Imagine
the impact

Protect your savings from the impact of a serious illness

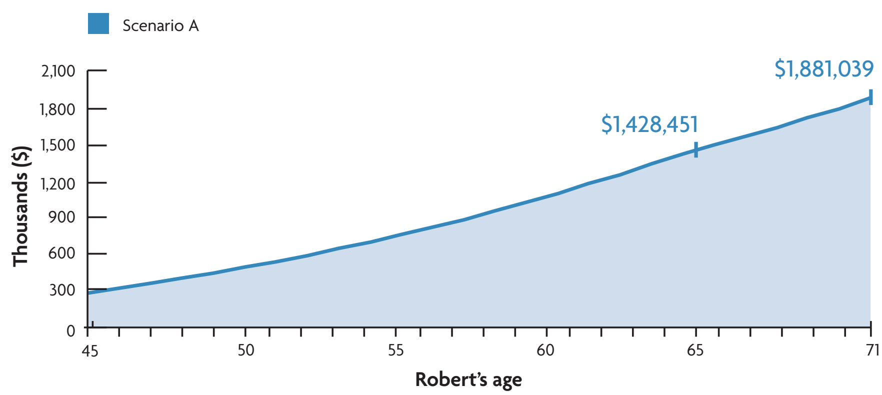
Meet **Robert** and **Lisa**

- Robert is 45 and Lisa is 43.
- They have two children in high school who are getting ready for post-secondary education.
- They're starting to prepare for retirement, but still have other financial commitments like their mortgage and education savings for their children.
- Robert and Lisa are professionals who are established in their careers. They are planning to retire when they each turn 65.

Together, they have saved $240,000 for their retirement and currently put $25,000 a year into their savings. They intend to invest $20,000 in registered retirement saving plans (RRSPs) and tax-free savings accounts, and $5,000 to non-registered savings, per year until they retire at age 65. Assuming a 5% rate of growth on these contributions, they could accumulate $1,428,451, by Robert's retirement in 20 years.

- **Scenario A:** The graph below shows the projected value of their savings when Robert retires at age 65. It also shows the value of their savings if they choose to wait and withdraw funds when he turns 71 and is required to convert his RRSP to a registered retirement income fund (RRIF).

Projected value of investments



Life's brighter under the sun

Sun Life Financial

The scenario

Protecting Robert and Lisa's savings and retirement plans against the cost of a serious illness

Robert and Lisa understand the importance of planning for a major health event. When Lisa's co-worker had bypass surgery, they saw the financial challenges the family experienced while dealing with the illness and recovery.

Although recovery would be their number one priority, Robert and Lisa are concerned about what would happen to their savings if one of them were diagnosed with a serious illness. Where would they get the money to pay for their recovery and how would they continue contributing to their investment portfolio?

Robert and Lisa have financial commitments and they don't want to dip into their savings and deplete their assets. They would like to maintain their current lifestyle, manage their mortgage payments and have money for medical expenses.

Let's look at what could happen if Robert was diagnosed with cancer at the age of 60.

Drug costs – Treatment administered orally at home, and not in the hospital, may not be covered. Additional medications for nausea, and to prevent infections may be required.	**$ 65,000***
Home modifications	**$ 5,000**
Income replacement – Lisa will be off work for six months to provide in-home care.	**$ 40,000**
Weekly 100km commute to cancer clinic and parking for 4 months	**$ 1,000**
Robert is on long-term disability for one year, but does not receive his annual bonus	**$ 20,000**
After Robert recovers, there may be ongoing changes to their lifestyle and finances. He may need to change to a less stressful career or consider retiring early.	

* According to the 2009 Canadian Cancer Society report, *Cancer drug access for Canadians*, the average cost of a single course of treatment with more recent cancer drugs is $65,000. Cost and coverage may vary by province.

The risk of illness is real:

- *An estimated 2 out of 5 Canadians are expected to develop cancer during their lifetimes, but most will survive. 69% of new cancer cases occur among those 50 to 79 years of age.*[1]
- *9 in 10 Canadians have at least one risk factor for heart disease or stroke.*[2]

What Canadians are telling us:

- *9 out of 10 Canadians know that their personal finances would be impacted if they were to develop a major or chronic health condition.*[3]
- *Only 8% of Canadians have a written financial plan that addresses health-related issues such as insurance and risk management.*[3]

[1] Canadian Cancer Society, Cancer Statistics 2012. [2] Public Health Agency of Canada, "Tracking Heart Disease and Stroke in Canada" 2009.
[3] Sun Life Canadian Health Index Report, 2011.

The challenge

Robert's condition could deplete their accumulated assets and stop contributions to their savings plan

They recognize that taking money from their savings could have consequences, such as taxation and slowing the growth of their investments.

