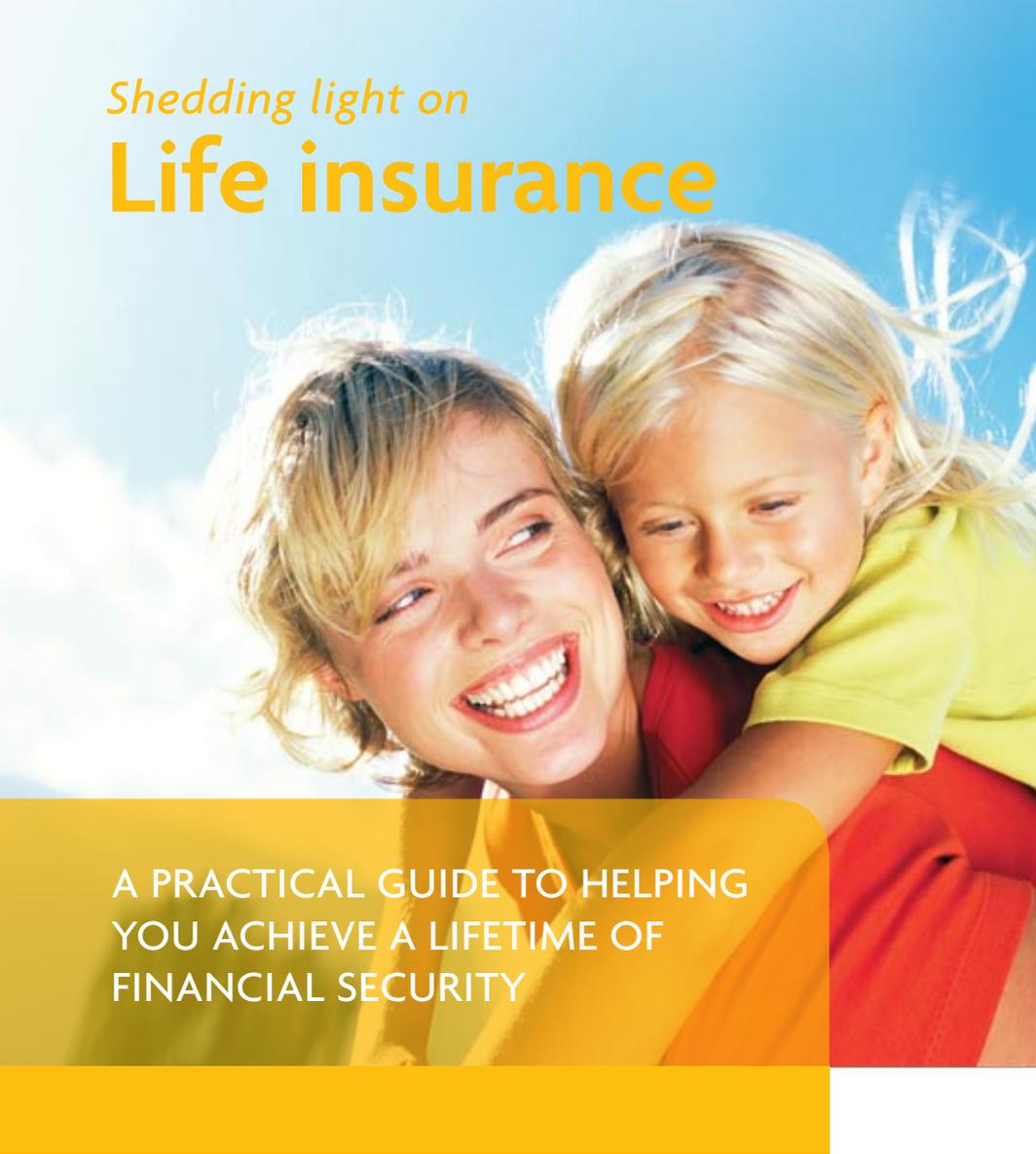


*Shedding light on*

# Life insurance



A PRACTICAL GUIDE TO HELPING  
YOU ACHIEVE A LIFETIME OF  
FINANCIAL SECURITY

**LEARN MORE ABOUT:**

- Safeguarding your loved ones
- Protecting your future
- Ensuring your dreams live on

## About this guide

This booklet is part of a series designed to help you create a comprehensive plan for a lifetime of financial security.

