



Insured Annuity Solutions

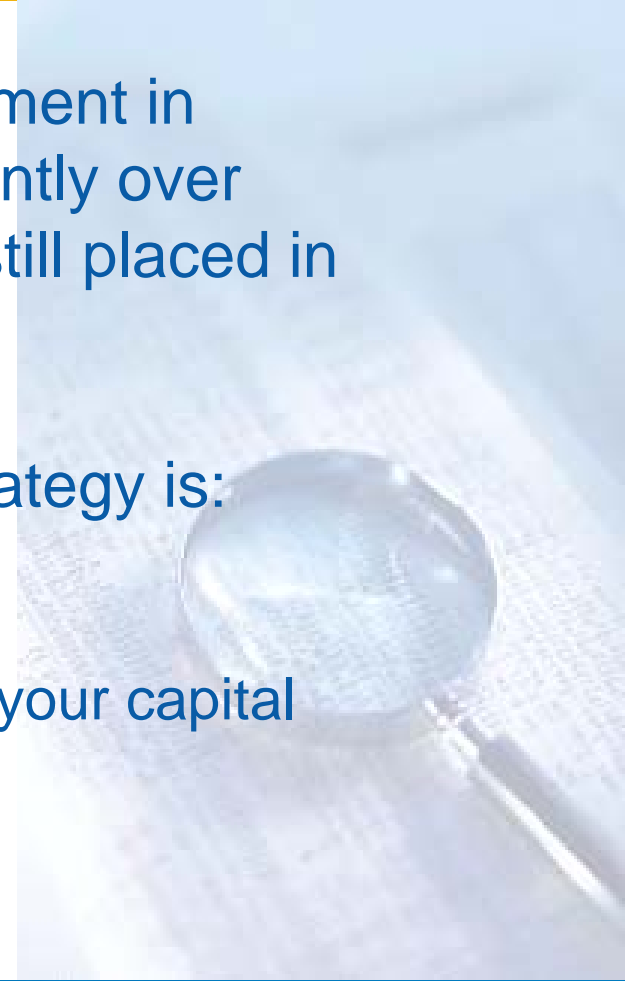
Increase your after-tax
retirement income...
...and preserve your investment!

Current GIC Investments

Despite the low interest rate environment in Canada over the last 15 years, currently over \$800 Million of wealth in Canada is still placed in GICs earning low after-tax returns.

The problem with this investment strategy is:

- Low rates of return for many years
- Interest income is 100% taxable
- Increasing your income decreases your capital



What these investors are looking for...

More people are looking for better ways to increase their income using their assets without risk to their capital investment or being exposed to fluctuating equity markets.

GIC investors are looking for:

- a higher yield
- no risk to the capital
- reduced taxable income

Introducing the Insured Annuity Solution...

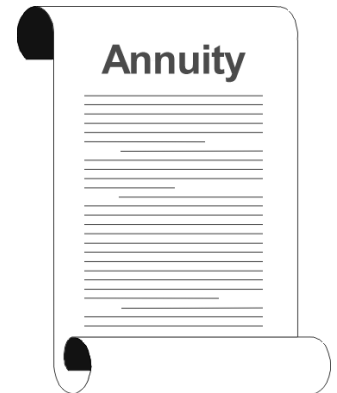


The Insured Annuity Solution

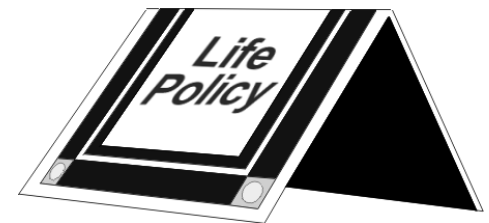
This solution combines two financial instruments:

