Mortgage solutions that make sense

Protecting your client’s biggest asset
• Review of the Canadian housing market
• How to protect mortgage debt with insurance
• Case study
• Business Development ideas and tips
The housing market in Canada

• Canada is trying to weather the storms in the financial markets

• This has been propelled forward, in part, by the relatively strong housing market

• But, we’ve seen four announcements since 2006 to clamp down on mortgage rules
Low interest rates continue to bolster the housing market

Average Residential Mortgage Lending Rate – 5 Year
(January 1951 – December 2014)

<table>
<thead>
<tr>
<th>Term</th>
<th>BMO Bank of Montreal November 12, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-year Smart Fixed Mortgage (Closed)</td>
<td>2.79%†</td>
</tr>
</tbody>
</table>

†2.81% APR.
Available on the 5-year fixed (closed) low rate mortgage.

Source: www.bmo.com

Source: Bank of Canada (2014)
www.bankofcanada.ca/rates/interest-rates/selected-historical-interest-rates/
Despite economic uncertainty ....

Canadian home prices are expected to rise!

## Average home prices (September 2015)

<table>
<thead>
<tr>
<th>Metropolitan Area</th>
<th>Average Selling Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vancouver, BC</td>
<td>$857,015</td>
</tr>
<tr>
<td>Toronto, ONT</td>
<td>$627,395</td>
</tr>
<tr>
<td>Victoria, BC</td>
<td>$507,560</td>
</tr>
<tr>
<td>Hamilton-Burlington, ONT</td>
<td>$449,233</td>
</tr>
<tr>
<td>Calgary, AB</td>
<td>$443,768</td>
</tr>
<tr>
<td>Northwest Territories</td>
<td>$402,089</td>
</tr>
<tr>
<td>Edmonton, AB</td>
<td>$368,874</td>
</tr>
<tr>
<td>Ottawa, ONT</td>
<td>$366,145</td>
</tr>
<tr>
<td>Yukon</td>
<td>$344,790</td>
</tr>
<tr>
<td>Montreal, QC</td>
<td>$343,452</td>
</tr>
<tr>
<td>Saskatoon, SK</td>
<td>$324,410</td>
</tr>
<tr>
<td>St. John’s, NFLD</td>
<td>$310,758</td>
</tr>
<tr>
<td>Regina, SK</td>
<td>$303,025</td>
</tr>
<tr>
<td>Halifax – Dartmouth, NS</td>
<td>$286,698</td>
</tr>
<tr>
<td>Winnipeg, MB</td>
<td>$274,541</td>
</tr>
<tr>
<td>Quebec, QC</td>
<td>$267,940</td>
</tr>
<tr>
<td>Fredericton, NB</td>
<td>$175,982</td>
</tr>
<tr>
<td>Saint John, NB</td>
<td>$149,591</td>
</tr>
<tr>
<td>PEI</td>
<td>$146,079</td>
</tr>
</tbody>
</table>

Source: The Canadian Real Estate Association
[http://crea.ca/content/national-average-price-map](http://crea.ca/content/national-average-price-map)
Mortgage rules have changed

<table>
<thead>
<tr>
<th>Maximum Amortization Period</th>
<th>Maximum mortgage loan without CMHC guarantee</th>
</tr>
</thead>
<tbody>
<tr>
<td>In 2006 ... 40 years</td>
<td>100%</td>
</tr>
<tr>
<td>In 2008 ... 35 years</td>
<td>95%</td>
</tr>
<tr>
<td>In 2011 ... 30 years</td>
<td>85%</td>
</tr>
<tr>
<td>In 2012 ... 25 years</td>
<td>80%</td>
</tr>
</tbody>
</table>

Since 2006 ... the federal government has made several changes to the rules for government-backed insured mortgages that have reduced amortization periods and has increased the minimum down payment required for home buyers.
These changes may **reduce** the number of people qualifying for insured mortgages in Canada.
Homeownership

• **4 in 5:** Households that bought a *home* between 2006 and 2011 had a mortgage (79.7%)

• **1 in 5:** Households that bought a home between 2006 and 2011 chose a *condominium*

• **31.5%:** Of households that bought a home between 2006 and 2011 had a primary household maintainer *aged under 35 years*

• **$76,600:** Median family income (in 2010)

  ✓ Median individual income for full-time workers was $47,868 in 2010

Shelter costs have risen even though mortgage rates were at record low levels ...

- **$1,585**: Average monthly shelter cost of a homeowner with a mortgage
  - The average mortgage payment in 2011 was roughly $1,074 per month

- **26.2%**: Of homeowners with a mortgage spent more than 30% of their gross household income on housing
  - They pay $1,776 per month on average ... About $688 more than the “30% of income” rule of thumb suggests

- **40.1%**: Of renters spent more than 30% of their income on housing
  - They pay $928 per month on average ... With tougher mortgage regulations prompting increased rental demand, this number could grow.

