

FOR OWNERS WHO KEEP MORE THAN THEY NEED TO OPERATE

Your Business Makes Money. Then It Leaves.

THE BIG IDEA

Stop treating every corporate dollar as disposable.

A field guide and companion workbook for keeping corporate capital working while you are alive — and moving it more efficiently when you are gone.

Dear Business Owner,

You built the company. You took the risk. You created the jobs. Yet every month, money leaves your business and never works for you again.

This handbook shows you the problem, the structure we use, and the questions to ask next.

FOLLOW ALONG WITH THE MINI-COURSE

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KEEP THE NEXT DOLLAR WORKING

START WITH THE TRUTH

Revenue comes in. Money goes out.

Taxes. Payroll. Rent. Equipment. Software. Interest. Professional fees. Every payment may be necessary. Every permanent payment also moves money away from your company.

CORPORATE MONEY RECEIPT

TAXES

\$

PAID. GONE. CANNOT BE REUSED.

CORPORATE MONEY RECEIPT

EXPENSES

\$

PAID. GONE. CANNOT BE REUSED.

CORPORATE MONEY RECEIPT

INTEREST

\$

PAID. GONE. CANNOT BE REUSED.

It cannot earn again.
It cannot be used again.

PERMANENT TRANSFER

THE CHEQUE IS NOT THE WHOLE COST

The real cost is what that money can never do for you again.

A note to the owner

If one corporate dollar leaves forever, you did not only lose the dollar.

You also lost every future use of that dollar, every future opportunity it could have funded, and every future dollar it could have earned.

That is the hidden cost.

MONEY THAT LEAVES CANNOT

- Fund the next acquisition
- Carry the company through a hard year
- Buy equipment without a rigid bank schedule
- Protect your family when you are gone

OPPORTUNITY COST

LOOK AT THE BALANCE SHEET

The business owner is nowhere on it.

The most valuable person in the company is often the only major asset the balance sheet does not recognize.

SIMPLIFIED CORPORATE BALANCE SHEET

CASH	RECORDED
ACCOUNTS RECEIVABLE	RECORDED
EQUIPMENT	RECORDED
REAL ESTATE	RECORDED
INVESTMENTS	RECORDED
THE OWNER	

Yet the owner creates the revenue, makes the decisions, carries the guarantees and holds the relationships together.

THE MONEY DID NOT DISAPPEAR

Some of it is simply sitting in the wrong place.

Surplus cash often ends up in a corporate chequing account, a HoldCo or conventional investments. It may look safe, but interest, rent, portfolio dividends and taxable gains can create passive investment income.

01**CHEQUING ACCOUNT**

Liquid, but usually doing very little.

02**HOLDCO**

Useful structure. Not a magic tax shelter.

03**INVESTMENTS**

May create taxable passive income every year.

And passive income can shrink the small business limit.

For many Canadian-controlled private corporations, the federal business limit can be reduced as adjusted aggregate investment income rises. Provincial rules and the full associated corporate group matter.

TAX TODAY. LESS ROOM TOMORROW.

THEN YOU WANT TO USE THE MONEY PERSONALLY

So you pay yourself.

T₄ salary

Employment income. Personal tax.

Dividends

Dividend income. Personal tax.



The same dollar meets another tollbooth.

The corporation paid tax as it earned and invested money. The owner can pay tax again when value is taken out as salary or a taxable dividend. That is a second tax event worth planning around.

EARN IT. TAX IT. EXTRACT IT. TAX IT.

THEN THE BUSINESS NEEDS CAPITAL TO GROW

Now go ask the bank.

You want to expand, add equipment, upgrade technology, hire great people or acquire another company. The opportunity is yours. The money and the rules belong to someone else.

The lender file

- Corporate financial statements
- Corporate and personal tax returns
- Personal net-worth statement
- Personal guarantees
- Credit and underwriting review
- Repayment terms and covenants chosen by the lender

How many owners love the process
of accessing someone else's money?

EXACTLY.

SAME SUCCESS. TWO DIFFERENT FUTURES.

Meet Alex and Jordan.

Alex kept doing what worked.

Surplus cash stayed in the company and conventional investments.

When capital was needed, Alex sold assets or borrowed on the lender's schedule.

More passive income created more tax pressure.

At death, the family still had to solve the corporate extraction problem.

A successful company. A costly exit.

Jordan changed the structure.

Part of long-term surplus funded corporate-owned participating whole life.

