

# Individual Life Insurance Needs



**Life insurance has historically operated as a means of protecting one's family against the financial impact that may arise resulting from one's passing away.**

Typically, it is considered as a means of transferring the financial risk people face to an insurance company. The benefit of this is that with low payments, an insurance benefit may mitigate risks such as pending debt repayment, funding for final expenses (including taxation upon death) and replacing needed income when an employed individual passes away. These factors are all significant to ensuring that an individual's family is able to meet their lifestyle needs and obligations without significant hardship.

Related to life insurance, two of the solutions in a risk management portfolio would be either a group life insurance plan or an individual life insurance plan. Alternatively, the solution may be a combination of the two.

## **GROUP LIFE INSURANCE**

Group plans are typically offered through employment via a company-sponsored plan but may also be obtainable through membership in a professional organization, alumni

group or affinity programs like credit cards. Many employees consider their group insurance plan as a staple because it is usually associated with their employment and therefore becomes part of their overall employment benefits package.

Group insurance is typically a single policy that offers coverage for many individuals. With this policy, the insurance risk is spread across the entire group, regardless of an individual's health status. Therefore, everyone within a particular segment of the group (say by age), would pay the same premiums – though claims experience may not be the same.

Insurance through a group plan is an easy type of insurance to secure, as there usually are no qualification requirements (aside from being a group member) and may not carry any cost for basic coverage depending on the group plan. Some group policies allow you to purchase additional insurance above the basic coverage amount which may require medical tests and/or questionnaires. As long as a person is a member of the group, the coverage may continue at the rate issued by the insurance company for the entire group. Grouping by segment is important to the cost on the policy for it will then



usually be categorized (banded) by age. Group plans renew annually and so can the costs of the coverage provided within the plan. In addition, costs will likely increase as individuals age and progress into the next age band; or costs may change due to fluctuations in claims experience. In this way group insurance is usually available when you are employed/part of the group, or in some cases, limited to age 65.

A group insurance plan may offer a wide range of benefits, such as health, dental, disability or critical illness benefits. In relation to life insurance, some group policies allow members to qualify and purchase additional insurance. There may however be policy provisions (economical and beneficial) which would make a personal insurance policy a better option. A typical associated concern is that the risks identified in the financial planning process may not be covered by basic group insurance coverage. This then begins the analysis of how best to guard against this additional insurance need.

Group insurance is usually an appropriate base level in managing one's financial risk. However, when considering additional group insurance, individuals should be aware that coverage is usually tied to the company/group and your association. Coverage may terminate when you are no longer employed by the company or are part of the particular group. Since some types of insurance may be convertible to individual plans, group plan provisions should be closely reviewed with regard to additional features and benefits they provide.

You may or may not in all cases be able to transfer your coverage to a personal individual policy of equal amount prior to employment being terminated. The total amount that you may apply for may also be capped or be limited to certain constraints (such as a multiple of salary, or in increments of \$100,000); therefore potentially limiting your ability to cover the risks and obligations you want to protect.

## INDIVIDUAL LIFE INSURANCE

Alternatively, individual insurance coverage is a personal insurance policy that is both particular and specific to you and your needs. In most cases you must qualify for new coverage financially and/or medically. The contract and obligation to pay would be between yourself and the insurance company and the policy provisions are usually such that as long as you have paid the premiums, coverage will continue to exist, regardless of your health, vocation or avocation.

Depending on your needs, temporary or permanent insurance may be purchased to meet your financial objectives. Individual life insurance policies often offer provisional flexibility and choice; for example, you may wish to convert your temporary coverage to a permanent plan which often allows you to do so without further medical testing. The most important thing to remember though is that your personal insurance policy is an asset to you.

Some permanent solutions may include tax-exempt life insurance, which allows you to make deposits in excess of insurance costs that may grow in investment type accounts inside the policy tax-deferred. Insurance benefits may also include this exempt account value.

## PLANNING FOR THE FUTURE

Ultimately, your most important objective is to begin the process by investigating the options available to protect yourself and your family's financial future. This process begins with an analysis of financial plan and continues through implementation of a solution. Choosing to increase group insurance coverage versus applying for personal coverage is not always a simple matter. With costs of both additional group and individual coverage being so similar, guaranteed features will add value and flexibility to the policy you choose.

Life insurance is most commonly used to provide financial security to your family and other beneficiaries in the event of your death. However, life insurance can also be used to protect the value of your estate from taxes. At death, your assets may trigger significant tax obligations, which are frequently met by liquidating the assets of your estate. A life insurance benefit can cover your tax obligations and leave your estate intact.

You want a financial plan that will give you peace of mind. Not only can insurance play an important role in this area, but it can have a positive impact on your overall portfolio. Choosing the right solution, whether group, individual or a combination of the two, will allow you to effectively and efficiently manage risk and ensure that your goals are achievable.

Whether your insurance needs are simple or complex, there is a solution for you. We will analyze your situation, determine your needs and implement a strategy that will help to either protect or grow your assets.

› Please contact us to speak with a licensed Insurance advisor.



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