



IMMEDIATE FINANCING ARRANGEMENT (IFA) · A GUIDE FOR CANADIAN BUSINESS OWNERS

Put Corporate Surplus Into a Policy — *and Keep Using the Capital*



By Conor McGowan · Updated August 2026 · 18 min read

The policy is a stop along the way for your capital, not the end of the road — shown with actual sanitized Manulife Immediate Finance Arrangement illustrations.

\$314,093

ILLUSTRATED ANNUAL DEPOSIT,
YEARS 1–20

\$8,000,000

INITIAL DEATH BENEFIT IN THE
ILLUSTRATION

15.72%

ILLUSTRATED AFTER-TAX IRR ON
NET BENEFIT AT YEAR 40

TL;DR – KEY TAKEAWAYS

THE SHORT ANSWER

An Immediate Financing Arrangement lets a Canadian corporation move surplus into a permanent policy it owns, then borrow back against that policy from a third-party lender so the capital can keep working in the business or in other income-producing assets. The policy is a stop along the way for your capital, not the end of the road.

- The loan is made **outside** the policy. A collateral loan does not withdraw the policy's cash value.
- Two lending models: cash-value lending avoids extra collateral; full-premium lending advances the whole deposit but needs additional collateral in the early years.
- Qualifying corporate loan interest and a limited collateral insurance amount may be deductible where the requirements are met.
- At death the loan is repaid and the corporation may still receive a large Capital Dividend Account credit.
- Every figure here is illustrated under the carrier's assumptions, not guaranteed.

Who this is for: Profitable incorporated Canadian business owners with durable corporate surplus, a real permanent insurance need, and somewhere productive to redeploy capital.

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What is an Immediate Financing Arrangement *in Canada*?

An Immediate Financing Arrangement lets a profitable Canadian corporation own a permanent life insurance policy and keep using the capital it deposited into it.

The corporation deposits surplus into an exempt permanent policy that it owns. The policy builds cash value. The corporation then collaterally assigns that policy to a third-party lender and borrows against it, and redeploys the borrowed money into the operating business, real estate, a portfolio, or another eligible income-producing use.

What that gives a business owner is a genuinely different position from leaving all of the surplus in a taxable corporate investment account:

- Surplus is reallocated into a policy asset the corporation owns, instead of sitting entirely exposed in annually taxable investments.
- Access to capital is retained through third-party borrowing against policy cash value.
- The borrowed capital can be redeployed into the business, income-producing investments, stocks or real estate.
- Qualifying corporate loan interest and a limited collateral insurance amount may be deductible where the requirements are met.
- Interest can be capitalized where the lender permits, rather than necessarily being serviced in cash.
- A growing death benefit builds behind it, along with a potentially large Capital Dividend Account credit.
- Liquidity is created for the estate, reducing the need to liquidate assets to fund tax at death.

The fastest way to understand an IFA is to see it drawn on your corporation's own numbers.

The policy is a stop along the way for your capital, *not the end of the road*.

“The policy is a stop along the way for your capital, not the end of the road.”

This is the part most owners have never had explained properly. The corporation is not spending the money. It is **reallocating surplus into an asset it owns**. That asset builds cash value and a death benefit under the policy contract and actual dividend experience.

The IFA loan is a separate transaction that sits *outside* the policy. A third-party lender advances funds and takes a collateral assignment over the policy as security. Because it is a collateral loan and not a policy withdrawal, the policy's values are not drawn down to fund it.

You are not withdrawing the policy's principal. The loan is made outside the policy, using the policy as collateral.

That distinction matters. A policy loan, a withdrawal or a partial surrender each draws on policy values and each has its own cost, coverage and tax treatment. A collateral bank loan does not. The policy continues to develop according to its terms while the borrowed capital goes back to work elsewhere.

How does an IFA work *for a corporation*?

The carrier's own diagram describes the arrangement in four moving parts: the policy, the bank, the collateral assignment, and the business or investment where the borrowed funds go.



How the Immediate Finance Arrangement Works

Your Situation

Your company is an operating company or an investment holding company. You and your corporation need permanent life insurance and you want to accumulate wealth through your corporation.

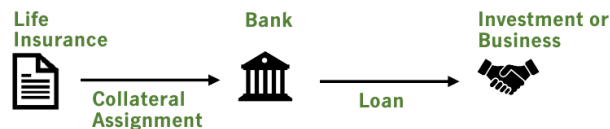
An option to consider - the Corporate Immediate Finance Arrangement

With this financial planning strategy, your corporation deposits funds into a permanent life insurance policy. Your corporation puts more money into the policy than what is required to cover the insurance and other policy costs. This excess creates significant cash value within the policy.

This strategy is designed to meet a need for permanent insurance protection while ensuring your corporation also has the investment funds it requires.

How does the Corporate Immediate Finance Arrangement work?

Your corporation purchases an exempt life insurance policy and deposits money into the policy, creating significant cash values. Your corporation assigns the policy to a bank as collateral for a line of credit and uses the borrowed funds to invest in a business or other property in order to produce income. Depending on the amount borrowed, the bank may require additional security.



The strategy assumes the collateral insurance deduction and the interest expense will be fully deductible from your corporation's taxable income in each year, where permitted.

Your corporation pays the interest expense on the line of credit. Your corporation claims both the interest expense and the collateral insurance deduction as a tax deduction from its current income, where permitted.

The tax savings that result from the deductions help offset the interest expense that your corporation pays each year.

At the end of each year, your corporation has the option to borrow an additional amount equal to the interest paid in the year less the tax savings realized from the deductions. This amount is used to invest in a business or property that produces income. The result of the process is that the line of credit balance will increase each year.

Depending on the structure of the loan, as the cash value in the life insurance policy grows, the need for extra collateral may decrease or the available line of credit may increase.

At death, the insurance proceeds repay the outstanding line of credit balance. Any excess amount is paid tax free to your corporation as beneficiary of the life insurance policy.

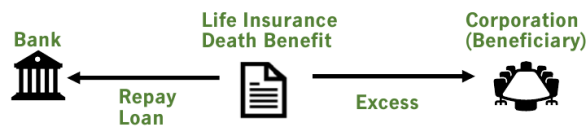


Exhibit 1 — the carrier’s own description of the arrangement. The corporation deposits into an exempt policy, assigns the policy to the bank as collateral for a line of credit, and uses the borrowed funds to invest in a business or other property to produce income. At death the insurance proceeds repay the outstanding line of credit and the excess is paid to the corporation as beneficiary. Client identifying details are redacted.

STEP 01 — FUND

The corporation deposits the annual premium into a properly designed exempt permanent policy that it owns. In the illustration on this page, that deposit is \$314,093 a year in years 1 through 20, then \$0. How the funding columns work is covered in [How to Read a Participating Whole Life Illustration](#).

STEP 02 — ASSIGN AND BORROW

The policy is collaterally assigned to a third-party lender. Once the carrier posts the values and the lender’s requirements are satisfied, the lender advances funds against the policy. Depending on how much is borrowed relative to cash value, the lender may also require additional security.

