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Life insurance: 5 Reasons Why You Don't Need it!

Written by Janine Purves, CFP, CPCA

- 1) I want my loved ones to learn to manage on their own. There's no better time to learn extra responsibility, like paying a mortgage, than when you're dealing with the stress of losing a loved one.
- 2) I will never need it. I'm immortal! That only happens to other people. Nobody I know has ever gotten cancer or dies prematurely.
- 3) I'd rather spend that \$20-30/month on Starbucks.
- 4) I can get it later, when I will really need it. I know when I decide I need life insurance, nothing will prevent me from getting it because I always know what's wrong before I get diagnosed with any health condition.
- 5) I have that "accident and dismemberment" insurance on my bank account. That's almost as good. I know it's only for \$25,000 and the chance that I will die of an accident is less than 5% compared to all the other options.¹ I don't really need the protection of those other more common illnesses or conditions.

But seriously folks, recently I heard about a case where somebody actually quoted one of these reasons for not getting insurance. Most of us realize we're not likely to have a car accident, but it can happen, so we have car insurance. Why wouldn't we protect our families from the 1 thing that would cause them to lose their home? To protect them from the 1 thing that could destroy their lifestyle?

Aren't there enough stresses when a loved one dies, without having to worry about how to pay the mortgage, or even for the funeral. Term insurance is relatively inexpensive. The reality is we may not need it, but is it worth the risk to have NO coverage? Ask your family?

Here are some key tips to get the best insurance for you:

*Use an insurance agent that can provide a variety of quotes. A rep with at least 2 years of experience usually understands the key aspects of insurance, and can help prioritize your needs, and explain the different types. If they don't provide some examples of the different type of insurance, ask about Term vs. Universal Life and get pricing comparisons. As well, when dealing with an insurance agent, most can shop around and find the best rate for you. That means we can compare numerous companies, and help you find the best options. This applies to which company, which terms, and the proper amount and coverage.

*It's usually best to purchase individual insurance that is priced and underwritten at the time you agree to the purchase. This insurance is not connected to the mortgage or the lender. By getting your own policy, the coverage remains the same throughout the term of payment, the payment schedule is laid out, and the policy is yours and cannot be cancelled by the lender upon renewal (providing you meet all your payments obligations). This means the insurance company does their due diligence to ensure that they will insure you. If there are reasons why this may not work, then a trained insurance agent can help provide alternatives to ensure you have the most options available to you in the future.

*Bank insurance coverage, the type which is offered with the mortgage, is not underwritten at the time it is issued. Therefore, when the insured has died, there is a chance that the benefit will not pay out if they determine something caused it to be invalid or failed to be disclosed.

*This bank insurance can also be cancelled by the bank upon renewal or renegotiation even if you stay with the same company. Since you aren't the owner of the insurance, and it's tied to the mortgage, you must answer health questions each time and it's treated as a new policy. I know 2 separate situations that were declined due to a renewal when the health situation had changed. That's not what insurance is all about, and you don't want that to happen to you. With many standard life policies, as long as you keep paying the premium, you can convert the policy to longer term coverage, or life coverage with no further health questions. It may sound small, but if you did get diagnosed with a heart condition, or any tragic health situation such as diabetes, or cancer, then you still have coverage. Without it, you would not be able to get insurance at all.

So, take a step, and ensure you protect those around you. Don't leave them in the lurch.

It's easy to identify what you need, and by going to "insureright.ca", you can start that process.

We're happy to do no obligation quotes, and encourage you to give us a call, or speak with your trusted financial advisor to protect your loved ones.

1. Statistics Canada. <http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/hlth36a-eng.htm>

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