



CORPORATE-OWNED LIFE INSURANCE · CANADA FAQ

The Top 10 COLI Questions *Canadian Business Owners Ask*

*Expert answers on corporate-owned life insurance, IFA, IRP, CDA, retained earnings strategy, and tax-efficient estate planning in Canada — from
Goald & Co Financial Inc.*

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Corporate-Owned Life Insurance (COLI) is one of the most powerful and least understood tax strategies available to incorporated Canadian business owners. These are the 10 questions we hear most often — from business owners, accountants, and professionals researching the strategies available to them.

Every answer on this page is based on current Canadian tax law, confirmed carrier and lender mechanics, and the real-world planning experience of Goald & Co Financial Inc. — a corporate insurance specialist firm licensed in British Columbia, Alberta, and Ontario.

JUMP TO A QUESTION

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01 What is Corporate-Owned Life Insurance (COLI) in Canada?

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Corporate-Owned Life Insurance (COLI) is a permanent life insurance policy owned and paid for by a Canadian corporation — typically on the life of a shareholder, owner-manager, or key executive. The corporation owns the policy, pays the premiums using retained earnings, and is the named beneficiary.

COLI has three defining features:

- **Corporate ownership:** Premiums are funded with pre-tax retained earnings taxed only at the low corporate rate — not at the top personal marginal rate.
- **Participating whole life structure:** The policy builds guaranteed cash surrender value (CSV) that grows completely tax-exempt inside the policy.
- **Capital Dividend Account (CDA) mechanics:** At death, the death benefit above the policy's adjusted cost basis flows into the CDA, allowing tax-free distribution to shareholders.

COLI is used for tax-efficient wealth transfer, estate planning, corporate liquidity, passive income reduction, retirement income structuring, and key-person or buy-sell funding.

*The death benefit received by a corporation is tax-free. The net proceeds — generally the death benefit less the policy's adjusted cost basis (ACB) — credit the Capital Dividend Account. **Capital dividends may then be paid out to shareholders completely tax-free.** — Sun Life Financial, Corporate-Owned Life Insurance Considerations (August 2025)*

COLI

CORPORATE LIFE INSURANCE

CDA

RETAINED EARNINGS

Sources: Sun Life COLI Considerations (Aug 2025); Goald & Co Financial Inc., Corporate-Owned Life Insurance Guide (2026)

02 Why would a corporation own life insurance instead of the shareholder personally?

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03 What is the Capital Dividend Account (CDA) and how does life insurance create a CDA credit?

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04 What is an Immediate Financing Arrangement (IFA) and how does it work for incorporated business owners?

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- 05 **What is an Insured Retirement Plan (IRP) and how does it create tax-free retirement income?** +

- 06 **How does corporate life insurance reduce passive income tax and protect the Small Business Deduction?** +

- 07 **Is money borrowed through an IFA or IRP strategy tax-free? What about interest deductibility?** +

- 08 **What are the key risks of Corporate-Owned Life Insurance, IFA, and IRP strategies?** +

- 09 **Is COLI better than investing retained earnings in GICs or a corporate portfolio?** +

- 10 **Who is the ideal candidate for Corporate-Owned Life Insurance in Canada?** +

WHO WORKS ON A COLI STRATEGY

INSURANCE

Corporate Insurance Advisor

Designs the policy structure, selects the carrier, coordinates lender relationships, and manages ACB projections. Must be a specialist in corporate strategies — not general insurance.

TAX / ACCOUNTING

CPA / Accountant

Tracks the CDA balance, files Form T2054, coordinates the salary vs. dividend mix, ensures the strategy integrates correctly with the T2 corporate return, and documents interest deductibility.

LEGAL

Corporate Lawyer

Drafts shareholder agreements, executes board resolutions for CDA elections, structures the HoldCo ownership, and ensures the estate documents align with the insurance strategy.

Goald & Co Serves Corporate Insurance Clients Across Canada

Licensed in British Columbia, Alberta, and Ontario — serving incorporated professionals and business owners province-wide.

BRITISH COLUMBIA

Vancouver

Corporate life insurance, IRP, IFA, CDA planning

Surrey

Incorporated professionals & business owners

Kelowna

Real estate investors, developers, professionals

Victoria

COLI, estate planning, HoldCo strategies

Chilliwack

Corporate life insurance & retained earnings planning

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COLI, IFA, IRP, CDA — oil & gas, real estate, professionals

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Serving incorporated professionals province-wide.

READY TO EXPLORE COLI

Get Answers Built Around *Your Actual Numbers*

These FAQs cover the general framework. What matters is how the strategy applies to your specific corporation, retained earnings, and objectives. Book a 15-minute call and we will show you.

[BOOK A STRATEGY CALL →](#)

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guarantees of future performance. Participating whole life dividends are not guaranteed. Sources referenced include: TD Wealth (2019), Empire Life (2020), MNP LLP, Manulife (Spring 2025), Sun Life (August 2025). · goald.ca