

iA Participating Life Insurance (iA PAR)

BALANCE SHEET STRENGTHENING WITH iA PAR WEALTH



For advisor use only

CASE STUDY

Meet **Kate**

Female, non-smoker, age 40 | 20-year payment

Kate is 40 years old and is the sole shareholder of her company, which specializes in management consulting and executive search. Her business is growing and she has passive income investments in her company, which are mostly fixed income as she doesn't want too much exposure to market risk. Kate knows that permanent life insurance would help her protect her estate, but she is also concerned about minimizing her company's tax liability during the accumulation phase.

Since Kate invests annually in her company to ensure its growth, she doesn't want to spend too much of her cash flow on life insurance premiums. That's why she was first interested in the most affordable permanent insurance available: T100. Fortunately, a meeting with her advisor and the iA Large Case Solutions team helped her understand how iA PARWealth participating life insurance could help her protect her estate value as well as strengthen her company's balance sheet.

iA PAR Wealth

Insurance amount:
\$772,532

Dividend option:
Paid-up additions (PUA)

Annual premium at issue:
\$27,000

Additional Deposit Option (ADO):
\$8,000

Total annual premium:
\$35,000

Payment period:
20 years, premium offset after 10 years

Dividend rate:
Current scale



Proposed approach: Balance sheet strengthening

iA PAR Wealth generates strong cash surrender values in the short term, coupled with stable growth over the long term, allowing a positive value to be recorded on the income statement once the annual increase in the total surrender value exceeds the premium paid for the year. iA PAR Wealth is an investment that helps strengthen a company's balance sheet and also provides access to cash when business opportunities arise.

Impact on the balance sheet

Year	T100 cumulative annual premium	iA PAR Wealth cumulative annual premium	Total surrender value	Impact on the balance sheet	Impact on the income statement
1	\$5,407	\$35,000	\$23,664	(\$11,336)	(\$11,336)
2	\$10,814	\$70,000	\$54,077	(\$15,923)	(\$4,587)
3	\$16,221	\$105,000	\$89,436	(\$15,564)	\$359
4	\$21,628	\$140,000	\$129,972	(\$10,028)	\$5,536
5	\$27,035	\$175,000	\$175,608	\$608	\$10,636
6	\$32,442	\$210,000	\$217,806	\$7,806	\$7,198
7	\$37,849	\$245,000	\$261,896	\$16,896	\$9,090
8	\$43,256	\$280,000	\$308,256	\$28,256	\$11,360
9	\$48,663	\$315,000	\$356,870	\$41,871	\$13,615
10	\$54,070	\$350,000	\$410,981	\$60,981	\$19,110

Combining protection with balance sheet strengthening

Although more affordable, T100 permanent life insurance coverage has no cash surrender value, making it an annual expense on a company's income statement. iA PAR, however, thanks to its surrender values, meets the same need for insurance coverage while being seen as an asset class to strengthen your clients' balance sheets.

In the case of Kate's company, T100 permanent life insurance payable for life would be considered an annual expense of \$5,407 for the company until her death. For iA PAR Wealth, the annual premium is \$35,000, payable for 10 years.

By the third year, the annual increase in the iA PAR Wealth total surrender value is greater than the annual premium, allowing Kate's company to record a positive value of \$359 on its income statement.

Starting in the fifth year, the total surrender value is greater than the cumulative premiums paid, allowing \$608 to be recorded in current assets. It's at this point that we start talking about the balance sheet strengthening effect.

In the tenth year, which is the end of the payment period, the cumulative impact of the balance sheet strengthening is \$60,981.

So rather than simply minimizing insurance costs and opting for permanent life insurance protection, choosing iA PAR satisfies your clients' insurance needs while generating income on their income statement in just a few years.



Tax efficiency for Kate's company

Tax-sheltered growth

The growth generated annually in the iA PAR Wealth life insurance policy is not taxable. Compared to Kate's passive income investments, this tax-sheltered growth allows Kate to increase her net worth during the asset accumulation phase.

