



IMMEDIATE FINANCING ARRANGEMENT · CANADA

IFA Lending in Canada: *How to Qualify, Find the Right Bank & Access Your Funds*



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SIMPLE SUMMARY

You don't necessarily have to wait until your insurance policy is issued to start arranging the financing.

Just like getting a mortgage, you don't have to accept the first offer from the first bank.

P – 0.30%

BEST RATE WE'VE SECURED

4–6 wksTYPICAL APPLICATION TO
FUNDING**4**TYPES OF LENDERS WE
COMPARE**\$0**LENDING COMMISSIONS TO
GOALD[DOWNLOAD THE PDF](#)

One of the most common questions we receive about an Immediate Financing Arrangement (IFA) is:

"Where does the money actually come from, and how do I know the bank will approve me?"

It's a reasonable question. If you're considering putting hundreds of thousands of dollars into a permanent life insurance policy, you probably want to know whether you'll be able to borrow against it before committing that capital.

The good news is that **you don't necessarily have to wait until your insurance policy is issued to start arranging the financing.**

At GOALD & Co Financial, we can work with lenders while your insurance application is being underwritten, helping you understand your borrowing options, potential interest rates, and approval requirements before your policy is in place.

And just like getting a mortgage, you don't have to accept the first offer from the first bank.

We help you explore your options.

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What Is IFA Lending, and Where Does the Money Come From?

An Immediate Financing Arrangement allows you or your corporation to use the cash value of a permanent life insurance policy as collateral for a loan from a financial institution.

The money doesn't come directly out of your insurance policy. It comes from a separate lender, generally a bank or specialized lending institution.

Here's a simple example:

Your holding company purchases a participating whole life insurance policy and pays an annual premium of \$200,000.

Once the policy is in force and funded, a lender can provide financing secured against the policy's cash surrender value, subject to its approved lending terms.

The borrowed money is deposited into your corporation's bank account, where you can put it back to work in your business or investments.

Meanwhile, your insurance policy continues accumulating value according to its contractual guarantees and applicable dividends.

You now have two separate assets working for you: your insurance policy and the assets or business investments funded by the loan. You also have a corresponding loan obligation to the lender.

For a more complete explanation, read our [Guide to Immediate Financing Arrangements in Canada](#).

We Can Arrange the Financing Before Your Policy Is Issued

This is one of the most important parts of the process.

If you intend to use an IFA from the beginning, we generally prefer to explore the lending options before you commit to funding the policy.

Why?

Because the last thing you want is to purchase a large insurance policy expecting to access most of your capital, only to discover afterward that the lender won't approve your financing.

Instead, we can coordinate the insurance and financing processes together.

Here's how we typically approach it:

Step 1 — Determine your insurance and financing strategy.

We look at your corporate structure, available capital, insurance objectives, and how much you intend to borrow.

Step 2 — Approach potential lenders.

Using a proposed policy illustration and your financial information, we explore which financial institutions may be suitable.

Step 3 — Obtain preliminary terms or conditional approval.

Depending on the lender, we may be able to obtain indicative rates, borrowing limits, and conditional financing approval while your insurance application is being reviewed.

Some lenders prefer the insurance application to be well into underwriting before issuing a lending decision.

Step 4 — Finalize your insurance and lending agreements.

Once the policy is approved and issued, the initial premium is funded, the lender's conditions are satisfied, and the policy is assigned as collateral.

Step 5 — Access your capital.

The lender advances the approved loan directly to your personal or corporate banking account, as applicable.

The objective is simple: **have the financing arranged as far in advance as possible so there are fewer surprises and delays once your insurance policy is ready.**

Conditional approval is not a guarantee of funding. Final advances remain subject to the lender's conditions, but doing the work upfront can make the process significantly smoother.

Which Banks Offer IFA Lending in Canada?

You have more options than you might think.

One of the advantages of working with an independent insurance advisory firm is that you're not necessarily limited to one insurance company or one financial institution.

At GOALD, we approach IFA lending similarly to how a mortgage broker approaches mortgage financing.

We shop the market.

1. Your Existing Bank

One of the first places we may look is where you already bank.

If you have a substantial relationship with RBC, TD, BMO, Scotiabank, CIBC, or another institution, that relationship may be valuable.

Perhaps you already have commercial loans, a large investment portfolio, corporate banking accounts, or private banking services with them.

Your existing lender may already understand your financial position and be willing to explore financing secured against your insurance policy.

Sometimes, the institution that already knows you best can provide competitive terms.

