

# Universal Life Insurance

Permanent life insurance protection  
and a tax-deferred investment account  
- all in one plan!





Not having enough insurance – or not having insurance at all – can set someone up for a double shock: a dreaded life event such as a premature death plus a subsequent drain on savings. That’s why having the right type *and* amount of insurance coverage can help protect your finances against many of life’s uncertainties.

### What is universal life insurance and how does it work?

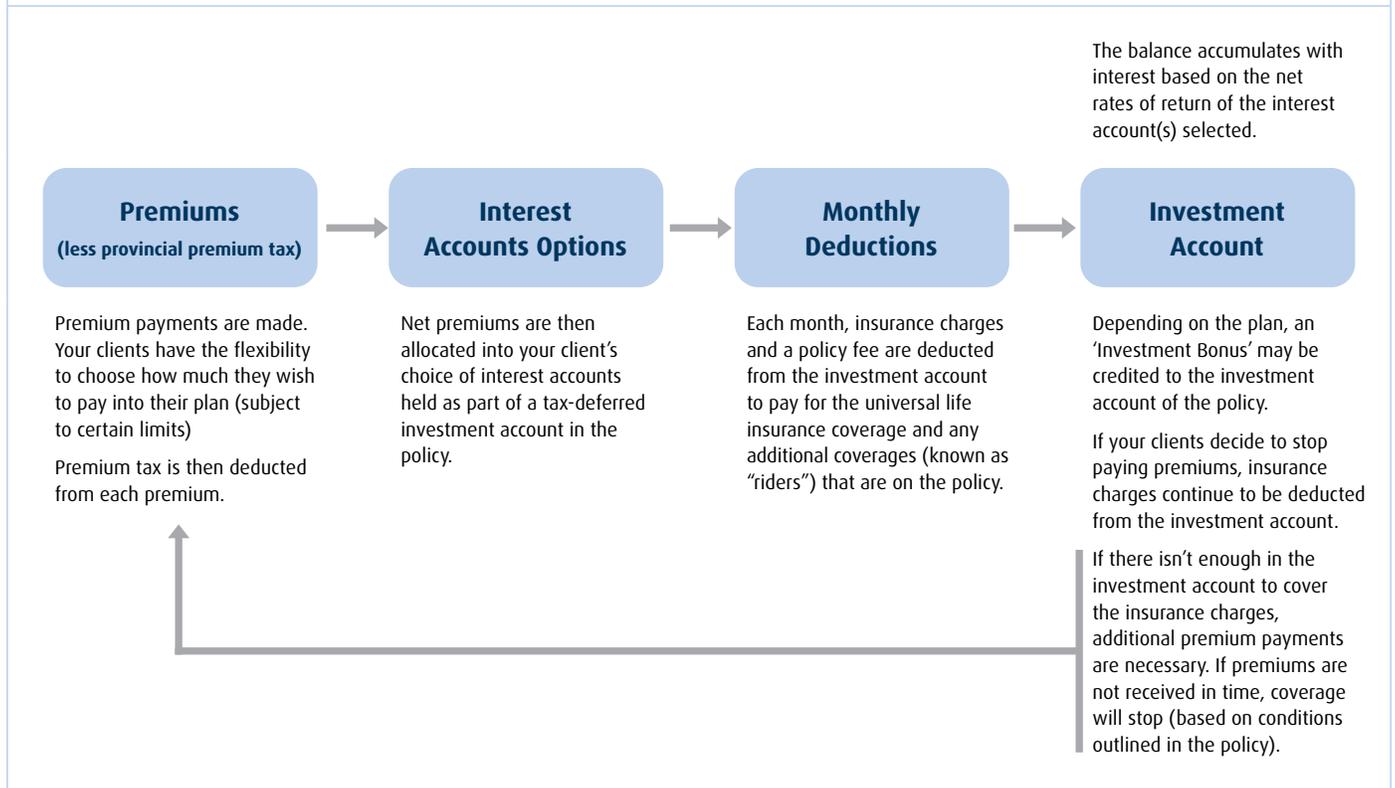
Universal life insurance includes permanent life insurance (i.e. insurance that’s there for as long as you live) and an investment component. This kind of insurance lets you see what portion of your premiums are used to cover the cost for your insurance coverage and how much remains to be invested in a tax-deferred investment account that’s included in the policy.

What’s more, premiums are flexible: you can pay as little or as much as you want as long as there’s enough in the investment component of the policy to pay for the monthly insurance charges and your premiums don’t exceed the maximum limits specified in the Income Tax Act (Canada) (the “Tax Act”).

If you’re looking for just insurance protection, you need to be sure that you pay enough to cover the ongoing costs in your policy. By increasing your premiums above the ongoing cost you can take advantage of the tax-deferred investment account within your policy.