Protecting the small business deduction

Life insurance policies are not subject to passive income rules. The money invested by Kate's company in the iA PAR Wealth life insurance policy is not subject to the rules governing passive income, so the company protects its small business deduction (SBD) and maintains its corporate tax rate. In addition, the premiums for the policy are paid by the company with after-tax dollars, which is better for Kate than if she had paid the premium from her personal funds.

Age	Year	Cumulative deposit (premium + ADO)	Total surrender value	Total death benefit	CDA	Taxable dividend	Income tax on dividend (48.02%)	Net estate value
41	1	\$35,000	\$23,664	\$810,175	\$775,422	\$34,753	\$16,688	\$793,487
42	2	\$35,000	\$54,077	\$857,190	\$787,793	\$69,397	\$33,324	\$823,865
43	3	\$35,000	\$89,436	\$907,422	\$803,464	\$103,958	\$49,921	\$857,502
44	4	\$35,000	\$129,972	\$960,934	\$822,511	\$138,423	\$66,471	\$894,464
45	5	\$35,000	\$175,608	\$1,016,535	\$843,748	\$172,787	\$82,972	\$933,562
46	6	\$35,000	\$217,806	\$1,072,801	\$865,757	\$207,044	\$99,423	\$973,378
47	7	\$35,000	\$261,896	\$1,130,816	\$889,635	\$241,181	\$115,815	\$1,015,001
48	8	\$35,000	\$308,256	\$1,190,737	\$915,552	\$275,185	\$132,144	\$1,058,593
49	9	\$35,000	\$356,870	\$1,251,521	\$942,482	\$309,039	\$148,401	\$1,103,121
50	10	\$35,000	\$410,981	\$1,286,953	\$944,232	\$342,721	\$164,575	\$1,122,378
51	11	-	\$424,678	\$1,244,747	\$903,434	\$341,313	\$163,899	\$1,080,849
52	12	-	\$438,278	\$1,204,842	\$865,032	\$339,810	\$163,177	\$1,041,665
53	13	-	\$439,585	\$1,167,504	\$829,293	\$338,211	\$162,409	\$1,005,095
54	14	-	\$440,313	\$1,133,000	\$796,501	\$336,499	\$161,587	\$971,413
55	15	-	\$441,038	\$1,100,508	\$765,836	\$334,672	\$160,709	\$939,798
56	16	-	\$441,856	\$1,069,315	\$736,587	\$332,728	\$159,776	\$909,539
57	17	-	\$442,847	\$1,039,563	\$708,851	\$330,712	\$158,808	\$880,755
58	18	-	\$443,844	\$1,011,083	\$682,458	\$328,625	\$157,806	\$853,277
59	19	-	\$444,757	\$983,495	\$657,028	\$326,467	\$156,769	\$826,725
60	20	-	\$445,491	\$975,384	\$651,148	\$324,236	\$155,698	\$819,686
61	21	-	\$473,820	\$1,008,228	\$686,446	\$321,782	\$154,520	\$853,708
62	22	-	\$503,565	\$1,041,654	\$722,627	\$319,027	\$153,197	\$888,457
63	23	-	\$534,789	\$1,075,718	\$759,785	\$315,933	\$151,711	\$924,007
64	24	-	\$567,555	\$1,110,463	\$798,001	\$312,462	\$150,044	\$960,419
65	25	-	\$601,927	\$1,145,950	\$837,386	\$308,564	\$148,172	\$997,777
66	26	-	\$637,981	\$1,182,248	\$878,055	\$304,193	\$146,073	\$1,036,174
67	27	-	\$675,756	\$1,219,374	\$920,087	\$299,287	\$143,718	\$1,075,657
68	28	-	\$715,329	\$1,257,397	\$963,607	\$293,790	\$141,078	\$1,116,319
69	29	-	\$756,784	\$1,296,414	\$1,008,780	\$287,634	\$138,122	\$1,158,292
70	30	-	\$800,209	\$1,336,515	\$1,055,768	\$280,747	\$134,815	\$1,201,701

