



INSURED RETIREMENT PLAN

Tax-Free Retirement Income *for Incorporated* Business Owners

How to use participating whole life insurance to build a tax-free retirement income stream — without touching your RRSP, TFSA, or business assets.

\$0

TAX ON LOAN PROCEEDS DRAWN
IN RETIREMENT

Tax-Free

ESTATE BENEFIT VIA CDA AT
DEATH

2-Phase

ACCUMULATION THEN TAX-FREE
INCOME DRAWS

The Insured Retirement Plan — *Plain Language*

An Insured Retirement Plan (IRP) is a two-phase strategy where an incorporated business owner funds a participating whole life insurance policy during their working years, then collateralizes the policy's cash surrender value (CSV) against a bank line of credit at retirement — drawing tax-free income without triggering personal tax.

It is not a product. It is a strategy — one that layers a participating whole life policy, a chartered bank lending facility, and the Capital Dividend Account into a single, coordinated retirement structure. Done correctly, the IRP can deliver **decades of tax-free retirement income** while simultaneously building an estate benefit that passes to your heirs completely tax-free.

*The IRP works because loan proceeds are **not taxable income** under the Income Tax Act. You are not withdrawing money — you are borrowing against an asset you already own. The bank lends. The policy keeps growing. Your estate repays the loan at death from the death benefit.*

The Two-Phase Structure — *Accumulation & Income*

The IRP operates in two distinct phases. Understanding both is essential to understanding why the strategy works — and why sequencing matters.

PHASE 1 — ACCUMULATION (YEARS 1–20)

- Corporation pays annual premiums into a participating whole life policy
- Premiums funded with pre-tax corporate retained earnings
- Cash surrender value (CSV) builds tax-exempt inside the policy
- Annual insurer dividends compound the CSV further
- Death benefit in force throughout — key person or estate protection
- No personal tax on CSV growth during accumulation phase

PHASE 2 — RETIREMENT INCOME (AGE 60–85+)

- CSV pledged as collateral to a chartered bank line of credit
- Bank advances annual draws — not taxable income, not a withdrawal
- Interest accrues on the line — added to outstanding balance
- No repayment during lifetime — loan carried indefinitely
- Death benefit repays outstanding loan balance
- Remainder flows via CDA — distributed to estate tax-free

*The key insight: the CSV continues to grow **tax-exempt** inside the policy even while the bank is lending against it. You are drawing income from the bank's balance sheet — not from the policy itself. The policy keeps compounding. The estate benefit stays intact.*

Full Five-Step Mechanics — *From Policy to Estate*

Here is how the complete IRP structure flows, including the HoldCo structure, CSV lending, and CDA benefit at death:

1

Corporation Funds the Participating Whole Life Policy

Your corporation — either an OpCo or a HoldCo — applies for and purchases a participating whole life insurance policy on your life. Annual premiums are paid with pre-tax retained earnings. The policy begins building guaranteed CSV from day one, and participates in the insurer's dividend scale for additional tax-exempt growth. A HoldCo structure is often preferred as it separates the policy from operating risk and simplifies estate transfer.

2

CSV Accumulates Tax-Exempt Over the Accumulation Phase

Over 15–20 years of premium payments, the CSV grows significantly — compounding tax-exempt inside the policy through guaranteed growth and annual participating dividends. Unlike GICs or corporate investment accounts, there is no annual tax drag on this growth. The death benefit also increases over time, protecting your estate throughout the accumulation phase.

3

CSV Pledged as Collateral — Bank Line Established

At or near retirement, the accumulated CSV is pledged to a chartered bank as collateral for a line of credit. The bank does not require income verification or credit qualification — the CSV is the security. The line of credit is established at a percentage of the CSV value (typically 85–95%), and annual draws begin. **These draws are not taxable income** — they are loans from the bank, not withdrawals from the policy.

4

Tax-Free Income Drawn Throughout Retirement

Each year in retirement, the bank advances a draw against the line. Interest accrues on the outstanding balance — but no repayment is required during your lifetime. The policy CSV continues to grow, helping to service the growing loan balance. This structure can sustain tax-free income draws for 15–25+ years, depending on the premium level, age at retirement, and dividend scale performance.

Death Benefit Repays Loan — Surplus Flows Tax-Free via CDA

At death, the corporation receives the death benefit tax-free. The outstanding bank loan is repaid from these proceeds. The remaining death benefit above the policy's adjusted cost basis (ACB) is credited to the corporation's Capital Dividend Account — and distributed to shareholders or the estate as a capital dividend, **completely free of personal tax.**

Patrick — Vancouver

Incorporated Professional, Age 50

\$100,000/year premium · 15-year accumulation phase · Retirement at age 65

ANNUAL PREMIUM \$100K	ACCUMULATION 15 Years	DEATH BENEFIT \$1.8M	CSV AT AGE 65 ~\$1.4M	ANNUAL DRAW ~\$120K	DRAW PERIOD ~20 Yrs
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RETIREMENT INCOME PHASE — KEY NUMBERS

