Building a Better Income Annuity

Income Annuities from BMO® Insurance.

Evolution and innovation!

Simple, secure, guaranteed... and now with added flexibility to help protect and promote active living during your clients' retirement years. Look inside for these NEW BENEFITS:

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CashReady Option	Indexing for Inflation	More flexible guaranteed periods	Illustration Software Improvements

BMO® Insurance

Income annuities from BMO® Insurance

BMO Insurance is pleased to announce further enhancements to our **Single Premium Immediate Annuities.**

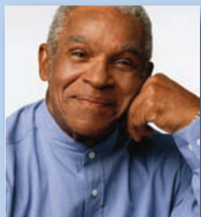
1

CashReady Option

Income annuities have always been popular for providing regular and dependable income payments that are both secure and guaranteed... providing peace of mind especially in times of investment volatility and uncertainty. But what if your clients' retirement years don't go exactly as planned, or opportunities arise that they just have to take advantage of?

All non-registered, non-prescribed income annuities from BMO® Insurance now automatically include at no extra cost the CashReady Option! This special feature allows a chosen percentage (up to 100%) of remaining guaranteed income payments to be commuted and paid in a lump sum[1] to help pay for emergency or special needs. Remaining guaranteed income payments after commutation are reduced proportionately, but income payments are restored to their full, original level after the guaranteed payment period.

Let's take a closer look at the CashReady Option in action!



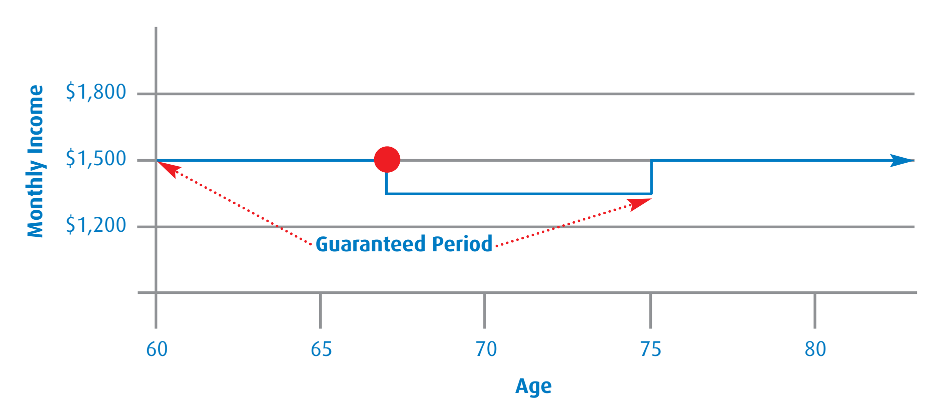
Case Study #1

John, age 60, uses $250,000 of his non-registered funds to purchase a BMO life income annuity with a 15 year guaranteed period. This provides John with monthly income payments of $1,500.

After 7 years, at age 67, John breaks his hip after falling down the basement stairs. John needs extensive surgery and rehabilitation services to help him get back on his feet. He finds the extra costs of rehabilitation are adding up, and needs a little extra help to make ends meet.

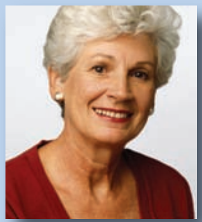
John asks BMO Insurance to commute 10% of his remaining guaranteed income payments (8 years left). The commuted value is determined to be $11,000, which BMO Insurance pays in a lump sum to John.

John's remaining 8 years of monthly guaranteed income payments are reduced to 90% of their original amount, or $1,350. At the end of the guaranteed payment period, at John's age 75, his monthly income payments are restored to their original monthly amount of $1,500, and are paid for the rest of John's life.



At age 67, John commutes 10% of his remaining guaranteed payments and receives $11,000! Monthly income payments are reduced by 10% for the next 8 years until the end of the guaranteed period, but are then restored to the full $1,500 and are payable for the rest of John's life.

[1] Commutation is an exchange of one kind of payment for another. The percentage chosen of remaining, regular guaranteed payments are "commuted" to a present value lump sum payment. The lump sum payment is subject to a $5,000 minimum. A portion of the lump sum payment may be deemed to be taxable income.



