

Financial Concepts at a Glance



Whether your clients are looking for income protection, asset accumulation or estate preservation, BMO Insurance has the tools to help you to create the right insurance solutions for your clients! Use the following guide to help you determine the right solution for your clients and be sure to use the latest version of the BMO Insurance **wave** illustration software to help you create customized proposals for your clients.



Business Insurance Concepts

Plan	Target Market	Objective	Approach	Typical Plan Design
<u>Corporate Insured Retirement Plan</u>	<ul style="list-style-type: none"> • Small business owners of Canadian Controlled Private Corporations (CCPC) who need life insurance protection and: • who are looking for a source of cash to distribute to shareholders of the company in a tax effective manner OR • who need access to cash for other business reasons 	<ul style="list-style-type: none"> • Protect the business with life insurance and create a source of cash which can be accessed in a tax efficient manner 	<ul style="list-style-type: none"> • The corporation purchases a whole life or universal life insurance policy and funds the policy to take advantage of the tax-deferred growth of the policy • Once the policy has accumulated a significant cash value, the corporation or shareholder may apply for a loan from a third party lender using the policy as collateral • At death, if a loan is outstanding within the corporation, it can be repaid by the company from the tax-free Death Benefit proceeds of the policy without impacting the Capital Dividend Account CDA • If the loan is personally held with the corporate owned policy used as collateral, the shareholder's estate would repay the loan through amounts received from the corporation via tax-free dividends 	<ul style="list-style-type: none"> • Single Life or Joint Last to Die, depending on insurance needs • Amount of insurance will depend on the business's overall insurance requirements • Level of funding will depend on the financial objectives of the corporation but typically over a short period (5-10 years) • Note: loans are obtained from a third party lender, the terms of which are determined between the lender and policy owner*.
<u>Corporate Asset Transfer Plan</u>	<ul style="list-style-type: none"> • Business owners who have invested surplus assets in passive investments which they want to eventually liquidate and transfer to their heirs 	<ul style="list-style-type: none"> • Facilitate a tax effective transfer of wealth from a business owner to their heirs 	<ul style="list-style-type: none"> • The corporation purchases a whole life or universal life insurance policy and maximizes the tax-deferred growth of the policy • Apply for insurance with their corporation as the owner and beneficiary of the policy 	<ul style="list-style-type: none"> • Single Life or Joint Last to Die, depending on insurance needs • Amount of insurance will depend on the business's overall insurance requirements • Level of funding will depend on the financial objectives of the corporation, but typically over a short period (5-10 years)
Corporate Insured Annuity	<ul style="list-style-type: none"> • Business owners looking to maximize their income, while preserving their investment capital to make a gift when they die 	<ul style="list-style-type: none"> • Enhance the after-tax return on income and preserve investment capital in a holding company 	<ul style="list-style-type: none"> • The corporation purchases a universal life or Term 100 policy and a non-prescribed annuity that funds the insurance premium and provides the income required to the business owner • At death, the death benefit payout offsets the capital invested in the non- prescribed annuity 	<ul style="list-style-type: none"> • Non-prescribed life annuity combined with a Single Life insurance policy
Insured Corporate Financing Plan	<ul style="list-style-type: none"> • Business owners looking to invest wisely, reduce their corporate tax bill, create a source of liquidity and secure the business with life insurance protection 	<ul style="list-style-type: none"> • Provide the business with security through life insurance protection and a source of cash for business opportunities, while reducing their corporate tax bill 	<ul style="list-style-type: none"> • The corporation purchases a whole life or universal life insurance policy on the life of the owner or a key employee • As soon as the policy is issued and premiums made into the policy, the cash value is used as collateral for a loan from a third party lender • Proceeds of the loan are then re-invested back into the business 	<ul style="list-style-type: none"> • Single Life • The amount of insurance will be determined by the overall insurance requirements • Level of funding will depend on the financial objectives of the corporation • Note: Loans are obtained from a third party lender, the terms of which are determined between the lender and policy owner*



