

The Insured Corporate Financing Plan



A life insurance solution that provides security and minimizes cash outlays.

Helping you grow your business

You own a successful private corporation that generates a significant annual surplus. You understand the value of financially protecting your corporation, but also want to have assets available to grow your business, when new opportunities arise.

A strategy from BMO Insurance called the Insured Corporate Financing Plan (ICF) can give you both a tax-exempt life insurance policy and access to capital without tying-up your money up in the policy.

How does it work?

Setting up the plan



01

Working with your insurance advisor, your corporation purchases a permanent life insurance policy that covers you, a key person or shareholder, based on your business or estate planning needs.

02

Once your policy is in-force, you may then immediately secure a loan or a line of credit from a lending institution using the policy's cash value as collateral.



As the cash value of your policy increases, you may be able to borrow additional funds.

Depending on how much you want to borrow and the cash value of the policy, additional collateral may be required.¹

The availability of these loans is subject to the terms and conditions of the lender including the minimum size of the loan, qualification criteria and repayment terms.



03

Once approved, the loan proceeds are typically reinvested in your business to produce income.

Since you're using the loan proceeds to earn business or investment income, the interest on the loan and a portion or all of the policy premiums may be tax-deductible.²

You will need to work with your tax and legal advisors to ensure the loan and the collateral assignment of the life insurance policy meet the requirements for deductibility under the Income Tax Act (Canada).



The ICF is intended for business owners or high net individuals who need life insurance and are comfortable with the idea of carrying debt for the long-term.



When the death benefit is paid



01

The life insurance death benefit will be used to pay off the loan.



02

Any remaining death benefit will be paid to the beneficiary – usually the corporation.



03

The full amount of the death benefit, less the policy's Adjusted Cost Basis (ACB), creates a credit to your corporation's Capital Dividend Account, which can be used to pay out tax-free capital dividends to the remaining shareholders or your estate.

Simply put, as you pay premiums, you can borrow back against the increased value of your policy using the policy's cash value as collateral. This allows you to keep your money working for you, while your business or estate benefits from permanent life insurance.

Due to the modest net cash outflow (premiums less net annual interest costs) required, the rate of return when compared to the death benefit increases.

The benefits of this plan

- provides you with valuable permanent life insurance
- the cash value of the policy grows on a tax-deferred basis
- provides you with tax-free cash flow to you in the form of a loan or line of credit
- provides you with liquidity for business or investment opportunities
- preserves capital for your heirs in a tax-efficient manner
- reduces the after-tax cash flow for funding life insurance

When structured properly, the ICF can reduce the after-tax cash flow costs of funding a life insurance policy. It can be an integral part of your financial plan. However, since it involves carrying debt, it's not for everyone and tax rules often change. The best way to learn more about whether this solution is right for you as well as the risks involved, is to discuss the plan with your team of insurance, legal, tax and accounting experts.

Our Commitment to You

BMO Life Assurance Company, a part of BMO Financial Group, appreciates the opportunity to help you meet your financial needs. We are committed to respecting and protecting your privacy and confidentiality of the personal information you have entrusted to us. It is important for you to understand what information we will collect, how we will use it, and who may see it.



To view our full privacy policy, please visit the privacy section at **bmoinsurance.com**

For more information about BMO Insurance or our products, please consult with your insurance advisor or contact us at:



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We're here to help.™

¹ Additional collateral may include real estate or investments if you decide you want to get a loan that's equivalent to 100% of the premiums paid.

² The lesser of the net cost of pure insurance (NCPI), or the policy premiums may be deductible in certain cases.

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