

Insurance as an asset class: investing and leveraging through life insurance

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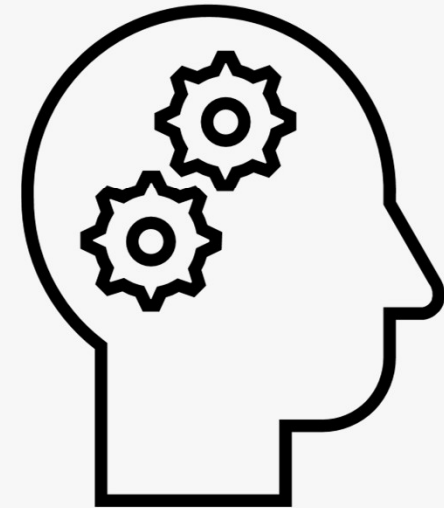
Introduction of our offer

- Independent from BMO insurance
- Under the BMO Nesbitt Burns umbrella
- Insurance brokers :
 - Life insurance
 - Critical illness
 - Disability insurance
 - Annuity
- Partnership with most of the insurance companies on the market in Quebec

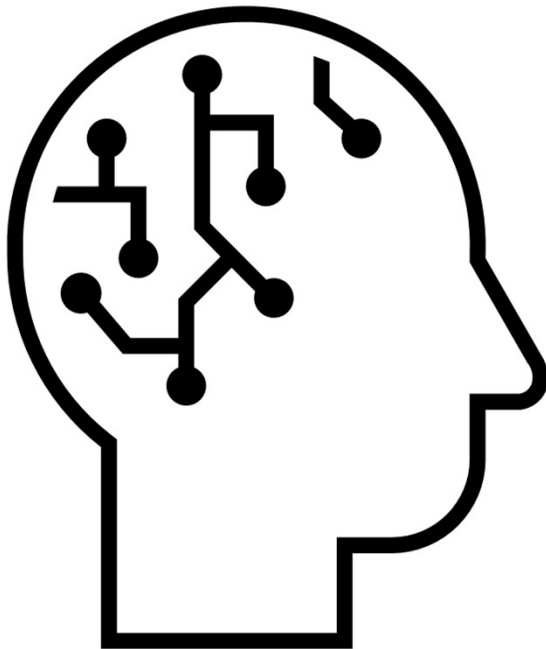


Life Insurance Opportunities

- **Corporately Held “Never Money”**
 - Benefit from tax shelter and CDA
- **Real estate**
 - Capital gain / recapture / Large amount of debt
- **Business owners**
 - Family Businesses are growing in value
- **Older family trust**
 - Trust created over 15 years ago (21-year tax cycle)
 - Value will belong to someone soon (gen 1 and gen 2)



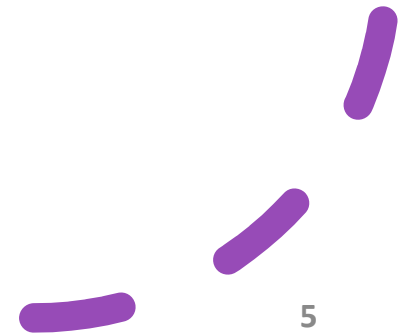
Other opportunities



- **Estate Equalization**
 - children and spouse from different unions
 - Life insurance to secure a new spouse
 - Life insurance for fairness between half-siblings
- **Asset Allocation Strategy**
 - Alternative to the more secure portion of portfolio
- **Philanthropy**
 - Secure an amount to a charity or to fund a family foundation
- **US Estate Taxes**

Overview of the three main life insurance families

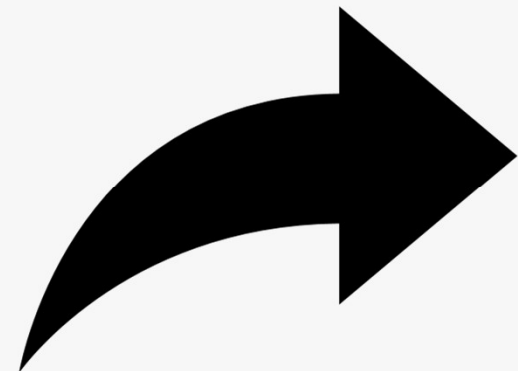
1. **Term insurance**
2. **Permanent insurance without growth**
 - T100
 - Universal Life (pure insurance)
3. **Permanent insurance with growth**
 - Universal Life
 - Whole Life



Overview of the three main life insurance families

1. Term insurance

- Expense
- Limited on a 10, 15, 20, 30 year term
- Is automatically renewed for a new term with a very expensive premium
- Can be converted to permanent



Overview of the three main life insurance families

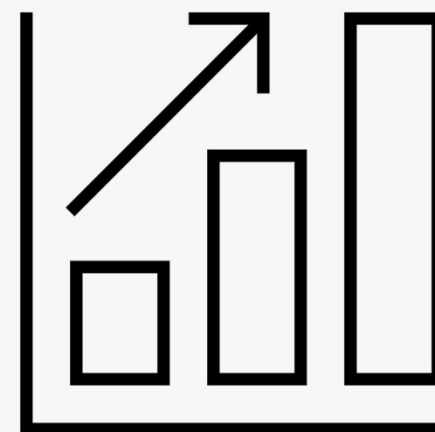
2. Permanent insurance without growth

- **T100 (or Universal Life)**
- **Annual premium for life**
- **Death benefit does not grow**
- **Return in the policy declines sharply in the last years of the policy**
- **Gives a strong protection for a relatively low premium in the first years of the policy**

