

**Start early... finish strong!**

## **Give yourself a head start**

*It's easier if you start early. But starting early doesn't ensure you'll reach your financial security goals. Without a financial security plan that's tailored to your situation, flexible enough to meet your changing needs and based on solid insurance and investment products, you may be getting further and further off track over time.*

### **A solid financial security plan can help you:**

- provide for your family in the event of your untimely death, disability, or critical illness
- secure a comfortable retirement
- control your debt
- educate your children
- minimize your taxes
- leave an estate to your heirs

The first step to achieving your financial goals is creating a financial security plan that protects what you have and plans for your future. Working with a financial security and investment representative means that you can combine the things that are important to you, with products and knowledge that not only put you on the right track, but help you stay on track, throughout all your life's changes.

### **Ask yourself:**

What are my or my family's goals? Where do I want to be later in life? The sooner you take advantage of the extensive product knowledge and advice available from your financial security and investment representative, the stronger you'll finish. Together, you can map out your integrated financial security plan.

Remember, if you haven't started planning at all, it's not too late!

*An Alberta-based sheet metal manufacturer who had operated two successful companies supplying oil patch industries for 27 years was sure he didn't need a registered retirement savings plan (RRSP).*

*"When I'm ready to retire, I'll just sell my business and live comfortably off the proceeds," he thought.*

*But when the Alberta economy suffered a downturn after the introduction of the National Energy Program, his market diminished. Four years later, he was bankrupt, without a pension plan or funds to re-establish himself.*

### **The early years**

Your twenties and thirties are likely to be the most demanding years of your life. By the time you add the costs of a home, car and student loan payments to the costs of raising children, you may think investing in your future is out of the picture.

A good place to start is to protect what you already have – your family and your income.

Younger couples, particularly those with children, and single parents are most in need of insurance coverage as they tend to have fewer assets and more debts. If you're a stay-at-home parent, you also need to be covered because of the additional expenses associated with child care if something happens to you.

It's also a time to create savings habits that can last a lifetime. The amounts may be small, but putting aside a little bit on a regular basis can make realizing your dreams years from now a lot easier.

## **Insurance**

As your responsibilities grow, insurance becomes a necessity. You need to begin to consider different types of insurance and how they would integrate with your overall financial security plan.

Life insurance helps to create security for you and your family. If you die prematurely, it can be used to pay final expenses and debts and provide an income for your family. During this period in your life, the amount of insurance is more important than the type of policy you have. When you die, no one asks what type of policy you had – they only want to know how much.

However you look at it, life insurance is a valuable part of your financial security plan.

### **The advantages of life insurance**

- death benefit that's not subject to income taxes
- an instant estate when funds are needed the most
- probate costs can be avoided if you name a beneficiary other than your estate
- in many cases, life insurance may be protected against creditors
- term insurance is more affordable in the early years, but the rates rise as you age and few policies extend beyond age 75
- permanent life insurance allows you to build tax-advantaged capital for retirement purposes or to provide liquid savings

But what if you are injured or become ill and you cannot provide for your family or for yourself because you are unable to work? Not only is your existing lifestyle at risk, but your long-term financial security plan is at risk as well.

Disability insurance helps protect your income. Without an income, you may be unable to maintain your financial security plan. Individually owned policies pay you a monthly tax-free benefit to help pay day-to-day living expenses so you and your family can maintain your lifestyle and independence while you recover, without sacrificing your financial security plan. Also available is an optional benefit that provides a savings component to continue your retirement savings deposits – so that while you recover, your financial security plan remains intact.

### **The advantages of disability insurance**

- helps protect your ability to earn an income – one of your most valuable assets
- helps protect your current lifestyle, financial independence and your family's long-term financial security plan
- helps pay fixed expenses for your business if you are disabled
- helps buy out a disabled partner's share of the business

And what if you are struck with an illness that is critical enough to be life-threatening and may as a result incur large bills and debts?

