

Additional Payment Option – it's all about flexibility

BMO Insurance Whole Life is a non-participating whole life insurance plan offering an increasing death benefit with guaranteed cash values and guaranteed level premiums payable for 10 or 20 years or to age 100, after which time the policy becomes fully paid-up. There are two plan options to address two distinct markets – Wealth Accelerator to address the wealth accumulation market and Estate Protector for the estate protection market.

The increasing death benefit (above the basic coverage) is provided by an annual Performance Bonus that BMO Insurance automatically uses to purchase additional “paid-up” insurance coverage (or Paid-Up Additions).

Plus, you now have a whole lot more flexibility as far as premium payments.

Take a look at the following example. Meet Alan and Miranda:

- both 55 years old and non-smokers
- looking for \$500,000 of life insurance for estate planning
- want premium flexibility
- want to diversify investment portfolio
- conservative investor profiles

Alan and Miranda’s insurance advisor proposed the following using BMO Insurance Whole Life:

Premium Option: 20 Pay
Plan Option: Estate Protector
Initial Sum Insured: \$500,000 issued on a Joint Last-to-Die basis
Annual Premium: \$15,575 for 20 years

They asked their advisor if premiums could be paid-off sooner. He showed them that, with the Additional Payment Option, they could make optional payments above the annual premium which would accumulate in an Additional Payment Balance. After 10 years, they could elect a Premium Offset¹ which would allow them to:

- stop paying premiums without reducing the initial sum insured
- have the remaining premiums paid from the Additional Payment Balance and Paid-Up Addition Cash Value
- continue to qualify for the annual Performance Bonus and accompanying Paid-Up Additions



BMO Insurance Whole Life:

Simple

- simple Performance Bonus
- easy-to-use life insurance application
- additional Payments without further underwriting
- easy-to-understand policy contract
- simple annual policy statement

Flexible

- 3 premium options: 10 Pay, 20 Pay and Pay to Age 100
- 2 plan options: Estate Protector and Wealth Accelerator
- payment flexibility with the Additional Payment Option and Premium Offset
- Premium Switch Option: to address affordability issues

Guaranteed

- highly competitive guaranteed cash values
- guaranteed reduced paid-up values
- guarantee on Performance Bonus Rate (PBR)
 - PBR can change from year-to-year
 - will never be negative

He showed them the following projections using BMO Insurance Whole Life Estate Protector.

If they choose the Additional Payment Option, they can choose to pay \$26,610 for 10 years (which includes scheduled Additional Payments of \$11,035 for 10 years). They could then select a Premium Offset and stop premium payments starting in year 11:

Year	20 Pay (premiums paid for 20 years) Initial Sum Insured: \$500,000				20 Pay with Additional Payments and Premium Offset in year 11 ¹ Initial Sum Insured: \$500,000			
	Annual Premium	Total Death Benefit	Total Cash Value	IRR on Death Benefit (%)	Annual Premium ²	Total Death Benefit	Total Cash Value	IRR on Death Benefit (%)
1	15,575	500,119	601	3,111.0%	\$26,610	512,385	11,312	1,825.5%
2	15,575	500,490	1,979	419.1%	\$26,610	526,999	23,977	297.8%
3	15,575	501,241	4,205	178.6%	\$26,610	543,836	38,088	133.1%
4	15,575	502,402	6,856	104.5%	\$26,610	562,804	53,239	79.4%
5	15,575	504,153	10,852	70.4%	\$26,610	583,969	70,372	54.2%
10	15,575	524,740	47,268	21.4%	\$26,610	741,318	182,664	18.1%
11	15,575	532,712	64,894	18.1%	0	727,199	190,487	15.3%
20	15,575	723,787	339,889	7.5%	0	738,538	406,924	6.7%
30	0	1,054,867	706,371	5.9%	0	1,069,618	715,471	5.6%
Age 85	0	1,339,307	1,040,600	4.9%	0	1,354,058	1,051,560	4.8%
Age 100	0	1,774,750	1,774,750	3.9%	0	1,789,501	1,789,500	3.9%

With the Additional Payment Option, they have the premium flexibility they're looking for. Plus, the Internal Rate of Return (IRR) on the Death Benefit at their attained age 85 is expected to be 4.80% which makes good investment sense.

With the Premium Offset, they could have the required premiums of \$15,575 paid first from the Additional Payment Balance and then from the Paid-Up Addition Cash Value. If these values weren't enough, they would need to resume making premium payments until the 20th year.

They could also re-start their scheduled Additional Payments up until the 20th policy year without any further underwriting.

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Let's connect

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We're here to help.

¹ Electing to have premiums paid using the policy values does NOT guarantee that the policy is paid-up. This will depend on several factors including the Performance Bonus plus the actual value of the Additional Payment Balance and Paid-Up Addition Cash Value which need to be sufficient to cover the required premiums on the policy.

² Annual Premium includes \$15,575 + Additional Payments of \$11,035 for 10 years and assuming a Performance Bonus rate of 5.50%. Source: Wave 45.0

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