

Mortgage
solutions
that make sense

Protecting your client's
biggest asset



We're here to help.™

PN00035F (2015/04/21)

Agenda



- Review of the Canadian housing market
- Structuring mortgage solutions for your clients
- Case study
- Business Development ideas and tips

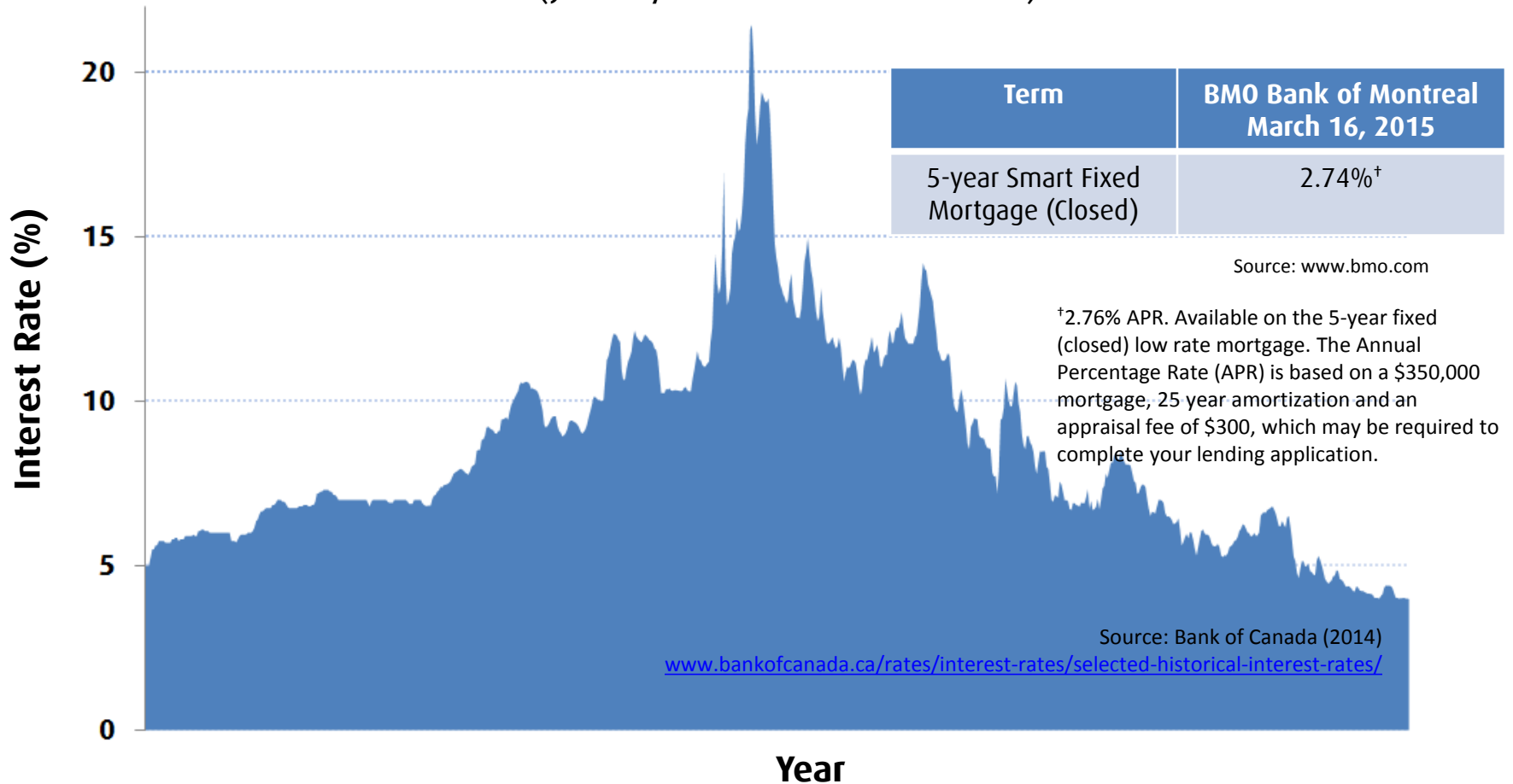
The housing market in Canada



- Canada is trying to weather the storms in the financial markets
- This has been propelled forward, in part, by the relatively strong housing market
- But, we've seen four announcements since 2006 to clamp down on mortgage rules

Low interest rates continue to bolster the housing market

Average Residential Mortgage Lending Rate – 5 Year
(January 1951 – December 2014)



Average home prices (May 2015)

