Canada Life™

Life insurance for business owners

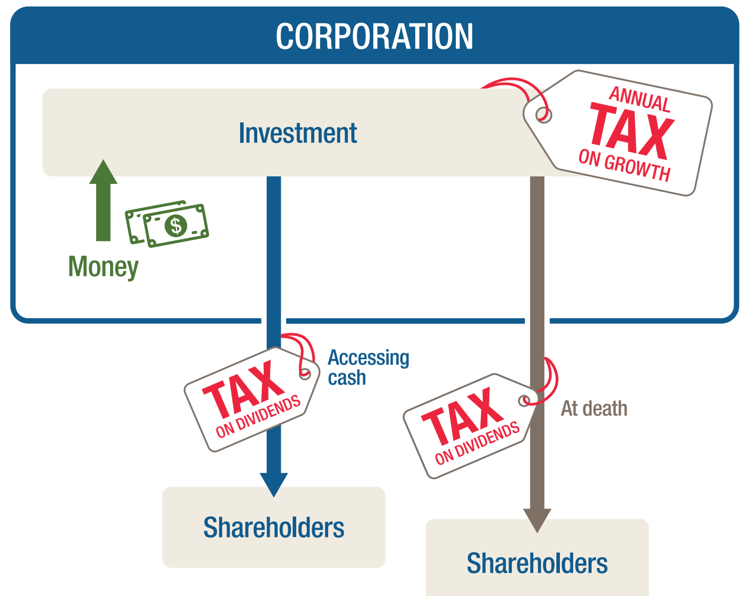
Put some life (insurance) into your financial portfolio

How corporate-owned life insurance can work for your business

Success looks good on you. Your business is doing well and your company has more than enough money to cover daily operations.
Where do you go from here? Chances are you're investing already, but are you making the most of your company's net worth?

Corporate investments can create a tricky situation for business owners.

Often, business owners like you keep money in your business in case you need funds right away, or for investment opportunities.



However, if your corporation's portfolio is heavily invested in taxable investments, you may not be using your funds as efficiently as possible. Passive income is taxed at the highest corporate tax rate. And passive income may also reduce the small business deduction, which may mean higher taxes on the company's business income and less money to pass down to shareholders.

So how can you avoid this "passive income trap"?

One way is through a corporate-owned permanent life insurance policy.

Corporate-owned life insurance can help grow your corporate assets tax-free, as long as it remains in the policy subject to government limits, while the insured person is alive.

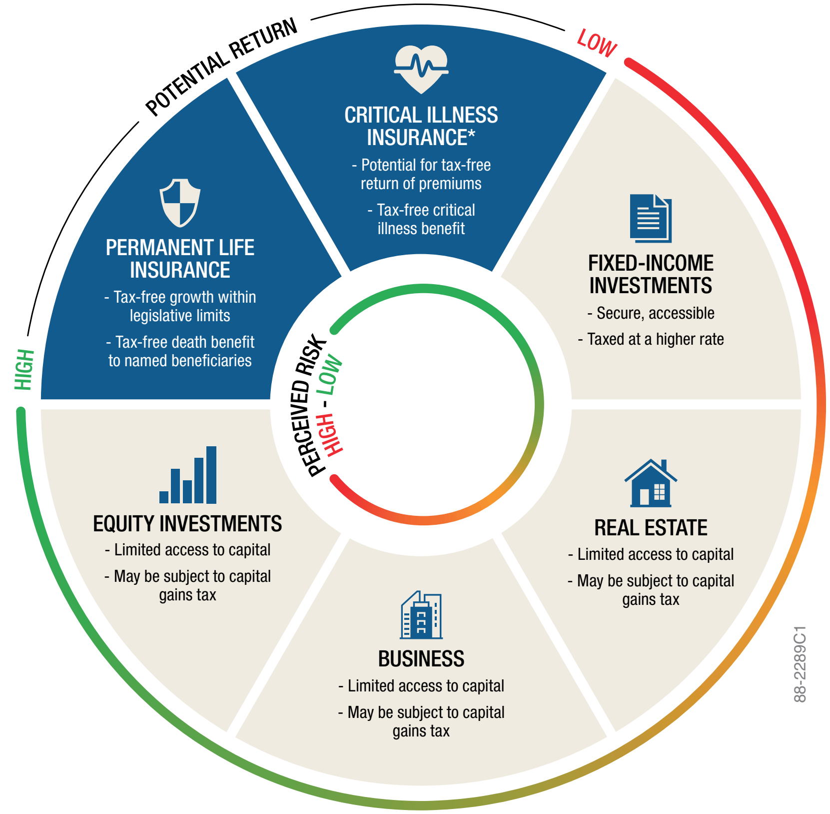
When the insured person dies, insurance proceeds (also called a death benefit) can help your business transition, move forward and provide dividends to shareholders.
It can also help:

