

Get the unthinkable: equity-style returns with a guarantee...in one UL!

Client Profile



Martin is a 50 year old single parent who's just completed an insurance review with his advisor. He realizes that he needs \$300,000 of permanent insurance for estate planning purposes. He's also been thinking about what he's going to leave for his daughter. He's taken care of his retirement savings needs and has set aside additional money as an inheritance for her. He doesn't really need this extra money and would like to get a better return than what he's been seeing lately on traditional GICs.

The Need

Martin wants to ensure that he has a tax effective means of covering off the taxes due on his estate. Plus, he wants to maximize what he gives his daughter minimizing investment income tax and the fees that are typically attached to an estate, such as probate and executor's fees.

The Solution

A universal life plan can help. It includes all of what Martin's looking for: permanent insurance plus a tax efficient savings account. Upon his death, the insurance protection can be used to offset the taxes due on his estate. Plus, any money accumulating in the savings account can grow within a tax-deferred environment and paid out to his beneficiaries tax-free.

Martin's advisor pointed out that there's a new option worth looking at for the savings component: a Guaranteed Market Indexed Account (GMIA) from BMO® Insurance. It's the first of its kind in Canada and only available on BMO Insurance's Life Dimensions plan. There's the growth potential that he's looking for, with no negative returns!

Guaranteed Market Indexed Accounts Key Highlights:

- Exposure to equity market performance with the security of a GIC
- Net rates of return are guaranteed never to be negative
- 2 GMIA's to choose from: Canadian Equity GMIA (linked to the S&P/TSX 60 Price Return Index) and American Equity GMIA (linked to the S&P 500 Price Return Index, converted to Canadian dollars)
- Interest that's calculated and credited **EVERY 12 MONTHS** over the Investment Term
- \$2,000 minimum lump sum deposit on all Life Dimensions policies (issued 2010/11/18 or later)
- Flexibility to switch to a Fixed Interest Rate Option or other available GMIA's on Interest Crediting Dates without any penalty

Using a deposit stream of \$15,000 per year over the next five years, followed by minimum deposits, his advisor showed him the benefits of using the universal life approach. He compared this to buying the least expensive Term to 100 policy* and investing the difference in a taxable portfolio with the same annual deposits.

Here are the results of the projection:

Age	Annual Deposit	Life Dimensions (Low Fees) with a 4% projected rate of return in a GMIA**				Alternative Approach: Buy Term to 100 Insurance and Invest the Difference in a GIC at 2%			
		Total Annual Charges	Face Amount	Tax-Deferred Savings Account	Tax-Free Estate Value	Term to 100 Premium	Face Amount	After-tax Investment Portfolio	After-tax Estate Value
51	15,000	4,164	300,000	10,957	310,957	4,042	300,000	11,068	310,902
52	15,000	4,164	300,000	22,353	322,353	4,042	300,000	22,246	321,912
53	15,000	4,164	300,000	34,205	334,205	4,042	300,000	33,536	333,033
54	15,000	4,164	300,000	46,530	346,530	4,042	300,000	44,939	344,265
55	15,000	4,164	300,000	59,349	359,349	4,042	300,000	56,456	355,609
60	4,042	4,164	300,000	71,065	371,065	4,042	300,000	59,336	358,446
65	4,042	4,164	300,000	85,318	385,318	4,042	300,000	62,362	361,427
70	4,042	4,164	300,000	102,660	402,660	4,042	300,000	65,543	364,560
75	4,042	4,164	300,000	123,759	423,759	4,042	300,000	68,887	367,853
80	4,042	4,164	300,000	149,429	449,429	4,042	300,000	72,401	371,315
85	4,042	4,164	300,000	180,661	480,661	4,042	300,000	76,094	374,952
100	4,042	4,164	300,000	321,137	621,137	4,042	300,000	88,343	387,017

*Source: LifeGuide, December 2017

**Universal Life policy: Life Dimensions (Low Fees) with Level COI issued on a Single Life for M50NS and a 4% rate of return in a GMIA. Marginal tax rate: 50%. Probate fees of 1.50%, (The Wave v36.0)

BMO Life Assurance Company policyholders do not purchase units in any index or a legal interest in any security.

It's clear that universal life with a GMIA from BMO Insurance can provide the permanent insurance Martin needs with a savings account that's better than the alternative approach.

Here's how a GMIA works:

- At the beginning of each month, a new GMIA "Series" is made available for new deposits on all Life Dimensions policies.
- Deposits into a GMIA will earn daily interest until the Series "Investment Date" (typically the beginning of the following month), after which time that specific Series is closed to additional deposits.
- Deposits are made for an Investment Term of 10 years. Interest is calculated and credited every year on specified Interest Crediting Dates, using the pre-disclosed interest crediting factors
- At the end of every 12 months during the Investment Term, the interest crediting factors for the next 12 months are published on bmoinvestpro.ca.
- At the end of the Investment Term, unless we receive other investment instructions, funds are automatically rolled over for a further investment term using the terms and conditions offered when funds are renewed.
- GMIA's require a minimum deposit amount (currently set at \$2,000*) so it's ideal for clients who are investing at least 2 times the minimum premium into their policy.
- The GMIA is not a short term investment. While funds can be withdrawn or transferred out of the GMIA before the Maturity Date, they are subject to certain restrictions and fees. Refer to the GMIA Fact Sheet on bmoinvestpro.ca for more details.



Consider a Canadian Equity GMIA with the following factors in the first year.

GMIA Interest Crediting Rate Factors*:

Minimum Net Rate of Return	0%	The credited interest rate will never be negative
Index Participation Rate	60%	The rate of return is based on 50% of the S&P/TSX 60 market index price return
Index Cap Rate	No Maximum	
Hurdle Rate	3%	This is the minimum percentage increase in the value of the S&P/TSX 60 market index price return that must be achieved for the Credited Interest Rate to be positive; otherwise the credited interest rate will be zero
In this example, if the price return for the S&P/TSX 60 for the year is 15%, the Credited Interest Rate will be: $(15\% - 3\%) \times 50\% = 6.0\%$		
* Subject to change, based on the Terms and Conditions for a specific Series		

Let's connect

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

BMO Life Assurance Company, 60 Yonge Street, Toronto, ON M5E 1H5

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