

Insured Annuities



How do you feel about the possibility of increasing your retirement income and reducing the amount of tax that you pay?

Consider an Insured Annuity for your portfolio.

If you are retired, you may be depending on your non-registered investments to supplement your registered accounts and pensions to provide you with a comfortable retirement income. As you know, the income from non-registered investments is fully taxable annually, and upon your death the assets may be subject to a probate tax (except in Quebec) as part of your estate.

As a risk-averse investor, how can you provide a better potential return for yourself without exposing your investments to further volatility?

The insured annuity is an insurance concept that has the potential to provide greater income with the tax-advantaged treatment of your non-registered funds, especially when compared to conventional guaranteed interest instruments.

How does it work?

The insured annuity concept begins with the purchase of a life insurance policy and once it has been approved, a 'prescribed' guaranteed life annuity is purchased using non-registered funds.

The annuity provides a guaranteed income for the remainder of your life. Since tax is payable only on the part of the income that is interest, the net return provided by the annuity may be greater than other guaranteed interest investments. Upon death, the annuity payments end.

What about my estate?

The other component of an insured annuity strategy is a life insurance policy where the death benefit is equal to the initial annuity deposit. This insurance is purchased from a different company than the annuity, and the insurance premiums are effectively paid from the tax savings provided by the annuity. Upon your death the proceeds are paid out directly to your named beneficiaries, tax-free and potentially exempt from probate fees.

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The Bottom Line:

Potentially increased income, higher net returns on your money and estate preservation.

To find out more information, please contact your BMO Nesbitt Burns Investment Advisor who will refer you to an Estate & Insurance Advisor (in Quebec, Financial Security Advisor) from BMO Nesbitt Burns Financial Services Inc.

COMPARISON:

Male age 75, non-smoker with \$500,000 non-registered available assets.

GIC		Insured Annuity
\$500,000	Initial Capital	\$500,000
4%	Annual Investment Rate	N/A
\$20,000	Gross Annual Income	\$53,756
\$20,000	Taxable Portion	\$7,027
\$8,000	Tax Payable (40%)	\$2,811
\$12,000	After-Tax Income	\$50,945
\$0	Annual Insurance Premium	\$29,832
\$12,000	Net Annual Income	\$21,114
N/A	Equivalent Pre-Tax Yield	7.04%
N/A	Difference in Annual Income	\$9,114
	Increase Over GIC Yield	75.95%

This chart has been prepared to help you understand how insured annuities work. The values shown here are illustrative only and are not a guarantee of the future. E.&O.E. October 2008.

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