

The BMO[®] Insurance
Insured
Retirement Plan



We're here to help.™

PN0020E
(2016/09/02)

The Opportunity

- Generally speaking, you need about 70% of your pre-retirement income to retire comfortably
- High income earners don't have access to a tax effective way to save enough for retirement

RRSPs and pensions plans have limits:

- 2012 maximum RRSP contribution limit: \$22,970
- 2013 maximum RRSP contribution limit: \$23,820
- 2014 maximum RRSP contribution limit: \$24,270

Registered Pension Plan limits:

- 2013 Money Purchase Pension Plan limit: \$24,270
- 2013 Deferred Profit Sharing Plan limit: \$12,135
- While you receive a tax deduction for amounts contributed to an RRSP, withdrawals are fully taxable

Source: www.taxtips.ca, April 2013

How Can You Save More For Retirement?

The BMO Insurance Insured Retirement Plan

Target Market



- Individuals (or couples) age 35-55 and who require permanent life insurance
- Are in good health and are able to qualify for life insurance
- Are high income earners
- Are in the wealth accumulation phase of their lives
- Have maximized their RRSP contributions
- Foresee a gap in their retirement income needs
- Have excess cash that they would like to save for retirement
- Are comfortable with carrying debt

How Does it Work?



- Determine permanent insurance needs
- Determine deposit stream
- Apply for a BMO Insurance universal life policy and select an appropriate investment portfolio
- Once the plan is in force, check to see if the plan is on track
- At retirement and once the policy has accumulated a significant Cash Value apply for a loan/line of credit from a third party lender
- Depending on the arrangement with the lender, interest may be capitalized
- At death, the loan is repaid from the tax-free proceeds of the Death Benefit; any residual amount is paid to the beneficiary

How Does it Work(Before Retirement)?

1

Your client(s) apply and qualify for a universal life insurance from BMO Insurance

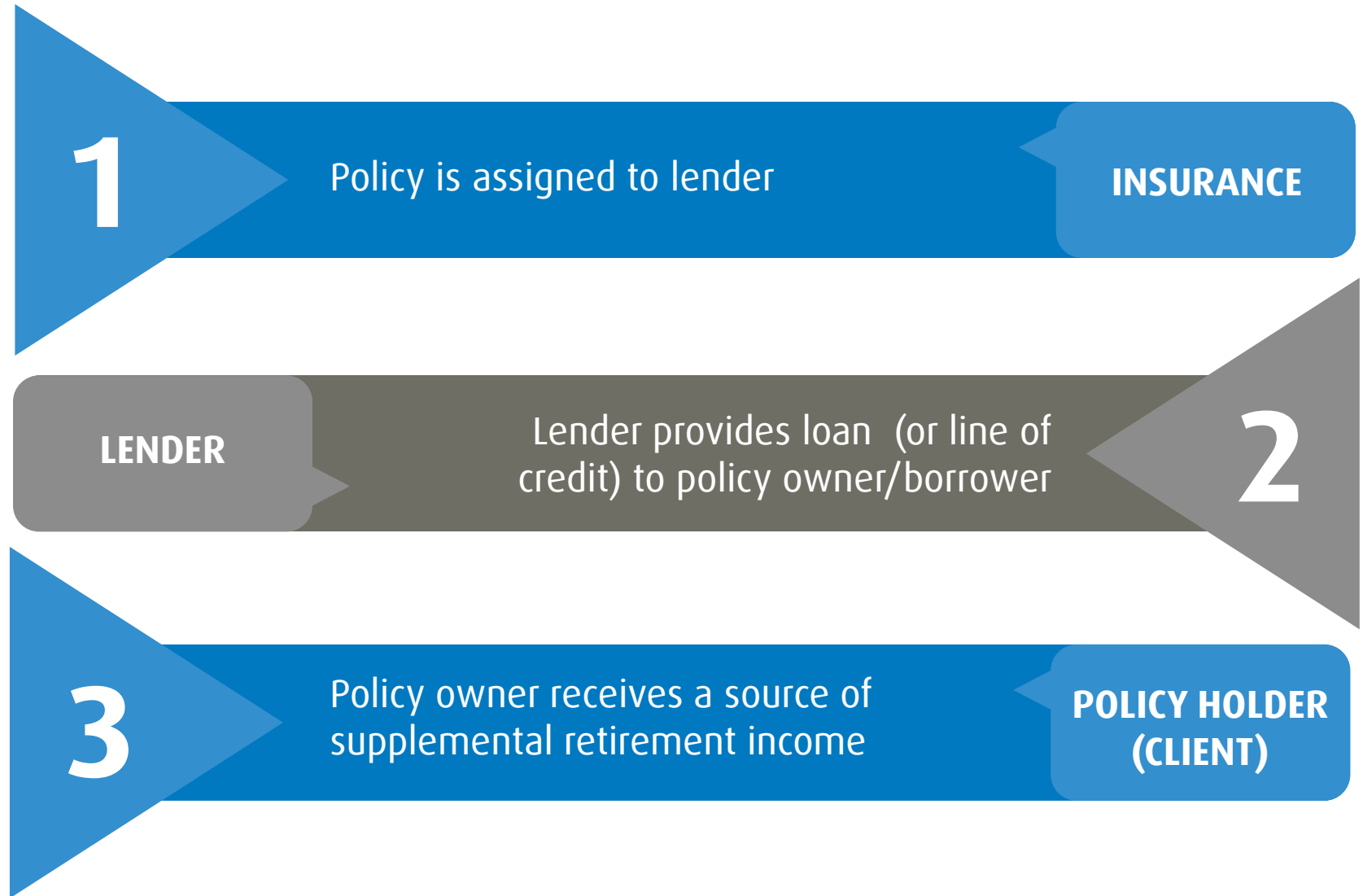
CLIENT(S)

