

iA Participating Life Insurance (iA PAR)



LIFE  
INSURANCE

# iA PAR WEALTH IMMEDIATE FINANCING ARRANGEMENT



For advisor use only



## CASE STUDY

### Meet **Thomas**

Thomas is 55 years old and has been a real estate developer for over 15 years. His company has excess cash and its taxable income is growing steadily. The passive investments held by Thomas's company consist mostly of fixed income securities and may have a long-term tax impact as his company benefits from the small business deduction (SBD). Thomas understands that he needs ample permanent life insurance to protect his estate, but he's also mindful about managing his cash flow. He's looking to invest in a very promising real estate project that requires a lot of capital and wants to avoid putting a big chunk of his cash flow toward life insurance premiums. He has some tolerance for risk, no insurability issues and is comfortable with financial leverage strategies. Together with his advisor and iA Large Case Solutions, he was able to find a solution that meets his insurance needs without affecting the company's cash flow or its plans for growth. He can turn to the immediate financing arrangement strategy with iA PAR Wealth participating life insurance.

## iA PAR WEALTH: PAYABLE TO AGE 100

Initial insurance amount: **\$1,355,966**

Dividend options: **Paid-up additions (PUA)**

Annual premium at issue: **\$40,879**

Additional deposit option (ADO): **\$59,121**

Total annual premium: **\$100,000**

Premium offset: **After 10 years**

Dividend rate: **Current scale**

Personal marginal tax rate: **53.31%**

Personal dividend tax rate: **48.02%**

Corporate tax rate: **50.17%**

Interest deductible: **Yes**

NCPI deductible: **Yes**

Borrower: **Shareholder (Thomas)**

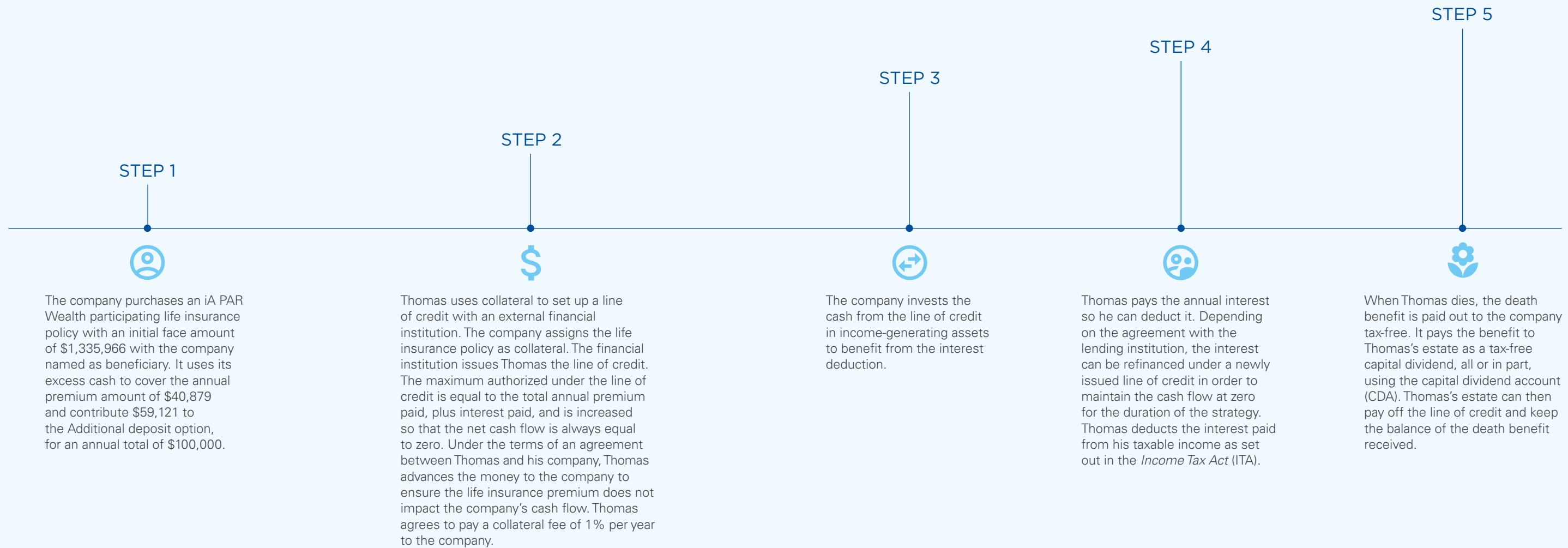
Type of loan: **100% of premium**

Loan rate: **4.50%**

Number of loans: **10**

Refinancing of interest: **Yes**

## ESTABLISHING AN IMMEDIATE FINANCING ARRANGEMENT FOR THOMAS'S COMPANY



## LOAN AND CASH FLOW EVOLUTION:

Age	Year	Annual premiums	ADO	Total deposit	Loan at beginning of year	Interest paid	Loan at end of year	Tax savings	Annual cash flow
56	1	\$40,879	\$59,121	\$100,000	\$100,000	\$5,000	\$5,000	\$0	\$ -
57	2	\$40,879	\$59,121	\$100,000	\$100,000	\$10,250	\$7,584	\$2,665	\$ -
58	3	\$40,879	\$59,121	\$100,000	\$100,000	\$15,629	\$10,165	\$5,464	\$ -
59	4	\$40,879	\$59,121	\$100,000	\$100,000	\$21,137	\$12,806	\$8,332	\$ -
