What type of insurance is best for you?

Many factors must be considered when evaluating your financial objectives. Generally, the main consideration when choosing insurance is your family's financial well-being. Other important points to consider are the age of your beneficiaries and the number of years for which this support might be necessary. However, other factors do exist. The following questions, while not exhaustive, may provide you with some useful ideas:

- Do any of your beneficiaries have special needs?
- Is tax planning important in planning for your estate?
- Is the time frame for access by your beneficiaries to their inheritance important to you?
- How long would you like your estate to benefit your family?
- Do you want to leave money to a charitable organization?
- Does your estate include a family business or other assets that need special attention?

The role of life insurance in your estate planning

For many individuals, life insurance is often an important element in planning their estate. Its main role is to create or to preserve an inheritance. For younger individuals, the creation of wealth is the most important objective. For older people, protecting their accumulated assets, in other words, the preservation of their estate, is essential.

One of the main advantages of life insurance is how it is treated fiscally. Premiums are not generally deductible. However, the amount paid to the beneficiaries through your life insurance policy is non-taxable, and this presents numerous possibilities for financial planning.

Types of life insurance

There are two main types of life insurance:

- Temporary or term life insurance covers a given period and is designed to meet your specific needs.
- Permanent insurance is used to attain long-term objectives and remains in effect during the life of the insured person.

As your financial advisor, one of my responsibilities is to anticipate and respond to your financial security needs.

Contact me for more information on how insurance can protect you and your family from the unexpected.

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Term Life Insurance

As we mentioned previously, this insurance generally responds to a specific need, such as repayment of debts or a mortgage loan, or to compensate for loss of income upon the death of the insured person. The death benefit for term life insurance is only paid out if the insured person dies during the period the policy is valid, which may be defined in years (e.g., 1, 5, 10 or 20 years) or instead set to a specific age (e.g., up to the age of 65). The insurance remains in force as long as the premiums are paid and the policy is not expired. Usually, this type of insurance is less expensive, because its duration is limited and there is no investment component. A renewable policy may be renewed at a higher premium at the end of each period, without having to provide a proof of insurability. A convertible policy may be converted into a permanent life insurance policy (within a given period), without having to provide a proof of insurability.

Permanent Insurance

Uniform Term Insurance (Term to 100 years)

Even though this insurance is called "term", it is in fact permanent insurance. Term to 100 years provides you with protection throughout your life as long as you continue to pay the premiums. These generally do not change, but are higher than those for fixed term insurance.

Whole Life Insurance

Whole life insurance also provides you with insurance throughout your life and in addition, offers a savings component. A portion of the premiums goes towards covering the risk (insurance component), and the rest is invested under the terms of the contract (investment component). The insurance company manages the investment component independently of the policyholder, and the premiums are guaranteed. The amount by which the premium exceeds the amount for the risk covered forms what is known as the surrender value.

Universal Life Insurance

Universal life insurance is a more flexible type of permanent insurance with regard to premiums and coverage amounts. It also consists of two components: life insurance and an investment account. The policyholder may choose from among a vast array of investment options, including guaranteed investment certificates and segregated funds. Tax is deferred on the accumulated interest generated by the investment account, subject to certain restrictions. There are tax advantages to this type of insurance, and the contract has maximum value.

How much insurance should you buy?

It all depends on your personal situation, your assets and your objectives. As a general rule, the older you are, the less need you may have for life insurance. However, there are products that will help you in the various aspects of planning your estate and your retirement. Each case should be evaluated in the context of an overall financial plan.

So…which type of insurance is best for you?

It all depends on your objectives. Most people need two types of insurance during their lives. Permanent insurance provides protection, both for the beneficiaries and against the eventuality of not being insurable at a later date. Term insurance can often complement permanent insurance by responding to specific needs during your lifetime. As mentioned above, as the older you become, the less need you may have for life insurance, because you have other assets to leave to your beneficiaries. However, this is not always the case. As you get older, you may want to maintain a life insurance policy for tax reasons to protect the value of your estate upon your death.

I can provide you with more information about the different types of insurance, specific insurance strategies and options for estate planning that allow for growth while maintaining the value of your estate.

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