Cash value grew inside the exempt policy.

Capital was available when opportunity appeared.

At death, insurance proceeds may create room for capital dividends.

The same success. More control.

The future is not chosen in year twenty. It is built one decision at a time.

ONCE YOU SEE THE PROBLEM

What if one corporate dollar could do more than one job?

- 1. Grow without annual tax on the internal buildup while the policy remains exempt?**
- 2. Stay available as a source of capital when the business needs it?**
- 3. Protect the people whose value never appears on the balance sheet?**
- 4. Create a more efficient path for corporate wealth at death?**

The structure

Corporate-owned participating whole life can be designed to address all four needs in one permanent contract — subject to product, underwriting, ownership and tax rules.

ONE SYSTEM. TWO SIMPLE FRAMEWORKS.

Make it. Keep it. Use it. Leave it.

01

MAKE IT

Build a profitable company that creates real surplus.

02

KEEP IT

Reduce unnecessary leakage and give long-term capital a job.

03

USE IT

Preserve access and optionality for opportunities and future cash flow.

04

LEAVE IT

Coordinate death benefit, CDA and estate planning so more may reach family.

WHAT THE ASSET CAN DO

Build. Multiply. Access. Transfer.

BUILD cash value and permanent protection. MULTIPLY through declared policy dividends when paid. ACCESS capital through policy values or separate collateral financing. TRANSFER value efficiently at death when the structure and tax rules cooperate.

FOLLOW ALONG WITH THE MINI-COURSE

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BEFORE YOU MOVE MONEY

What do you want your money to do?

1. What does financial control mean to you as a business owner?

2. If you needed \$250,000 to \$500,000 for an opportunity tomorrow, where would the capital come from today?

3. What would accessing that capital cost you in tax, interest, lost growth or lost flexibility?

4. What percentage of the wealth you build do you want to ultimately benefit you and your loved ones?

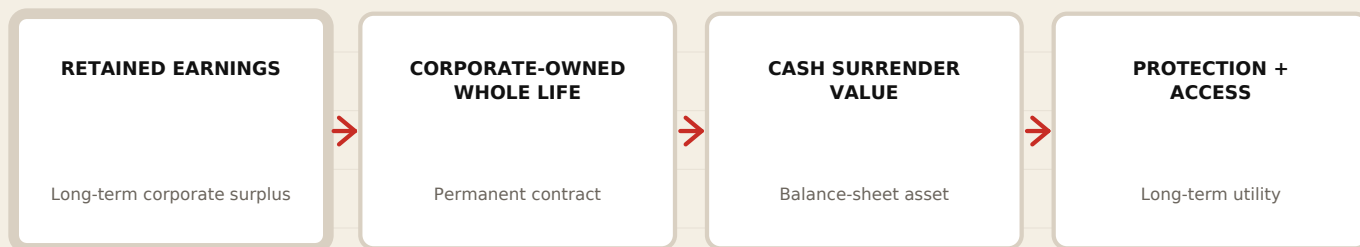
5. What percentage would you voluntarily choose to give to CRA if you controlled the outcome?

6. If you stopped working tomorrow, what on your balance sheet would continue working for you?

THE MONEY DID NOT VANISH

Move retained earnings into a new corporate asset.

A portion of long-term retained earnings is repositioned from the corporate bank or taxable environment into a corporately owned participating whole life policy. The cash surrender value becomes a financial asset on the corporate balance sheet.



WHY OWNERS PAY ATTENTION

- A different tax environment than idle corporate cash or fully taxable investments.
- A growing balance-sheet asset with permanent insurance protection.
- Potential access for opportunities while the company is alive.
- A structure that can coordinate lifetime use with family outcomes.

FOLLOW ALONG WITH THE MINI-COURSE

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A MID-RANGE BUSINESS OWNER EXAMPLE

\$250,000 of annual corporate surplus. What could it do?

\$250K / YR

RETAINED SURPLUS

10 YEARS

EXTERNAL FUNDING

\$2.5M

TOTAL EXTERNAL FUNDING

AGE 50

MALE • NON-SMOKER • ONTARIO

Policy design: 20-pay participating whole life using the 2026 current dividend scale for illustrated non-guaranteed values. Approximate annual required base premium: \$100,000. Approximate additional deposit funding: \$150,000 for years 1–10.

