

# Life insurance in easy terms

*Canadians generally agree that life insurance should be part of a sound financial security plan; however, many people aren't sure what type to buy or where to purchase it. Having the right life insurance protection can have an enormous effect on your life and the lives of those you love. A proper financial security plan can mean the difference between leaving your loved ones well positioned financially, and leaving behind debts and an inadequate income.*

## **An instant estate**

Few individuals, particularly those with the responsibility of a young family, have sufficient savings to adequately protect their loved ones should the main income earner die. Life insurance can help create an estate at a time when funds may be needed most. This is a lowcost way to ensure your family's continued financial well being.

Your beneficiary, the person(s) you name to receive the insurance money, will be paid within a few days of the insurance company receiving the required information. By contrast, savings and other assets may be tied up legally for some time after death.

## **Financial benefits you enjoy**

Some people have the impression that insurance pays only if you die. That's not the case. Many permanent insurance policies (i.e. participating and universal life) build cash values you can access during your lifetime. The cash value is the equity you build up in your policy. Cash values can accumulate within your policy on a tax-advantaged basis. The growth in the cash value is generally only subject to income tax when it is withdrawn from the policy. Your policy's cash surrender value can be used to:

- provide funds in an emergency
- finance a down payment on a home or cottage
- launch or expand a business
- act as collateral for a loan from a third-party lending institution
- supplement your income

How you use the money is really up to you.

## **Other advantages:**

- The death benefit is not subject to income taxes.
- Probate costs can be avoided if you name a beneficiary other than your estate.
- Unlike a will, information regarding your life insurance can remain private.
- In many instances, life insurance may be protected against creditors.

## **The right insurance for your needs – value for your money**

Life insurance is one of your most personal and important buying decisions. There are several variables affecting the cost of life insurance and that's why value doesn't necessarily rest with the lowest-priced policy. It's important to understand the factors affecting the cost of your life insurance policy.

- Gender – women pay less than men because statistics show that, on average, women live longer.
- Age – the younger you are, the lower the premium you'll pay.

*Your best buy is a policy with features that suit your situation today, with flexibility to meet changing needs in the future.*

- Health and lifestyle – good health and sound lifestyle habits usually mean you qualify for the best rates. Nonsmokers get a discount.
- Type of policy:
  - you pay less initially for term insurance
  - you pay more for a policy that builds cash surrender values because it provides benefits beyond the basic insurance protection
- Method of payment – you'll pay less if you choose to pay your premium on an annual basis rather than monthly.

Other factors that may impact the premium you'll pay:

- Occupation or avocation – some occupations or hobbies/ sports are riskier than others from both a health and accident standpoint, which may impact the premium you'll pay.
- Foreign residence – Canadian insurance policies are based on Canadian mortality experience. If you live outside of Canada, you may be exposed to an increased mortality risk which may impact the premium you'll pay.

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## **Get professional advice**

Purchasing life insurance that meets your needs now and in the future can be complex. Life insurance is definitely not a one-size-fits-all product. You need to take the time to understand your financial goals and insurance needs, risk tolerance, and the control you want in managing your policy. Your financial security advisor can help you to consider your options and ensure your life insurance is a good fit for you now, and in the future.

Finally, you need to be certain your policy is backed by an insurance company that is established, reputable and secure.

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