

Since its founding in 1847, Canada Life has grown and prospered to become one of the largest insurance companies in Canada and an important player internationally.

Maintaining financial strength and stability as we grow and serving our customers exceptionally well have always been fundamental to our management approach. Our success has been recognized in consistently high ratings from independent rating agencies and through membership in the Toronto and New York stock exchanges, where our stock is traded.

We are a full range financial services company, providing more than 10 million customers worldwide protection through life, medical, dental, disability and critical illness insurance; and assisting with asset accumulation through annuity, pension and investment products, and wealth management services.

Headquartered in Toronto, Canada, we operate across Canada, the United States, the United Kingdom, Ireland, Germany and Brazil, with recent acquisitions and joint ventures in numerous other countries around the world.

Canada Life is a member of CompCorp, a federally incorporated private company established in 1990 to administer the Consumer Protection Plan.

For more information on Canada Life and its products, visit www.canadalife.ca or talk to your financial advisor

Strategies

Need a business continuation plan?

Want to protect your family?



The Situation

You are a major shareholder of a Canadian controlled private corporation. You want to ensure that your business continues in the event of the death of one of the other shareholders and also that your family receives full value for your shares in the event of your death. You want to reduce the capital gains liability at death to the maximum extent possible.

The Strategy

Establish a Buy-Sell Agreement with the other major shareholders. This agreement sets out the terms of the redemption of shares and is triggered by the death of one of the shareholders.

Private corporations are entitled to maintain a notional tax account, called the Capital Dividend Account (CDA), which keeps track of various tax-free surpluses accumulated by the corporation. These surpluses may be distributed as capital dividends free of tax to the corporation's Canadian resident shareholders.

Purchase a tax-exempt life insurance policy from Canada Life™ to fund the redemption of shares, with the corporation as the owner and beneficiary of the policy. In the event of the death of one of the shareholders, your corporation will receive a tax-free death benefit. This benefit, less the adjusted cost base is credited to your corporation's Capital Dividend Account. Subject to the terms of the Buy-Sell agreement, before the corporation pays out the balance of the CDA as a tax-free dividend to the surviving shareholders it purchases the deceased's shares through promissory notes. The notes are redeemed with the tax-free dividends and the surviving shareholders end up owning the shares.

The family of the deceased ends up with cash for their shares. Alternatively, the Buy-Sell agreement can be structured so that the shares can be sold to the corporation by the deceased's family and payment made in the form of a capital dividend.

Canada Life's wide range of permanent cash value life insurance products allows you to customize your insurance coverage and gives you the flexibility to make changes as your business needs change.

Canada Life's Corporate Redemption of Shares Strategy provides:

- Tax-free funding for a Buy-Sell Agreement
- Cash for a deceased's shareholder's family
- Tax-sheltered investment growth
- Customized insurance coverage
- Multiple life coverage
- Substitute life provision
- Permanent life insurance protection

Canada Life's Corporate Redemption of Shares – Protect your business and your family.

Talk to your advisor or Canada Life representative for more details

The Buy-Sell agreement must be drafted by a lawyer, and each party should obtain independent legal advice regarding the agreement. This material is for information purposes only and should not be construed as legal or tax advice. Every effort has been made to ensure its accuracy, but errors and omissions are possible. Individual circumstances may vary and specific legal and tax advice is recommended.

This strategy is based on current tax legislation. Future tax changes and market conditions may affect this program.