STEP 03 — REDEPLOY

The corporation puts the advance to work — back into the operating business, into real estate, into a portfolio, or into another eligible income-producing use. The use of the borrowed money is what drives whether the interest is deductible, so it has to be traceable.

STEP 04 – SERVICE OR CAPITALIZE INTEREST

Interest is either paid in cash or, where the lender permits, added to the loan. Both illustrations on this page model end-of-year advances that cover the interest after projected tax savings, so the loan balance grows over time rather than consuming current cash flow.

STEP 05 – SETTLE AT DEATH

The death benefit is paid, the outstanding loan and capitalized interest are repaid under the collateral assignment, and the remaining proceeds stay with the corporate beneficiary — with a Capital Dividend Account credit that is generally measured against the full death benefit received, not the net amount left after repaying debt.

THE LOOP

Can you reuse the same \$300,000 each year *in an IFA*?

This is the question every owner asks once the concept lands, and the honest answer is: largely yes, within the lender's terms — and the lending model you choose decides how completely.

Use a rounded \$300,000 as the working example. The cycle looks like this:

01

The corporation deposits the annual premium

Roughly \$300,000 of corporate surplus goes into the policy the corporation owns.

02

The carrier posts the values and the lender reviews them

Once the lender's requirements are satisfied, it advances against the updated policy value under the collateral assignment.

03

The corporation redeploys the borrowed capital

Into the operating business or another eligible income-producing use.

04

At the next policy anniversary, the cycle repeats

The corporation uses returned and recycled capital plus current cash flow to fund the next premium, and then draws again.

05

Interest is paid or capitalized

Depending on the lender's terms and the way the arrangement is designed.

Be precise about what is and is not being promised here. The exact amount returned, the timing — including whether it is a matter of days or weeks — the advance rate and the collateral requirements are all lender- and policy-specific. Nobody should tell you that 100% of every premium comes back within five days under a cash-value-only lending structure.

What the two attached illustrations show is the honest version. **Full-premium lending is the model that most closely illustrates a complete annual loop**, because it advances the entire deposit each year. **Cash-value lending returns slightly less at first** — \$273,782 against a \$314,093 deposit in year one — in exchange for not pledging anything beyond the policy itself.

You are not withdrawing the policy's principal. The loan is made outside the policy, using the policy as collateral.

Every loop is lender- and policy-specific. We'll model what your corporation could realistically recycle each year.

THE COMPARISON

Cash-value lending vs. *full-premium lending*.

Both structures below are **third-party corporate bank loans**, secured by a collateral assignment over the policy. Neither is an insurer policy loan. The difference is simply how much the lender advances relative to the policy's cash surrender value — and what security it needs to do so.

Cash-value lending model

The loan balance is kept at or below the illustrated cash surrender value, so the carrier model shows no additional collateral. In year 1 the corporation deposits \$314,093, the lender advances \$273,782, the ending loan balance is \$287,471, and the net cash flow to the corporation is (\$40,311).

Early annual net cash outflows are (\$40,311), (\$16,257), (\$54,137), (\$20,179), (\$52,221) and (\$30,257) in years 1 through 6. Illustrated net cash flow turns positive in year 7. This is the approach Goald typically prefers when the priority is avoiding additional pledged collateral.

Immediate Finance Arrangement

Dividend Scale:	Current less 1%	Corporate Tax Rate:	50.67%
First Year Deposit:	\$314,093	Bank Loan Rate:	5.00%
Initial Death Benefit:	\$8,000,000	Maximum loan to CSV ratio	100.00%

This illustration assumes tax savings arise as a result of claiming a deduction for the loan interest.

This illustration assumes tax savings arise as a result of claiming the collateral insurance deduction.

Client details redacted

Presented by: **Conor McGowan**

Internal Rate of Return: 15.72% (after tax, assuming death at year 40)

MANULIFE PAR LIFE INSURANCE PLAN						CORPORATE BANK LOAN		NET VALUES		
Yr	Age M	Annual Deposit	Cash Surrender Value	Total Death Benefit	CDA Credit	Annual Loan Advance	Outstanding Loan Balance	Net Cash Flow	Net to Corporation at Death	Loan to CSV%
1	44	314,093	287,470	8,614,275	8,304,576	273,782	287,471	(40,311)	8,326,805	100.00%
2	45	314,093	607,561	9,262,040	8,644,467	297,835	607,561	(16,257)	8,654,479	100.00%
3	46	314,093	895,857	9,939,585	9,015,829	259,956	895,857	(54,137)	9,043,729	100.00%
4	47	314,093	1,226,918	10,618,353	9,390,382	293,914	1,226,919	(20,179)	9,391,434	100.00%
5	48	314,093	1,532,507	11,291,542	9,761,518	261,871	1,532,508	(52,221)	9,759,034	100.00%
6	49	314,093	1,868,613	11,961,362	10,131,831	283,836	1,868,615	(30,257)	10,092,747	100.00%
7	50	314,093	2,253,763	12,630,832	10,504,644	322,752	2,253,763	8,659	10,377,068	100.00%
8	51	314,093	2,652,321	13,301,659	10,882,077	326,635	2,652,324	12,542	10,649,335	100.00%
9	52	314,093	3,064,602	13,975,483	11,266,303	330,601	3,064,605	16,508	10,910,878	100.00%
10	53	314,093	3,490,891	14,653,866	11,659,286	334,622	3,490,894	20,529	11,162,971	100.00%
11	54	314,093	3,931,291	15,338,308	12,063,289	338,513	3,931,295	24,421	11,407,013	100.00%
12	55	314,093	4,386,110	16,030,250	12,480,415	342,517	4,386,114	28,425	11,644,136	100.00%
13	56	314,093	4,855,339	16,731,077	12,912,832	346,330	4,855,344	32,237	11,875,733	100.00%
14	57	314,093	5,335,301	17,442,121	13,362,892	346,485	5,335,306	32,392	12,106,815	100.00%
15	58	314,093	5,951,045	18,164,669	13,832,913	465,713	5,951,051	151,621	12,213,618	100.00%
16	59	314,093	6,534,403	18,896,040	14,321,347	421,900	6,534,410	107,808	12,361,631	100.00%
17	60	314,093	7,143,366	19,632,540	14,823,343	434,447	7,143,373	120,354	12,489,167	100.00%
18	61	314,093	7,778,822	20,374,479	15,340,136	447,160	7,778,830	133,068	12,595,649	100.00%
19	62	314,093	8,440,963	21,122,146	15,873,146	459,726	8,440,971	145,634	12,681,175	100.00%
20	63	314,093	9,129,980	21,875,830	16,423,874	472,218	9,129,990	158,125	12,745,840	100.00%
21	64	0	9,529,901	21,991,997	16,661,081	0	9,337,171	0	12,654,826	97.98%
22	65	0	9,943,410	22,122,458	16,923,459	0	9,546,682	0	12,575,776	96.01%
23	66	0	10,370,437	22,266,794	17,211,661	0	9,758,614	0	12,508,181	94.10%
24	67	0	10,811,011	22,424,592	17,526,418	0	9,972,732	0	12,451,860	92.25%
25	68	0	11,265,229	22,595,448	17,868,525	0	10,188,764	0	12,406,684	90.44%
26	69	0	11,733,199	22,778,975	18,238,716	0	10,409,650	0	12,369,324	88.72%
27	70	0	12,215,112	22,974,800	18,637,953	0	10,635,625	0	12,339,175	87.07%
28	71	0	12,711,131	23,182,569	19,067,196	0	10,866,830	0	12,315,739	85.49%
29	72	0	13,221,668	23,401,940	19,527,281	0	11,103,406	0	12,298,534	83.98%

Effective Date: 8/5/2026

The Manufacturers Life Insurance Company

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Exhibit 2 — cash-value lending. Year 1: \$314,093 deposit, \$273,782 annual loan advance, \$287,471 outstanding loan balance, (\$40,311) net cash flow. The loan-to-CSV column stays at 100.00% through the funding period, which is why no additional collateral is shown.

