
Life Insurance - More than Protection

As you age, your financial picture changes. The mortgage is gradually paid off. Your children become less dependent and start leaving home. Your focus is likely shifting, first to building wealth and then to retirement. You might feel that life insurance isn't as important anymore. But the truth is it can still contribute in ways that go beyond protection.

Build wealth

Starting out, most young families opt for term life insurance. It offers straightforward coverage for a fixed period (say 5, 10 or 20 years) and is relatively inexpensive. Term life insurance is a popular choice during the child-rearing years when living expenses and debts are often at their highest.

But once your obligations start to shrink, converting to a permanent life insurance policy can be a wise move. As the name suggests, permanent life insurance (whole life or universal life for example) remains available for your lifetime. A key benefit of permanent life insurance is that a part of each premium payment can go toward building up a 'cash-value', or savings account, within the policy. And the savings component of the life policy can grow tax-sheltered, unlike a traditional investment portfolio where income and capital gains are often taxable.

Preserve your estate

When you die your assets are generally deemed disposed of at market value. The hit you take on the taxable capital gains that you've accumulated, such as an investment portfolio or second property, can be substantial – as high as 50% in some provinces. This could mean leaving a lot less to your loved ones than you wish. Buying enough life insurance to cover your expected tax liability can help preserve your legacy.

Leave more to charity

Donating a life insurance policy to charity allows you to give a sizeable legacy gift at the relatively low cost of a monthly premium. When you die your chosen charity will receive the tax-free proceeds from your policy. Depending on how you structure your gift, you can earn tax credits on your premiums paid either each year or when your policy is paid out. In the end, life insurance can enable you to give more to charity than might be possible from your own resources.

The right life insurance can make a difference at any, and every, stage of your life. Contact us to learn more about how life insurance can benefit you.