

Living Benefits

By Gordon B. Clarke, CPP, CIM, OLS (Retired)

I recently had a conversation with someone who complained about the large number of insurance products from which to choose. He considered this to be a negative and his reaction was to grumble that he couldn't insure everything, throw up his hands in frustration and do nothing. While I agreed that the extensive selection could be confusing, I felt that having a number of choices can only be a positive. The greater the selection, the better the opportunity to choose the exact coverage that would fit your individual situation. That cannot be a bad thing.

For example, there are insurance products that are intended to protect one's quality of life while still alive. While most of us plan for an unexpected death by purchasing life insurance and preparing wills, we do not realize that we are much more likely to be disabled or become seriously ill than die prematurely. While our eyes glaze over at the mere idea of life insurance, we generally recognize that it is an important tool to protect our families from the costs of death and the sudden loss of an income earner. But many are not aware that there are insurance products that offer protection for the living, collectively called Living Benefits.

Two worth knowing about are Critical Illness and Long Term Care. They provide protection for your assets, as well as offering options for you and your family in the event that you should become seriously ill or cannot look after your self.

Critical Illness

Most of you are likely familiar with Dr. Christian Barnard, the South African surgeon famous for performing the first successful heart transplant. Lesser known is Christian's brother, Dr.

Maurius Barnard, who assisted in the operation. Maurius recognized that a successful heart transplant, as well as any number of other life saving procedures, was a good news, bad news story. Saving and extending life is marvelous but it also means that instead of dying, people would live longer and might not be able to continue working or earning an income while at the same time inflicting an extra burden upon their families. What evolved from this was an insurance product called Critical Illness.

While people are reluctantly aware of the importance of insuring their own lives, most do not realize that the odds of premature death are far outweighed by the chances of having a stroke, cancer, a heart attack or some other serious debilitating illness. With modern medical techniques and marvelous drugs, people are living for years after the onset of medical incidents that at one time were fatal. Statistical evidence could be quoted about the odds of being afflicted with a critical illness as well as the high survival rates, but the best way to think about it might be to answer the following four questions.

1. Do you know someone who had a critical illness?
2. Did they plan for this?
3. Did it put an emotional and financial strain on the family?
4. How would extra cash have helped?

Critical Illness insurance pays a lump sum of cash following a short survival period (usually 30 days) after the diagnosis of one of a list of covered condi-

tions. This money is received tax free and may be spent in any manner that the recipients or their families see fit. For example, it could be used for

- the best and most immediate treatment, wherever available
- elderly day care, respite care, home care, or child care (even family caregivers who choose to look after relatives still need time off)
- home renovations to improve accessibility (I was recently at a benefit for someone with Parkinson's who wanted to be cared for in his home but could not afford the necessary renovations)
- protection of retirement savings or children's inheritances
- a form of disability insurance for those who do not qualify for regular coverage.

I do not have to tell you that the list of American hospitals that takes the Canadian dollar at par is very short. If you had to cash in an RRSP to pay for a \$US 50,000 life saving operation, it could be the equivalent of over \$100,000 of Canadian employment income. My own sister recently underwent a series of procedures in the U.S. for diagnosis and treatment of breast cancer. Just one of these, a minor operation to analyze tissue cost \$US 13,000.

What do Mario Lemieux, Muhammad Ali, Michael Fox and Arnold Palmer all have in common? They all would have qualified for a critical illness benefit. In fact, average 40 year old Canadians have a 40%

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chance of suffering a critical illness during their lifetime. Not a comforting thought. While you do not like to think of life as a lottery, bad luck can strike anyone, anywhere, anytime and Critical Illness insurance helps to cover the odds.

Long Term Care

If you were at the stage in your life where you needed care, where would you want it? If you needed to be in a facility, what would it look like and where would it be?

Most people would probably answer the first question with "my home" and the second question with "like my home and near my home".

If you have not had the experience of taking care of elderly relatives, you may not be aware of the costs of home-care and the problems in finding a suitable facility. It is difficult now and may be worse in the future. By 2016, when the leading edge of the baby boomers

turns 70 years of age, there will be more people over 65 than children under 14 and about 75% of the 65+ group will spend time in a nursing home with the average stay being 2 - 5 years.

An insurance company has a marketing slogan that reads, "Do you want to see your parents naked?" The point being that if you cannot afford to have professional caregivers look after your parents, then you will be the one to give baths and change diapers. That slogan could be turned around to read, "Do you want your children to see you naked?"

The insurance industry has come up with a solution for those who are worried about the high cost of looking after the elderly or infirmed. It is called Long Term Care insurance. Once an insured individual is no longer able to perform certain basic functions of daily living, they are entitled to receive a daily benefit to pay for homecare or

an assisted living facility. Given that facility costs are not far off \$3,500 a month and a home care nurse can cost \$30/hr, you can see that it would not take long to erode your life savings and wipe out your children's estate.

If you are worried about running out of money, want the peace of mind to know that you will not be a burden to your family, want to be able to afford good quality care in the place of your choosing or just maybe you would rather your children did not see you naked, then Long Term Care insurance may be worth examining.



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