

Is the government a silent partner in your company's investment income?

If you're investing your company's excess profits, this could be happening.

HERE'S THE PROBLEM ...

In many businesses, the retained profits or surplus cash are invested in GICs or other taxable investments. This is often the case when the owners don't need the extra income and have a higher marginal tax rate than their business. But, what many owners may not realize is that they have made the government a silent partner in their investments since the government will take approximately half of the investment income in tax. Is this the most effective way for your corporation to invest its retained profits?

WHAT ARE YOUR OPTIONS?

You can continue to pay tax on the interest earned on your company's invested profits or you can invest these profits using an innovative concept known as **Corporate Estate Bond**. This attractive alternative to taxable investments is ideal for a corporation or owner who:

- can benefit from a higher immediate estate value and ultimately from a higher tax-free death benefit paid to heirs,
- has retained earnings available for investment, and
- can benefit from a tax-deferred investment.

THE BEST SOLUTION

The Corporate Estate Bond puts these excess profits to work in an exempt life insurance policy. InnoVision, a premier universal life product from Manulife, provides immediate life insurance protection and an investment that accumulates within the policy on a tax-deferred basis. When you die, the corporation receives the proceeds of the policy tax free, plus a credit to its capital dividend account (under current tax laws). Capital dividends may then be paid out to your estate tax-free. The Corporate Estate Bond, using InnoVision, allows you to move corporate investment dollars from a tax-exposed environment to a tax-deferred one, maximizing the amount that is available to your estate. To find out more, contact your advisor.

CORPORATE ESTATE BOND EXAMPLE

Male, 54, Healthstyle 3	
InnoVision interest rate	1.50% *
Initial death benefit	\$750,000
Deposits	\$30,000 annually for 10 years
Personal dividend tax rate	35%
Corporate tax rate	47%
Before-tax alternative investment rate	4%

* InnoVision offers several accounts with a minimum interest rate guarantee of 1.50%.

InnoVision			Alternative investment				
Accumulated value (\$)	Before tax redemption value (\$)	Net estate value (\$)	Year	Age	Annual interest (\$)	After tax balance (\$)	Net estate value (\$)
26,697	7,943	740,095	1	55	1,200	30,636	20,121
135,789	110,784	701,637	5	60	6,260	159,814	107,089
284,242	284,242	659,309	10	65	13,212	337,302	231,447
270,491	270,491	696,495	20	75	16,296	416,032	308,373
83,562	83,562	750,000	30	85	20,099	513,139	403,255

Values are for illustrative purposes only and are not guaranteed. The net estate values shown assume that the insurance and the alternative investment are paid out as a dividend at death. It does not reflect any capital gain on the shares of the corporation as a result of the deemed disposition at death. Please see your advisor for more information.

INNOVISION – THE BETTER CHOICE!

- A more cost-effective solution combining protection and investment flexibility for your corporate-estate needs
- Protection flexibility – you design the protection to meet your needs – you can choose either a simple single coverage solution or add riders like Protection Indexor rider and Business Value Protector rider to increase your protection automatically to match a growing insurance need
- Investment flexibility – Additional deposits above the minimum amount required grow within the policy on a tax sheltered basis to provide part of your protection solution as shown in the example above – choose from a wide range of investment options including fixed interest and equity options
- You receive regular statements including rates of return that let you monitor the performance of your policy
- You can track the performance of your investment daily on our website – www.manulife.ca/ul
- You decide the amount and number of deposits to suit your needs and cash flows
- Your solution is backed by the strength of Manulife, one of the largest life insurance companies in Canada



Insurance

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