



Wealth  
Management

# Living benefits: financial protection for you and your family

Everyone understands the value of life insurance – it provides your family with financial protection in the event of your passing. Yet very few people consider the financial repercussions of recovering from a serious accident or illness. You may be left without regular income and your savings can be depleted. The good news is that, more so than ever, advances in medical science make it possible to survive an injury or illness and resume a meaningful lifestyle.

Ensure the financial stability of your family in the even of an injury or illness.

## Did you know?

- There are over 70,000 heart attacks in Canada each year.<sup>1</sup>
- 86% of all heart attack victims admitted to hospital survive.<sup>1</sup>
- 75% of stroke victims survive.<sup>1</sup>
- 90% of Canadians have at least one risk factor for heart disease or stroke.<sup>2</sup>
- As you recover, you can protect your financial interests with living benefits.

## What are living benefits?

Living benefits provide you with a benefit if you are unable to work, have to pay additional recuperative costs due to your medical condition or are unable to care for yourself.

There are three main types of living benefits:

- Long term care insurance
- Disability insurance
- Critical illness insurance

By using these products within a wealth protection strategy, you can ensure the

financial stability of your family in the event of an injury or illness.

## Long term care insurance

Long term care insurance is the newest type of living benefit. It provides the necessary funds to pay for additional health care once you are no longer able to care for yourself. Funds are paid as a monthly income to cover the cost of either home visits from a qualified individual or a room at either a public or private care facility.

## Why is long term care insurance important?

The costs associated with long term care can be quite excessive. A private care facility may typically cost \$1,600 – \$13,000 per month. Full-time care in the home can be quite costly as well with high costs for personal services<sup>3</sup>. Although advances in medical science enable us to live longer, the effects of old age are still felt. The government is doing its best to build new long-term care facilities, but it may not be able

to keep up with demand. And opting for the comfort of a private facility can be costly.

#### What does it provide?

Anyone with personal experience involving a private care facility or in-home care can appreciate the value of long term care insurance. Individuals can receive a maximum benefit of \$120,000 per year, tax-free, to cover the cost of their care. If you are considering this coverage for yourself, you may also want to consider paying the premiums on a policy designed to cover certain older family members, whose future care may one day become your responsibility.

#### Disability insurance

We all have insurance coverage to protect our most valued assets from fire and theft. And yet if you were to add up the value of everything you have insured, the figure would likely pale in comparison to the value of your single biggest asset – your ability to earn an income. Disability insurance replaces a portion of your income if sickness or injury keeps you at home for a sustained period of time and you are unable to work at your occupation.

#### What are the advantages of personal disability insurance?

Many employer group plans have a disability component, but they often have conditions that limit the amount of time you can be on a claim. And if you were to leave your employer, you would lose the coverage. Your personal disability insurance will protect you for many years and will not be altered if your occupation changes to a riskier one, or if your salary decreases.

An individual earning \$80,000, whose income is expected to increase by an average of 3% annually, could be earning almost \$190,000 per year after 30 years of employment. The future stream of income represents a potential asset worth over \$1.7 million.

Disability insurance typically replaces as much as 66% of your income. Keep in mind that when premiums are paid with your own after-tax money, the benefits are tax-free.

Whether you work in construction, manage an office, or perform surgery, the need for this protection is universal. The cost of the coverage depends on the occupation – the more risk involved and the higher the premium. Overall, costs can range anywhere between 1 – 3% of gross earnings. However, you can add an additional feature called a rider (an optional feature available for purchase with a policy, a rider provides additional protection against a variety of losses) to your policy to get back a large portion of your premiums should you never receive a disability benefit, thus limiting your financial risk while you hedge the very real risk of losing your income.

#### Critical illness insurance

Gaining popularity in Canada, critical illness insurance has already proven its worth in the United Kingdom, Australia, and the United States. It was developed by Dr. Marius Barnard, the brother of the first doctor to successfully complete a heart transplant, who recognized the financial burden entailed in the recovery from that procedure. Dr. Barnard's philosophy is, "You need insurance not because you're going to die, but because you're going to live."

#### How does it work?

Critical illness insurance provides a lump sum of money once an individual has been diagnosed with and survived one of a predetermined number of illnesses, including cancer, Parkinson's, or Alzheimer's diseases, or in such events as a heart attack, stroke, or bypass surgery. Some plans cover over 24 illnesses and events.

#### Are there any limits on how the benefit can be used?

The lump sum benefit may be used in any way you see fit. Seek advanced private health care at home or in other parts of the world to assist in your recuperation, fund renovations to your home in accordance with your condition, or enable your spouse to stop work and help care for you. There is no rule on how to use the proceeds – take a dream vacation or buy the cottage you always wanted. The possibilities are unlimited.

#### Portfolio protection

Living benefits provide you the security of knowing your portfolio will stay intact, and that, no matter your physical condition, you will be comfortable in your retirement years.

**With continuing medical breakthroughs, you have a better chance of surviving a serious accident or illness than ever before. The recovery statistics are very encouraging. Living benefits give you the opportunity to protect your financial stability as you recover and get back to a normal life. For more information, please contact us.**

<sup>1</sup>Heart & Stroke Foundation of Canada, 2011. <sup>2</sup>"Tracking Heart Disease and Stroke in Canada." Released June 2009. <sup>3</sup>RBC Insurance, Long Term Care In Ontario – 2010

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