Wealth Management

the Navigator

INVESTMENT, TAX AND LIFESTYLE PERSPECTIVES FROM RBC FAMILY OFFICE SERVICES

Aaron Fennell, MBA, CFA
Portfolio Manager & Investment Advisor
Tel: 416-313-6397
aaron.fennell@rbc.com

RBC Dominion Securities
181 Bay Street, Suite 2350
Toronto, ON M5J 2T3
www.aaronwfennell.com

Decision tree for addressing surplus cash in a corporation

As a business owner, you most likely rely on the income generated by your corporation's business to fund your lifestyle. You may also hope that your business accumulates sufficient capital to meet your income needs in retirement. In the meantime, what should you do with any surplus cash accumulating in your corporation? Is there a business need for the cash? If so, could you invest the funds within the corporation? Or do you need the funds personally and want to withdraw them from your corporation? Are there tax-efficient ways to withdraw funds out of your corporation?

This article introduces some options you can consider if you have surplus cash in your corporation and provides a decision tree to help you address your personal and corporate needs.

The terms "corporation" and "company" are used interchangeably to refer to a Canadian-controlled private corporation (CCPC) in this article. In simple terms, a CCPC is a Canadian corporation that's not controlled by a non-resident of Canada or a public corporation or a combination of both. In addition, no class of shares of the CCPC can be listed on a prescribed stock exchange. This article doesn't apply to public corporations or to businesses operating as a partnership or a sole proprietorship.

The decisions

As a starting point, you may want to be familiar with the rules governing the taxation of business income inside your corporation. Understanding how business income is taxed will provide you with insight for making informed decisions about what to do with any surplus cash in your corporation. For more information, please ask your RBC advisor for an article discussing the taxation of business income in a corporation. This article provides an overview of the benefits of operating a business inside a corporate structure, describes the various facets of business income and explains how business income is taxed in a corporation.

As a starting point, you may want to be familiar with the rules governing the taxation of business income inside your corporation. Understanding how business income is taxed will provide you with insight for making informed decisions about what to do with any surplus cash in your corporation. For more information, please ask your RBC advisor for an article discussing the taxation of business income in a corporation.

Once the business income has been taxed in your corporation, you need to determine if there's a business need for any surplus after-tax cash. For example, does your corporation need the cash to pay income tax instalments or to make a major capital expenditure? If there's no immediate business need, you might want to consider investing the excess funds within your corporation in order maximize the value of your surplus cash in the meantime. However, keep in mind that if you need the funds in the short- or medium-term, you'll want to ensure the investments you make can be easily liquidated when the time comes. For more information, please ask your RBC advisor for an article discussing the taxation of investment income in a corporation.

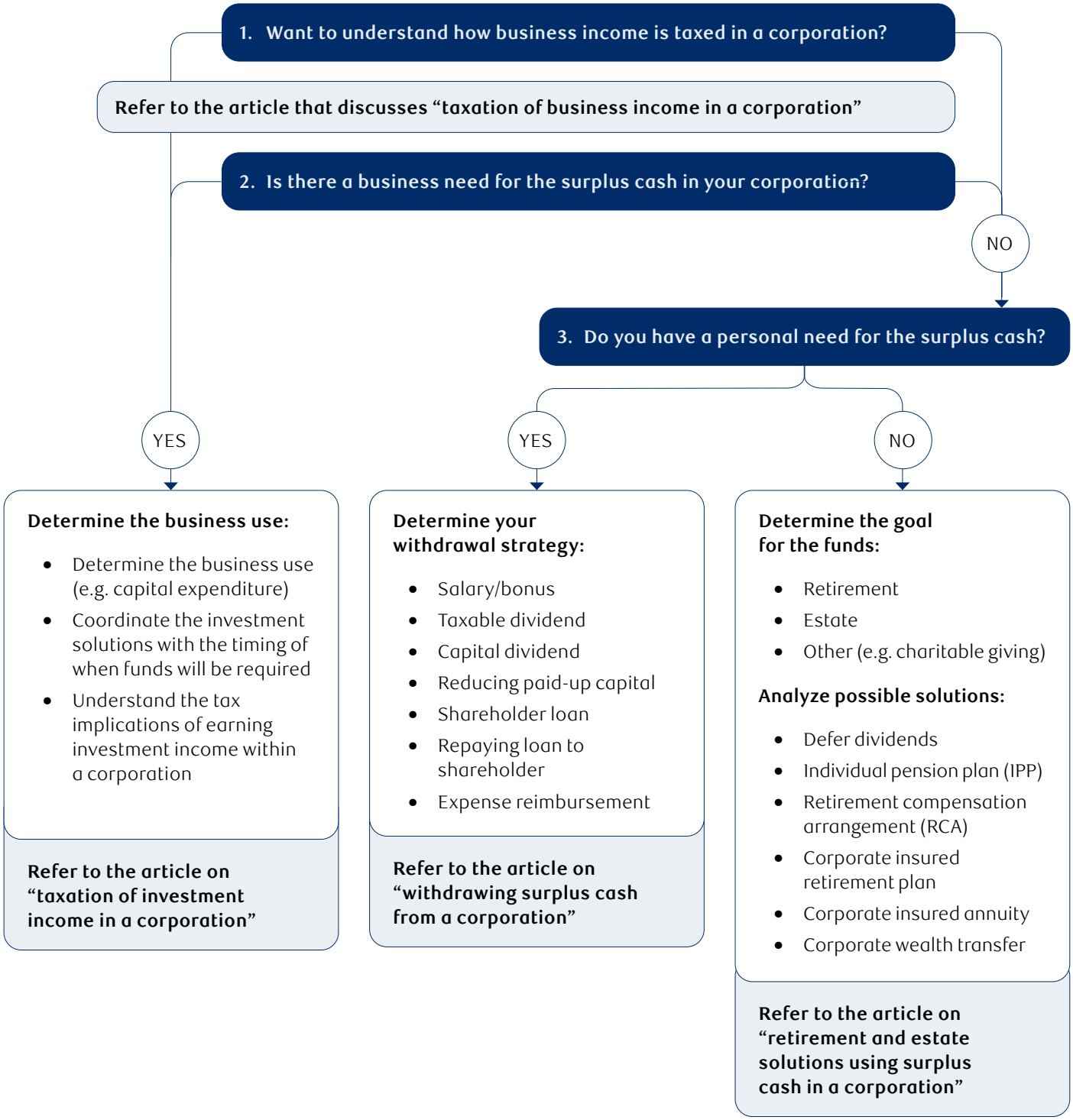
If there's no business need for the excess cash within your corporation, consider whether you have a personal need for the funds, such as paying down personal debt or funding lifestyle expenses. If you decide you have a personal need for the surplus cash in your corporation, the next step is to determine the best way to withdraw the money, paying special attention to the tax consequences. For more information, please ask your RBC advisor for an article discussing withdrawing surplus cash from a corporation. This article discusses various methods of withdrawing cash from your corporation as well as the consequential tax issues and incentives that might apply with each method.