Critical illness insurance helps pay for additional expenses associated with a critical illness. A lump-sum benefit ranging from \$10,000 to \$1 million will be paid if you are diagnosed with a critical illness or condition defined in the policy and you satisfy the survival period. The benefit can be used for any need, such as seeking uninsured medical treatment outside Canada, modifying a home or office, allowing your spouse to take time off work to care for you, paying down a mortgage, business or personal loan, or hiring additional staff to run your house or business. Critical illness insurance should be considered a complement rather than a substitute for disability insurance.

**A 40-year-old executive for an Ontario company commutes two hours daily. He has three school-aged children and just built a new \$400,000 house. To supplement his employee benefit life insurance program of two times his income, his financial security advisor recommended increasing his life insurance and adding critical illness insurance. Thinking that it would be better to pay off his mortgage, the client declined because he felt that within five years, he'd be in a position to do more. Within 18 months, he was diagnosed with cancer and two years later, he died. The house was for sale immediately after his death.**

### **The advantages of critical illness insurance**

- a lump-sum benefit you can use for any personal or business need
- can cover up to 18 critical illnesses or conditions
- can be purchased by a non-income earning spouse
- can receive payment even if you are not disabled from work
- options are available to receive a refund of your premiums if you have not made a claim and you either surrender your policy at a specified date, outlive your policy or die before your policy expires
- individuals unable to obtain disability insurance for various reasons can in some cases still qualify for critical illness coverage

### **The earlier you start, the lower the insurance premiums**

- Insurance premiums are generally lower the younger and healthier you are. With lower premiums, you're better able to afford the protection a more comprehensive and integrated insurance plan can provide.
- The total amount you pay for insurance over your lifetime could be lower as well.
- As you age, you or someone in your family may develop medical problems that could increase your premium or make you uninsurable if you decide to wait.

**A Vancouver-based computer analyst was covered for disability through his employer's group coverage. However, when he was laid off (and lost his coverage) he decided to become an independent consultant. He then found himself uninsurable for individual disability because of his recent diagnosis of insulin-dependent diabetes. As a business owner, his business depends on his ability to work. His business and his future savings were now in jeopardy if ever he were to become disabled.**

### **Investment and retirement savings should be a part of everyone's plan**

People often look at their savings plans as 'paying yourself first'. The longer you have before retirement, the more you can benefit from both compounded growth and the long-term growth of financial markets.

Even small amounts can provide good long-term growth, especially when sticking to a plan that helps you keep short-term volatility in the market in perspective. Whether you'd like to plan for a career change, start your own business, plan for retirement, or even begin planning for the legacy you hope to leave once you pass away, your financial security and investment representative can help. Together, you can personalize an investment portfolio by answering questions about your financial goals, when you would like to realize your goals and your tolerance to risk.

You can also benefit from tax-deferred compound interest within a registered retirement savings plan (RRSP) and a registered education savings plan (RESP). RRSPs are a taxeffective way to accumulate savings for your long-term retirement goals.

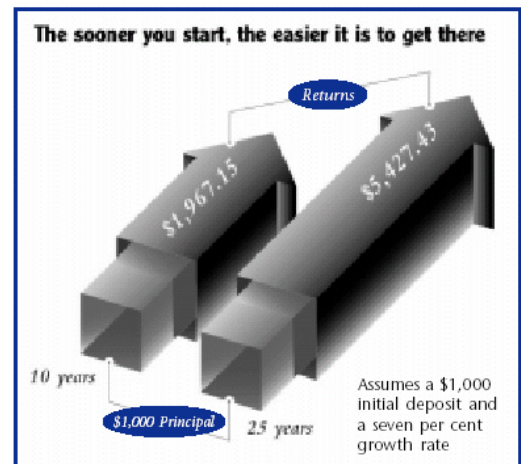
For RESPs, you are able to contribute as much as \$4,000 a year per child up to a lifetime limit of \$42,000 towards their future post-secondary education costs. While the money you invest in an RESP is non-tax deductible, unlike registered retirement savings plan (RRSP) contributions, income from RESPs is not taxable until the money is withdrawn. And if a student is making the withdrawal, he/she will likely be in a lower tax bracket.

