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DREAMQUEST®

Homeowners need to ask questions about mortgage insurance

INSURANCE & FINANCIAL INSIGHT

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THE OSTIC GROUP FINANCIAL

Is it really the best way to protect families and their homes?

Of the tens of thousands of Canadians who will buy a home or renew their mortgage this year, most of them will sign up for mortgage insurance with their lender, no questions asked. But is mortgage insurance really the best way to ensure loved ones can continue to make mortgage payments in the event of an income earner's death?

Many Canadians are choosing to purchase term life insurance, which is flexible and gives the family more financial control because the death benefit is paid out to the beneficiary to use as they wish, rather than being restricted to paying off the mortgage.

Life insurance vs. mortgage insurance

Mortgage insurance bought from a lender will typically pay the death benefit to the lender. With term life insurance, the death benefit is paid to the beneficiary of the consumer's choice - who could be a spouse or anyone else you choose. This gives the beneficiary the freedom to choose how to best spend the money.

Some may decide that paying down the mortgage is the highest priority, while others might want to use the money for a more pressing expense, such as education for a child. Another benefit is that extra funds could potentially be available to the beneficiary with term life insurance.

Why? Because the coverage amount under typical mortgage insurance declines as the mortgage balance decreases. With term life insurance, the coverage amount stays the same for the term of the insurance.

Also, when a mortgage is re-negotiated, the consumer does not have to re-apply for term insurance. But with mortgage life insurance, if the consumer switches lending institutions for any reason, they will have to re-apply for mortgage life insurance.

Please see overleaf for more insurance considerations to help protect your mortgage…

Life insuring your mortgage with Ostic Financial

While most lending institutions will offer you life insurance tied to your mortgage, there are advantages to choosing to insure with a term life policy of your own.

Your own personal coverage

Designed to protect you and your family.

Upon death, any proceeds from the insurance policy go directly to your beneficiary who decides how to use the funds.

Once the insurance policy is issued, only you can change or cancel it.

When you renegotiate your mortgage, you will not have to reapply for the insurance. Your protection is guaranteed renewable, and stays in place when you change homes or mortgage lenders. The coverage remains as long as you wish, depending on the contract.

The insurance protection never decreases unless you request a reduction.

Total insurance coverage may be **double** that of the lender, since each spouse is insured for the full amount. Premiums may be similar or significantly less for more than **twice** the insurance.

If you reduce your coverage, your payments will be reduced as well.

The insurance protection stays in place even if the property is sold.

You can make changes to your policy, including change of beneficiary and amount of coverage.

You use your own insurance and financial advisor to arrange and service the policy.

Lending institution's mortgage insurance

Designed to protect the lender

Upon death, any proceeds from the insurance policy go directly to pay off the mortgage. In most cases, no additional funds are available to your family.

Mortgage protection from the lender may not be guaranteed, since it is usually group insurance and the group contract could be changed or cancelled by the mortgage holder or group contract supplier at any time.

If you switch lending institutions for any reason, you will have to reapply for insurance. Your health situation may have changed and you may be denied insurance. The coverage is not transferable and is limited to the mortgage you have for a certain property with a certain lender.

The amount of insurance protection reduces as you make your mortgage payments.

Coverage is joint between spouses for only one amount of the outstanding loan balance. Cost per unit of insurance can be high. (particularly as the loan balance is paid down)

The cost of insurance does not decrease even though the amount of protection does.

The insurance protection stops when the property is sold.

No changes are permitted.

You have a bank employee to look after you.

The foregoing is for general information purposes only and is the opinion of the writer. This information is not intended to provide specific personalized advice including, without limitation, investment, financial, legal, accounting or tax advice. However, please call Ostic Financial Group to discuss your particular circumstances.
Mutual Funds provided through FundEX Investments Inc.

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