2. Banks Associated With Insurance Companies

We also examine lending programs associated with insurance providers.

For example, if your policy is issued by Manulife, we may explore financing through Manulife Bank.

Manulife Bank offers specialized lending solutions, including Immediate Financing Arrangements.

But here's something important:

You do not necessarily have to borrow from the bank associated with your insurance company.

Having a Manulife insurance policy doesn't mean Manulife Bank must be your lender.

And having a policy with another insurance company doesn't automatically prevent you from obtaining financing through Manulife Bank or another institution.

What matters is whether the lender accepts the particular policy as collateral and approves your financial circumstances.

3. Specialized Insurance Lenders and Private Banking

There are also financial institutions with dedicated insurance–lending programs.

Depending on eligibility and availability, options may include institutions such as Equitable Bank, Manulife Bank, private banking divisions of major Canadian banks, and other specialized lenders.

Some focus on lending against the policy's cash surrender value, while others offer financing based on a percentage of premiums paid.

These institutions understand the mechanics of life insurance collateral lending and may have programs specifically designed for larger corporate insurance strategies.

4. Private Lending Relationships

For more complex situations, we may also explore private lending institutions and relationships we've developed over time.

This can be particularly relevant when dealing with substantial corporate assets, multiple companies, family trusts, or specialized collateral arrangements.

Every lender has different credit requirements, rates, fees, and restrictions.

Our job is to help identify which options are worth pursuing for your particular situation.

What Interest Rate Can You Get on an IFA Loan?

This is where the lender you choose can make a meaningful difference.

There is no single universal interest rate for IFA lending.

Rates are commonly variable and expressed relative to the lender's prime or reference lending rate.

Depending on the client's financial position and the lending arrangement, **we've helped clients secure rates such as:**

IFA LENDING RATE	EXAMPLE OF TERMS WE'VE OBTAINED
Prime - 0.30%	0.30 percentage points below prime
Prime	At the lender's prime rate
Prime + 0.25%	0.25 percentage points above prime

These are examples of previously negotiated lending terms, not guaranteed or currently available offers. Each lender may use its own prime or reference rate, which can change over time.

Your actual financing terms depend on several factors, including your financial strength, loan amount, collateral, existing banking relationships, corporate structure, and overall lending risk.

For a multimillion-dollar financing arrangement, even a relatively small difference in interest rates can represent a meaningful amount of money over time.

But the interest rate is only one part of the decision.

We also look at borrowing limits, lender fees, repayment terms, collateral requirements, whether interest can be capitalized, and how future credit increases are handled.

The lowest advertised rate isn't always the best overall lending arrangement.

[Speak With GOALD About Your IFA Lending Options](#)

Why Your Advisor Matters When Arranging IFA Lending

Not every insurance advisor has the same experience with corporate insurance lending.

And not every advisor has established working relationships with banks, private lenders, and the people responsible for approving these types of arrangements.

That matters.

For larger or more complicated cases, lending decisions can involve commercial banking teams, specialized credit departments, insurance-lending specialists, and private bankers.

A well-prepared application that clearly explains your financial position, corporate structure, and intended use of funds can make the review process more efficient.

Experienced advisors may also know which lenders are best equipped to handle particular structures, which terms are worth negotiating, and which requirements could become an issue later.

Over time, relationships built through experience and trust can help facilitate these conversations and create opportunities to negotiate competitive terms.

Of course, the lender ultimately determines approval and pricing. No advisor can guarantee a preferential rate simply because they have a relationship with a bank.

Our role goes beyond finding you an insurance policy. It's about coordinating the insurance, financing, and broader financial strategy so everything works together.

Are We Paid by the Banks?

No.

GOALD & Co Financial does not receive lending commissions or referral compensation from the banks for arranging these IFA loans.

That means we don't have a lending commission influencing which bank we recommend.

Our focus is on finding the financing arrangement that makes the most sense for your situation, whether that's through a financial institution you already use or a different lender.

Your comfort with the institution matters, too.

We are separately compensated by insurance companies when insurance policies are placed, and any applicable insurance compensation is disclosed as part of our advisory process. Lending institutions

may charge their own application, administration, or ongoing facility fees.

We believe clients should understand who is being paid, how they're being paid, and what they're paying for.

What Documents Are Required to Get Approved for IFA Lending?

The answer depends on the lender and the complexity of your financial situation.

Some IFA loan applications are relatively straightforward. Others require a more comprehensive financial review.

