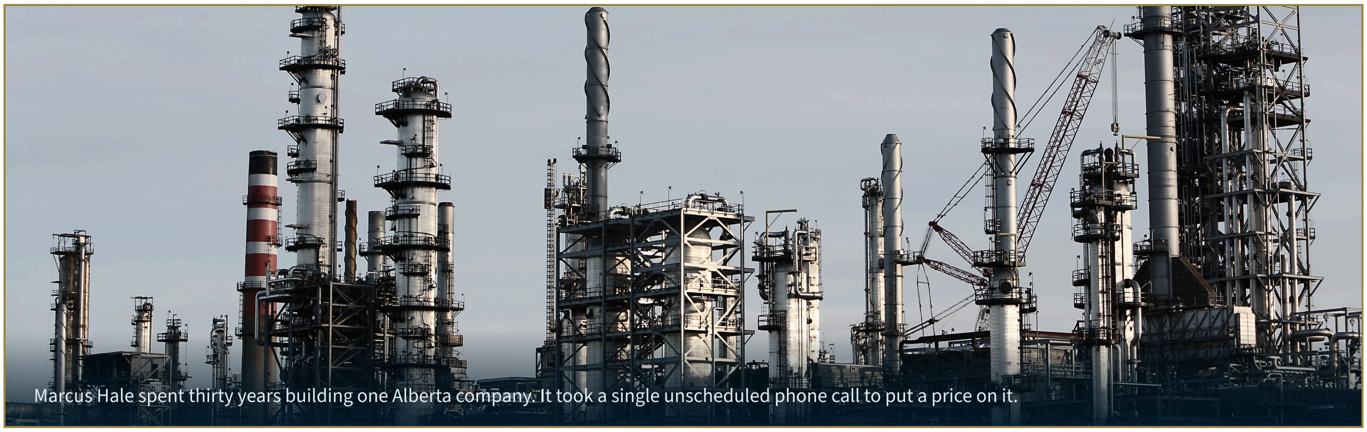
Cochrane Wealth Management | RAYMOND JAMES®

BUSINESS TRANSITION SERIES · FOR ALBERTA OWNERS

The Morning the Offer Came

A buyer's call is the one date a founder can't put on the calendar. By the time it arrives, most of the tax has already been decided.



Marcus Hale spent thirty years building one Alberta company. It took a single unscheduled phone call to put a price on it.

Selling the shares of a qualifying Alberta business can be almost entirely tax-free — or it can hand nearly a fifth of the gain to Canada Revenue Agency. What decides which? Not the price. The calendar.

The buyer's offer was real, generous, and completely unplanned. Marcus had always assumed he'd "deal with the tax when the time came." What his accountant had to explain, the week after, was that the time to deal with it had passed roughly **two years earlier** — and the most valuable moves were now out of reach.

MEET THE FOUNDER · A COMPOSITE ALBERTA OWNER-MANAGER

Marcus & Diane Hale built their operating company over three decades. The unsolicited offer on the table: **$3.5 million** for 100% of the shares — with a Holdco quietly earning investment income on the side.

Opco (QSBC shares) **$3.5M offer** · Active business income **$450K/yr** · Holdco passive income **$120K/yr** · 2026 LCGE **$1,275,000 / person**

"We'll figure out the tax when someone actually wants to buy it."

It is the most natural plan in the world — and the most expensive. The exemptions that shelter a sale, and the trust that multiplies them, take time to build that an offer never gives you.

This is the story of one founder and the single decision, made long before any buyer called, that quietly set what his family would keep.

$534K IF IT WAITED *vs* **$0** IF THE WORK WAS DONE

Tax to CRA on the very same **$3.5M sale**, settled two ways. The difference isn't the buyer or the price — it's whether the planning was finished **24 months early.** Hold that gap in mind; the pages ahead show exactly how it opens.

01 The warning that came two years early

Long before any buyer entered the picture, something small was already off. Marcus's Holdco earned about **$120,000** a year in passive investment income — and once a corporation's adjusted aggregate investment income passes **$50,000**, it begins grinding away the small-business deduction. Every $1 of passive income above the line removes **$5** of low-rate business limit, pushing active profit out of the cheap lane and into the expensive one.