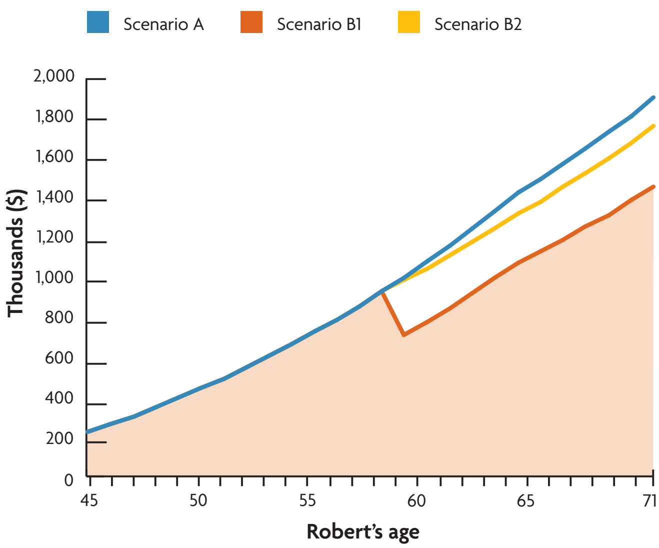
The years immediately before or after retirement are especially vulnerable. What happens during this time can impact the success of a retirement plan.

Withdrawing money from their retirement savings before or close to retirement, would negatively impact their retirement plans. While there is always some level of market risk, before Robert and Lisa are ready to start taking income from their savings, it has to be protected against any health risks.

By age 65, the value of their investments could be $1,428,451 (assuming a 5% rate of growth).

- **Scenario B1:** If Robert is diagnosed with cancer at age 60 and $200,000 is required during his recovery, their investment value when Robert is 65 could change to $1,090,858 (a difference of $337,593).
- **Scenario B2:** If Robert is diagnosed with cancer at age 60 and they had to decrease their yearly contributions to $10,000, their investment value when Robert is 65 could change to $1,324,007 (a difference of $104,444).

Projected value of investments



The solution

Robert and Lisa can plan ahead with critical illness insurance

They can protect themselves with critical illness insurance to avoid having to prematurely withdraw money from their RRSP or other investments in case either of them gets sick.

If Robert is diagnosed with cancer or one of the covered illnesses and survives the waiting period, his critical illness insurance would give him a lump sum benefit.

He and Lisa can use the lump sum benefit to:

- cover his medical expenses and recovery costs,
- manage their mortgage payments and other debts,
- replace the income Robert lost from taking time off work to recover – and Lisa's salary for the time she took off to care for Robert, and
- contribute any unused benefit to their savings.

The result

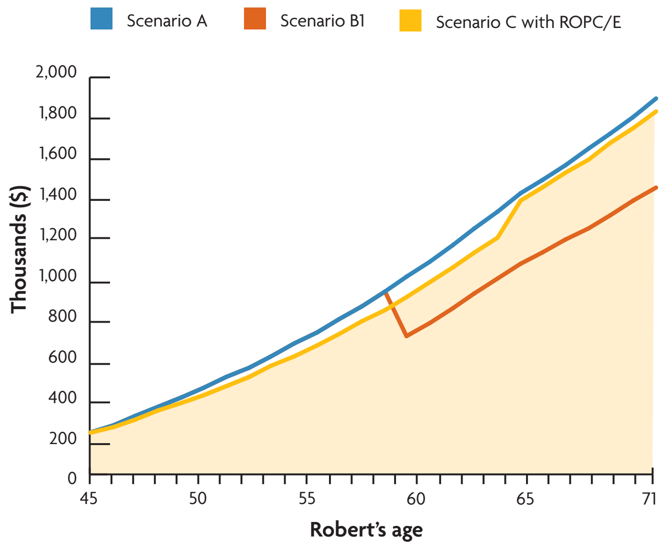
Asset protection and confidence in their savings plan

By using a portion of the funds they planned to invest to buy critical illness insurance, their assets are protected against a serious illness.

They purchase $200,000 of critical illness insurance for Robert. From their $25,000 annual savings they pay $4,857 for the insurance and invest the remaining $20,143. If he gets sick, the policy pays $200,000 and no money is withdrawn from their savings.

- **Scenario C:** If Robert added the Return of premium on cancellation or expiry (ROPC/E) benefit, he can choose to cancel his coverage on the policy anniversary nearest age 65. The eligible premiums paid will be returned to him, if he doesn't make a claim for the critical illness benefit. If he cancels at 65, their investment value could be $1,394,851 and the cost to their portfolio for having this protection may be only $33,600.

Projected value of investments



Assumptions:

- $4,857 annual premium is based on $200,000 of Sun CII Term 75, with ROPC/E – age 65 for a 45 year-old male non-smoker.

Without critical illness insurance, Robert and Lisa's retirement plan may be at risk. With critical illness insurance protection, they may not need to withdraw from their investment portfolio and jeopardize their future plans.

Questions? We're here to help.

It's important to be realistic about the impact a serious illness may have on your retirement plans. A financial advisor can help you clearly understand the impact, and, together, you can customize a plan that will help protect your assets from the unexpected.

Talk to an advisor about Sun Life Financial today!

For more information and resources:

Visit **www.sunlife.ca/MyFinancialPlan** | Call **1 877 Sun-Life** (1 877 786-5433)

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