

## Serious sickness doesn't have to sideline finances



**Younger people may need critical illness protection more than life insurance.**

**MOST 20- AND 30-SOMETHINGS** may not think a lot about insurance. If you are young, healthy and low on savings, you may not feel that it is a priority, especially if you haven't started a family. But it could be important for you – and the kind of insurance that makes sense might be surprising.

Traditionally, the first policy many people buy is term life insurance. It's a straightforward, affordable solution that pays a tax-free lump sum to a beneficiary upon the death of the insured. But over the next few decades Canadians in their 20s and 30s are more likely to be diagnosed with – and survive – a critical illness than to die.

To help put this into perspective, a woman who is 30 and a non-smoker has a five per cent chance of dying before age 65 – but a 19 per cent chance of getting a critical illness. A man who is 30 and a non-smoker has a seven per cent chance of dying before age 65 – but a 27 per cent chance of getting a critical illness.<sup>1</sup>

If you do get sick and have to take time away from work to recover, the combination of lower income and higher costs due to unexpected medical bills can have a significant effect on finances and the ability to live your accustomed lifestyle. Plus, if your partner decides to take time away from work to help with care, this might further reduce household income.

### **What's at stake**

Younger people are at the start of their careers. That likely means they are making less than they will later in life. Some may accept a lower salary in order to gain experience in a field they love. Others may take a step back to change directions and find a better career path.

For those who don't have much wiggle room in the budget, it's hard to absorb extra expenses associated with suffering from a critical illness. These expenses might include travelling for treatment, buying medication and equipment not covered by the provincial health plan, getting extra help around the house, or making homes and cars more accessible. It can all add up!

<sup>1</sup> insurerright.ca. Mortality probability based on the Canadian Institute of Actuaries' CIA9704 gender and smoker distinct mortality tables. Critical illness probability based on combined incidence rates for cancer ("New cases for ICD-03 primary sites of cancer: 2002–2007") and the Heart and Stroke Foundation of Canada ("The growing burden of heart disease and stroke in Canada, 2003").

In addition, 20- and 30-somethings may not have had a chance to build up an emergency fund or substantial long-term savings. If the paycheques suddenly stop, the rent (or mortgage) still has to be paid, as do other bills. That money has to come from somewhere.

### Picking a plan

Basic, affordable critical illness protection can help ease financial stresses at a time when a sick person's energy should be focused on getting better. The money can allow time and space to recover. Perhaps most importantly, it can provide flexibility to choose how long to take off before getting back to work and the daily routine.

How do you choose the right kind of policy? Many younger people start out with reasonably priced term critical illness insurance that covers them for a specific number of years. When the term is up, the policy can be renewed for another term. Prior to expiry, it can also be "switched" to a more permanent plan that provides lifelong coverage. Often, there's no need for additional underwriting – which means you can stay protected even if your health changes.

The dollar amount of protection depends on each individual's specific circumstances. How much income will you need while recovering? If you have a partner or loved one, will it allow him or her to also take time off work to help with caretaking? For those who have kids, will extra child care add to costs during this time?

Other factors should also be considered. Policies may cover different illnesses or offer extra benefits – such as reliable online health information, one-on-one telephone support or a medical second opinion service from top specialists at world-class hospitals. The insured often get access to these services as soon as they get coverage – which can make it easier to get credible information on symptoms, diagnosis and treatment.

### Speak with an advisor

Talking to an advisor can help you decide if critical illness insurance is the right choice for you. If it is, you can also discuss the most appropriate plan for your situation. Critical illness insurance helps take the focus off finances and put it on what truly matters – getting better! ■



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