Age	Year	Cumulative deposit (premium + ADO)	Total surrender value	Total death benefit	CDA	Taxable dividend	Income tax on dividend (48.02%)	Net estate value
71	31	-	\$845,692	\$1,377,794	\$1,104,741	\$273,053	\$131,120	\$1,246,674
72	32	-	\$893,336	\$1,420,366	\$1,155,900	\$264,466	\$126,997	\$1,293,370
73	33	-	\$943,250	\$1,464,343	\$1,209,441	\$254,902	\$122,404	\$1,341,939
74	34	-	\$995,565	\$1,509,881	\$1,265,624	\$244,257	\$117,292	\$1,392,588
75	35	-	\$1,050,399	\$1,557,094	\$1,324,661	\$232,433	\$111,614	\$1,445,480
76	36	-	\$1,107,882	\$1,606,124	\$1,386,808	\$219,316	\$105,316	\$1,500,808
77	37	-	\$1,168,077	\$1,656,984	\$1,452,189	\$204,795	\$98,343	\$1,558,641
78	38	-	\$1,231,120	\$1,709,809	\$1,521,060	\$188,749	\$90,637	\$1,619,172
79	39	-	\$1,297,151	\$1,764,724	\$1,593,675	\$171,049	\$82,138	\$1,682,586
80	40	-	\$1,366,319	\$1,821,844	\$1,670,277	\$151,567	\$72,782	\$1,749,062
81	41	-	\$1,438,767	\$1,881,264	\$1,751,096	\$130,168	\$62,507	\$1,818,758
82	42	-	\$1,514,258	\$1,942,556	\$1,835,842	\$106,714	\$51,244	\$1,891,312
83	43	-	\$1,592,601	\$2,005,351	\$1,924,276	\$81,075	\$38,932	\$1,966,418
84	44	-	\$1,673,849	\$2,069,582	\$2,016,458	\$53,124	\$25,510	\$2,044,072
85	45	-	\$1,757,931	\$2,134,977	\$2,112,238	\$22,739	\$10,919	\$2,124,058
86	46	-	\$1,844,847	\$2,201,289	\$2,201,289	\$-	\$-	\$2,201,289
87	47	-	\$1,925,522	\$2,269,309	\$2,269,309	\$-	\$-	\$2,269,309
88	48	-	\$2,007,368	\$2,339,087	\$2,339,087	\$-	\$-	\$2,339,087
89	49	-	\$2,091,672	\$2,410,636	\$2,410,636	\$-	\$-	\$2,410,636
90	50	-	\$2,178,510	\$2,483,973	\$2,483,973	\$-	\$-	\$2,483,973
91	51	-	\$2,268,018	\$2,559,116	\$2,559,116	\$-	\$-	\$2,559,116
92	52	-	\$2,359,586	\$2,635,149	\$2,635,149	\$-	\$-	\$2,635,149
93	53	-	\$2,453,757	\$2,712,336	\$2,712,336	\$-	\$-	\$2,712,336
94	54	-	\$2,550,531	\$2,790,091	\$2,790,091	\$-	\$-	\$2,790,091
95	55	-	\$2,650,296	\$2,867,886	\$2,867,886	\$-	\$-	\$2,867,886
96	56	-	\$2,753,855	\$2,945,004	\$2,945,004	\$-	\$-	\$2,945,004
97	57	-	\$2,862,769	\$3,020,442	\$3,020,442	\$-	\$-	\$3,020,442
98	58	-	\$2,979,836	\$3,092,539	\$3,092,539	\$-	\$-	\$3,092,539
99	59	-	\$3,110,311	\$3,158,729	\$3,158,729	\$-	\$-	\$3,158,729
100	60	-	\$3,220,598	\$3,220,598	\$3,220,598	\$-	\$-	\$3,220,598

iA PAR Wealth has many additional benefits for Kate's company

Creating a capital dividend account (CDA)

All or part of the death benefit is deposited into the CDA. The rapid growth of the cash surrender value created by maximizing payments into the iA PAR Wealth life insurance policy helps grow the CDA. This in turn protects the value of Kate's estate, since capital dividends paid from the CDA are tax free.

Increased net estate value

Interest, dividends and capital gains from traditional investment portfolios in which the company invests are taxable during the accumulation phase. In addition, funds transferred to the estate at the time of the shareholder's death are also taxable, which eats into the value of the estate. The iA PAR Wealth death benefit is paid tax-free to Kate's company, which can then pay it to Kate's estate through the CDA and thereby maximize her estate value.






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