

INSURANCE STRATEGIES

Corporate Legacy Builder

The Corporate Legacy Builder redirects corporate surplus into a permanent life insurance policy, growing assets tax-deferred and creating a significantly larger, tax-free estate benefit for shareholders.

The Challenge: Operating and holding companies accumulate cash that can only be distributed as taxable income. Passive income is taxed at higher rates and can reduce access to the Small Business Deduction.

How It Works: Retained earnings are reallocated into a permanent life insurance policy where funds grow tax-sheltered. On death of the insured, the corporation receives proceeds tax-free and credits its Capital Dividend Account (CDA). CDA Credit = Death Benefit minus the Policy ACB. This credit can be paid out as a tax-free capital dividend to Canadian resident shareholders.

Key Benefits:

- Tax-deferred growth on corporate assets | Access to cash values for business needs
- Tax-free payout to the corporation on death | Tax-free capital dividends via the CDA
- Protects access to the Small Business Deduction

Who Is It For? Business owners aged 50+ with large retained earnings in holding or management companies.