

Understanding insurance

Insurance provides protection for the things that matter most to you, including the wellbeing of you and your loved ones. While life events may happen at unexpected and unpredictable times, insurance gives you peace of mind that you and your loved ones have financial protection for when you need it most. With insurance you can focus on enjoying your life knowing that you've done your best to keep your family safe.

What is insurance and how does it work?

Life insurance is protection that benefits your loved ones and dependents, such as your spouse or children after you pass away by providing a tax-free cash payment. There are two main types of life insurance options - permanent life insurance and term life insurance. The difference between the two types of life insurance mainly come down to the length of the coverage.

Permanent life insurance provides lifelong financial protection and **term life insurance** provides protection over a specific term, such as 10, 15 or 20 years and can be renewed after those terms are up.

Under the umbrella of permanent life insurance, there are two types of protection available that are characterized by the way the payouts are structured:

- 1. Whole life insurance**
characterized by steady premium payments and a savings feature.
- 2. Universal life insurance**
offers flexibility in payments and is also known as "adjustable life insurance". With this option, you can increase or decrease your death benefit and can pay your premiums at any time and in any amount, after your initial payment is complete.

Unlike permanent life insurance, term life insurance provides coverage only for a pre-determined and

specific term. Term life insurance is beneficial for those who are looking to pay less for their insurance coverage and who want the ability to budget and plan for coverage within a specific time period.

Here is a summary of the features of each type of life insurance option.

An Insurance Planner can help you figure out what type of life insurance plan is right for you and your family.

	Term life insurance	Whole life insurance	Universal life insurance
Death benefits	●	●	●
Flexible payments			●
Cash value guaranteed		●	●
Tax advantages	●	●	●
Low monthly cost	●		

What does life insurance cover?

Even though most people recognize that there are immediate costs after a loved one passes away, such as funeral arrangements and estate considerations, there are actually long ranging financial costs that life insurance can also help take care of.

Life insurance can help cover:

- Short term costs**
 - Funeral arrangements
 - Out-of-pocket medical expenses
 - Estate settlement
 - Unpaid debts
- Ongoing needs**
 - Mortgage or rent payments
 - Lifestyle expenses

- Retirement and long term spousal care
- Education costs for dependents

Living benefits insurance

While life insurance is protection for your loved ones after you pass away, living benefits insurance protects you and your dependents in the event that you suffer a change of health that impacts your ability to financially provide for your family. Living benefits insurance typically covers three types of insurance protection:

1. Disability insurance

Disability insurance works by providing financial protection within a percentage of your monthly income, to a maximum of 66.66%. If you become disabled, you will continue to receive a monthly income to support ongoing costs, helping you maintain your standard of living. Disability insurance is a product in which rates are impacted by a number of factors, including occupation, lifestyle, etc. The lower your risk is, the lower your rates will be.

2. Critical illness insurance

Critical illness insurance pays out a one-time lump sum payment in the event of a specified medical event. Unlike the regular monthly payments under disability insurance, critical illness insurance is designed to provide financial support to help you overcome very specific medical circumstances.

3. Long-term care insurance

Like disability insurance, long term care insurance also provides a regular monthly income to support you, if you require assistance with daily tasks, such as meals, bathing, managing medications, etc. Long term care insurance can be individual or joint coverage, with a spouse. In the event that you require transfer to a long term care facility, the monthly payouts under long term care insurance are doubled.

Annuities

Annuities are a form of insurance that enable you to receive a guaranteed lifelong income once you leave the workforce. Annuities can be used to supplement other income options, such as RRSPs and can provide financial security in your post retirement years.

You can buy an annuity with money from an RRSP, RRIF or other non-registered account. The money is then returned to you, with interest, in regular payments that you can choose to receive for a set number of years or for the rest of your life. You can also decide how often you would like to receive payments – monthly, quarterly, semi-annual or annual, depending on your specific situation.

Types of annuities

There are two main types of annuities:

1. Term-certain annuity

Gives you a guaranteed regular income for a set number of years (a term). If you purchase this type of annuity with money from an RRSP or RRIF, the term must extend to age 90. If you pass away before the term ends, the payments will go to your estate.

2. Life annuity

Gives you a guaranteed income for life. Payments usually stop when you pass away and no money will go to your estate.

Do I need insurance?

Everyone can benefit from some kind of safety net. If you have a family or dependents, life insurance becomes an important tool for future protection. If you are single, insurance can help you dictate what happens to your assets and estate. Also, any time your personal circumstances change, it's a good idea to re-assess your insurance protection to decide if you need more or different coverage.

Discuss your insurance needs

There are a wide variety of insurance options available, and it is beneficial to sit down and start a conversation with an Insurance Planner to find out which types of insurance and financial protection make sense for you and your circumstances. Connect with us to set up a plan that's right for you. Visit us in-branch, call our Member Hub (604-419-8888) or book an appointment with an advisor online. (<https://www.gulfandfraser.com/about-us/contact>)