CIBC Wood Gundy | Sniderman – Agopian Estate Planning Group

# Corporate Estate Bond

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

By moving surplus corporate capital from a taxable investment into a tax-exempt, corporate-owned policy, you greatly reduce tax and enhance what you are able to leave to heirs or charity.

## Situation

You have a private company with surplus capital in taxable investments. A corporate estate bond strategy allows you to use some of your business' existing passive corporate assets to fund a life insurance policy. The death benefit enhances the value of your corporation which you can then pass on to your family and charity in a tax efficient manner.

## How Does It Work?

The corporation purchases a tax-exempt life insurance policy, typically insuring the lives of the primary shareholders. There is no annual taxation on the capital deposited into the policy and on the death of the insured, the death benefit is paid tax-free to the corporation. All or substantially all of the death benefit passes tax-free to the intended beneficiaries as a capital dividend either directly, or indirectly through a trust or estate. Through the use of this strategy, corporate capital is tax-sheltered and then paid out of the corpration tax-free.


## This strategy is best suited for those who:

- Are 45 years of age 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 their heirs.
- Want to enhance the value of their estate for heirs or 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.

## Benefits

- The life insurance provides immediate cash to pay taxes triggered on the death of the insured shareholder.
- The preferred tax treatment enhances the estate value of the corporation.
- The effective yield of the policy is similar to equity yields but with a fraction of the risk.
- The death benefit is not included in the fair market value of the shares, reducing taxes on death.
- 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.

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