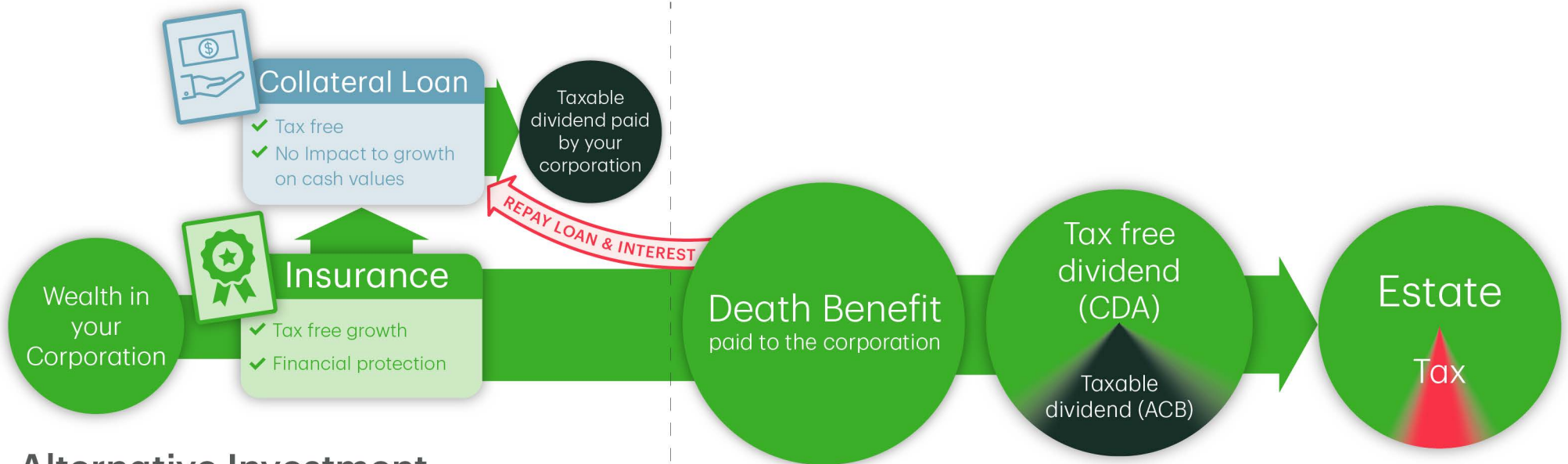


Insured Retirement Strategy (Corporate)

Insurance Strategy



Alternative Investment





Insured Retirement Strategy (Corporate)

CLIENT PROFILE

- A shareholder or key-person of a Canadian controlled private corporation with a significant amount of wealth in taxable investments.
- Interested in reducing tax payable on corporate investment income.
- Wants to grow and protect the value of the corporation to maximize wealth that will eventually be transferred to the shareholders.
- Looking for flexibility to access funds to invest in business opportunities or supplement income in the future.

BENEFITS OF THIS STRATEGY

- The corporation buys a permanent life insurance policy, with a cash value, on the key shareholder's life to protect the value of the corporation for future generations. The corporation owns the policy, pays the premiums, and is the beneficiary.
- Transferring excess income and corporate surplus to the policy helps to reduce taxes the corporation pays on investment income.
- Policy can be used as collateral in exchange for tax-free loans from a lending institution. Loan proceeds may be a taxable shareholder benefit. If the loan proceeds are used to earn income, there may be tax deductions available. The corporation pays the shareholder a taxable dividend which can be used to supplement income.
- Upon the death of the shareholder, a portion of the tax-free death benefit pays off any outstanding loan plus interest.
- The corporation can add the death benefit to its capital dividend account (CDA), net the amount equal to the policy's adjusted cost basis (ACB). An amount equal to the CDA can be paid out as a tax-free capital dividend and any amount remaining can be paid out as a taxable dividend.

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