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Insuring quality of life

Critical illness and long-term care insurance mitigate financial risk

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Canadians may be living longer, but that also means there are more years when they will be at risk of a serious illness or disability. Baby Boomers are now having to figure out how to care for their ageing parents as physical and mental deterioration take a toll. With government health benefits more likely to shrink than expand in the coming years, these trends present an opportunity for advisors to help clients plan for these inevitable health changes.

Karen Henderson, a Toronto-based consultant in long-term care, has developed seminars to help advisors understand the challenges involved in long-term care as well as financial solutions such as critical illness and long-term care insurance. The three-hour seminars, which offer three Advocis-approved continuing education credits, will be held in Toronto on Jan. 13 and 20, and in London, Ont., on Jan. 11.

"Every day is a gamble in life, but around the age of 55 the chances of something happening increase," Ms. Henderson says. "We're all vulnerable whether we like to think so or not, and most people have no idea how quickly chaos can happen. One day you're fine and the next day you have a stroke and your whole life changes."

Ms. Henderson has personal experience with long-term care issues. After her mother died in 1986, her father had a stroke and she spent 14 years managing his care as he descended into dementia. "My father's philosophy had been that you never want to be poor when you're old, but in dealing with his needs I was constantly exposed to people who didn't have enough, and it is not a pretty picture," she says.

One in three Canadians will be diagnosed with life-threatening cancer, and heart disease is on the rise. Today, 95% of heart attack victims survive their first attack, more than 70% survive their initial bout with cancer, and 75% survive their first stroke.

"Critical illness before the age of 75 is more common than death," says Phil Marsillo, senior vice-president at Canada Life Assurance Co. People are living longer with their disabilities. A critical illness is not just terrible medical news, it often has financial consequences as expenses increase and income drops. Approximately, 67% of cancer costs are indirect, such as home nursing or renovations."

Unlike life insurance, which pays beneficiaries upon the policy holder's death, critical illness and long-term care insurance are "living benefits." It allows for a tax-free lump sum payment on diagnosis of a condition such as heart attack, stroke, cancer, multiple sclerosis, Alzheimer's disease, burns, organ transplants, blindness or paralysis. The funds can be used for any purpose. A \$100,000 payout could allow a client to seek alternative health care outside Canada, pay for child care or private nursing care, or renovate a home to accommodate a handicap. Alternatively, the client could

take the trip of a lifetime before time runs out or allow a family member to take time off work to provide care.

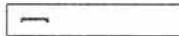
On the other hand, long-term care insurance pays regular benefits while an individual is suffering a debilitating illness or injury, and cannot perform basic daily activities such as eating, bathing, walking or dressing. Care services can supplement those offered through the public system, and can be offered at home or through hospitals and nursing homes.

It is financially advantageous to apply for these types of insurance while your clients are healthy and relatively young. Age, sex, health and habits affect the costs of insurance products. However, living benefit insurance is relatively new in Canada, and many clients are unfamiliar with the forms of coverage. They may think they are sufficiently covered by existing group plans at work. If they are self-employed or single, they are particularly vulnerable, Ms. Henderson says.

"Advisors have a duty to talk to their clients about products that are appropriate, and clients can decide if they are interested," Ms. Henderson says. "They might want to wait, but later they may not qualify, or special considerations could increase the costs of coverage."

Advisors who are not qualified to sell insurance can partner up with someone who does, or develop a referral relationship, she says.

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