



Now you can use “growth potential” and “security of a GIC” in the same sentence

SID AND MARTHA

Client Profile

Sid and Martha are both 55 and in good health. In addition to their company pension plans, their investment portfolio consists of a well-funded RRSP which should take care of their retirement income needs.

The Need

They also have a sizeable amount of surplus non-registered cash sitting in GICs which they have set-aside as a legacy for their children, Jordan and Janice. They're conservative and are looking to keep their money safe. However, with interest rates so low, they're wondering if they can inject some growth potential into these funds.

The Solution

Their advisor talked to them about the benefits of universal life insurance and the tax-deferred savings account built right into the product. Plus, BMO Insurance has a new investment option in its Life Dimensions plan that offers the growth potential of the equity market and the security of a GIC.

A Guaranteed Market Indexed Account (GMIA) can provide Sid and Martha with a simple, tax effective way to invest their surplus cash and boost up the amount they want to leave Jordan and Janice. The extra insurance protection automatically enhances their estate value.

Introducing Guaranteed Market Indexed Accounts

Key Highlights:

- Exposure to equity market performance, with the security of a GIC
- Net rates of return are guaranteed never to be negative
- Interest that's calculated and credited **EVERY YEAR** over the Investment Term
- \$5,000 minimum lump sum deposit on all new Life Dimensions policies (issued under version 2010/11/18)
- Flexibility to switch without penalty to a Fixed Interest Rate Option or other available GMIA's on Interest Crediting Dates without any penalty

Take a look at how Life Dimensions with a GMIA compares to keeping their money in a GIC:

Age	Deposit	Life Dimensions (Low Fees) with a 5.5% projected rate of return in a GMIA			Traditional GIC @ 4.0%	
		Fund Value	Cash Value	Tax-Free Estate Value	Estate Value	Estate Value (after-tax)
56	25,000	24,589	20,668	546,000	26,000	25,580
57	25,000	50,524	42,683	546,000	53,040	51,753
58	25,000	77,894	69,269	575,279	81,162	78,534
59	25,000	106,757	97,348	607,309	110,408	105,936
60	25,000	137,197	126,220	630,286	140,824	133,974
65	0	172,418	172,418	432,558	171,334	150,253
70	0	220,513	220,513	368,813	208,454	168,510
75	0	284,201	284,201	356,498	253,617	188,985
80	0	367,753	367,753	418,779	308,564	211,949
85	0	476,765	476,765	476,765	375,415	237,702
100	0	1,060,962	1,060,962	1,060,962	676,101	335,306

Universal life policy: Life Dimensions (Low Fees) with InvestorMaximizer issued on a Joint Last to Die for MNS55 and FNS55 and a 5.5% rate of return in a GMIA. Marginal tax rate: 42%. Probate and other estate charges: 2%.



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Here’s how a GMIA works:

- At the beginning of each month, a new GMIA “Series” is made available for new deposits on a Life Dimensions policy
- Deposits into a GMIA will earn daily interest until the Series “Investment Date” (typically the beginning of the following month), after which time that specific Series is closed to additional deposits
- Deposits are made for an Investment Term of 10 years. Interest is calculated and credited every year on specified Interest Crediting Dates, using the pre-disclosed interest crediting factors
- At the end of every 12 months during the Investment Term, the interest crediting factors for the next 12 months are published on bmoinvestpro.ca
- At the end of the Investment Term, unless we receive other investment instructions, funds are automatically rolled over for a further investment term using the terms and conditions offered when funds are renewed

Consider a Canadian Equity GMIA which includes the following factors in the first year:

GMIA Interest Crediting Rate Factors*:	Minimum Rate of Return	0%	← The credited interest rate will never be negative
	Index Participation Rate:	60%	← The rate of return is based on 60% of the S&P/TSX 60 market index price return
	Index Cap Rate:	No Maximum	This is the minimum percentage increase in the value of the S&P/TSX 60 market price return that must be achieved for the Credited Interest Rate to be positive; otherwise the Credited Interest Rate is zero
	Hurdle Rate:	3%	←

In this example, if the price return for the S&P/TSX 60 for the year is 15%, the Credited Interest Rate will be: $(15\% - 3\%) \times 60\% = 7.2\%$

GMIA's require a minimum deposit amount (currently set at \$5,000*) so it's not ideal for clients who are purchasing small amounts of insurance or who are depositing the minimum premium into their policy.

The GMIA is not a short term investment. While funds can be withdrawn or transferred out of the GMIA before the Maturity Date, they are subject to certain restrictions and fees. Refer to the GMIA Fact Sheet on www.bmoinvestpro.ca for more details.

To learn more, contact your MGA or local BMO Insurance Business Development office to sign-up for the next workshop on the GMIA.

*Subject to change, based on the Terms and Conditions for a specific Series.

Universal Life Indexed Accounts and Guaranteed Market Indexed Accounts are investment accounts that credit an interest amount mirroring the net rate of return of underlying investments, less a fee. BMO Life Assurance Company policyholders do not purchase units in any index or a legal interest in any security. Refer to a policy contract for the maximum UL fees charged on indexed accounts.

Information contained in this document is for illustrative purposes and is subject to change without notice.

Insurer: BMO Life Assurance Company

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