

Life Insurance Valuation

The Life Insurance Valuation is a method of using actuarial calculations to determine the Present Value of a Life Insurance Policy. These calculations consider changes in information and the individual's status since the policy was originally enforced.

Utilizing the Life Insurance Valuation in conjunction with a current Life Insurance Policy that is held and paid for personally can permit tax free access to Corporate dollars and actually save money on the true cost of the premiums.

Highlights

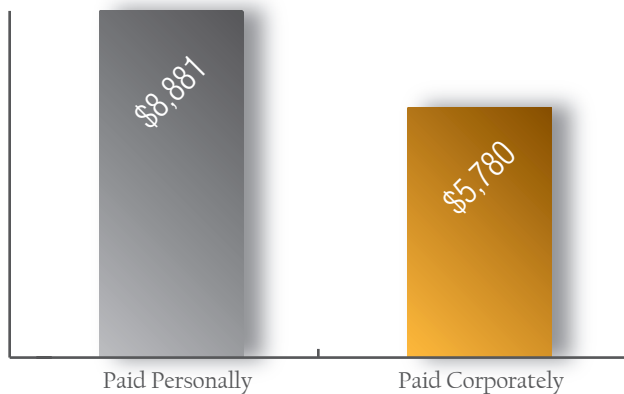
- ✓ Corporations can purchase the valuated policy at its present fair market value
- ✓ Converts corporate dollars into personal tax free dollars
- ✓ Corporations pay the policy premiums with lower after-tax dollars
- ✓ Health issues experienced by the policy holder may increase the fair market value of the life insurance policy
- ✓ A great way to free up and take money out of the company that is sitting as retained earnings
- ✓ Corporations can trade off current assets with future receivables
- ✓ Individual client situation analysis allows for personalized tax advantage benefit levels to be determined
- ✓ Minimal CSV (Cash Surrender Value) can decrease the ACB (Adjusted Cost Base), providing advantageous tax results upon death
- ✓ A policy with no CSV upon death can be paid out to beneficiaries tax free through the Capital Dividend Account (CDA)

Case Review

John is building a cottage on the lake for his family. He would like to pay for it with the money he has been accumulating in his corporation as retained earnings, which has been corporately taxed at the small business rate. John is at the top marginal personal tax bracket and has a T-100 life insurance policy valued at \$450,000, which features a death benefit of \$1,000,000. He personally pays premiums of \$5,000 each year. John has also experienced recognized health issues within the past two years.

Annual Premiums Comparison

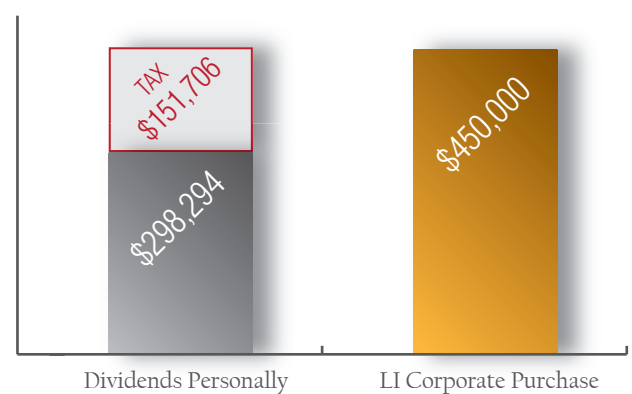
Pre-Tax Income Required



John saves \$3,101 in annual premiums by paying corporately!

Access Retained Earnings

Retained Earnings of \$450,000

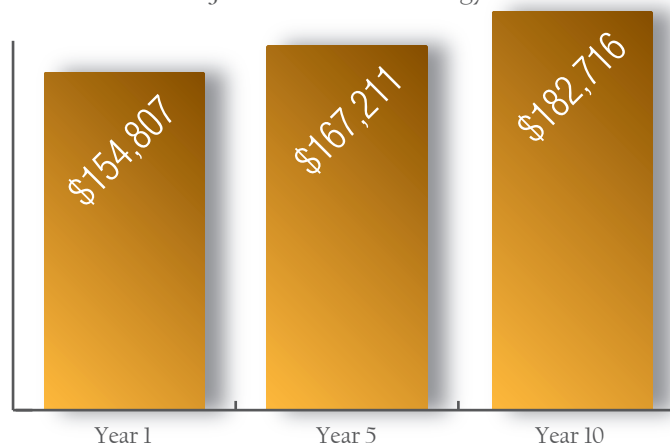


By corporately purchasing the existing Life Insurance policy, John saves \$151,706!

Case Summary

Cumulative Savings of Life Insurance Valuation

John's Valuation Strategy



Life Insurance Valuation Recap

Because of his Life Insurance Valuation, John reduces his personal taxation \$151,706 when accessing money within his corporation. In addition, John saves \$3,101 annually by paying premiums corporately. In ten years, total savings amount to over \$182,000!