



Capital Wealth Management

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Living Benefits

As the living benefits specialist at Capital Wealth I usually write the articles related to disability and illness. The following article is based on a discussion I had with Dave Somerville and Michelle Cruise on the Capital Wealth radio show

Long term care insurance and Critical Illness insurance both are designed to help you when you are ill or incapacitated. They each help in specific situations so it is important to know what is appropriate for your situation.

Q. What is Long term care insurance and critical illness insurance?

A. Long term care insurance or LTC insurance provides an amount of money to someone who is unable to perform some of the tasks of daily living. Critical illness insurance or CI insurance provides a lump sum to someone diagnosed with one of about twenty five critical illnesses. It is sometimes possible to collect on both policies at once. For example, a stroke victim would collect on his critical illness policy and probably his long term care policy as well.

Q. What are considered daily living tasks?

A. These include the ability to bathe, feed yourself, dress, toileting, transferring (for example from a bed to a wheelchair by yourself), and continence. Cognitive impairment would also qualify you for benefits.

Q. What kinds of conditions are covered under Critical illness insurance?

A. Cancer, heart attack, stroke, M.S. blindness, paralysis, severe burns and many other conditions. Every company has slightly different coverages.

Q. Is it easier to get LTC or CI coverage?

A. Generally LTC coverage is easier to get since the main requirement is "can you perform the tasks of daily living." CI, however, requires a full medical history.

Q. Last time you were on the show you showed us how Critical illness insurance can protect your assets. Can long term care insurance do the same thing?





A. Definitely. For example if two friends age 55 both retire with equal incomes and one purchases an LTC policy for a \$100 a day benefit with return of premium benefit and his friend doesn't, the one with the LTC policy will have about \$150 a month less to spend. If they both have severe strokes at 60 however and live to 75 the friend without long term care coverage will leave an estate that is half a million dollars smaller. If they didn't have strokes but instead passed away at age 75 the first friend's estate would get all his premiums back and the second friend's estate would get whatever that extra \$150 a month might have grown to. So basically friend one protected half a million dollars and all he risked was some lost interest.

Q. Should someone buy Long Term Care insurance or Critical illness insurance or both?

A. I believe CI is cost effective from age 0 to age 60 and LTC is cost effective from about age 35 onwards. One idea would be to buy CI with a return of premium at age 65 and, assuming you haven't needed the CI policy you can cash it in and use the money to prepay a LTC policy!

Q. How is LTC or CI impacted by government or group insurance plans?

A. It isn't. The LTC or CI benefit is paid regardless of these other plans.

As you can see from the discussion we had on the radio show there are many similarities but also large differences between the two types of insurance.

For a full overview of CI and LTC insurance please check out our archived radio shows on the website. For more information on how "Living benefits" insurance can assist you, contact me at 1-866-680-0046 x223

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