- **Prescribed Life Annuity**
- **Life Insurance policy**

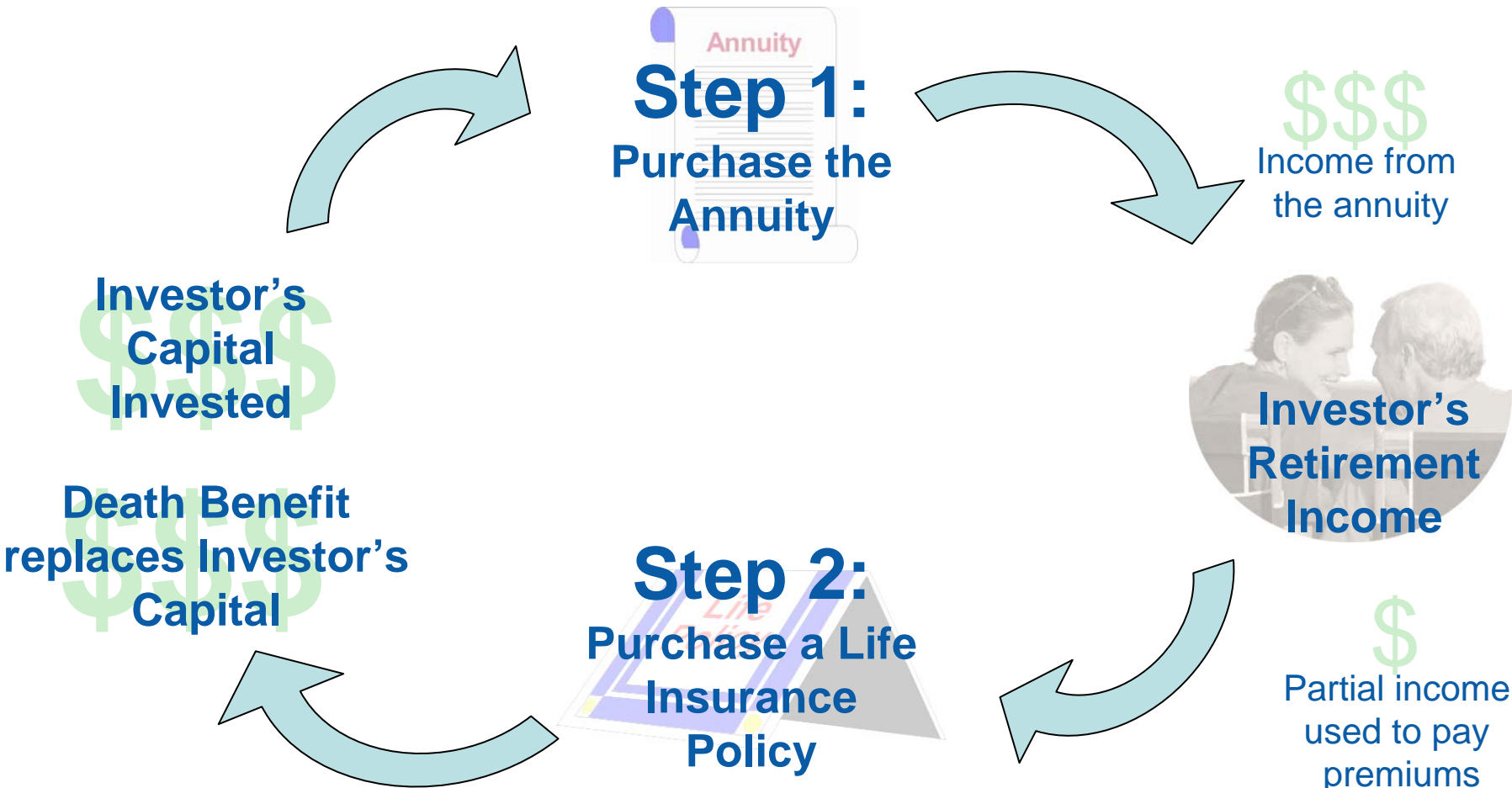
This combination creates an extraordinary opportunity to increase income, lower taxation and guarantee the investment capital is returned at death to the beneficiaries.



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How it works...

