Six Places Corporate Cash Can Go

The slide-14 grid on one page — what each option is, and the one trade-off nobody puts on the brochure. Built to bring to your accountant.

Retained earnings sitting in a GIC or a market account aren't wrong. They're **parked** — and parked money has a quiet cost every month it stays there. There isn't one right destination. Most owners end up using two or three of the six below. The point of this page isn't to pick one; it's to know what each one asks of you before someone asks you to sign.

THE SIX PLACES

1 Marketable securities

GICs, bonds, ETFs, stocks held inside the corporation. Liquid — the money moves on Tuesday and is back by Thursday if you need it.

THE HONEST TRADE-OFF

Interest and other passive income is taxed at roughly half inside the corporation, and every dollar of it counts toward the $50K line below. Liquidity is the feature; the tax drag is the price.

2 Real estate in the corp

A building or unit your corporation owns outright — an asset you can see, that may appreciate, and that can house the business itself.

THE HONEST TRADE-OFF

Rent is passive income (it counts toward the line), and it's illiquid — funding a decision by selling a building takes months, not days. Land-transfer costs and mortgages don't shrink because the buyer is a corporation.

3 Pay down business debt

Retire the operating line, the equipment loan, the leftover from the last expansion. A guaranteed return at your loan rate, and no tax event to think about.

THE HONEST TRADE-OFF

It's one-directional and not glamorous. Cash sent to the lender doesn't come back in a lean quarter, and because business interest is deductible, your true return is the rate *after* the deduction you give up.

4 Reinvest in the business

People, equipment, marketing, a second location. Most of it is deductible or written off over time, and it's the only option on this page that can grow the thing that made the cash.

THE HONEST TRADE-OFF

Only if you actually want to grow. Buying a truck to avoid tax is still buying a truck — and the deduction is worth less than the dollar you spend to get it.

5 Individual Pension Plan

A defined-benefit pension your corporation sponsors for you. Room is calculated from your age and T4 salary history — past 40, it typically passes the RRSP cap and keeps climbing. Contributions are deductible to the corporation.

THE HONEST TRADE-OFF

Rigid. The money is locked in, there are setup and actuarial costs, and dividends create no room — if you pay yourself dividend-only, the first conversation is whether switching is worth it.

6 A corporate-owned structure

Corporate-owned permanent life insurance. The cash value grows tax-sheltered, stays available to the business through a collateral loan, and reaches your family through the capital dividend account with little or no tax.

THE HONEST TRADE-OFF

A long-horizon commitment — it works in decades, not quarters. It needs medical underwriting (weeks, not days), and it's a tax and wealth-transfer structure, not an investment. Wrong for anyone who needs every corporate dollar liquid.

The $50K line — stated without the overstatement

The rule. Once your corporation's passive investment income — interest, rent, royalties, and the *taxable half* of passive capital gains — passes **$50,000** in a year, the federal small business deduction starts to shrink: **$5 of the $500,000 business limit lost for every $1 over.** At $150,000 of passive income it's gone. Last year's passive income sets this year's limit.

Two things people get wrong. Only the taxable portion of a gain counts (50% inclusion — the proposed increase was cancelled), and gains on active business assets don't count at all; selling the operating company doesn't grind the deduction.

"Gone entirely" is federal. Ontario and New Brunswick didn't adopt the grind — an Ontario corporation keeps its provincial small business rate. BC and Alberta follow the federal rule.

Figures current as of 2026 — confirm with your CPA. Run your own numbers: **dundaswealth.ca/corporate-tax-leak** (the Corporate Tax Leak Calculator) · **dundaswealth.ca/retained-earnings-calculator** (the Retained Earnings Opportunity Calculator).

Circle the two you'd want to talk about

Two, not six — the conversation is better when it's narrow

- ○ **Marketable securities**
- ○ **Real estate in the corp**
- ○ **Pay down business debt**
- ○ **Reinvest in the business**
- ○ **Individual Pension Plan**
- ○ **A corporate-owned structure**

Bring the circled page to your session — and to your accountant. Your accountant files what happened; this is the decide-before-it-happens layer. Either way, the conversation starts twenty minutes further along than "so, what should I do with the cash?"