The lender wants to understand your financial position, ability to service the debt, ownership structure, and the collateral supporting the loan.

For a Straightforward IFA Application

Some lenders may initially request as little as:

- Two years of corporate financial statements
- Two years of personal tax returns or supporting personal financial information
- A proposed life insurance policy illustration
- A personal net worth statement

This may be sufficient for an initial assessment, depending on the lender. Further documents may still be required for conditional or final approval.

In many cases, we'll already have some of this information through the insurance financial-underwriting process, reducing the amount of duplicate work required.

For a More Complex Corporate IFA Application

For larger borrowing amounts, holding companies, family trusts, or more complicated ownership structures, lenders may request a more comprehensive package.

Below is an example based on actual documentation requirements we've encountered when arranging corporate IFA financing.

Insurance Policy Documents

1. Proposed life insurance policy illustration
2. Policy summary, if an existing policy is already in place

Holding Company Documents

1. Last two years of corporate financial statements
2. Last two years of complete corporate T2 income tax returns
3. Last two years of corporate Notices of Assessment
4. Central securities register (CSR), showing corporate share ownership

Personal Financial Documents

1. Last two years of complete personal T1 General income tax returns
2. Last two years of personal Notices of Assessment
3. Completed personal financial statement or net worth statement

What if a Family Trust Is Involved?

If a family trust forms part of your corporate ownership structure, the lender may also request:

1. Last two years of trust T3 income tax returns
2. Last two years of trust Notices of Assessment
3. A copy of the family trust agreement

Some lenders may also request a corporate organizational chart, information on guarantees, proof of assets, or other legal documentation.

That doesn't mean every client with a family trust will need to provide everything above.

It simply means there may be additional underwriting requirements when a lender needs to understand a more sophisticated ownership structure.

We help determine which documents are actually needed before asking you to gather everything.

What if You Want to Borrow 100% of Your Insurance Premiums?

Some lenders offer financing based on a percentage of the policy's cash surrender value.

Others may offer financing of up to 100% of premiums paid, subject to their lending criteria.

These are two different lending structures.

Cash-Value-Based Lending

In this arrangement, the lender advances a specified percentage of your policy's eligible cash surrender value.

For example, a lender may offer financing of up to 90% or 100% of eligible cash surrender value, depending on the policy and its lending program.

The amount available isn't necessarily the same as the amount you deposited into the insurance policy.

Full-Premium Financing

Some lenders may provide financing of up to 100% of the premiums paid.

Depending on the loan amount, the policy's cash value, and the lender's program, additional collateral may be required.

This could involve pledging investment accounts, securities, or other acceptable assets.

Other specialized programs may permit full-premium advances without additional collateral where their specific underwriting requirements are satisfied.

If we're exploring additional collateral, the lender may ask for current investment account statements to determine the assets available and whether they're acceptable as security.

The objective is to determine how much of your premium can be made available again, and what conditions you'd have to accept to access it.

Additional collateral isn't always necessary, and full-premium financing isn't automatically the best choice for every client.

Can You Capitalize the Interest on an IFA Loan?

In some arrangements, yes.

Certain lenders may permit interest to be added to the outstanding loan balance rather than requiring all interest to be paid from current cash flow.

This is known as capitalizing interest.

For business owners, this can be an attractive way to preserve liquidity and keep more capital invested elsewhere.

But it also increases the outstanding loan balance over time.

Whether interest capitalization is available depends on the lender, the loan agreement, the available borrowing capacity, and the collateral supporting the arrangement.

The tax treatment also requires separate analysis; adding interest to the loan does not automatically create an immediate tax deduction.

This is another reason why we consider the complete lending terms rather than focusing exclusively on the interest rate.

How Long Does IFA Lending Approval Take?

There isn't one standard timeline.

A straightforward application with an established banking relationship and complete financial information may be processed more efficiently than a complex application involving multiple corporations, trusts, and additional collateral.

Some lender guidance suggests approximately four to six weeks from a complete loan application to funding, but actual timing can vary considerably.

This is precisely why we prefer to begin the lending conversation early.

Where possible, we coordinate the credit application alongside the insurance underwriting process.

By the time the life insurance policy is approved, we want the lender's underwriting, proposed facility, and documentation to be as advanced as possible.

Once the premium is paid, the policy is issued, and the collateral assignment and other conditions are completed, the lender can arrange the advance.

The goal is to minimize the time your capital is committed to the insurance policy before your approved financing becomes accessible.

