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A GUIDE FOR ONTARIO BUSINESS OWNERS

The Ontario Business Owner's Guide to Insurance & Wealth Planning

A practical overview for owner-managed businesses.

FOR OWNER-MANAGED BUSINESSES AND THE FAMILIES BEHIND THEM

BEFORE YOU BEGIN

A note on who this is for

This guide is written for one specific reader: the Ontario business owner whose net worth is tied up in a company they built. If that is you, most of the financial planning advice aimed at the general public does not quite fit, and some of it works against you.

The reason is structural. When most of your wealth sits inside a corporation, the questions change. How do you get money out efficiently? What happens to the business if you, or a partner, die or become disabled? How do you treat children fairly when one works in the business and others do not? How do you eventually sell or transition without handing an unnecessary share to the CRA?

The scale of the problem is not small. According to the Canadian Federation of Independent Business, fewer than one in ten owners have a formal, written succession plan, even as more than $2 trillion in business assets could change hands over the coming decade. Most of that value is held the way yours likely is: concentrated in a single company.

This is not a sales document and it does not recommend products. It is a map of the terrain, the planning problems owner-managers actually face, and the tools that exist to address them. The goal is that you finish it knowing better questions to ask, whether you bring them to me or to your existing advisors.

Nothing here is tax, legal, or accounting advice. Every strategy mentioned has conditions, trade-offs, and consequences that depend entirely on your situation. Where it matters, I will say so plainly: talk to your accountant and lawyer before acting.

Source: Canadian Federation of Independent Business, Succession Tsunami, 2023.

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What this guide covers

INTRODUCTION

Why owner-managed businesses are different

A salaried household and an owner-managed business can have identical net worth on paper and still need almost entirely different plans.

For the employee, wealth is liquid and diversified: a pension or RRSP, a home, some investments. For the owner, wealth is often concentrated in a single illiquid asset, the company. That concentration creates three problems at once.

I Liquidity

You cannot sell a quarter of your business to fund a tax bill or buy out an estate. Value that looks impressive on a balance sheet can be very hard to access when it is needed most.

II Continuity

The business depends on people: you, a partner, a handful of key staff. Remove one of them suddenly and the value can evaporate before anyone can act.

III Tax structure

The corporate wrapper that makes your business efficient also makes wealth extraction, succession, and estate planning more complex. Used well, that structure is an advantage. Used carelessly, it is a trap.

Good planning for owners is mostly about converting concentrated, illiquid, tax-encumbered value into something liquid, protected, and efficiently transferable, at the right time and in the right order. The sections that follow walk through the main tools for doing that.

THE IDEA BEHIND THIS GUIDE

The tools are not the plan.
The sequence is.

Insurance, ownership agreements, retirement planning, tax structure, and estate planning cannot be considered independently. Each decision changes the assumptions behind the others.

The six sections that follow describe six tools. It would be easy to read them as a menu — choose the ones that apply, put each in place, move on. That reading is the most common mistake owners make, and it is the one this guide exists to correct.

The tools are not the plan. The estate freeze changes the equalization math. The buy-sell structure changes how the corporate insurance should be owned. The retirement plan changes how much the business has to sell for. Pull on any one thread and the others move. The work is not simply choosing the right tools — it is putting them in the right order.

So read what follows as a map, not a menu. Each section shows you one part of the terrain. The value is in seeing how they connect, and in recognizing that no single tool, however well chosen, solves the problem on its own.

1
Key person insurance

Most businesses have at least one person whose departure would do real damage: a founder, a top producer, a technical lead, the relationship holder who is the client roster in the eyes of customers.

Key person insurance is life (and sometimes disability) coverage the business owns on that individual, with the business as beneficiary. If the person dies or is disabled, the company receives funds to absorb the shock: covering lost revenue, recruiting and training a replacement, reassuring lenders and customers, or simply buying time to stabilize.

The planning questions are the ones owners rarely sit down to answer. Who, realistically, cannot be quickly replaced? What would their sudden loss actually cost, in revenue, in financing covenants, in client confidence? How much coverage bridges that gap?

HOW I HELP

I quantify the exposure honestly, structure ownership and beneficiary designations correctly, and coordinate with any lender requirements.

