

What Is Life Insurance And Why Is It Necessary?

Going through the financial planning process forces us to ask ourselves a tough question: If I was to pass away today, how would my family be able to cope with the sudden loss of income? On top of grieving the loss of someone they love; you don't want your family to also be faced with potentially significant financial challenges – both immediate and longer-term cash needs.

Life insurance can provide a tax-free lump sum to your family to help replace your income and ensure all bills are covered and to provide savings for future goals. Additionally, it can provide the cash needed to cover funeral expenses and any additional costs associated with your death.

Who Should Have Life Insurance?

KEY INCOME EARNING SPOUSES/PARTNERS

As primary income earner, you provide financial security for your family. Life insurance is a way to help ensure there are sufficient funds to pay household expenses and personal financial goals like your children's education your spouse's or partner's retirement or help for aging parents continue to be taken care of.

HOMEOWNERS

A life insurance death benefit may be used to make monthly mortgage payments or even pay off a mortgage entirely. Life insurance can provide added reassurance that your family will be able to remain in their home without financial worry.

BUSINESS OWNERS

Life insurance can be a tax-effective way to help transfer a family business to the next generation. Life insurance may also be used to help pay off business debts and other financial obligations, helping to ensure that the business you have worked so hard to build will carry on and ensure you leave your loved ones or business partners with exactly what you intended.

THOSE WHO THINK OF OTHERS

Life insurance offers a way to give your children or grandchildren something for their future or used to leave a generous gift to a favourite charity.

What About The Insurance I Already Have?

You may already have some life insurance in place through your employee benefits or attached to your mortgage. This is a good start, but here are a few things to keep in mind:

- Life insurance offered through your mortgage provider is paid to your lender, not to your family. It only covers the outstanding balance of your mortgage. Nothing is left over to help your family with the other expenses they may face. Even as your mortgage decreases, the insurance cost stays the same. When the mortgage is paid off, the insurance is gone and cannot be maintained for other purposes.
- Life insurance through your employee benefits is a very affordable way to begin your life insurance program, but it is important to make sure this coverage is enough to meet your needs. You may be able to buy additional coverage, up to a maximum, through your employee plan. Remember, this insurance does not go with you if you change employers, or it ends when you retire, and can increase in cost each year as your age increases.

Consult your accountant, financial planner, or insurance specialist to determine if you need life insurance and calculate the amount of life insurance to fit your situation.

Questions?

Contact a Tonin Wealth Management representative at 519-822-5307 or email general@tonin.ca.