

Professional Corporation Opportunities

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For many professionals, the opportunity to incorporate has been long overdue. Aside from correcting an inequity in taxation compared to other independent business people, it offers real long term financial benefits.

The tax deferral on income earned but not required to meet current living expenses can be significant. But what to do with those retained earnings ?

For younger (say, under 50) professionals, we have seen an interest in transferring a portion of the available funds to a life insurance contract that provides both sheltered investment returns and a tax effective plan for eventually getting the money out of the company. This is important because there will be a final accounting someday.

For “older” professionals who have accumulated substantial RRSP’s and other investments, the focus can shift to reducing or eliminating the deferred tax by gradually converting retained earnings to capital dividend account eligibility. It is possible to gain personal access to funds inside the policy through a properly structured loan arrangement in order to boost retirement income that is then repaid at death. This would apply to all entry ages, of course.

In addition to these opportunities, simply transferring a personally owned policy to the corporation may yield substantial benefits as well as enable payment of premiums at a lower tax cost basis.