

Janine Purves, CFP, CPCA
Senior Financial Advisor

9130 Leslie Street, Suite 302
Richmond Hill, Ontario L4B 0B9

T: (905) 707-5220 ext: 22
F: (905) 707-1035
www.janinepurves.com
jpurves@assante.com

Insurance – The Bad Apple of Financial Planning!

By Janine Purves, CFP, CPCA

As a financial planner, I make it my job to review all aspects of my client's portfolios, and identify any areas where they may not be meeting their objectives, or could be putting themselves at risk of not fulfilling their dreams in the future.

Most people come in with open minds, and want to know what they can do better. Usually, we have a good conversation that provides some calculations, helps them to set savings targets, identifies where they are now, and if they are on track to fund their retirement and any other critical expenses, such as funding children's education or purchasing a vacation property. I can even bring up estate planning. People are interested, especially if we can find them a way to save on taxes!!!

However, the minute I mention insurance and protecting the family, most shy away. I detect a slight cringe and they then provide a standard response; 'they are paying too much and want to know how they can cut back', or 'it's taken care of'. Sometimes, this is the case. But more often than not, they simply begrudge the fact that they're paying for something they hope will never happen, and may not even be here to enjoy!

Why does mentioning "Insurance" bring up such strong reactions? Unfortunately, the reputation from the past haunts the industry, and the complications of many policies just add to this dilemma. Not to mention how many companies have been bought out, merged, etc. So, do most of us need insurance? The short answer is YES! However, let's simplify the process:

- 1) Identify where you have risk. Some key questions will start that process.
- 2) Review the debt or cash flow needs.
- 3) Have an advisor provide an insurance solution for both Life and Living Benefits items.
- 4) Determine what risks are most important to cover, and find the best balance of insurance.
- 5) Follow up every time the rates changes, or there's a material change in your situation.

Did you know that it's cheaper to purchase a new policy for Term Insurance than it is to renew the same policy, once you've hit the increased renewal period? This is usually true, and therefore, it's important to know when to review and do that regularly.

So, to help you review what you need, and where you have risk, let's think about what you need to protect. If something happens to you, what are you responsible for?

- Children and spouses may depend on your income to live. How can you ensure in both disability and death that this is accounted for?
- We usually want our debt paid off to ensure the family can stay in the house or retain the assets we are working to accumulate.
- Providing an education fund for your dependents.
- There may be final expenses to consider, current immediate debts, taxes, funeral expenses.

- If you are disabled, you may require additional funding to renovate your house, accommodate your vehicle or for additional medical treatment. You need to generate your income to continue to provide for your family, yet sometimes the expenses go up.
- Large tax bills upon death for a business or a vacation property. Consider situations that would change the lifestyle of the family if it's not protected. Ensure all of these items are considered when looking at your overall risk factors and identifying solutions.

Why is insurance important? Because sometimes things do happen! Somebody you love gets cancer and passes away. You have an accident and can't return to work. Sometimes we are realizing that we need coverage, but can't be bothered. Then something happens and we can't get coverage. When experiencing these life-changing events, life goes on for those still here, but now we're dealing with an additional emotional issue that adds great complication. Unfortunately, it's hard to put a value on those we love, but when we are in these difficult situations, we realize how important it is to ensure we are taken care of financially. That's the easy part, because in crisis, everything else becomes far more difficult. We never want to think that these things will happen to us, but it's best to be prepared, so we know things are in place "just in case".

What type of insurance should you be considering?

Life Insurance: A lump sum pays out to the beneficiary tax-free upon your death.

Disability Insurance: Pays you a monthly income after becoming disabled and unable to work.

Critical Illness Insurance: Pays a lump sum 30 days after being diagnosed with a Critical Illness, generally, cancer, heart attack, and stroke.

Long Term Care Insurance: Provides reimbursement of expenses, or a daily-income when receiving long-term care. To qualify, you must require assistance with some of the acts of daily living.

To do a self-assessment and determine what insurance coverage you should have, go to www.insurerright.ca. This website will ask you key questions and provide an insurance assessment for you. It's simple and while details need to be determined, it gives you a starting point without being sold. By taking a few minutes to identify where you have a need, we hope to turn this bad apple of the financial plan into the critical risk assessment that it should be. Remember, it's the advisor's job to identify where you have risks and provide some options to balance these risks, then you can identify how to reduce them. At the end of the day, the objective is to be comfortable knowing you've planned for the unexpected tomorrow so you can get on with living for today. It's your choice how you proceed, and any reputable advisor will acknowledge this.

Yes, on many an occasion I've cancelled clients insurance. It was the right thing to do. However, often, we've changed the coverage, but retained a better structure for the needs of today. So, don't put off planning insurance because you're too busy. Take a minute, do it, and then live for today.

Janine Purves is a Senior Financial Advisor with Assante Capital Management Ltd. (a member of the Canadian Investor Protection Fund and is registered with the Investment Industry Regulatory Organization of Canada). Please contact me at 905-707-5220 or email at jpurves@assante.com to discuss your particular circumstances prior to acting on the information above. Insurance products and services are provided through Assante Estate and Insurance Services Inc.