CORPORATE STRATEGY SERIES — NO. 03

The Financial Planning Roadmap for Business Owners

A step-by-step framework for aligning your corporate and personal finances into one coordinated plan — from your personal balance sheet to retirement income.

READING TIME
~14 minutes

BEST FOR
Business Owners Building a Long-Term Plan

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SECTION 01

Why business owners need a different kind of plan

Most financial planning advice is written for employees: maximize your RRSP, contribute steadily, retire on a pension and CPP. As a business owner, almost none of that maps cleanly onto your situation. Your income is variable. A large share of your net worth is tied up in a single, illiquid asset — the business itself. And many of your biggest planning decisions happen inside a corporation, not a personal account.

That means a financial plan built for you has to do two things at once: manage your personal finances, and manage how money moves between you and your corporation. Done well, those two layers reinforce each other. Done separately — which is the default when your accountant, banker, and insurance advisor never talk to one another — they often work against each other instead.

SECTION 02

Building your personal balance sheet

Before any planning decision makes sense, you need an honest, current picture of where you stand — personally, separate from the business. Most owners have never actually written this down in one place.

- **Personal assets:** RRSPs, TFSAs, non-registered investments, real estate, and any assets held outside the corporation
- **Corporate assets attributable to you:** retained earnings, investment accounts inside a holding company, and the estimated value of the operating business itself
- **Liabilities:** mortgages, lines of credit, shareholder loans, and any personal guarantees on corporate debt
- **Insurance in force:** personal and corporate-owned policies, and what each is actually meant to cover

This single document becomes the reference point for every other decision in this guide — how much you can safely draw from the corporation, how much life insurance you actually need, and how close you are to being able to retire without selling the business.

SECTION 03

RRSP, TFSA & corporate investments

Once you're incorporated, saving isn't a single decision — it's a choice between several accounts, each taxed differently. There's no universal answer, but a few general patterns hold for most owners:

ACCOUNT	BEST USED FOR
TFSA	Tax-free growth with full flexibility — usually the first place personal savings should go
RRSP	Most valuable if you draw a T4 salary; less relevant if you pay yourself only in dividends
Corporate investments	Surplus the business doesn't need personally — but watch the passive income grind (see our Tax Planning Guide)
IPP / RCA	Larger tax-deferred contributions for owners in their 40s+ with meaningful T4 income

The right mix depends on your salary-versus-dividend decision, your age, and how much passive income the corporation is already generating — which is exactly why this section can't be separated from the tax planning decisions covered elsewhere in this series.

SECTION 04

Protecting income: life, disability & critical illness

Employees usually have group benefits handling this quietly in the background. Business owners often don't — and the exposure is larger, not smaller, because the household frequently depends on the same person who runs the company.

- **Life insurance** should cover both personal needs (income replacement, mortgage, dependents) and corporate needs (the tax liability discussed in our Estate Guide, and any buy-sell obligations).
- **Disability insurance** is frequently the most underinsured risk for owners, since a long-term disability can affect both personal income and the business's ability to operate at all.
- **Critical illness insurance** pays a lump sum on diagnosis of a covered condition, which can cover costs disability insurance doesn't — recovery expenses, paying down debt, or buying time to bring in interim management.

These policies can be owned personally or corporately, each with different tax consequences — a decision worth making deliberately rather than defaulting to whichever was easiest to set up first.

SECTION 05

Buy-sell agreements & key person insurance

If you have business partners, a buy-sell agreement (sometimes structured as a shareholders' agreement) sets out, in advance, what happens to each owner's shares on death, disability, or a decision to leave. Without one, a partner's death can leave their shares to a spouse or estate with no say in how the business runs — often the worst possible outcome for everyone involved.

> HOW IT'S USUALLY FUNDED
>
> Life insurance on each owner, sized to their share value, funds the buyout automatically — the surviving owners aren't forced to find that cash on short notice, and the departing owner's family receives fair value without a drawn-out negotiation.

Key person insurance is related but distinct: it protects the business itself against the financial impact of losing a critical employee or owner — covering the cost of recruiting, training, or lost revenue during the transition, separate from any buyout obligation.

SECTION 06

Turning the business into retirement income

Employees convert savings into retirement income through RRIFs, pensions, and CPP. Business owners have an additional, often larger, question: how does the value locked inside the corporation eventually become spendable income?

- **Drawing down retained earnings** gradually through dividends over retirement, rather than all at once

- **Selling the business**, potentially sheltering part of the gain with the lifetime capital gains exemption on qualifying shares
- **An individual pension plan or RCA**, set up years earlier, that begins paying out on a defined schedule
- **Corporate-owned insurance policies** with a cash value component that can be accessed tax-efficiently in retirement

The common thread: every one of these options works far better when it's set up five or ten years before retirement than when it's addressed the year you actually want to stop working.

SECTION 07

Coordinating your team

By this point in the guide, it should be clear that almost none of these decisions live in one professional's lane. Your accountant sees the corporate tax return. Your lawyer drafts the agreements. Your banker manages financing. Each does their part well — but usually without visibility into what the others are doing.

THE COORDINATION GAP

An insurance decision made without your accountant's input can create a corporate tax problem. A corporate structure built without your lawyer can leave your estate plan unenforceable. Most costly mistakes happen in the gaps between advisors, not inside any one person's area of expertise.

This is the role Canadian Allied Services plays — not replacing your accountant, lawyer, or banker, but making sure their work fits into a single plan instead of three disconnected ones.

SECTION 08

The annual review

A financial plan for a business owner isn't a document you write once. Tax rules change, the business grows or contracts, and your own goals shift. A short annual review keeps the plan current:

1. Update your personal balance sheet with the past year's changes
2. Check how close the corporation is to the passive income grind threshold
3. Confirm insurance coverage still matches your income, debts, and business value
4. Revisit your salary/dividend split for the year ahead
5. Flag any life changes — a new partner, a child, a partner leaving the business — that affect agreements or beneficiaries

Fifteen minutes a year spent on this review is, in almost every case, the highest-return planning activity available to a business owner.

Ready to build your roadmap?

Book a no-obligation discovery call and we'll walk through where you stand today and what to prioritize first.

Book a Discovery Call

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