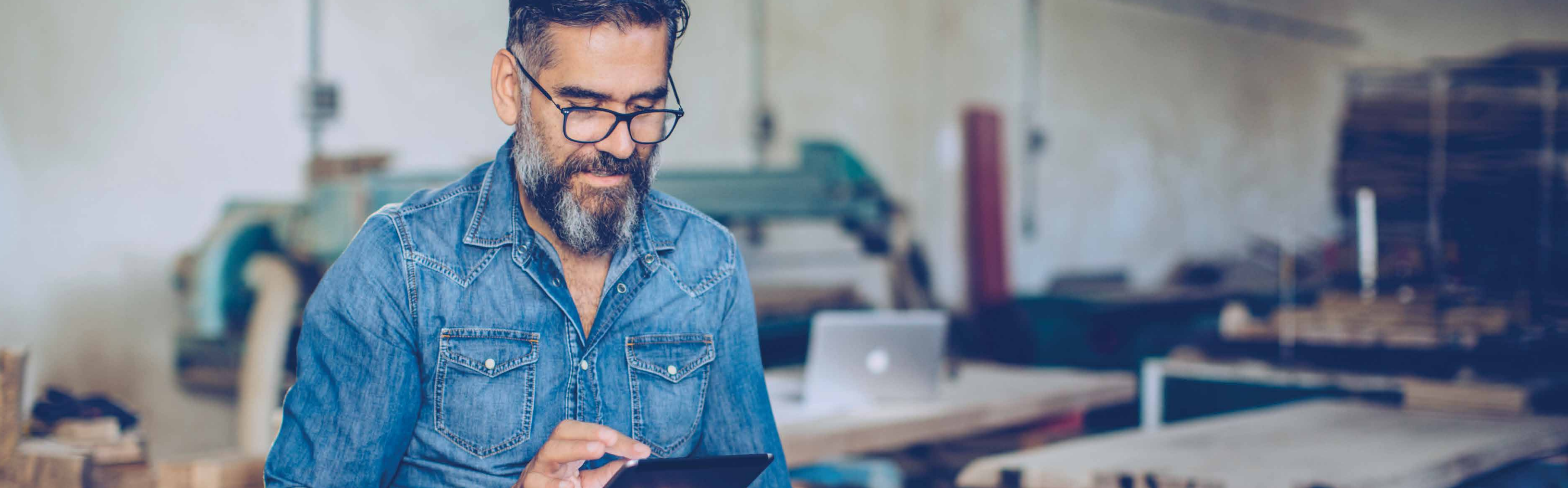
The BMO® Insurance Corporate Insured Retirement Plan

How can I provide security and flexibility for my business?

BMO Insurance

We're here to help.™



Creating security today and finding cash for tomorrow can be a challenge.

Corporate tax planning can be complex, but your objectives are clear:

- invest wisely
- reduce the corporate tax bill
- create a source of liquidity
- help secure the business with life insurance protection

You need a plan that can handle all of this – and one that keeps things simple!

There is a solution

Working with your insurance advisor, you can design a BMO Insurance Corporate Insured Retirement Plan. This plan can help provide you with a solution to several of your financial objectives including transferring some of your corporate passive assets into a tax-deferred environment which can significantly reduce your corporate tax bill.[1] In addition, the foundation of the plan is built with a permanent life insurance policy that can provide your business with the security it needs as well as a source of cash for business opportunities.

With the BMO Insurance Corporate Insured Retirement Plan, you will be able to benefit from:

- tax-deferred growth of deposits (net of charges) into the policy
- a conversion of your company's taxable surplus into non-taxable surplus
- a reduction in future taxable income since assets are transferred into a life insurance policy with tax-deferred accumulation
- access to a source of tax-free funds via a third party line of credit (or other loan)[2]
- a tax-effective way of paying-off the loan through the proceeds of a permanent life insurance policy

For example:

Andy is a 45 year old business owner of AndyCo which has built up a significant corporate surplus balance of $250,000 that is currently being taxed at 50% on the investment growth. He has a life insurance need for estate taxes relating to the value of his business.

In addition, he would also like to find a tax effective method to deploy his corporate surplus and would like the comfort of knowing that he has access to funds down the road, perhaps as a source of supplemental income (or for some other use).