It provides a clear and objective overview of what you need to know about buying life insurance. Find out who life insurance is for, how much is needed and the different types available to choose from – along with other important considerations to make when deciding how to protect you and your family.

To help you understand the various insurance products and how much you need, we'll point you to a few online resources throughout this booklet.



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## WHY LIFE INSURANCE?

*Life insurance* is a way to protect your family should the unthinkable happen and you die unexpectedly. It can keep their hopes and dreams alive when you are no longer able to provide for them.

You bring so much more to peoples' lives than just a financial contribution. But if you can't be there, life insurance lets you leave something behind to help those important to you.



### THINGS TO REMEMBER

Losing a family or household member often has a financial impact. The death benefit from a life insurance policy can help your loved ones avoid having to rely on savings, cash in investments or even selling your home to cover unexpected expenses like:

- Funeral costs
- Travel expenses to bring the family together
- Replacing lost income and health benefits
- Child care and education fees
- Home maintenance
- Estate and legal fees
- Final income taxes
- Outstanding debts and bill payments

# WHO SHOULD HAVE LIFE INSURANCE?

The short answer is, just about everyone has a need for life insurance, no matter what age – coverage is even available for children. If you're married or single, whether you have family members who rely on you financially or not, chances are, you may need life insurance.

## Heads of households

As a key member of your household, you provide care and financial security. Life insurance is a way to help ensure household expenses and care needs – like your children's education, your spouse's or partner's retirement or help for aging parents – continue to be taken care of.

Even if you're single, life insurance helps those responsible for your estate take care of any bills, debts and final expenses.

## Homeowners

Your home is more to your family than just a roof over their heads. 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 continue to have the comforts of home.



### FACT

The **death benefit** of a life insurance policy is the amount of money paid or due to be paid when an insured person dies. The death benefit is paid, tax free, to the beneficiary designated by the policy owner.



### TIP

In Canada, the benefit payment from a life insurance policy is paid directly to the person(s) you name as beneficiary and is not taxed.

## Business owners or partners

If you own a business, life insurance can help protect your estate from business creditors, so you're able to leave your loved ones or business partners with exactly what you intended. Life insurance can also be a tax-effective way to help transfer a family business to the next generation.

The life insurance death benefit may also be used to help pay off business debts and other financial obligations, helping to ensure that the business you've worked so hard to build will carry on.

## Those who think of others

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



### TIP

An advisor can explain how to build a plan using individually owned insurance together with other coverage you may have at work or as a member of an association.

## 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.
- ***Life insurance through your employee benefits*** is a very affordable way to begin your life insurance program, but it's 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 doesn't go with you if you change employers, it ends when you retire and can increase in cost each year as your age increases.



### TAKE A CLOSER LOOK

Advantages of a personal, individually owned life insurance policy:

- You select the amount of insurance that meets your specific needs.
- You choose the type of life insurance and any optional types of benefits (e.g. disability, coverage for family members, etc.) best suited to your personal situation.
- You own the policy. Your coverage can't be cancelled (e.g. by your mortgage lender or employer) or changed unless you request it.
- You don't have to worry about losing your coverage if you change jobs or switch mortgage lenders.

