



Freedom 55  
Financial

A division of London Life Insurance Company

# Your Financial Security

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NEW IDEAS FOR YOUR STRONGER FINANCIAL FUTURE

## Looking for a reason to be optimistic?

**Consult (or create) your personal financial security plan.** Depending on what you read in a newspaper, or watch on TV, you may be feeling slightly nervous or concerned by some of the recent financial news. There has been a significant amount of speculation on the state of the economy and the markets.



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**In** the face of conflicting reports regarding a recession or bear markets, short-term speculators tend to move between trains of thoughts on an almost-daily basis. Clients who have worked with a financial security advisor typically have a greater understanding of their own needs, objectives and investments. The source of this knowledge is often right in their hands, or filed away on a shelf. It's their financial security plan.

Why is this cause to be optimistic? There are a number of reasons . . .

**1. These plans are, by nature, long-term in their approach to achieving financial security – not a short-term knee-jerk reaction to current market conditions.**

While short-term fluctuations are a part of investing, historically they haven't tended to be set backs for investors with five- to 10-year time horizons.

**2. Most financial security plans make a realistic and conservative assumption about potential returns.**

Assuming you have used a conservative return model, you're already factoring in the impacts of short-term market fluctuations thus avoiding the pitfalls of expecting stellar returns each and every year.

**3. You likely have selected an asset allocation that suits your own personal tolerance for risk.**

Asset allocation is core to proper portfolio building. After building a long-term financial security plan, most clients also construct an appropriate asset allocation that matches their tolerances for risk and return. This allocation is designed to diversify your holdings and help ensure an appropriately-weighted mix of holdings. While markets can test your risk tolerance, asset allocation can go a long way to keeping you on the correct path.

**4. Regular investment evens out downturns.**

For clients who are saving regularly, market retrenchments typically represent great buying opportunities. If you're investing systematically using a continuous purchase plan, you're taking advantage of these opportunities.

**5. You have a financial security advisor who can help.**

This may be the greatest reason for optimism. Knowledgeable, trusted advice is the key to long-term investing success. If you have concerns regarding your holdings, or feel you need some help in weathering the storm, consult your financial security advisor. He or she can put market volatility into perspective and refresh your financial security plan to help you ensure it continues to reflect your unique needs and goals for the future.

# Should you rely on group life insurance?

What's the best way to purchase life insurance to protect your family? Should you get group life insurance through your employer, union or association – or should you purchase your own individual life insurance?

Getting some of your life insurance through your employer certainly has some benefits. Group rates may be lower and you may not have to provide medical evidence of insurability. However, if you rely on group insurance alone, there's a danger you won't get the full amount of protection your family needs.

A recent study found Canadian households that rely on group life insurance alone had, on average, enough coverage to replace only two years of income. By contrast, households with a combination of individual and group life insurance had enough coverage for an average of four to five years<sup>1</sup>.

## Why having enough life insurance is important

One of the main reasons families buy life insurance is to replace lost income if someone dies. However, group life insurance is mainly designed to replace one family member's income for the short term.

By contrast, individual life insurance can help your family with many of life's challenges over the long term. For example:

- Protect your mortgage and credit
  - Individual life insurance can help your family cover outstanding debts and continue to live in the family home.
- Protect your family's lifestyle
  - Proper individual coverage can replace your future income, allowing your loved ones to maintain their standard of living.
- Fund your children's education
  - Individual life insurance can put a financial foundation in place to help pay for your children's education.
- Leave assets intact for your heirs
  - With individual life insurance, you can help ensure your estate can pay final taxes without selling off your assets.
- Continue your business – The loss of a key person can create many problems, even threaten the viability of your business. Individual life insurance can help fund future succession and business continuation plans.

## Learn more about your group life insurance

When it comes to protecting your loved ones, it's never safe to assume. Set aside some time to look through your group life insurance policy. That way you can be confident you know what it offers.

Here are some areas to consider:

- Will the group policy continue to cover you if you're terminated, laid off or self-employed?
- Will it cover you if you become disabled or take a leave of absence?
- Can you increase your coverage if your needs change, and will this require medical evidence?
- How and when will the company actually issue the death benefit?
- Does the group policy impose a limit on your maximum coverage?