Lastly, if you don't have a short- or medium-term business or personal need for the cash, you may want to consider your long-term objectives, whether they involve boosting your retirement savings or enhancing the value of your estate. For more information, please ask your RBC advisor for an article discussing the use of surplus in a corporation for potential solutions for retirement and your estate.

This article may contain strategies, not all of which will apply to your particular financial circumstances. The information in this article is not intended to provide legal, tax or insurance advice. To ensure that your own circumstances have been properly considered and that action is taken based on the latest information available, you should obtain professional advice from a qualified tax, legal and/or insurance advisor before acting on any of the information in this article.

The decision tree

This decision tree points you to the most appropriate article to get more information depending on your personal and corporate needs.





Wealth Management

This document has been prepared for use by the RBC Wealth Management member companies, RBC Dominion Securities Inc. (RBC DS)*, RBC Phillips, Hager & North Investment Counsel Inc. (RBC PH&N IC), RBC Wealth Management Financial Services Inc. (RBC WMFS), Royal Trust Corporation of Canada and The Royal Trust Company (collectively, the "Companies") and their affiliates, RBC Direct Investing Inc. (RBC DI)* and Royal Mutual Funds Inc. (RMFI). *Member – Canadian Investor Protection Fund. Each of the Companies, their affiliates and the Royal Bank of Canada are separate corporate entities which are affiliated. "RBC advisor" refers to Private Bankers who are employees of Royal Bank of Canada and mutual fund representatives of RMFI, Investment Counsellors who are employees of RBC PH&N IC, Senior Trust Advisors and Trust Officers who are employees of The Royal Trust Company or Royal Trust Corporation of Canada, or Investment Advisors who are employees of RBC DS. In Quebec, financial planning services are provided by RMFI or RBC WMFS and each is licensed as a financial services firm in that province. In the rest of Canada, financial planning services are available through RMFI or RBC DS. Estate and trust services are provided by Royal Trust Corporation of Canada and The Royal Trust Company. If specific products or services are not offered by one of the Companies, RBC DI or RMFI, clients may request a referral to another RBC partner. Insurance products are offered through RBC Wealth Management Financial Services Inc., a subsidiary of RBC Dominion Securities Inc. When providing life insurance products in all provinces except Quebec, Investment Advisors are acting as Insurance Representatives of RBC Wealth Management Financial Services Inc. In Quebec, Investment Advisors are acting as Financial Security Advisors of RBC Wealth Management Financial Services Inc. RBC Wealth Management Financial Services Inc. is licensed as a financial services firm in the province of Quebec. The strategies, advice and technical content in this publication are provided for the general guidance and benefit of our clients, based on information believed to be accurate and complete, but we cannot guarantee its accuracy or completeness. This publication is not intended as nor does it constitute tax or legal advice. Readers should consult a qualified legal, tax or other professional advisor when planning to implement a strategy. This will ensure that their individual circumstances have been considered properly and that action is taken on the latest available information. Interest rates, market conditions, tax rules, and other investment factors are subject to change. This information is not investment advice and should only be used in conjunction with a discussion with your RBC advisor. None of the Companies, RMFI, RBC WMFS, RBC DI, Royal Bank of Canada or any of its affiliates or any other person accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or the information contained herein. In certain branch locations, one or more of the Companies may carry on business from premises shared with other Royal Bank of Canada affiliates. Notwithstanding this fact, each of the Companies is a separate business and personal information and confidential information relating to client accounts can only be disclosed to other RBC affiliates if required to service your needs, by law or with your consent. Under the RBC Code of Conduct, RBC Privacy Principles and RBC Conflict of Interest Policy confidential information may not be shared between RBC affiliates without a valid reason. ®/™ Trademark(s) of Royal Bank of Canada. Used under licence. © Royal Bank of Canada 2026. All rights reserved.

NAV00027 (01/2026)