Total premiums paid over 15 years	\$1,500,000
CSV at age 65 (guaranteed + dividends)	~\$1,400,000
Death benefit at age 65	\$1,800,000
Annual tax-free retirement draw (bank loan)	~\$120,000/yr
Approximate draw period	~20 years (age 65-85)
Total tax-free income received	~\$2,400,000
Outstanding bank loan at death (age 85)	~\$1,800,000
Death benefit repays loan	(\$1,800,000)
Net residual estate via CDA (above ACB)	~\$2,800,000 tax-free
Personal tax on CDA distribution	\$0

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

IRP vs. RRSP vs. TFSA — *Seven Dimensions*

The IRP is not a replacement for the RRSP or TFSA — it operates in a different layer of the tax stack, funded with corporate dollars that would otherwise sit in a taxed investment account. Here is how the three compare across the dimensions that matter most to incorporated business owners:

FACTOR	RRSP	TFSA	IRP
Who funds it	Personal after-tax dollars	Personal after-tax dollars	Corporation — pre-tax retained earnings
Annual contribution limit	18% of income, max \$32,490	\$7,000/yr (2025)	No hard cap — premium-driven
Tax on withdrawals	Fully taxable as income	Tax-free	Tax-free (loan draws, not withdrawals)
Growth inside plan	Tax-deferred	Tax-free	Tax-exempt (CSV growth inside policy)
Estate benefit	Taxable at death (deemed disposition)	Tax-free to named beneficiary	Tax-free via CDA — no deemed disposition
Creditor protection	Limited — varies by province	Limited — varies by province	Strong — life insurance legislation
Best suited for	All incorporated owners — use first	All owners — use alongside RRSP	Owners with retained earnings beyond RRSP/TFSA capacity

The IRP is most powerful as a third layer — deployed after RRSP and TFSA are maximized, using corporate retained earnings that would otherwise face passive income tax.

Who Qualifies for *an IRP?*

The IRP is not appropriate for every business owner. It requires a long accumulation horizon, meaningful retained earnings, and the discipline to leave the policy in force. Here is who it is built for — and who it is not.

IDEAL FIT

- Incorporated business owners aged **40–55** planning for retirement
- RRSP and TFSA already maximized — looking for the next layer
- Corporations with **\$50,000+/year** in sustainable retained earnings
- Business owners who want tax-free income — not just tax-deferred
- Those wanting a significant, creditor-protected estate benefit
- Professionals: doctors, dentists, lawyers, consultants, real estate investors
- 10–20+ year horizon before planned retirement income draws

NOT IDEAL

- Sole proprietors or those without a corporation
- Business owners under 40 with limited retained earnings
- Those planning to retire within 5–7 years (insufficient accumulation time)
- Owners who may need the capital liquid in the near term
- Those with health conditions that prevent insurability
- Corporations with inconsistent or unpredictable cash flow

The Four Key Risks — *and How Each Is Managed*

The IRP is a long-term, leveraged strategy. Like any strategy of this nature, it carries risks that must be understood and managed. Here are the four primary risks — and the mitigation for each.

RISK 01

Dividend Underperformance

Participating whole life dividends are not guaranteed. If the insurer reduces its dividend scale, CSV growth slows — potentially reducing the borrowing capacity in retirement and shortening the income draw period.

Mitigation: Use carriers with long, stable dividend histories. Stress-test projections at 50–75% of current scale. Choose policies with strong guaranteed CSV floors independent of dividends.

RISK 02

Rising Interest Rates

The retirement income phase relies on a bank line of credit. If interest rates rise significantly, the accruing interest on the loan can erode the net estate benefit and compress the viable draw period.

Mitigation: Model at multiple rate scenarios (prime +1%, +3%). Ensure death benefit coverage well exceeds the projected maximum loan balance. Review annually and adjust draws if rates climb.

RISK 03

Policy Lapse Risk

If premiums are not maintained or the policy lapses during the accumulation phase, the entire strategy unwinds — triggering a potentially significant tax event on the accrued CSV above ACB.

Mitigation: Only commit to premium levels the corporation can sustain through economic cycles. Use a premium offset provision once available. Ensure the policy is positioned as a long-term commitment, not a short-term investment.

RISK 04

Tax Law Changes

The IRP's tax advantages rely on current CRA rules governing loan proceeds, the CDA, and exempt insurance status. Legislative changes could alter the tax treatment of any element of the strategy.

Mitigation: Work with an advisor who monitors policy legislation actively. The core insurance contract itself remains intact regardless of tax changes — the strategy adapts, the asset does not disappear. Diversify retirement income sources accordingly.

READY TO EXPLORE THE IRP

See What a Tax-Free *Retirement Could Look Like*

Every business owner's situation is different. A 15-minute call with our team will show you exactly what an IRP could look like for your corporation — with real premium numbers, real retirement draws, and a real estate projection.

- ✓ Review of your retained earnings and premium capacity
- ✓ Retirement income projection at your planned retirement age
- ✓ Carrier comparison and policy illustration
- ✓ IRP vs. IFA assessment — which fits your situation better
- ✓ Coordination with your accountant and HoldCo structure

[BOOK A STRATEGY CALL →](#)

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