## HOW MUCH LIFE INSURANCE DO I NEED?

### Section A: Expenses to cover

Mortgage	\$
Loans (credit card, line of credit, car loan)	\$
Final expenses	\$
Emergency fund	\$
Education fund	\$
Other cash needs	\$
<b>TOTAL EXPENSES</b>	<b>\$</b>

### Section B: Income needs for your survivors

Annual income to be left for your survivors (We recommend a minimum of 5 years.)	\$
<b>TOTAL INCOME NEEDS</b>	<b>\$</b>

### Section C: Your assets

Financial assets (cash, GICs, RRSPs, etc.)	\$
Personal assets (cottage, vehicles, etc.)	\$
Non-financial assets (business assets, real estate, etc.)	\$
Total life insurance (personal, employer, mortgage insurance)	\$
<b>TOTAL ASSETS</b>	<b>\$</b>

## YOUR RESULTS

Total expenses (Section A)	\$
Total income needed (Section B)	+ \$
Total amount required (Total A and B)	= \$
Total assets available (Section C)	- \$
Extra life insurance needed to meet needs	= \$



### TIP

This chart assumes your home is not an asset you would choose to sell to provide for your survivors. Also, you may want to think carefully about which of your other assets you might want to exclude from those listed in Section C.

For more online tools like this one, go to [www.sunlife.ca/MyFinancialPlan](http://www.sunlife.ca/MyFinancialPlan) > Tools

## WHICH TYPE OF LIFE INSURANCE IS RIGHT FOR ME?

To develop the right plan to protect your family and your estate, you first need to understand the different kinds of life insurance coverage available and the features and benefits they offer.

Perhaps your needs are simple and you need just one type of insurance. Or, you may need more than one type if your situation is more complex.

Keep in mind that examining the different types of insurance with an advisor and determining the potential advantages each one holds for you is the best way to determine the level of financial security you need.

Generally speaking, there are three basic types of life insurance:

- Term
- Permanent (or whole life)
- Universal life



“Even though I’m young, healthy and single, anything can happen.”

And if something does happen to me I don’t want my parents to have to pay off my credit cards and any other expenses. Life insurance just makes sense, even at my age.”

*Anna, future executive*

## Term life insurance

### What is it?

Term life insurance can provide very affordable insurance protection because its premiums are initially lower than other alternatives. But, its cost will increase over time and it does not provide lifetime coverage. It offers the flexibility to adjust your coverage to suit your changing needs over time.



“Having a baby really puts life into perspective.”

We’ve suddenly realized that if something happens to one of us, how would the mortgage get paid? Who would look after our son or daughter? Can just one person save enough for a university education? We want to make sure we’re ready for anything.”

*Daniel & Julie, expecting parents*

### **How does it work?**

You select the term that covers the time you need temporary coverage. Depending on the insurance company, many options are available, including:

- short coverage periods of less than ten years.
- longer coverage periods of 20 years and more.
- some offer the ability to renew terms up to age 75 or 80.

Your premiums are guaranteed to stay the same for the term you choose. A feature called renewability allows you to renew your coverage for additional terms at an increased premium level. You don’t need to provide new or additional health or medical information. The death benefit (i.e. the amount of insurance) remains the same as long as you continue to renew unless you choose to reduce it.



“Whoever called retirement “the golden years” was definitely a very wise person.

We just took out a line of credit to buy a 30-foot sailboat and now we feel like we’re in our 20s again. This is our time to shine.”

*Doug & Cathy, contented retirees*

### Who buys it?

People who want affordable protection to cover a temporary, often large, need like a mortgage or business loan. It also offers a solution for business owners who want to protect against the loss of a key person in their business.

### TIP

A **key person** may be an owner, partner or employee who is vital to the success of your business.

## IS TERM LIFE INSURANCE RIGHT FOR ME?

Yes No

I need to protect some temporary obligations I have (e.g., child's education, a mortgage, business loan).

I need an affordable insurance option now, but understand that this may mean my premiums will increase as I get older.

My budget will determine how much coverage I can afford.

**If you answered yes to many of these questions, term life insurance may be the right choice for you.**



### DID YOU KNOW?

Most term insurance has a convertibility feature that lets you switch to permanent insurance without having to re-qualify by giving new medical evidence.



