CIBC

CIBC PRIVATE WEALTH

WOOD GUNDY

# CORPORATE ESTATE PRESERVATION

Increase the size of your estate by moving surplus corporate dollars into a life insurance policy.

An easy-to-manage exempt life insurance policy can provide guaranteed insurance costs with dividends, cash value, and choice of deposit periods. This policy also provides opportunities for tax-sheltered growth and tax-free disposition.

**Benefits:**

- Provides life insurance protection which increases the size of your estate today and into the future.
- Creates cash value that grows on a tax-deferred basis and that may increase the insurance proceeds payable at death.
- By moving funds into a life insurance policy from other taxable investments, the amount of tax payable by the corporation is reduced.
- Insurance proceeds received by the corporation generate a credit to the corporation’s Capital Dividend Account.
- The life insurance proceeds received may be paid tax free to your estate via a tax-free capital dividend and distributed to heirs or a favourite charity as designated in the will.

## Overview

A corporate estate preservation strategy provides business owners with a cost-effective way of preserving capital and enhancing the value of their estates. By using some of your business’ existing passive corporate assets to fund a life insurance policy, you can take advantage of the tax- advantaged growth within an exempt life insurance policy to minimize taxes.

## How does it work?

The corporation purchases an exempt life insurance policy. You are listed as the life insured and the corporation is named as the beneficiary. Cash value is created as the corporation deposits amounts into the policy in excess of what is required from the policy charges. Cash value accumulates on a tax-deferred basis that can increase the death benefit payable under the insurance policy. At death, the corporation receives the life insurance proceeds tax free, as well as credit to its capital dividend account for the amount of the life insurance proceeds less the insurance policy’s adjusted cost basis. Capital dividends may then be paid tax free to your estate (so long as there is no other negative balance in the capital dividend account).

Life Insurance

Death Benefit

Corporation

Dividends

Heirs

**Consider this strategy if you:**

- Are 45 or older
- Are in good health
- Are a major shareholder of a private corporation with surplus capital not required to operate the business
- Want to preserve capital for your heirs
- Want to enhance the value of your estate for heirs or a favourite charity
- Seek cost-effective strategies to distribute the corporation's locked-in surplus to shareholders
- Have a holding company that is looking to grow corporate surplus in a tax-advantaged environment

***"By taking advantage of corporate estate preservation, you can transition your assets from tax-exposed, to tax-sheltered, and ultimately tax-free assets."***