Personal Insurance Concepts

Plan	Target Market	Objective	Approach	Typical Plan Design
The BMO Insurance Insured Retirement Plan	<ul style="list-style-type: none">High income earners who have an adequate time horizon to plan and save for retirement and who have maximized contributions to their RRSPs	<ul style="list-style-type: none">Create a source of supplemental retirement income that stretches beyond the limits of RRSPs and traditional pension plans	<ul style="list-style-type: none">Purchase a permanent (whole life or universal life) insurance policy which maximizes the tax-deferred growth of the policyAt retirement, assign the cash value as collateral for a loanUse the proceeds of the loan to supplement the individual's required incomeAt death, pay back the outstanding loan balance from the death benefit	<ul style="list-style-type: none">Single Life or Joint Last to Die, depending on insurance needsAmount of insurance will depend on the individual's overall insurance requirementsLevel of funding will depend on the financial objectives of the individuals but typically over a short period (5-10 years)Note: loans are obtained from a third party lender, the terms of which are determined between the lender and policy owner*
Personal Asset Transfer Plan	<ul style="list-style-type: none">Individuals (or couples) who have accumulated significant assets and want to maximize the amount they transfer to their heirs	<ul style="list-style-type: none">Increase the after-tax value of their personal surplus investment portfolio to their heirs	<ul style="list-style-type: none">Purchase a permanent (whole life or universal life) insurance policy and fund the policy to take advantage of the tax-deferred growth of the policyHave them apply for the insurance designating themselves as the owner(s) and life insured(s) on the policy. Their heirs should be designated as the beneficiaries	<ul style="list-style-type: none">Single Life or Joint Last to Die, depending on insurance needsThe amount of insurance will depend on the overall insurance requirementsLevel of funding will depend on the financial objectives of the client(s), but typically over a short period (5-10 years)
Family Asset Transfer Plan	<ul style="list-style-type: none">Older individuals with sizeable non-registered assets who are planning to transfer this wealth to their children or grandchildren	<ul style="list-style-type: none">Transfer surplus non-registered taxable assets to the next generation without incurring costly taxes and estate charges	<ul style="list-style-type: none">Parent (or grandparent) purchases a permanent insurance (whole life or universal life) policy on an adult child (or grandchild) and fund the policy to take advantage of the tax-deferred growth of the policyHe/she may subsequently choose to transfer ownership of the policy during his/her lifetime (or at death)	<ul style="list-style-type: none">Single LifeLife insured is the adult child/grandchild to whom the assets are to be transferred and where there is an established insurable interestThe amount of insurance on the life of the child (or grandchild) must be reasonable and within our underwriting guidelinesLevel of funding will depend on the financial objectives of the client(s), but typically over a short period (5-10 years)
Personal Insured Annuity	<ul style="list-style-type: none">Older individuals (or couples) in their retirement years who are looking to draw on supplemental retirement income from their non-registered investments	<ul style="list-style-type: none">Enhance the after-tax return on income and preserve investment capital	<ul style="list-style-type: none">Purchase a whole life or universal life insurance policy along with a prescribed annuity that funds the insurance premiums and provides the income requiredAt death, the death benefit payout offsets the capital invested in the prescribed annuity	<ul style="list-style-type: none">Prescribed life annuity combined with a permanent Term 100 or universal life insurance policy issued on a Single Life basisThe level of funding typically is equal to the minimum premium on a universal life policy or the basic premium for a Term 100
Estate Preserver Plan	<ul style="list-style-type: none">Older individuals (or couples) with significant taxable assets such as non-registered mutual funds, stocks, real estate, RRSPs/RRIFs, etc.	<ul style="list-style-type: none">Minimize the impact of taxes on the net value of an estate	<ul style="list-style-type: none">Purchase a whole life or universal life insurance policy with a projected death benefit that is equivalent to the amount of expected taxes due at death	<ul style="list-style-type: none">Single Life (or Joint Last to Die)Level of funding will depend on the financial objectives of the client(s) and could extend for the life of insured(s)

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