



CASE #1

- A group of dentists and dental specialists have created their own professional corporation.
- The new professional corporation generates near \$4,000,000.
- The shareholders, after salaries are paid and expenses deducted still have almost \$3,000,000 of active income left inside the company.
- None of them want to hand over near half of this amount to CCRA.
- They also want to purchase a new medical building that will dramatically increase their profitability.

Solution

- Their accountant and financial advisor bring an alternate strategy to them.
- Using a front end leveraged RCA will result in creation of a substantial tax deduction and improvement to operating capital.
- The actuarial certificates generated for the professional group is quite large.
- The RCA is established and the \$3,000,000 is contributed and thus deducted from the pre tax income.
- The company has thus eliminated corporate tax.
- The RCA trustees then enter into a loan agreement with a financial institution.
- The financial institution, insisting on a tax opinion and low to moderate risk investments held inside an insurance contract then lends 90% of the total contribution amount to the RCA.
- The RCA in turn then lends this sum back to the professional corporation for the construction of the medical building.

Summary

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|----------------------|-------------|
| RCA Contribution | \$3,000,000 |
| Deduction to company | \$3,000,000 |
| Loan to RCA | \$2,700,000 |
| RCA Loan to company | \$2,700,000 |
| Cost of transaction | \$ 30,000 |
| Net Cost to Company | \$ 330,000 |

