

FOR INCORPORATED CANADIAN BUSINESS OWNERS



THE LIQUID WEALTH SYSTEM

The Retained *Earnings* Trap

Where corporate wealth quietly leaks — and how owners design the way out.

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01

The work came first.

Nobody handed you your business. You took the risk. You did the work through the years when it wasn't certain any of it would pay off.

And now the numbers say it did: your corporation is profitable, and the retained earnings building up inside it are the proof. That money is the reward for everything you built.

Here's the part almost nobody builds alongside it: **the way out.**

Most incorporated business owners use one of three exits for corporate money. Salary. Dividends. Or the estate, after everything. Each one carries a tax cost, and almost nobody actually chose theirs. It was the default. The accountant set up a reasonable salary-dividend mix years ago, the money kept accumulating, and the question of how you'd eventually reach it never got asked.

While the default runs, three pressures build quietly inside a profitable corporation. They're on the next page, and they're the reason this guide exists.

BEFORE WE CONTINUE

Nothing in this guide is advice for your specific situation. It's a map of what exists. Whether any of it fits your corporation is exactly what a proper assessment is for, and it may conclude that your current structure is already right.

The three pressures.

50%+

The drag

Investment income earned inside your corporation is taxed at over 50% in most provinces. The money you already earned, growing against a permanent headwind, year after year.

\$50K

The tripwire

Once your corporation earns more than \$50,000 a year in passive investment income, you begin losing the small business deduction, the low tax rate on your first \$500,000 of active income. At \$150,000 of passive income, it's gone entirely. Your investment success quietly raises the tax rate on your operating business.

×2

The second tax

Corporate money is taxed once inside the corporation and again when it comes out to you personally. Depending on the province and the route, the combined burden can approach or exceed 60%. Estates without planning are often hit hardest of all.

Rates vary by province and situation. Figures here are directional, not a quote of your rate.

Left unplanned, the arithmetic is uncomfortable: a meaningful share of successful Canadian business owners will pay more in lifetime tax on their corporate wealth than they pass on to their families. Not because anyone made a mistake. Because nobody designed the structure.

Now the part that rarely gets said out loud. **The same Income Tax Act that creates these three pressures also contains the provisions that let you plan around much of them.** Not loopholes. Not offshore. Not aggressive. Provisions that have been part of Canadian tax law for decades, used routinely in planning for incorporated families, and sitting, most of the time, completely unused.

02

Why you've probably never heard this.

If these provisions have existed for decades, a fair question: why hasn't your accountant mentioned them? The honest answer is that it was never their job.

Your accountant's mandate is compliance: filing accurately, claiming the standard deductions, keeping you onside with the CRA. Within that mandate, most accountants do excellent work. Some will even tell you, correctly, that there's nothing more to be done. Within their mandate, there isn't.

Long-range corporate wealth structuring is a different discipline. It requires licensing most CPAs don't hold, and expertise at the intersection of tax law and financial structure that most advisors don't hold either. It's a specialty within a specialty.

YOUR ACCOUNTANT'S MANDATE	A STRUCTURE SPECIALIST'S MANDATE
T2 corporate filing	Corporate wealth structure design
Standard deductions and credits	Matching the right structure to the owner
Salary and dividend planning	Passive-income impact mitigation
RRSP and TFSA guidance	Retirement income and estate design
Annual compliance	Intergenerational transfer planning

Think of it the way medicine works. Your family doctor is essential, and would still refer you to a cardiologist for heart surgery. The gap isn't effort or care. It's license and specialization.

The practical consequence: a large share of incorporated Canadian business owners are sitting inside a structure that costs more than it needs to, with nobody in their corner whose specific job is to fix that specific problem.

03

The structures, and the four jobs they must do.

I spent over fifteen years as a drilling fluids engineer. My job was keeping wells stable under pressure, and it taught me something I use every week now: systems don't fail where they look strongest. They fail where nobody did the design work.

For corporate wealth, the design work lives in a small family of planning structures written into the Income Tax Act decades ago. Not loopholes, not offshore. They're used routinely by major Canadian accounting and advisory firms, and rarely shown to the owners they were built for.

This guide won't hand you a product name, because the honest answer is that the right structure depends on your corporation. What I can show you is the standard I hold every structure to. Four jobs, no exceptions:

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- 1 **Grow without the annual drag**
Wealth compounds without being taxed every year, inside rules the Income Tax Act sets out.

 - 2 **Protect the small business deduction**
Assets inside the structure don't count toward the \$50,000 passive-income grind. Your operating business keeps its low rate.

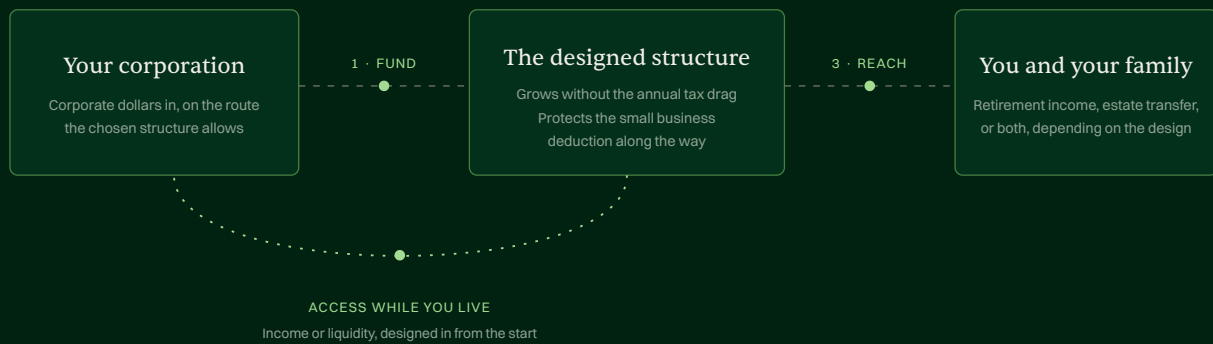
 - 3 **Reach you and your family**
Retirement income, estate transfer, or both, depending on the design. Statutory mechanics, not promises.

