**TD Wealth**

# Corporate Insured Asset Transfer Strategy

## Your current situation...

Your corporation generates surplus income or holds taxable investments. You wish to preserve this wealth and maximize your legacy for your loved ones or favorite charity.

Challenges:

- Investment growth within your corporate non-registered account is exposed to annual taxation at passive rates
- Upon death of a shareholder, dividends paid are taxable to the estate
- Your estate may be significantly reduced after corporate and personal taxes are paid

## Solution that may fit your needs...

The **Corporate Insured Asset Transfer Strategy** involves the corporation purchasing a permanent life insurance policy on the life of one of its shareholders. To fund the permanent life insurance policy, premiums are paid with corporate investment assets or surplus cash. Investment growth within the policy is sheltered from annual taxation.

Upon death of the insured shareholder, the policy proceeds minus the adjusted cost basis are paid tax-free to the corporation. A portion or the entire payout can be paid to shareholders tax-free through the Capital Dividend Account (CDA) *. Permanent life insurance may help preserve your investment's and maximize the legacy you leave for your beneficiaries.

## Ideal Client

**Shareholder** of a private Canadian Controlled Corporation

Receptive to long term **wealth planning strategies**

Has a need for **permanent life insurance protection**

Is looking for an opportunity to **invest and diversify the corporations excess funds** or assets, and reduce taxes on investment income

Has a strong desire to **leave a legacy** upon death

Wants to **grow and protect** the value of his/her business for the beneficiary(ies)

*Death benefit is paid tax-free to the corporation. The death benefit minus the policy's adjusted cost basis (ACB) creates a credit to the corporation's capital dividend account. This credit can be paid out tax free from the corporation to the estate of the shareholder, or new shareholders. The ACB is considered a taxable dividend.

# Benefits

- Could provide **immediate funds** upon death of the insured shareholder[1], and reduce estate settlement costs
- Could **reduce taxes payable** during your lifetime and at death, as an alternative to traditional investments
- **Tax sheltered cash** accumulation within policy
- **Access cash value** when needed (may be subject to tax)[2]
- Potential for **creditor protection** with proper structuring
- The **tax-free death benefit** creates a credit to the corporation's Capital Dividend Account (CDA) *

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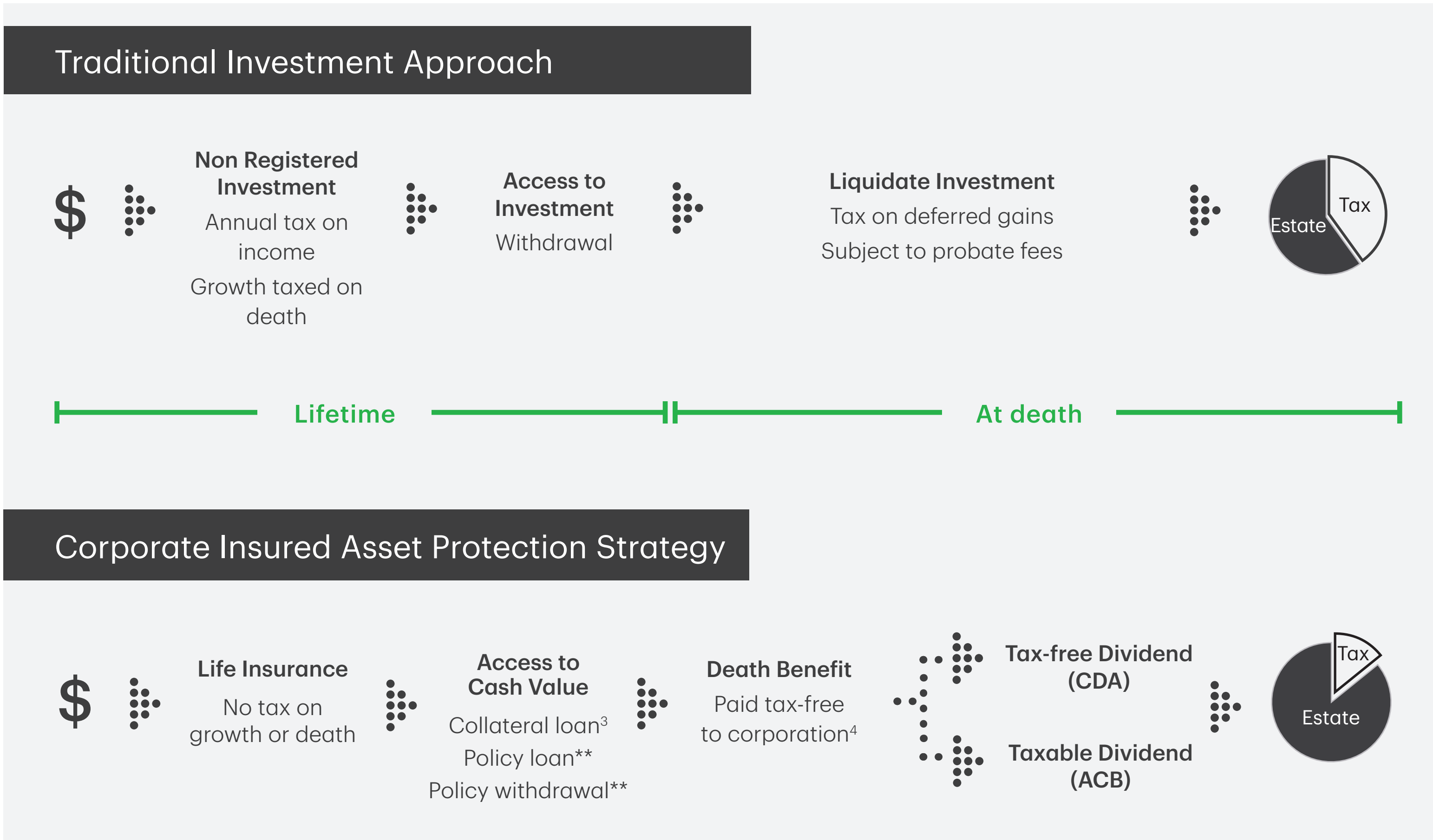
# Traditional Investment Approach vs.
# Corporate Insured Asset Transfer Strategy