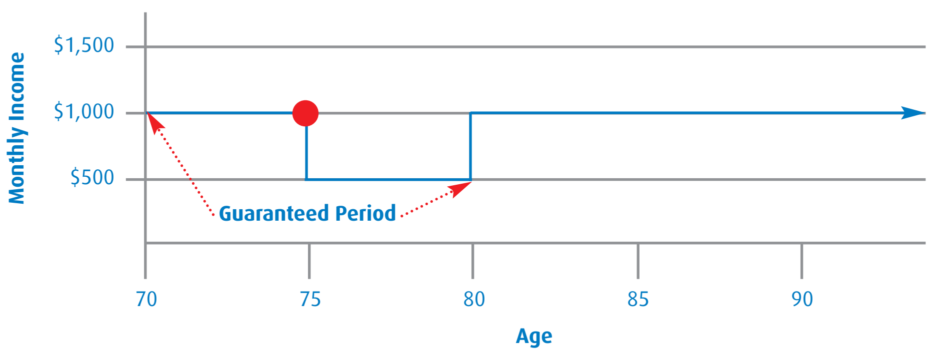
Case Study #2

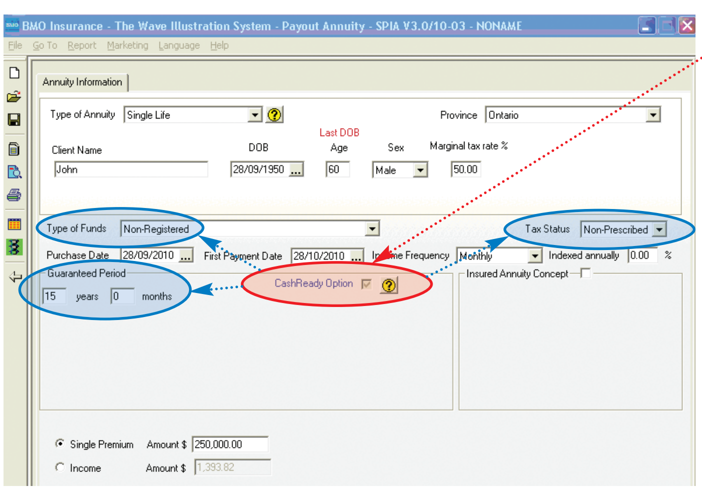
Susan, age 70, uses $150,000 of her non-registered funds to purchase a BMO life income annuity, selecting a 10 year guaranteed period with monthly income payments of $1,000 provided.

After 5 years, Susan has an opportunity to join her lifelong friends on a summer long European tour, including a 2 week cruise, but needs extra funds to pay for this trip of a lifetime. Susan has calculated that her basic needs can largely be funded by her employer's pension plan, and has asked BMO Insurance to commute 50% of her remaining guaranteed income payments (5 years left). The lump sum payment is determined to be $25,000, which is enough to cover not only the cost of Susan's European trip, but also some home renovations that Susan has recently wanted to make.

After the lump sum payment of $25,000, Susan's remaining monthly guaranteed income payments of 5 years are reduced to 50% of their original amount, or $500. At the end of the guaranteed payment period, at Susan's age 80, monthly income payments are restored to their original amount of $1,000, and are paid for the rest of Susan's life.

Susan commutes 50% of her remaining guaranteed payments and receives $25,000! Monthly income payments are reduced by 50% for the next 5 years until the end of the guaranteed period, but are then restored to the full $1,000 and are payable for the rest of Susan's life.





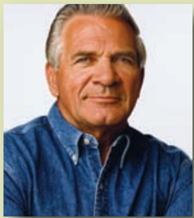
Our SPIA illustration input screen will automatically include the CashReady Option when the quote is for non-registered funds with non-prescribed taxation having a guaranteed period greater than zero.

Indexing for Inflation

BMO income annuities[2] now have the option of increasing regular income payments annually by a chosen percentage: up to 6% for non-registered annuities and up to 4% for registered annuities. Referred to as "indexed" annuities, the initial income provided is lower than without indexing, but will be higher later, helping to protect your clients against inflation.

More Flexible Guaranteed Periods

With BMO life and term certain annuities, guaranteed payment periods now can include both years and months. This added flexibility can be important when your client desires guaranteed income to a certain age or a specific date.