## The advantages of registered retirement savings plans (RRSPs) and registered education savings plans (RESPs)

- Take advantage of the tax-deductible contributions made to your RRSP.
- The compounding income and growth is tax deferred in registered investments such as RRSPs and RESP.
- Enjoy the government's RESP grants (up to a maximum of \$400 per year).
- Provides an additional incentive to establish good saving habits.

### Compound interest by starting early

- Starting early means your returns will have longer to compound, decreasing the amount of money you must invest to attain your goals. By not investing in a registered investment plan, you are actually losing money to inflation and taxation.
- Benefit from both tax-deductible contributions and tax-deferred income growth inside RRSPs. With recent tax rate declines, it's best to take advantage of your RRSP contribution room as soon as possible. Your RRSP tax rebates won't be as significant if you wait until your own marginal tax rate is lower.
- The earlier you establish a registered education savings plan for your children's education, the more money you can receive from the government. The government will make a maximum grant of \$400 a year to your child's RESP.



### Starting later... tips

Obligations in your twenties and thirties (and maybe even your forties) have a way of sidetracking your financial planning. Have you put off planning in your early years?

Perhaps you have an established career and you no longer have major expenses—either because one of your debts have been paid off or your children no longer require childcare. You may be in a position to have a little more left over at the end of the month to put towards a more complete financial security plan. Before you build that addition to your home or make a luxury purchase, review your existing protection needs and your retirement goals.

### Picture where you said you wanted to be in the future and look at what you currently have in place to get you there. Is there a gap?

You can still achieve your long-term goals with a plan to protect yourself and your family, manage debt and invest your savings.

1. Although overall insurance costs increase with age and potential health issues, because you should have more disposable income at this stage in your life, you can still protect yourself and your family's lifestyle against an untimely death, disability or critical illness.
2. This is also a good time to consider converting any term insurance you have been holding to a permanent policy.
3. Starting later shouldn't automatically mean investing conservatively. Canadians are living longer and your money will have time to compound.

### Finishing strong

Later in life, just when you think it would be easier without the responsibilities for children at home, mortgages and maintaining a career, finances get complicated.

Take a breath and look at your financial security plan. Is it getting you where you wanted to be? Here are some things to consider.

- Your need for critical illness insurance is greatest now, as the risk of becoming critically ill increases significantly. Critical illness insurance becomes increasingly important to protect your savings and assets (including any life insurance policies you may have), particularly if you take early retirement or do not earn an income.
- Between the ages of 61 and 65, you may think about retiring early and drawing an income from your RRSP. When you add contributions from Old Age Security and the Canada Pension Plan, it seems simple enough.
- At age 69, you are required by law to collapse your RRSP. Most people choose a registered retirement income fund (RRIF) that continues to shelter your investments from tax but requires you to withdraw a minimum amount each year.

Another option is an annuity from a life insurance company that guarantees you a steady income in exchange for a lump-sum payment up front. You can also supplement your retirement income by accessing the cash values of your permanent life insurance policy. Your financial security and investment representative can tell you how.

- Your financial security and investment representative can help you ensure as much of your estate as possible is passed on to your beneficiaries and can help you determine how best to integrate the various options available to you to meet your overall financial and estate planning goals. And remember, estate plans are not just for the wealthy. Everyone wants to protect the assets they've accumulated.

Purchasing financial products that meet your needs now and in the future can be complex. That's why professional advice from a knowledgeable financial security and investment representative, supported by a team of experts, is essential.

## **Freedom 55 Financial – an important part of planning for your future**

The financial security plan you create today, with the help of Freedom 55 Financial, will give you the freedom to choose your goals and achieve your dreams at every stage of your life.

Together, we can take the time to determine an affordable solution that is right for you, and develop a plan that can change over time as your needs change.

Make your investment decisions wisely. Important information about London Life's segregated funds is found in the information folder, available from your investment representative and mutual funds, including RESPs, is found in the funds' simplified prospectus. Please read these carefully before investing. Mutual funds are not guaranteed. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund and segregated fund investments. Their values change frequently and past performance may not be repeated.

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