2

Maximum deposits are made into the policy to take advantage of the tax-deferred growth

INSURANCE

How Does it Work (At Retirement)?



How Does it Work (At Death)?

1

Death Benefit is used to repay loan

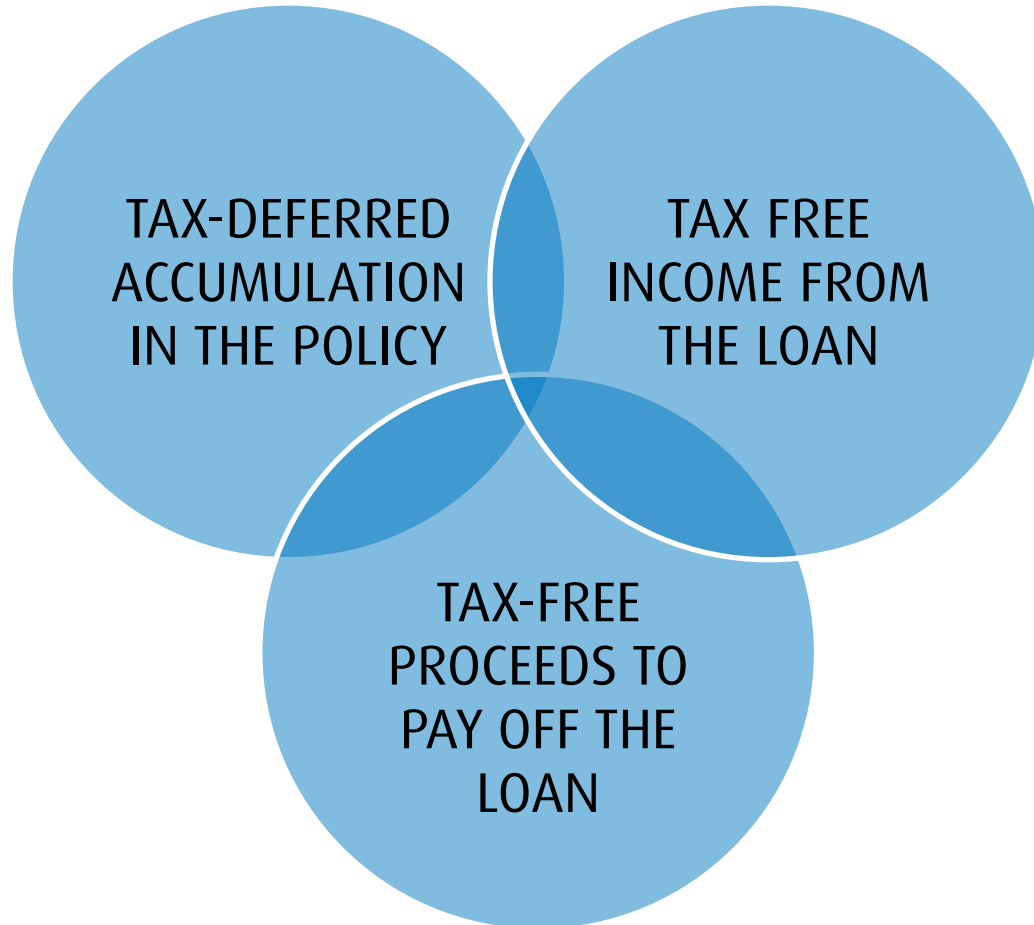
INSURANCE

2

Beneficiary receives the remaining proceeds (after the loan is paid-off)

BENEFICIARY

Why the BMO Insurance Insured Retirement Plan Makes Sense



*Based on Rules and Regulations currently in effect in the Income Tax Act (Canada).

Is the Plan Right for Your Clients?



