



IMMEDIATE FINANCING ARRANGEMENT

Access Capital Without *Disrupting Your Growth*

How incorporated business owners use life insurance to deploy capital, maintain liquidity, and build tax-efficient wealth — all at the same time.

\$200K+

MINIMUM BORROWING THRESHOLD

100%

PREMIUM BORROWED BACK

IMMEDIATELY

Tax-Free

LOAN PROCEEDS ARE NOT

TAXABLE INCOME

The Immediate Financing *Arrangement Explained*

An Immediate Financing Arrangement (IFA) is an advanced strategy where an incorporated business owner purchases a large participating whole life insurance policy, then immediately borrows back the premium from a chartered bank — using the policy's cash surrender value (CSV) as collateral. The borrowed capital is then deployed into income-producing investments or business activities, while the life insurance policy continues to grow.

The result: **you get the insurance, keep the capital, and potentially deduct the interest.** It is one of the most powerful leveraged strategies in Canadian tax planning — and one of the least understood.

Think of it like a HELOC on your home — but instead of pledging real estate, you're pledging the cash value of a life insurance policy. The bank lends you back what you put in, and your capital keeps working for you.

IFA vs. HELOC — *The Plain-Language Comparison*

Most business owners already understand how a HELOC works. The IFA operates on the same principle — but with a critical difference: instead of pledging real estate you've already built, you're using a new asset (life insurance CSV) that grows tax-exempt and creates an estate benefit simultaneously.

HELOC — HOW YOU KNOW IT

- You own a property with equity built up over time
- Bank lends you against that equity as collateral
- You deploy borrowed capital into investments or business
- Interest may be deductible if used for income-producing purposes
- Property continues to appreciate in the background
- Loan repaid from proceeds when you sell or refinance

IFA — SAME PRINCIPLE, BETTER ASSET

- You purchase a large participating whole life policy
- Bank lends you back the premium using CSV as collateral
- You deploy borrowed capital into income-producing investments
- Interest is potentially tax-deductible (income-producing use)
- Policy CSV and death benefit grow tax-exempt in the background
- Loan repaid from death benefit — remainder flows via CDA tax-free

How the IFA Works — *Step by Step*

The IFA is a five-stage strategy. Each stage builds on the last, creating a self-reinforcing structure where the insurance, the loan, and the invested capital all work together simultaneously.

1

Purchase the Participating Whole Life Policy

Your corporation applies for and purchases a large participating whole life insurance policy — typically with annual premiums of \$50,000 or more. The policy is corporately owned, funded with pre-tax retained earnings. From day one, the policy begins building guaranteed cash surrender value.

2

Borrow Back the Premium from a Chartered Bank

Immediately after funding the policy, your corporation approaches a chartered bank (typically ATB, BDC, or a major Schedule A lender) and borrows an amount equal to — or close to — the premium paid, using the policy's cash surrender value as collateral. The loan proceeds are deposited directly to your corporate account. **Loan proceeds are not taxable income.**

3

Deploy Capital into Income-Producing Investments

The borrowed capital is deployed into income-producing assets — real estate, a business investment, a portfolio, or operational expansion. This is the critical step that creates the interest deductibility argument: **interest paid on money borrowed for income-producing purposes may be tax-deductible** under the Income Tax Act (Canada), subject to CRA interpretation and proper documentation.

4

Pay Interest Only — Principal Deferred

Each year, your corporation pays interest only on the outstanding loan balance. No principal repayment is required during the accumulation phase. If the interest is deductible, this annual carrying cost is offset by the tax deduction — dramatically reducing the true net cost of the strategy. Meanwhile, the policy continues growing tax-exempt.

When the insured shareholder dies, the death benefit is paid to the corporation. The outstanding bank loan is repaid from these proceeds. The remaining death benefit above the policy's ACB flows into the Capital Dividend Account — and is distributed to shareholders **completely tax-free** as a capital dividend.

TAX TREATMENT

Interest Deductibility — *What You Need to Know*

The potential tax deductibility of interest is one of the most powerful features of the IFA — and one of the most misunderstood. Here is the plain-language breakdown:

- 01 **The Legal Basis**

Under paragraph 20(1)(c) of the Income Tax Act, interest paid on money borrowed for the purpose of earning income from a business or property is generally deductible. When IFA loan proceeds are deployed into income-producing investments, this deductibility argument applies.

- 02 **Documentation Is Critical**

The CRA requires a clear and direct connection between the borrowed funds and the income-producing use. Funds must flow directly from the loan into the qualifying investment — not commingled with other corporate funds. Proper legal and accounting documentation is non-negotiable.

- 03 **The Net Cost Effect**

If interest is deductible at a 26.5% corporate tax rate and the loan bears interest at 6%, the after-tax net cost of borrowing is approximately 4.4%. Against a participating whole life policy earning 6%+ in tax-exempt CSV growth, the strategy can be strongly net-positive over a 10–20 year horizon.

- 04 **CRA Scrutiny and Professional Guidance**

The IFA has been the subject of CRA commentary and requires proper structuring to withstand audit scrutiny. This strategy must be implemented with experienced legal counsel, a qualified accountant, and a specialist insurance advisor. It is not suitable for every business owner and must be assessed individually.

Minimum Thresholds & *Who Qualifies*

The IFA is a high-commitment strategy designed for established, profitable incorporated business owners. It is not a starter strategy. The following thresholds are general guidelines — actual qualification depends on individual circumstances.