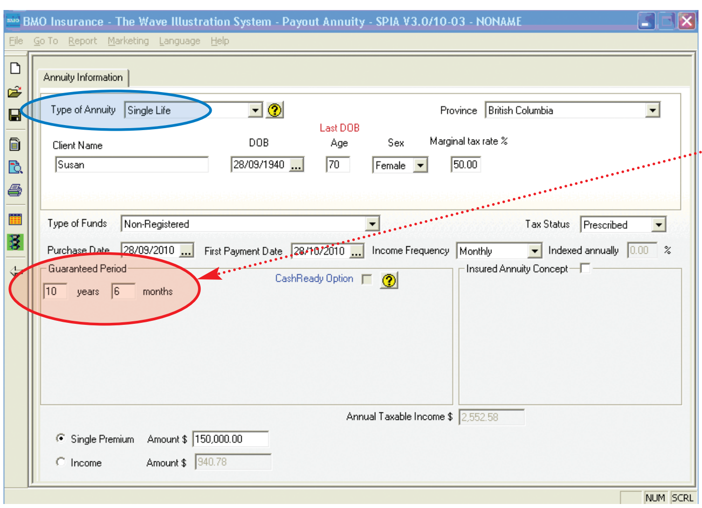


Case Study #3

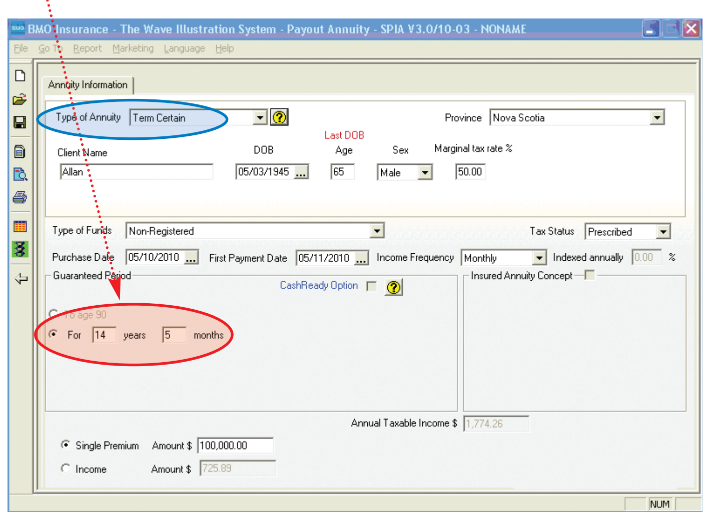
After a long working career with a number of companies, Peter, age 65, has over time transferred and consolidated his pension funds into a self-directed Locked-in Retirement Account (LIRA). Aside from government benefits, this will be Peter's sole source of retirement income. Peter is concerned not only about the security of his retirement income, but also the effects that inflation will have over time on his purchasing power for basic necessities, not to mention the cost of supplementary medical care and services.

Peter uses his $300,000 of LIRA funds to purchase a BMO life income annuity with a 10 year guaranteed period and payments indexed annually at 3%. Initial monthly income provided is $1,408 vs. $1,868 without indexing. However, with the benefit of compound indexing, after 10 years the monthly income is equal to that provided without indexing, and continues to grow every year thereafter for the rest of Peter's life. The longer Peter lives, the more he benefits from annual indexing of his income.

[2] Indexing is available with registered and non-registered funds. With non-registered funds, taxation must be non-prescribed.



Enter the number of years and months to cover the period or specific date that is required.



SPIA Income Taxation: Prescribed and Non-Prescribed

Income annuities can be purchased with two types of funds: registered and non-registered. Since registered funds have been sheltered from taxation during the entire accumulation period, all income payments from an income annuity purchased with registered funds are fully taxable in the year which they are made.

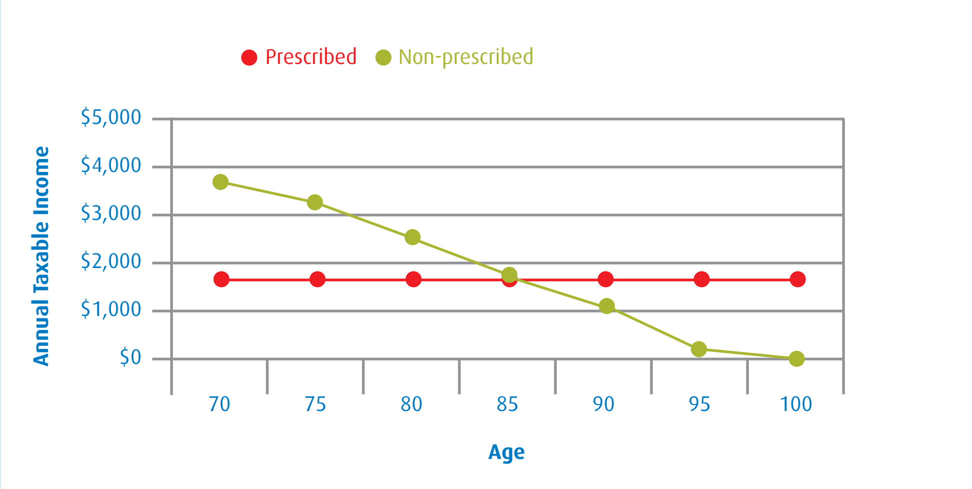
For income annuities purchased with non-registered funds, the capital portion of each annuity payment is not taxable. The interest earned is taxed based on whether the annuity is prescribed[3] or non-prescribed.

For prescribed annuities, a level amount of interest is taxable each year, resulting in a level taxable portion for the duration of the annuity. This allows for a significant deferral of tax when compared to non-prescribed taxation.

