



Next Level Insurance

Insuring a Bright Future Using Life Insurance

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 cannot be guaranteed, the following tips may help manage your risk.

1. 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.

2. 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.

3. Look at insurance-based investment products

Place your non-registered savings into 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 beneficiary¹ or irrevocable beneficiary.

4. Name the right beneficiaries

Naming your estate as the beneficiary could result in potential seizure by creditors. Your assets could be subject to probate and estate fees.

It may be better to name family members as beneficiaries on a policy insuring yourself. 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 is paid directly to your designated beneficiaries and may remain protected from your creditors. It will not form part of your estate.

5. 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 Guaranteed Investment Funds, please contact Craig Jensen

Call or Text: 587-877-6114
cjensen@nextlevelinsurance.ca
<https://nextlevelinsurance.ca/>