OPTIONAL

Metropolitan Area	Average Selling Price
Calgary, AB	\$465,941
Edmonton, AB	\$381,111
Fredericton, NB	\$179,674
Halifax – Dartmouth, NS	\$293,734
Hamilton-Burlington, ONT	\$447,019
Montreal, QC	\$338,685
Ottawa, ONT	\$386,331
PEI	\$167,391
Quebec, QC	\$268,534

Metropolitan Area	Average Selling Price
Regina, SK	\$320,393
Saint John, NB	\$169,400
Saskatoon, SK	\$345,907
St. John's, NFLD	\$304,824
Toronto, ONT	\$649,599
Vancouver, BC	\$905,701
Victoria, BC	\$527,770
Winnipeg, MB	\$287,587

Source: The Canadian Real Estate Association
<http://crea.ca/content/national-average-price-map>
June 16, 2015

Western Canada (as of May 2015)

Province	Metropolitan Area	Average Selling Price
Alberta	Calgary	\$465,941
Alberta	Edmonton	\$381,111
British Columbia	Vancouver	\$905,701
British Columbia	Victoria	\$527,770
Manitoba	Winnipeg	\$287,587
Saskatchewan	Regina	\$320,393
Saskatchewan	Saskatoon	\$345,907

Source: The Canadian Real Estate Association
<http://crea.ca/content/national-average-price-map>

June 16, 2015

Ontario (as of May 2015)

Province	Metropolitan Area	Average Selling Price
Ontario	Hamilton-Burlington	\$447,019
Ontario	Ottawa	\$386,331
Ontario	Toronto	\$649,599

Source: The Canadian Real Estate Association
<http://crea.ca/content/national-average-price-map>

June 16, 2015

Quebec and Atlantic Canada (as of May 2015)

Province	Metropolitan Area	Average Selling Price
Quebec	Montreal	\$338,685
Quebec	Quebec	\$268,534
New Brunswick	Fredericton	\$179,674
New Brunswick	Saint John	\$169,400
Newfoundland	St. John's	\$304,824
Nova Scotia	Halifax – Dartmouth	\$293,734
PEI		\$167,391

Source: The Canadian Real Estate Association
<http://crea.ca/content/national-average-price-map>

June 16, 2015

Mortgage rules have changed

	Maximum Amortization Period	Maximum mortgage loan without CMHC guarantee
In 2006 ...	40 years	100%
In 2008 ...	35 years	95%
In 2011 ...	30 years	85%
In 2012 ...	25 years	80%



Since 2006 ... the federal government has made several changes to the rules for government-backed insured mortgages that have **reduced** amortization periods and has **increased** the minimum down payment required for home buyers.

Mortgage rules have changed

These changes may **reduce** the number of people qualifying for insured mortgages in Canada.

2011 Statistic Canada National Household Survey

Homeownership

- **4 in 5:** Households that bought a *home* between 2006 and 2011 had a mortgage (79.7%)
- **1 in 5:** Households that bought a home between 2006 and 2011 chose a *condominium*
- **31.5%:** Of households that bought a home between 2006 and 2011 had a primary household maintainer *aged under 35 years*
- **\$81,980:** Median family income (in 2012)
 - ✓ Median individual income for full-time workers was \$47,868 in 2010

Source: <http://www12.statcan.gc.ca/nhs-enm/2011/as-sa/99-014-x/99-014-x2011002-eng.cfm>

Canadians need your help

- Experts agree that Canadian consumers continue to increase their debt load**
- The onset of a critical illness or sudden death could mean financial hardship – *or even worse, the loss of their home!*



Now more than ever ... **Young middle income** Canadians need your help to protect their most valuable asset.

* Household debt to disposable income hits new record of 163.3%.

Source: <http://business.financialpost.com/2015/03/12/canada-household-debt-ratio-hits-new-record-of-163-3/>

First time buyers



- Average age is 37 (compared to 47 for repeat buyers)
- Higher use of a mortgage broker
- Less loyal to lender
- Research mortgage with family or friends
 - Rely on online resources: mobile devices and social media
- Spend more time doing research
- Less confident about impact of interest rates

Source: Canada Mortgage and Housing Corporation (March 2013)
<http://www.cmhc.ca/en/hoficlincl/moloin/cosu/index.cfm>

We can help!



Our Bundled Mortgage Insurance Solutions ...