Full-premium lending model

Here the illustration advances the full \$314,093 annual deposit each year and models \$0 net cash flow, because the interest net of projected tax savings is added through end-of-year advances. Because the loan initially exceeds cash surrender value, the illustration shows **additional collateral required in years 1 through 14**, peaking at approximately \$264,670 in year 6 under the 5% case. Additional collateral falls to \$0 in year 15.

Immediate Finance Arrangement

Dividend Scale:	Current less 1%	Corporate Tax Rate:	50.67%
First Year Deposit:	\$314,093	Bank Loan Rate:	5.00%
Initial Death Benefit:	\$8,000,000	CSV margined at	100.00%

This illustration assumes tax savings arise as a result of claiming a deduction for the loan interest.

This illustration assumes tax savings arise as a result of claiming the collateral insurance deduction.

Client details redacted

Presented by: **Conor McGowan**

MANULIFE PAR LIFE INSURANCE PLAN						CORPORATE BANK LOAN			NET VALUES		
Yr	Age M	Annual Deposit	Cash Surrender Value	Total Death Benefit	CDA Credit	Annual Loan Advance	Outstanding Loan Balance	Additional Collateral Required	Net Cash Flow	Net to Corporation at Death	Loan to CSV%
1	44	314,093	287,470	8,614,275	8,304,576	314,093	329,797	47,030	0	8,284,478	114.72%
2	45	314,093	607,561	9,262,040	8,644,467	314,093	668,042	67,201	0	8,593,998	109.95%
3	46	314,093	895,857	9,939,585	9,015,829	314,093	1,014,701	132,049	0	8,924,885	113.27%
4	47	314,093	1,226,918	10,618,353	9,390,382	314,093	1,369,941	158,915	0	9,248,411	111.66%
5	48	314,093	1,532,507	11,291,542	9,761,518	314,093	1,733,925	223,798	0	9,557,618	113.14%
6	49	314,093	1,868,613	11,961,362	10,131,831	314,093	2,106,816	264,670	0	9,854,546	112.75%
7	50	314,093	2,253,763	12,630,832	10,504,644	314,093	2,488,766	261,114	0	10,142,066	110.43%
8	51	314,093	2,652,321	13,301,659	10,882,077	314,093	2,879,927	252,895	0	10,421,732	108.58%
9	52	314,093	3,064,602	13,975,483	11,266,303	314,093	3,280,439	239,819	0	10,695,044	107.04%
10	53	314,093	3,490,891	14,653,866	11,659,286	314,093	3,690,425	221,704	0	10,963,441	105.72%
11	54	314,093	3,931,291	15,338,308	12,063,289	314,093	4,110,014	198,581	0	11,228,294	104.55%
12	55	314,093	4,386,110	16,030,250	12,480,415	314,093	4,539,288	170,198	0	11,490,961	103.49%
13	56	314,093	4,855,339	16,731,077	12,912,832	314,093	4,978,330	136,656	0	11,752,747	102.53%
14	57	314,093	5,335,301	17,442,121	13,362,892	314,093	5,427,196	102,105	0	12,014,925	101.72%
15	58	314,093	5,951,045	18,164,669	13,832,913	314,093	5,885,896	0	0	12,278,773	98.91%
16	59	314,093	6,534,403	18,896,040	14,321,347	314,093	6,354,424	0	0	12,541,616	97.25%
17	60	314,093	7,143,366	19,632,540	14,823,343	314,093	6,832,741	0	0	12,799,799	95.65%
18	61	314,093	7,778,822	20,374,479	15,340,136	314,093	7,321,193	0	0	13,053,286	94.12%
19	62	314,093	8,440,963	21,122,146	15,873,146	314,093	7,819,790	0	0	13,302,356	92.64%
20	63	314,093	9,129,980	21,875,830	16,423,874	314,093	8,328,484	0	0	13,547,346	91.22%
21	64	0	9,529,901	21,991,997	16,661,081	0	8,517,396	0	0	13,474,600	89.38%
22	65	0	9,943,410	22,122,458	16,923,459	0	8,708,511	0	0	13,413,947	87.58%
23	66	0	10,370,437	22,266,794	17,211,661	0	8,901,836	0	0	13,364,958	85.84%
24	67	0	10,811,011	22,424,592	17,526,418	0	9,097,155	0	0	13,327,437	84.15%
25	68	0	11,265,229	22,595,448	17,868,525	0	9,294,220	0	0	13,301,227	82.50%
26	69	0	11,733,199	22,778,975	18,238,716	0	9,495,714	0	0	13,283,261	80.93%
27	70	0	12,215,112	22,974,800	18,637,953	0	9,701,848	0	0	13,272,952	79.42%
28	71	0	12,711,131	23,182,569	19,067,196	0	9,912,754	0	0	13,269,815	77.98%
29	72	0	13,221,668	23,401,940	19,527,281	0	10,128,559	0	0	13,273,381	76.61%
30	73	0	13,747,099	23,632,597	20,019,291	0	10,349,397	0	0	13,283,200	75.28%
31	74	0	14,287,971	23,874,241	20,544,149	0	10,575,401	0	0	13,298,840	74.02%
32	75	0	14,844,891	24,126,600	21,102,788	0	10,806,710	0	0	13,319,890	72.80%
33	76	0	15,418,719	24,389,420	21,696,132	0	11,043,464	0	0	13,345,956	71.62%

Effective Date: 8/5/2026

The Manufacturers Life Insurance Company

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Exhibit 3 — full-premium lending. The annual loan advance column matches the \$314,093 deposit every year, net cash flow is \$0, and the Additional Collateral Required column runs from \$47,030 in year 1 to a peak of \$264,670 in year 6 before falling to \$0 in year 15.

