

Increasing your retirement income and preserving your capital



You've worked hard all your life to accumulate savings to fund your retirement. You now want to maximise your net retirement income and leave your capital intact for the next generation.

Investing in fixed income investments such as GICs, term deposits, bonds, or bank accounts are not the only options available to you. Although they provide stable conservative returns, they are fully taxable. Is there another solution?

Personal Insured Annuity Solution

The concept combines the purchase of a life insurance policy from BMO Insurance and a prescribed life annuity from another carrier.



Purchase a life insurance policy from BMO Insurance.



Purchase a life annuity using non-registered funds from another carrier. The life annuity provides guaranteed income for the remainder of your life.

Since tax is payable only on a portion of the income that is interest, the net return provided by the annuity may be greater than other guaranteed interest investments.



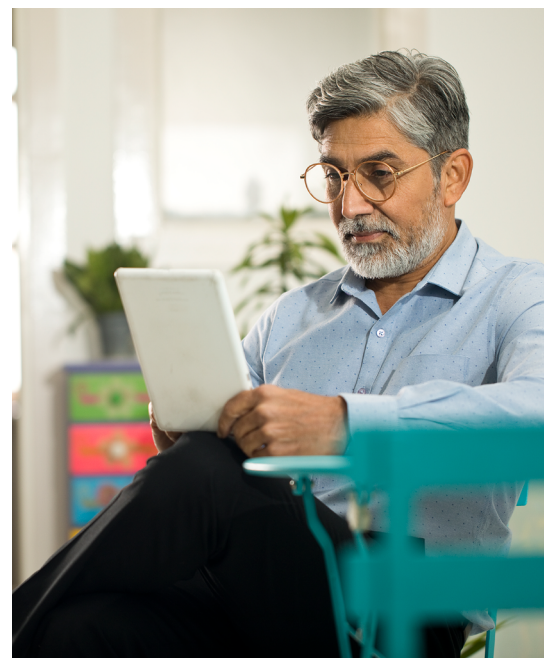
Use a portion of the annuity income to pay for the premiums of the life insurance policy. For a single-pay universal life scenario, use the required single deposit to fund the insurance policy and then purchase a life annuity with the balance of the capital invested.

Upon death, the proceeds are paid out directly to your named beneficiaries tax-free (and potentially exempt from probate fees).

Is it Right for Me?

The personal insured annuity solution is designed for people who are between the ages of 60 and 80, in good health, and looking for an alternative low-risk investment, offering a higher after-tax yield.

- **Increased after-tax income:** can potentially provide more income than a traditional GIC or equivalent.
- **Estate protection:** an amount equal to your initial investment is paid to your beneficiaries or estate when you die—no estate or probate fees.
- **Lower taxable income:** your reportable taxable income is decreased when using a prescribed life annuity. You will pay less tax on your annuity income providing the opportunity to maximize your government benefits.
- **Minimized investment risk:** a prescribed life annuity is fully guaranteed—no worry and stress about managing investments or outliving your income.



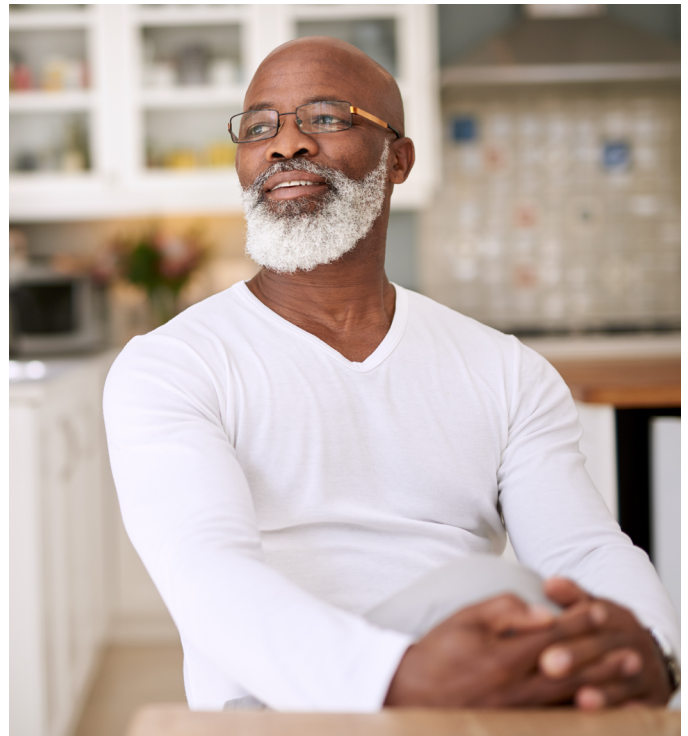
Personal Insured Annuity in Action

Richard (70) is enjoying his retirement after working and raising a family.

As a wise investor, Richard worked hard to build a nest egg for the future and is now ready to take advantage of these savings to fund his retirement income.

Almost all of his non-registered investments are now in bonds and guaranteed investment certificates. Richard wants the best of both worlds to create a higher net retirement income while ensuring that his investments have little or no risk.

With the personal insured annuity solution, Richard is able to increase his retirement income using a single premium immediate annuity and a BMO Insurance universal life insurance policy.



Personal Insured Annuity	Solution Using Term 100	Solution Using Universal Life	Taxable Investment earning 5%
Principal Investment	\$500,000	\$500,000	\$500,000
Portion of the principal used for annuity purchase	\$500,000	\$215,875 ¹	\$0
Annual Income	\$40,711	\$17,284	\$25,000
Taxable Amount	\$8,977	\$3,583	\$25,000
Tax Payable	\$4,489	\$1,792	\$12,500
Cash Flow Before Life Insurance Premium	\$36,223	\$15,492	\$12,500
Term 100 Annual Premium	\$21,614	N/A	\$0
Universal Life Insurance Single Deposit (with side account)	N/A	\$284,125 ¹	\$0
Annual Net Cash Flow	\$14,609	\$15,492	\$12,500
Net Estate Value	\$500,000	\$500,000	\$500,000
Equivalent Pre-tax GIC return	5.84%	6.20%	5.00%

Quote based on a Male 70 Non-smoker with a marginal tax rate of 50%. Actual annuity income will depend on age, sex, insurability rating, current annuity rates and the amount invested. Source: Cannex (Prescribed life annuity quotation based on rates as of October 24, 2023).

- Richard's lifetime income significantly improved
- Preferential tax treatment provides Richard with a very low and level amount of reportable income for tax purposes
- Using the Term 100 solution, Richard's annual net cash flow increased by 16.87%
- Using the Universal Life solution, Richard's annual net cash flow increased by 23.94%



Typical GIC investments produce a smaller payout, and this income is fully taxable. You may be required to cash-in some of your capital investments to draw a higher income, which then leaves less behind for your beneficiaries.

Let's connect

Your insurance advisor can help you learn more about how the corporate insured annuity solution can work for you.



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¹ Richard makes a single deposit (\$284,125) into a Wealth Dimensions Universal Life policy from BMO Insurance with a 30-year GIA at 3%. He then purchases a single premium income annuity for \$215,875 (the balance of the capital invested) with a different carrier. With this strategy, side account assumes after tax returns at their marginal tax rate. Source: The Wave 52.0.

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