

# Creditor protection tips for business owners



Despite careful planning, even the best-managed businesses can run into issues with creditors. They may make a claim against your personal assets. You can minimize that risk by planning ahead; because once your business is in trouble, it's likely too late to create a creditor protection plan. While creditor protection can't be guaranteed, the following tips may help you manage your risk.

## ■ Incorporate your business

If you operate your business as a sole proprietorship or partnership, creditors can claim your personal and business assets. Incorporating can help protect your personal assets from creditors.

## ■ Hold life insurance contracts in your name

A corporate-owned life insurance policy is exposed to creditor claims. Consider holding individual life insurance contracts in your own name.

## ■ Look at insurance-based investment products

Place your non-registered savings in investment products sold by insurance companies, such as Guaranteed Investment Funds (GIFs) or Guaranteed Interest Annuities (GIAs). These products offer potential creditor protection when you name a family member as beneficiary<sup>1</sup> or irrevocable beneficiary.

## ■ Name the right beneficiaries

Naming your estate as the beneficiary could result in creditors seizing your assets. Your assets could also be subject to probate and estate fees.

It may be better to name family members as beneficiaries of a policy that insures you. That can help prevent your creditors from seizing and surrendering the contract while you're alive. If you pass away while the policy is in force, the death benefit will be paid directly to your designated beneficiaries and may remain protected from your creditors. It will not form part of your estate.

## ■ Seek professional help

Talk to your advisor and seek advice from tax and legal professionals to help you establish a comprehensive creditor protection plan.

For more information on RBC GIFs, please speak with your advisor.



Insurance

<sup>1</sup> Family class beneficiaries include the spouse, children, grandchildren or parents of the insured/annuitant (except in Quebec, where a family class designation includes the spouse, ascendants and descendants of the policy owner).

**Any amount that is allocated to a segregated fund is invested at the risk of the contractholder and may increase or decrease in value.**

RBC Guaranteed Investment Funds are individual variable annuity contracts and are referred to as segregated funds. RBC Life Insurance Company is the sole issuer and guarantor of the guarantee provisions contained in these contracts. The underlying mutual funds and portfolios available in these contracts are managed by RBC Global Asset Management Inc. When clients deposit money in an RBC Guaranteed Investment Funds contract, they are not buying units of the mutual fund or portfolio managed by RBC Global Asset Management Inc. and therefore do not possess any of the rights and privileges of the unitholders of such funds. Details of the applicable Contract are contained in the RBC GIF Information Folder and Contract at [rbcinsurance.com/segregated-funds](http://rbcinsurance.com/segregated-funds).