

Determining your insurance needs isn't simple

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PROTECT ASSETS

The type of products varies considerably

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Whether you're the CEO of a multinational company or setting out as a new entrepreneur, your ability to earn an income is one of your most valuable assets.

You can have the dream job, dream family and ideal life situation, but if you don't plan for the unexpected, everything you've worked for can be dissolved in a matter of moments. That's where life insurance comes in.

"The primary goal of financial planning is to achieve an individual's objectives within the framework of his or her constraints," said Emile Petrero, senior investment adviser with Dundee Securities Corporation.

"The process also includes identifying risks and deciding how to manage them. Life insurance can be used as a vehicle to offset certain types of risk that could have a major negative impact on the achievement of an individual's personal and family objectives."

Several kinds of life insurance products are available and the type of insurance needed depends on a number of factors.

First and foremost, it's important to understand a person's objectives and financial



BRYANNA BRADLEY THE GAZETTE

Financial adviser Emile Petrero (left) and insurance specialist Kent Elvidge say it's important to understand your objectives.

situation," Petrero said.

"An investment adviser will often work with an insurance specialist in constructing this part of a person's portfolio."

Term insurance is generally used when there is a short-term need for coverage. It is also ideal for people who need coverage, but do not have sufficient funds to pay the premium associated with other types of insurance. The most popular term products are 10- and 20-year terms, but there are also one-, five-, 15- and 30-year term products available.

"A 10-year term means that

the premium remains level for the first 10 years of the policy," said Kent Elvidge, insurance specialist with Dundee Wealth/Dundee

will be an increase in cost every 10 years as one gets older, but the coverage can continue regardless of any changes in health."

"In many cases, a combination of products are used to meet the various needs uncovered."

INSURANCE SPECIALIST KENT ELVIDGE

Insurance Agency Ltd. and Elvidge Financial Services Inc.

"As long as the premium is guaranteed renewable, there

The same concept applies for other term products. Longer-lasting solutions are available as well. They are known as term to 100 types

of products and are typically sold as a universal life policy or the traditional whole-life products.

"In many cases, a combination of products are used to meet the various needs that would be uncovered in an insurance needs analysis," Elvidge said.

"In several of the whole-life or universal-life scenarios, it is possible to not only have level premiums for life, but there are also some unique tax-sheltering opportunities under the life insurance umbrella."

In these types of products,

there is a whole range of investment options, from GICs to mutual funds, and many in-house accounts to accommodate a variety of investment choices, Elvidge explained.

In many cases for tax-exempt life insurance policies, any accumulation of cash and the eventual death benefit payout can be totally tax exempt.

"All of the insurance products work well and have their place," Petrero said.

"It's important that a person's needs have been properly assessed and that the appropriate coverage and type of product is chosen to cover those needs, which will change over time and be different depending on the stages of our life cycle."

Determining how much life insurance you need isn't a simple task.

"It includes preparing a detailed net worth of the value of an individual's assets and liabilities along with the estate's obligations at death and any ongoing income needs for ones survivors," Petrero said.

"Other important considerations would be to include educational funding objectives, retirement needs for a surviving spouse, legacies and donations.

If you are purchasing term coverage, ask for a comparison of rates, which are readily available, of the major carriers to ensure that you are purchasing a competitive product.

"It is important to be comfortable that your situation has been properly analyzed by your broker, and that your needs have been addressed," Petrero said.