60	5	\$40,879	\$59,121	\$100,000	\$100,000	\$26,778	\$15,509	\$11,268	\$ -
61	6	\$40,879	\$59,121	\$100,000	\$100,000	\$32,553	\$18,278	\$14,275	\$ -
62	7	\$40,879	\$59,121	\$100,000	\$100,000	\$38,467	\$21,113	\$17,354	\$ -
63	8	\$40,879	\$59,121	\$100,000	\$100,000	\$44,523	\$24,016	\$20,507	\$ -
64	9	\$40,879	\$59,121	\$100,000	\$100,000	\$50,724	\$26,988	\$23,735	\$ -
65	10	\$40,879	\$59,121	\$100,000	\$100,000	\$57,073	\$30,032	\$27,041	\$ -
66	11	\$ -	\$ -	\$ -	\$ -	\$58,575	\$28,149	\$30,426	\$ -
67	12	\$ -	\$ -	\$ -	\$ -	\$59,982	\$28,756	\$31,226	\$ -
68	13	\$ -	\$ -	\$ -	\$ -	\$61,420	\$29,443	\$31,976	\$ -
69	14	\$ -	\$ -	\$ -	\$ -	\$62,892	\$30,149	\$32,743	\$ -
70	15	\$ -	\$ -	\$ -	\$ -	\$64,399	\$30,872	\$33,528	\$ -
71	16	\$ -	\$ -	\$ -	\$ -	\$65,943	\$31,612	\$34,331	\$ -
72	17	\$ -	\$ -	\$ -	\$ -	\$67,524	\$32,369	\$35,154	\$ -
73	18	\$ -	\$ -	\$ -	\$ -	\$69,142	\$33,145	\$35,997	\$ -
74	19	\$ -	\$ -	\$ -	\$ -	\$70,799	\$33,940	\$36,860	\$ -
75	20	\$ -	\$ -	\$ -	\$ -	\$72,496	\$34,753	\$37,743	\$ -
76	21	\$ -	\$ -	\$ -	\$ -	\$74,234	\$35,586	\$38,648	\$ -
77	22	\$ -	\$ -	\$ -	\$ -	\$76,013	\$36,439	\$39,574	\$ -
78	23	\$ -	\$ -	\$ -	\$ -	\$77,835	\$37,313	\$40,523	\$ -
79	24	\$ -	\$ -	\$ -	\$ -	\$79,701	\$38,207	\$41,494	\$ -
80	25	\$ -	\$ -	\$ -	\$ -	\$81,611	\$39,123	\$42,489	\$ -
81	26	\$ -	\$ -	\$ -	\$ -	\$83,567	\$40,060	\$43,507	\$ -
82	27	\$ -	\$ -	\$ -	\$ -	\$85,570	\$41,021	\$44,550	\$ -
83	28	\$ -	\$ -	\$ -	\$ -	\$87,621	\$42,004	\$45,618	\$ -
84	29	\$ -	\$ -	\$ -	\$ -	\$89,722	\$43,011	\$46,711	\$ -
85	30	\$ -	\$ -	\$ -	\$ -	\$91,872	\$44,042	\$47,831	\$ -
86	31	\$ -	\$ -	\$ -	\$ -	\$94,074	\$45,097	\$48,977	\$ -
87	32	\$ -	\$ -	\$ -	\$ -	\$96,329	\$46,178	\$50,151	\$ -
88	33	\$ -	\$ -	\$ -	\$ -	\$98,638	\$47,285	\$51,353	\$ -
89	34	\$ -	\$ -	\$ -	\$ -	\$101,002	\$48,418	\$52,584	\$ -
90	35	\$ -	\$ -	\$ -	\$ -	\$103,423	\$49,579	\$53,844	\$ -
91	36	\$ -	\$ -	\$ -	\$ -	\$105,902	\$50,767	\$55,135	\$ -
92	37	\$ -	\$ -	\$ -	\$ -	\$108,440	\$51,984	\$56,456	\$ -
93	38	\$ -	\$ -	\$ -	\$ -	\$111,040	\$53,230	\$57,810	\$ -
94	39	\$ -	\$ -	\$ -	\$ -	\$113,701	\$54,506	\$59,195	\$ -
95	40	\$ -	\$ -	\$ -	\$ -	\$116,427	\$55,812	\$60,614	\$ -
96	41	\$ -	\$ -	\$ -	\$ -	\$119,217	\$57,150	\$62,067	\$ -
97	42	\$ -	\$ -	\$ -	\$ -	\$122,075	\$58,520	\$63,555	\$ -
98	43	\$ -	\$ -	\$ -	\$ -	\$125,001	\$59,923	\$65,078	\$ -
99	44	\$ -	\$ -	\$ -	\$ -	\$127,997	\$61,359	\$66,638	\$ -
100	45	\$ -	\$ -	\$ -	\$ -	\$131,065	\$62,830	\$68,235	\$ -

