Manulife Financial
For your future™

How the Corporate Insured Annuity Works

Your situation

Your company's investment portfolio includes interest-bearing investments such as GICs, term deposits, bonds, bank accounts, etc. You're using the interest earned by the investments to supplement your income. You want to maximize the income you're receiving today, while preserving your investment capital to make a gift when you die.

An alternative - Corporate Insured Annuity

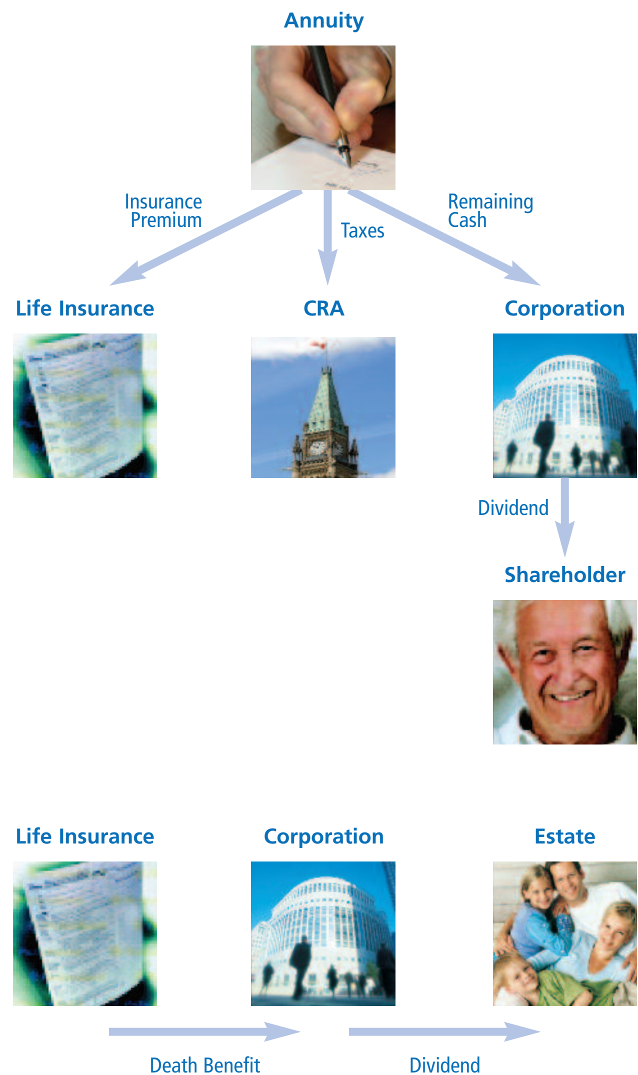
This financial planning strategy requires your corporation to liquidate these investments. The resulting cash is used to purchase a life annuity contract, which effectively eliminates your access to this capital during your lifetime. By using these funds to buy an annuity and combining it with a life insurance policy, this strategy is designed to give you increased income today, while ensuring funds are available to make a gift when you die

How does the Corporate Insured Annuity work?

Your corporation purchases a non-prescribed life annuity contract and an exempt life insurance policy, with you as the life insured and the corporation as the beneficiary. The cash flow from the annuity is used to pay the life insurance premium and the tax on the annuity. The remaining amount is used to supplement your income.

When you die, your company receives the tax-free death benefit from the life insurance policy. The excess of the death benefit over the adjusted cost basis of the policy is credited to the corporation's capital dividend account. Your corporation then uses the proceeds to pay a dividend to your estate.

This dividend is a tax-free capital dividend up to the amount available in the corporation's capital dividend account; the remainder, if any, is paid as a taxable dividend. Your estate can then gift the funds received as directed in your will.



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