

Immediate Financing Strategy (“IFA”)



SUMMARY

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“Withdraw large amounts of money out of a corporation at no tax cost”

What is it?

The Immediate Financing Arrangement (“IFA”) Strategy allows a policy holder to borrow from a lender against the cash surrender value of a participating (“PAR”) whole life insurance policy or the assets of a well-established corporation.

This strategy involves an individual receiving a personal loan, which is secured against a corporately owned life insurance policy and guaranteed by the company. This enables a taxpayer to withdraw large amounts of money out of a corporation at no tax cost.

Advantages

- Accumulate wealth in life insurance with no tax consequences
- Life Insurance proceeds create a tax-free Capital Dividend Account (“CDA”)
- Increases the shareholder loan balance (funds that can be withdrawn from the company tax-free)
- Potential to deduct interest and a portion of the premium
- It helps fund the sale of a corporation.
- Facilitates the purchase of needed permanent life insurance for a client who otherwise would forego insurance to invest.
- It makes it possible for a client with one or more existing permanent insurance policies which are not self-funding to begin borrowing against the CSV of those policies.

Disadvantages

- Since purchased through the corporation, no creditor protection.
- Requires the use of the company as a guarantor and the shareholder is required to pay a guarantee fee.
- Many permanent policies have surrender penalties if the plan is cancelled within the first few years of the policy.

Who is it for?

- Individuals interested in purchasing life insurance and do not want it to affect their capacity to invest.
- Individuals with a large shareholder loan issue (owe money to the company)
- Business owners who have excess corporate funds and would like to receive the funds personally with no tax consequences.
- High-net worth individuals who own a well-established business which can guarantee a personal loan.
- Individuals wishing to sell their businesses

For individuals who need permanent life insurance and do not want it to affect their capacity to invest



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