



Corporate Insured Retirement Plan

Because successful businesses
need security *and* income

The Opportunity

Business owners who need insurance to...

- Fund a buy-sell agreement between partners of the company
- Cover the loss of a key employee such as an individual with a special skill
- Secure a loan that will only be granted if there is life insurance on the business owner
- Fund a capital gains liability that results from the distribution of a shareholder's interest in the company to his/her designated beneficiaries



The Opportunity

Using universal life, once a sizeable Cash Value has accumulated, a third party line of credit may be established to...

- Access a source of cash for income or emergencies
- Provide a source of supplemental retirement income for key employees
- Seek out new business opportunities
- Expand their businesses or pay for other operational expenses



Target Market

Small business owners of CCPCs* who...

- Require and are able to qualify for life insurance protection
- Are able to pay for the insurance coverage and who would like to transfer some of their corporate surplus into a UL policy to benefit from tax-deferred investment growth
- Are looking for a source of cash:
 - To distribute to shareholders of the company in a tax effective manner OR
 - Who need access to cash to use for other business reasons
- Will qualify for third party loans and are able to manage these loans as part of their business operations

* Canadian Controlled Private Corporation

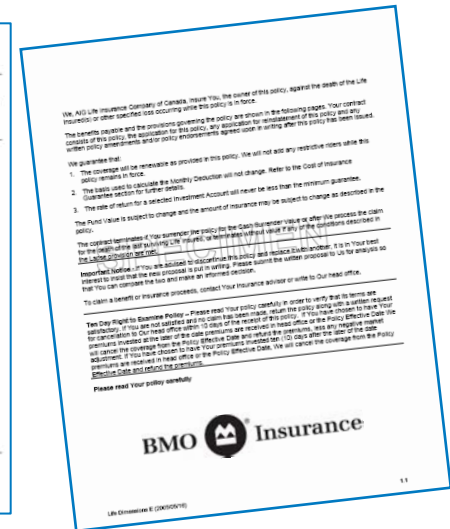
The Solution

The Corporate Insured Retirement Plan



The Corporate Insured Retirement Plan: First Steps

- Assess insurance needs
- Determine deposit stream
- Select a UL policy from BMO Life Assurance Company including an investment portfolio best suited to the client's risk tolerance

[illegible]

OVER 400 INVESTMENT OPTIONS

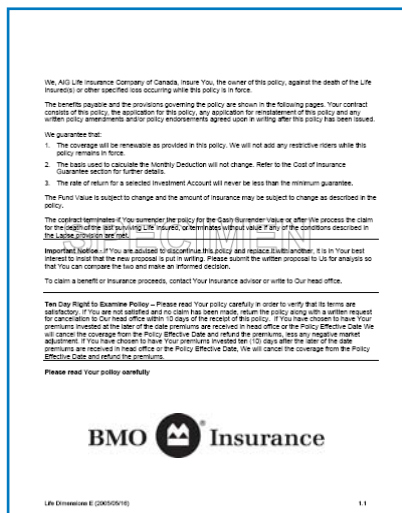
Visit InvestmentPRO at www.bmoinvestpro.ca for more information on the available Indexed Investment Accounts

investment **PRO**®

The Corporate Insured Retirement Plan: Next Steps

Once the policy has accumulated a significant Cash Value, it is assigned as collateral for a third party line of credit...

UL POLICY



LENDER



Once the line of credit is granted...

- Funds may be used within the business
 - For new business opportunities
 - To hire a new employee
 - To buy new office equipment

Or to pay out to shareholders of the company...



How the Shareholder is Paid

LENDER



CORPORATION



SHAREHOLDER



Lender advances loan to the corporation

Payout Options When Corporation Does the Borrowing...