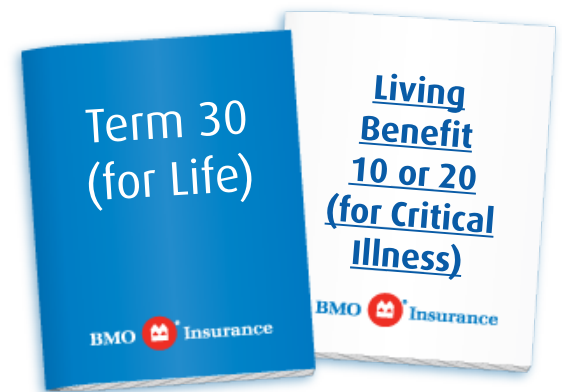
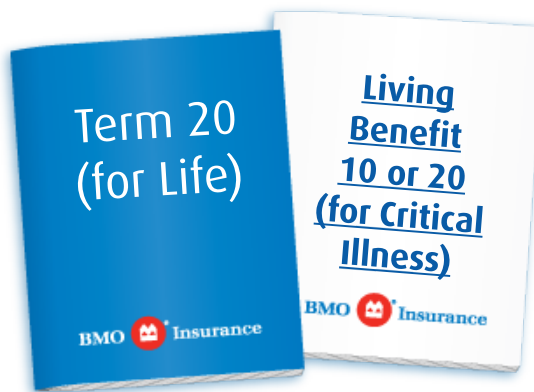
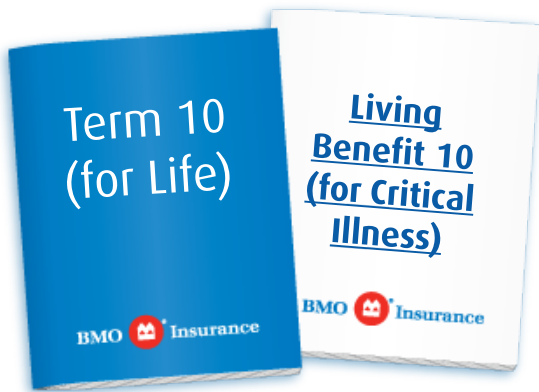
- ❑ **Guaranteed rates:** contractual and cannot change
- ❑ **Non-cancellable:** insurance is in place, even if the mortgage is in default
- ❑ **Preferred rates:** for healthier clients
- ❑ **Control:** client owns the coverage and designates their own beneficiary
- ❑ **Flexibility:** client can elect to decrease coverage at any time
- ❑ **Portability:** coverage in place if client moves to different homes or switches lenders
- ❑ **Convertibility:** can switch to permanent coverage without further medical requirements

Life and critical illness in one bundle

Option 1

Option 2

Option 3



Preferred Term 10, 20, 30

Optional Riders	Child Rider	Critical Illness Rider	Business GIO
Value Added Services at no additional cost	Term 10 to 20 Exchange	helpinghands¹	Critical Care Assist Benefit¹
Base Coverage	Term Options: 10-20-30 years	Competitive Term rates	Preferred rates starting as low as \$100,000

¹ Available only with the purchase of a Critical Illness Rider

Save More if your client is super healthy ...

Did you know ...

BMO Insurance is the only carrier to offer
Preferred Rates* for young adults
for coverage as low as **\$100,000!**

* Preferred rates starting at \$100,000 of face amount: Preferred Term 10 (ages 18 to 75); Preferred Term 20 (ages 18 to 65); Preferred Term 30 (ages 18 to 55).

CASE STUDY

Meet Juan and Farah



CASE STUDY



The clients: Juan and Farah

- Juan (36) is married to Farah (33)
- Juan started a home-based business a few years ago
- Farah works at a daycare
- Annual household income: \$125,000
- Have one 2 year old child

Case Study – Juan and Farah

Their advisors: Al and Lindsay



- Al is an insurance advisor with 5 years of experience
- Lindsay is a mortgage broker whose clients are primarily first time home buyers
- Al and Lindsay have an established working partnership

Case Study – Juan and Farah



The Situation

- Juan and Farah have been renting a condo and are now ready to purchase a \$425,000 house in the suburbs
- \$100,000 down payment
 - \$70,000 (own) + \$30,000 (parents)
- Qualified for a \$325,000 mortgage
 - Bi-weekly payment: \$870, 5 year fixed interest rate of 2.99%, 25 year amortization period

Mortgage Calculator ... We can help!
www.bmo.com/main/personal/mortgages/calculator

Case Study – Juan and Farah

Before finalizing their mortgage...

Lindsay asked the couple,

“What source of income would you use to continue making your mortgage payments if either of you became seriously ill or suddenly passed away?”

They had never thought about that. She continued,

“There are several mortgage insurance solutions out there. To figure out what options make sense to you, I can refer you to my business partner, Al...”