### Here’s how universal life insurance works



### Once a year...

The amount in the investment account is tested to determine whether your policy continues to be exempt from accrual taxation based on rules in the Tax Act. This is known as the "Tax Exempt Test". If there's too much in the investment account, any excess amount must be transferred out of the policy and held in a taxable side account until such time that the policy is tested again to determine if any premium can be transferred back into the policy's tax-deferred account.

### While insurance coverage is in effect

You may take withdrawals from the cash value of your policy. The cash value of the policy will be different from the value of your investment account as it will also include any redemption/withdrawal fees that may be applicable. You can also take out a policy loan, using the cash value as collateral.<sup>1</sup>

Both withdrawals and policy loans reduce the amount of the death benefit payable and may be subject to income tax.

### When the death benefit is paid out...

The death benefit is paid to the beneficiary on a tax-free basis. Depending on the option you choose, this could also include the value of the investment account that you've built up in the policy (see death benefit options below).



Universal life insurance can be tailored for different financial objectives.

Pay just enough to cover your insurance charges or take advantage of the built-in tax-deferred investment account, by making additional deposits (up the maximum premium allowed in the Tax Act).

Depending on how much you've built-up in the investment account, you may also be able to skip premiums.<sup>2</sup>

### Is universal life insurance right for you?

Universal life insurance can be tailored for a variety of insurance planning needs such as:

- paying premiums over a short period of time (e.g. 5 or 10 years) so that there's enough in the investment account to cover your future monthly deductions
- earmarking a source of funds to cover your final expenses
- replacing your lost future income, in case of your death
- helping to offset the taxes which will become payable on your RRSP when you die<sup>3</sup>
- minimizing the impact of taxes on other taxable assets in your estate – such as the capital gains tax on the increase in value of your cottage<sup>3</sup>
- supplementing your after-tax retirement income using the cash built-up in your policy
- maximizing the transfer of your wealth to your heirs in a tax efficient way
- leaving a financial gift in your name to your favourite charity

If you're a business owner, you may want to consider using universal life insurance to:

- offset your business expenses upon the death of a key employee or shareholder
- invest surplus cash from your business in a tax efficient way
- pass on the value of corporate assets to your heirs in a simple and tax efficient manner

It all depends on your financial objectives. Talk to your insurance advisor and find out if universal life insurance makes sense for you.



## Premium payments on universal life insurance

Pay enough to cover insurance charges

Pay enough to cover insurance charges

Get life insurance protection only

Get insurance protection and take full advantage of the tax-deferred investment account

## With a universal life plan from BMO Insurance, you can expect:

### Valuable features and benefits

Our Wealth Dimensions Universal Life plan provides you with:

- A choice of death benefit options:
  - Level death benefit – equal to the greater of the face value of the policy or the value of the investment account
  - Sum Insured plus Fund Value death benefit – equal to the total of the face value of the policy plus the value of the investment account at the time of death
- The flexibility to choose (within limits) the amount and duration of your premium payments
- A wide choice of tax-deferred investment options (see below)
- A choice of Cost of Insurance (COI) options for the monthly deductions:
  - Level COI – insurance rates are fixed and charged until age 100
  - Yearly Renewable Term COI – insurance rates increase from year-to-year and are charged until age 100
  - Yearly Renewable Term YRT 85/20 COI – insurance rates increase from year-to-year and are charged until the later of age 85 or 20 years after the coverage has been issued
  - Level Switch COI – allows you to switch from YRT or YRT 85/20 COI to a fixed (Level COI) guaranteed rate which is charged until age 100
- The ability to access the cash value of the policy through a withdrawal or policy loan<sup>1</sup>
- Supplementary life and critical illness insurance riders which can be added to your basic universal life coverage for a more complete insurance solution
- A Disability Benefit – included at no additional charge
- Access to the BMO Insurance Health Advocate™ Plan – included at no additional charge

## A choice of investment options

Our Wealth Dimensions plan offers you a wide variety of investment options:

*Daily Interest Account:* this is a short term interest account with rates of return linked to Government of Canada Treasury Bills, subject to a minimum guarantee.

*Guaranteed Interest Accounts:* these are fixed term investment accounts with rates of return linked to Government of Canada bonds, subject to a minimum guarantee.

*Indexed Accounts:* these are notional accounts with performance linked to a net rate of return of a designated fund or market index. Returns are calculated between consecutive valuation days and a daily BMO Life Assurance Company management fee will be subtracted each calendar day. Returns on these accounts are not guaranteed and can be either positive or negative.

*With Indexed Accounts, it's important to remember that you do not purchase units in any index or a legal interest in any security. Past performance of an investment selection is not a guarantee of future results and results will vary over time.*

*Enhanced Market Indexed Account: you also have access to the North American Equity Enhanced Market Indexed Account, an interest account with a smoothed rate of return linked to the performance of both the U.S. and Canadian equity market indices. The rate of return on this account is designed to be less volatile than typical equity linked accounts – and is also guaranteed to never be negative.*

*Guaranteed Market Indexed Accounts: these are fixed term interest accounts with rates of return linked to the performance of a specified market index. Interest on these accounts is calculated and credited on specified dates (typically once a year) during the investment term and is guaranteed never to be negative.*

You may also qualify for a cumulative fund bonus subject to certain qualifying conditions.