	CASH-VALUE LENDING	FULL-PREMIUM LENDING
Borrowing basis	Loan balance kept at or below the illustrated cash surrender value	Full annual deposit advanced regardless of the current cash surrender value
Year-one access	\$273,782 advanced against a \$314,093 deposit	\$314,093 advanced against a \$314,093 deposit
Early net cash flow	(\$40,311), (\$16,257), (\$54,137), (\$20,179), (\$52,221), (\$30,257) in years 1–6; illustrated to turn positive in year 7	\$0 modelled every year, because interest net of projected tax savings is added through end-of-year advances
Additional collateral	None shown in this carrier illustration	Required in years 1–14, peaking at approximately \$264,670 in year 6; falls to \$0 in year 15
Capitalized interest	Modelled through end-of-year advances; loan balance grows over time	Modelled through end-of-year advances; loan balance grows faster because more is borrowed
Main advantage	Nothing beyond the policy is pledged	Closest illustration of a complete annual loop of the capital
Main trade-off	Slightly less capital returned in the early years	Additional collateral must be available and acceptable to the lender

Both models are third-party corporate bank loans secured by a collateral assignment — not insurer policy loans. Figures are from the two Manulife illustrations dated August 5, 2026 at a 5% loan rate. Advance rates, collateral requirements and pricing are set by the lender.

Which lending model fits depends on your balance sheet, your lender and what collateral you are willing to pledge. That is a conversation, not a calculator.

Start with the exposed tax, *not the premium*.

An IFA sized by picking a round premium number is a product sale. An IFA sized against a measured tax and liquidity exposure is planning.

The sequence we work through:

01

Estimate the current tax exposure first

Not an arbitrary premium — the actual number the family is exposed to today.

02

Map the structure

Corporate structure, retained earnings, passive assets, real estate, business value, and exactly how each asset is held.

03

Estimate the future tax and liquidity requirement on the second death

Including deemed disposition, and the possibility of more than one layer of tax when corporate assets later leave the company.

04

Match the insurance and lending structure to that exposure

And to durable annual corporate surplus — not to what the owner could theoretically afford in a single good year.

05

Review annually

Asset values, business value and tax exposure all move, and the arrangement should move with them.

Without coordinated post-mortem planning, private-company shares and corporate assets can be exposed to double or even triple taxation in some fact patterns. The exact result depends on the assets, the ownership and the strategies used — there is no single percentage that applies to everyone. The technical routes for reducing it are covered in our [post-mortem planning guide for advisors](#).

The first useful deliverable is a measured estimate of your exposure — before anyone talks about a premium.

STRUCTURE

Should an IFA policy be owned by *Holdco* or *Opco*?

A policy can be owned by an operating company or by an investment holding company. Both are used. **Goald often prefers Holdco ownership where the facts support it**, for reasons that are practical rather than theoretical:

- It can avoid having to transfer the policy out of Opco if Opco is later sold.
- It may separate the policy from operating creditors.
- It may help avoid growing cash value inside the operating company affecting QSBC purification and sale planning.

Two cautions that matter more than the general rule. First, a later policy transfer can create tax consequences and should never be assumed to roll over tax-free. Second, Holdco is not automatically right for every case — where the operating company is the borrower, or where intercorporate cash flow is awkward, Opco ownership may be the cleaner answer.

Ownership, beneficiary designation, who the borrower is, the collateral assignment and the intercorporate flows all have to be coordinated with your accountant and your lawyer, and decided together rather than one at a time. If you already own a policy, do not move it on the strength of a web page — get advice on the transfer first.

The broader case for corporate ownership is covered in [the Corporate-Owned Life Insurance guide](#).

TAX

Is interest on an Immediate Financing Arrangement *tax-deductible in Canada?*

Where the requirements are met, yes — and it materially lowers the after-tax cost of the borrowing. But it is a conditional benefit, not an automatic one.

- Where borrowed money is **directly and traceably used to earn income from a business or property**, corporate loan interest may be deductible under the applicable rules.
- The carrier model also assumes a **limited collateral insurance deduction** is available.
- Together these reduce corporate taxable income and lower the after-tax cost of borrowing.
- It does **not** automatically “offset salary”, and it does not become deductible merely because a corporation is the borrower.
- Your accountant must confirm the use, the tracing, the income purpose, the amount and the documentation.

Immediate Finance Arrangement

Corporate Tax Rate:	50.67%	Bank Loan Rate:	5.00%
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Client details redacted

Presented by: **Conor McGowan**

TAX SUMMARY

Yr	Age M	Lesser of Premiums and NCPI	Loan to Death Benefit Ratio	Collateral Insurance Deduction	Tax Savings (Insurance)	Annual Loan Interest	Tax Savings (Interest)	Income Required to Use Deductions	Total Tax Savings
1	44	4,393	3.34%	147	74	13,689	6,936	13,836	0
2	45	6,219	6.56%	408	207	29,265	14,829	29,673	7,011
3	46	7,909	9.01%	713	361	43,376	21,979	44,089	15,035
4	47	9,879	11.55%	1,142	579	59,489	30,143	60,631	22,340
5	48	12,038	13.57%	1,634	828	74,440	37,719	76,074	30,721
6	49	14,586	15.62%	2,279	1,155	90,817	46,017	93,096	38,546
7	50	17,436	17.84%	3,111	1,576	109,568	55,518	112,679	47,172
8	51	20,699	19.94%	4,127	2,091	129,020	65,374	133,147	57,095
9	52	24,494	21.93%	5,371	2,721	149,146	75,572	154,517	67,466
10	53	28,693	23.82%	6,835	3,463	169,961	86,119	176,796	78,294
11	54	33,653	25.63%	8,626	4,371	191,470	97,018	200,096	89,583
12	55	39,276	27.36%	10,747	5,446	213,691	108,277	224,438	101,389
13	56	45,682	29.02%	13,257	6,717	236,622	119,896	249,879	113,723
14	57	53,109	30.59%	16,245	8,231	260,091	131,788	276,336	126,614
15	58	61,565	32.76%	20,170	10,220	290,051	146,969	310,221	140,020
16	59	71,156	34.58%	24,606	12,468	318,648	161,459	343,254	157,189
17	60	79,589	36.39%	28,959	14,674	348,443	176,556	377,402	173,927
18	61	88,946	38.18%	33,959	17,207	379,527	192,306	413,486	191,230
19	62	99,436	39.96%	39,737	20,135	411,928	208,724	451,665	209,513
20	63	111,138	41.74%	46,384	23,503	445,659	225,816	492,043	228,859
21	64	121,040	42.46%	51,390	26,039	456,499	231,308	507,889	249,318
22	65	131,917	43.15%	56,927	28,845	466,859	236,557	523,786	257,348
23	66	143,865	43.83%	63,050	31,947	477,334	241,865	540,384	265,402
24	67	156,960	44.47%	69,804	35,370	487,931	247,234	557,735	273,813
25	68	157,093	45.09%	70,836	35,893	498,637	252,659	569,473	282,604
26	69	157,093	45.70%	71,789	36,375	509,438	258,132	581,227	288,552
27	70	157,093	46.29%	72,722	36,848	520,483	263,728	593,205	294,508
28	71	157,093	46.88%	73,637	37,312	531,781	269,454	605,418	300,577
29	72	157,093	47.45%	74,535	37,767	543,341	275,311	617,876	306,765
30	73	157,093	48.01%	75,417	38,214	555,170	281,305	630,587	313,078
31	74	157,093	48.56%	76,284	38,653	567,275	287,438	643,559	319,519
32	75	157,093	49.10%	77,137	39,085	579,663	293,715	656,800	326,091

Effective Date: 8/5/2026

The Manufacturers Life Insurance Company

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Exhibit 4 — the carrier's tax summary. At year 10 the model shows \$169,961 of annual loan interest, \$86,119 of modelled tax savings from interest, and \$3,463 of modelled tax savings from the collateral insurance deduction, under the illustration's 50.67% corporate tax rate and its assumption of full deductibility.

