Corporate-Owned Life Insurance

A tax-smart way for business owners to protect, grow, and pass on wealth.

If you own an incorporated business, some of the money building up inside your company can work a lot harder. Corporate-owned life insurance lets your corporation own a permanent policy that protects the business, grows value in a tax-sheltered way, and moves wealth to your family efficiently. It sounds complex, but the idea is simple, and this guide keeps it that way.

THE BIG IDEA

Money that just sits in your corporation gets taxed as it grows. Inside a corporate policy, it can grow sheltered from tax, and reach your family efficiently.

Who it's for

- Incorporated business owners
- Professionals with a corporation
- Companies with retained earnings
- Partners planning for the future

What it can do

- Shelter growth from yearly tax
- Give you access to capital
- Protect the business and key people
- Pass wealth on tax-efficiently

The Basics

Your corporation owns the policy, pays the premiums, and is the beneficiary. Part of each premium pays for the insurance; the rest builds a cash value that grows inside the policy without the yearly tax that drags on your corporate investments. That growing value, and the eventual payout, are where all the advantages come from.

Why Business Owners Use It

The appeal isn't just the insurance, it's what the policy does for the business while you're alive and after. Here are the benefits owners care about most.

Tax-sheltered growth	Retained earnings grow inside the policy without the annual tax that drags on corporate investments.
Access to capital	You can borrow against the cash value, funding opportunities without cashing out or triggering tax.
Creditor protection	Structured correctly, the policy's value can often be shielded from business creditors.
Key person cover	If an owner or key person is lost, the payout keeps the business steady through the shock.
Tax-free to family	At death, the benefit flows through the Capital Dividend Account and can reach your family tax-free.

THE BOTTOM LINE

It's one tool doing several jobs at once: protection, tax-sheltered growth, and a tax-efficient exit for the wealth you've built.

How the Money Moves

Two pictures make the whole idea click — where the money goes, and why it grows faster inside the policy than sitting in the corporation.

Your corporation
owns and pays the policy

→ premiums →

Permanent policy
cash value grows tax-sheltered

→ at death →

Your family
paid tax-free via the CDA

THE GROWTH ADVANTAGE

The same dollars grow faster inside a corporate policy because they aren't taxed year after year the way a normal corporate investment is. Over time, that gap compounds.

Illustrative comparison only — not a projection or guarantee. Actual results depend on the policy, rates, and your situation.

IN A NUTSHELL

Money flows in from the corporation, grows sheltered from tax, and reaches your family tax-free — often with far more left over than a taxable account would leave.

Putting the Policy to Work

A corporate policy isn't money locked away until death. Its cash value can be put to work along the way, and these are the strategies owners use most.

BORROWING AGAINST THE POLICY

Once the policy has cash value, you or your corporation can borrow against it, using it as collateral for a loan from the insurer or a bank. You access capital for the business or an opportunity, often without triggering tax, while the policy keeps growing underneath.

IMMEDIATE FINANCING ARRANGEMENTS (IFAs)

An IFA lets you fund a large permanent policy and then borrow most of that money right back to reinvest in your business or investments. You get the insurance and the tax-sheltered growth without tying up your working capital, and in the right situations some of the interest may be deductible. It's powerful, but advanced, and only fits certain owners.

INFINITE BANKING

Some owners use the same idea on a smaller scale, building cash value and borrowing against it to finance purchases through their own policy instead of a bank. It's a strategy, not a product, and it only works when the policy is designed and funded correctly.

A WORD OF CAUTION

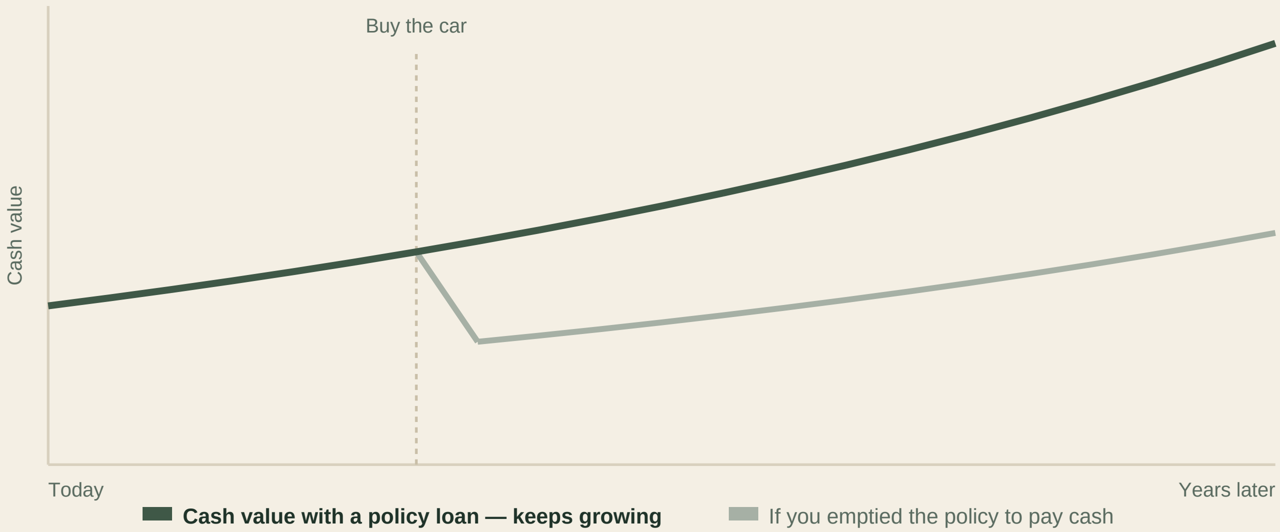
These strategies are powerful, but the structure is everything. Done right they're efficient; done carelessly they disappoint. We coordinate with your accountant and lawyer so it holds up.

