successful business for which we congratulate you.

It is our understanding that you would like to favour your son Dylan as your successor and maybe in time your son Mark. Both options are possible with a slight change to this plan; you could simply do a partial Estate Freeze (say 50% now) and the other 50% once you know for sure whether Mark wants to do the same or not. In the meantime, the $2,000,000 policy would be co-owned by HOLCO D and HOLDCO P&D and the investment would remain the same so that your retirement plans are not delayed. You could also have super voting shares in each of your son's holding companies until final payment is made in order to keep the plan "on track".

APPENDIX 1

I- Advantages of putting in place these strategies:

For Peter and Diane

1- Taking advantage of the Capital gains exemption on the FMV up to $1,500,000
2- Keeping the business inside the Family unit
3- Keeping control of the business until the end of the process
4- Ensuring the planned retirement income
5- Guaranteeing future loans for the son(s)
6- The decision to include or not Mark may be postponed to a more appropriate date
7- Motivating Dylan by giving him a predefined means of becoming owner or co-owner of the family business
8- Optimising your estate value
9- Peace of mind

For Dylan and eventually Diane

1- Incentive to participate through immediate participation in the business profits (while saving these for the buyout)
2- Added motivation through a well defined Business Succession Plan
3- Progressive ownership in the business
4- The ACB of the purchased shares will be equal to the price paid thus avoiding double taxation whenever son(s) sells
5- Professional coaching by the parents
6- Gradual transfer of power
7- Borrowing from the business without jeopardizing the parents' retirement plans
8- A feeling of a fair deal and added responsibility

APPENDIX
Peter and Diane Client
Example of a collateral financing

Collateral Financing Insurance amount: $2,000,000

Joint Last-to-Die policy					Financing			
Deposit	Cash Value 3%	Amount payable at death	Year	Age	Loan	Loan Balance 5%	Amount payable at death	Loan Balance/Cash Value Ratio
73 500 $	51 061 $	2 062 541 $	1	50			2 062 541 $	0,0%
73 500 $	99 053 $	2 127 753 $	2	51			2 127 753 $	0,0%
73 500 $	167 050 $	2 195 750 $	3	52			2 195 750 $	0,0%
73 500 $	237 951 $	2 266 651 $	4	53			2 266 651 $	0,0%
73 500 $	311 897 $	2 340 579 $	5	54			2 340 579 $	0,0%
73 500 $	417 663 $	2 417 663 $	6	55			2 417 663 $	0,0%
73 500 $	498 040 $	2 498 040 $	7	56			2 498 040 $	0,0%
73 500 $	581 849 $	2 581 849 $	8	57			2 581 849 $	0,0%
73 500 $	669 236 $	2 669 236 $	9	58			2 669 236 $	0,0%
73 500 $	760 356 $	2 760 356 $	10	59			2 760 356 $	0,0%
73 500 $	855 366 $	2 855 366 $	11	60	100 440 $	105 462 $	2 749 904 $	12,3%
73 500 $	954 433 $	2 954 433 $	12	61	100 440 $	216 197 $	2 738 236 $	22,7%
73 500 $	1 057 731 $	3 057 731 $	13	62	100 440 $	332 469 $	2 725 262 $	31,4%
73 500 $	1 165 440 $	3 165 440 $	14	63	100 440 $	454 554 $	2 710 886 $	39,0%
73 500 $	1 277 748 $	3 277 748 $	15	64	100 440 $	582 744 $	2 695 004 $	45,6%
73 500 $	1 394 852 $	3 394 852 $	16	65	100 440 $	717 343 $	2 677 509 $	51,4%

APPENDIX
Peter and Diane Client
Example of a collateral financing

Collateral Financing

Insurance amount: $2,000,000

Joint Last-to-Die policy					Financing			
Deposit	Cash Value 3%	Amount payable at death	Year	Age	Loan	Loan Balance 5%	Amount payable at death	Loan Balance/Cash Value Ratio
73 500 $	1 516 957 $	3 516 957 $	17	66	100 440 $	858 672 $	2 658 285 $	56,6%
73 500 $	1 644 276 $	3 644 276 $	18	67	100 440 $	1 007 068 $	2 637 208 $	61,2%
73 500 $	1 777 032 $	3 777 032 $	19	68	100 440 $	1 162 884 $	2 614 148 $	65,4%
73 500 $	1 915 456 $	3 915 456 $	20	69	100 440 $	1 326 490 $	2 588 966 $	69,3%
- $	1 985 452 $	3 985 452 $	21	70		1 392 814 $	2 592 638 $	70,2%
- $	2 058 437 $	4 058 437 $	22	71		1 462 455 $	2 595 982 $	71,0%
- $	2 134 538 $	4 134 538 $	23	72		1 535 578 $	2 598 960 $	71,9%
- $	2 213 890 $	4 213 890 $	24	73		1 612 357 $	2 601 533 $	72,8%
- $	2 296 629 $	4 296 629 $	25	74		1 692 974 $	2 603 655 $	73,7%
- $	2 382 902 $	4 382 902 $	26	75		1 777 623 $	2 605 279 $	74,6%
- $	2 472 859 $	4 472 859 $	27	76		1 866 504 $	2 606 355 $	75,5%
- $	2 566 657 $	4 566 657 $	28	77		1 959 829 $	2 606 828 $	76,4%
- $	2 664 461 $	4 664 461 $	29	78		2 057 821 $	2 606 640 $	77,2%
- $	2 766 441 $	4 766 441 $	30	79		2 160 712 $	2 605 729 $	78,1%
- $	2 872 776 $	4 872 776 $	31	80		2 268 748 $	2 604 028 $	79,0%
- $	2 983 652 $	4 983 652 $	32	81		2 382 185 $	2 601 467 $	79,8%

APPENDIX

Peter and Diane Client
Example of a collateral financing

Collateral Financing

Insurance amount: $2,000,000

Joint Last-to-Die policy					Financing			
Deposit	Cash Value 3%	Amount payable at death	Year	Age	Loan	Loan Balance 5%	Amount payable at death	Loan Balance/Cash Value Ratio
- $	3 099 262 $	5 099 262 $	33	82		2 501 294 $	2 597 968 $	80,7%
- $	3 219 809 $	5 219 809 $	34	83		2 626 359 $	2 593 450 $	81,6%
- $	3 345 504 $	5 345 504 $	35	84		2 757 677 $	2 587 827 $	82,4%
- $	3 476 566 $	5 476 566 $	36	85		2 895 561 $	2 581 005 $	83,3%
- $	3 613 225 $	5 613 225 $	37	86		3 040 339 $	2 572 886 $	84,1%
- $	3 755 719 $	5 755 719 $	38	87		3 192 356 $	2 563 363 $	85,0%
- $	3 904 298 $	5 904 298 $	39	88		3 351 973 $	2 552 325 $	85,9%
- $	4 059 222 $	6 059 222 $	40	89		3 519 572 $	2 539 650 $	86,7%
- $	4 220 762 $	6 220 762 $	41	90		3 695 551 $	2 525 211 $	87,6%
- $	4 389 199 $	6 389 199 $	42	91		3 880 328 $	2 508 871 $	88,4%
- $	4 564 829 $	6 564 829 $	43	92		4 074 345 $	2 490 484 $	89,3%
- $	4 747 959 $	6 747 959 $	44	93		4 278 062 $	2 469 897 $	90,1%
- $	4 938 909 $	6 938 909 $	45	94		4 491 965 $	2 446 944 $	91,0%
- $	5 138 014 $	7 138 014 $	46	95		4 716 563 $	2 421 451 $	91,8%