**BONUS/
SALARY**

OR

DIVIDEND



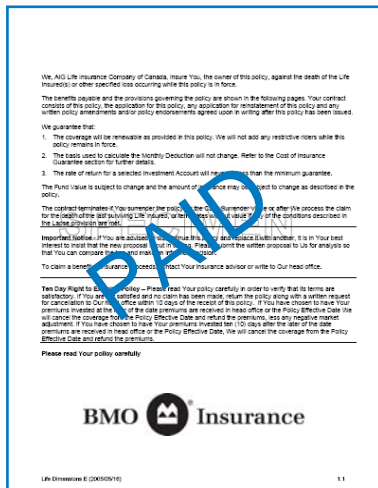
Tax Implications

	FOR THE CORPORATION	FOR THE SHAREHOLDER
BONUS/SALARY PAYMENT	<ul style="list-style-type: none">• Deductible expense• “Bonus-down” strategy• Interest paid on loan generally accepted as a deductible expense	<ul style="list-style-type: none">• Taxed as regular income
DIVIDEND PAYMENT	<ul style="list-style-type: none">• Not a deductible expense• May receive a refund from the RDTOH account<ul style="list-style-type: none">– \$1 for every \$3 of taxable dividends paid	<ul style="list-style-type: none">• Taxed at dividend tax rates
AT DEATH	<ul style="list-style-type: none">• Death Benefit proceeds, when paid to the company create a credit to the Capital Dividend Account (CDA)	<ul style="list-style-type: none">• Once the loan has been paid off, the remaining amounts may be paid as tax-free capital dividends to the shareholder’s estate, up to the balance in the CDA

At Death...

Corporation pays off the
outstanding balance of the loan

LENDER



CORPORATION



LENDER



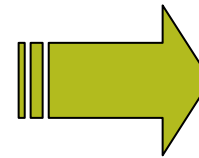
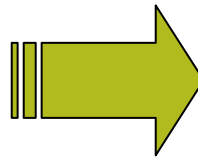
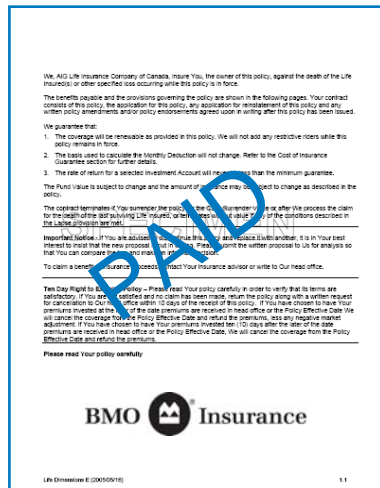
Death Benefit paid to the corporation

At Death...

LENDER

CORPORATION

LENDER

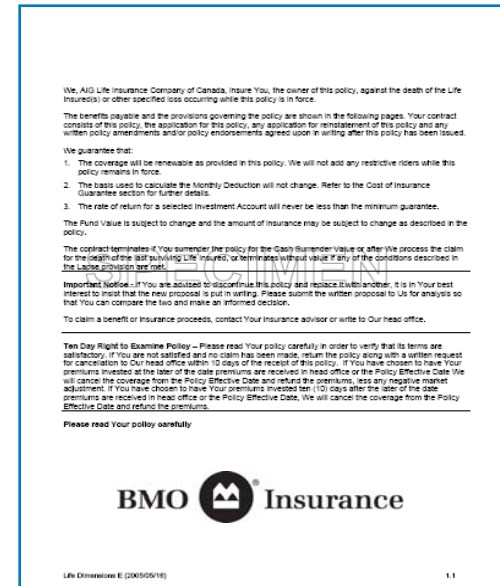


Once loan has been paid off, any remaining amount may be paid to the shareholder's estate

The Results

From the insurance policy...

- Permanent insurance protection
- Tax-sheltered growth of deposits (net of charges)
- Death Benefit less the ACB is eligible for a credit to the Capital Dividend Account
- Once loan has been paid-off, remaining amount can be paid to the shareholder's estate



The Results

From the third party line of credit/loan...

- A valuable source of income or savings
- Depending on arrangement with lender, interest may be capitalized on the LOC/loan
- No payment due until death at which time it is paid using the tax-free proceeds of the Death Benefit.



A Case Study: Andy

- Andy is 45 years old and is a business owner of AndyCo
- Needs permanent insurance protection on his own life for key person purposes
- Would like to invest \$25,000 a year for 10 years using corporate assets
- AndyCo is currently being taxed at 45%
- Andy's personal tax rate is 45% and he has a 31% dividend tax rate
- He is looking for a supplemental source of income.



