

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?

Want to preserve your lifestyle?



The Situation

You are a major shareholder of a Canadian controlled private corporation. There is significant surplus capital locked inside your corporation. You eventually want your partners to buy you out of the operation. However, if you take the surplus capital out of your corporation, the entire amount will be subject to tax, making it difficult to accomplish the buyout of a living shareholder. On the other hand, while this surplus 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

Purchase a tax-exempt life insurance policy from Canada Life™ with your corporation as the owner and beneficiary of the policy. Each shareholder is insured for the current fair market value of his or her interest in the corporation. Transfer your company's surplus funds into the policy where they can grow tax-free.

When a living shareholder wishes to trigger a buyout, the corporation assigns the policy to a bank or other financial institution as collateral for a loan or line of credit. Assuming the corporation meets the bank's lending requirements, up to 90% of the cash value can be borrowed. The lending institution may agree that the corporation need not make interest payments on the loan during the lifetime of the shareholder and will add the loan interest to the principal of the loan. When the shareholder dies the death benefit is used to pay off the loan, with any excess going to the corporation.

Under current tax legislation the borrowed funds would not be taxable to the corporation, leaving the corporation with tax-free funds available to buy out the shareholder. Of course, the departing shareholder would have to pay any capital gains tax on the increased value of the shares.

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 Living Buyout Strategy provides:

- Cash to buy out living shareholders
- Permanent life insurance protection
- Tax-sheltered investment growth
- Multiple life coverage
- Substitute life provision
- Flexibility to change coverage amounts

Canada Life's Corporate Living Buyout Strategy – Unlock your corporation's surplus cash

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.

