



Extracting Wealth Without Disrupting Growth: A Professional Services Succession Planning Case Study

Client Profile

Andrew Collins is the founder of a Toronto-based engineering consulting firm specializing in structural design and project advisory for commercial and mid-rise developments across Ontario.

Founder age: 61

Annual revenue: ~\$2.4M

Employees: 12

Children: Two teenage children

Assets: Significant corporate retained earnings and investment portfolio

Asset Structure

- Principal Residence (Personally Held)
 - Fair market value: \$3.1M
 - Fully protected by the principal residence exemption
- Operating Company (OpCo)
 - Enterprise value: ~\$3.5M
 - High-margin consulting business
 - Strong recurring client base
- Holding Company (Holdco)
 - Investment portfolio built from retained earnings
 - Portfolio of equities and fixed income
 - Fair market value: ~\$2.7M



Projected Estate Tax Exposure

Upon death, Andrew's shares in OpCo and Holdco would be deemed disposed of at fair market value.

Modeled capital gains tax exposure resulted in an estimated estate tax liability of approximately \$2.5M.

The issue was not portfolio growth. It was how that future tax liability would be funded.

The Challenge

1. Growing Tax Liability on Corporate Investments

- Accumulated retained earnings invested over time
- Significant unrealized capital gains
- Ongoing compounding increasing future tax exposure

2. Liquidity Planning Gap

- No dedicated strategy to fund estate tax
- Reliance on future asset liquidation
- Exposure to market timing risk

3. Desire to Maintain Investment Growth

- Priority on compounding capital inside Holdco
- Avoid unnecessary withdrawals
- Maintain flexibility for retirement

Using cash to fund premiums would reduce long-term portfolio value.



The IFA Solution

After reviewing multiple scenarios, the advisory team implemented a Holdco-owned participating whole life policy structured as an Immediate Financing Arrangement (IFA).

Structure Overview

- The life insurance policy was owned by Holdco
- A participating whole life policy was selected for long-term stability
- Annual premiums were funded using corporate cash flow
- A third-party lender provided collateral financing secured by the policy's cash value
- Borrowed funds were deployed into income-producing investments within Holdco

Because borrowed funds were used to earn income, the loan interest was structured to be tax-deductible.

At Death

Upon Andrew's passing:

- The life insurance proceeds would be paid tax-free to Holdco
- The Capital Dividend Account (CDA) would be credited
- Tax-free capital dividends could be paid to the estate
- The \$2.5M estate tax liability would be funded without liquidating investments
- The loan would be repaid using a portion of the insurance proceeds

The investment portfolio would remain intact.

Why the IFA Was the Ideal Strategy

1 – Preserved Investment Growth

The strategy allowed Andrew to:

- Maintain full market exposure
- Continue compounding wealth inside Holdco
- Avoid liquidating investments prematurely
- Preserve long-term portfolio value

2 – Created Tax-Efficient Estate Liquidity

Without planning, the most likely outcome would have been:

- Selling investments to fund the tax liability
- Triggering additional taxable events
- Being exposed to market timing risk



3 – Maintained Flexibility and Control

- No disruption to retirement planning
- No reliance on external financing at death
- Full control over investment decisions

4 – Eliminated Market Timing Risk

Andrew's estate would not depend on:

- Selling assets during market downturns
- Liquidating positions at unfavorable valuations

The plan ensured certainty rather than dependence on future conditions.

The Traditional Alternatives

These are always the 3 default options for paying estate tax:



Pay the tax with cash on hand

Most estates are not liquid, and large cash positions carry a high opportunity cost



Borrow the funds to pay the tax

Borrowing is not guaranteed. Creditworthiness, lending conditions, and interest rates may be unfavorable when needed.



Liquidate assets to pay the tax

Forced liquidation often leads to poor timing, lower valuations, and loss of family assets intended to stay in the family.



Working with EstateLy Wealth

EstateLy Wealth partners with Canadian accountants and advisors to design and implement advanced insurance-based planning strategies for business owners and professionals.

We support the planning process with technical expertise, structured analysis, and clear documentation, helping ensure complex strategies like IFAs are implemented correctly and integrated into the broader tax and estate plan.

Expertise in IFA Planning & Implementation

More than 20 years of combined experience designing and implementing IFA strategies across a wide range of client situations.

Licensed Across Canada

We work with all major insurance carriers, allowing us to compare options and recommend the most appropriate solution for each client.

Branded Client Presentations

Upon request, we prepare clean, professional, accountant-ready and client-ready presentations that reflect the accountant's brand and planning approach.

Case Consultations on Your Schedule

Accountants can book case consultations at their convenience, allowing us to walk through planning options and answer any technical questions.

Prompt Response Time

We value you and your client's time and we respond to accountant inquiries promptly to keep the planning process moving smoothly.

Secure Document Repository

We provide a secure environment for uploading, sharing, and reviewing client documents throughout the planning process.

Annual Accounting Summary

We equip accountants with a structured accounting summary that includes a detailed breakdown of NCPI, interest paid and verified cash values, reducing the administrative burden on your firm.

Post-Mortem Projections & CDA Utilization

We provide projections to support your firm in executing Section 164(6) loss carrybacks and Pipeline Planning to preserve estate liquidity.

Our goal is to help accountants deliver clear, proactive, and tax efficient planning strategies that support stronger client relationships and long term continuity. We act as a planning partner, assisting both the accountant and their clients throughout the process.