IMPORTANT PRESENTATION RULE

The design includes a temporary \$1.5M term rider during the first 10 years. To avoid overstating the long-term result, the workbook highlights the death benefit after that temporary rider drops.

~\$3.10M

ILLUSTRATED CASH VALUE

Year 11 / age 61

~\$6.72M

ILLUSTRATED DEATH BENEFIT

After temporary term rider drops

~\$4.37M

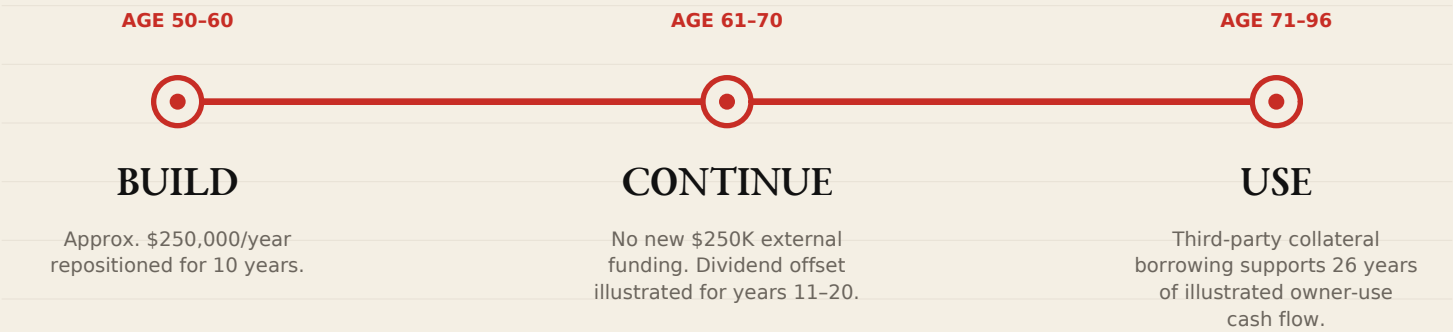
POTENTIAL CDA CREDIT

Subject to ACB and tax rules

ILLUSTRATED VALUES ARE NOT GUARANTEED

THREE PHASES

Build it. Let it work. Then use it.



YEAR-10 MILESTONE

By the end of year 10, the illustration shows approximately \$2.5M of cumulative external funding and approximately \$2.97M of illustrated cash surrender value. The temporary term-enhanced death benefit is intentionally not used as the headline result.

FOLLOW ALONG WITH THE MINI-COURSE

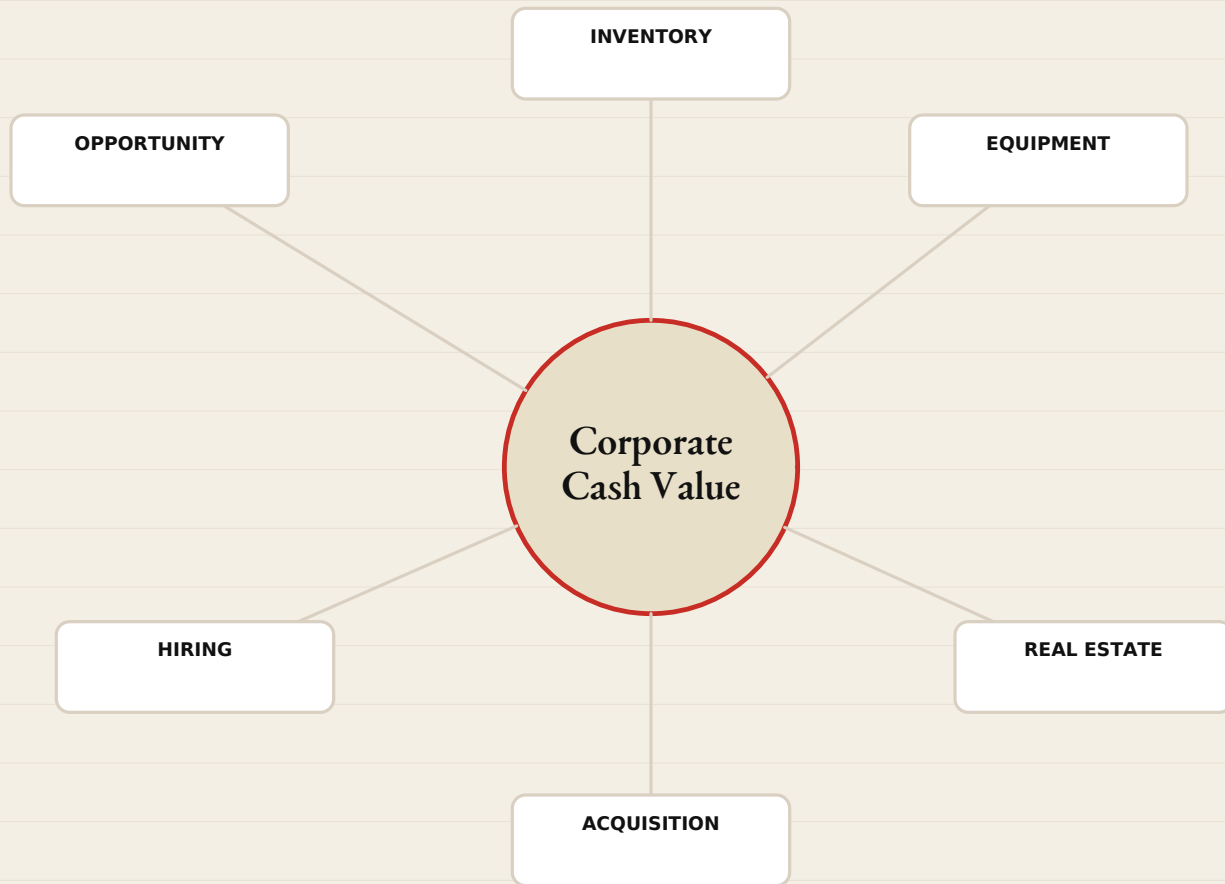
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WHEN OPPORTUNITY DOES NOT WAIT