CRITERIA	MINIMUM THRESHOLD	WHY IT MATTERS
Annual premium	\$50,000+ / year	Required to generate sufficient CSV for bank collateral and meaningful loan amounts
Total borrowing	\$200,000+	Lenders require a minimum loan size for the IFA structure to be viable
Corporate structure	Incorporated (OpCo or HoldCo)	Must be a Canadian-controlled private corporation; sole proprietors do not qualify
Retained earnings	\$200,000+	Sufficient retained earnings to sustain multi-year premium payments without operational strain
Time horizon	10–20+ years	IFA is a long-term strategy; early termination triggers significant adverse tax consequences
Health / insurability	Standard to preferred	Rated or uninsurable applicants may not qualify for the participating whole life policy
Professional team	Lawyer + CPA + specialist advisor	All three are required for proper structuring, documentation, and CRA compliance

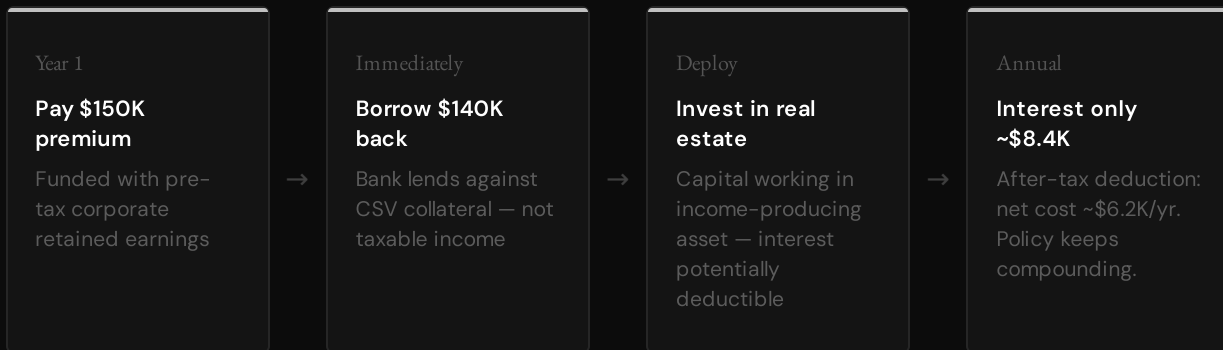
David — Vancouver

Real Estate Developer, Age 48

Incorporated developer with \$2.2M in retained earnings · IFA structured over 15-year horizon

ANNUAL PREMIUM \$150K	ANNUAL LOAN \$140K	NET ANNUAL COST ~\$10K	LOAN RATE Prime+1%	HORIZON 15 Years	DEATH BENEFIT \$4.8M
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HOW THE STRUCTURE WORKS YEAR-OVER-YEAR



15-YEAR OUTCOME AT DEATH

Total premiums paid (15 years)	\$2,250,000
Total interest paid (after-tax deduction)	~\$69,000 net
Policy CSV at Year 15	~\$2,600,000
Outstanding bank loan at death	\$2,100,000
Death benefit paid to corporation	\$4,800,000
Loan repaid from death benefit	(\$2,100,000)
Net to CDA (above ACB)	~\$2,400,000
Tax on CDA dividend to shareholders	\$0

** Sample illustration only. Actual results depend on insurer dividend scale, interest rates, ACB, tax filing, and individual circumstances. Not a guarantee of future performance. Consult your advisor, accountant, and legal counsel before implementing.*

IFA vs. IRP — *When Each Strategy Applies*

Both the IFA and IRP use participating whole life insurance as the foundation. The key difference is intent: the IRP is primarily a retirement income strategy, while the IFA is primarily a capital deployment and leverage strategy. They are not mutually exclusive — some clients use both.

IFA — IMMEDIATE FINANCING ARRANGEMENT

Best for capital deployment and leverage

- ✓ Business owner wants to keep capital working while funding insurance
- ✓ Active investor with income-producing opportunities to deploy capital into
- ✓ Comfortable with bank lending and ongoing loan management
- ✓ Primary goal: estate maximization + tax-free wealth transfer via CDA
- ✓ Premium \$50,000+/year, borrowing \$200,000+, horizon 15+ years
- ✓ Has experienced legal, tax, and insurance professionals in place

IRP — INSURED RETIREMENT PLAN

Best for tax-free retirement income

- ✓ Business owner planning for tax-free retirement income at 55–65+
- ✓ Maxed RRSP, TFSA, and looking for additional tax-sheltered accumulation
- ✓ Wants structured, predictable tax-free draws in retirement
- ✓ Primary goal: retirement income replacement + estate benefit
- ✓ Premium \$20,000+/year, 10–20 year accumulation phase
- ✓ Less complex than IFA — no bank lending required during accumulation

FACTOR	IFA	IRP
Primary objective	Capital deployment + estate transfer	Tax-free retirement income
Bank lending required	Yes — core to the strategy	Yes — in retirement phase only
Interest deductibility	During accumulation phase (if income-producing)	In retirement phase (CSV collateral)
Minimum premium	\$50,000+/year	\$20,000+/year
Complexity	High — requires lawyer, CPA, specialist	Moderate — CPA coordination recommended
Best age to start	40–60 (earlier = more compounding)	40–55 (20+ year horizon ideal)
CDA benefit at death	Yes — full death benefit minus ACB	Yes — full death benefit minus ACB

READY TO EXPLORE THE IFA

See If This Strategy *Is Right for Your Corporation*

The IFA is not for everyone — but for the right business owner, it is one of the most powerful leveraged strategies in Canada. A 15-minute call with our team will tell you quickly whether you qualify and what the numbers could look like for your situation.

- ✓ Review of your retained earnings and premium capacity
- ✓ Assessment of your income-producing investment opportunities
- ✓ Ballpark case study built on your actual numbers
- ✓ Carrier and lender recommendation for your profile
- ✓ Honest assessment of whether IFA or IRP is the better fit

[BOOK A STRATEGY CALL →](#)

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