Note: Housing costs, as defined by Statistic Canada, include mortgage payments, electricity, heat, water and other municipal services, property taxes and condominium fees.

More than half of Canadians are carrying debt past retirement!

51% anticipate continuing mortgage payments after they stop working

More than 50% report that their retirement savings have been impacted by their debt load

Canadians need your help

- Experts agree that Canadian consumers continue to increase their debt load*
- The onset of a critical illness or sudden death could mean financial hardship - or even worse, the loss of their home!

Now more than ever ... Young middle income Canadians need your help to protect their most valuable asset.

* Household debt to disposable income hits new record of 163.3%.
First time buyers

Average Age: **37**
(47 for repeat buyers)

Higher use of a **mortgage broker**

Less loyal to lender

Research mortgage with family or friends
- Rely on online resources: mobile devices and social media

Spend **more time** doing research

Less confident about impact of **interest rates**

Source: Canada Mortgage and Housing Corporation (March 2013)

How can you help your clients get more coverage value for each dollar spent?

Introducing ...

Our **Bundled Mortgage Insurance Solutions**!

- **Guaranteed rates**: rates cannot change
- **Non-cancellable**: insurance is in place, even if the mortgage is in default
- **Preferred rates**: for healthier clients
- **Control**: client owns the coverage and designates their own beneficiary
- **Flexibility**: client can elect to decrease coverage at any time
- **Portability**: coverage in place if client moves to different homes or switches lenders
- **Convertibility**: can switch to permanent coverage without further medical requirements
Life and Critical Illness in one bundle

Option 1

Term 10

Living Benefit 10

Option 2

Term 20

Living Benefit 10 or 20

Option 3

Term 30

Living Benefit 10 or 20
## Preferred Term 10, 20, 30

### Optional Riders

<table>
<thead>
<tr>
<th>Child Rider</th>
<th>Critical Illness Rider</th>
<th>Business GIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term 10 to 20</td>
<td>Medical Information and Advisory Services¹</td>
<td>Personal Assistance Services¹</td>
</tr>
<tr>
<td>Term 10 to 30 Exchange</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Value Added Services at no additional cost

<table>
<thead>
<tr>
<th>Base Coverage</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Term Options: 10-20-30 years</td>
<td>Competitive Term rates</td>
</tr>
</tbody>
</table>

¹ Available only with the purchase of a Critical Illness Rider
Term 10 Exchange

- Available on Term 10 policy or rider*
- Exchange for a Term 20 or Term 30 policy without further underwriting

- Starts on or after the first policy anniversary for **full** exchange or, on or after the second policy anniversary for a **partial** exchange;
  → prior to reaching the 5\textsuperscript{th} policy anniversary or age 65 (whichever comes first)

- The rates for the new Term 20 or Term 30 policy will be based on:
  → the insured’s age nearest to the new coverage date
  → the original insurance rating applied to the original Term 10 plan
  → the original underwriting class applied to the original Term 10 plan
  → the current Term 20 or Term 30 rates in effect at the time of the exchange

* issued with The Wave version 33.0 (or later) rates.
BMO Insurance Health Advocate™ Plan

Innovative and comprehensive assistance services designed exclusively for eligible BMO Insurance policyholders (Plan Members) – confidential and simple to access

Combining the strengths of two industry leading providers, BestDoctors®† and Morneau Shepell, BMO Insurance has created a comprehensive assistance services package that provides your clients an extensive range of medical counselling and personal assistance services.

Availability of services is not dependent on a critical illness or a claim.

Available at no extra charge on eligible plans.
1. **Medical Information and Advisory Services**†† provided by **Best Doctors**®, a leader when it comes to delivering world class medical advice and support.

   - **InterConsultation**SM – A second opinion service, providing an in-depth analysis of medical records
   - **FindBestDoc**SM – A customized search is conducted on behalf of your client to find and recommend top-rated Canadian physicians that specialize in a medical condition

   1. **FindBestCare**SM – Should your client need treatment outside of Canada, a Best Doctors Member Advocate will help you find the right specialist

   1. **BestDoctors 360°** – Get information quickly and conveniently. A variety of tools and resources available to your client when they are facing a medical uncertainty.
BMO Insurance Health Advocate Plan: *Available at No Extra Cost*

2. **Personal Assistance Services**†† provided by **Morneau Shepell**, one of Canada’s leading personal assistance program providers

- Health Coaching
- Dependent Care Consultant
- Nutritional Guidance
- Smoking Cessation Program
- Referral Services for caring for the home-bound
- Counselling Services
- Online Health and Wellness Library
BMO Insurance Health Advocate Plan: Available at No Extra Cost

ELIGIBLE POLICYHOLDERS (PLAN MEMBERS)

Upon becoming a Plan Member, your client and their immediate family members, including spouse and children, have immediate and unlimited access to these services at any time.

