

BMO Immediate Financing Solution™

A leveraged life insurance strategy that is a perfect fit for successful farm owner/operators.

Successful farm owners often “use other people’s money” to grow their wealth. They often borrow money to cover longer term significant expenses. They want to have access to “liquid” cash to take advantage of shorter-term opportunities. Eventually, typically upon the death of the farm owner, there will be very significant taxes to be paid on the accrued capital gains of successful farm operations. The **BMO Immediate Financing Solution™ (“BMO IFS”)** represents a similar strategy. The BMO IFS is a perfect fit for the growing tax liability, and the need for immediate liquid cash.

THE POWER OF LEVERAGE

- Increase Monthly Cash Flow
- Increase Tax Deductions
- Decrease Risk with Diversity

Farm owners use **Leverage** to buy property, large equipment/machinery, livestock, seed, and to build new or replace infrastructure. They do so because they either don’t have the cash to outright pay now, or they wish to maintain liquidity for other opportunities or ongoing expenses.



Facts

- Farmers need significant amounts of cash;
- They do not want to “tie-up” their cash in non-farming ventures;
- They are typically comfortable with leverage, that is, borrowing capital: and
- They want to grow their farming operations over time.



Issues

- Farming operations attract significant tax liabilities through:
 - » Capital Gain appreciation
 - » Recapture of Capital Cost Allowance;
- The Capital Gains are often unrealized until much later in life or on death;
- Farmers are often “Asset Rich” and “Cash Poor;”
- Equitable compensation of children: to provide liquid cash to equitably compensate children that will not or choose not to stay in farming; and
- Farmers wish to minimize taxes and fund taxes in the most cost and tax-effective way possible.

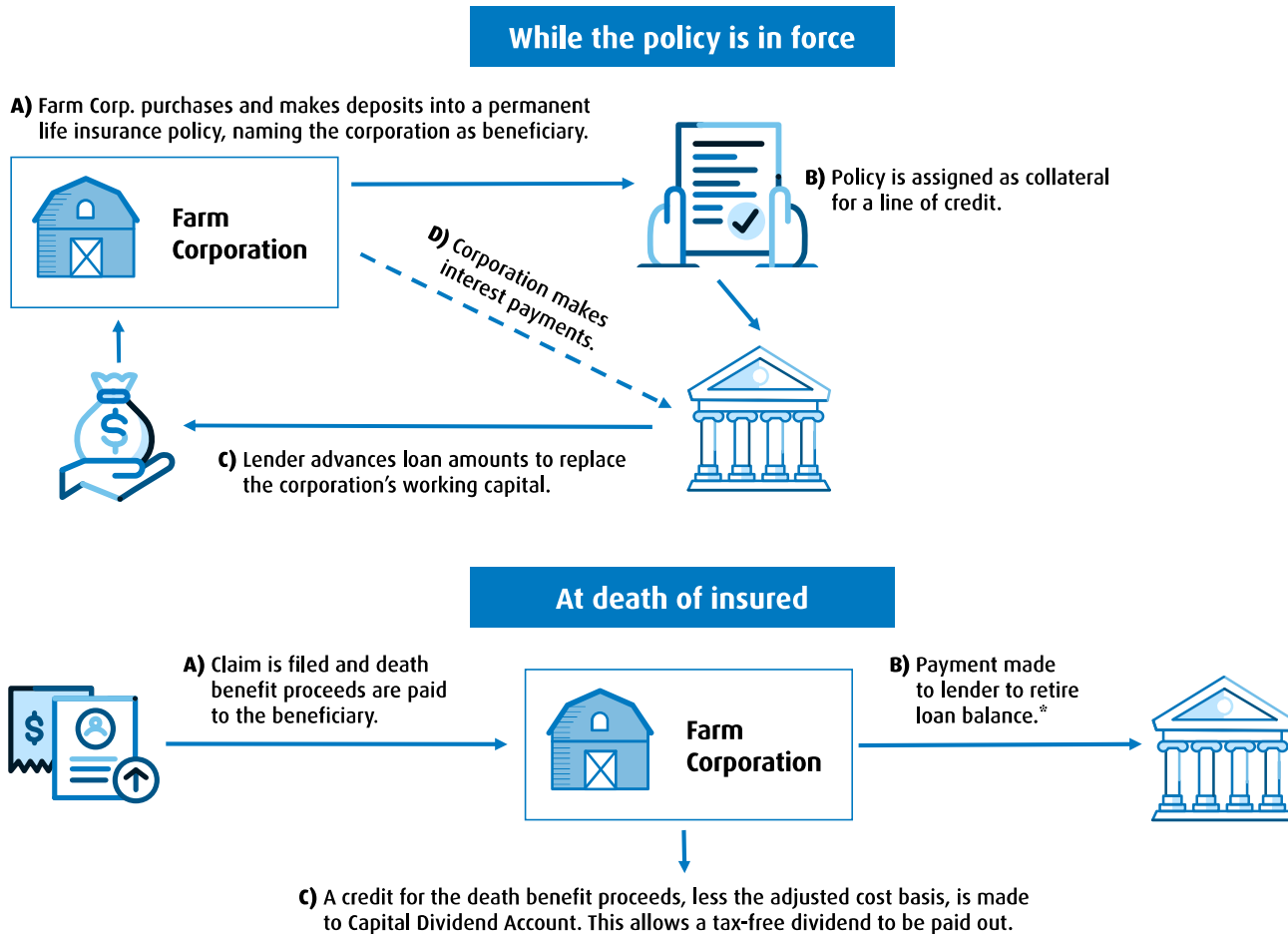


Solutions

- Life Insurance is one of the most cost-efficient ways of paying taxes at death;
- BMO’s Immediate Financing Solution™ can be a very inexpensive alternative:
 - » Insurance premiums are leveraged immediately;
 - » Annual “out-of-pocket” cost is only a small fraction of your traditional insurance premiums; and
 - » The premiums are simply the cost of servicing the interests on the loan; and
- The IFS doesn’t tie up the liquid capital needed for the ongoing farming operations.

BMO's Immediate Financing Solution™ provides the perfect solution to the needs of the farm owner/operator. It allows them to have access to the cash they need to take advantage of short-term opportunities that arise. It generates low-cost estate dollars just when they are typically needed to pay capital gains taxes owing. It incorporates low-cost life insurance and utilizes tax deductions that are available from borrowing capital to grow the farming operation as well as potential insurance cost deductions available where the insurance is used as collateral for the leveraged borrowing. Farming is a challenging business. It requires knowledge, organization, work ethic and perseverance and often exploits **Leverage** to accrue growth. Take borrowing to build a new "Mega Barn" for example – the farmer deposits a small amount of their own money and leverages the rest. In turn, the farmer pays a relatively small amount of interest along the way, but the growth in the value of the farm rests with the farm owner.

How Leveraged Life Insurance Works



* depending on lender's terms, loan balance may need to be paid directly from the insurance proceeds, then balance paid to beneficiary.



The **BMO Immediate Financing Solution™** strategy may be an effective solution to assist in covering future tax liabilities, without disrupting the cash flow necessary for the continued growth and success of the farming operation. As a long-term strategy, it may be appropriate for those farming corporations or individual farmers who are not averse to leveraged borrowing, and its inherent additional risks.

For more information, please speak with your BMO financial professional.



**BMO Estate Insurance
Advisory Services**

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