

# DREAMQUEST<sup>®</sup>

## Financial security planning

INSURANCE & FINANCIAL INSIGHT

[www.theosticgroup.com](http://www.theosticgroup.com)



## Getting to know your insurance needs.

Insurance is a cornerstone of any financial plan. Depending on an individual's needs, there are many types of insurance available. These include life insurance, disability insurance, critical illness insurance and long-term care insurance.

### Life insurance Term Insurance

The death of an income earner, especially early in life, can cause extreme financial hardship for those left behind. How will the mortgage be paid? How will the children's education be funded? Will the family have enough income to maintain their standard of living?

Term insurance is often used to provide coverage for these types of situations. With term insurance policies, your premiums only pay for the cost of the insurance; there is no savings component or cash value. As a result, the initial premiums on a term insurance policy are lower than the premiums on a comparable permanent insurance policy. If you stop paying

premiums, coverage ceases. Term life insurance premiums often increase every 10 years, although some policies provide for level premiums over longer periods of time. Term life insurance also expires upon reaching a certain age, in many cases 75 years old.

### Permanent insurance

Regardless of when an individual dies, there may be taxes and other expenses, such as funeral fees, payable upon death. In addition, some individuals may desire to leave a bequest at the time of their death. For those permanent needs, there are insurance products such as permanent term insurance (Term to 100), whole life insurance, or universal life insurance.

### Permanent term (Term to 100)

Unlike other term insurance products, which are intended to meet needs that may arise within a limited term, Term to 100, is intended to provide coverage throughout the insured's lifetime. In addition, some Term to 100 policies provide for a small cash value or other *non-forfeiture options*.

Please see overleaf for more insurance considerations to help secure your financial future...



May we help you?  
Call 1-800-551-3651

YOUR PARTNER IN FINANCIAL SECURITY

ELORA FERGUS GUELPH SHELBURNE

## Whole Life

Whole life insurance generally has level premiums throughout the term of the policy. A cash value is built up in the early years to help offset the rising cost of insurance in the later years. There is also a savings component known as a cash value included in the whole life policy. The cash value can be used to:

- Pay premiums if the need arises
- Purchase a fully-paid policy with a reduced face value if the policyholder decided to stop paying the premiums
- Purchase an extended-term policy for the same face value, if the policyholder decides to stop paying the premiums
- Fund a policy loan by the policyholder

The first three options are referred to as "non-forfeiture options", as they would provide continued insurance coverage in the event the policyholder stops paying the premiums. The continued coverage provided under a non-forfeiture option may be of limited duration or reduced value, depending on the option chosen and the cash value of the policy at the time.

## Universal Life

Universal life is an "unbundled" permanent insurance product with separate insurance and tax-deferred savings components. A universal life policy gives the policyholder the option of paying a premium in excess of the cost of insurance. The policyholder can choose to direct this excess to any number of investments offered within the policy.

If the amount of these investments remains within the prescribed limits, the growth on these investments remains tax-deferred until withdrawn from the plan. Provided the savings component has not been withdrawn from the plan by the death of the insured, it can pass tax-free to the beneficiary in addition to the death benefit. The savings component may also be used as collateral for a loan to provide income during life. This can be paid back out of the insurance proceeds at death.

## Disability insurance

During a disability, bills still need to be paid. Disability insurance provides a benefit, usually

60-70% of salary, in the event the insured becomes disabled and is unable to work. There are various types of disability coverage, ranging from policies that will only pay benefits if you are unable to work at *any job* to policies that will pay benefits provided you are unable to perform the duties required for *your regular job*.

Many employers offer their employees group disability insurance coverage. However, self-employed individuals or individuals who are not covered through their employers should ensure that they have adequate insurance coverage to continue to pay their costs of living while they are unable to earn a paycheck.

## Critical illness insurance

Critical illness insurance is a relatively new product, which was introduced in the 1980s. It pays a benefit to the insured in the event the individual is diagnosed with any of a specified list of critical illnesses, such as cancer or a heart attack, and survives a waiting period; usually 30 days. Some critical illness insurance plans may cover as few as three or four illnesses while others cover 21 or more. Whereas disability insurance usually pays a monthly benefit equal to a percentage of your salary in the event you are unable to work, critical illness insurance pays a lump-sum benefit shortly after diagnosis, regardless of the ability to work. This can help pay for items related to the illness, such as medical expenses that are not covered by a health plan, or a much needed vacation.

## Long-term care insurance

As the population ages, more and more people require expensive long-term care. Canadians want the peace of mind of knowing that they will be able to afford the care they need without burdening their families with the costs. Long-term care insurance provides a benefit that helps cover the cost of nursing home fees or attendant care fees. Most plans pay a stated daily or weekly benefit once it is determined that the insured is no longer able to adequately care for him or herself.

*Insurance is an important part of any financial and estate plan. From the payment of the first premium, protection of one's income and estate can be established. With all types of insurance, you get what you pay for. There are relatively inexpensive basic plans and more expensive and comprehensive plans. It's important to consult a licensed insurance advisor at Ostic Financial to determine the most appropriate solution for your needs.*