Overview of the three main life insurance families

3. Permanent insurance with growth

- Most common solution for High Net Worth
- Considered as a conservative asset class
- Requires important cash-flow in the first years of the policy (or lending)
- Usually funded on 10 or 20 years
- Has a Cash-Value (Equity)
- Universal Life
- Whole life



Insurance as an asset class Whole Life policy

- Couple sold business and retired
- Large portfolio in their holding company
- Joint last to die policy

		\$4,353,771 death benefit 10 pay (-1%)				ERR*	Bond portfolio (4%)	
Year	Age	Annual Deposit	Cash Value	Death Benefit	Net Estate Value		Annual Deposit	Net Estate value
1	61	250 000	10 191	4 355 194	4 256 702		250 000	154 840
5	65	250 000	182 776	4 403 815	3 916 195		250 000	824 565
10	70	250 000	793 464	4 654 526	3 689 622		250 000	1 782 829
15	75		2 097 138	5 271 882	4 349 033			2 064 142
20	80		3 928 280	6 296 045	5 454 829			2 374 734
25	85		5 088 409	7 463 165	6 762 655	11%		2 717 652
30	90		6 363 215	8 601 750	8 125 010	10%		3 096 262
35	95		7 725 804	9 708 143	9 557 573	9%		3 514 278
		2 500 000					2 500 000	

*ERR: equivalent rate of return

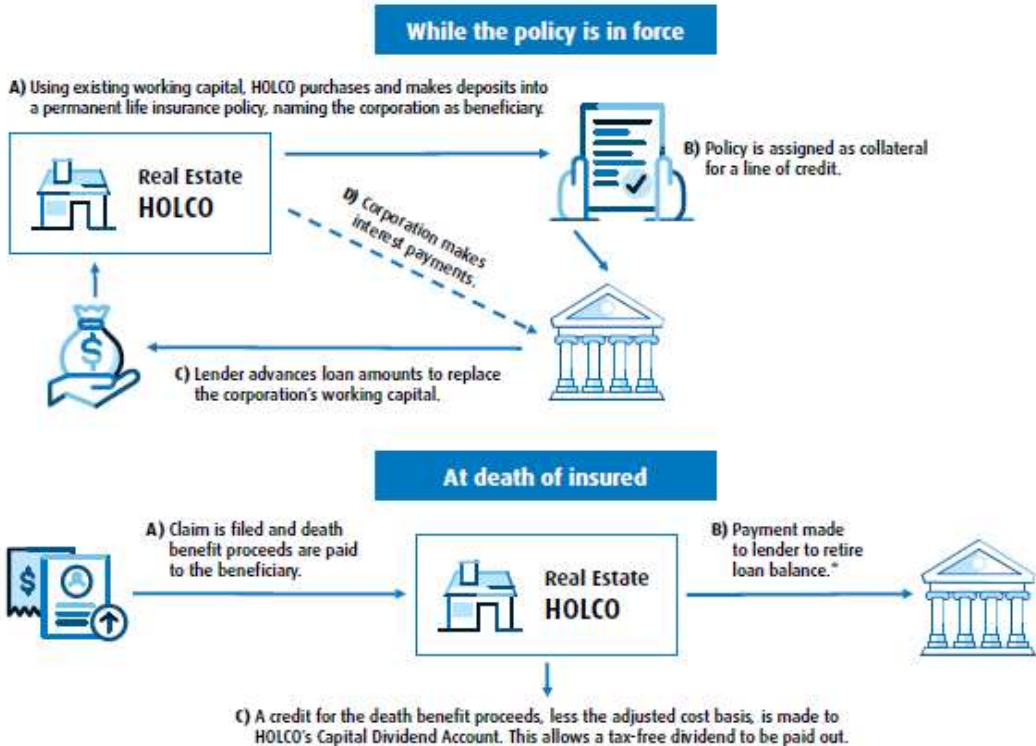
Whole life: high cash-value

- Mr. Smith, 34 years old, Non-smoking

		\$5M High death benefit 10 pay (-1% rate)			\$5M High cash value Life pay paid on 10 years (-1% rate)		
Year	Age	Annual Deposit	Cash Value	Death Benefit	Annual Deposit	Cash Value	Death Benefit
1	35	181 950	7 002	5 001 676	193 400	142 586	5 129 625
5	39	181 950	126 736	5 059 292	193 400	954 345	6 035 865
10	44	181 950	554 968	5 357 158	193 400	2 151 430	7 842 164
15	49		1 496 115	6 093 220		2 569 025	8 785 114
20	54		2 889 300	7 324 406		2 984 205	9 468 734
25	59		3 892 404	8 741 940		3 537 283	9 342 687
30	64		5 103 913	10 141 859		4 320 714	9 388 655
35	69		6 525 814	11 520 238		5 270 478	9 663 142
40	74		8 136 959	12 872 419		6 365 564	10 110 504
45	79		9 896 633	14 193 631		7 569 660	10 681 496
50	84		11 760 850	15 479 540		8 671 562	11 306 376
		1 819 500			1 934 000		

Leveraging the Whole Life policy

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.

Questions,
Comments...

Thank you!