

It's not difficult to manage life's financial risks

Published Monday June 16th, 2008

C2

Life is full of financial risks. Even the most conservative financial strategies can be sidetracked by unexpected developments.

For example, an illness or disability could prevent you or your spouse from working, putting your family in a precarious financial situation. Someone in your family could become seriously ill, resulting in considerable health care expenses. Or your death could create a huge financial burden for your loved ones. Fortunately, it's not difficult to manage these risks. Proper insurance coverages and a few other simple steps will prevent unwelcome events from turning into financial disasters. Here's what you should consider:

Life insurance: You and your spouse should have adequate life insurance coverage. The payout from a life policy can replace lost income that results from the death of a breadwinner. It can also offset funeral and estate expenses, and liabilities such as capital gains taxes on assets that might arise as a result of your death. Money received from a life insurance policy is tax free, so the full amount goes toward providing your loved ones with a secure future.

Disability insurance: If an illness or injury prevents you from working, you and your family could be left with little or no income. Disability insurance can replace all or part of that missing income through a series of monthly payments while you're unable to work.

Critical illness insurance: Even if you can work while sick, you could face increased expenses. Critical illness insurance provides a one-time payment if you're diagnosed with any of the illnesses covered in the policy. These include heart attack, cancer, stroke or other major life-altering illnesses.

Long-term care insurance: An extended illness could require expensive health care or personal care services. Long-term care insurance helps offset expenses such as nursing home services, assisted living care, and home health care.

Health care insurance: Understanding how important supplemental coverage is these days, especially with the constant changes to provincial health insurance, it's wise to consider purchasing your own healthcare insurance when leaving a Group Plan. A previous column dealt specifically with health care insurance, and in particular two unique products that are now available to retiring group plan holders. If you have any questions on these, please let me know.

There are more steps you can take to reduce financial risk. For example, if you do not already have ready access to a line of credit, be sure you have emergency funds in a bank account or in other safe, cashable investments. The equivalent of six to nine months' living expenses will help you through temporary financial emergencies.

Even if you have enough wealth to weather severe financial problems, insurance is a necessity. Without it, your savings and investments can disappear quickly in the event of an illness, disability, or death. And don't count on Registered Retirement Savings Plan investments in an emergency; a withdrawal from an RRSP can trigger a huge tax liability and rob you of a comfortable retirement.

When it comes to insuring your financial security, it's essential to know how much coverage you need. Work with your financial advisor to assess your family finances and determine what you would require to replace lost income.

When selecting individual insurance, be aware that terms and conditions offered by insurers vary, even among similar policies. Your financial advisor will help you select the right solutions for your needs.

n Joel Attis is a Financial Consultant with AttisCorp Financial Group, Inc. in Moncton. Comments or questions may be submitted to joel@attiscorp.com, or he may be reached at 855-1155.

Start the Discussion

All comments are subject to the site [Terms of Use](#). For a full commenting tutorial [click here](#).

Our editorial team relies on filtering technology and our visitor community to identify inappropriate comments. In the event that a site user has submitted offensive content that has evaded our filter, please select the option to **Flag As Inappropriate** presented within the comment. Thank you for helping to keep this site clean.

ALL COMMENTS ARE SUBJECT TO THESE [TERMS OF USE](#)