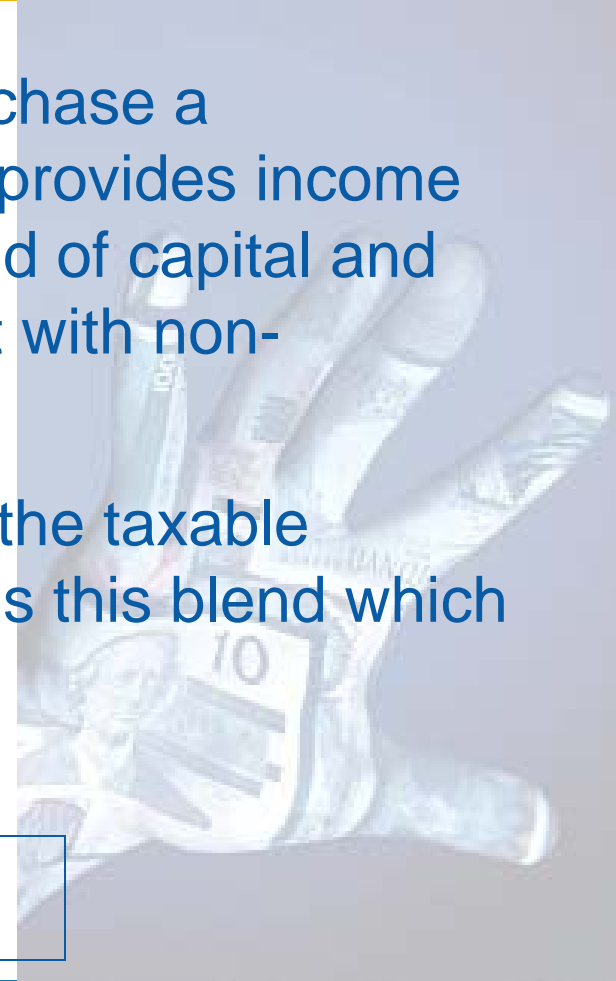


Step 1: Purchase the Life Annuity

The Investor's Capital is used to purchase a ***prescribed zero life annuity*** which provides income for life. This type of annuity is a blend of capital and interest and is extremely tax-efficient with non-registered funds.

The “***prescribed***” component levels the taxable portion to be the same each year. It is this blend which makes the income very tax efficient.

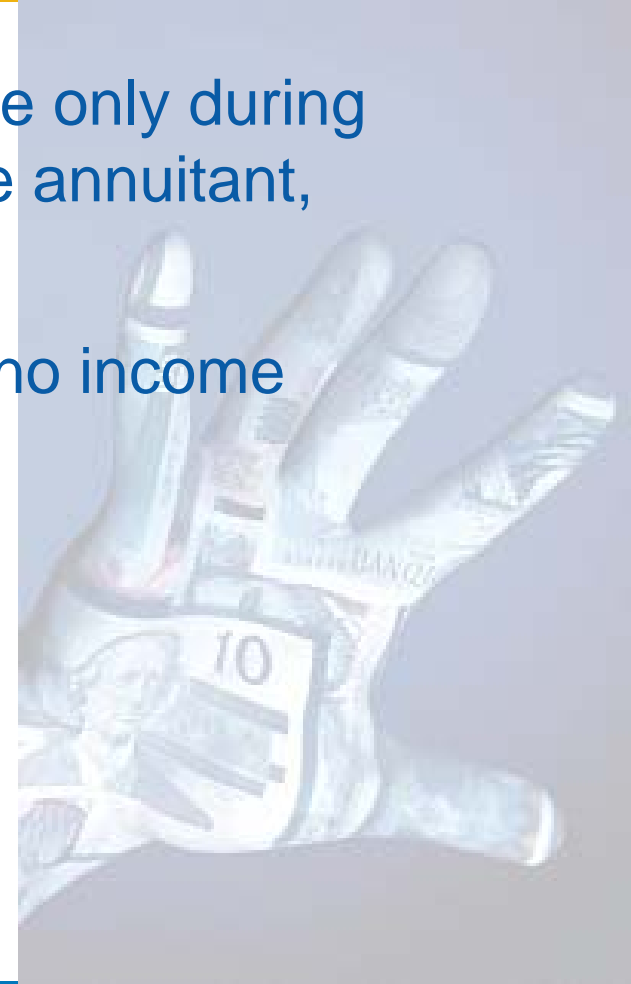
Fact: The older the annuitant, the more annual income an annuity will provide.



Step 1: Purchase the Life Annuity

The “**life annuity**” provides an income only during the life of the annuitant. The older the annuitant, the higher the annuity income.

The ‘**zero**’ denotes that there will be no income paid after the annuitant dies.



Step 2: Purchase the Life Insurance

A life insurance policy is purchased using a portion of the income provided by the annuity. The policy death benefit ensures that the original capital is returned for the benefit of the annuitant's beneficiaries.

The life insurance contract must provide coverage for "life". Cost of the insurance plays an important role as it directly impacts how much after-tax income will be generated from an insured annuity.

