



CASE #2

SCENARIO:

- A businessman and his wife incorporated their company in 1992 with each owning 50% of the business.
- The corporation generates a Corporate Net Income of \$250,000 before personal salaries.
- Both the businessman and his wife draw salaries of \$90,000 each.

Solution:

Step 1

- Started an Employee Profit Sharing Plan
- Benefit redirect CPP premiums
- Implementation costs \$1,500 Ongoing yearly expense \$0 Annual savings \$7,204

Step 2

- Purchased a Corporate Shared Ownership Universal Life
- A benefit of \$2,000,000 Lifetime fixed premium insurance; as well as the ability to move \$25,000 annually from the corporation to the businessman and his wife's hands tax-free.
- Creates a tax savings of \$7,833 per year for 15 years

Step 3

An Asset Allocation and Efficient Frontier model is applied to the current asset pool, which in turn decreases statistical risk while increases expected long term rate of return.

Step 4

- The businessman and his wife are transitioned from RRSP deposits to an IPP.
- This increases tax deferred deposits by 28% per year; creditor proofing all retirement savings; guaranteeing retirement income; and opens an additional \$110,000 one time tax deduction, saving \$50,968 (one time only)
- Implementation costs \$3,500 Ongoing yearly expense \$1,000 Annual savings \$4,000*

Summary:

IMPLEMENTATION COSTS	ONGOING EXPENSES	REDIRECTED CASH FLOW
\$4,500	\$1,000 per year	\$62,200 per year

One time savings **\$50,968**; annual savings **\$35,153**; projected 15 year savings **\$578,263**.

Extra benefit:

The businessman and his wife accumulated an extra **\$454,176** in tax deferred savings over and above that allowed by RRSP deposit, at 6% return this saves up to an additional **\$12,500** per year.

*over RRSP deposits compounded by 7.5%/yr

