

Mortgage
solutions that
make sense

Protecting your
client's biggest asset



We're here to help.™

PN0004E
2017/01/01

Agenda



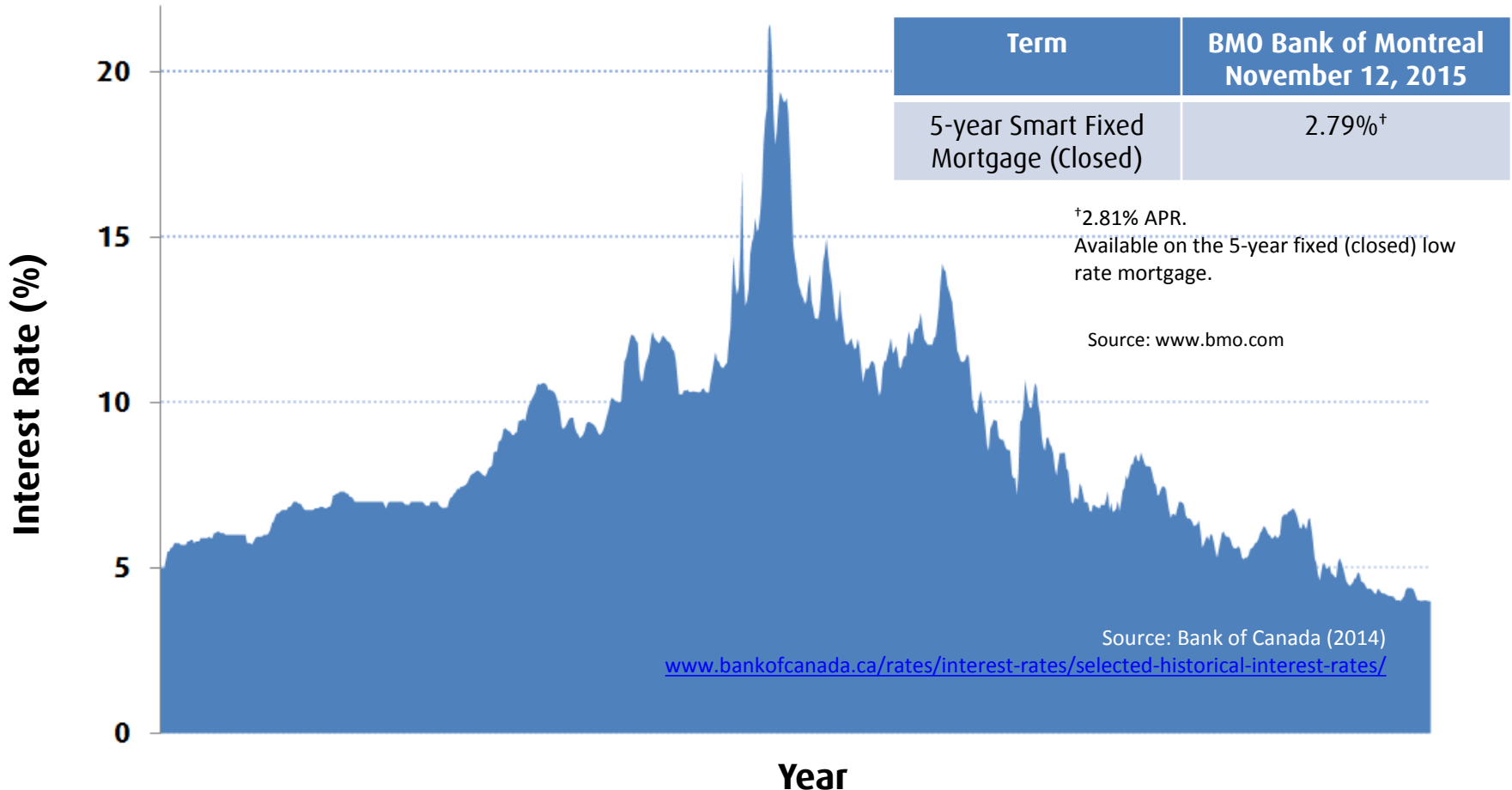
- Review of the Canadian housing market
- How to protect mortgage debt with insurance
- Case study
- Business Development ideas and tips