Juan and Farah arranged a meeting with Al later that week.



Case Study – Juan and Farah



The meeting with AI

- Lindsay had already positioned insurance with Juan and Farah
- This made the discussion much easier
- AI focused on presenting options to them

Budget: \$100 per month

Option 1: Bundling Solution. One Plan.

One Combined Plan ...

Juan MNS 36 / Farah FNS 33	Coverage	Monthly Premium
Base Plan: Preferred Term 20	\$325,000 Joint First	\$45.07
Rider 1: Living Benefit 20 (CI)	\$50,000 each life	\$42.08
Rider 2: Child Term Rider	\$20,000	\$11.23
	Helpinghands	No Cost
	Critical Care Assist Benefit	No Cost
	TOTAL MONTHLY PREMIUM	\$98.37



Source: The Wave v31.0

Option 2: Two Separate Plans

Two Separate Plans ...

	Coverage	Monthly Premium
Plan #1: Juan MNS 36	\$325,000	\$31.91
Rider 1: Living Benefit 20 (CI)	\$50,000	\$22.46
Rider 2: Child Term Rider	\$20,000	\$11.23
	Helpinghands	No Cost
	Critical Care Assist Benefit	No Cost
Plan #2: Farah FNS 33	\$325,000	\$19.71
Rider 1: Living Benefit 20 (CI)	\$50,000	\$19.62
	Helpinghands	No Cost
	Critical Care Assist Benefit	No Cost
	TOTAL MONTHLY PREMIUM	\$104.93



Source: The Wave v31.0

Option 1 vs Option 2

	<u>Monthly Premium</u>
Option 1: One Combined Plan (Bundle up and Save)	\$98.37
Option 2: <u>Two Separate Plans</u>	<u>\$104.93</u>
Savings:	\$6.56

Keep the savings or offer MORE coverage ... for only \$6.56 more!

	Offer 17% More Term Coverage	OR	Offer 15% More CI Coverage
Preferred Term 20 Joint First	\$380,000		\$325,000
Living Benefit 20 each life	\$50,000		\$57,500
<u>Child Term Rider</u>	<u>\$20,000</u>		<u>\$20,000</u>
NEW Monthly Premium:	\$104.86		\$104.69

Source: The Wave v31.0

CASE STUDY



In five years...

- AI reminded Juan and Farah about their upcoming mortgage renewal
- He found out that they just gave birth to their second daughter
- They were thinking of moving into a bigger home
- Juan's business was flourishing

Together, AI and Lindsay now had a chance to work on other planning opportunities

CASE STUDY



Two years after that...

- Farah was diagnosed with a rare form of cancer
- She used the Best Doctors services from her critical illness coverage for a second opinion on her treatment plan
- The \$50,000 lump sum cash payment provided relief from their mortgage payments, while she focused on recovery

Three practice management tips



1. Have clients **complete a Needs Analysis**; *keep signed copy on file*
2. **Present options** to match your clients monthly budget; *providing some coverage is better than none*
3. **Record mortgage renewal dates**; *it's an ideal time to re-evaluate clients' insurance needs and increase planning opportunities*

Easy-to-use income replacement calculator

Also available on 'The Wave'

**Calculating your life insurance needs in 3 easy steps...
It's as easy as ABC.**

Determining how much life insurance you need doesn't have to be complicated. Working with your insurance advisor, use the following 3 easy steps to find out how much insurance protection you require today to protect your loved ones.

Step A : Identify your current debts and financial needs
Step B : Determine your future financial needs
Step C : Deduct the portion to be recovered by your assets and financial resources

A + B - C = Your Life Insurance Needs.

A Identify your current debts and financial needs	
<input type="checkbox"/> Mortgage(s)	\$
<input type="checkbox"/> Loans (auto, credit card, personal, etc...)	\$
<input type="checkbox"/> Other expenses (probate, executor fees, others)	\$
Total	(+A)

B Determine your future financial needs	
<input type="checkbox"/> Income needs for your survivor Your current gross income The % of income your survivor needs (e.g. 70%) The amount of future annual income needed by your survivor	\$
<input type="checkbox"/> Life expectancy needs The number of years of income protection Assumed interest rate (discounted by inflation) Assumed inflation factor	X %
<input type="checkbox"/> Emergency fund	\$
<input type="checkbox"/> Child care expenses	\$
<input type="checkbox"/> Education fund	\$
Total	(+B)

