

# PERSPECTIVES

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## Financial and Estate Planning

### Critical illness insurance: Is it for you?

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**You may have heard that critical illness insurance, or simply CI, is a type of coverage to consider when planning your overall financial affairs. Is CI something that you need? As usual, it depends on your circumstances.**

Let's discuss what CI is, and then we'll look at who might want to consider having it.

Critical illness insurance, in very broad terms, pays a benefit when the policyholder is diagnosed with a heart attack, stroke or cancer, or one of about two dozen other covered conditions. CI is intended to help ease the unanticipated burden by bridging the gap between life insurance, which pays out upon death, and disability insurance, which covers lost wages due to an accident or sickness.

Typically, CI policies provide a tax-free lump sum ranging from \$25,000 up to \$1 million upon survival of the waiting period – 30 days, in most cases. CI is available for individuals between ages 18 and 65, though some CI policies can be renewed until age 75. Premiums are determined by age, gender and whether you smoke or not, as well as your personal medical history and especially that of your family.

Think for a moment about people you know, any family, friends or co-workers who have incurred a critical illness. Perhaps you're like many of us. It's not that we say, "A critical illness won't happen to me." Rather, we simply don't like acknowledging that it may! We get so busy going about our everyday lives that we just don't take the time to think about it. Yet it's a risk not to think about it. Are you willing to take that risk?

Consider the facts:

- 25 percent of Canadians will contract some form of heart disease
- Every nine minutes one person in Canada has a stroke
- 38 percent of women and 44 percent of men will be diagnosed with cancer within our lifetime.

Sources: Canadian Cancer Society 2006; Heart and Stroke Foundation Statistics.

These stats are difficult to ignore, but I don't mean to use them as a scare tactic. It's just a fact that we all have a strong probability of suffering a critical illness sometime in our lives.

Who is critical illness insurance best suited for? The answer is individuals under age 55 for mainly cost reasons; and those that are:

- business owners or self-employed
- actively working and have large debt, i.e., a mortgage
- single with no support
- not eligible for disability insurance because they have no earned income
- supporting family members, such as parents.

Who doesn't need CI? Well, those who have enough savings to fall back on, or have some other way to pay off debts. Or, if you have a partner who earns enough to comfortably cover any shared commitments.

If you do some research online you'll see a myriad of contracts that vary from company to company. The contracts will generally specify a different definition for each medical condition and the provision of coverage related to that condition. It is very important to pay close attention not only to what is covered, but also to what is excluded. It is beyond the scope of this article to be able to tell you about the intricacies of these types of plans.

We do recommend, however, that you have adequate life and disability insurance coverage before you consider taking out critical illness insurance.

Should you be interested in learning more about CI coverage and whether it would be advisable for you, just let us know and we'll be happy to help.



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To learn more about CIBC Wood Gundy, the Stan Clark Financial Team and the many ways we can help manage your wealth, please contact us by phone or by email as listed below.



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