EXHIBIT 1 · THREE LANES THE SAME PROFIT CAN BE TAXED IN — ALBERTA

11%
ACTIVE SMALL-BUSINESS LANE
Income inside the $500K SBD limit. 9% federal + 2% Alberta.

23%
ACTIVE GENERAL LANE
Where profit lands once the SBD limit is ground away. 15% + 8%.

46.67%
PASSIVE-INCOME DRAG ZONE
Initial corporate tax on fully taxable Holdco investment income.

$120,000 of AAII grinds the $500,000 business limit by 5 × ($120,000 − $50,000) = ***$350,000*** *— so only $150,000 of active income still gets the 11% rate. At $150,000 of passive income, the small-business deduction is gone entirely.*

EXHIBIT 2 · WHAT THE GRIND COSTS ON $450,000 OF ACTIVE INCOME

$450,000 ACTIVE INCOME	WITH GRIND	AAII ≤ $50K
Taxed at 11%	$150,000	$450,000
Pushed to 23%	$300,000	$0
Corporate tax	**$85,500**	**$49,500**

$150,000 × 11% = $16,500, plus $300,000 × 23% = $69,000, totals ***$85,500*** *— against* ***$49,500*** *if passive income had stayed under $50,000. The gap is an extra* ***$36,000*** *of tax, every year the grind runs.*

CHEAT SHEET · KEY TERMS

AAII
Adjusted aggregate investment income — a company's passive income (interest, most dividends, taxable gains). Past $50K it grinds the SBD.

SBD
Small-business deduction — the 11% Alberta rate on up to $500K of active business income.

QSBC
Qualified small business corporation shares — eligible for the LCGE if the 90% / 50% / 24-month tests are met.

LCGE
Lifetime capital gains exemption — up to $1,275,000 (2026) of QSBC gain, tax-free, per eligible person.

Holdco / Opco
The holding company that earns the passive income; the operating company that runs the business.

That $36,000 a year was the visible symptom. The real diagnosis came when the advisor asked the question no one had: *"If a buyer called tomorrow, could you sell this company cleanly?"* The honest answer was no — and fixing it would take time the company didn't yet know it needed.

WHY THE WARNING MATTERED

The structures that save the most at sale **cannot be built in the ninety days after an offer.** *They have to already exist when it arrives.*

02 Two mornings, one decision

Picture the same morning twice. The same company, the same $3.5 million offer, the same family at the same kitchen table. The only thing that differs between the two versions is a single decision made **twenty-four months earlier** — whether to build the structure while there was still time. Everything else follows from that one fork.

One decision, two outcomes on the sale

TAX TO CRA · $3.5M SALE

THE DECISION
24 MONTHS OUT

$0
TO CRA

Because he started early
An estate freeze and family trust were already in place, so the gain could be spread across three exemptions. The whole $3.5M gain was sheltered.

$534K
TO CRA

If he'd waited for the offer
One owner, one exemption. $2.225M of the gain was left exposed, half of it taxable — and the tax came due the year of the sale.

EXHIBIT · THE SAME $3.5M SALE, SETTLED TWO WAYS — READ ACROSS EACH ROW

ON AN IDENTICAL $3.5M SALE	WAITED FOR THE OFFER	STARTED 24 MONTHS EARLY
Capital gain on the sale ACB & costs assumed $0	$3,500,000	$3,500,000
LCGE claimed $1,275,000 per eligible person	1 person $1,275,000	3 people $3,825,000
Unsheltered capital gain	$2,225,000	$0
Taxable gain 50% inclusion rate	$1,112,500	$0
Tax to CRA · 48% top rate	≈ $534,000	$0

Illustrative only — not a tax estimate. The clean column assumes QSBC status at sale, eligible beneficiaries, available LCGE room, proper trust allocations and designations, and no adverse AMT / CNIL / ABIL / TOSI / attribution outcomes. Had Marcus also participated, a fourth exemption (4 × $1,275,000 = $5,100,000) would have been available. Both columns assume an Alberta resident in the top bracket and a 50% inclusion rate.