Under a non-prescribed annuity, the interest is calculated on an amortized basis resulting in a larger portion of the payment being taxable in the early years and a lower amount in the later years. Think of it like a mortgage, but in reverse. The earlier payments are mostly interest and relatively little capital or principal. The latter payments are mostly capital, or repayment of principal, and relatively little interest. Under non-prescribed taxation, taxable income amounts are initially higher (vs. prescribed), but ultimately lower.

Case Study #4

Jane, age 68, purchases a BMO life income annuity with $100,000 of non-registered funds with a 10 year guaranteed period. Annual income of $6,977 is provided. The following chart shows taxable amounts under both prescribed and non-prescribed taxation scenarios.



[3] Certain conditions must be met in order for an annuity to qualify for prescribed taxation.

Annuities purchased with non-registered funds must have non-prescribed taxation to have either the CashReady Option or annual indexing of payments. There should be a discussion with your client about the relative advantages of prescribed vs. non-prescribed taxation when selecting either of these features.

ASSURIS

You want the insurance company your client purchases their annuity from to be around to pay them for the rest of their life. Assuris is the not-for-profit organization that protects Canadian policyholders if their life insurance company should fail. But Assuris does not guarantee 100% of their annuity income payments (Assuris guarantees up to $2,000 per month or 85% of the promised monthly income benefit, whichever is higher). This is important to clients when they are making a decision about what company to place their life savings with.

As part of the BMO Financial Group, BMO Insurance is affiliated with an organization that enjoys both strong financial ratings and a long track record of meeting its financial obligations.

4

Illustration Software Improvements

NEW! Highlighted columns are new!

We've added additional information on our illustrations to help you show clients the income benefits that purchasing an annuity will provide.

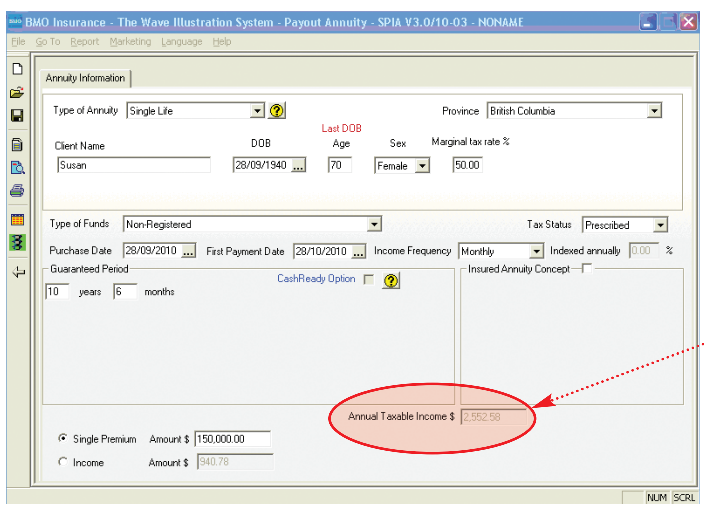
Tax Schedule

Annuitant: Client[1], Male, 17 Sep 1945, age at purchase 65

Year	Monthly Income*	Total Annual Income	Cumulative Payout	Annual Taxable Portion of Income
2010	$614	$1,842	$1,842	$471
2011	$614	$7,369	$9,211	$1,886
2012	$614	$7,369	$16,580	$1,886
2013	$614	$7,369	$23,950	$1,886
2014	$614	$7,369	$31,319	$1,886
2015	$614	$7,369	$38,688	$1,886
2016	$614	$7,369	$46,057	$1,886
2017	$614	$7,369	$53,426	$1,886
2018	$614	$7,369	$60,795	$1,886
2019	$614	$7,369	$68,164	$1,886
2020	$614	$7,369	$75,533	$1,886
2021	$614	$7,369	$82,902	$1,886
2022	$614	$7,369	$90,271	$1,886
2023	$614	$7,369	$97,640	$1,886
2024	$614	$7,369	$105,009	$1,886

Prescribed Taxable Amounts on Illustration Input Screen

Our SPIA illustration input screen now automatically shows the calculated taxable amount for prescribed annuities (with non-registered funds). No toggling between illustration output and input screens! In addition to showing the calculated periodic income provided, our SPIA one-page input screen is designed for both simplicity and ultimate flexibility, saving you time!



Annual taxable income for prescribed annuities now automatically shown on input screen!

To find out more about BMO Insurance products, please call your MGA, contact the BMO Insurance regional sales office in your area, call 1-877-742-5244 or visit www.bmoinsurance.com/advisor.

Ontario Region	Quebec-Atlantic Region	Western Region
1-800-608-7303	1-866-217-0514	1-877-877-1272

BMO Life Assurance Company, 60 Yonge Street, Toronto ON M5E 1H5. 1-877-742-5244.

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