POLICY YEAR	ANNUAL LOAN INTEREST	TAX SAVINGS (INTEREST)	TAX SAVINGS (COLLATERAL INSU
Year 1	\$13,689	\$6,936	\$74
Year 5	\$74,440	\$37,719	\$828
Year 10	\$169,961	\$86,119	\$3,463
Year 20	\$445,659	\$225,816	\$23,503
Year 40 (age 83)	\$689,902	\$349,573	\$42,352

Source: Manulife IFA Tax Summary, cash-value lending illustration, 50.67% corporate tax rate. The carrier models the deductions being claimed in the year and the resulting savings being realized in the following year, which is why year 1 shows \$0 of total tax savings realized. These are modelled amounts under an assumption of full deductibility — they are not guaranteed and depend on the corporation actually having sufficient income and meeting every requirement.

Read the carrier's timing columns simply. The *Income Required to Use Deductions* column is the corporate income the company needs in order to actually absorb the deductions — if it does not have that income, the modelled savings do not appear. The *Total Tax Savings* column reflects savings realized in the following year, which is why year 1 shows \$0. None of these savings are guaranteed.

CASH FLOW

Can IFA interest *be capitalized*?

Depending on the lender's terms, interest can be serviced in cash or added to the loan. The attached illustrations model end-of-year advances that offset the interest after projected tax savings — so the corporation is not writing an interest cheque out of operating cash flow, and the loan balance grows instead.

That is a real benefit for an owner who wants capital deployed rather than tied up in debt service. It also has two consequences worth stating plainly: the amount repaid at death is larger, and the growing balance has to be monitored against the lender's maximum loan-to-cash-value ratio. In the cash-value illustration that ratio sits at 100.00% through the funding years and then declines steadily as cash value outpaces the loan — 70.49% by year 40.

Immediate Finance Arrangement

Corporate Tax Rate:	50.67%	Bank Loan Rate:	5.00%
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Client details redacted

Presented by: **Conor McGowan**

CLIENT CASH FLOW SUMMARY

Yr	Age M	Beginning of Year Insurance Deposit	Beginning of Year Loan Advance	Loan Interest Paid during the Year	Tax Savings Realized in the Year	End of Year Loan Advance	Net Cash Flow
1	44	(314,093)	273,782	(13,689)	0	13,689	(40,311)
2	45	(314,093)	297,835	(29,265)	7,011	22,255	(16,257)
3	46	(314,093)	259,956	(43,376)	15,035	28,340	(54,137)
4	47	(314,093)	293,914	(59,489)	22,340	37,149	(20,179)
5	48	(314,093)	261,871	(74,440)	30,721	43,718	(52,221)
6	49	(314,093)	283,836	(90,817)	38,546	52,271	(30,257)
7	50	(314,093)	322,752	(109,568)	47,172	62,396	8,659
8	51	(314,093)	326,635	(129,020)	57,095	71,925	12,542
9	52	(314,093)	330,601	(149,146)	67,466	81,681	16,508
10	53	(314,093)	334,622	(169,961)	78,294	91,667	20,529
11	54	(314,093)	338,513	(191,470)	89,583	101,888	24,421
12	55	(314,093)	342,517	(213,691)	101,389	112,302	28,425
13	56	(314,093)	346,330	(236,622)	113,723	122,900	32,237
14	57	(314,093)	346,485	(260,091)	126,614	133,478	32,392
15	58	(314,093)	465,713	(290,051)	140,020	150,031	151,621
16	59	(314,093)	421,900	(318,648)	157,189	161,459	107,808
17	60	(314,093)	434,447	(348,443)	173,927	174,516	120,354
18	61	(314,093)	447,160	(379,527)	191,230	188,297	133,068
19	62	(314,093)	459,726	(411,928)	209,513	202,415	145,634
20	63	(314,093)	472,218	(445,659)	228,859	216,801	158,125
21	64	0	0	(456,499)	249,318	207,181	0
22	65	0	0	(466,859)	257,348	209,511	0
23	66	0	0	(477,334)	265,402	211,932	0
24	67	0	0	(487,931)	273,813	214,118	0
25	68	0	0	(498,637)	282,604	216,032	0
26	69	0	0	(509,438)	288,552	220,886	0
27	70	0	0	(520,483)	294,508	225,975	0
28	71	0	0	(531,781)	300,577	231,205	0
29	72	0	0	(543,341)	306,765	236,576	0
30	73	0	0	(555,170)	313,078	242,092	0
31	74	0	0	(567,275)	319,519	247,756	0
32	75	0	0	(579,663)	326,091	253,571	0

Effective Date: 8/5/2026

The Manufacturers Life Insurance Company

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Exhibit 5 — the client cash-flow summary. In year 1: a (\$314,093) deposit, a \$273,782 beginning-of-year loan advance, (\$13,689) of interest paid, \$0 of tax savings realized, and a \$13,689 end-of-year loan advance covering the interest — producing the (\$40,311) net cash flow shown in Exhibit 2.

What the illustration *actually produces*.

The case behind every figure on this page is a hypothetical male, age 43, non-smoker, with an \$8,000,000 initial death benefit, a \$314,093 deposit in years 1 through 20 and \$0 thereafter, a Manulife dividend scale of current less 1%, a 5% bank loan assumption, a 50.67% corporate tax-rate assumption, and 100% CSV margining in the carrier model. All values are illustrated and not guaranteed.

\$314,093

Annual deposit, years 1–20

FUNDING

\$8,000,000

Initial death benefit

PROTECTION

\$26,507,857

Illustrated death benefit at
year 40

AGE 83

\$12,403,876

Illustrated net to
corporation at death, year
40

AFTER LOAN REPAYMENT

POLICY YEAR	CASH VALUE	DEATH BENEFIT	CDA CREDIT	LOAN BALANCE	NET TO CO
Year 1 (age 44)	\$287,470	\$8,614,275	\$8,304,576	\$287,471	\$8,326,80
Year 10 (age 53)	\$3,490,891	\$14,653,866	\$11,659,286	\$3,490,894	\$11,162,971
Year 20 (age 63)	\$9,129,980	\$21,875,830	\$16,423,874	\$9,129,990	\$12,745,84
Year 40 (age 83, life expectancy)	\$20,009,109	\$26,507,857	\$26,507,857	\$14,103,981	\$12,403,85

Source: Manulife Immediate Finance Arrangement illustration, cash-value lending model, dividend scale current less 1%, 5% bank loan rate, 50.67% corporate tax rate. Illustrated values, not guaranteed. The illustration shows an after-tax internal rate of return on the net benefit to the corporation of 15.72% assuming death at year 40.

