One File, End to End: A Family Business After the Freeze

The case walked through in "Life Insurance 101 for CPAs" — a real planning file from a CPA-led practice. Details anonymized, provisions cited, figures illustrative.

What a CPA-led file looks like: **the accountant saw the liability first, the planning followed.** The $8 million tax bill is the point of this file. The insurance is how it gets paid without selling the business.

THE FILE

PRESENTER'S CASE · DETAILS ANONYMIZED

- Family-owned CCPC, **recent estate freeze**
- Freeze shares worth **~$30 million**
- Daughter runs the business long-term
- **$8 million tax liability** on the parents' deaths
- Surplus cash in the Holdco
- Question: life insurance to fund it?

TRIGGER 1 — SURPLUS CORPORATE CASH

TRIGGER 5 — ESTATE & SUCCESSION

THE STRUCTURE

THE POLICY

- **Joint last-to-die participating whole life**, spouses 62 and 63, owned by the Holdco
- Starting death benefit **$6.5M**, growing with paid-up additions
- **$500,000 a year for 10 years**, paid from corporate cash

THE FINANCING

- CSV assigned as collateral; bank lends **up to 100% of CSV** back to the Holdco each year
- Holdco redeploys the funds and services the interest
- Interest and the **s. 20(1)(e.2)** collateral deduction reduce the true cost

An immediate financing arrangement, running in a live file.

THE RESULT — AT DEATH

1. **Death benefit repays the loan** (~$5M).
2. **Remainder credits the CDA** — death benefit less ACB.
3. **Capital dividend to the estate, tax-free** — on a filed 83(2) election.

NET TO THE ESTATE (ILLUSTRATED)

Year 10	**~$9.5M**
Year 20	**~$10.1M**
Year 30 · life expectancy	**~$12.9M**

> **The $8M tax bill — funded, with room, for $500K a year the business mostly lent itself back.**

Assumptions: presenter's illustration (Nov 2024, current dividend scale), figures rounded · dividend scales are not guaranteed · early years CSV is below premiums paid, so full leverage needs alternate security · interest deductibility depends on use of borrowed funds.