

Solutions

FOR FINANCIAL PLANNING



GET YOUR GRIT ON

How to regain your footing during times of volatility.

FALL 2020

Living benefits insurance

Taking the worry out of *what-if*.

The sudden emergence of the COVID-19 pandemic has affected people's lives in unexpected, if not unimaginable, ways. When Canadians suddenly needed to assess their ability to protect themselves and their loved ones against a serious health threat, many realized how unprepared they were for the effect it would have on their finances, lifestyle, relationships and employment, not to mention their general health and well-being. At times like this, people think, "What happens if I'm not prepared?"

Global emergencies aside, unexpected circumstances, such as an illness or injury, can impact your income and the lifestyle you're accustomed to. If that illness or injury makes it impossible for you to work or forces you to rely on others to take care of you, it will affect your financial health as well.

Protect what's important

Canada has a universal health care system, but that doesn't mean everything is free. All sorts of treatments, therapies, tests and prescription drugs aren't covered by the system. That's why taking action to ensure you're better prepared to cover potential out-of-pocket health care costs with living benefits insurance can be a vital investment in your future. You can also extend that protection to your family and the life you've worked hard to build.

Experts recommend purchasing living benefits insurance earlier in life, even though thoughts of illness and disability may seem like more remote possibilities. The advantages include lower monthly premiums and the comfort of knowing you're protected over the course of your life, not just at an advanced age.

Match solutions with your needs

Regardless of how prepared you are to handle an unexpected event, facing the reality of it can be a very different experience, especially when it comes to your health. If you became disabled or were diagnosed with a critical illness, could you afford the added expenses? In many cases, these expenses go beyond what government-sponsored health coverage provides.

Living benefits insurance offers the flexibility to suit your specific needs. These plans can be tailored to work in tandem with employee benefit plans or recognize the fact that you own and operate a business or work independently. There are two kinds of living benefits insurance:

- **Critical illness insurance** pays a lump sum if you're diagnosed with an illness or condition that's covered by your policy. The benefit can help finance health care treatments, cover household and family-related costs, manage business expenses and protect what you have set aside for your retirement, so that you can focus on recovery.
- **Disability insurance** protects your income if you are unable to work as a result of either physical or mental health disabilities. Regular payments provide you with a percentage of your income. The benefit is designed to help replace lost income and, for business owners, reimburse business expenses and fund a buy-out agreement if necessary.

Having a combination of critical illness and disability insurance may be a good solution for you. This way, additional coverage can be matched with your circumstances. Consider someone with a \$60,000 annual salary who is diagnosed with a critical illness and unable to work. Here's how critical illness and disability coverage could cushion the impact of health care expenses and lost income:

Recovery time	Month 1	Month 2	Month 3	Month 4+
Expenses*	Medical treatments: \$7,000 Prescription drugs: \$15,000 Nurse or caregiver: \$30,000 House retrofitting: \$35,000 Routine living costs (mortgage, bills, etc.): \$4,000/month			Routine living costs (mortgage, bills, etc.): \$4,000/month
Income loss	\$5,000/month			\$5,000/month
Coverage**	Critical illness: \$100,000 Disability: \$0 (90-day elimination period)			Critical illness: \$0

		Disability: \$4,400/month
Difference	+\$1,000	+\$400
	Covered	Covered

*Estimates for illustration purposes.

The importance of having a plan

The COVID-19 pandemic has been a unique and challenging experience for everyone, but valuable too, in that it exposed our vulnerabilities and reminded us that it's important to be financially prepared for what can occur. Most people don't expect to be faced with the reality of becoming disabled or being diagnosed with a critical illness, but we all know it can happen. The protection of living benefits insurance can be one of the most valuable assets you have. Speaking with your advisor is the first step towards understanding the best options available to help take the worry out of the *what-if*.

What's your risk?

Your risk of becoming disabled or developing a critical illness changes based on your age, lifestyle choices and other factors. The tables below provide examples of the risks for both a man and a woman, age 35. You can find out more about your personal risk at

www.insureright.ca/what-is-your-risk.

35-year-old male, non-smoker*	
Risk of disability before age 65	19%
Risk of critical illness before age 65	26%

35-year-old male, non-smoker*	
Risk of dying before age 65	6%

35-year-old female, non-smoker*	
Risk of disability before age 65	26%
Risk of critical illness before age 65	19%
Risk of dying before age 65	4%

*Estimates for illustration purposes.

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