## Talk

### to your financial security advisor about individual life insurance

Your financial security advisor can work with you on a plan to give you and your family the protection you need. This may well be a combination of group and individual life insurance.

<sup>1</sup>LIMRA, *Canadian Life Insurance Ownership: Household Trends*, 2007

# Help protect what matters most to you



**Do you know someone who has survived a critical illness?**

**Most of us can think of someone who has been struck by a critical illness. The good news is, today more people are surviving heart attacks, strokes and cancer.**

#### **Here are some facts:**

- 80 per cent of hospitalized heart attack patients survive. The percentage is even higher for those experiencing their first heart attack.<sup>1</sup>
- 81.2 per cent of stroke patients survive the initial event.<sup>1</sup>
- The relative cancer survival rate has almost doubled since the 1960s.<sup>2</sup>

Unfortunately, survival doesn't ensure your financial and emotional well-being.

#### **Would extra money help?**

Critical illness insurance allows you to focus on your recovery instead of finances. A lump-sum benefit could help protect what matters most to you, such as:

- Making payments for a couple of years toward, or paying off, your mortgage,
- Seeking alternative or out-of-country medical treatment
- Ensuring children's education plans are not interrupted
- Leaving your savings intact to help protect retirement plans

Critical illness survivors have said they have used their benefit to:

- Allow a spouse to take time off work to provide care and support
- Pay for additional child care needs to help children's lifestyle and activities continue
- Help pay for a hotel near a treatment centre
- Relax on a trip with family after recovery
- Help their business to continue in their absence

Talk to your financial security advisor if you would like more details on how critical illness insurance can help provide you with additional financial resources at a critical time in your life.

<sup>1</sup> Sources: Heart and Stroke Foundation, 2006 and Canadian Cancer Society, 2007

<sup>2</sup> In the 1960s, an individual with cancer was 33 per cent as likely as an individual without cancer to survive another five years. Today, an individual with cancer is 59% as likely as an individual without cancer to survive another five years.

# Mortgage effective debt-consolidation tool

**The equity you have in your home can be a valuable resource if you are having difficulty finding funds to implement key parts of your financial security plan.**

Below is an example of how increasing an existing mortgage at renewal time to consolidate debts might just be the ticket you need to take better control of your finances and your future.

Bill & Sarah have owned their home for several years. It's now valued at \$300,000.

Debt	Monthly payment
Mortgage principal balance \$77,000	\$1,600
Line of credit \$20,000	\$600
Car loan \$22,000	\$450
Miscellaneous credit cards \$10,000	\$350
<b>Total \$129,000</b>	<b>\$3,000</b>

Increasing the mortgage principal to \$130,000 will result in an accelerated bi-weekly mortgage payment of \$752 (based on a seven per cent interest rate and a nine-year amortization). Using the proceeds from the increased mortgage to payoff your other obligations will free up about \$1,400 a month.

You could invest some of this money in your registered retirement savings plan. This strategy will reduce your tax obligation and, in many cases, produce a refund at tax time you can use to pay down your mortgage or re-invest for additional tax breaks next year.

While not all people will experience the same results as the illustration, it may be worth looking into. Call your financial security advisor who can put you in touch with a mortgage planning specialist to see if this strategy can help you.

Make your investment decisions wisely. Important information about London Life's segregated funds can be found in the Information Folder, available from your Freedom 55 Financial security and investment representative and important information about the Quadrus Group of Funds can be found in the funds' simplified prospectus. Please read these documents 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.

**SUBJECT TO ANY APPLICABLE DEATH BENEFIT GUARANTEE OR MATURITY VALUE GUARANTEE, ANY PART OF THE PREMIUM OR OTHER AMOUNT THAT IS ALLOCATED TO A SEGREGATED FUND, UNDER THE FREEDOM FUNDS AND MARKETWATCH INVESTMENT OPTION, IS INVESTED AT THE RISK OF THE POLICYOWNER AND MAY INCREASE OR DECREASE IN VALUE ACCORDING TO THE FLUCTUATIONS IN THE MARKET VALUE OF THE ASSETS OF THE SEGREGATED FUND.**



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