How can you save more for retirement?

Did you know that permanent life insurance contains both insurance and an investment component? This combination can give you the financial protection you need plus a tax effective way to save for retirement, beyond RRSP and TFSA limits.

If you're a high income earner who needs life insurance and wants to save more for retirement, you can enhance your savings plan with the BMO Insurance Insured Retirement Plan. This strategy combines cost effective permanent life insurance and a tax-deferred investment into one plan.

! A tax efficient and cost effective way to save for retirement – **beyond RRSP and TFSA limits.**

If you're already maximizing your RRSP and TFSA contributions, you can benefit from this innovative plan to supplement your retirement income and take advantage of:

- Tax-exempt permanent life insurance
- Tax-deferred accumulation of your premiums in the plan – beyond RRSP and TFSA limits
- Tax-free supplemental income at retirement via a third party loan (or line of credit)

Here's how it works:

Before you retire...
Working with your insurance advisor, determine your overall financial goals including how much permanent life insurance and retirement income you'll need. Take into account the money you're setting aside in your RRSP, TFSA and other savings plans.

Since permanent insurance is the foundation of the plan, you'll need to then apply and qualify for your life insurance from BMO Insurance. Once approved, the premiums you make will be allocated into a tax-deferred investment component. This investment account (net of insurance charges) will then accumulate on a tax-deferred basis until your retirement.

! Any investment growth within a permanent life insurance policy is exempt from accrual taxation within the limits specified in the Income Tax Act (Canada).

When you retire...
You can arrange to take a loan from a third party lender using the cash value of your policy as collateral. The proceeds from this loan can then be used to supplement your retirement income on a tax-free basis.

! Tax-free income – when you need it!

Your lender will let you know the maximum amount that you can borrow, using the cash value that you have accumulated in your policy. Depending on the terms of your loan, interest payments may be required. However, the lender may provide options to have the interest capitalized or funded through additional borrowings. At death, the loan will then be paid-off, using the tax-free proceeds of the life insurance policy. Any remaining amount will be paid to your named beneficiaries.

For example, consider Max and Marie who are both 45 years old. They've both been maximizing their RRSP contributions and are planning to retire at age 65. They also have another mutual fund portfolio set aside for retirement, but it's being taxed annually. Working with their advisor, they discover that they can save an extra $15,000 per year and need $380,000 of permanent life insurance protection. They'd like a cost effective and tax efficient plan that helps them achieve all of their goals.

Continued

The Solution: The BMO Insurance Insured Retirement Plan

Comparison of Values

	BMO Insurance Whole Life Plan	Traditional Taxable Investment Portfolio^
Annual Deposit (for 10 years)	$15,000	$15,000
Rate of Return	4.50%	5.00%
Projected After-tax income (starting from ages 65 to 85)	$16,280	$16,280
Initial Life Insurance Coverage	$384,023	$0
Gross Estate Value (at age 85)	$985,246	$0
Loan Balance (at age 85) (at 5.50% per year)	$592,950	$0
Net Estate Value (at age 85) (after loan and taxes)	$392,295	$0

At age 65, Max and Marie are able to secure a loan from a lender using the cash value of their policy as collateral for a loan. This permits them to borrow up to an amount equal to 90% of their cash value.

The Results, using The BMO Insurance Insured Retirement Plan

- Max and Marie now have a tax effective retirement savings plan – beyond their RRSP and TFSA.
- The investment component of the policy accumulates on a tax-deferred basis.
- When they retire, they can use the cash value of their plan as collateral for a third party loan (or line of credit); the proceeds of the loan can be used as a source of tax-free retirement income – when they need it.
- The outstanding balance of the loan is paid-off from the tax-free proceeds of their life insurance policy; any residual amount is then paid to their named beneficiary.

Ask your advisor for more details and find out if the BMO Insurance Insured Retirement Plan is right for you.

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

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Note: This example is based on a Joint Last to Die BMO Insurance Whole Life Estate Protector (The Wave v45.0) policy and is merely a projection of future results, using a set of assumptions that will change over time. Actual results are not guaranteed and will vary. This projection is not complete unless it is accompanied by all of the pages of an illustration from the Wave illustration software.

^Assuming a Balanced Fund that has the following income: 50% interest, 30% dividends, 10% unrealized capital gains and 10% realized capital gains; individual dividend tax rate: 38%; personal tax rate: 50%; probate fees: 1.5%.

Loans are subject to the terms of third party lenders. BMO Life Assurance Company does not guarantee the availability of such loans or that you will qualify for them.

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.

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