



ADVISORY SOLUTIONS

For most Canadians, a steady job and a reliable source of income are the key building blocks for a successful long-term financial plan. But how well is that foundation protected? Consider the immense financial burden that would be placed on you and your family if you were unable to work because of a disability.

It's a risk that should not be ignored when constructing a financial and estate plan. For most Canadians with disabilities, their conditions directly restrict the kind of work and the amount of work they're able to do. Before dismissing the prospect of disability as an unlikely occurrence, consider that a third of all people now aged 35 will be unable to work for at least a six month period sometime before reaching age 65. And you have three times the chance of suffering a disability before retirement than dying.

Yet for many Canadians, insurance coverage stops at Life Insurance.

Disability Insurance Provides Added Security

A Life Insurance policy provides important coverage, but it does not safeguard you if a disability prevents you from working. The stark reality is that without Disability Insurance, a serious illness or injury could create financial hardship for you and an enormous burden for your family.

Typically, Disability Insurance will provide benefit income for the period you are prevented from working due to a disability caused by an accident or sickness. Payments begin after an elimination/waiting period – the time between the occurrence of the disability and when benefits begin (commonly 30 days, though periods can be 60, 90, 120 or 180 days) – and continue until recovery or the end of a designated benefit period (one, two or five years, up to age 65, or upon death, depending on the policy). Disability Insurance premium payments paid by the individual are not tax-deductible, although benefit payments are received tax-free.

Determining The Right Policy For You

The definition of disability is relative to an existing occupation, and is the most important element of determining policy coverage that will meet your needs. Disability Insurance may cover:

Any Occupation: The insured is unable to undertake any occupation that they have been educated or trained for, or are experienced in.

Regular Occupation: The insured is unable to undertake the essential duties of their regular occupation and is not otherwise gainfully employed.

Own Occupation: The insured is unable to perform the essential duties of their regular occupation. Benefits are paid even if the insured is working in another occupation.

Residual: Pays a benefit proportionate to the loss of income. For example, if a claimant is able to earn a portion of pre-disability income, the benefit will be reduced by the percentage of those earnings relative to the full benefit purchased by the policy.

Are You a Candidate for Disability Insurance?

Disability Insurance should be considered if you:

- Are single, with no support in case you suffer a disability
- Support family members, such as a sibling or parents
- Are married or have a partner
- Have children
- Are a single parent
- Are self-employed, or the owner of a company

Disability Insurance Key Benefits:

Protection for your family

Disability Insurance can help you maintain your current lifestyle through your recovery time and help ensure that the basic needs of your family – maintaining your home, or paying for children's education – continue to be met without disruption.

Protection for your business

Disability Insurance benefits can be used to keep your business going during your crucial recovery period. It can help make up for reduced earning capabilities or the funds to hire an interim replacement.

Protection for your assets

Disability Insurance helps preserve your investments by providing you with an alternative source of revenue, so you may not have to liquidate your accumulated assets at a potential loss.

Tax-free benefits

Disability Insurance benefits are paid directly to you, tax-free, and can be used any way you see fit.



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In addition, there are a number of conditions that can be added to a Disability Insurance policy, such as:

Lifetime Extension: Extends benefits past age 65.

Cost of Living: Increases benefits annually or semi-annually based on a fixed interest rate of the Consumer Price Index (CPI).

Future Insurability: Benefits can be increased at specified times regardless of health or occupation.

Accidental Death and Dismemberment: Pays a lump sum for accidental death and part of that sum for dismemberment (loss of limb, sight, etc).

Employment Insurance (EI) Sickness Benefits: Income begins after EI benefits have expired. There can be a longer elimination period than if EI was not in place. The result is a lower premium on the policy.

Overhead Expense Policy: Reimburses disabled professionals or businesspeople for business expenses during the benefit period. This policy is only appropriate when the insured is the main source of income for the business. Premiums are tax-deductible as a business expense and benefits are taxable income but should be used to pay tax-deductible business expenses.

Given the many options available through Disability Insurance, it is important that you carefully weigh each alternative in light of your personal situation. A CIBC Wood Gundy Investment Advisor, in conjunction with an Estate Planning Specialist* is an excellent resource to help you evaluate the benefits of including Disability Insurance as part of your long-term financial and estate plan.

Compliments of:

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12/11