



Does This Sound Like You?

You are a shareholder of a private corporation, you've been successful in growing your business and you have built up assets in the company. Your accountant has told you these assets can usually only be paid out to you as a taxable distribution so they have been left within the company. It would be great if you could transfer these corporate investments from a taxable environment to a tax-advantaged environment since they may be taxed at the highest corporate tax rate. You likely won't require income from these assets and you realize that paying out the money as a taxable dividend results in personal taxes. You want to maintain control of your capital and as you likely won't use it for income it would be nice to enhance the value of your estate.

If this sounds at all like you, know that you're not alone! Corporations and holding companies often build cash and investment assets that are not used in daily business interactions. These 'passive' assets held within the corporation are often taxed at the highest corporate tax rate and can usually only be paid to the individual shareholders of the corporation as taxable distributions unless there is an opportunity to elect a capital dividend. However,

There are effective strategies available to help move those assets into a tax-advantaged environment, build up the value of your estate, and maintain control of your assets.

The *corporate asset transfer* strategy allows shareholders to preserve their capital by using the investment component of a tax exempt life insurance policy for tax-advantaged accumulation and to enhance their net estate values. With the *corporate asset transfer*, your company acquires

a participating life insurance policy on you, the shareholder. Assets are then transferred into the investment component of the policy, within legislative limits, which grows tax free. The transfer of those assets from a taxable to a tax-advantaged environment will result in **minimizing any annual taxes payable**. In the event of your death, your company would receive the death benefit of the policy tax-free. This payment replaces the surplus capital that was allocated to fund the life insurance policy. The death benefit payment in excess of the adjusted cost basis (ACB) is credited to the capital dividend account (CDA), which means the corporation can then issue a **tax-free dividend** from the CDA to the shareholders or the shareholder's estate.

The end result is that you have effectively taken passive assets that may be taxed annually and sheltered them inside the tax-advantaged insurance policy. You have created a death benefit that should increase the value of your estate and you have created the opportunity to pay out the assets to the shareholders or your estate tax free. All the while you have maintained control of your assets, and quite possibly invested them within the policy in a way similar to how you are today!

How do you know if this might work for you? A strategy like the corporate asset transfer should only be considered as part of your overall financial plan, not in isolation. **Do you have a financial plan or just an investment plan?** While an investment plan is critical, it is only a subset of a full financial plan. At Signature Financial Security we specialize in creating comprehensive financial programs integrating retirement and investment plans with risk management. Visit us at www.signaturefs.ca to see *The Signature Difference*.

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following a successful period as a Private Wealth Counselor where he was an advisor and educator to other financial planners working in the affluent market. He is an expert in creating comprehensive financial security plans taking into consideration all unique factors of working with the affluent and self-employed.

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