



**“You must pay taxes. But there’s no law that says you have to leave a tip.”** Wise words from a classic Morgan Stanley ad. Taxes are inevitable part of creating wealth through your business, but that doesn’t mean you shouldn’t look for practical and legal ways to minimize them. **Nigel Kettle** outlines a tax plan, through the deployment of permanent life insurance strategies, for family businesses that has potential to create large savings.

Ask Yourself:

- ✓ do you have a family-owned private business?
- ✓ has the value of your company grown to over \$2 million since inception?
- ✓ are you hoping to preserve that wealth for your family or the next generation?

Family businesses can be a great vehicle to create wealth for the benefit of future generations. Over decades of operation, private businesses can grow substantially in value, as measured by asset accumulation or the ability to generate sustainable cash flow. Many business owners assume, falsely, that the majority of that value will pass to their children on the owner’s passing.

Unfortunately, that growth in value typically comes with unrecognized tax liabilities within the corporate structure, which come to roost when the owners pass away. Canada Revenue Agency claims tax on investment income within the business; capital gains on the increased value of the company’s shares since inception; and on the dividends needed to extract the value from the company to pay the other taxes!

All told, the wealth destruction from capital tax, dividend tax, and income tax to shareholders can amount to as much as 75% of the accumulated wealth in the business. Practically speaking, the tax liability hits the beneficiaries within months of the business owner’s death.

However, proper tax planning can avoid this wealth destruction. In particular, business owners need to be aware of the significant wealth preservation that can be gained by the strategic use of tax-free permanent life insurance to extinguish these tax liabilities and preserve and even grow the value of the business after passing.

## A tax plan for business owners that creates unusually large savings

For example, a recent case involved a couple that started with nothing and, over 40 years, built a eight-figure business and investment portfolio. On paper, they were doing all the right things—they had a team of five experts, including a tax specialist, but that team missed some core tax planning opportunities.

GlassRatner Wealth implemented a more comprehensive plan that addressed an area where the CRA triple taxes business owners (this is the rule not the exception.) In the end, we were able to create a significant swing in the family's net worth—from owing taxes (a 30% loss of their net worth) to growing their wealth by 40%.

The amount of the tax savings may vary (+/-) but the principal and the opportunity remain the same.

## How much of these savings can you secure?

GlassRatner Wealth specializes in strategies that reduce or eliminate the tax liability to owners and their beneficiaries, principally through the deployment of permanent life insurance strategies that have been tested and accepted.

Accumulating wealth within your family business is a significant accomplishment and learning how to keep it in the family should be your top priority. There's nothing worse than seeing years of wealth accumulation being thrown away on taxes.

## Looking to transition out of your family business?

Here are the eight tips for business owners looking for a smooth transition. [Read more](#)

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## Our Contributors

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