

Corporate Funded Life Insurance

Many successful companies retain surplus cash or profits. These passive investments generally attract a high rate of corporate tax. Business owners often wish to access these funds for personal or estate benefit and would prefer to minimize additional taxation at their personal, marginal rate.

Corporate funded life insurance can provide a tax-advantaged growth vehicle for these funds and in many cases may provide greater benefits for both personal and estate values than traditional taxable investments.

Diversified Corporate Assets/Integrated Corporate Value

Different assets will vary in their features and characteristics. It makes sense to evaluate how these differences can be managed to your advantage.

Life Insurance Characteristics

- May have lower volatility than other assets
- Retains value when owner dies
- Growth is tax-advantaged
- Death benefit is tax-free
- Can provide access to cash for emergencies or opportunities

Corporate Income Retained in Traditional Investments

Income from corporately held investments does not generally qualify for the small business deduction and is taxed at the highest corporate tax rate.

When these funds are passed through to an individual, they are taxed again at whatever personal tax rate applies to income or dividends received. Excess funds within your business that are not needed for operations will generally be drawn for your personal use or left for your heirs. A corporate funded insurance policy can help diversify your business holdings and provide a high quality, conservative investment with preferred tax treatment.

Corporate Life Insurance at Death

Values within an exempt life insurance policy are not subject to annual accrual taxation. This credit may be paid as a tax-free capital dividend to surviving shareholders to address succession or taxation issues. Thus becoming a very effective tax planning tool for high net worth business owners.

- A corporate life insurance policy payable on the death of the owner will typically increase the amount of money available upon the death of the owner to pay debts or buy-out shares. Cash liquidity at a time when it is needed the most.
- In addition, the resulting Capital dividend account increase may benefit your surviving shareholders by allowing tax-free distribution of future dividends up to the full dollar amount of the account.

Corporate Life Insurance While Living

Values within an exempt life insurance policy are not subject to annual accrual taxation.

- Policy cash values benefit from preferred tax treatment. This means the owner may improve cash accumulation without incurring higher investment risk.
- These values and the corresponding death benefit may provide a source of collateral for corporate and personal borrowing. Effective Tax planning benefits can be derived in some cases.