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

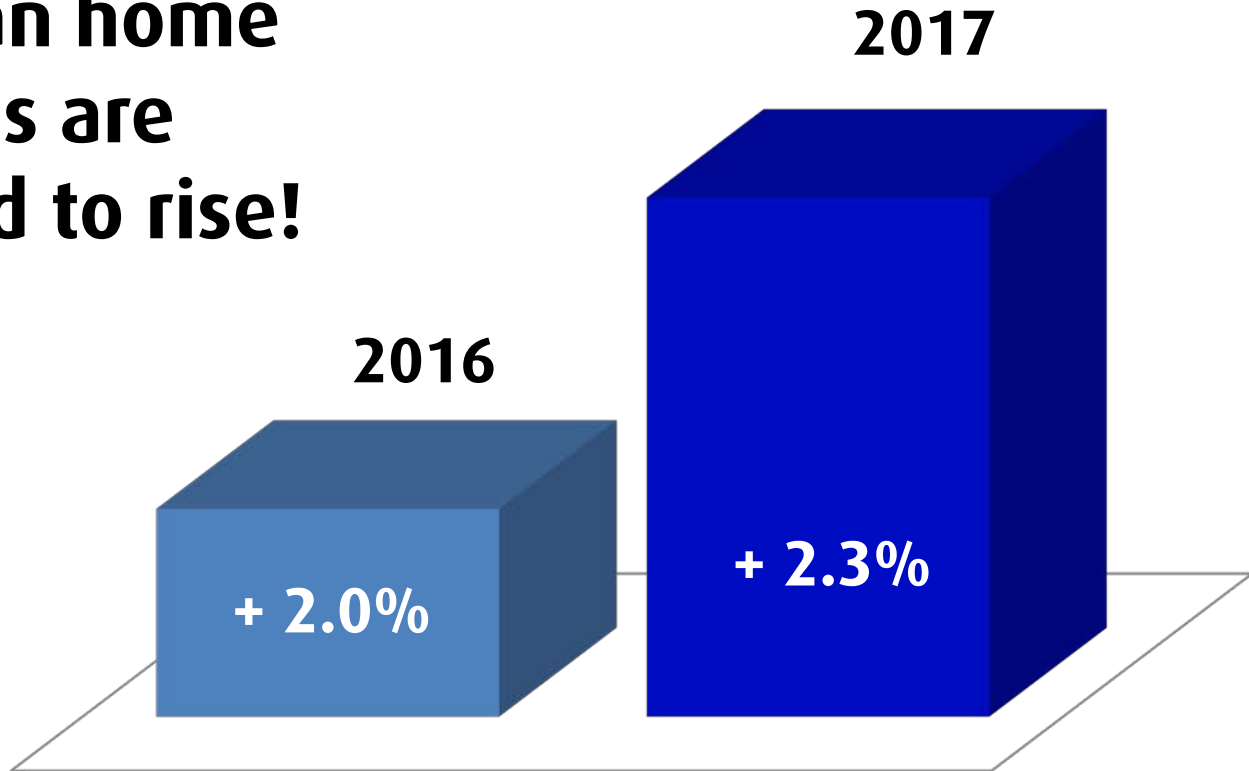
Low interest rates continue to bolster the housing market

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



Despite economic uncertainty

**Canadian home
prices are
expected to rise!**



Source: <http://www.theglobeandmail.com/report-on-business/economy/housing/canadian-home-prices-predicted-to-rise-despite-economic-uncertainty/article26115367/>

Average home prices (September 2015)

Metropolitan Area	Average Selling Price
Vancouver, BC	\$857,015
Toronto, ONT	\$627,395
Victoria, BC	\$507,560
Hamilton-Burlington, ONT	\$449,233
Calgary, AB	\$443,768
Northwest Territories	\$402,089
Edmonton, AB	\$368,874
Ottawa, ONT	\$366,145
Yukon	\$344,790
Montreal, QC	\$343,452

Metropolitan Area	Average Selling Price
Saskatoon, SK	\$324,410
St. John's, NFLD	\$310,758
Regina, SK	\$303,025
Halifax - Dartmouth, NS	\$286,698
Winnipeg, MB	\$274,541
Quebec, QC	\$267,940
Fredericton, NB	\$175,982
Saint John, NB	\$149,591
PEI	\$146,079

Source: The Canadian Real Estate Association
<http://crea.ca/content/national-average-price-map>

Mortgage rules have changed

	Maximum Amortization Period	Maximum mortgage loan without CMHC guarantee
In 2006 ...	40 years	100%
In 2008 ...	35 years	95%
In 2011 ...	30 years	85%
In 2012 ...	25 years	80%



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.

Mortgage rules have changed



These changes may **reduce** the number of people qualifying for insured mortgages in Canada.

2011 Statistic Canada National Household Survey

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

Source: <http://www12.statcan.gc.ca/nhs-enm/2011/as-sa/99-014-x/99-014-x2011002-eng.cfm>

2011 Statistic Canada National Household Survey

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.

Source: <http://www12.statcan.gc.ca/nhs-enm/2011/as-sa/99-014-x/99-014-x2011002-eng.cfm>

2012 BMO Financial Survey

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

Source: 2012 BMO Financial Survey. www.bmo.com/press-releases.

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%.

Source: <http://business.financialpost.com/2015/03/12/canada-household-debt-ratio-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)

<http://www.cmhc.ca/en/hoficlincl/moloin/cosu/index.cfm>

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



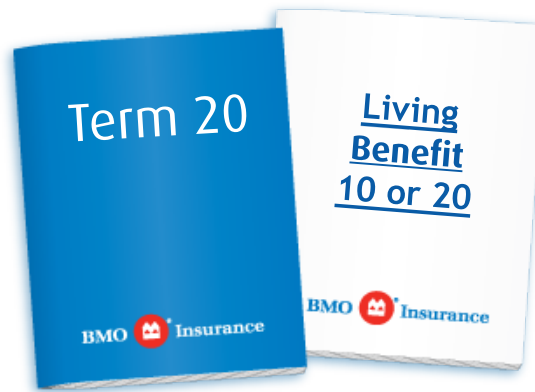
Life and Critical Illness in one bundle

Bundle up
and Save.