Immediate Finance Arrangement

Internal Rate of Return on Net Benefit to Corporation

Client details redacted

Life Expectancy Assumption (Year): 40
 Initial Death Benefit: \$8,000,000
 Dividend Scale: Current less 1%

Yr	Age M	Net Cash Flow	Net to Corporation at Death	IRR on Net to Corporation at Death
1	44	(40,311)	8,326,805	20556.37%
2	45	(16,257)	8,654,479	1345.21%
3	46	(54,137)	9,043,729	487.28%
4	47	(20,179)	9,391,434	272.11%
5	48	(52,221)	9,759,034	182.13%
6	49	(30,257)	10,092,747	134.42%
7	50	8,659	10,377,068	105.52%
8	51	12,542	10,649,335	86.41%
9	52	16,508	10,910,878	72.98%
10	53	20,529	11,162,971	63.09%
11	54	24,421	11,407,013	55.56%
12	55	28,425	11,644,136	49.65%
13	56	32,237	11,875,733	44.91%
14	57	32,392	12,106,815	41.03%
15	58	151,621	12,213,618	37.84%
16	59	107,808	12,361,631	35.17%
17	60	120,354	12,489,167	32.91%
18	61	133,068	12,595,649	30.98%
19	62	145,634	12,681,175	29.32%
20	63	158,125	12,745,840	27.88%
21	64	0	12,654,826	26.48%
22	65	0	12,575,776	25.24%
23	66	0	12,508,181	24.15%
24	67	0	12,451,860	23.19%
25	68	0	12,406,684	22.32%
26	69	0	12,369,324	21.54%
27	70	0	12,339,175	20.84%
28	71	0	12,315,739	20.21%
29	72	0	12,298,534	19.63%
30	73	0	12,287,099	19.10%
31	74	0	12,280,987	18.62%
32	75	0	12,279,774	18.18%
33	76	0	12,283,054	17.78%
34	77	0	12,290,448	17.41%
35	78	0	12,301,603	17.07%
36	79	0	12,316,198	16.76%
37	80	0	12,333,948	16.47%

Exhibit 6 — internal rate of return on the net benefit to the corporation. The illustrated after-tax IRR is 15.72% assuming death at year 40.

One caution about the early years in that exhibit. The very high early IRRs — the four-figure and five-figure percentages in years 1 and 2 — are a mathematical artifact of dividing a very large immediate death benefit by a very small early net cash outlay. They are not a return anyone should plan around. **The number worth looking at is the life-expectancy result: an illustrated 15.72% after-tax internal rate of return on the net benefit to the corporation at year 40.**

These are one hypothetical case’s numbers. Yours will differ on age, health, province, funding level and lending terms.

STRESS TEST

What are the real risks, and *how do we stress-test them?*

An IFA is a long-term arrangement with a lender in it, so the design should be built to survive conditions that are worse than the base case. The carrier runs the loan rate up by one and two points against the same cash surrender values:

BANK LOAN RATE	NET TO CORPORATION AT DEATH, YEAR 40 / AGE 83
5.00% (base case)	\$12,403,876
6.00%	\$10,899,188
7.00%	\$9,226,091

Source: Manulife Loan Rate Sensitivity Analysis, cash-value lending illustration. The carrier holds the same cash surrender value under each scenario and varies the loan rate.

Immediate Finance Arrangement

Loan Rate Sensitivity Analysis - Impact of Higher Loan Interest Rates

Client details redacted

Yr	Age M	BANK LOAN RATE 6.00%				BANK LOAN RATE 7.00%			
		Annual Loan Advance	Outstanding Loan Balance	Net Cash Flow	Net to Corporation at Death	Annual Loan Advance	Outstanding Loan Balance	Net Cash Flow	Net to Corporation at Death
1	44	271,199	287,471	(42,894)	8,326,805	268,664	287,471	(45,428)	8,326,805
2	45	293,549	607,561	(20,544)	8,654,479	289,319	607,561	(24,774)	8,654,479
3	46	254,447	895,857	(59,646)	9,043,728	249,002	895,857	(65,091)	9,043,728
4	47	286,677	1,226,919	(27,415)	9,391,434	279,527	1,226,919	(34,565)	9,391,434
5	48	253,306	1,532,508	(60,787)	9,759,034	244,835	1,532,508	(69,258)	9,759,034
6	49	273,572	1,868,615	(40,521)	10,092,747	263,421	1,868,615	(50,671)	10,092,747
7	50	310,467	2,253,763	(3,626)	10,377,068	298,320	2,253,766	(15,773)	10,377,066
8	51	312,414	2,652,324	(1,678)	10,649,335	298,346	2,652,324	(15,747)	10,649,335
9	52	314,387	3,064,605	294	10,910,878	298,346	3,064,605	(15,746)	10,910,878
10	53	316,348	3,490,894	2,255	11,162,971	298,267	3,490,894	(15,825)	11,162,971
11	54	318,111	3,931,295	4,019	11,407,013	297,925	3,931,295	(16,168)	11,407,013
12	55	319,918	4,386,114	5,826	11,644,136	297,556	4,386,114	(16,537)	11,644,136
13	56	321,466	4,855,344	7,373	11,875,733	296,860	4,855,344	(17,232)	11,875,733
14	57	319,320	5,335,306	5,227	12,106,815	292,435	5,335,306	(21,657)	12,106,815
15	58	435,073	5,951,051	120,981	12,213,618	404,758	5,951,051	90,665	12,213,618
16	59	388,629	6,534,410	74,537	12,361,631	355,701	6,534,410	41,608	12,361,631
17	60	398,213	7,143,373	84,120	12,489,167	362,352	7,143,373	48,259	12,489,167
18	61	407,825	7,778,830	93,732	12,595,649	368,893	7,778,830	54,801	12,595,649
19	62	417,160	8,440,971	103,067	12,681,175	375,030	8,440,971	60,938	12,681,175
20	63	426,292	9,129,990	112,199	12,745,840	380,828	9,129,980	66,735	12,745,849
21	64	0	9,384,704	0	12,607,293	0	9,432,676	0	12,559,321
22	65	0	9,644,044	0	12,478,414	0	9,742,826	0	12,379,632
23	66	0	9,908,233	0	12,358,561	0	10,060,819	0	12,205,976
24	67	0	10,177,092	0	12,247,500	0	10,386,571	0	12,038,021
25	68	0	10,450,393	0	12,145,055	0	10,719,946	0	11,875,501
26	69	0	10,731,198	0	12,047,776	0	11,064,177	0	11,714,797
27	70	0	11,019,859	0	11,954,941	0	11,419,781	0	11,555,019
28	71	0	11,316,621	0	11,865,948	0	11,787,166	0	11,395,403
29	72	0	11,621,736	0	11,780,204	0	12,166,747	0	11,235,193
30	73	0	11,935,463	0	11,697,135	0	12,558,956	0	11,073,641
31	74	0	12,258,066	0	11,616,176	0	12,964,240	0	10,910,001
32	75	0	12,589,818	0	11,536,781	0	13,383,059	0	10,743,540

Effective Date: 8/5/2026

The Manufacturers Life Insurance Company

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Exhibit 7 — loan rate sensitivity. Against the same illustrated cash surrender values, the net benefit to the corporation at year 40 falls from \$12,403,876 at 5% to \$10,899,188 at 6% and \$9,226,091 at 7%.