Build a company-controlled source of capital.

As policy values grow, the corporation can build useful access to capital for opportunities, inventory, equipment, expansion, real estate, hiring or other investments.



CONTROL THE CAPITAL. CONTROL THE TIMING.

DO NOT CONFUSE THE TWO

Policy loans and collateral loans are different.

Policy loan

A loan from the insurer against eligible policy value under the contract.

Often no conventional income or credit underwriting.

Interest accrues and must be managed.

No fixed principal repayment schedule in the same way as a conventional bank loan.

An unpaid loan reduces the net death benefit.

Collateral loan

A separate third-party lender arrangement secured by the policy.

Requires lender approval, pricing, qualification and loan-to-value limits.

Terms can change.

The age-50 retirement-income example in this workbook uses this method.

This is not guaranteed by the life insurance contract.

**This does not make capital free.
It makes the terms more controllable.**

OWNERSHIP STRUCTURE MATTERS

Do not automatically put a large asset inside OpCo.

In many cases, long-term family capital may be better suited to a holding company or family holding structure rather than the operating company. That can help separate long-term assets from operating risk and may make a future sale of operating-company shares cleaner.



REVIEW WITH YOUR ACCOUNTANT AND LAWYER

- Could investment-type assets affect a future share sale or purification planning?
- Should a HoldCo or family trust-related structure be reviewed?
- How should ownership, beneficiary designations, shareholder agreements and succession documents line up?
- Could excess passive assets affect qualified small business corporation share status and Lifetime Capital Gains Exemption planning?

SHOW THE RISK INSTEAD OF HIDING IT

Interest rates can have an impact.

ILLUSTRATED LOAN RATE	APPROX. ANNUAL CORPORATE LOAN	APPROX. AFTER-TAX SHAREHOLDER CASH FLOW*
6.15%	\$207,788	\$155,841
7.15% (+1.00%)	\$170,711	\$128,033
7.65% (+1.50%)	\$155,316	\$116,487

* Assumes a 25% shareholder dividend tax rate for this illustrated scenario. See Important Information on the final page.

Critical teaching point

Borrowing costs are a market factor you cannot control. Participating whole life responds differently because the insurer manages a long-term general-account portfolio. Dividend-scale changes tend to move more gradually than market-rate spikes. Higher-rate environments can support future dividend-scale performance over time, while prolonged lower-rate environments can suppress it. That does not remove borrowing risk — it can help create more stability on the asset side of the equation.

Q4 2026 ILLUSTRATED RATE: 6.15%

THE CORPORATION FUNDED IT. THE OWNER GOT TO USE IT.

Twenty-six years of illustrated supplemental cash flow.

