



Equalizing the family farm, without selling an acre.

How one Prairie farm family will fund \$1,425,000 in equalization payments to three non-farming sisters, and save **nearly \$3,000,000** doing it.

\$3,752,099

COST WITHOUT PLANNING

Total after-tax cost of funding from farm profits and bank debt over 40+ years

\$793,638

COST WITH UNITY'S PLAN

Corporate life insurance with premium financing, paid up front at death

\$2,958,000+

ESTIMATED SAVINGS

Plus an estimated \$200,000 in additional tax savings for the family

THE SITUATION AT A GLANCE

The family	Mark & Susan Harris (names changed), incorporated Prairie farm
The obligation	\$475,000 to each of Susan's three sisters, \$1,425,000 total
The original plan	Instalments of at least \$25,000 per sister, per year, starting in the year of her father's death
The solution	Corporately owned life insurance on Susan's parents, with premiums recovered through bank lending

WHY IT WORKED

Because the payments come due at death, life insurance funds them at exactly the right moment, for a fraction of the cost.

Premiums are paid with farm corporation cash, and the death benefit flows out of the corporation with little or no tax owing. The sisters are paid in full, up front, with no 17-year deferral.

The situation, the options, and the numbers

CASE STUDY FP-01

THE SITUATION

Mark and Susan Harris will receive all of the family farm assets. To equalize the estate, Susan's father has asked that her three sisters each receive \$475,000, paid in instalments of at least \$25,000 per sister per year, beginning in the year of his death.

THE ORIGINAL PLAN

The family planned to fund the payments from farm profits and a bank loan, repaid from future profits. Their land offers ample collateral, but the payments would stretch over 17 years, and both the payments and the loan repayment come from after-tax cash, pushing the true cost past \$3,750,000.

WHY INSURANCE FITS

Corporately funded life insurance carries tax advantages other planning tools do not. Because the payments are triggered by the death of Susan's parents, insuring their lives means the death benefit arrives exactly when the obligation does. Susan's sisters each receive tax-free cash all at once, so they can pursue their own financial goals earlier, with more certainty.

THREE WAYS TO FUND THE PAYMENTS

OPTION 1 (ORIGINAL PLAN)

Farm profits & bank debt
\$3,752,099

- Payments spread over 17 years
- Total cost includes payments, loan repayment, and interest, all paid from after-tax cash
- No insurance required; land collateral supports the lending

OPTION 2

Corporate life insurance
\$812,139

- Sisters paid in full, up front, with no deferral
- Premiums paid with farm corporation cash; death benefit flows out with little or no tax
- Requires earmarking farm income for premiums starting now

OPTION 3

SELECTED

Insurance + premium financing
\$793,638

- Sisters paid in full, up front, with no deferral
- Premiums recovered through bank lending; less current cash flow than Option 2
- Creates an estimated \$200,000 in extra tax savings, plus corporate expense deductions unavailable to the other options

WHAT UNITY DID

1. FACT-FINDING

Met the family and mapped the assets, wishes, and payment obligation

2. ACTUARIAL MODELING

Our in-house actuary costed all three options: rates, tax, life expectancy

3. PLAN DESIGN

Structured a corporately owned policy so the benefit flows out nearly tax-free

4. UNDERWRITING

Managed medicals and insurer negotiation through to policy issue

5. LENDER COORDINATION

Arranged the bank financing that recovers premiums; reviews annually