



Get the unthinkable: equity-style returns with a guarantee...in one UL!

MARTIN

Client Profile

Martin is a 50 year old single parent who's just completed an insurance review with his advisor. He realizes that he needs \$500,000 of permanent insurance for estate planning purposes. He's also been thinking about what he's going to leave for his daughter. He's taken care of his retirement savings needs and has set aside additional money as an inheritance for her. He doesn't really need this extra money and would like to get a better return than what he's been seeing lately on traditional GICs.

The Need

Martin wants to ensure that he has a tax effective means of covering off the taxes due on his estate. Plus, he wants to maximize what he gives his daughter-minimizing investment income tax and the fees that are typically attached to an estate such as probate and executor's fees.

The Solution

A universal life plan can help. It includes all of what Martin's looking for: permanent insurance plus a tax efficient savings account. Upon his death, the insurance protection can be used to offset the taxes due on his estate. Plus, any money accumulating in the savings account can grow within a tax-deferred environment and paid out to his beneficiaries tax-free.

Martin's advisor pointed out that there's a new option worth looking at for the savings component: a Guaranteed Market Indexed Account (GMIA) from BMO® Insurance. It's the first of its kind in Canada and only available on BMO Insurance's Life Dimensions plan. It provides equity-style returns with a guaranteed non-negative rate of return. So, there's the growth potential that he's looking for, with no downside risk!

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

Using a deposit stream of \$25,000 per year over the next five years, followed by minimum deposits, his advisor showed him the benefits of using the universal life approach. He compared this to buying the least expensive Term to 100 policy* and investing the difference in a taxable portfolio with the same annual deposits. Here are the results of the projection:

Age	Annual Deposit	Life Dimensions (Low Fees) with a 5.5% projected rate of return in a GMIA**				Alternative Approach: Buy Term to 100 Insurance and Invest the Difference in a GIC at 4%			
		Total Annual Charges	Face Amount	Tax-Deferred Savings Account	Tax-Free Estate Value	Term to 100 Premium	Face Amount	After-tax Investment Portfolio	After-tax Estate Value
51	25,000	5,789	500,000	19,740	519,740	5,471	500,000	19,982	519,982
52	25,000	5,789	500,000	40,566	540,566	5,471	500,000	40,428	540,428
53	25,000	5,789	500,000	62,537	562,537	5,471	500,000	61,348	561,348
54	25,000	5,789	500,000	85,717	585,717	5,471	500,000	82,754	582,754
55	25,000	5,789	500,000	110,171	610,171	5,471	500,000	104,656	604,656
60	5,471	5,789	500,000	141,471	641,471	5,471	500,000	117,374	617,374
65	5,471	5,789	500,000	182,379	682,379	5,471	500,000	131,637	631,637
70	5,471	5,789	500,000	235,844	735,844	5,471	500,000	147,633	647,633
75	5,471	5,789	500,000	305,721	805,721	5,471	500,000	165,573	665,573
80	5,471	5,789	500,000	397,046	897,046	5,471	500,000	185,692	685,692
85	5,471	5,789	500,000	516,406	1,016,406	5,471	500,000	208,257	708,257
100	5,471	5,789	500,000	1,142,753	1,642,753	5,471	500,000	293,773	793,773

It's clear that universal life with a GMIA from BMO Insurance can provide the permanent insurance Martin needs with a savings account that's better than the alternative approach.

*As of May 4, 2011

**Universal life policy: Life Dimensions (Low Fees) issued on a Single Life for M50N and a 5.5% rate of return in a GMIA. Marginal tax rate: 42%.



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Here's how the 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 Net 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 just 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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