BMO Financial Group

BMO Lifetime Cash Flow
Fact Sheet & Sample Client Scenarios

What is the BMO Lifetime Cash Flow product?

- The BMO Lifetime Cash Flow product is a bank deposit backed by the strength and stability of BMO. It is a new addition to the BMO LifeStage Retirement Income Portfolios and offers a guaranteed lifetime component that provides continuous payments to the product holder for the remainder of his/her life.

- Designed for Canadians aged 55 and up, the product acts as a "personalized pension" that provides steady, reliable cash flow on a monthly basis and is fully protected from market volatility.

- Product holders will never outlive their money; the product creates a safety net for retirement and provides a secure and stable cash flow for the rest of their lives.

- The BMO Lifetime Cash Flow product provides tax deferral - the product holder will not pay tax on it for the first 25 years.

How does it work?

- The initial deposit (a minimum of $5,000) provides exposure to a portfolio of BMO Mutual Funds and is rebalanced annually to a progressively more conservative mix of funds over time in order to balance risk.

- For the first 10 years, the money is fully invested on a tax deferred basis.

- After ten years the product holder receives guaranteed cash payments equal to 6 per cent per year that are payable monthly based on the initial deposit. This return of capital continues for the next 15 years.

- The product holder then continues to receive six per cent interest income (which is taxable and is based on the amount of the initial deposit) on an annual basis, regardless of market conditions; this continues for the rest of the individual's life or as long as he/she holds the product.

- The remaining portfolio value will be transferred to the estate upon death (much like a security)—providing the client with the opportunity to leave a legacy.

BMO Lifetime Cash Flow
Sample Client Scenarios

Client Scenario One	
Investor:	• Jim is 55 years old, does not have a company pension, and plans to retire in 10 years. He is single and lives comfortably within his means. • Jim is a conservative investor and is concerned about having market exposure so close to his retirement.
Financials:	• Jim has $250,000 in non-registered savings/investments and $300,000 in guaranteed investments in his registered retirement savings plan (RRSP). • In ten years, Jim's monthly retirement fixed expenses will be approximately $3,000/month, half of which would come from the Canada Pension Plan (CPP) and Old Age Security (OAS) payments from the government. This will leave Jim with a shortfall of $1,500/month.
Plan:	• Jim's Financial Planner proposes that the shortfall of $1,500 be generated by allocating $100,000 from his $250,000 in non-registered savings/investments to a BMO LSRI Lifetime Cash Flow Portfolio, and the conversion of the RRSP into a registered retirement income fund (RRIF). • That leaves Jim with $150,000 in non-registered savings/investments, which is invested conservatively to provide for any unexpected expenses or discretionary needs.
Results:	• At 65, Jim starts receiving the following monthly cash flow: ➢ CPP/OAS: $1,500/month ➢ BMO Lifetime Cash Flow: $500/month ➢ Minimum RRIF Withdrawl: $1,000/month *This provides Jim with his desired monthly income of $3,000/month.* • Upon death, the entire deposit amount from the BMO Lifetime Cash Flow Portfolio is cashed out and terminated by the bank. • Jim is able to leave a legacy to his heirs since his estate will receive the remaining portfolio value (from his initial deposit of $100,000) including any equity growth the initial deposit has accrued.

Client Scenario Two	
Investors:	• Ray (60) and Abby (55) are married. • Abby is an artist who hasn't contributed to CPP and does not have a pension plan.
Financials:	• Ray is the main earner and has a defined benefit pension plan which will contribute $2,100/month when he retires in 10 years' time at age 70. • Ray and Abby are the sole beneficiaries to each other's estate. They have also accumulated just over $400,000 in non-registered savings. • Their primary concern is knowing what cash flow they can count on; they do not want to count on their investments for everyday living expenses.
Plan:	• Their financial planner determines that their fixed income needs will be approximately $4,200/month when Ray retires. • On a monthly basis, Ray's CPP and OAS income will be $1,000, his pension $2,100. Abby is entitled to $400/month from OAS payments. • To fund their shortfall of $700/month, they have decided to invest $140,000 of their savings into the BMO Lifetime Cash Flow Portfolio under Abby's name. • The remainder of their money ($260,000) will be invested to provide income and growth opportunities to meet any discretionary needs and unexpected expenses in the future.
Results:	• Because Lifetime Cash Flow provides exposure to the growth potential of a client's portfolio at maturity (after 25 years), their initial $140,000 deposit has netted a total market value of $160,000 (after paying out a total of $126,000). • When Ray is 86, he becomes ill and requires regular home care. They need to withdraw $20,000 from their investments to cover the expenses over the next few months. • Because Lifetime Cash Flow is intended to be a long term cash flow solution it should be the last investment Ray and Abby look to draw from in order to meet their emergency needs. • Why? BMO Lifetime Cash Flow is like a personalized pension. It helps provide Abby with the peace of mind she can meet her long-term income needs. In the event Ray dies first (statistically, women outlive men), Abby can count on the guaranteed monthly cash flow generated by their BMO Lifetime Cash Flow Portfolio when Ray's CPP/OAS payments end and payments from his pension are reduced. On the advice of their financial planner, Ray and Abby decided to leave Abby's BMO Lifetime Cash Flow Portfolio intact and funded their emergency cash flow need with other assets in their portfolio.