# Finance for Life™

Achieving Financial Success™

Finance for Life. Wealth for Living.™

## Practical Wealth Creation Ideas

*...for Simplified Financial Success™*

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## Is Life Insurance Really Worth It?

In the event of the death of the insured, life insurance is designed to create capital. It provides a precautionary measure in a financial plan to stabilize the financial security of loved ones reliant on your income or your capital provision. If you have a spouse or children, make sure you have adequate life insurance coverage.

### *Why do I need life insurance when I am beginning a family?*

When you have young children it protects their financial future. An ongoing future use of capital is provided by life insurance, such as:

- Investments can be purchased from which to create an income to cover the living expenses of a family, often providing for the retirement of a spouse.
- Funds can establish a trust, from which a family can acquire income.

If you can't afford the premium for lifetime coverage, consider term insurance or a combination of both. Term plans are quite affordable when you have younger children and little savings and/or a small net worth. Buy enough insurance to meet your needs. Many families need $350,000 or more—even up to $1,000,000 during low interest periods—to generate adequate investment income if the breadwinner were to die. For example, at 5%, $1,000,000 will generate $50,000 annual interest as pre-tax income.

### *Why would I want life insurance when I am retired?*

Lifetime plans can resolve estate planning problems. Because there are often additional investment vehicles built into the policy (some include the use of the life insurance company's dividends) the cost of lifetime insurance coverage is higher. Yet the tax-free death benefit can solve estate planning problems such as paying an estate's tax liability on capital gains.

### *Current one-time capital uses are provided by life insurance, such as:*

- Pay off liabilities such as credit cards, debts, bills outstanding, loans, and/or estate taxes upon death.
- Pay for the final expenses associated with a funeral and burial.
- Create money to pass on to heirs such as children or a spouse.
- Pay off business related liabilities

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## What kinds of life insurance are available?

***There are two types of life insurance.*** You can either buy pure term insurance coverage, or a plan that can last a lifetime with various investment vehicles that can gain value and enjoy tax advantages while the policy remains in force.

***You can buy more life insurance when you are healthy.*** If you get high blood pressure or diabetes, or suffer from angina before you buy insurance, you may find that your premiums will be higher than for a healthy person. So buy as much as you can afford that meets your practical needs when you are younger, and healthier, being careful to cover all the capital needs in relation to your dependents.

Ask your advisor to do a capital needs analysis. You will want to replace the income of the life insured—either yourself or your spouse. It is easy to calculate the capital needed over any short or long period of time in any situation if the life insured were to die.

***What if an insured lives and cannot work due to a disability?*** The individual should include some form of disability coverage to replace his or her income. Talk to your advisor about the following other types of insurance:

- ***Income Replacement Insurance:*** This covers a percentage of your income in the event that you cannot work for a certain period of time due to a disability; some allowing coverage for a lifetime.

- ***Critical Illness Insurance:*** In the event of a critical illness such as a stroke or heart attack, a significant lump sum benefit can be paid, depending on the plan's coverage.

*Note:* Check your group insurance benefits at work which should be considered when buying the above insurance.

## Can insurance protect my financial plan if I have a Critical Illness?

Our provincial health plans do not help patients who face a critical illness, to recover financially. Our government health plans are established not to build or replace wealth, but to provide basic health care. If you have no money, these plans would pay you only a subsistence-level disability benefit.

***1. Lump-sum benefits are paid*** Critical Illness Insurance (CI) offers a lump-sum payout of cash if you are diagnosed with a critical illness covered by the policy (such as stroke, heart attack, or cancer). Its purpose is to provide a considerable amount of money (referred to as a living benefit).

***2. Allows time to convalesce*** The CI insurance capital can help you convalesce over longer periods and in the company of loved ones, without a concern that the expenses related to a previously enjoyed lifestyle must be immediately eliminated.

***3. Money for exceptional health care*** CI insurance can fund expensive drugs or out-of-country health care. You may need to employ a private nurse to live in your home, hire a nanny, receive physical therapy and/or renovate your home to meet accessibility needs related to the illness. CI can help pay these bills.

***4. CI enables a career change*** Due to medical advances, many people totally recover from critical illnesses and re-enter the work force. CI can help you finance training for a new career and search for new employment. Unfortunately, many others live the rest of their lives partially disabled, unable to do the same work.

There may be a need to finance training for a career and search for new employment. Before you establish a new source of income, where will your money come from? CI insurance keeps you financially stable through a critical illness.