“When my husband died, it was like losing a part of myself.

But it really helped that his life insurance coverage meant I was able to afford to stay in the home we shared for 30 years. And I’m glad I don’t have to rely on the kids to support me financially.”

*Sonia, independent woman*

## Permanent life insurance

### What is it?

Permanent life insurance (also called whole life insurance) is just that. As long as you pay the premiums, your life insurance stays in effect, no matter what your age or health. That’s why this type of insurance is often called “whole life insurance.”



### FACT

**Premiums** are the payments you make in exchange for your life insurance policy.



“Things are a lot different now than when we were first married.

Most couples today both work, and even then it can be tough to put away savings. We want to make sure we leave enough behind so our five grandkids are able to get a good education and a head start on their futures. Life insurance will help us do that.”

*Ron & Meredith, proud grandparents*

### **How does it work?**

With permanent life insurance, you can choose to keep your premiums the same every year. You can get a guarantee of the premiums when the policy is first purchased. In contrast, the cost of term insurance can rise more dramatically in later years.

Most permanent insurance includes a feature called cash value. It's similar to equity in your home – it grows over time and you can take a loan against it or use it as collateral. You may also withdraw your cash value, but this usually requires you to give up your insurance coverage.

### **Who buys it?**

Permanent life insurance typically appeals to people who don't like surprises. They want the assurance that their coverage is guaranteed for as long as they live. They also want to know exactly how much they will pay for their insurance each year and for how long.

## IS PERMANENT LIFE INSURANCE RIGHT FOR ME?

Yes No

I want my life insurance guaranteed for as long as I live.

When I die, I want my life insurance to pay for all my final expenses, including estate taxes.

I want a stable base of insurance that I can build on if I choose.

I want the security of having a set premium that doesn't change, no matter what my age is, or how my health changes.

I want a policy that will build money over time and let me borrow against it in case of an emergency.

**If you answered yes to many of these questions, then permanent life insurance may be the right choice for you.**



### DID YOU KNOW?

There are different types of permanent insurance plans. Some allow you to make your payments over a shorter period of time but provide lifetime protection.



“With both of us doing well in our careers, we have the luxury of maxing out our yearly RRSP contributions.

We’re working hard now so we can afford to retire early, and having a life insurance policy that lets us make tax-deferred investments takes us one step closer to getting there.”

*Michael & Kimberly, smart investors*

## Universal life insurance

### What is it?

Universal life insurance is a unique blend of term insurance, permanent insurance and a savings account. You get the advantages of the affordability of a term plan, the potential lifetime protection of permanent insurance and the advantage of tax-deferred savings growth within the life insurance policy.

### How does it work?

Instead of being directed only to pay for the cost of insurance, your payment is paid into what is called a policy fund. The policy fund is used to



### DID YOU KNOW?

Some types of life insurance provide tax-deferred savings or investment opportunities. See pages 14 and 16 for more details.



“My business partner and I bought a shared policy that covers both of us and protects the business in the event something happens to one of us.

The company would receive a tax-free death benefit and we use the policy fund to help save for retirement. It's kind of complicated but our advisor made it easy.”

*Tamara, new business owner*

pay for your cost of insurance now, while the remaining balance is invested on a tax-deferred basis. Most universal life policies offer a variety of investment account choices to suit your objectives and tolerance for risk.

Depending on the size of the payments you make and how well your investment accounts do, the policy fund value can be used to help pay your future cost of insurance or to provide a source of additional savings. You can withdraw or borrow from the policy fund, but this may impact your insurance coverage. You may also make extra payments into the policy fund, up to certain limits, to increase your tax-deferred savings.



## FACT

The **policy fund** is where your payments earn interest based on the investment account options you choose. The cost of your insurance is deducted from this fund and whatever is left over grows tax-deferred.

With universal life insurance, the amount of the death benefit can be flexible. You can choose to have the death benefit stay the same or you can choose to have it increase over time. It depends on how much you pay into and withdraw from the policy fund over the years and how well your investment accounts perform.

