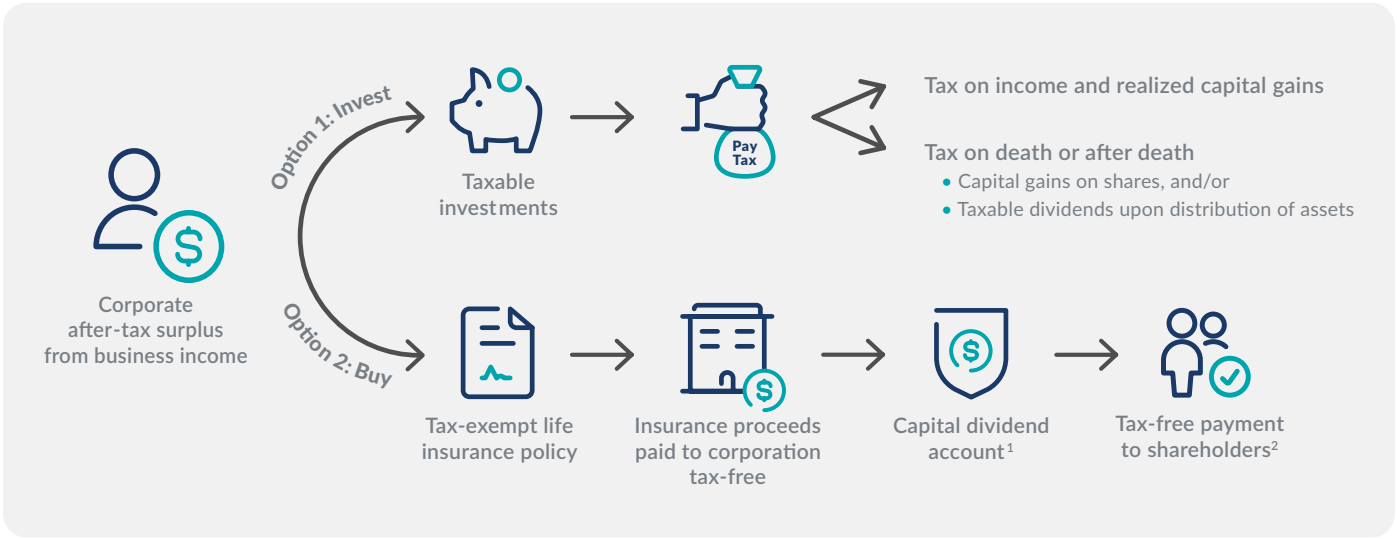
Equitable™

Corporate Preferred Estate Transfer Using Whole Life

Looking for a tax-efficient way to get the value of your shares out of your company and into the hands of your estate? The choice is clear.



The *Corporate* Preferred Estate Transfer

The *Corporate* Preferred Estate Transfer uses corporately-owned life insurance to create a tax-free inheritance. The corporation simply redirects a portion of its after-tax surplus created from business income into a permanent life insurance policy rather than taxable investments.

Put the *Corporate* Preferred Estate Transfer to work for you

Reduces the fair market value (FMV) of the corporation's assets.

- The value of the owner's shares is based on the FMV of the corporation's assets.
- Redirecting a portion of surplus from business income into a life insurance policy rather than taxable investments reduces the assets in the corporation.
- This may help reduce the capital gains tax that would be payable.

Increases the value of your estate

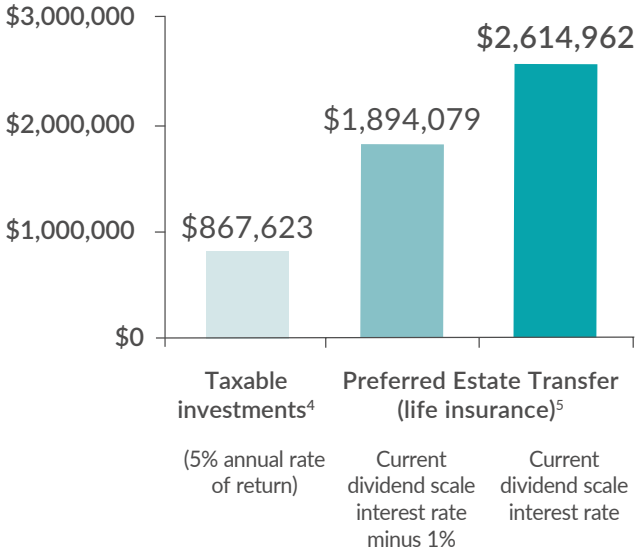
- The cash value of an exempt life insurance policy grows on a tax-advantaged basis. Depending on the plan you choose, the cash value can increase the death benefit.
- When the proceeds of the life insurance policy are paid tax-free to the corporation, amounts in excess of the policy's adjusted cost basis (ACB)[3] are credited to the capital dividend account so they can be paid as tax-free capital dividends to the shareholders, including the deceased shareholder's estate.
- Since business income is taxed at a lower rate than personal income, using after-tax corporate dollars from active business income to pay the premiums is the least expensive way to fund the policy.