Andy's Options

Alternate
Taxable
Investment

Corporate Insured
Retirement Plan

The Universal Life Solution

- Life Dimensions (Low Fees)
- Single Life
- Owner of policy: AndyCo
- Beneficiary of policy: AndyCo
- Death Benefit Option: Sum Insured
- COI option: YRT 100 with Investor Maximizer
- Planned Deposits: \$25,000 for 10 years
- Assume bank charges 6%/year in interest on accumulated loan balance



Corporate Insured
Retirement Plan



A Comparison for Andy Using the Bonus/Salary Method

	Corporate Insured Retirement Plan (projected at a 5% net annual rate of return) UL= Life Dimensions (Low Fees)	Alternative Investment (Balanced Fund projected at an 5% net annual rate of return)^
Annual Deposits	\$25,000 for 10 years	\$25,000 for 10 years
After-tax income (from age 65 to age 85)	\$23,467 (includes annual bank loans and corporate tax savings)	\$23,467 (assumes withdrawals from the fund)
Estate Value at age 85	\$1,042,800	\$67,964
Accumulated bank loan at age 85	\$938,509	\$0
After-tax Estate Value (net of bank loan)	\$104,290	\$73,758

+41% more to the shareholder's estate at age 85 with the Corporate Insured Retirement Plan

^ Assuming a Balanced Fund that has the following income: 50% interest, 30% dividends, 10% unrealized capital gains, 10% realized capital gains and probate fees of 1.5%. Probate fees are not applicable in Quebec.

A Comparison for Andy Using the Dividend Method

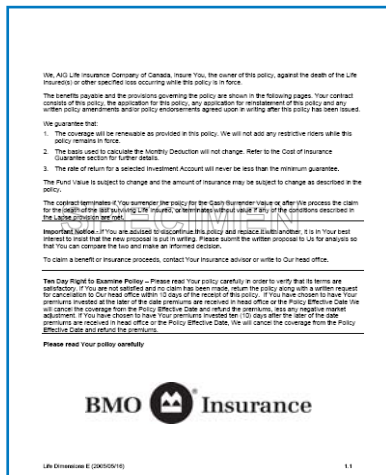
	Corporate Insured Retirement Plan (projected at a 5% net annual rate of return) UL= Life Dimensions (Low Fees)	Alternative Investment (Balanced Fund projected at an 5% net annual rate of return)^
Annual Deposits	\$25,000 for 10 years	\$25,000 for 10 years
After-tax income (from age 65 to age 85)	\$24,288 (includes annual bank loans and corporate tax savings)	\$24,288 (assumes withdrawals from the fund)
Estate Value at age 85	\$1,042,800	\$0
Accumulated bank loan at age 85	\$938,509	\$0
After-tax Estate Value (net of bank loan)	\$104,290	\$0

Estate Value **continues** past age 85 with the Corporate Insured Retirement Plan.

^ Assuming a Balanced Fund that has the following income: 50% interest, 30% dividends, 10% unrealized capital gains, 10% realized capital gains and probate fees of 1.5%. Probate fees are not applicable in Quebec.

Another Lending Option: Shareholder Does the Borrowing

POLICY



Corporate-owned
policy is assigned as
collateral

LENDER



Shareholder obtains
a personal loan.
Lender advances loan
to the shareholder

SHAREHOLDER



Tax Implications

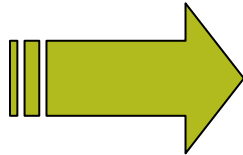
WHILE THE SHAREHOLDER IS ALIVE	<ul style="list-style-type: none">• Shareholder may be deemed to incur a taxable benefit from loan advances• Shareholder could pay guarantee fee to corporation
WHEN THE SHAREHOLDER DIES	<ul style="list-style-type: none">• If corporation pays off the loan, shareholder's estate may be deemed to incur a taxable benefit• Shareholder's estate needs to pay off the loan• The method to pay off the loan is therefore more complex

Ensure that proper tax counseling is obtained.

At Death...

When Shareholder Does the Borrowing

EXECUTOR
OF THE
ESTATE



LENDER



Requests that the lender release the UL policy as security and substitutes other assets as security

CORPORATION



Contacts the corporation and advises them that other assets have been assigned as security.

At Death...

When Shareholder Does the Borrowing

LENDER



EXECUTOR
OF THE
ESTATE

CORPORATION



Corporation then needs to
enter into a *new* security
agreement with lender.

At Death...