### Who buys it?

Universal life coverage is a good choice for people who want a tax-effective way to save for their retirement outside of an RRSP or pension plan, or to build up the value of the estate they want to pass on to their loved ones. *It can also be a smart choice for individuals with a large estate that they want to preserve and pass on.*

## IS UNIVERSAL LIFE INSURANCE RIGHT FOR ME?

Yes No

I want flexible payments I can increase or decrease, depending on how much money I have available.

I want the most potential for the money I pay into the policy to make money for me.

I'd like the ability to choose where my money is invested, while knowing that this brings both risks and growth opportunities.

I'd like the option to borrow money from my life insurance policy to supplement my retirement income.

I've maximized my RRSP contributions and am interested in other tax-deferred savings options.

**If you answered yes to many of these questions, then universal life insurance may be the right choice for you.**

## MAKE THE COMPARISON

	Term insurance	Permanent insurance	Universal life insurance
<b>Details</b>	Low cost, temporary protection for times of high financial risk (e.g. when you have a mortgage)	Stable lifelong protection	A more flexible but intricate type of insurance that combines long-term life insurance with an opportunity for tax-deferred savings
<b>Duration</b>	Coverage will end at a certain age	Guaranteed lifetime protection	Typically lifetime protection
<b>Amount of insurance</b>	Once chosen, doesn't change	Once chosen, doesn't change	Choice of level or increasing amount of insurance
<b>Cost</b>	Lowest initial cost, but cost increases each 5, 10 or 20 years	Typically guaranteed not to change but some products are adjustable	Cost of the insurance may be: <ul style="list-style-type: none"> <li>• guaranteed and level,</li> <li>• increase each year, or</li> <li>• be a combination of both</li> </ul>
<b>Cash value</b>	None	A cash value usually accumulates and is paid to you upon cancellation	Payments made in addition to required cost of insurance payments can be invested and grow tax-deferred

## Customize your insurance protection

Most insurance companies offer similar product features and optional benefits to complete your protection plan. Ask an advisor about which options may be suited to your needs.

**Term insurance** – you can combine term insurance with permanent or universal life to temporarily protect you, your spouse, a family member or business partner for a temporary need.

**Accidental death coverage** – increases the death benefit paid to your beneficiary if you die as the result of an accident.

**Coverage for children** – puts coverage in place when the children are younger and positions them to take over their policy once they become adults. Depending on the coverage chosen the children may even be able to increase their coverage, regardless of changes in health or other risk factors.

**Critical illness insurance** – pays a lump sum benefit to you if you are diagnosed with one of the illnesses covered such as heart disease or cancer.

**Living benefit** – may make a portion of the death benefit available in advance if you are diagnosed with a terminal illness.

**Waiver of premium** – you don't have to pay your premiums if you become disabled and unable to earn an income.

**Guaranteed insurability** – lets you increase your life insurance coverage amount without having to prove that you are in good health.

# WHEN SHOULD I RE-EVALUATE MY COVERAGE?

You're wise to consider making life insurance a part of your financial plan. But since life keeps changing, it's important to review your coverage to make sure you always have the protection you and your family need, when you need it.

Review your coverage whenever you experience a major life event, or at least every 2 years.

## MY INSURANCE EVALUATION

**Since my last life insurance review (or coming up in the near future):**

- I have changed my marital status.
- I have added to my family (including grandchildren).
- I have children that are ready to begin their own financial plan.
- I have bought a home.
- I have a mortgage that is renewing (renewal date is \_\_\_\_\_).
- I have acquired a personal or business loan.
- I have changed jobs.
- I have started/joined a new business.
- I no longer have group benefits at work.
- I have quit smoking.
- I have not updated my will or power of attorney.
- I want to change the beneficiary on one or more of my life insurance policies.