The Preferred Solution®

An example: meet Catherine

- Catherine is 50 years old and owns a profitable business.
- She wants to pay taxes on her shares at death and create an inheritance for her daughter.
- Catherine can allocate $50,000 of surplus from business income each year for the next 10 years.
- She is looking for a tax-efficient way to get the value of her shares out of the company and into the hands of her heirs.
- Catherine is considering two options:
- Invest $50,000 each year for 10 years, or
- Transfer $50,000 each year for 10 years to a corporately-owned permanent life insurance policy to pay the premium (Corporate Preferred Estate Transfer).

Net amount to Catherine's heirs
(assumes death at age 85)



With the *Corporate* Preferred Estate Transfer, Catherine can create a larger estate than with taxable investments.

Other taxable asset classes may require a higher rate of return to produce the same net estate value at age 85 as a life insurance policy.

	Required annual pre-tax rate of return[6]				
	Life insurance (Annual after-tax internal rate of return (IRR))	Interest	Dividends	Realized capital gains	Deferred capital gains[7]
Current dividend scale	5.53%	12.31%	9.96%	7.90%	6.76%
Alternate dividend scale (current minus 1%)	4.44%	10.26%	8.30%	6.56%	5.70%

The pre-tax returns for realized capital gains and deferred capital gains assume 50% of the capital gain is taxed.

It could be the right solution for you if...			
☑	You are the owner or majority shareholder of a Canadian corporation.	☑	You want to supplement your retirement cash flow.
☑	The corporation has taxable investments.	☑	You need life insurance to protect your business.
☑	You are looking for ways to reduce corporate taxes.	☑	You have an up-to-date will.

Your advisor can show you how the *Corporate* Preferred Estate Transfer can work for you.

[1] An amount calculated as the insurance proceeds less the adjusted cost base of the policy at the time of death is credited to the capital dividend account. [2] Dividends are paid to shareholders, including the estate of the deceased. Tax may be payable (a) on the shares owned at death: if the cash surrender value of the policy is included in the value of common shares; or if stop-loss rules apply; or (b) if the policy has an adjusted cost basis and some of the death benefit is distributed as taxable dividends. [3] ACB is the premiums paid less the net cost of pure insurance calculated in accordance with the Regulations under the Income Tax Act, subject to certain adjustments. Always consult your accountant or tax professional when dealing with capital dividend calculations and payments. [4] Assumes an average annual rate of return of 5%. Results will vary. Taxable investment portfolio (50% interest and 50% dividends). [5] Equimax Estate Builder® participating whole life insurance, 20 pay. Paid-up additions dividend option. Initial death benefit $1,000,000. The $50,000 annual deposit is a combination of required premium ($33,970) and an additional deposit (Excelerator deposit option) ($16,030). Assumes no policy loans or withdrawals. Illustrated values are for a female, age 50, standard non-smoker rates in effect as of June 16, 2026 and the dividend scale at that time remaining unchanged for the life of the policy. The sales illustration for this case study shows a premium offset point at year 10, after which time you may be able to stop paying premiums for your policy. A decrease in the life insurance dividend scale will affect the illustrated values; may delay the premium offset point and require you to pay premiums for longer than previously illustrated; or require you to resume paying premiums for a period of time if your policy has been on premium offset. Dividends are not guaranteed and are paid at the sole discretion of the Board of Directors. Dividends may be subject to taxation. Dividends will vary based on the actual investment returns in the participating account as well as mortality, expenses, lapses, claims experience, taxes, and other experience of the participating block of policies. [6] Shareholder marginal tax rate is 50%; shareholder dividend tax rate is 45%; corporate tax rate on investment income is 50%. [7] Assumes capital gains are deferred until age 85.

Equitable Life has made every effort to ensure the accuracy of the information presented; however, accuracy is not guaranteed.
The Corporate Preferred Estate Transfer is a concept. It is not a product or contract. It is based on current tax legislation which may change. This information does not constitute legal, tax, investment, or other professional advice. Clients are advised to seek professional advice prior to adopting any insurance or investment strategy.
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