\$207,788

ANNUAL CORPORATE
LOAN

25%

SHAREHOLDER DIVIDEND
TAX RATE ASSUMPTION

\$155,841

ESTIMATED AFTER-TAX
CASH FLOW PER YEAR

\$4.05M

26-YEAR CUMULATIVE
ESTIMATE

The sample assumes the corporation arranges a third-party collateral line of credit, receives approximately \$207,788 annually, and then pays a taxable shareholder dividend. At the assumed 25% shareholder dividend tax rate, the estimated after-tax amount to the owner is approximately \$155,841 per year for 26 years.

Use more. Keep more. Leave more.

This is not “tax-free retirement income.” The shareholder dividend is taxable in the illustrated scenario. The planning objective is to coordinate corporate capital, borrowing, tax treatment and legacy outcomes more efficiently than the existing alternative.

FOLLOW ALONG WITH THE MINI-COURSE

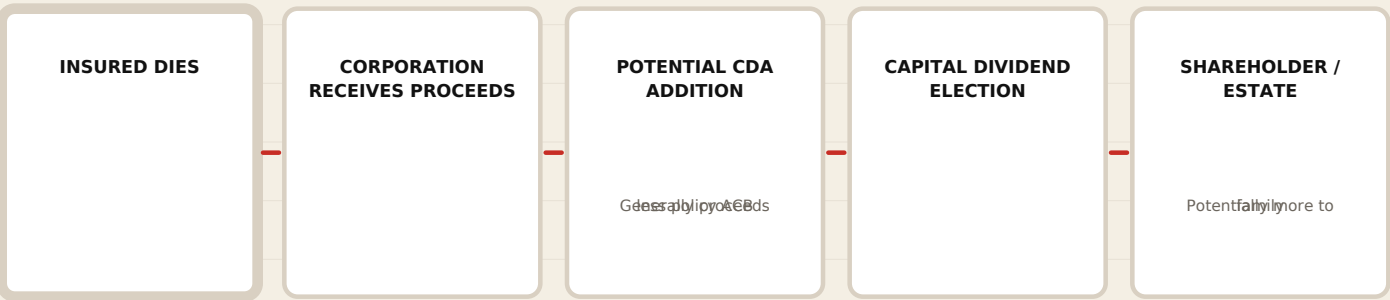
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A SIMPLIFIED VIEW

How the legacy side can work.

The Capital Dividend Account is a notional tax account. For corporate-owned life insurance, the potential CDA addition is generally based on policy proceeds received by the corporation less the policy adjusted cost basis immediately before death, subject to the Income Tax Act and the facts of the case.



WHY THIS MATTERS

At death, insurance proceeds can create CDA room that may allow corporate assets to be distributed as capital dividends without personal tax. The actual result depends on ownership, beneficiary, policy ACB, loan structure, corporate facts and a properly filed election.

MORE ROOM FOR FAMILY CAPITAL

TUESDAY MORNING

A high-calibre opportunity appears. By Friday, your capital is ready to move.

- No asset sale.
- No rigid principal schedule on a policy loan.
- No interruption to the plan you built.
- No begging a banker to understand your timing.

Now picture the other side

The same system can still be working at death, helping your family move corporate wealth through the CDA instead of leaving them a tax problem to untangle. That is what control can feel like.

CAPITAL READY WHEN OPPORTUNITY APPEARS

THE OTHER SIDE OF THE BALANCE SHEET

Who gets the benefit of what you built?

You built the company. Your family lived through the risk, the long days, the guarantees and the decisions. The final question is not simply how large the business became. It is how much of the value you created was available to you during life — and how efficiently the remaining capital moved to the people you intended.

A note about legacy

The business is the vehicle. The family is the destination. The structure should help you use more while you are alive, keep more of what you created, and leave more to the people you intended.

WRITE YOUR ANSWER

What percentage of your long-term wealth do you want to benefit your family and legacy?

THE FAMILY IS THE DESTINATION.

FIT MATTERS MORE THAN HYPE

Does this describe your business?

A strong fit to model

- Consistently profitable Canadian corporation.
- Meaningful, durable surplus.
- You do not need every corporate dollar personally or operationally today.
- 6 to 20 year time horizon.
- You value control, liquidity, protection and legacy.
- Permanent insurance need and insurability.

Maybe not for you

- Capital is needed for business survival.
- Cash flow is unreliable or highly cyclical.
- Every available dollar has a superior operating use.
- Most capital will be needed in the next few years.
- Your only objective is maximum short-term return.
- Funding would not be sustainable.