Andy is looking for a plan that will address his life insurance needs and include the financial flexibility he desires.

Solution: The BMO Insurance Corporate Insured Retirement Plan

Insurance details:

- Planned deposits: $25,000 for 10 years (reallocated from his corporate surplus)
- Insured life: Andy
- Owner of policy: AndyCo
- Beneficiary: AndyCo
- Product: BMO Insurance Whole Life Estate Protector

Other details:

- Projected values illustrated at:
  - 4.50% net return in the whole life policy
  - 5.00% net return[3] before-tax on an Alternative Investment
  - 5.50% annual interest expense on a third party line of credit with the policy assigned as collateral
- Andy's personal tax rate: 50% on income, 45% on ineligible dividends

After 20 years, Andy's corporate-owned policy may be used as collateral for a loan which could provide him with a source of income in one of two ways:

Collateral	Borrower	Projected Annual Loan	After-Tax Funds for Andy (based on use of annual loan)
Corporate Owned Insurance	Andy	$24,740 for 20 years (age 65 to 84)	Personal Borrowing $24,740
	AndyCo		Corporate Borrowing (Dividend paid to Andy) $13,607

Using the insurance solution and the personal loan approach, when Andy's interest in the corporation is realized as part of his estate, the insurance solution is projected to provide better value compared to investing the surplus in an alternative taxable investment:

Comparison of Values

The BMO Insurance Corporate Insured Retirement Plan vs. an Alternative Investment

	BMO Insurance Whole Life (assuming a 4.50% Performance Bonus Rate)	Alternative Investment (Fixed Income portfolio projected at a 5.00% net annual rate)[4]
Annual Deposits	$25,000 for 10 years	$25,000 for 10 years
After-Tax Funds	$24,740 (assumes annual bank loans from age 65 to 84)	$24,740 (assumes withdrawals from the portfolio from age 65 to 78 with a final withdrawal of $3,494 at age 79). See note below.
Gross Estate Value[5]	$1,264,217	$0
Accumulated bank loan[5]	$902,867	$0
Net After-tax Estate Value[5] (net of bank loan)	$361,350	$0

The Results using BMO Insurance's Corporate Insured Retirement Plan:

- Over a period of ten years, $250,000 of passive assets in AndyCo (net of charges) will grow tax-deferred within the policy, reducing Andy's corporate tax bill.
- If Andy leverages the corporate-owned policy as collateral to fund personal income, he would receive $24,740 (after-tax) each year from age 65 to 84. This does not reflect costs that may be incurred to address potential taxable benefit/shareholder benefit issues.
- At age 85, there would still be $361,350 left to his estate even after the outstanding balance of the loan is paid-off.
- With the alternative investment, if the same deposits are made and the same after-tax income distributed, Andy would only be able to receive the income from age 65 to age 78 (plus a remaining withdrawal of $3,494 at age 79) after which time the value of the portfolio would be depleted, leaving nothing for his estate.

The BMO Corporate Insured Retirement Plan involves corporate tax planning which can be complex. There are many factors that could influence how the plan is designed for you and your company, which you should review with your insurance advisor along with other legal, tax and accounting professionals.

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**

Let's connect

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

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

1-877-742-5244

bmoinsurance.com

BMO Insurance

We're here to help.™

[1] Certain limits apply. See your insurance advisor for more details.

[2] Based on current interpretation of the Income Tax Act (Canada).

[3] After investment expenses such as a fund manager's management expense ratio (MER).

[4] 0% probate fees and 45% individual dividend tax. Probate fees are not applicable in Quebec.

[5] Values displayed at attained age 85.
Note: This example is based on a BMO Insurance Whole Life Estate Protector (The Wave 45.0) policy and is merely a projection of future results, using a set of assumptions that will change over time.

The information in this publication is intended as a summary of our products and/or services and may include projected values based on a set of assumptions. Actual results may not be guaranteed and may vary. 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.

The content of this presentation is based on sources believed to be reliable, but its accuracy cannot be guaranteed.

Insurer: BMO Life Assurance Company.

804E (2021/03/29)

03/21-0560