In addition, once every three years Plan Member’s extended family members, including their parents, their siblings and their spouse’s parents and siblings, get to access these services for FREE††, without compromising your client’s access.

ELIGIBLE PLANS

- Life Dimensions
- Wealth Dimensions
- LifeProvider (Low Fees)
- Pure Term 100
- 20 Pay Life
- insureNOW Plus
- Living Benefit 10
- Living Benefit 20
- Living Benefit 75
- Living Benefit 100
- 15-Pay Living Benefit 100

PLUS – All Living Benefit riders on universal life and term plans.
Save MORE if your client is super healthy

DID YOU KNOW?

BMO Insurance is the only carrier to offer **preferred rates** to young adults for coverage as low as **$100,000**!

Companies surveyed: BMO Insurance, Canada Life, Desjardins Financial, Empire Life, Equitable Life, Industrial Alliance, Manulife, RBC Insurance, SSQ Assurance, Sun Life and Transamerica. The comparison was performed based on information believed to be reliable and in effect as at November 11, 2015. BMO Insurance is not liable for any errors or omissions in the information derived from third party sources. Source: software illustration.
Let’s meet Juan (35) and Farah (33)

• They have a 2 year old daughter
• Juan started a home-based business a few years ago AND Farah works at a daycare
• Annual household income: $125,000
• They are now ready to purchase a $425,000 house in the suburbs
• $100,000 down payment
  – $70,000 (own) + $30,000 (parents)
• Qualified for a $325,000 mortgage
  – Bi-weekly payment: $693, 2.81% fixed interest rate, 25 year amortization period

BUDGET: $100 per month

Mortgage Calculator ... We can help!
www.bmo.com/main/personal/mortgages/calculator
# Option 1: Term 20 - Joint First to Die

<table>
<thead>
<tr>
<th>Juan MNS 35 / Farah FNS 33</th>
<th>Coverage</th>
<th>Monthly Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Base Plan: Term 20 - Joint First</strong></td>
<td>$325,000</td>
<td>$47.21</td>
</tr>
<tr>
<td><strong>Rider 1: Living Benefit 20 (CI) – Juan</strong></td>
<td>$50,000</td>
<td>$23.49</td>
</tr>
<tr>
<td><strong>Rider 2: Living Benefit 20 (CI) – Farah</strong></td>
<td>$50,000</td>
<td>$22.41</td>
</tr>
<tr>
<td><strong>Rider 3: Child Term Rider</strong></td>
<td>$10,000</td>
<td>$5.61</td>
</tr>
<tr>
<td><strong>BMO Insurance Health Advocate Plan</strong></td>
<td>No Cost</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL MONTHLY PREMIUM</strong></td>
<td></td>
<td><strong>$98.72</strong>*</td>
</tr>
</tbody>
</table>

* ONE PLAN. ONE POLICY FEE.

Source: The Wave v33.0
Option 2: Term 20 – Two Separate Plans

<table>
<thead>
<tr>
<th>Plan #1: Juan MNS 35</th>
<th>Coverage</th>
<th>Monthly Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Plan: Preferred Term 20</td>
<td>$325,000</td>
<td>$28.58</td>
</tr>
<tr>
<td>Rider 1: Living Benefit 20 (CI)</td>
<td>$50,000</td>
<td>$23.49</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Plan #2: Farah FNS 33</th>
<th>Coverage</th>
<th>Monthly Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Plan: Preferred Term 20</td>
<td>$325,000</td>
<td>$22.93</td>
</tr>
<tr>
<td>Rider 1: Living Benefit 20 (CI)</td>
<td>$50,000</td>
<td>$22.41</td>
</tr>
<tr>
<td>Rider 2: Child Term Rider</td>
<td>$10,000</td>
<td>$5.61</td>
</tr>
</tbody>
</table>

Plan #1 and Plan #2: Juan MNS 35 / Farah FNS 33

- BMO Insurance Health Advocate Plan: No Cost

**TOTAL MONTHLY PREMIUM** $103.02*

* MULTI-POLICY DISCOUNT APPLIED.

Source: The Wave v33.0
Keep the savings or offer MORE coverage!

<table>
<thead>
<tr>
<th>Option 1: One Plan (Bundle up and Save)</th>
<th>Monthly Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$98.72</td>
</tr>
<tr>
<td><strong>Option 2:</strong> Two Separate Plans</td>
<td>$103.02</td>
</tr>
<tr>
<td><strong>Savings:</strong></td>
<td>$4.30</td>
</tr>
</tbody>
</table>

For only $4.30 more, you can offer Juan and Farah ...