Borrow Without Slowing Down

Here's the part that surprises people. When you borrow against your policy, the money doesn't come out of your cash value, it's a loan secured by it. So your full balance keeps compounding as if you never touched it.

THE CLASSIC EXAMPLE: BUYING A CAR

Say you want a $40,000 car. Pay cash, and that money, plus everything it would have earned, is gone. Finance it through a bank, and you hand the interest to them. Nelson Nash's idea was a third way: borrow against your policy, buy the car, and pay yourself back on your own terms. Because it's a loan against the policy, not a withdrawal, your cash value keeps growing on the full amount the whole time.



Illustrative only, not a projection. A policy loan accrues interest, which is why using it wisely matters.

THE POINT

You get the car and your money keeps working. That's the engine behind Infinite Banking: borrow against your policy instead of draining it.

The Long Game: Estate & Succession

Beyond the day-to-day, corporate life insurance is one of the best tools for passing on what you've built, with far less lost to tax.

ESTATE LIQUIDITY

At death, a business or estate can trigger a large tax bill. The policy's payout gives your family tax-free cash to cover it, so they don't have to sell the business, real estate, or investments in a hurry just to pay the taxman.

THE CAPITAL DIVIDEND ACCOUNT

Most of the death benefit credits your corporation's Capital Dividend Account, which lets the money be paid out to shareholders, your family, as a tax-free dividend. It's one of the most efficient ways to move corporate wealth to the next generation.

BUSINESS SUCCESSION & BUY-SELL

If you have partners, insurance can fund a buy-sell agreement. When one owner passes away, the payout gives the others the cash to buy their shares, so the family gets fair value and the business carries on without a fire sale or a forced new partner.

THE BOTTOM LINE

In one policy you protect the business today and hand it over cleanly tomorrow, with far less lost to tax.

Seeing It in Action

The names are examples, but the situations are common, and the reasoning is exactly how we'd work through it with you and your other advisors.

A dentist with a growing corporation

WHY IT FITS

Dr. Lee, 44, has more retained earnings than the practice needs, sitting in taxable investments. Moving a portion into a corporate policy shelters the growth from yearly tax, keeps capital she can borrow against if an opportunity comes up, and sets up a tax-free transfer to her kids down the road.

Two partners, one plan

WHY BUY-SELL

Marcus and Dev own a firm 50/50 and fund a buy-sell agreement with corporate policies on each other. When one passes away years later, the payout lets the survivor buy the shares at fair value. The late partner's family is paid properly, and the business keeps running.

Keeping capital working

WHY AN IFA

A contractor with a strong balance sheet wants coverage but doesn't want to park cash. Using an Immediate Financing Arrangement, his corporation funds a large policy and borrows most of it back to keep bidding bigger jobs, insurance in place and capital still working.

Is It Right for You?

Corporate life insurance is powerful, but it isn't for everyone. A quick gut-check on whether it's worth exploring:

Often a fit when...

- You're incorporated with retained earnings
- There's profit beyond what the business needs
- You're thinking long-term (estate, succession)
- You want sheltered growth and access to capital

Probably not when...

- You're not incorporated
- There's no surplus cash to commit
- You need the money liquid in the short term
- Your time horizon is short

WE NEVER DO THIS IN A VACUUM

Because this touches both tax and law, we work alongside your accountant and lawyer to make sure the structure fits your whole picture, not just the insurance piece.

A FEW HONEST MYTHS

"It's just insurance."

It's insurance plus a tax-sheltered asset, a source of capital, and an estate tool. The pure insurance is often the smallest part of the value.

"It's only for the ultra-wealthy."

It's for any incorporated owner with surplus profit and a long time horizon, not just the very rich.

Curious if it fits your business?

Let's look at your corporation, your goals, and whether corporate life insurance earns its place. No pressure, no obligation.

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