



DO MILLENNIALS NEED LIFE INSURANCE?

As an Investment Advisor, sometimes it is my job to have the uncomfortable and awkward conversations. I call them the “Ds” - Death, Debt, Divorce, Downturn - you get the idea. Today I want to talk to you about why life insurance could be essential to your financial plan - even as a millennial. Nobody likes to think about their own death - especially not when they are young and healthy. Death is hopefully a long, long time away. Life can be expensive. Paying off student debt, saving for a house, figuring out how to afford kids and maybe a few extras - like travel or a new car or the occasional night out- it all adds up! If you are between the ages of 23 to 38, why would you consider the additional expense of life insurance?

Before we answer that question, let's examine some features of life insurance. Basically, there are two types of insurance: term and permanent. Term insurance covers a specific time period like 10-30 years and provides only a death benefit. If you pass away, your beneficiary receives a tax-free cash payout. Otherwise, the policy will expire at the end of the term. Usually term insurance is very affordable - especially when you are young and healthy.

Permanent insurance doesn't expire - if the premiums are paid. In addition to a death benefit, permanent insurance has a savings component that allows you to build a cash value. Usually you can use the cash value to pay the premiums or you may be able to borrow against or withdraw the cash value. The premiums are higher than term insurance.

Here are a couple of important questions to ask yourself before you decide whether life insurance - term or permanent- is a good investment for you and your loved ones.

Who depends on you? If you have a loved one who relies on you financially, they could be left in a vulnerable position if you pass away. Of course, children, spouses and domestic partners fall into that category. Is there anyone else you support financially - even partially? Do you assist grandparents, parents or siblings with monthly bills or schooling costs? If you were to pass away, who would pay for your funeral? Would they have to pay out of pocket? Could they afford to? Has anyone co-signed a mortgage or loan with you? If you passed, would they be able to make the payments without your income?

Do you think your life situation could change soon? Is a new home, wedding or baby in your future? If there is a strong potential that you will need life insurance in the next few years, getting it now can be a lower cost option.

There are many other factors to consider before you make a final decision - such as family health history, other sources of life insurance such as employer funded coverage and your overall financial situation. Make a life insurance review a part of your annual meeting with your advisor.

Brenda Akins is an Investment Advisor with CIBC Wood Gundy in Calgary. The views of Brenda Akins do not necessarily reflect those of CIBC World Markets Inc. This information, including any opinion, is based on various sources believed to be reliable, but its accuracy cannot be guaranteed and is subject to change. Clients are advised to seek advice regarding their particular circumstances from their personal tax and legal advisors. Insurance services are available through CIBC Wood Gundy Financial Services Inc. In Quebec, insurance services are available through CIBC Wood Gundy Financial Services (Quebec) Inc.