### What investment options make sense for you?

Talk to your insurance advisor and determine your tolerance to investment risk. Then, make a choice that's in line with your financial objectives.

Visit [bmoinvestpro.ca](http://bmoinvestpro.ca) for a complete listing of investment options available on our universal life plan.

## Built-in guarantees

For as long as you have your policy, we will:

- guarantee not to increase the cost of insurance rates in your policy
- guarantee that the monthly policy fee we deduct from the investment account will not change
- offer you a choice of at least one Guaranteed Interest Account and four Market Indexed Accounts
- guarantee the minimum rates of return on the Daily Interest Account, Guaranteed Interest Accounts, Guaranteed Market Indexed Accounts and Enhanced Market Indexed Accounts in your contract
- guarantee the maximum BMO Life Assurance Company management fees that we charge on Indexed Accounts will not change<sup>4</sup>



---

As a member of BMO Financial Group, BMO Insurance brings to you the financial strength and stability that comes from one of the most respected brands in Canada. Our insurance business has a solid history and reputation for being a trusted insurance provider for thousands of Canadians, including their families and businesses.

---

## When coverage begins

Your coverage takes effect when the policy has been delivered to you<sup>5</sup>; the first premium is paid in full; and there has been no change in insurability between the time the application for insurance was completed and the time the policy is delivered to you.

## How we determine premiums

Premiums are calculated according to the age and sex of the life insured(s) along with smoking habits and other health and lifestyle factors.

## Factors that affect the values of a universal life insurance policy

Universal life insurance provides you with flexibility when it comes to your premium payments along with a choice of how your net premiums are invested. As a result, the value of the investment account in your policy can change depending on factors such as:

- the timing and amount of your premium payments
- the net rate of return earned on the interest accounts you choose
- the type of cost of insurance and death benefit option you've selected
- any changes to your insurance coverage that you decide to make
- any cash withdrawals you make
- the outstanding balance of any policy loans you take

## When fees may be applicable

You may have to pay fees or other charges if:

- you decide to terminate your policy or reduce the amount of insurance coverage you have during the first several years after coverage has been issued
- you request more than four (4) changes to your investment choices per policy year
- you request a cash withdrawal or policy loan from your interest accounts
- you withdraw or transfer an amount from a Guaranteed Interest Account or Guaranteed Market Indexed Account prior to maturity of the investment term in those accounts or from an Enhanced Market Indexed Account
- you ask for a review of your insurance risk classification after your policy has been issued

Refer to a sample policy for more complete details on fees and when they apply.

## Your rights and obligations

**Ten Day Right to Examine Policy** – You have the right to return the policy to us within 10 days of its receipt, along with a written request for cancellation, for a refund of the premiums paid, less any negative market adjustment.

**Change in information prior to policy delivery** – A life insurance policy is issued after careful assessment of the information given on your application and the results of any medical tests and reports. When the policy is delivered, if there has been any change in your health or information since the application was completed, you must return the policy to the company for further assessment.

**Non-Disclosure** – It is your responsibility to fully disclose every fact that is material to the insurance coverage. This includes any information you provide in your application for insurance, medical examinations, written statements, any application for reinstatement or in any proof of claim. Failure to fully disclose all information may result in the coverage being voided by the company.

**Incontestability** – Any statements you make in the application or application for change or reinstatement will be considered incontestable after the coverage has been in force for two years, unless those statements are made fraudulently. If the life insured dies within two years of the effective date of the coverage or a reinstatement of coverage, the statements made may be contested.

## Restrictions on benefits

In the case of suicide within two years of the issue date or reinstatement date of the coverage, payment will be restricted to the Allocated Fund Value<sup>5</sup> and cost of insurance deducted less any outstanding policy loan balance and other amounts owing for the insurance coverage less any amounts owed to the company.

## 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](https://www.bmoinsurance.com)

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

1-877-742-5244

[bmoinsurance.com](https://www.bmoinsurance.com)



<sup>1</sup> Certain conditions, limitations, and charges may apply to these transactions.

<sup>2</sup> Ask your insurance advisor or refer to a sample policy for details.

<sup>3</sup> Under the Income Tax Act (Canada) income tax on certain assets may be deferred under joint ownership or a spousal rollover. Ask your advisor for more details.

<sup>4</sup> We may only increase the guaranteed maximum fee if there's an increase in taxes that apply to funds held in Indexed Accounts.

<sup>5</sup> In Quebec, this is when we have approved the application for insurance without modification.

This brochure provides information on the plan available to new policy owners as of the version date of this brochure. Some of the features and benefits may not be available on older plans, including the availability of some investment options.

Information contained in this document is for illustrative purposes and is subject to change without notice. The information in this publication is intended as a summary of our products and/or services. 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.

Insurer: BMO Life Assurance Company