C Deduct your assets and financial resources	
<input type="checkbox"/> Cash and savings	\$
<input type="checkbox"/> Stocks, Bonds or Funds	\$
<input type="checkbox"/> Personal retirement (RRSP, TFSA, etc.)	\$
<input type="checkbox"/> Real estate (for residential value if owned in self or jointly)	\$
<input type="checkbox"/> Businesses or farm assets (for residential value if owned in self or jointly)	\$
<input type="checkbox"/> Insured Mortgages (if owned in self or jointly)	\$
<input type="checkbox"/> Total life insurance benefits (personal, group and other)	\$
<input type="checkbox"/> Other death benefits (from pension plan, CPP/QPP)	\$
Total	(-C)

A + B - C = Your Life Insurance Needs \$

I understand that the values I entered in this life insurance analysis are based on financial information that I have provided and my understanding of my future financial needs in the event of my death. The financial information that I have provided is for informational purposes only and is not intended to be used as a basis for any insurance policy. My insurance coverage will be reviewed on a regular basis to ensure that my financial goals and objectives continue to be met.

Client Signature: _____ Date: _____
Advisor Signature: _____ Date: _____

BMO Insurance

<http://www.bmo.com/tools/insurance/calculator/en/>

Finding affordable solutions: Premium Matchmaker

Also available on 'The Wave'

BMO Insurance
Matching premiums to your insurance needs
Premium Matchmaker

Year	Preferred Term 10			Preferred Term 20			Preferred Term 30		
	Annualized Premium	Cash Value	Death Benefit	Annualized Premium	Cash Value	Death Benefit	Annualized Premium	Cash Value	Death Benefit
1	225.00	0	300,000	357.00	0	300,000	618.00	0	300,000
2	225.00	0	300,000	357.00	0	300,000	618.00	0	300,000
3	225.00	0	300,000	357.00	0	300,000	618.00	0	300,000
4	225.00	0	300,000	357.00	0	300,000	618.00	0	300,000
5	225.00	0	300,000	357.00	0	300,000	618.00	0	300,000
6	225.00	0	300,000	357.00	0	300,000	618.00	0	300,000
7	225.00	0	300,000	357.00	0	300,000	618.00	0	300,000
8	225.00	0	300,000	357.00	0	300,000	618.00	0	300,000
9	225.00	0	300,000	357.00	0	300,000	618.00	0	300,000
10	225.00	0	300,000	357.00	0	300,000	618.00	0	300,000
11	1,038.00	0	300,000	357.00	0	300,000	618.00	0	300,000
12	1,038.00	0	300,000	357.00	0	300,000	618.00	0	300,000
13	1,038.00	0	300,000	357.00	0	300,000	618.00	0	300,000
14	1,038.00	0	300,000	357.00	0	300,000	618.00	0	300,000
15	1,038.00	0	300,000	357.00	0	300,000	618.00	0	300,000
16	1,038.00	0	300,000	357.00	0	300,000	618.00	0	300,000
17	1,038.00	0	300,000	357.00	0	300,000	618.00	0	300,000
18	1,038.00	0	300,000	357.00	0	300,000	618.00	0	300,000
19	1,038.00	0	300,000	5,514.00	0	300,000	618.00	0	300,000
20	1,038.00	0	300,000				618.00	0	300,000
21	2,529.00								

Marketing tips



- Introductory emails can highlight key benefits
- Don't forget to use industry protocols:
 - Do Not Call List- <https://www.inntedncl.gc.ca/index-eng> for phone solicitations
 - Best practices for email marketing: "opt-in"/"opt-out":
<http://fightspam.gc.ca/eic/site/030.nsf/eng/home>
- Clients can relate to testimonials (see videos from BMO Insurance)
- Building a network of referrals can lead to great partnerships

Building a source of referrals



- Mortgage brokers
- Real estate agents (for new housing developments)
- Property appraisers
- Social media contacts (ex. Linked In)
- P&C brokers
- Group insurance brokers

Mortgage Solutions



- The mortgage market continues to present planning opportunities
- Partnerships can bolster referrals
- Find an approach that works for you
- If you don't approach clients when they are young, someone else will!
- As your clients age, other planning opportunities can emerge
- Position yourself now- for lifelong clients

We're here to help. Give us a call!



- **WESTERN CANADA SALES OFFICE**
1-877-847-8160
- **ONTARIO REGIONAL SALES OFFICE**
1-800-608-7303
- **QUEBEC-ATLANTIC
REGIONAL SALES OFFICE**
1-866-217-0514

Thank you for your time.

If you have any questions, please don't hesitate to ask.

BMO  Insurance

We're here to help.™

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