When Shareholder Does the Borrowing

Outstanding loan balance
is paid using proceeds paid
by the corporation



SHAREHOLDER'S
ESTATE

Payment is made to the
shareholder's estate via tax-free
capital dividend

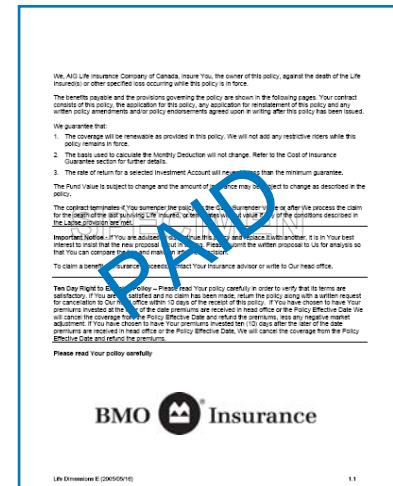
LENDER



CORPORATION



Claim is filed and Death
Benefit proceeds are then
paid to the corporation



A Comparison for Andy Using the Personal Loan Method

	Corporate Insured Retirement Plan (projected at a 5% net annual rate of return) UL= Life Dimensions (Low Fees)	Alternative Investment (Balanced Fund projected at an 5% net annual rate of return)^
Annual Deposits	\$25,000 for 10 years	\$25,000 for 10 years
After-tax income (from age 65 to age 85)	\$23,467 (includes annual bank loans and corporate tax savings)	\$23,467 (assumes withdrawals from the fund)
Estate Value at age 85	\$1,042,800	\$0
Accumulated bank loan at age 85	\$938,509	\$0
After-tax Estate Value (net of bank loan)	\$99,880	\$0

Estate Value **continues** past age 85 with the Corporate Insured Retirement Plan.

^ Assuming a Balanced Fund that has the following income: 50% interest, 30% dividends, 10% unrealized capital gains, 10% realized capital gains and probate fees of 1.5%. Probate fees are not applicable in Quebec.

Is the Corporate Insured Retirement Plan Right for Your Clients?

- Is your client a business owner that requires permanent insurance to protect his/her business?
- Will the proposed lives insured qualify for insurance?
- Would he/she like to transfer taxable corporate surplus into a tax-deferred investment vehicle?
- Does he/she want to lower the company's corporate tax bill?
- Does the corporation require a tax effective source of income?
- Is your client comfortable with carrying debt?



Factors to Consider

- Projections are affected by:
 - Timing and amount of deposits
 - Investment returns on the policy
 - Interest rate charged by the bank loan
- If life insured outlives the projection, additional collateral will be required (in addition to the policy's Cash Value)



Tax Considerations

- Interest expense deduction
 - The interest, if paid, may be a deductible expense for the corporation
- Retirement Compensation Arrangements (RCAs)
 - If the plan includes a promise to pay retirement benefits, a refundable tax would need to be paid to CRA
- General Anti-Avoidance Rules (GAAR)
- In order to qualify for the CDA credit, the policy must be set up so that:
 - Owner = CCPC
 - Beneficiary = CCPC

Ensure your client received advice from his/her tax professional!

Underwriting and Administration

- Insurance applied for must be reasonable and justified
 - There must be an insurance need
- Refer to BMO Insurance Underwriting Guidelines on the Wave
- Run a personalized illustration on the Wave!
- For the Corporate Insured Retirement Plan:
 - Owner: Corporation
 - Life insured: Your client
 - Beneficiary: Corporation
- Include a covering letter with the application.

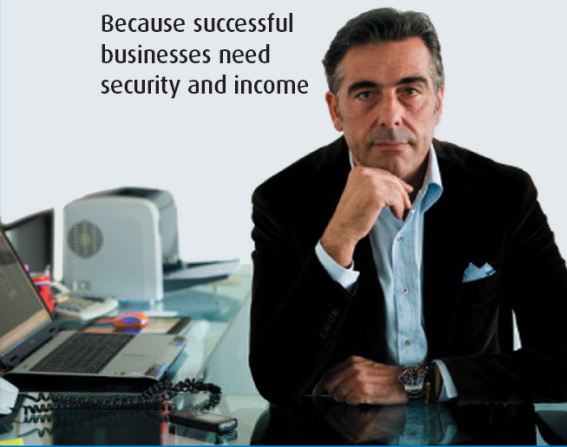


Marketing Support

Advisor Guide

BMO® Insurance's Corporate Insured Retirement Plan

Because successful businesses need security and income



BMO Insurance

How can I provide security and income for my business?