The most cost effective plans to do this is usually the Term to 100 plans, paid-up at age 100 or a Universal Life plan with guaranteed level cost of insurance.

Fact: The older the applicant, the higher the life insurance premium will be.



The Insured Annuity Solution

A **Life Annuity** backed by a **Life Insurance** policy

- **No risk to investment** income regardless of market conditions
- The annuity **guarantees the income** for life
- Provides a **higher income** over traditional GIC income
- The life insurance **guarantees the preservation of invested capital**, completely tax-free!



Insured Annuity Case Study

A typical GIC scenario

John (67) considered investing a **\$150,000** death benefit he received in a GIC. He would draw an income from the interest. Current 5 year GIC rates were offering **3.00%** annually.

Gross annual income generated from the GIC

less taxes paid on income (*assuming 45% tax rate*)

Total net annual income from GIC

= \$ 4,500

= \$ 2,025

= \$ **2,475**

Fact: The interest earned on a GIC is fully taxable. Any amount withdrawn over the interest will not be taxed, but will reduce the estate value.

Insured Annuity Case Study

A typical insured annuity scenario:

Instead, John chose to purchase a prescribed zero life annuity from BMO Insurance. At the same time he purchased a **Term to 100** insurance plan from another company.

Gross annual income generated from Annuity	= \$ 12,268
less taxes paid on income (<i>assuming 45% tax rate</i>)	= \$ 1,191
less premiums for Term to 100 insurance plan	= \$ 5,085
Total net annual income from Annuity	= \$ 5,992

Fact: A prescribed Zero Life Annuity will yield higher annual after-tax income.

Insured Annuity Case Study

Insured Annuity vs. GIC:

Gross annual income generated from Annuity	= \$ 12,268
less taxes paid on income (<i>assuming 45% tax rate</i>)	= \$ 1,191
less premiums for Term to 100 insurance plan	= \$ 5,085
Total net annual income from Annuity	= \$ 5,992

Gross annual income generated from the GIC	= \$ 4,500
less taxes paid on income (<i>assuming 45% tax rate</i>)	= \$ 2,025
Total net annual income from GIC	= \$ 2,475

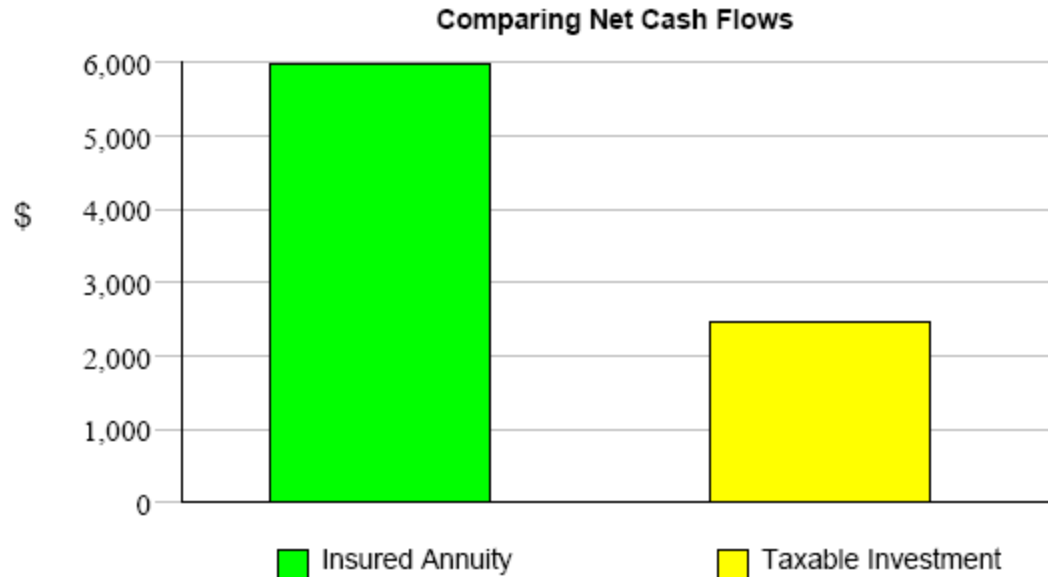
That's a difference of **\$3,517** per year!

A GIC pre-tax equivalent would have to be **7.3%** per year

...every year!

