
PERSONAL TAX PLANNING

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LIFE INSURANCE UPDATE: WHAT'S UNDER THE CRA'S MICROSCOPE

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Life insurance is a unique financial instrument that can provide policyholders with a number of tax-planning and estate-planning opportunities. At the same time, it presents legislators with a number of tax policy issues that need to be addressed. As product innovations have developed over time, and as new planning strategies have been devised, the tax treatment of life insurance continues to evolve. This article considers three aspects of planning relating to life insurance that the Canada Revenue Agency and the Department of Finance have recently identified as issues of concern: the exempt test rules (what qualifies as an “exempt” life insurance policy), a strategy commonly referred to as the “10-8 plan,” and ownership of a life insurance policy by a qualifying spousal trust.

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