

# Permanent Life Insurance plus a Tax Efficient Investment Account - all in one plan!

You're successful at what you do: you have a solid financial plan in place which includes saving enough for retirement. You're making regular RRSP contributions as well as setting aside funds in an investment portfolio.

However, you wonder whether you'll have saved enough for retirement, given the volatility of your investment portfolio in recent years. You have some life insurance but are wondering whether you have the right type and amount in place.

## For example, take a look at Michael...

- 45 year old and a senior manager
- married with one child
- his wife, Justine, is uninsurable
- Michael and Justine each have \$300,000 of term life insurance which they bought about 3 years ago

As part of an annual review of their financial plan, their insurance advisor suggested that it would be a good idea to review the life insurance that they already have just to be sure it fits with their overall financial planning objectives. During this review, they decided on the following:

### Insurance Checklist for Michael and Justine:

- ✓ Keep Michael and Justine's term insurance policies.
- ✓ Top-up Michael's life insurance with some permanent coverage.
- ✓ Choose a plan with level, guaranteed premiums which can be paid-off by the time he retires

...and provide an additional source of retirement savings with a stable rate of return.

### Their insurance advisor proposed the BMO Insurance Whole Life Plan

It's designed for Canadians who are looking for permanent life insurance protection that's simple to understand. The plan also includes a guaranteed cash value that increases over time. What's more, you may receive a Performance Bonus each year that increases both the death benefit and cash value *both of which grow on a tax-deferred basis!*

BMO Insurance also guarantees that the Performance Bonus will never be negative and that the rate will be at least 5.50% until April 30, 2020.

### Michael and Justine's insurance advisor proposed the following using the BMO Insurance Whole Life Plan:

- \$250,000 of permanent life insurance on Michael.
- The "20 Pay" premium option of \$682.20 per month (so that the plan is paid-off by the time Michael reaches age 65). After that, premiums will no longer be required.
- Continue saving for retirement through their RRSP and company pension plan but, if they choose to, use the cash value of the policy as additional a source retirement income.



### According to the BMO Wealth Institute<sup>1</sup>, an inheritance can be impacted by:

- life expectancy and retirement age
- unanticipated events and health care expenses
- challenging markets, interest rates and inflation
- taxes on death
- family size

64% of surveyed Canadians say that they have a financial plan. 80% said that having a financial plan helped them achieve their financial goals<sup>2</sup>.

### The BMO Insurance Whole Life Plan Simple. Flexible. Guaranteed.

- easy-to-understand
- guaranteed premiums
- guaranteed cash values
- a Performance Bonus that automatically adds "paid-up" insurance coverage and cash values
- can adapt to your changing needs
- backed by one of Canada's most respected financial institutions

**Their insurance advisor showed them a projection of values<sup>3</sup>:**

Year / Age	Guaranteed Monthly Premium	Total Death Benefit	Cash Withdrawal (Before-Tax)	Cash Withdrawal (After-Tax)	Total Cash Value
1/46	\$682.20	\$250,059	\$0	\$0	\$290
5/50	\$682.20	\$252,079	\$0	\$0	\$5,267
10/55	\$682.20	\$262,397	\$0	\$0	\$22,976
15/60	\$682.20	\$294,275	\$0	\$0	\$82,804
20/65	\$682.20	\$329,890	\$15,000	\$13,191	\$180,003
30/75	0	\$219,542	\$15,000	\$9,573	\$156,916
35/80	0	\$175,614	\$15,000	\$8,387	\$136,770
40/85	0	\$230,492	\$0	\$0	\$187,242
45/90	0	\$283,618	\$0	\$0	\$242,277
50/95	0	\$334,659	\$0	\$0	\$303,582
55/100	0	\$383,431	\$0	\$0	\$383,431

Michael’s basic coverage includes a cash value that’s guaranteed when he buys his policy. With every Performance Bonus, an amount of paid-up insurance coverage is added to the death benefit. By the time he reaches age 65, the total death benefit is expected to be \$329,890. What’s more, when an amount of paid-up insurance coverage is added to a policy, it also includes a guaranteed cash value – increasing the total amount of cash value that Michael can access.

**If Michael decides that he wants more money during his retirement years...**

For example, he could take yearly cash withdrawals of \$15,000 (before-tax) from his policy from age 65 to 80. The total of Michael’s after-tax cash withdrawals (\$167,831) would be more than the total premiums (\$163,728) he paid into his policy. Both the total cash value and death benefit would be decreased but Michael’s heirs would still receive the remaining death benefit when he passes away on a tax-free basis which is projected to be \$230,492 at age 85 (and \$383,431 at age 100).

**If life takes an unexpected turn, Michael has options:**

**Premium switch option** – change from the “20 Pay” to “Pay to age 100” option:

- lowers his monthly premiums of \$682.20/month to \$441.45/month
- guaranteed premiums payable for remaining years to age 100
- still qualifies for additional paid-up coverage above his \$250,000 of basic coverage

**Reduced Paid-Up Insurance** – flexibility to stop paying premiums:

- if elected, no further premiums required
- reduces the amount of the basic coverage
- reduced coverage still qualifies for additional paid-up coverage

**Policy loans** – available to temporarily pay for premiums from the cash value.

**BMO Insurance Health Advocate™ Plan** – available at no extra cost!

This program includes access to medical information and services as well as personal assistance programs



We’re here to help.™

<sup>1</sup> “Passing it on: What will future inheritances look like?”, BMO Wealth Institute, August 2013.

<sup>2</sup> “The biggest life events that can derail your financial plan”, BMO Wealth Institute, May 2013.

<sup>3</sup> This projection is for illustrative purposes only and based on the assumptions described in this scenario. The amount of the Paid-Up Additions may vary from this projection and will depend on the actual Performance Bonus Rate that BMO Insurance declares each year. Ask your insurance advisor for a personalized proposal based on your profile, amount of insurance you need and premium option you’d like to select. Tax rate: 50%

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