Read that as a reason to stress-test, not as a reason to walk away. The strategy still produces a substantial illustrated net benefit at 7%. What higher rates actually do is reduce advances or net estate value and change collateral requirements — which is a design input, not a surprise.

The other risks we model before recommending anything:

WHAT WE TEST

- Loan rates one and two points above the base case
- A weaker dividend scale than illustrated
- A weak business year in which the corporation cannot fund the full deposit
- Additional collateral requirements under a full-premium structure
- Whether the corporation has enough taxable income to actually use the deductions
- What happens if the lender changes terms or the arrangement is unwound early

WHAT IS NOT GUARANTEED

- The dividend scale, and therefore illustrated cash value and death benefit above the guaranteed columns
- Lending availability, advance rates, pricing and collateral requirements
- Deductibility of interest or the collateral insurance amount
- The corporation's ability to fund deposits in every year
- Tax rules and rates over a forty-year horizon

AT DEATH

What happens to an IFA loan at death, and how does it *create CDA room*?

This is the part that produces the largest single benefit, and it is worth walking through slowly with round numbers.

Assume a \$10 million death benefit and \$5 million of outstanding corporate loan and capitalized interest. Assume, purely for this simplified example, that the policy's adjusted cost basis is nil.

STEP 01

The insurer pays the \$10 million death benefit. Under the insurer and lender arrangements, \$5 million repays the outstanding corporate debt.

STEP 02

\$5 million of death-benefit cash remains in the corporation.

STEP 03

The Capital Dividend Account credit may still be approximately **\$10 million**. Repaying the corporate debt generally does not reduce the CDA credit — the credit is generally the death benefit received or receivable less the policy's adjusted cost basis.

STEP 04

The corporation may use about \$5 million of CDA room to distribute the remaining insurance cash as a capital dividend — and may still have roughly \$5 million of CDA room available to distribute *other* corporate assets later.

Two honest qualifications. If the policy's adjusted cost basis is *not* nil, the CDA credit is reduced by that ACB, so the round numbers above change. And the remaining CDA room is only useful to the extent the corporation actually has assets to distribute, has the CDA balance at that time, satisfies corporate law, and files the required election with professional advice. This does not mean every dollar automatically goes to the family.

The mechanics of the account itself, including how the balance is tracked and elected on, are covered in [the Capital Dividend Account guide](#).

THE EXPOSURE

What happens to a private corporation *when both spouses die*?

Commercially, this is the problem an IFA is often solving:

- On the second spouse's death, shares and capital property may be deemed disposed of at fair market value.
- The estate can face tax at the share level as a result.
- The corporation still owns its underlying assets, and later distributions of those assets can create another layer of tax.
- Post-mortem strategies may reduce this exposure — but they take planning, time and cooperation between advisors.
- Insurance can provide immediate liquidity and CDA room, so heirs are not forced to sell assets at the wrong time or into a bad market.

There is no blanket percentage that applies to every family, and anyone who tells you a fixed number is guessing. What is reliable is the shape of the problem: tax arrives on a schedule set by a death, and illiquid corporate assets do not.

FIT

Who is a good fit *for an IFA?*

STRONG FIT

- Profitable incorporated owner with durable annual corporate surplus
- A genuine permanent insurance need — estate tax liquidity, buy-sell funding, key person, legacy
- A productive place to redeploy borrowed capital: the operating business, real estate, or an income-producing portfolio
- Lender-acceptable financial statements and a willingness to work with a lender long term
- An accountant and lawyer prepared to coordinate on structure, tracing and documentation
- Comfort with reviewing the arrangement annually rather than setting it and forgetting it

POOR FIT

- No real permanent insurance need — the arrangement starts with a policy that must make sense on its own
- Surplus that is unreliable or already committed
- No income-producing use for the borrowed money
- Unwillingness to pledge collateral or to be reviewed by a lender
- A short time horizon, or an intention to unwind within a few years
- Health or underwriting that makes the required death benefit uneconomic

If retirement cash flow rather than redeploying capital now is the objective, the closely related strategy is an [Insured Retirement Plan](#). The dividend mechanics that drive every projected value on this page are in [the Participating Account guide](#), and a plain-language overview of the strategy sits on our [Immediate Financing Arrangement strategy page](#).

CUSTOM ILLUSTRATION

Get a custom IFA illustration for *your corporation*.

We'll model the funding, the lending structure, the interest treatment and the estate outcome around your corporation, then walk you through it in plain English. Most owners find the strategy far easier to understand once they see it drawn on their own numbers.

STEP 1 - WHO YOU ARE

FIRST NAME (REQUIRED)

LAST NAME (REQUIRED)

EMAIL (REQUIRED)

STEP 2 - WHAT WE NEED TO MODEL IT

PROVINCE (REQUIRED)

Select ▼

DATE OF BIRTH (REQUIRED)

YYYY-MM-DD

Type it as YYYY-MM-DD. No date picker or scroll wheel.

SEX AT BIRTH (REQUIRED)

Select ▼

SMOKER STATUS (REQUIRED)

Select ▼

Required by the insurer to generate the illustration.

ANNUAL CORPORATE SURPLUS AFTER OPERATING EXPENSES AND OWNER COMPENSATION (REQUIRED)

300000

What reliably stays in the corporation each year. An estimate is fine.

WHERE DOES THAT SURPLUS CURRENTLY SIT? (REQUIRED)

Select ▼

SEE WHAT AN IFA COULD LOOK LIKE FOR MY CORPORATION

By submitting you agree we may contact you about this request. We do not sell or share your information. Nothing is applied for, and no credit is requested, as a result of this form.

FAQ

Frequently asked *questions*.

What is an Immediate Financing Arrangement in Canada?

An Immediate Financing Arrangement (IFA) is a strategy in which a Canadian corporation funds a properly designed exempt permanent life insurance policy, collaterally assigns that policy to a third-party lender, and borrows against it so the capital can be redeployed into the business or another income-producing use. The policy continues to build cash value and death benefit under its own terms, and the loan sits outside the policy.

How does an IFA work for a corporation?

The corporation deposits the annual premium into the policy. Once the carrier posts the values and the lender's requirements are satisfied, the lender advances funds secured by the policy. The corporation redeployes the advance into its operating business, real estate, a portfolio or another eligible income-producing use. Interest is either paid in cash or, where the lender permits, capitalized. At death the death benefit repays the loan and the remainder stays with the corporate beneficiary.

Can you reuse the same \$300,000 each year in an IFA?