- Does your client require permanent insurance?
- Will the proposed lives insured qualify for insurance?
- Has he/she maximized their RRSP contributions?
- Would he/she like to transfer a portion of their taxable investment portfolio into a tax-deferred investment vehicle?
- Does he/she want to lower their personal income tax bill?
- Does he/she require more retirement income than what they anticipate getting from their RRSP/RRIF?
- Is your client comfortable with carrying debt?

If your client answers “yes” to these questions, then The BMO Insurance Insured Retirement Plan may be an ideal solution for them.

Planning Considerations



- Factors that affect the cash accumulation in the plan:
 - Timing and amount of deposits
 - Interest earned on the Investment Accounts in the policy

Sales Tips:

Use the Wave to illustrate different interest rates and deposit streams.

This will help determine a range of future loan amounts that they can expect.

Also, the Fund Simulator can help you assess the impact of fluctuating interest rates on the Cash Value of the policy.

Planning Considerations



- The amount of insurance will be reviewed by a BMO Insurance Underwriter
 - Your client must qualify for the insurance being considered

Sales Tip:

Attach a covering letter along with a copy of an illustration to the application that you submit to BMO Insurance. This will help speed up the processing of the application.

Planning Considerations



- There are usually limits placed on the amount of the loan compared to the Cash Value (collateral) in the policy
 - 50-60% for equity-style accounts
 - 90% in fixed income/GIC-style accounts
- The interest rate charged on the loan will vary, depending on the terms of the loan which will affect how much income is drawn from the plan

Sales Tip:

Use the simple but flexible features of the Wave software including the built-in life expectancy tables to project a reasonable stream of loan amounts.

Planning Considerations



- Factor-in the impact of life expectancy
 - If your client outlives their assumed life expectancy, the Cash Value may not be sufficient collateral for the loan; additional collateral or a partial payment may be required
 - Failing to do so, may mean that the loan is called, triggering a surrender of the policy and the accompanying tax liability

Sales Tip:

Be conservative in your illustrated rates for the Cash Value of the plan as well as the interest rate charged on the loan.

Tax Considerations



- Ensure that this plan is appropriate for the individual circumstances of your client
- For clients with complex tax and estate planning considerations, consult with legal, tax and accounting experts
- GAAR considerations
- If the loan is called and the policy cashed-in, any amount withdrawn from the Cash Value of the policy is taxable

Case Study



- Max and Marie (both 40 years old)
- Require \$850,000 of permanent insurance
- Have been making maximum RRSP contributions
- Planned retirement age: 65
- Have a mutual fund portfolio that's been taxed annually
- Can afford to set aside another \$25,000 per year into their retirement fund
- Need an alternative tax-efficient and cost effective savings plan

The Solution



- Life Dimensions (Low Fees)
- Joint Last to Die
- Deposits: \$25,000 for 15 years with the *InvestorMaximizer*
- Illustration rate (for policy): 5%
- Illustration rate (for loan): 7%

A Comparison of Values

The BMO Insurance Insured Retirement Plan

	Life Dimensions (Low Fees) with Investor Maximizer	Traditional Taxable Investment Portfolio*
Annual Deposit (for 15 years)	\$25,000	\$25,000
Rate of Return	5.0%	6.0%
After-tax income (starting from ages 65 to 85)	\$44,105	\$44,105
Gross Estate Value (at age 85)	\$2,534,088	\$221,677
Loan Balance (at age 85) (at 7% per year)	\$1,978,779	\$0
Net Estate Value (after loan and taxes)	\$555,309	\$212,524

*Assuming a Balanced Fund that has the following income: 50% interest, 30% dividends, 10% unrealized capital gains and 10% realized capital gains; personal tax rate: 45%; probate fees: 1.5%. Probate fees are not applicable in Quebec.

NB: These examples are based on Life Dimensions (Low Fees) (wave 26) policy and are merely a projection of future results, using a set of assumptions that will change over time. Actual results are not guaranteed and will vary. This projection is not complete unless it is accompanied by all of the pages of a Life Dimensions (Low Fees) projection from the Wave illustration software.

Underwriting Considerations



- Check to ensure that the amount of insurance you are proposing on any life is reasonable and justifiable; this amount will need to be approved by a BMO Insurance Underwriter.
- Refer to BMO Insurance's Universal Life Underwriting Guidelines found under the Underwriting Guidelines menu of our Wave software for details on age, amount and financial underwriting requirements.
- Run a personalized illustration for your client, using the latest version of the Wave illustration software and include a signed copy with the application.
- To ensure that the Underwriter reviewing the application for insurance understands the purpose of the insurance, include a covering letter with a summary of what is being proposed.

Summary



- Tax-free accumulation of deposits into the policy
- Tax-free supplemental income at retirement (beyond RRSP limits)
- Loan is repaid in full from the tax-free proceeds of the Death Benefit from the insurance policy

Marketing Support: Get Your Copy Today!



- Advisor Guide - includes helpful tips!
- Wave illustration software - create personalized proposal for your clients

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Insurer: BMO Life Assurance Company.

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