

Their wealth was in farmland. We created \$2,500,000 liquidity for retirement.

How one family worked together to create a retirement nest egg while keeping their acres together for the generations to come.

\$175,000

ESTIMATED LIQUID WEALTH
WITHOUT PLANNING

Savings and RRSPs for retirement (age 60)

\$2,550,000

ESTIMATED LIQUID WEALTH
WITH UNITY'S PLAN

The same portfolio, plus a liquidity
retirement plan

\$2,350,000+

MORE TO THE FAMILY

Delivered tax-free through the Capital
Dividend Account

THE SITUATION AT A GLANCE

The Family	Travis & Jen, farmers, late 40s, three kids
Status Quo	Farmland worth \$12 million, no debt. Limited liquid wealth.
Their Goal	Create a retirement nest egg so they wouldn't need to rely on selling/mortgaging land in retirement.
The Solution	Add a corporately owned life insurance policy to create a tax-efficient transfer. Borrowing back premiums to reduce cash outflow.

WHY IT WORKS

Minimal cash flow is drawn from farming operations. The insurance creates a retirement windfall, avoiding the need to sell land.

Jen's parents own shares in the Farm Co. and agreed to be the lives insured. The Farm Co. pays the premium, then borrows the same amount from the bank against the policy and invests it straight back into farming operations. 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 can fund Travis & Jen's retirement.

The situation, the options, and the numbers

CASE STUDY FP-08

THE SITUATION

Travis and Jen own 2000 acres. They have a good relationship with Jen's parents, who they've been buying out from the Farm Co. for years. Everyone wants to keep the farm in the family for the generations to come. Everything they earn goes back into the farm, so they have limited liquid savings for their retirement.

THE STATUS QUO

Travis and Jen expect to draw dividends from the farm in retirement. They understand that this method is not very tax efficient and could put an added financial strain on their kids. But they've become successful by reinvesting in farmland and want to avoid selling land. Is there a way to get them more in retirement, keeps the acres together and puts less financial strain on the next generation?

HOW INSURANCE HELPS

A liquid retirement strategy can create future cash liquidity for retirement. Jen's parents are the lives insured. Premium costs are borrowed back and reinvested in farm operations, so the farm can continue to grow. The insurance plan has a relatively low cash cost to run. Travis and Jen add a tax efficient, non-correlated asset, creating future cash liquidity that can fund their retirement on a tax-free basis.

THREE WAYS TO GROW THE ESTATE

SELECTED		
OPTION 1 (STATUS QUO)	OPTION 2	OPTION 3
Portfolio only	Traditional estate bond	Leveraged estate bond
\$175,000	\$645,00	\$2,550,000
• Contribute to RRSPs using extra cash flow • Every cent for retirement comes at the cost of re-investing in farm growth today	• Premiums paid from the portfolio each year • Tax-free death benefit via the CDA • Competes with the farming operations for capital	• Premiums borrowed back; portfolio replenished the same year • Only cost is after-tax interest, reduced by deductions • Estimated \$2,350,000 more to Travis and Jen for retirement • Farming can remain the core of the overall retirement 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; confirmed their plans and goals

2. FINANCIAL MODELLING

Our in-house CPA and CFA modeled potential scenarios using their farm financial info

3. PLAN DESIGN

Structured the plan to maximize the amount available in retirement, accounting for affordability today

4. UNDERWRITING

Managed medicals and insurer negotiation through to policy issue

5. ADVISOR COORDINATION

Borrowed funds flow back to farming operations; reviewed together annually