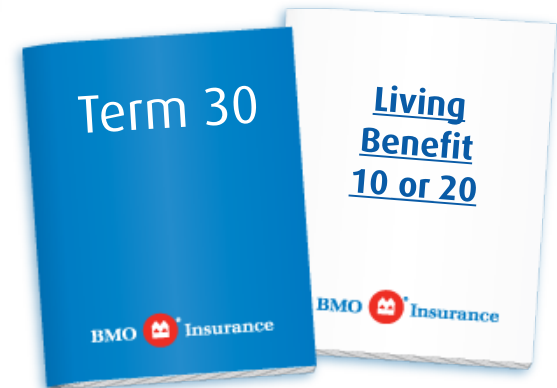
Option 1



Option 2



Option 3



Preferred Term 10, 20, 30

Optional Riders	Child Rider	Critical Illness Rider	Business GIO
Value Added Services at no additional cost	Term 10 to 20 Term 10 to 30 Exchange	Medical Information and Advisory Services¹	Personal Assistance Services¹
Base Coverage	Term Options: 10-20-30 years	Competitive Term rates	Preferred rates starting as low as \$100,000

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 5th 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.

BMO Insurance Health Advocate Plan: *Available at No Extra Cost*

- 1. Medical Information and Advisory Services^{††}** provided by **Best Doctors^{®†}**, a leader when it comes to delivering world class medical advice and support.
 - **InterConsultationSM** - A second opinion service, providing an in-depth analysis of medical records
 - **FindBestDocSM** - A customized search is conducted on behalf of your client to find and recommend top-rated Canadian physicians that specialize in a medical condition¹
 - **FindBestCareSM** - Should your client need treatment outside of Canada, a Best Doctors Member Advocate will help you find the right specialist¹
 - **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.

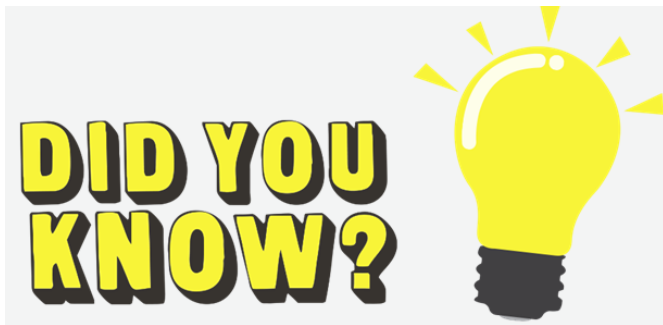
In addition, once every three years Plan Member's extended family members, including their parents, their siblings and their spouse's parents and siblings, get to access these services for **FREE**^{††}, without compromising your client's access.

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



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)



BUDGET: \$100 per month

- 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

Mortgage Calculator ... We can help!
www.bmo.com/main/personal/mortgages/calculator

Option 1: Term 20 - Joint First to Die

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

Source: The Wave v33.0

❖ **ONE PLAN. ONE POLICY FEE.**

Option 2: Term 20 – Two Separate Plans

Plan #1: Juan MNS 35	Coverage	Monthly Premium
Base Plan: Preferred Term 20	\$325,000	\$28.58
Rider 1: Living Benefit 20 (CI)	\$50,000	\$23.49
Plan #2: Farah FNS 33	Coverage	Monthly Premium
Base Plan: Preferred Term 20	\$325,000	\$22.93
Rider 1: Living Benefit 20 (CI)	\$50,000	\$22.41
Rider 2: Child Term Rider	\$10,000	\$5.61
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!

	<u>Monthly Premium</u>
Option 1: One Plan (Bundle up and Save)	\$98.72
<u>Option 2:</u> Two Separate Plans	<u>\$103.02</u>
Savings:	\$4.30

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

	Offer 10% More Term Coverage	Offer 10% More CI Coverage
Term 20 – Joint First	\$358,000	\$325,000
Living Benefit 20 – Juan	\$50,000	\$55,000
Living Benefit 20 - Farah	\$50,000	\$55,000
<u>Child Term Rider</u>	<u>\$10,000</u>	<u>\$10,000</u>
NEW Monthly Premium:	\$103.06	\$103.31

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](https://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:
 - Do Not Call List- <https://www.innate-dncl.gc.ca/index-eng> for phone solicitations
 - Best practices for email marketing: "opt-in"/"opt-out"
 - Clients can relate to testimonials
- [Watch Video ▶](#)
- 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. Linked In)
- 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 ...



AM Best
Rating of
A (Excellent)^{*}

* Source: ambest.com. Ratings as of August 24, 2015. Subject to change.

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

¹ Expenses associated with medical treatment, travel and lodging relating to these services are the responsibility of the member.

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†† 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.

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