

ALEXANDRA HORWOOD & PARTNERS



How to prepare for health scares and protect financial well-being



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See the column on The Globe and Mail's website here.

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As the saying goes, if you have your health, you have 100 problems; if you don't have your health, you have only one problem. We all have someone close to us who has been touched by a health scare.

Specifically, one in two Canadians will develop cancer in their lifetime and one in three live with a chronic disease. Clients may lose time at work to care for themselves, their spouse, or their child. And there are often expenses the government doesn't cover. The publicly funded health care system only covers half of cancer drugs, and the cost of cancer medication varies by thousands of dollars a month.

Clients should ask themselves if they get sick and can't work, will they be able to take care of themselves, their family, and protect their financial well-being?

It's wise to start thinking now about being protected if they get sick because the last thing they would want to be worrying about is their finances.

Financial well-being and health are linked closely. Having enough money set aside in an emergency fund – and, at the very least in a high-interest savings account – is important to ensure that financial health is secure if a client is sick and cannot work. In the event of illness, having two years' worth of living expenses at hand will ensure their financial well-being is protected when life throws them a curveball.

The benefits of critical illness insurance

With critical illness insurance, Canadians receive a tax-free lump sum cash payment in the event of a serious health diagnosis and a person survives 30 days. Most policies will cover upward of 26 illnesses or conditions. However, statistically, most claims result from the "big three" – cancer (67 per cent), heart attack (14 per cent) and stroke (6 per cent).

This cash benefit can be used as clients see fit, but is generally put in place to provide financial flexibility, stability, and peace of mind during a challenging time so they can remain focused on their health.

The main expenses it may be used for are to protect and pay for their mortgage, preserve their assets, and manage debt. Hidden and out-of-pocket costs may include medication and treatment, increased expenses related to care, hospital visits, parking and food, home care assistance and home renovations to accommodate illnesses. The goal is for clients to worry less about finances and focus more on what really matters – getting better.

The ideal amount clients want to have in a critical illness policy is two years after-tax income, so they can take the time they need to get better while protecting their overall financial well-being.

Like life insurance, critical illness coverage can be purchased as both term and permanent. Unique to critical illness, a "return of premium" feature can be added to certain policies, which provides a 100 per cent refund of all premiums paid if no claims are made, usually within 15 years of the policy date.

Why supplement with disability insurance

Disability insurance is among the most important coverage a professional can have. It provides a monthly benefit if a person can no longer perform the duties of their occupation due to illness or injury, essentially replacing a portion of their income if they can't work.

Disability insurance benefits are payable after the chosen waiting period has been satisfied (typically 90 days) up to age 65.

Many clients think that the critical illness or disability coverage in their employee benefits plan is enough. Yet, in most cases, supplementing with a personal critical illness policy is ideal.

Group coverage will generally have low coverage limits (\$3,000 to \$5,000 monthly for disability and \$25,000 for critical illness insurance) and can result in significant income gaps for higher-earning professionals.

It's also important to remember that when a client leaves an employer, they may also be leaving this coverage behind. A personal disability and/or critical illness plan can be used to top up and complement group benefits, which may be in place to ensure that their income is protected adequately.

Preparing for life's uncertainties is not something anyone wants to think about. Yet, with so many Canadians facing health scares in their lifetime, it cannot be put off.

Just like going for a regular physical with a doctor, a life insurance specialist can provide a needs analysis and consultation, from reviewing employee benefits plan to making sure clients have the proper coverage to protect themselves, their family, and their future.

Investing in a person's health and safeguarding their well-being is the best long-term investment anyone can make.

