

# ➤ wealth planning

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## What do you buy insurance for?

Dan is a 39-year-old computer manager. He has a mortgaged home, a car loan, and unused contribution room in his Registered Retirement Savings Plan (RRSP). He and his wife have a toddler and are expecting another child soon.

Dan knows that he needs life insurance to protect his growing family, but his research has left him bewildered. Faced with so many types of insurance and policies, he's having trouble pinpointing the type of coverage that's best for his particular situation.

Dan's not alone. In a recent survey conducted by a major Canadian insurer, 89% of respondents agreed that life insurance should be part of financial planning. However, only 40% said they would know what to look for when purchasing a policy.

Insurance has become marvelously flexible. It can be used for tax planning, retirement funding, and estate planning. But this flexibility makes it potentially confusing. Keeping your primary need in mind will help you focus on the appropriate type of coverage for you and your family. For example, you may wish to consider **term insurance** if you need:

- A simple policy
- Inexpensive initial coverage
- Income to protect a growing family
- Protection for a set time

With term insurance, each renewal carries a higher cost, and coverage is generally not available after age 80. A **term to 100 policy** may be appropriate if you need:

- Simple coverage
- Level cost protection until age 100

Term to 100 is also useful for estate planning.

Consider **universal life or whole life** if you need:

- Protection plus tax-deferred growth
- Variable premium payment options
- Protection with no age limit, depending on the insurance cost you choose

The investments can subsidize the rising cost of insurance as you age, or be used for retirement income and estate planning.

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With the help of a professional, you can complete a 'Needs Analysis' that will help determine the type and amount of coverage you really need — and what you can afford.

For Dan and other cash-strapped breadwinners, the key requirement is ensuring that their loved ones can live comfortably should they die prematurely. Dan's other obligations leave little money for premiums, so affordability is very important. A solution for Dan is 10-year term insurance that's guaranteed renewable at pre-set rates without medical evidence of insurability.

This affordable coverage will provide the necessary protection over the short term, while the children are young. At the same time, it will allow Dan to increase coverage as his career progresses, or to convert to a permanent policy suitable for tax, retirement, and estate planning later on.

To understand how insurance can help you meet your needs, give me a call today. Together we can review your insurance needs and find the most suitable coverage for you and your family.

At DundeeWealth, we believe that having a financial plan forms the foundation necessary to grow, protect and transfer wealth from one generation to the next. We are committed to provide information on a variety of financial planning topics so our clients are able to make informed decisions.

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