



**Freedom 55  
Financial**

A division of London Life Insurance Company

Financial Services Firm  
Firm in Financial Planning

# Your Financial Security

ISSUE 3, 2008

NEW IDEAS FOR YOUR STRONGER FINANCIAL FUTURE

## Self-employed? Customize your disability, critical illness coverage

**Trends in the Canadian job market show there has been a steady increase in the number of self-employed individuals.\* This is a segment of the population that has less access to group and employer benefits and has a high need for varying types of individual disability and critical illness insurance.**



**J. Paul Wilson CFP, CLU**  
Director, Business Development  
Investment Representative  
Chartered Financial Consultant  
Registered Trust and Estate Practitioner  
1959 Upper Water St. 16th Floor  
Purdy's Wharf Tower 1  
Halifax, Nova Scotia B3J 3N2  
Office (902) 422-1631 ext. 261  
Fax (902) 422-3493  
Toll Free 1-888-205-7011 ext. 261  
Cell. (902) 488-4982  
Website: [www.f55f.ca/paul.wilson](http://www.f55f.ca/paul.wilson)  
E-mail: [paul.wilson@freedom55financial.com](mailto:paul.wilson@freedom55financial.com)  
Client Service Centre: 1-877-566-5433

**T**here are many individual disability and critical illness products and features designed to provide coverage for business owners and their employees. Whether it is a product to attract and retain skilled workers, key employees or ensure coverage of ongoing business expenses, customizable solutions are available to you as a small business owner in the event of a disability or critical illness.

For example, as a self-employed individual you may be interested in an overhead expense plan in addition to your personal disability coverage to help cover ongoing business operations expenses while you are unable to work.

### **Make succession planning easier**

Perhaps business succession planning is top of mind right now. Perhaps you and your partners are concerned about a forced sale situation or having to unfavourably restructure your business if either of you were suddenly unable to work. If your partner is disabled for an extended period of time, can you run the business on your own? Will your disabled partner appoint a family member to assume his or her responsibilities? In the event a partner becomes disabled for an extended period, buy-out insurance may provide funds to purchase the disabled partner's interest in the business. Is a

disability insurance buy-out plan the missing link in your buy-sell agreement?

### **Coverage can aid in staff retention**

Perhaps you are considering providing disability coverage for your key employees as an incentive and means to help retention. You may want to consider a Salary Continuation Plan (SCP). An SCP is a method of grouping individual disability insurance policies, whereby the premiums are paid by the company and are considered a tax-deductible business expense.

The financial impact of surviving a critical illness also may be a concern. In the event of a critical illness, such as life-threatening cancer, heart attack or stroke, a lump sum amount may help you and your business survive financially from some of the potentially devastating costs of surviving such illnesses. Even having coverage for your spouse may help, while you choose to stay home to care for your spouse who is living through a diagnosis of a critical illness.

These are just some of the ways disability and critical illness insurance plans may be able to help you, your business and even your employees. Talk to your financial security advisor about the many products and features that can be customized to meet your personal and business needs.

\*Statistics Canada, CANSIM, Self-employment, historical summary 2005

# Why

## insurance should be a key part of your investment strategy

**Your investments and financial security are vulnerable to many different risks. Insurance helps you prepare for the unplanned and uncontrollable events of life, which can otherwise derail your carefully thought-out plans.**

### **Insurance helps protect your investments' long-term growth**

If you're faced with unforeseen illness or premature death, you may need cash quickly. However, cashing out investments in a hurry can have negative long-term effects on your financial security plan — especially if you have to sell when markets are low. By contrast, insurance can get you the cash when you need it, without interrupting the long-term growth of your investments.

### **Insurance helps minimize the risk of lost income**

Could you continue your investment strategy if you became disabled, suffered a critical illness or lost your spouse? Insurance can help keep your financial security plan on track by giving you or your family a source of income in difficult times. With the proper insurance protection, you and your family won't have to sacrifice your financial future if the worst happens.

### **Insurance can be tailored to your budget**

You don't have to shortchange your investment strategy to buy the insurance you need. You can choose from many types of insurance with different levels of coverage. This lets you invest for your future and protect your future at the same time. Your financial security advisor can help you determine how much coverage you need to meet your goals and your budget.



## Insurance is a cornerstone of a solid financial security plan

Think of a financial security plan as a building with four corners. If one corner isn't solid, it weakens the whole building.



*Make an appointment with your financial security advisor to review your insurance needs and make sure these cornerstones of your financial security plan are firmly in place.*

# Tips to improving your credit score before applying for a mortgage

**Your credit rating and credit score play a key role in a lender's decision to approve a mortgage application. Unfortunately, some people don't understand the importance of their credit rating until they've been turned down by a lender due to a less-than-satisfactory credit score.**

**T**he credit bureau calculates your credit score based on information it receives from financial institutions, companies and other lenders doing business with you. When you apply for a mortgage, lenders check with the credit bureau to get a snapshot of your credit history and score before making any lending decision.

If you've applied for a mortgage and were declined, or if you're simply interested in improving your credit score to purchase a home in the future, here are some tips to improve your credit score:

- 1) Ensure all loans and credit cards are paid on time. Missed or late payments show on your credit report for up to seven years and reduce your score.
- 2) Maintain a mix of revolving credit (a credit card) and installment credit (a fixed loan payment over a period of time).
- 3) Keep credit card balances to less than 75 per cent of the maximum amount available. Lenders don't like to see your credit card balance too close to your limit. Over the limit balances have a negative impact on your score.
- 4) Avoid carrying more than four credit cards, even if some have no balances. Lenders look at your overall capacity for credit and if you have a lot of credit card borrowing power available, it will reduce the amount they're willing to lend.
- 5) Be aware "no interest, no payment" plans count as well. The purchase amount and potential payments are registered with the credit bureau, limiting your available credit.
- 6) Keep any student loan up to date up. If you default on your student loan, it will have a negative effect on your credit score and lenders will insist it be paid before extending you credit.
- 7) Ensure all mortgage or rent payments are up to date and avoid late payments. A poor payment record can result in a declined application.
- 8) If there is a judgment or lien against you for non payment of a bill or loan, do all you can to clear the debt before you apply for a mortgage. Most lenders won't approve a mortgage unless all judgments are cleared. In some cases, lenders may insist these debts be cleared from the proceeds if you're refinancing.
- 9) Avoid "shopping" for credit. Multiple companies requesting your credit bureau report in a short period of time is regarded as "credit seeking" and can lower your score.
- 10) In the event of previous bankruptcy or consumer proposal, ensure you have no missed or late loan or credit card payments once you've been discharged. Lenders won't approve a mortgage if there is bad credit showing after discharge.
- 11) Disclose **all** debts, liens, bankruptcies, consumer proposals or judgments. Lenders can and will cancel deals, even on closing day, if they discover unreported items during legal searches.
- 12) Review your credit bureau file for errors regularly and bring any incorrect information to the attention of the credit bureau. They will investigate your claim. You can request a copy of your credit report by visiting [www.equifax.ca](http://www.equifax.ca) or [www.transunion.ca](http://www.transunion.ca).



**Freedom 55**  
Financial

**QUADRUS**

Quadrus Investment Services Ltd.

Freedom 55 Financial and design, Freedom Funds and Marketwatch are trademarks of London Life Insurance Company. Quadrus Investment Services Ltd. and design, Quadrus Group of Funds, invest@Quadrus and Fusion are trademarks of Quadrus Investment Services Ltd. used with permission by London Life Insurance Company.