### THE STRATEGY PROPOSED IS:

#### **An immediate financing arrangement at 100% of the premium**

Considering Thomas's company is in excellent financial health and is able to assign other assets as collateral for the first few years, an immediate financing arrangement is an advantageous solution for Thomas's company. It enables Thomas's company to use its excess cash to make tax-efficient investments and gives Thomas the permanent life insurance coverage he needs. The line of credit used annually allows for a zero cash flow to be maintained, thereby not affecting the company's liquidity. The immediate financing arrangement should be tailored to each client's situation, objectives and risk tolerance.

## ADVANTAGES OF THE iA PAR WEALTH IMMEDIATE FINANCING ARRANGEMENT

### Increased net estate value

iA PAR Wealth has strong short-term surrender value growth, so the breakeven point (**total deposit = total surrender value**) occurs as early as the 5th year.

The capital dividend account (CDA) becomes equivalent to the full death benefit at age 87, at which point the whole amount would be paid to Thomas's estate tax free. After paying back the line of credit, the estate would keep the balance of the death benefit, thereby maximizing its assets.

### Tax efficiency

#### Interest deductibility

The interest paid on Thomas's line of credit is deductible under the ITA because it was incurred for the purpose of earning taxable income.

#### Tax-sheltered growth

The company does not pay tax on annual growth generated by the iA PAR Wealth policy. Compared with passive income investments, this tax-sheltered growth allows Thomas to increase the net value of his estate.

#### Protecting the small business deduction

Insurance policies are not subject to passive income rules. The money Thomas invests in the company via his iA PAR Wealth insurance policy is not subject to the rules governing passive income, so the company optimizes its small business deduction (SBD) and maintains its corporate tax rate.

#### Creating a capital dividend account

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 Thomas's estate, since capital dividends paid from the CDA are tax free.