 - 4 **Access, designed in**
Income or liquidity when a property, an opportunity, or a life event shows up. Designed from the start, never improvised.

The fourth job is the one most explanations skip, and it's the one I care about most. That's why I call my approach the **Liquid Wealth System**. Liquid is the whole point.

The flow, at a glance.

Every structure worth implementing moves corporate wealth along this path. What changes between them is the route in, the rules inside, and the way the wealth reaches you.



Which structure fits your corporation? There's more than one, and the right answer depends on your numbers, your age, your goals, and your timeline. Matching the structure to the owner is precisely what a proper assessment does. The wrong structure, brilliantly implemented, is still the wrong structure.

Every implementation gets reviewed alongside your own CPA and legal advisors.

04

What it looks like in practice.

Illustrative composites built on real structure types, not client cases. Numbers assume stated funding levels and long-term rates of return, and vary by province, age, health, and corporate structure.

SCENARIO ONE · PROFESSIONAL SERVICES · ALBERTA

The Calgary consultant

An engineering consultant builds to [\$X00K] in annual billings and accumulates [\$X00,000] in a corporate investment account, where growth is taxed as passive income at 50%+. Her accountant has optimized the salary-dividend split and correctly says that, within his mandate, there's nothing further to do.

The redesign: [\$XX,000] per year redirected into a designed structure. Growth sheltered from the annual drag, the small business deduction protected, and the eventual transfer routed the tax-efficient way.

SCENARIO TWO · TRADES & CONSTRUCTION · ALBERTA

The contractor

A trades contractor's company clears [\$XXX,000] a year above operating costs. On the default path, corporate investing, then dividends, then estate tax, a large share of his lifetime surplus is projected to go to tax rather than to his children.

The redesign: [\$XXX,000] of annual surplus into a structure that both protects the company and creates the family transfer.

SCENARIO THREE · PROFESSIONAL CORPORATION · ONTARIO

The partners

Two partners each draw [\$XXX,000] in annual dividends at roughly [XX]% at their margin while the corporate account keeps growing. **The redesign:** dividend draws reduced, the difference deployed into designed structures for each partner, lowering personal brackets while corporate wealth compounds without the annual drag.

Always review any structure with your own CPA and legal advisors before implementing.

05

Is this you?

Five questions. Answer honestly. If two or more are a yes, an assessment of your structure is very likely worth fifteen minutes.

- ☐ Does your corporation hold **\$150,000 or more in retained earnings?**
- ☐ Do you have corporate investments or savings sitting in a corporate account, earning passive income taxed at 50%+?
- ☐ Has your accountant told you there's "nothing more we can do" about your tax picture?
- ☐ Do you want meaningful wealth to reach your family without the estate taking the hardest hit?
- ☐ Have you ever hesitated on a property or opportunity because getting money out of the corporation felt too expensive?

Two or more? Then the structures in this guide deserve a real look at your numbers. Not to force a fit. To find out whether one exists.

06

Every unplanned year compounds.

Let's be direct about what staying put costs. If your corporation carries meaningful avoidable tax exposure, that isn't just this year's number. Compounded over twenty years, it's family wealth that never gets built. And the single biggest input isn't the rate of return. It's how many years the structure has to work.

From here you have three options.

1 Do nothing

The default keeps running, and the cost compounds quietly in the background.

2 Build it yourself

These structures demand correct licensing and precise implementation. Structures set up incorrectly, or steps missed in a reorganization, can cost more than the tax you set out to reduce. This is not a do-it-yourself discipline.

3 Sit down with a specialist

Have your actual numbers assessed by someone licensed to implement these structures, and get a straight answer either way.

The Liquid Wealth Assessment

15 MINUTES · NO COST · CONFIDENTIAL

We review how your retained earnings are currently positioned, identify where the three pressures are costing you specifically, and show you which structure family fits your situation. If your current setup is already right, that's exactly what you'll hear.

BOOK YOUR ASSESSMENT

This is an assessment, not a sales call. We're here to show you the math.

~ Ike Affam



Ike Affam

IKE AFFAM
Stay Covered

THE LIQUID WEALTH SYSTEM · STAY COVERED

This guide is for informational purposes only and does not constitute financial, tax, or legal advice. All scenarios are illustrative, hypothetical examples, not client cases or testimonials. Outcomes vary by individual circumstances, province, age, health status, and corporate structure, and depend on the rules of the Income Tax Act in effect at the time of implementation, which may change. The planning structures referenced are subject to eligibility requirements and, where applicable, underwriting. Always consult a qualified CPA, tax lawyer, and licensed professional before implementing any strategy.

Ike Affam is a licensed insurance advisor in Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, and Newfoundland and Labrador.

Questions before booking? Reply to the email this guide arrived in. It comes straight to me.

~ Ike Affam