This is not for every business owner. Good modelling starts with honest constraints: cash flow, time horizon, entity structure, insurability, tax facts and what the capital needs to do first.

BRING BETTER QUESTIONS

Your accountant and lawyer should be part of the design.

Ask your accountant

- Should long-term surplus live in OpCo, HoldCo or another entity?
- Could a large investment-type asset create future sale or purification issues?
- How should cash surrender value be reflected on the balance sheet?
- How does this compare with our current corporate capital deployment?
- How would CDA, ACB and shareholder dividend assumptions apply to us?

Ask your lawyer

- Should this asset be owned by OpCo, HoldCo or another structure?
- Would a family trust or related structure be worth reviewing?
- How should beneficiary language and shareholder agreements line up?
- What should be considered now if the operating company may be sold later?
- Are there creditor-protection, succession or ownership-location issues to address?

NOTES

I DID NOT LEARN THIS FROM A BROCHURE

I have used this system for 19 years.



We have controlled how we financed equipment, technology, people, acquisitions and high-calibre opportunities without liquidating the policy asset to get at the capital.

Our Family Group also has a documented Family Constitution and coverage on the key people who help the companies perform.

BUILT. USED. LIVED.

TURN INSIGHT INTO A DECISION

What I learned. What I need. What I should do next.

Three things I learned from this workbook:

Three questions I need answered before I act:

One planning conversation I should schedule next:

People who should be part of it: Spouse / Partner • Accountant • Lawyer • Other advisors

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READABLE DISCLOSURES AND ASSUMPTIONS

Know what is illustrated. Know what is not guaranteed.

This handbook is educational only. It is not tax, legal, accounting, investment, lending or individualized insurance advice. Any implementation requires case-specific review with qualified professionals and, where relevant, a licensed insurance advisor.

The primary age-50 case uses a male, age-50, non-smoker Ontario profile and illustrates approximately \$250,000 per year of corporate surplus for 10 years. The policy design is 20-pay participating whole life using a 2026 current dividend scale for non-guaranteed values. Approximate annual base premium is \$100,000 plus additional deposit funding of approximately \$150,000 during years 1-10. Dividend offset is illustrated for years 11-20 and is not guaranteed.

The owner-use phase uses a third-party collateral borrowing assumption, not a policy-loan assumption, with an 85% maximum loan-to-cash-value assumption in the sample, a 6.15% selected borrowing rate, interest capitalization, and a 25% shareholder dividend tax-rate assumption. "After-tax shareholder cash flow" on the sensitivity page therefore means the estimated shareholder dividend remaining after applying that assumed 25% personal tax rate. Actual tax rates depend on province, dividend type, other income and personal circumstances.

Third-party lending is not guaranteed and is subject to lender approval, pricing, qualification and loan-to-value rules. Policy loans and collateral loans are different. Policyholder dividends are not guaranteed. If dividends are lower than illustrated, dividend offset may require additional out-of-pocket funding.

Displayed post-term values intentionally avoid emphasizing a temporary term-rider-enhanced death benefit. Tax treatment, CDA calculations, shareholder-dividend consequences, entity ownership, adjusted cost basis, legislation and market rates can change over time.

Before moving forward, review guaranteed and non-guaranteed values separately, show post-term death benefit, model lower dividend scales, distinguish policy-loan and collateral-loan assumptions, review higher borrowing rates, and confirm the most appropriate ownership structure with your accountant and lawyer.

PRIMARY EDUCATIONAL RESOURCE

ProfitControlSystem.com — use the mini-course with this handbook to follow the complete business-owner teaching sequence.

DO NOT BEGIN WITH A PRODUCT

Begin with your company.

We look at the cash already inside your corporate group, what the business needs, who should be insured, and what you want the money to accomplish during your life and after your death.

BRING FIVE NUMBERS

- 1. ANNUAL CORPORATE PROFIT**
- 2. CASH AND INVESTMENTS IN THE GROUP**
- 3. ANNUAL SURPLUS AFTER REINVESTMENT**
- 4. CURRENT BUSINESS DEBT**
- 5. EXISTING LIFE INSURANCE**

WATCH THE MINI-COURSE

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BOOK A PRIVATE STRATEGY CONVERSATION

retainyourearnings.com

Clear limits: general education only. Policy dividends are not guaranteed. Loans charge interest. Policy and CDA results depend on the contract, ownership, beneficiary, ACB, loan documents, election and tax law in force.