The above is a pictograph to demonstrate how the strategy works to limit tax liability and is not based on absolute numbers.
****May be subject to taxation.**

Generally speaking, under a traditional investment strategy, deposits are made into the corporation's non-registered investment portfolio. These funds can generate taxable income such as dividends, interest and capital gains.

If you are looking to maximize your estate for your heirs and minimize taxes payable, then the Corporate Insured Asset Transfer strategy could be an appropriate solution for you.

## Meet John

John is a healthy male, age 55, who owns a successful business. He is looking for ways to increase his estate, and leave a legacy. John is aware that any growth on investments held in his corporation are subject to corporate tax as passive investment earnings; reducing the value of his estate.

John currently holds $1,000,000 of surplus assets within the corporate non-registered account.

## Corporate Insured Asset Transfer Strategy

Corporation
$1,000,000

At age 84:

**Corporate Investments**[5]
After-tax estate value: $909,228

**$1,161,274**
Loss due to tax

**Corporate Insured Asset Transfer Strategy**[6]
Value at death: $3,001,724

This is for illustrative purposes only.

Utilizing the Corporate Insured Asset Transfer Strategy, if John should pass away at age 84 (life expectancy), he is able to increase his net estate value by $2,092,496, from the initial $909,228 to $3,001,724.

Death benefit is paid tax-free to the corporation. The death benefit minus the policy's adjusted cost basis (ACB) creates a credit to the corporation's capital dividend account. This credit can be paid out tax free from the corporation to the estate of the shareholder, or new shareholders. The ACB is considered a taxable dividend. Values shown at age 84 is the life expectancy of a male non-smoker age 55, based on the Canadian Institute of Actuaries' actuarial table.

Request a meeting with our TD Wealth licensed Life Insurance Advisor to see if this solution fits your needs.

[1]Subject to terms of the policy contract for payout on death of the life insured being satisfied. Some exclusions may apply.

[2]Cash value growth is dependent on the permanent life insurance policy having a cash value component. Making direct withdrawals from the life insurance policy may have tax consequences. Prior to accessing the cash value, review the options with your advisor

[3]Collateral loans are subject to a standard approval process by a lending institution. Please note the following risks:

- This strategy requires the collateral loan never exceeds policy cash value.
- The collateral loan interest rate is independent of projected returns within a life insurance policy.
- The collateral loan may be re-called prior to the insurance illustration assumed repayment date.
- Insurance policy illustration values may not be realized if the client exceeds life expectancy.

[4]Where no beneficiary is designated, the death benefit may be subject to estate settlement costs. The death benefit could also be reduced by any outstanding loans including interest earned on the loan.

[5]Corporate Investment assumptions: 3% investment growth rate; 50.17% Corporate tax rate (Ontario).

[6]Insurance plan details: Canada Life's Estate Achiever; pay to age 100; 10 annual deposits of $100,000; initial death benefit $1,151,537; male, non-smoker, age 55, standard risk. Based on 2018 dividend scale. The dividend scale is reviewed annually and may change. Coverage provided by The Canada Life Assurance Company.



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