A COMPANION RISK

When the owner cannot work

Most planning focuses on the owner dying. A frequently overlooked risk is that the owner survives, but cannot work — and the business and household both still need to be paid.

Disability can be a significant risk during an owner's working years, yet it is often addressed less thoroughly than life insurance. It splits into two distinct problems, and they are easy to confuse.

The first is the business. If you cannot work, the company's overhead does not pause — rent, salaries, and fixed costs continue while revenue may not. Business overhead expense coverage is designed to keep the lights on through a recovery, so the enterprise is still there when you return.

The second is the household. Your own income stops, but the mortgage and the family's needs do not. Personal disability income and critical illness coverage protect the household directly, independently of the business — because a healthy company that cannot pay its owner is still a household in trouble.

The distinction matters: protecting the company and protecting the owner's household are two different jobs, funded by two different tools. Owners who plan for death but not disability have covered the less likely event and left the more likely one open.

HOW I HELP

I separate the two exposures — business continuity and household income — and size overhead expense, disability, and critical illness coverage to each, rather than treating them as one.

2
Buy-sell agreements

If you own a business with someone else, one question eventually demands an answer: what happens to a partner's share when they die, become disabled, divorce, or simply want out?

Without a plan, the answers are bad. You can find yourself in business with a deceased partner's spouse or children. The estate may need to sell the shares and have no buyer. Disputes over valuation can stall the company for months.

A buy-sell agreement settles this in advance. It defines who can buy a departing owner's shares, at what price (or by what valuation method), and under what triggering events. Life and disability insurance is frequently the funding mechanism: the policy provides the cash to complete the purchase, so the surviving owners are not forced to find it themselves.

The structures vary (cross-purchase, corporate redemption, hybrid) and the choice has real tax and legal consequences. This is not a do-it-yourself exercise.

HOW I HELP

I work alongside your lawyer and accountant to match the insurance funding to the agreement's structure, so the money is there, in the right hands, taxed the way you expect.

3

Corporate-owned life insurance

When a corporation owns a life insurance policy, several things become possible that are not available personally.

Premiums are generally not deductible, but they are paid using corporate after-tax dollars, which may require less pre-tax income than paying personally. The corporation generally receives the death benefit tax-free. The amount of the proceeds above the policy's adjusted cost basis is generally added to the corporation's capital dividend account, allowing capital dividends to be paid tax-free to Canadian-resident shareholders, subject to the required election. Permanent exempt policies can also accumulate value on a tax-deferred basis.

That is the upside. The conditions matter just as much. The CDA mechanics, the interaction with the small business deduction and passive income rules, the impact on the value of the company for estate purposes: all of it requires careful, current professional advice. Tax rules in this area change, and what worked five years ago may not be optimal now.

HOW I HELP

I model whether corporate ownership actually beats personal ownership in your specific case, and coordinate the CDA and estate mechanics with your accountant, because the wrong structure quietly wastes the main advantages.

4

Retirement planning for owners

Most owners have spent years reinvesting in the business rather than maxing out RRSPs. That is often rational, but it means retirement planning looks different.

Your retirement funding may be some combination of: the eventual sale of the business, dividends or salary you continue to draw, an Individual Pension Plan (IPP), retained earnings invested inside the corporation, and registered accounts. Each has different tax treatment and different risks. Relying on the sale alone is the most common, and most dangerous, assumption, because it puts your entire retirement on the outcome of a single transaction in a market you do not control.

The work is to build redundancy: enough liquid, diversified, owner-controlled wealth outside the business that your retirement does not hinge on selling at the perfect moment for the perfect price.

HOW I HELP

I stress-test whether the business sale is a plan or a hope, and coordinate the parallel structures — including compensation planning, IPP feasibility, and the appropriate corporate and personal investment advice — that give you options.

5
Estate equalization

This is the problem that quietly fractures families: you have three children, one of whom works in and will inherit the business. The business is most of your estate. How do you treat all three fairly?

"Equally" and "fairly" are not the same thing here. Splitting the business three ways can force the active child into partnership with siblings who are not involved, a recipe for conflict. Giving the business to the active child and nothing comparable to the others feels unfair to them.