The BMO® Insurance Corporate Insured Retirement Plan can be a challenge.

Creating security today and finding cash for tomorrow are dual goals.

There is a solution.

With the Corporate Insured Retirement Plan from BMO Insurance, you can design a Corporate Insured Retirement Plan that works with your business today and provides for your future.

For example:

- You can design a Corporate Insured Retirement Plan that provides for your future.
- You can design a Corporate Insured Retirement Plan that provides for your future.
- You can design a Corporate Insured Retirement Plan that provides for your future.

BMO Insurance's Corporate Insured Retirement Plan

Life Dimensions

Collateral Bank Loan Projection with BMO Insurance's Corporate Insured Retirement Plan

Financial Projections Method of Annual Bank Loans: assumes a Personal Loan Based on an assumed bank loan interest rate of 8.00%

Year	Age	Total Assets	Bank Loan	Bank Loan Interest	Bank Loan Principal	Bank Loan Balance	Bank Loan Term	Bank Loan Rate	Bank Loan Type	Bank Loan Status	Bank Loan Details
1	40	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
2	41	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
3	42	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
4	43	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
5	44	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
6	45	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
7	46	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
8	47	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
9	48	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
10	49	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
11	50	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
12	51	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
13	52	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
14	53	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
15	54	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
16	55	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
17	56	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
18	57	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
19	58	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
20	59	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
21	60	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
22	61	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
23	62	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
24	63	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
25	64	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
26	65	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
27	66	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
28	67	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
29	68	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
30	69	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
31	70	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
32	71	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
33	72	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
34	73	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
35	74	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
36	75	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
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38	77	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
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40	79	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
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44	83	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
45	84	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
46	85	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
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55	94	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
56	95	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
57	96	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
58	97	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
59	98	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
60	99	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	
61	100	\$100,000	\$0	\$0	\$0	\$0	0	0	0	0	

BMO Insurance

BMO Insurance's Corporate Insured Retirement Plan

Life Dimensions

Collateral Bank Loan Projection with BMO Insurance's Corporate Insured Retirement Plan

Financial Projections Method of Annual Bank Loans: assumes a Personal Loan Based on an assumed bank loan interest rate of 8.00%

Year **Age** **Total Assets** **Bank Loan** **Bank Loan Interest** **Bank Loan Principal** **Bank Loan Balance** **Bank Loan Term** **Bank Loan Rate** **Bank Loan Type** **Bank Loan Status** **Bank Loan Details**

1 **40** **\$100,000** **\$0** **\$0** **\$0** **\$0** **0** **0** **0** **0**

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49 **88** **\$100,000** **\$0** **\$0** **\$0** **\$0** **0** **0** **0** **0**

50 **89** **\$100,000** **\$0** **\$0** **\$0** **\$0** **0** **0** **0** **0**

51 **90** **\$100,000** **\$0** **\$0** **\$0** **\$0** **0** **0** **0** **0**

52 **91** **\$100,000** **\$0** **\$0** **\$0** **\$0** **0** **0** **0** **0**

53 **92** **\$100,000** **\$0** **\$0** **\$0** **\$0** **0** **0** **0** **0**

54 **93** **\$100,000** **\$0** **\$0** **\$0** **\$0** **0** **0** **0** **0**

55 **94** **\$100,000** **\$0** **\$0** **\$0** **\$0** **0** **0** **0** **0**

56 **95** **\$100,000** **\$0** **\$0** **\$0** **\$0** **0** **0** **0** **0**

57 **96** **\$100,000** **\$0** **\$0** **\$0** **\$0** **0** **0** **0** **0**

58 **97** **\$100,000** **\$0** **\$0** **\$0** **\$0** **0** **0** **0** **0**

59 **98** **\$100,000** **\$0** **\$0** **\$0** **\$0** **0** **0** **0** **0**

60 **99** **\$100,000** **\$0** **\$0** **\$0** **\$0** **0** **0** **0** **0**

61 **100** **\$100,000** **\$0**