BECAUSE YOU'VE MADE YOUR BUSINESS A SUCCESS

THE CORPORATE INVESTMENT SHELTER STRATEGY

An investment strategy using tax-exempt life insurance.

If you have a successful company, you probably have corporate investments. You may be planning to use this as retirement income, and then leave as much as possible to your heirs. Sadly, the amount your children receive after corporate and personal taxes may not be nearly as much as you had planned. Fortunately, you can maximize the after-tax value of these assets using the corporate investment shelter strategy.

Meet Mark & Susan

Both 55, they own a successful company and have accumulated $2 million in excess assets. What they don't use for retirement they want to leave to their children.

Twenty years ago, Mark and Susan started OpCo, a successful company, and set up HoldCo to protect OpCo's excess income from creditors. Over the years they've been transferring tax-free inter-corporate dividends into HoldCo, and HoldCo now has $2 million of assets in a portfolio of stocks and bonds. Mark and Susan want to use this to supplement their retirement income with $55,000 of net dividend income every year for the rest of their lives, and then transfer the balance of HoldCo's assets to their children.

The challenge

Mark and Susan's current strategy does not maximize the benefit of their hard work for their children.

- With corporate investments in HoldCo, the rate of return will be eroded by corporate taxes, both on investment earnings and on deferred capital gains.
- When the HoldCo investments are liquidated on the death of the second parent, the dividends paid out will be taxable to their estate.
- This will diminish the after-tax value of the corporate investments

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The solution

Pay less tax and leave more with the corporate investment shelter strategy.

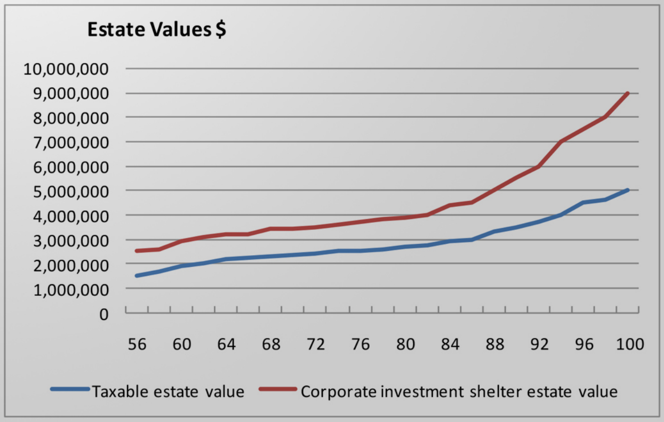
- With the corporate investment shelter strategy, Mark and Susan will draw $55,000 in net dividends from HoldCo every year for their retirement starting at age 65 until age 85, but HoldCo transfers the excess assets to a permanent life insurance policy. The policy fund is invested to match their asset allocation objectives
- The policy fund grows tax-deferred during their lifetime (there is no corporate tax on growth).
- Upon death of the second parent, the policy pays HoldCo a tax-free death benefit, and allows some or all of the proceeds to be paid out as a tax-free capital dividend.

The result

The corporate investment shelter strategy made a difference in excess of $1.4 million.

By age 85 (the life expectancy of the last survivor), Mark and Susan's estate will be worth $1.4 million more than if they had continued to rely on taxable investments.

The corporate investment shelter (CIS) strategy is a cost-effective way to ensure that the fruits of your hard earned business success go to your children, not to taxes.



* Illustrated values based on assumed rate of 5% for the Universal Life and 5.45% for the taxable investment (40% bonds at 4.25% and 60% equities at 6.25%)

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