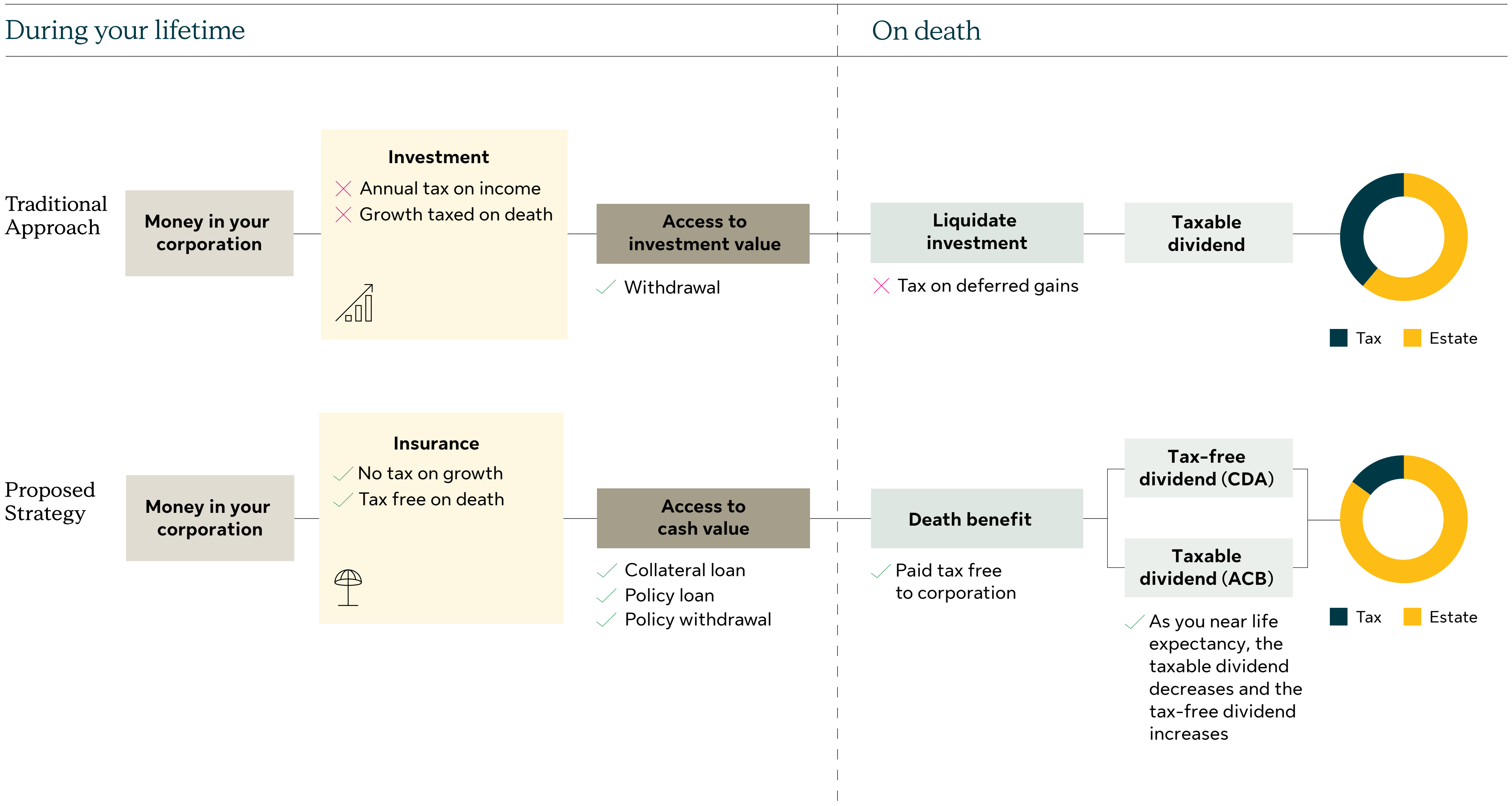
Corporate Investment Strategy

A tax-exempt life insurance strategy

You own a private corporation that generates surplus income or has significant assets in taxable investments. You don't plan to use these investments for any specific purpose during your lifetime. Instead, you want to grow and protect this wealth to maximize what you can transfer to future generations.

The Corporate Investment Strategy uses life insurance to provide a combination of tax-preferred growth, tax-free death benefit and resulting credit to the corporation's capital dividend account (CDA) that can help protect and significantly increase the value of your legacy.



How it works

Your corporation buys a permanent life insurance policy on your life to protect the value of the corporation for future generations. Your corporation owns the policy, pays the premiums and is also the beneficiary. The premiums are paid from the corporation's cash flow, or by transferring funds from investments the corporation owns. In addition to protection, the policy also offers a number of benefits.

- Tax-preferred cash value accumulation. This helps reduce taxes the corporation pays on investment income, and allows you to diversify your corporation's asset mix.
- If the corporation needs access to the policy's cash values, there are several options available. It may be able to take a policy loan, take a withdrawal from the policy, or assign the policy to a lending institution as security for a loan.
- On your death, the tax-free death benefit is paid to the corporation. Even if part or all of the death benefit goes to pay off a loan from a lending institution, the corporation may credit the full amount of the death benefit, minus an amount equal to the policy's adjusted cost basis (ACB), to its capital dividend account (CDA). An amount equal to the CDA can be paid out of the corporation as a tax-free capital dividend. Any amount remaining can be paid as a taxable dividend.

When to use it

Consider this strategy if you:

- Are the shareholder of a Canadian controlled private corporation (CCPC).
- Have a successful business with stable cash flow and a sound future outlook.
- Have a significant corporate investment portfolio or excess cash flow not needed to fund business operations.
- Are interested in reducing tax on corporate investment income.
- Want to maximize the value of your business at death.

Notes

There are additional considerations and risks associated with the Corporate Investment Strategy beyond those discussed here. Policy loans and withdrawals may have tax implications. Before implementing any strategy, consult with your tax and legal advisors.

We help. You grow.

Sun Life