Estate equalization uses other assets, often life insurance, to balance the scales. The active child receives the business; the insurance proceeds provide the other children with comparable value. It lets you keep the business intact and in capable hands while still treating each child equitably.

HOW I HELP

I size the equalization need accurately, help you choose who should own the policy, and coordinate with your will and shareholders' agreement so the plan actually holds together when it is needed.

6

Tax-efficient wealth transfer

Eventually, wealth moves: to the next generation, to a buyer, to your estate. How you structure that transfer determines how much survives the trip.

The tools here are well established but conditional. The Lifetime Capital Gains Exemption (LCGE) can shelter a substantial amount of gain on the sale of qualifying small business shares, but only if the shares qualify, which depends on the company's structure and assets, sometimes years before a sale. Depending on the structure, a holding company may help separate surplus assets from operating risk and provide flexibility in how after-tax funds are retained and invested. Estate freezes can cap your tax liability at today's value and shift future growth to the next generation. In some circumstances, a family trust may allow qualifying gains to be allocated to beneficiaries who have available LCGE room, although TOSI, attribution, and other anti-avoidance rules must be considered.

The common thread is timing. Almost every one of these strategies has to be put in place well before the transaction that triggers them. The freeze done two years early works; the one attempted at the closing table does not. The shares purified in advance qualify; the ones cleaned up at the last minute may not.

HOW I HELP

I spot which of these apply to you while there is still time to act, and assemble the right team (accountant, tax lawyer, advisor) to put them in place in the correct order.

A WORKING CHECKLIST

Questions for your advisors

If this guide did its job, you finished it with sharper questions than you started with. Here are the ones worth raising with your accountant, lawyer, or advisor — one per topic, in the order the sections appeared.

KEY PERSON

Who in the business could not be quickly replaced, and what would a sudden loss actually cost us in revenue and lender confidence?

OWNER DISABILITY

If I could not work for twelve to twenty-four months, what would pay the company's fixed expenses, and what would replace the income my family depends on?

BUY-SELL

Do we have a funded buy-sell agreement, and does its structure still match how the shares are actually owned today?

CORPORATE INSURANCE

In our specific tax position, does corporate ownership of a policy beat personal ownership, once the CDA and passive-income rules are accounted for?

RETIREMENT

If the business sale fell through or came in low, what would my retirement actually look like, and is an IPP worth modelling?

EQUALIZATION

If one child inherits the business, how do we give the others comparable value without forcing them into partnership?

WEALTH TRANSFER

Do my shares currently qualify for the LCGE, and if not, how long would purification take before a sale?

IN CLOSING

Putting it together

No single tool on this list solves an owner's planning problem. They work as a system, and the order matters. The estate freeze affects the equalization math. The buy-sell structure affects how the corporate insurance is owned. The retirement plan affects how much the business has to sell for.

The practical starting point is rarely "buy a policy." It is a conversation that maps your actual situation: your structure, your people, your family, your timeline. That conversation identifies which of these problems are live for you and which can wait.

That is the work I do. If anything here raised a question you do not have a confident answer to, that is usually a good reason to have the conversation.

ARRANGE A CONVERSATION

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ABOUT

Who you'd be working with

I'm Zachary Sikorski, Principal of Sheldrake Group, an independent insurance and business planning practice serving business owners and their families in Ontario.

Before founding Sheldrake Group, I spent my entire career in financial services, beginning in 2008 and most recently serving as a District Vice President at Sun Life, supporting independent advisory practices across Ontario and British Columbia. It was an unusual vantage point. Rather than building a single book of clients, I watched hundreds of planning conversations unfold, involving business owners, professionals, and families, close enough each time to see how hard it can be to connect otherwise sound investment, insurance, tax, and estate advice into one coordinated picture.

That mapping is the work I do now, independently. If something here raised a question you cannot answer with confidence, that is usually a good reason to talk.

LICENSING

Zachary Sikorski is licensed to provide life and accident & sickness insurance in the Province of Ontario. Insurance products and services are provided through Zachary Sikorski. Sheldrake Group is the practice name under which Zachary Sikorski conducts business.

DISCLAIMER

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