

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 a retired couple, 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. 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 typically 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.



Comparison:
Male age 71, female 70, non-smoker,
\$500,000 investment (non-registered)

GIC		Insured Annuity
\$500,000	Initial Capital	\$500,000
3%	Annual Investment Rate	N/A
\$15,000	Gross Annual Income	\$31,238
\$15,000	Taxable Portion	\$7,764
\$6,000	Tax Payable (40%)	\$3,106
\$12,000	After-Tax Income	\$28,133
\$0	Annual Insurance Premium	\$12,594
\$9,000	Net Annual Income	\$15,539
N/A	Equivalent Pre-Tax Yield	5.18%
N/A	Difference in Annual Income	\$6,539
N/A	Increase Over GIC Yield	72.66%

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. This information is provided by BMO Life Assurance and Canada Life and is current as of April 2022.

Seek advice

An insured annuity strategy potentially provides increased income, higher net returns on your money and estate preservation.

For more information, please speak with your BMO financial professional who will refer you to an Estate & Insurance Advisor (Financial Security Advisor In Quebec) from BMO Estate Insurance Advisory Services.



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