



Wealth  
Management



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## I'm good, I'm single: The realities of why you need insurance

More Canadians are living alone than ever before. According to the latest census data from Statistics Canada, 28% of Canadians were single dwellers in 2016 and as a group represented the most common type of living arrangement in the country<sup>1</sup>.

Single people need to look after themselves, particularly when it comes to their personal finances and care needs. For many, that means having the right insurance to build and safeguard their wealth.

“Single people should have some type of insurance protection,” says John W. Hamilton, President of Insurance Services at RBC Wealth Management Financial Services Inc.

What products they need will depend on factors such as age, income, existing employee benefits as well as their retirement and estate planning goals.

### Types of insurance to consider

There are two main types of insurance to consider: living benefits and life insurance.

Living benefits such as disability and critical illness insurance, provide coverage to policyholders if they can't work due to a serious injury or illness. Long-term care insurance helps to cover the cost of assisted living for

policyholders who become ill and can no longer function on their own.

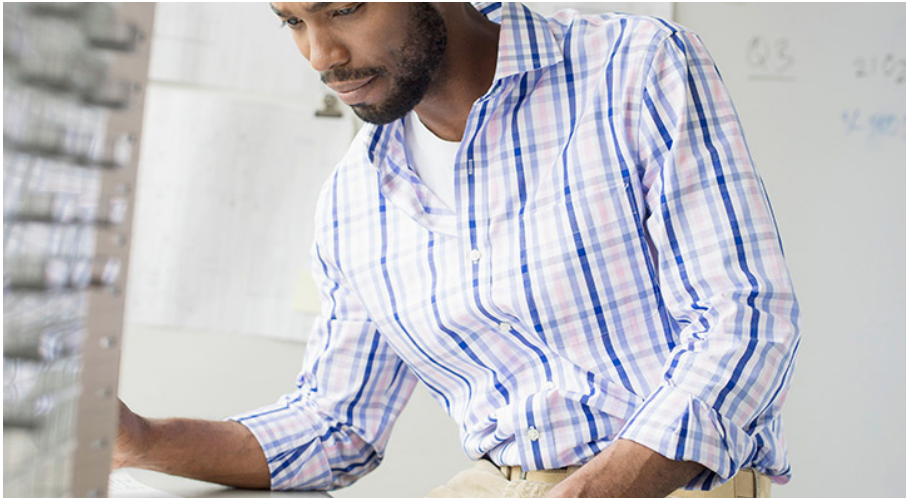
Life insurance, including either permanent coverage or temporary coverage lasting for a set term of 10, 20 or 30 years, etc., may help to cover costs left behind when someone dies. Life insurance may also be used to help pay off debts, funeral and final costs or to use as part of a philanthropic strategy to donate to charities.

Here are more details on each type of insurance and why single people might consider them:

### Living benefits insurance

Disability insurance is considered crucial for single people, and is often offered as coverage through work, but is also available as individual coverage for those wanting their own policy or additional coverage to what's offered at work. This type of insurance will replace a portion of a policyholder's income expenses if they are unable to work due to an accident, illness or a serious injury.

It helps you to pay your mortgage expenses, your car expenses and other day-to-day expenses if you're not receiving your regular income.



Even wealthier people purchase disability insurance because it allows them to maintain their lifestyle without the worry of additional expenses if they were unable to work due to a disability.

Critical illness insurance is also important because it provides coverage for policyholders who are diagnosed with diseases such as cancer, a heart attack or a stroke. The specific illnesses covered will depend on the insurance policy, and can vary between providers.

With critical illness insurance, policyholders are paid a lump sum benefit between \$10,000 and \$2.5 million, again depending on the policy, which they can use at their discretion.

Some people use the proceeds to pay for health care expenses not covered by health plans such as medication, transportation to and from a hospital or health care facility and for medical equipment or house modifications. The money can also be used to pay off debts, cover the costs of family members who may take time off work to care for you or to travel to see loved ones.

Critical illness insurance can help you get through the recovery period without worrying about expenses.

Long-term care insurance would help to cover the costs of assisted living facilities or in-home care for people who become seriously ill, develop

disabilities or chronic care needs that restrict their ability to care for themselves. People qualify for this insurance coverage when a doctor confirms they require substantial assistance with at least two activities of daily living, such as getting in and out of bed or feeding oneself.

Many single people buy this type of insurance if they don't have anyone else to look after them, or don't want to be a burden on friends and family.

"One of the real myths in this country is that the government is going to look after you," says Hamilton.

While there are government subsidies on some services, Hamilton says a large chunk of the costs are paid for by the individual — and can quickly add up.

"Anyone who has been involved in that understands how expensive it can be," he says. "Most people underestimate how much money is actually needed to pay for that type of specialized care."

### **Life insurance**

Life insurance is sometimes considered less of a priority for those that are single or without children because they often don't have dependents. However, this type of insurance can be used strategically in an overall wealth and estate plan.

Term insurance, for example, provides coverage which ranges from about



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10-to-30 years. It offers cost-effective temporary life insurance that may be used to offset the costs of premature death. Permanent insurance, which provides coverage for life may help to cover any liabilities in the estate such as mortgage or loan repayment, or to cover an ownership stake in a business if the policyholder were to pass away. Having life insurance also means that debt and taxes won't be paid out of one's estate, which may be earmarked for family and friends or charitable causes.

Life insurance has always provided a solid foundation in any financial plan but have you also considered that life insurance can be another asset within your overall portfolio? Tax-exempt insurance allows for tax-deferred growth, just like within your registered pool of capital, the potential for tax-free income during retirement and the tax-free distribution of insurance proceeds upon your death.

Some people use the cash value built up in a life insurance policy and access through a loan, as needed. It's not unlike pledging a house for a loan.

Life insurance can also be used as a charitable donation. The policyholder first gifts the policy to charity and

then pays the annual premium. In doing so they receive a tax receipt which can also help to reduce the tax on their overall income. Then, when they pass away, the charity receives the death benefit.

They can also take out a policy and make the charity the beneficiary. The proceeds are paid to the charity after the person dies, and the estate receives a tax receipt for the full value of the proceeds.

### **Insurance is for single people, too**

Many single people overlook insurance options because they don't have dependents and aren't aware of how to use the products in their overall financial planning. Having the right insurance products can help enhance and protect wealth through various stages in life.

Both life and living benefits insurance can be important elements of an overall wealth management plan, whether you're married or single. Too often, people look at insurance as a cost, when it should instead be viewed as an investment.

**For more information, please contact us today.**

<sup>1</sup> Families, households and marital status: Key results from the 2016 Census - Source: <http://www.statcan.gc.ca/daily-quotidien/170802/dq170802a-eng.htm?HPA=1>