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## The Insured Annuity: a Concept Made for These Challenging Times

If you are a conservative investor who depends upon your portfolio for retirement income you probably invest in bonds and GIC's. You want to preserve capital so that you'll not outlive your money, plus you desire having something to pass on to your children and your favourite charities when you're gone. With fixed income investments your capital remains safe but you pay maximum tax on this income (as high as 46% if you are in the top marginal tax bracket and live in Ontario). On top of that, interest rates are at historically low rates. After the taxes are paid, that may not leave much to fund your lifestyle.

How do you boost your after-tax retirement income, potentially reduce your taxes, and still have something to pass on to your heirs? Consider an insured annuity strategy. Using a combination of life insurance and a prescribed annuity, this innovative solution may deliver higher after-tax income than other guaranteed investments today and a guaranteed estate value for your heirs. Here's how it works:

### Higher income (and possibly lower taxes) guaranteed for life

With a prescribed annuity, a sum of money (non-RRSP/RRIF) is invested with an insurance company. The income you receive is a blend of interest income (taxable) and return of capital (non-taxable). Income is guaranteed not to change over your lifetime and may be substantially higher than other guaranteed investment options. Because the payments are a mix of taxable and non-taxable income the tax payments are often lower than would be the case on the same income from bonds or GIC's. However, with an annuity alone there is no residual value for your heirs when you die. This is where the insurance portion of the strategy goes to work.

### Preserved estate value

The insurance portion of the insured annuity provides a guaranteed estate value for your heirs equal to the amount of your invested capital. In most cases, the cost of the insurance can be covered by the annuity payments and still leave you with a higher after-tax income than from other guaranteed investments. In addition, with a named beneficiary, the capital passes directly to heirs or charities potentially without probate or transfer costs. An example of how this works appears on the next page.

Once an annuity is purchased the features cannot be changed and withdrawals (other than the scheduled income) can not be made. For this reason it is important that only a portion of investible assets are invested in an annuity, to ensure other funds are available for emergencies and other unforeseen needs.

**Example:**

Insured Annuity vs. GIC Investment		
<b>GIC</b>	Initial Capital	\$500,000
	Annual Investment Rate	3.5%
	Gross Annual Income	\$17,500
	Taxable Portion	\$17,500
	Tax Payable (40% bracket)	\$7,000
	<b>Net Annual Income</b>	<b>\$10,500</b>
<b>Insured Annuity*</b> <b>(Male 75, Female 70 non-smokers)</b>	Initial Capital:	\$500,000
	Gross Annual Income for Life:	\$41,014
	Taxable Annual Portion:	\$11,275
	Tax Payable (40% tax bracket):	\$4,510
	After-Tax Income:	\$36,504
	Estate Value Amount:	\$500,000
	Annual Insurance Premium:	\$10,245
	<b>Net Annual Income:</b>	<b>\$26,259</b>
	<b>Equivalent Pre-tax Yield:</b>	<b>8.75%</b>
	<b>Increase Income over GIC:</b>	<b>\$15,759</b>
<b>Increase Yield over GIC:</b>	<b>150.09%</b>	

## To learn more

An insured annuity strategy may be just the solution you need to enjoy higher income for life and reduce tax, while preserving an estate value for your heirs. Call me at (905) 897-5502, or email me at [ginny.arnott@nbpcd.com](mailto:ginny.arnott@nbpcd.com). Together with our Estate and Insurance Advisors Jeff Fray and Greg Young, we'll determine how this strategy might work for you.

## Monthly Investment Feature

### Inter Pipeline Fund

**8.72%\*** annual cash yield\*

\$24,125 would buy 2500 units at \$9.65 each (including commission) which would deliver annual income of \$2,100 (\$175/ per month).

IPL.UN is currently rated Outperform, with a 12-month target price of \$10.

For more information on this and other high yield options, please call me at (905) 897-5502 or toll-free at 1-800-387-9314

\*prices and yields are as of Sept. 29, 2009, are subject to change, and are not guaranteed.

MEMBER CIPF \*Sept. 24, 2009, based on minimum funded joint Universal Life policy. This chart has been prepared to help you understand how a charitable insured annuity may work. The values shown here are illustrative only and are not a guarantee of the future. These figures can also be illustrated on a single-life basis. E. & O.E. All insurance products are offered through BMO Nesbitt Burns Financial Services Inc. by licensed life insurance agents, and, in Quebec, by financial security advisors. Life insurance sales are made by Estate & Insurance Advisors. ©“BMO (M-bar roundel symbol)” is a registered trade-mark of Bank of Montreal, used under licence. ©“Nesbitt Burns” is a registered trade-mark of BMO Nesbitt Burns Corporation Limited, used under licence. BMO Nesbitt Burns Inc. and BMO Nesbitt Burns Ltée are indirect subsidiaries of Bank of Montreal. TM/® Trade-marks/registered trade-marks of Bank of Montreal, used under licence. If you are already a client of BMO Nesbitt Burns, please contact your Investment Advisor for more information. The opinions, estimates and projections contained herein are those of the author as of the date hereof and are subject to change without notice and may not reflect those of BMO Nesbitt Burns Inc. (“BMO NBI”). Every effort has been made to ensure that the contents have been compiled or derived from sources believed to be reliable and contain information and opinions that are accurate and complete. Information may be available to BMO Nesbitt Burns or its affiliates that is not reflected herein. However, neither the author nor BMO NBI makes any representation or warranty, express or implied, in respect thereof, takes any responsibility for any errors or omissions which may be contained herein or accepts any liability whatsoever for any loss arising from any use of or reliance on this report or its contents. This report is not to be construed as an offer to sell or a solicitation for or an offer to buy any securities. BMO NBI, its affiliates and/or their respective officers, directors or employees may from time to time acquire, hold or sell securities mentioned herein as principal or agent. BMO Nesbitt Burns Inc. and BMO Nesbitt Burns Ltée/Ltd. (“BMO Nesbitt Burns”) will buy from or sell to customers securities of issuers mentioned herein on a principal basis. BMO Nesbitt Burns, its affiliates, officers, directors or employees may have a long or short position in the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. BMO Nesbitt Burns or its affiliates may act as financial advisor and/or underwriter for the issuers mentioned herein and may receive remuneration for same. A significant lending relationship may exist between Bank of Montreal, or its affiliates, and certain of the issuers mentioned herein. BMO NBI is a wholly owned subsidiary of BMO Nesbitt Burns Corporation Limited which is a majority-owned subsidiary of Bank of Montreal. Any U.S. person wishing to effect transactions in any security discussed herein should do so through BMO Nesbitt Burns Corp. and/or BMO Nesbitt Burns Securities Ltd.