Age	Year	Cumulative deposit	Cash surrender value	Total death benefit	CDA	Taxable dividend	Total paid to estate (net of taxes)	Loan balance	Net estate value
56	1	\$100,000	\$86,269	\$1,335,966	\$1,237,559	\$98,407	\$1,288,711	\$105,000	\$1,183,711
57	2	\$200,000	\$180,734	\$1,476,508	\$1,280,576	\$195,932	\$1,382,422	\$212,584	\$1,169,837
58	3	\$300,000	\$282,272	\$1,618,926	\$1,326,294	\$292,632	\$1,478,405	\$322,749	\$1,155,655
59	4	\$400,000	\$391,498	\$1,763,712	\$1,375,299	\$388,413	\$1,577,196	\$435,555	\$1,141,641
60	5	\$500,000	\$508,127	\$1,910,060	\$1,426,920	\$483,140	\$1,678,056	\$551,064	\$1,126,992
61	6	\$600,000	\$627,659	\$2,057,055	\$1,480,422	\$576,633	\$1,780,156	\$669,342	\$1,110,813
62	7	\$700,000	\$753,195	\$2,205,551	\$1,536,853	\$668,698	\$1,884,443	\$790,455	\$1,093,987
63	8	\$800,000	\$885,085	\$2,355,293	\$1,596,180	\$759,113	\$1,990,767	\$914,471	\$1,076,296
64	9	\$900,000	\$1,022,856	\$2,506,490	\$1,658,897	\$847,593	\$2,099,475	\$1,041,46	\$1,058,016
65	10	\$1,000,000	\$1,175,101	\$2,634,714	\$1,700,859	\$933,855	\$2,186,277	\$1,171,492	\$1,014,785
66	11		\$1,217,188	\$2,620,756	\$1,702,459	\$918,297	\$2,179,789	\$1,199,641	\$980,149
67	12		\$1,259,137	\$2,609,945	\$1,709,206	\$900,739	\$2,177,410	\$1,228,397	\$949,013
68	13		\$1,301,498	\$2,602,864	\$1,721,911	\$880,953	\$2,179,830	\$1,257,840	\$921,990
69	14		\$1,344,355	\$2,599,997	\$1,741,285	\$858,712	\$2,187,643	\$1,287,989	\$899,654
70	15		\$1,387,151	\$2,601,570	\$1,767,809	\$833,761	\$2,201,198	\$1,318,861	\$882,336
71	16		\$1,438,811	\$2,607,708	\$1,801,905	\$805,803	\$2,220,761	\$1,350,473	\$870,288
72	17		\$1,492,257	\$2,617,186	\$1,841,531	\$775,655	\$2,244,716	\$1,382,842	\$861,874
73	18		\$1,547,416	\$2,629,866	\$1,886,700	\$743,166	\$2,272,998	\$1,415,988	\$857,010
74	19		\$1,604,355	\$2,645,794	\$1,937,591	\$708,203	\$2,305,715	\$1,449,927	\$855,788
75	20		\$1,663,157	\$2,665,035	\$1,994,398	\$670,637	\$2,342,995	\$1,484,680	\$858,315
76	21		\$1,723,989	\$2,687,766	\$2,057,424	\$630,342	\$2,385,076	\$1,520,267	\$864,809
77	22		\$1,787,068	\$2,714,229	\$2,127,046	\$587,183	\$2,432,264	\$1,556,706	\$875,558
78	23		\$1,852,517	\$2,744,500	\$2,203,449	\$541,051	\$2,484,688	\$1,594,018	\$890,669
79	24		\$1,920,467	\$2,778,681	\$2,286,858	\$491,823	\$2,542,507	\$1,632,225	\$910,282
80	25		\$1,991,066	\$2,816,871	\$2,377,475	\$439,396	\$2,605,873	\$1,671,348	\$934,525
81	26		\$2,064,468	\$2,859,177	\$2,475,511	\$383,666	\$2,674,941	\$1,711,408	\$963,532
82	27		\$2,140,253	\$2,904,978	\$2,580,438	\$324,540	\$2,749,134	\$1,752,429	\$996,705
83	28		\$2,217,840	\$2,953,492	\$2,691,551	\$261,941	\$2,827,708	\$1,794,433	\$1,033,275
84	29		\$2,297,037	\$3,004,430	\$2,808,608	\$195,822	\$2,910,397	\$1,837,444	\$1,072,953
85	30		\$2,377,577	\$3,057,426	\$2,931,272	\$126,154	\$2,996,847	\$1,881,485	\$1,115,362
86	31		\$2,454,008	\$3,105,982	\$3,053,066	\$52,916	\$3,080,572	\$1,926,582	\$1,153,989
<b>87</b>	<b>32</b>		<b>\$2,531,564</b>	<b>\$3,156,368</b>	<b>\$3,156,368</b>	<b>-</b>	<b>\$3,156,368</b>	<b>\$1,972,761</b>	<b>\$1,183,608</b>
88	33		\$2,610,018	\$3,208,239	\$3,208,239	-	\$3,208,239	\$2,020,046	\$1,188,193
89	34		\$2,689,229	\$3,261,310	\$3,261,310	-	\$3,261,310	\$2,068,464	\$1,192,846
90	35		\$2,769,139	\$3,315,348	\$3,315,348	-	\$3,315,348	\$2,118,043	\$1,197,305
91	36		\$2,852,937	\$3,365,942	\$3,365,942	-	\$3,365,942	\$2,168,810	\$1,197,132
92	37		\$2,935,232	\$3,414,291	\$3,414,291	-	\$3,414,291	\$2,220,794	\$1,193,497
93	38		\$3,016,888	\$3,460,863	\$3,460,863	-	\$3,460,863	\$2,274,024	\$1,186,839
94	39		\$3,097,856	\$3,504,781	\$3,504,781	-	\$3,504,781	\$2,328,530	\$1,176,251
95	40		\$3,179,005	\$3,545,614	\$3,545,614	-	\$3,545,614	\$2,384,342	\$1,161,271
96	41		\$3,262,232	\$3,583,102	\$3,583,102	-	\$3,583,102	\$2,441,493	\$1,141,609
97	42		\$3,363,039	\$3,629,690	\$3,629,690	-	\$3,629,690	\$2,500,013	\$1,129,677
98	43		\$3,490,195	\$3,686,921	\$3,686,921	-	\$3,686,921	\$2,559,935	\$1,126,986
99	44		\$3,633,538	\$3,730,693	\$3,730,693	-	\$3,730,693	\$2,621,294	\$1,109,399
100	45		\$3,759,804	\$3,759,804	\$3,759,804	-	\$3,759,804	\$2,684,124	\$1,075,680

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- Direct line to the underwriter assigned to your client
- No additional procedures

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Our mission is to ensure the financial wellbeing of our clients by offering them personal insurance coverage and investment solutions to help them achieve their personal goals.



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