Frequently Asked Questions About IFA Lending in Canada

Can I get approved for an IFA loan before buying life insurance?

You may be able to obtain indicative terms or conditional credit approval before the life insurance policy is issued. Some lenders will review your financial information using a proposed policy illustration while the insurance application is in underwriting. Final funding generally requires the policy to be issued, funded, and assigned as collateral.

Do I need to use the same bank as my insurance company?

No. Your insurance carrier and your lender can be different institutions. For example, owning a Manulife policy doesn't necessarily require you to borrow through Manulife Bank. The lender must accept the policy as eligible collateral and approve the application.

Where will my IFA loan funds be deposited?

The lender generally advances funds to the approved borrower's bank account. For a corporate IFA, that's typically the corporation's account. You are receiving loan proceeds from a financial institution, not making a withdrawal from your insurance policy.

Can I get an IFA loan through my existing bank?

Potentially. Your existing bank may be able to provide or arrange the financing, particularly if you have an established commercial or private banking relationship. We can explore that option alongside specialized insurance lenders.

What credit score or net worth do I need for IFA lending?

There isn't one universal credit score or net worth requirement. Each institution has its own underwriting criteria. Lenders generally review financial strength, income, debt obligations, collateral, the proposed loan amount, and your ability to service the borrowing.

Can my holding company borrow through an IFA?

Yes, subject to lender approval. Corporate-owned permanent insurance policies are commonly used in IFA arrangements. The lender will review the company's financial position, ownership structure, and the proposed borrowing arrangement. Personal guarantees or additional security may also be requested.

Is IFA loan interest tax-deductible?

It may be, depending on how the borrowed funds are used and whether the requirements of the Income Tax Act are satisfied.

For example, borrowing to fund an eligible income-producing business or investment may qualify for interest deductibility under paragraph 20(1)(c).

Interest isn't automatically deductible just because the loan is secured by life insurance, and borrowing money to purchase a life insurance policy is generally excluded from this deduction.

Your accountant should confirm the tax treatment of your particular arrangement.

Can I arrange IFA financing against an insurance policy I already own?

Potentially. If your existing permanent life insurance policy has sufficient eligible cash value, we may be able to explore collateral lending against it. Depending on when the borrowing begins, this may be considered back-end policy leveraging rather than a traditional IFA.

Does GOALD charge a commission for arranging IFA financing?

We do not receive lending commissions or referral fees from the banks for arranging these loans. Our insurance advisory compensation is separate. The lender may have its own setup, administration, or credit facility fees, which should be reviewed before proceeding.

Find Out Which IFA Lenders You Qualify For

Every IFA lending arrangement is different.

The most suitable bank for one client may not be the best lender for another.

Your corporate structure, insurance policy, available assets, borrowing requirements, existing banking relationships, and long-term objectives all influence the options available.

At GOALD & Co Financial, we help coordinate the insurance and lending processes, assess potential lenders, compare financing terms, and determine how best to structure the arrangement around your objectives.

Whether you're just exploring an Immediate Financing Arrangement, already undergoing insurance underwriting, or have an existing policy you'd like to borrow against, we can help you understand your options.

Before committing substantial capital to a policy, find out what financing may be available and on what terms.

Book a Consultation — Explore Your IFA Lending Options

GOALD & Co Financial provides insurance advisory and planning services, not guaranteed loan approval. All financing is subject to lender underwriting, acceptable collateral, lending agreements, and applicable fees. Interest rates and loan terms may change, and collateral lending involves repayment and refinancing risks. Tax consequences depend on individual circumstances and should be reviewed with qualified tax and legal professionals.

Continue with the *related references*.

CONTINUE READING

Immediate Financing Arrangement

The complete IFA guide, including actual insurance illustrations.

CONTINUE READING

Capitalizing IFA Interest

Real lender numbers on financing IFA interest.

CONTINUE READING

Is Borrowing Against Insurance Legal?

Why banks lend against life insurance and how CDA room works.

CONTINUE READING

Base Premium vs ADO

How funding flexibility is built into a par policy.

Primary references

1. [Income Tax Regulations, s. 306 — Exempt policies](#)
 2. [Income Tax Act, s. 148 — Life insurance policies \(policy gains and dispositions\)](#)
 3. [Income Tax Act, s. 89\(1\) — Capital dividend account definition](#)
 4. [CRA Income Tax Folio S3-F6-C1 — Interest Deductibility](#)
 5. [Financial Consumer Agency of Canada — Life insurance](#)
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