

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

Looking for an exit strategy?

Need a succession plan?

Have significant retained earnings?



The Situation

You are a major shareholder of a Canadian controlled private corporation. There is significant surplus capital locked inside your corporation. You have no personal need for these funds but eventually you want your heirs to have access to them. If you take the surplus capital out of your corporation, the entire amount will be subject to tax. And, while it is left in your corporation, the investment income generated by this capital is taxed at the highest corporate tax rate, which in some cases can be higher than your personal income tax rate.

The Strategy

Private corporations are entitled to maintain a notional tax account, called the Capital Dividend Account, 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™ with your corporation as the owner and beneficiary. Transfer your corporation's surplus funds into the policy where they can grow tax-free. Upon your death, 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.

The Capital Dividend Account can be paid out to shareholders (for example, your heirs) tax-free, thus increasing the ultimate, after-tax value of your corporation to your estate. In effect, you avoid being taxed twice – on the company's profits and on the increase in the value of your estate.

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 Capital Dividend Account Strategy provides:

- Tax-free capital dividend
- Tax-sheltered investment growth
- Multiple life coverage
- Substitute life provision
- Flexibility to change coverage amounts
- Permanent life insurance protection

Canada Life's Capital Dividend Account Strategy – A way to pass on your success.

Talk to your advisor or Canada Life representative for more details

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.

