



Financial Life Stages

A Special Report from The Globe and Mail

Empty nesters: Health-care insurance
'We're all invincible, until we're not'
 A serious illness can cripple the finances of those without a safety net, by Gavin Adamson

A guide to making the most of your money, from young couples to retired empty nesters

It was the memory of her mother's death that motivated Kimberley Walsh to put her own "ducks in a row," as she describes it.



Her mother, an income earner for the family, had enough life insurance to pay for the funeral and provide some income for her husband. But she left a will that was out of date, and the experience of settling the estate and sorting out her father's finances spurred Ms. Walsh to take stock of her own situation, not only preparing a detailed will but also taking out insurance for health-care needs.

"We're all invincible, until we're not," notes Ms. Walsh, who runs her own corporate travel agency in downtown Toronto.

Ms. Walsh, 51, realizes that having her own business carries particular risks. The possibility of a serious illness could be a major liability, not only while she is still working but also when she retires. Health-care costs are steadily rising, from prescription drugs to specialized personal care to nursing homes. If illness or disability sets in, financial costs can be crippling.

And Ms. Walsh had another consideration. If she were to fall ill, or need long-term care, she didn't want daughter Sarah, now 16 and nearly out of the nest, to be saddled with heavy financial burdens.

So she turned to financial adviser Mark Halpern, owner of Illnessprotection.com Inc., based in Markham, Ont. Ms. Walsh ended up buying a critical-illness insurance policy, but everyone's situation and needs differ.

Pre-retirees looking for peace of mind have at least five types of insurance to consider, including disability and long-term care, says Mr. Halpern, a certified financial planner. "It's not something where you just buy everything. You need to know what works for you," he says. Advisers say buying insurance should be part of a financial plan that includes an accounting of your assets, liabilities and risks.

Health-care insurance is flexible, but policy selection is critical, financial advisers say. Some insurers are better at underwriting certain types of policies, so be sure to shop for rates and policies.

Critical illness insurance

Ms. Walsh chose a critical-illness policy that offered a key benefit. It will pay her "a substantial six-figure sum" if she were struck with any of several life-threatening diseases within 15 years, and she can spend that money any way she wishes.

As well, if she were to die, all of her premiums would be paid back to her beneficiaries. She also opted for a policy that returns her premiums after 15 years if she cancels it.

"My family's not going to be stressed or strained, and if nothing happens to me, I have another bank account," Ms. Walsh explains. Mr. Halpern, who sells this type of insurance often, notes that as you age, insurers Mr. Captor evaluation copy fic type of policy, exclude certain illnesses, or ask you to pay a higher premium. So it's wise to consider this type of policy in your younger, healthier years.

Extend workplace benefits

For people who are employed, many workplace benefit programs can be extended into retirement. They often include an option to convert the company policy, within 30 days of your retirement, into a general supplemental plan that covers dental care, eye exams, drugs and some medical costs, says Matthew Salki, an insurance consultant based in London, Ont.

Insurers will generally assume that you've been healthy at work so you'll be able to complete the transition without answering too many medical questions, says Mr. Salki. "Sometimes it's a natural fit. When you leave, you can convert into a different contract and they give you a small discount on the premium."

Many retirees plan to travel, Mr. Salki notes, so it's a good idea to add a premium for out-of-country medical costs.

Long-term disability insurance

Disability insurance will pay 70 per cent to 80 per cent of your income if you can't perform the main duties of your job. Most workplace benefits offer some form of this insurance, and it is available for the self-employed, too.

Advisers note that if you make a claim on your workplace disability insurance most policies stop paying the benefit after two years, "if you can do anything to earn an income relating to your education or training," says Mr. Salki.

For that reason, many people opt for a "top up" on disability insurance. For example, a dentist might buy a so-called "any occupation" policy that would pay out at his original salary base if he were to become disabled but was still able to work at some other occupation.

If he developed a hand tremor, for example, the benefits wouldn't end even though he might be able to teach at a dental school, explains Mr. Salki.

Long-term care insurance

Long-term care insurance pays out if you suffer an illness or injury that prevents you from performing at least two daily living activities, such as eating, bathing or dressing.

Bruce Cumming, a registered financial planner with Fundex Investments Inc. in Oakville, Ont., used to think this kind of insurance was redundant. He argued that most people could count on a spouse or family member for care, or people could sell their homes to fund the cost of full-time care in a facility.

"But the simplicity of my argument belies reality," he admits. Even the most devoted caregiver may not be able to handle full-time nursing duties, and maintaining a home while paying for a nursing facility can be dire for a couple's retirement. Mr. Cumming now recommends long-term care insurance in certain circumstances, such as if there is a risk that the health of one spouse could deteriorate more quickly than that of the other.

Health-care power of attorney

As part of her long-term planning, Ms. Walsh drew up a will, including two types of powers of attorney. She designated a financial power of attorney to a trustworthy person who will make monetary decisions, such as selling her house, if she were to become incapacitated.

She also spelled out a power of attorney for personal care, which would similarly transfer decisions about health care and medical matters to someone she trusts. (The two designees do not have to be the same person.) Without powers of attorney lined up, it is a difficult and time-consuming process to have someone appointed to look after your affairs after you become ill or incapacitated, says Heather Evans, a lawyer and a partner at Deloitte & Touche in Toronto.

Often, people assign these duties when they draw up a will. "It's not a cheery task," Ms. Evans notes, "so when you're ready to do it, you kind of want to get everything done."

Financial Life Stages Video



RETIREMENT NEWS
ROBtv on February 1, 2007

A Fidelity survey found that 74% of retirees were satisfied with their finances. Peter Drake discusses this surprising find.



END OF RETIREMENT MANDATORY SURVEY

Peter Drake, Vice President, Retirement and Economic Research, Fidelity Investments.



Article Index

- [How to turn on the money spigot »](#)
- [Estate Planning: A little trust goes a long way »](#)
- [Don't let your nest egg get fried »](#)
- [Empty nesters: Health-care insurance »](#)
- [Empty nesters: Retirement saving »](#)
- [Empty nesters: RRSPs »](#)
- [Want to save money for your kids' future? RESPs aren't the only option »](#)
- [Peace-of-mind can, indeed, be bought »](#)
- [Divorce throws a monkey wrench into the financial works »](#)
- [First comes love, then marriage, then decisions »](#)
- [Bright futures awash in red ink »](#)
- [Spending everything you earn? Time to kick the habit »](#)
- [Child-free, with a portfolio to nurture »](#)
- [Mortgage or college? Decisions, decisions »](#)
- [Main Page »](#)