- **Diversify your business holdings**
- **Lower volatility in your corporate portfolio**
- **Protect your small business deduction limit**
- **Access cash for emergencies, opportunities[1]**
- **Fund a buy/sell agreement**
- **Cover debt for a business line of credit or loan[2]**

The set up:

Your corporation:
Owner
Payor — Policy premiums are generally not deductible by the company
Beneficiary

You:
Insured person



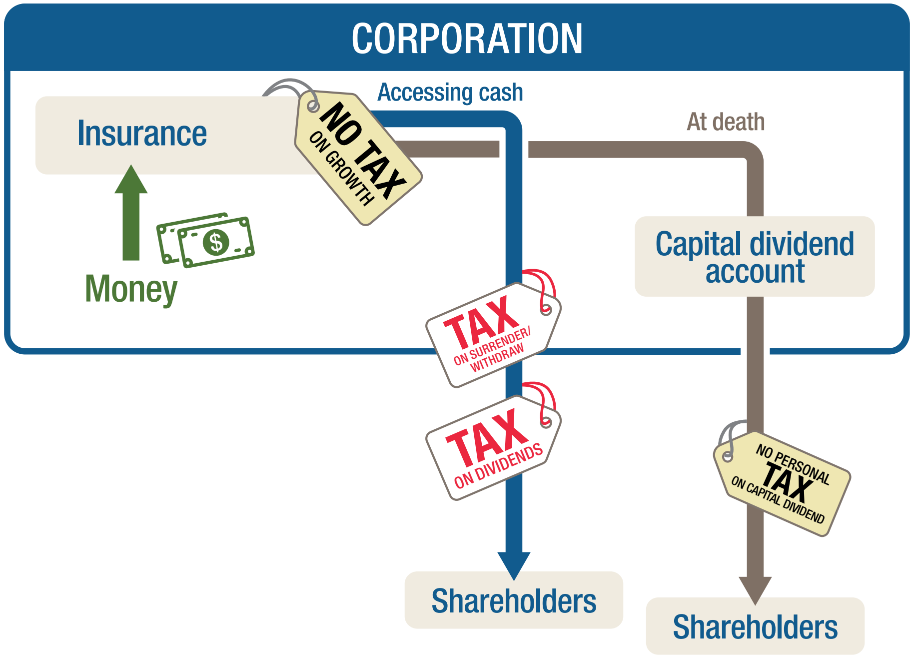
*With return of premium.

[1]If you borrow against or withdraw money from the policy, it may reduce the policy's cash value and death benefit and may be subject to tax.

[2]Collateral loans involve risk. They should only be considered by sophisticated investors with high risk tolerance and access to professional advice from a lawyer and accountant. The terms of future availability of collateral loans cannot be guaranteed. The loan or line of credit must be negotiated between the policyowner and the lender. It is subject to the lender's financial underwriting and other requirements. The policyowner should have enough income and capital to cover the interest and loan repayment, as well as the insurance premium.

Grow assets while you're alive

Life insurance may provide tax-free growth opportunities (as long as it remains in the policy, subject to government limits). And the policy can build up money within the policy that your corporation can use if needed.[3]



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When the insured person dies

When the insured person dies, insurance proceeds go to the corporation tax-free. A private corporation's capital dividend account receives a credit,[4] which allows the corporation to pay a tax-free dividend to shareholders (if the company chooses to do so).[5]

Life insurance is one way to not only diversify your portfolio and reduce tax on passive investments, but it's also a way to ensure your business may operate smoothly, and without added taxes, when the insured is gone.

[3]Assuming enough cash value has built up in the policy.

[4]This credit equals the insurance proceeds paid to the corporation minus the policy's adjusted cost basis. Generally, the adjusted cost basis is your total insurance premiums paid minus the net cost of pure insurance (NCPI).

[5]Shareholders must be Canadian residents.

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