

They had \$4 million to give the kids. We boosted the transfer by \$2,300,000 more.

How one family with \$4,000,000 in a holding company will add **\$2,300,000** to their children's inheritance, without pulling a dollar out of the market.

\$11,384,928

ESTATE WITHOUT PLANNING

The portfolio alone, after passive tax each year and the tax on wind-up at death

\$13,724,347

ESTATE WITH UNITY'S PLAN

The same portfolio, plus a leveraged estate bond layered on top

\$2,300,000+

MORE TO THE FAMILY

Delivered tax-free through the Capital Dividend Account

THE SITUATION AT A GLANCE

The Family	Glen & Marie Thiessen, late 60s, two adult children
The Nest Egg	\$4,000,000 invested in stocks and bonds, managed by Glen & Marie's long-time investment advisor
Their Goal	Pass along as much as possible to the kids. Their own retirement is already covered with other assets.
The Solution	Keep the investment portfolio as the growth engine. Add a corporately owned life insurance policy to create a tax-efficient transfer, borrowing back premiums to reduce cash outflow.

WHY IT WORKS

No principal was taken away from the investment plan. The insurance was added beside it, and the estate came out \$2,300,000 ahead.

The Hold Co pays the premium, then borrows the same amount from the bank against the policy and invests it straight back in the portfolio. The only ongoing cost is the after-tax interest, which is modest once the interest and insurance cost deductions are counted. At death the loan is retired using part of the death benefit. The remaining cash, the full CDA credit, and some other corporate assets flow out to the children tax-free.

The situation, the options, and the numbers

CASE STUDY FP-07

THE SITUATION

Glen and Marie have more than they'll ever spend, and the extra wealth sits in a family holding company earning dividends and interest. Their investment advisor has managed the portfolio for years and will keep doing so. The question they brought us was simple: with the investment plan already in place, is there anything that gets more of it to the children?

THE STATUS QUO

Let the portfolio compound and wind up the Hold Co at death through a pipeline. It works, but the holding company is taxed twice: passive income at roughly 50% each year, then capital gains rates when the value leaves the company. This planning is the foundation of an effective wealth transfer, but adding a estate bond can improve it further.

HOW INSURANCE HELPS

The leveraged estate bond leaves the portfolio whole. Premium costs are borrowed back and reinvested with the advisor in the same year, so the invested capital stays close to where it would have been. The insurance plan has a relatively low cash cost to run and is funded using dividend income earned by the investment portfolio. The family adds a tax efficient, non-correlated asset, creating CDA credit to turn 75-cent corporate dollars into 100-cent dollars for the children.

THREE WAYS TO GROW THE ESTATE

SELECTED		
OPTION 1 (STATUS QUO) Portfolio only \$11,384,928 • Growth taxed near 50% inside the company every year • Company value taxed again at death on the way to the estate • Outcome depends entirely on markets and longevity	OPTION 2 Traditional estate bond \$11,967,145 • Premiums paid from the portfolio each year • Tax-free death benefit via the CDA • Competes with the investment portfolio for capital	OPTION 3 Leveraged estate bond \$13,724,347 • Premiums borrowed back; portfolio replenished the same year • Only cost is after-tax interest, reduced by deductions • Estimated \$2,300,000 more to the children at life expectancy • The investments remains the core of the overall strategy

Illustrative example. Individualized planning is required in consultation with professional advisors, and figures are not guaranteed. E&OE.

WHAT UNITY DID

1. FACT-FINDING

Met the family and their advisor; confirmed the \$4,000,000 is surplus to lifestyle

2. FINANCIAL MODELLING

Our in-house CPA, CFA and actuary modeled all three options: rates, tax, life expectancy

3. PLAN DESIGN

Structured the policy and loan to maximize the CDA credit at death

4. UNDERWRITING

Managed medicals and insurer negotiation through to policy issue

5. ADVISOR COORDINATION

Borrowed funds flow back to the advisor's portfolio; reviewed together annually