Insured Annuity Case Study

Insured Annuity vs. GIC



That's a difference of **\$3,517** per year, an increase of 142%!



Insured Annuity Illustrations

BMO Insurance - The Wave Illustration System - Payout Annuity - SPIA V2.1/09-10 - NONAME

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Annuity Information

Type of Annuity: Single Life Province: Ontario

Client Name: John DOB: 29/12/1942 Age: 67 Sex: Male Marginal tax rate %: 50.00

Type of Funds: Non-Registered Tax Status: Prescribed

Purchase Date: 01/01/2010 First Payment Date: 01/01/2010 Income Frequency: Annual

Guaranteed Period: 0 years

Insured Annuity Concept: Ownership: Personal

Life Insurance Coverage: 150,000

Annual Premium: 5,085

Taxable Investment rate: 3.00 %

Single Premium Amount \$ 150,000.00

Income Amount \$ 12,268.22

SPIA V2.1/09-10/1

NUM

Available
from Wave
illustration
software!



Insured Annuity Marketing Support

Available through your MGA!

• Form 370E

Personal Insured Annuity Solution

Richard, 71, is really enjoying his retirement after 45 years of working and raising a family.

As a wise investor, Richard worked hard to build a nest egg for the future and is ready to take advantage of these savings to supplement his retirement income. Almost all of his funds are now invested in bonds and guaranteed investment certificates. Richard wants the best of both worlds to create the most income possible, while ensuring that his investments have little or no risk.

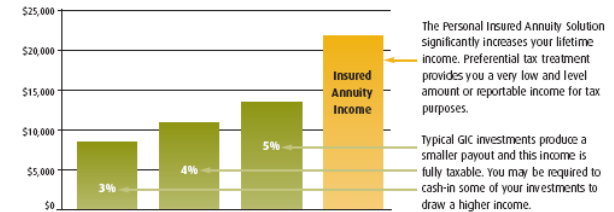
The adjacent charts show how the **Personal Insured Annuity Solution** would help Richard increase his retirement income using a Single Premium Immediate Annuity from BMO* Insurance.

How to get *more* out of your investments!

This example shows the advantages of Richard investing his money in a Personal Insured Annuity Solution compared to drawing an income from a more traditional retirement investment such as a GIC.

Quote based on a male, 71, non-smoker with a marginal tax rate of 45%; Prescribed life annuity quotation based on rates as of May 21, 2009.	Personal Insured Annuity Solution	GIC Investment earning 4%
Principal Investment	\$500,000	\$500,000
Annual Income*	\$45,668	\$20,000
Taxable Amount	\$8,940	\$20,000
Tax Payable	\$4,023	\$9,000
Cash Flow Before Life Insurance Premium	\$41,645	\$11,000
Life Insurance Premium*	\$21,305	\$0
Annual Net Cash Flow	\$20,340	\$11,000
Equivalent pre-tax GIC return	7.4%	4.0%

* Actual annuity income will depend on your age, sex, insurability rating, current annuity rates and the amount invested.



The Personal Insured Annuity Solution significantly increases your lifetime income. Preferential tax treatment provides you a very low and level amount or reportable income for tax purposes.

Typical GIC investments produce a smaller payout and this income is fully taxable. You may be required to cash-in some of your investments to draw a higher income.

Ask your Financial Advisor if the **Personal Insured Annuity Solution** is right for you ... increase your after-tax retirement income and *preserve* your investment!

Conclusion

The Insured Annuity concept allows investors to earn a higher after-tax income using the annuity payout and to ensure that the original capital used to purchase the annuity will be returned to the estate tax-free!

The safety of this type of concept protects investors against fluctuating interest rates, loss of capital and at the same time earning a higher income and paying less taxes. It's a **win-win** situation!



Please note...

There are some important factors to consider when purchasing an Insured Annuity:

- The Life Insured must be in reasonably good health. This concept will not work if the investor is uninsurable or the cost of insurance is prohibitive.
- Look for the best annuity and permanent life insurance rates, taking into consideration the strength of the company issuing each contract.
- Each contract is issued separate and independent.
- The Life Insured should be aware that the life annuity is not cancellable... the decision is for life!

Information contained in this document is for illustrative purposes and is subject to change without notice. Refer to an up-to-date policy illustration for this plan for a current statement of benefits.

Insurer: BMO Life Assurance Company.

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