

Term riders boost tax deferred room and help offset premiums

BMO Insurance Whole Life is a non-participating whole life insurance plan offering an increasing death benefit with guaranteed cash values and level premiums payable for 10 or 20 years or to age 100, after which time the policy becomes fully paid up.

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

Additional Payment Option (APO)

To accelerate the growth of the death benefit and cash value, clients can choose to make additional payments above the premiums for their basic coverage (and any riders), subject to a yearly maximum.

When combined with a Term rider, the APO can be a powerful combination that maximizes the tax-deferred growth on single life whole life policies (with the same life insured as the rider). This option also provides clients with the ability to stop paying premiums before the end of their premium paying period.

For example, meet Nelson:

- 40 year old non-smoker
- Needs \$250,000 of permanent life insurance
- Needs \$750,000 of 10-year term insurance (for 10 years only)
- Wants to pay-up his policy quickly
- Wants to invest in a tax efficient asset class

Nelson's insurance advisor suggests the following, using a guaranteed 20 Pay BMO Insurance Whole Life Estate Protector policy:

	Coverage Amount	Premium
Basic Coverage:	\$250,000	\$6,625.00 for 20 years
Term 10 Rider:	\$750,000	\$420.00 for 10 years
Total first year premium:		\$7,045.00
Total premiums over 20 years		\$136,700.00



BMO Insurance Whole Life

+ Term rider

+ Additional Payment Option

- = More tax-deferred growth opportunity
- = Option to stop paying premiums before the end of the premium paying period¹
- = Pay-off (or "quick pay") a policy years ahead of the regular premium pay period¹

Alternatively, Nelson could choose to pay-up his policy sooner, using the Additional Payment Option as shown in the following projection²:

Year	Total Paid ²	Premium Offset	Total Cash Value	Total Death Benefit	IRR on Death Benefit (%)
1	\$27,340	\$0	\$19,799	\$1,024,649	3,647.80
2	\$27,340	\$0	\$41,025	\$1,054,934	473.18
3	\$27,340	\$0	\$63,683	\$1,090,508	202.59
4	\$27,340	\$0	\$87,970	\$1,131,086	120.41
5	\$27,340	\$0	\$113,921	\$1,176,379	82.98
6	\$0	\$7,045	\$114,495	\$1,210,490	62.98
10	\$0	\$7,045	\$120,580	\$1,243,639	30.63
11	\$0	\$6,625	\$124,774	\$503,244	15.32
20	\$0	\$6,625	\$207,219	\$558,047	8.09
30	\$0	\$0	\$408,723	\$739,124	6.20
Age 85	\$0	\$0	\$786,006	\$1,021,043	4.78
Age 100	\$0	\$0	\$1,848,189	\$1,243,901	3.88

With this approach, Nelson would still commit to paying a total of \$136,700 but over five years. Using the Additional Payment Option, he would invest an additional \$20,295 per year and then elect a Premium Offset. He could then stop paying premiums and have the remaining amounts transferred (in years 6-20) from the cash value of his policy¹.


What's more, the cash value grows on a tax-deferred basis. Plus, Nelson is eligible to earn a Performance Bonus each year which in turn adds paid-up insurance coverage to the Death Benefit of his policy. The resulting after-tax return (IRR) is projected to be 4.78% at his attained age 85.

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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 Assuming a Performance Bonus Rate (PBR) at 5.5% on BMO Insurance Whole Life Estate Protector. Source: The Wave 55.0. 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.

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