



TAX EXEMPTIONS ON LIFE INSURANCE FOR CANADIAN EMIGRANTS



If you're a Canadian and considering emigrating from Canada now or in the future, your life insurance policy could be the most tax-efficient asset in your financial portfolio.

When individuals sever their residential ties to Canada (i.e., emigrate), for tax purposes they are generally deemed to dispose and reacquire their property at fair market value (FMV). In many cases, this can inconveniently trigger large tax bills on deferred capital gains.

Life insurance policies, including those with large cash surrender values, are exempt from this issue. Life insurance policies are not considered a type of capital property that requires a deemed disposition.

Fortunately, emigrees living outside Canada are treated in much the same way as a resident Canadian regarding their life insurance policies. Tax is owed only on transactions such as policy surrender or cash dividends. And this treatment is the same as is applied for resident Canadians. Moreover, since many policies have large adjusted cost bases, the tax on cash dividends or upon surrender can be minimal, depending on the nature of the insurance policy.

This commentary applies to Canadian tax rules. If you're emigrating from Canada and own a life insurance policy, consider consulting a tax professional in your new country of residence. Seeking professional tax advice is always recommended.

Talk to a Unity advisor to learn more.