In principle, yes — that is the point of the arrangement. Each year the corporation funds the premium, the lender advances against the updated policy value, and the corporation redeployes the advance. Whether the loop returns the full premium depends on the lending model. A full-premium lending structure illustrates the closest thing to a complete annual loop but requires additional collateral in the early years. A cash-value lending structure returns slightly less at first in exchange for not pledging anything beyond the policy. The exact amount, timing, advance rate and collateral requirements are set by the lender and the policy.

What is the difference between cash-value lending and full-premium lending?

Both are third-party corporate bank loans, not insurer policy loans. Cash-value lending keeps the loan balance at or below the illustrated cash surrender value, so no additional collateral is shown in the carrier illustration, and the corporation absorbs a modest net cash outflow in the early years. Full-premium lending advances the entire annual deposit, models \$0 net cash flow, and shows additional collateral required in years 1 through 14, peaking at roughly \$264,670 in year 6 under the 5% case.

Should an IFA policy be owned by Holdco or Opco?

Either is possible. Goald often prefers holding company ownership where the facts support it, because it can avoid having to move the policy out of the operating company if Opco is later sold, may separate the policy from operating creditors, and may keep cash value from complicating QSBC purification and sale planning. Holdco is not automatically right in every case, and transferring an existing policy can create tax consequences. Ownership, beneficiary, borrower, collateral assignment and intercorporate flows must be coordinated with your accountant and lawyer.

Is interest on an Immediate Financing Arrangement tax-deductible in Canada?

Where borrowed money is directly and traceably used to earn income from a business or property and the other statutory requirements are met, corporate loan interest may be deductible. A limited collateral insurance deduction may also be available where its own conditions are satisfied. Deductibility is not automatic and does not arise merely because the borrower is a corporation. Your accountant must confirm the use, tracing, income purpose, amount and documentation.

Can IFA interest be capitalized?

Depending on the lender's terms, interest can be serviced in cash or added to the loan. Both illustrations on this page model end-of-year advances that offset the interest after projected tax savings, which preserves current cash flow but increases the loan balance over time. Capitalizing interest must be monitored against the lender's maximum loan-to-cash-value ratio.

Does a collateral loan reduce the policy's cash value?

No. The loan is made outside the policy by a third-party lender, using the policy as collateral under a collateral assignment. The corporation is not withdrawing the policy's principal, so the illustrated cash value and death benefit continue to develop under the policy terms and actual dividend experience. That is different from a policy loan, a withdrawal or a partial surrender, each of which does draw on policy values and has its own tax treatment.

What happens to an IFA loan at death?

The insurer pays the death benefit, the outstanding loan and any capitalized interest are repaid under the collateral assignment, and the remaining proceeds stay with the corporate beneficiary. In the cash-value illustration, at year 40 the death benefit is \$26,507,857, the outstanding loan is \$14,103,981, and the illustrated net benefit to the corporation is \$12,403,876.

How does an IFA create Capital Dividend Account room?

Where the corporation is the beneficiary, the death benefit received in excess of the policy's adjusted cost basis generally creates a credit to the Capital Dividend Account. Repaying corporate debt from the proceeds generally does not reduce that credit, so the CDA room can exceed the cash that remains after the loan is repaid. The corporation can then use CDA room to pay capital dividends — subject to available assets, the CDA balance at the time, corporate law and the required election.

What happens to a private corporation when both spouses die?

On the second death, shares and capital property may be deemed disposed of at fair market value, so the estate can face tax at the share level while the corporation still holds the underlying assets. Later distributions of those assets can create another layer of tax. Post-mortem strategies may reduce this exposure, and insurance can provide immediate liquidity and CDA room so heirs are not forced to sell assets at the wrong time. The exact result depends entirely on the assets, ownership and strategies used.

Who is a good fit for an IFA?

Profitable incorporated owners with a genuine permanent insurance need, durable annual corporate surplus, a productive use for redeployed capital, lender-acceptable financial statements and the willingness to review the arrangement annually. An IFA is not for a corporation without an insurance need, without reliable surplus, or without somewhere useful to put the borrowed money.

What happens if loan rates rise?

The arrangement is resized rather than abandoned. In the cash-value illustration, the net benefit to the corporation at year 40 is \$12,403,876 at a 5% loan rate, \$10,899,188 at 6% and \$9,226,091 at 7%. Higher rates can also change advance amounts and collateral requirements, which is exactly why the design is stress-tested before anything is recommended.

SOURCES

Primary *sources*.

- Manulife — Immediate Finance Arrangement illustration (cash-value lending), dated August 5, 2026, for a hypothetical male, age 43, non-smoker, \$8,000,000 initial death benefit. Primary source for Exhibits 1, 2, 4, 5, 6 and 7.
- Manulife — Immediate Finance Arrangement illustration (full-premium lending), dated August 5, 2026, same case. Primary source for Exhibit 3.
- Canada Revenue Agency — [Income Tax Folio S3-F6-C1, Interest Deductibility](#)
- Canada Revenue Agency — [T4012, T2 Corporation Income Tax Guide](#) (capital dividend account and the capital dividend election)

The original carrier presentations are not offered for download. The seven exhibits above are sanitized excerpts reproduced for education, with client identifying details redacted and the carrier's own formatting and figures otherwise intact.

RELATED GUIDES

Where to go *deeper*.

These pages carry the technical detail behind the numbers on this page.

CONTINUE READING

Reading an Illustration

Base premium, ADO, cash value, death benefit and premium offset, column by column.

CONTINUE READING

The Participating Account

Dividend scale mechanics, smoothing, DSIR history and carrier strength.

CONTINUE READING

Capital Dividend Account

How insurance proceeds create a CDA credit and reach shareholders.

CONTINUE READING

Insured Retirement Plan

The same building blocks, aimed at retirement liquidity instead of redeployment now.

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ILLUSTRATION

COORDINATED WITH YOUR CPA AND LEGAL COUNSEL

Model the strategy on *your numbers*.

We build the funding, lending, interest and estate scenarios around your corporation, then walk you through them in plain English. The first step is seeing whether the strategy, the lending and the underwriting are a fit.

SEE WHAT AN IFA COULD LOOK LIKE FOR MY CORPORATION

Advisory conversation. Nothing is applied for on the call.

Disclaimer. The figures on this page come from actual Manulife Immediate Finance Arrangement illustrations dated August 5, 2026, prepared for a hypothetical male, age 43, non-smoker with an \$8,000,000 initial death benefit. Client identifying details have been redacted. Every figure is illustrated under the carrier's stated assumptions — dividend scale current less 1%, a 5% bank loan rate, a 50.67% corporate tax rate, 100% CSV margining and full deductibility of interest and the collateral insurance amount. These are educational examples, not a quotation, an offer of credit, a lending commitment or a recommendation. Dividends, policy values, advance rates, collateral requirements, loan pricing, deductibility and tax results are not guaranteed. Insurance and lending are subject to underwriting and approval. Tax treatment depends on the corporation's own facts and must be confirmed with qualified tax and legal professionals.