<table>
<thead>
<tr>
<th>Offer 10% More Term Coverage</th>
<th>Offer 10% More CI Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term 20 - Joint First</td>
<td>$358,000</td>
</tr>
<tr>
<td>Living Benefit 20 - Juan</td>
<td>$50,000</td>
</tr>
<tr>
<td>Living Benefit 20 - Farah</td>
<td>$50,000</td>
</tr>
<tr>
<td>Child Term Rider</td>
<td>$10,000</td>
</tr>
<tr>
<td><strong>NEW Monthly Premium:</strong></td>
<td><strong>$103.06</strong></td>
</tr>
<tr>
<td></td>
<td><strong>$103.31</strong></td>
</tr>
</tbody>
</table>
After 7 years ...

• Farah was diagnosed with a rare form of cancer

• She used the Best Doctors®† services from her Living Benefit (CI) coverage for a second opinion on her treatment plan

• The $50,000 lump sum cash payment provided some relief from their mortgage payments and other expenses while she focused on her recovery
Three practice management tips

1. Have clients **complete a Needs Analysis**; *keep signed copy on file*

2. **Present options** to match your clients monthly budget; *providing some coverage is better than none*

3. **Record mortgage renewal dates**; *it’s an ideal time to re-evaluate clients’ insurance needs and increase planning opportunities*
We’re here to help!

Our **Insurance Calculators** can help you calculate how much Life insurance and critical illness protection your client will need today.

Give us a try! [Bmoinsurance.com/advisor/resource-centre](http://Bmoinsurance.com/advisor/resource-centre)

Matching your client’s budget to the right life insurance and critical illness insurance plan is easy using The Wave’s **Premium Matchmaker**.

This powerful tool will help you compare up to 3 quotes on one page.
Marketing Tips

• Introductory emails can highlight key benefits (see sample)
• Don’t forget to use industry protocols:
  – Best practices for email marketing: “opt-in”/“opt-out”
• Clients can relate to testimonials
• Building a network of referrals can lead to great partnerships
Building a source of referrals

• Mortgage brokers
• Real estate agents (for new housing developments)
• Property appraisers
• Social media contacts (ex. LinkedIn)
• P&C brokers
• Group insurance brokers
Mortgage Solutions

• The mortgage market continues to present planning opportunities
• Partnerships can bolster referrals
• Find an approach that works for you
• If you don’t approach clients when they are young, someone else will!
• As your clients age, other planning opportunities can emerge
• Position yourself now- for lifelong clients
About BMO Insurance

Member of **BMO Financial Group**

Solid history and reputation for being a **Trusted Insurance Provider**

Backed by the **financial strength** of BMO Financial Group

On November 3, 2017, **BMO Financial Group** turns ...

We’re here to help. Give us a call!

WESTERN CANADA SALES OFFICE
1-877-877-1272

ONTARIO REGIONAL SALES OFFICE
1-800-608-7303

QUEBEC-ATLANTIC REGIONAL SALES OFFICE
1-866-217-0514
† Expenses associated with medical treatment, travel and lodging relating to these services are the responsibility of the member.

©† Best Doctors, InterConsultation℠, FindBestDoc℠, FindBestCare℠ and Best Doctors 360°® are service marks or registered trademarks of Best Doctors, Inc. Expenses associated with medical treatment, travel and lodging relating to these services are the responsibility of the member.

†† BMO Insurance offers the services on a referral basis only and will not charge you for the services provided. Morneau Shepell and Best Doctors will not charge you for the services they provide. You may however, incur additional costs for services or for providers that may be referred to you by Morneau Shepell or Best Doctors. These additional charges are incurred at your sole discretion and BMO Insurance will not be liable for their payment. BMO Insurance reserves the right to change the service provider, the nature of services or cancel access to these services at any time without notice, unless otherwise stated.
Information Disclaimer

The information in this publication is intended as a summary of our products and/or services and may include projected values based on a set of assumptions. Actual results may not be guaranteed and may vary. Please consult the appropriate policy contract for details on the terms, conditions, benefits, guarantees, exclusions and limitations. The actual policy issued governs. Each policyholder’s financial circumstances are unique and they must obtain and rely upon independent tax, accounting, legal and other advice concerning the structure of their insurance, as they deem appropriate for their particular circumstances. BMO Life Assurance Company does not provide any such advice to the policyholder or to the insurance advisor.

For Advisor Use Only.

Insurer: BMO Life Assurance Company.

TM/® Registered trade-mark of Bank of Montreal, used under licence.