RBC Growth Insurance and RBC Growth Insurance Plus

Protect your business with participating whole life insurance

Insurance

Buy-sell agreements

When a company has multiple owners or shareholders, it's important for those involved to have an agreement in place determining in advance how to handle the transfer of shares should a member of the ownership group die, become disabled or leave the business.

A legal agreement of this kind helps clarify how the company's ownership will be divided as a result of the change. Many companies have an agreement of this nature written down, often referred to as a "shareholders' agreement." If your company does not have one, consider speaking with a corporate lawyer about the value of a shareholders' agreement for your business.

Funding your agreement

Many shareholders' agreements require either the surviving shareholders or the company to buy out the shares of the deceased shareholder from their estate.

While the shareholders and the company may consider different sources to raise the money to meet this obligation, they may find it difficult to guarantee that the required funds will be available when they are needed since the time of death is unknown.

Fortunately, life insurance can help address this uncertainty. The guaranteed availability of a death benefit provides peace of mind: The money will be available to pay the deceased's estate when it is needed. The non-taxable funds received as a death benefit will help meet the obligations of the shareholders' agreement.

RBC Growth Insurance™ or RBC Growth Insurance Plus™ can be an effective option to ensure the funds will be available to buy out the shares of the deceased shareholder.

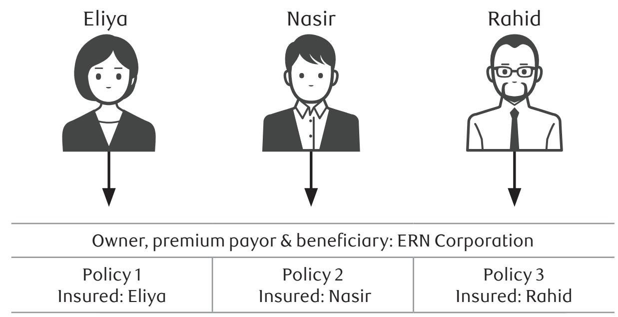
What if the policy owner needs money while saving for buy-sell funding in a life insurance policy?

Another advantage of using a participating whole life policy is the policy owner may access the cash value of the policy, subject to the terms of the shareholders' agreement. There are three different ways to access the cash value. However, keep in mind the money borrowed or withdrawn from the policy may impact the death benefit and have a tax consequence.

Example of how you can use whole life insurance to buy out a shareholder

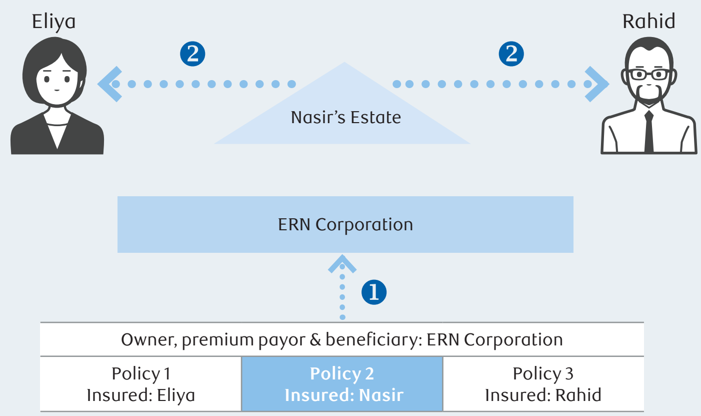
Current situation

Eliya, Rahid and Nasir are shareholders of ERN Corp. Their shareholders' agreement requires the surviving shareholders to buy out the shares of the deceased shareholder from their estate. To ensure the required funds are available, ERN purchases insurance policies on the lives of all three shareholders. In all cases, ERN Corp. is the policy owner, premium payor and beneficiary.

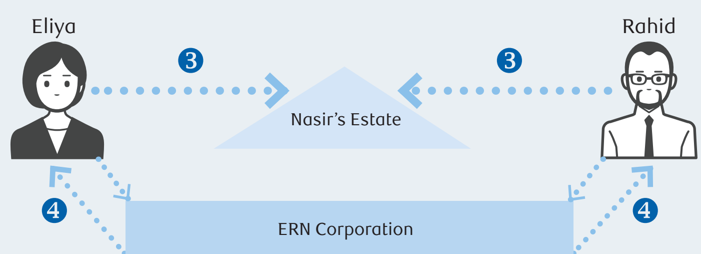


When Nasir passes away, here's how the buyout process works:

1. The insurer pays the death benefit to ERN. Being a private corporation, ERN also receives a credit in its capital dividend account equal to the death benefit less the adjusted cost basis of the policy.
2. Eliya and Rahid purchase the ERN Corp. shares from Nasir's estate.



3. Eliya and Rahid issue a promissory note to Nasir's estate as a purchase consideration.
4. ERN Corp. declares the dividend for payment to Eliya and Rahid. To the extent there is a positive balance in the capital dividend account, ERN may designate the dividend paid as a tax-free capital dividend, as long as the dividend recipient is a resident of Canada for income tax purposes.



5. Eliya and Rahid use the cash received from the dividend income to discharge the promissory note issued to Nasir's estate.
6. Nasir's estate distributes the net estate value to the applicable beneficiaries.

RBC participating life insurance is available in two options

	RBC Growth Insurance	RBC Growth Insurance Plus
Minimum coverage amount	▪ Coverage starts at $25,000	▪ Coverage starts at $250,000
Access to cash values	▪ Accessible at the end of policy year 5	▪ Accessible at the end of policy year 1
Cost of insurance	▪ Pay less and get more opportunities for long-term financial growth	▪ Pay for early cash values and long-term financial growth opportunities

Choosing the right option for you

When determining whether to buy RBC Growth Insurance or RBC Growth Insurance Plus, your advisor will need to take into account several factors, such as the current value of your business and its projected growth; your current age; if you'll need to borrow from the policy at a later date; and, if you wish to transfer ownership of the policy to a shareholder when you retire. These are all factors that can help determine which type of policy is best suited for you.

Contact your Insurance Advisor to discuss how participating life insurance can work for you.

RBC® Insurance

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