## GLOSSARY

**Accidental death benefit** – increases the death benefit paid to your beneficiary if you die accidentally.

**Beneficiary** – person(s) you choose to receive an inheritance. For example, the beneficiary of your life insurance policy will be paid the amount of the death benefit.

**Cash value** – the portion of the money, beyond what you pay for your cost of insurance, that grows within your policy on a tax-deferred basis. You can usually borrow against this value and, in some cases, any remaining amount is paid to the beneficiary.

**Cost of insurance** – the amount you pay to cover the cost of insurance for all basic insurance benefits and any additional benefits included in the policy.

**Coverage for children** – provides a small benefit if one of your children dies but also gives your children the ability to obtain lifetime coverage. They may even be able to increase their coverage when the children become adults, regardless of changes in health or other risk factors.

**Death benefit** – the amount of money paid or due to be paid on the insured person's death.

**Evidence of insurability** – may include medical, financial, lifestyle, and family medical history information and other personal history information needed to approve your application for life insurance.

**Guaranteed insurability** – lets you increase your coverage amount, without having to prove that you are in good health.

**Key person** – a business owner, partner or employee who is vital to the success of the business because they provide money to support its operation, contribute special skills, or both.

**Living benefit** – pays part of the death benefit in advance if you are diagnosed with a terminal illness. This is usually a discretionary payment made by the insurance company and is not normally found in your policy.

**Permanent life insurance** – provides lifetime coverage even though you pay premiums for only a pre-determined period of time. As long as your premiums are paid, your life insurance stays in effect, no matter what your age or health. Most permanent life insurance policies have a cash value that grows over time, almost like a savings account.

**Policy anniversary** – the date every year that your policy became effective.

**Policy fund** – where your payments earn interest based on the investment account options you choose. The cost of your insurance is deducted from this fund and whatever is left-over grows tax-deferred.

**Premium** – the monthly or annual payments you make in exchange for your life insurance policy.

**Term insurance benefit** – gives you the ability to add term insurance to a permanent or universal life policy to protect you, your spouse, a family member or business partner for a temporary need.

**Term life insurance** – provides temporary insurance protection.

**Universal life insurance** – combines permanent insurance protection plus the ability to make investments that grow tax-deferred within the policy.

**Waiver of premium** – if you become disabled and unable to earn an income, your coverage continues, though you don't have to pay your premiums.



## Protect what you cherish most – the people you love.

One of the few things we can depend on in life is change. The best way to prepare for change is to plan for it.

Having the right life insurance protection is an important part of that plan. Because if the unexpected happens, you can be certain the people you love are well taken care of.



### THINGS TO REMEMBER

More information is available through the Canadian Life and Health Insurance Association, a non-profit, non-sales organization. Call their Consumer Assistance Centre at **1-800-268-8099** or visit their website [www.clhia.ca](http://www.clhia.ca).

## Want to learn more?

Ask your advisor for copies of the other Sun Life Financial publications in this series or visit [www.sunlife.ca/MyFinancialPlan](http://www.sunlife.ca/MyFinancialPlan).

# CREATE A BRIGHT FUTURE

Build. Protect. Enjoy!

Your advisor and Sun Life Financial are here to help.

The thought of building a lifetime of financial security can be intimidating. We're busier, more financially independent and less reliant on our families. And we live in a marketplace full of complex products, benefits and offers.

Professional advice can be invaluable in helping us sort it all out. Your advisor has the expertise to understand your needs and show you how to fulfill them with help from Sun Life Financial. Together, you'll create a personalized plan that addresses your goals for the future, and evolve that plan if your needs and situation change. We'll help you get the most out of it.

Talk to an advisor about  
Sun Life Financial today!

For more information and resources:

- Visit [www.sunlife.ca/MyFinancialPlan](http://www.sunlife.ca/MyFinancialPlan)
- Call 1 877 SUN-LIFE (1 877 786-5433)



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We're dedicated to helping you achieve lifetime financial security.