$534K *stayed with the Hales instead of going to CRA on an identical sale —* **plus the $36,000 a year** *the grind had been quietly taking before it. Same company. Same offer. One decision, two years apart.*

03 The window is open now — not after the call

The favorable morning wasn't luck. It was a sequence of steps that has to be finished before a buyer ever appears — because the rules that make a sale clean are tested over the **twenty-four months leading up to it**, not the weeks after. This is the runway the decision bought.

The 24-month runway to a clean sale

MONTH 0 → SALE

MONTH 0	MONTH 1	MONTH 1–2	MONTH 2–3	MONTH 3–24	MONTH 24+
Feasibility review	**Corporate valuation**	**QSBC purification**	**Freeze & trust**	**Maintain QSBC**	**Sale window**
Family goals, successor readiness, insurance need.	Establish and document the FMV of the shares.	Clear excess cash and passive assets to hold the tests.	Reorganize shares; the trust subscribes for growth.	Monitor assets, debt, and the 24-month holding period.	Allocate gains to beneficiaries; file the LCGE claims.

Marcus got his favorable morning because someone started the clock for him before he knew he'd need it. The offer still arrived without warning — but the work that decided what his family kept was already behind him. **The only question that matters is when that work begins, and the only wrong answer is "after the call."**

Cochrane Wealth Management | RAYMOND JAMES®

When the offer comes, will the work be behind you?

You can't schedule the buyer. You can schedule the planning. In a **complimentary conversation**, we'll map your exemption capacity, your passive-income exposure, and the 24-month runway a clean sale needs — while there's still time to use it. We work alongside your advisors; **CWM does not provide tax or legal advice.**

> Start the clock before the phone rings — so your morning is the one Marcus got, **not the one he nearly had.**

WE COORDINATE WITH

Accountants · Tax advisors · Corporate lawyers · Trust specialists · Insurance advisors · M&A counsel

Book a conversation →

Greg Wood, CIM®

PARTNER · FINANCIAL ADVISOR

IMPORTANT INFORMATION

This material is for general informational and educational purposes only and is not investment, tax, legal, insurance, accounting, or estate-planning advice. Marcus and Diane Hale are a hypothetical, anonymized composite created to illustrate planning concepts; they do not represent any actual client, transaction, or typical result, and the dollar figures are illustrative approximations using simplified top-bracket assumptions. Actual outcomes depend on full marginal-rate calculations, QSBC qualification, asset cost bases, trust terms, eligibility, and current CRA and provincial rates at the time of planning.

Tax rules are complex, change over time, and differ by province. Figures reflect general Canadian and Alberta planning context as of June 16, 2026: the capital gains inclusion rate used throughout is 50%; the 2026 Lifetime Capital Gains Exemption is $1,275,000 per eligible individual on QSBC shares and is indexed to inflation — confirm the applicable limit for the year of any disposition. Strategies such as estate freezes, family trusts, QSBC purification, corporate-class and capital-gains-oriented mandates, and corporate-owned insurance are technical and depend on eligibility, timing, the 90% sale-time and 50% active-asset tests, the 24-month holding period, the 21-year trust rule, and AMT, CNIL, ABIL, TOSI, and attribution considerations. These structures may defer, reshape, allocate, or cap taxable growth where implemented early and maintained through compliance checks; they do not eliminate tax on passive assets. Confirm every figure and structure with qualified tax and legal advisors before any action. Raymond James advisors are not tax or legal advisors.

Securities-related products and services are offered through Raymond James Ltd. (RJL), regulated by the Canadian Investment Regulatory Organization (CIRO) and a member of the Canadian Investor Protection Fund. Insurance products and services are offered through Raymond James Financial Planning Ltd. (RJFP), which is not regulated by CIRO and is not a member of the Canadian Investor Protection Fund. Cochrane Wealth Management is a personal trade name; advisory services are provided through RJL.