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TAXPLANNING

Prepare for the unexpected by putting in place a …

Defensive strategy

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There's never been a better time to be in your fifties. You feel great – your children are grown and starting their own families, you are achieving your earnings potential and your home is (finally) looking the way you want. You are travelling for fun, enjoying life to the fullest and celebrating your successes. Life is good.

Aging and illness are probably not your foremost thoughts. Most people don't plan for the financial impact of a sudden or prolonged illness. They don't even have a current will and powers of attorney in place. So, what's your plan?

The global economic downturn has jeopardized or postponed retirement plans for most people. And the challenges are even greater for those nearing retirement age, given the short time horizon for recovery. An unexpected illness can ruin your plans.

Your family's financial future can be secured now with a defensive asset preservation strategy that includes Long Term Care insurance (LTC) and Critical Illness Insurance (CI). And the best time to protect yourself is while you are healthy and young. If illness strikes, it could be too late.

Consider these three reasons for you and your spouse to add Long Term Care insurance and/or Critical Illness insurance to your retirement portfolio:

✓ Don't count on publicly-funded support. Many Canadians mistakenly believe that the government will assist us in our retirement and care for us through any illness. Public healthcare is already severely strained.

Statistics Canada projects that by 2021 there will be seven million seniors, representing 19 per cent of the total population; by 2041, more than nine million seniors will comprise an estimated 25 per cent of the population.

The demand for care facilities and home care will be huge, and the cost burden to support family members will continue to rise. Most Canadians prefer home care to facility care – and statistically, care-giving becomes the responsibility of women in the family, creating a tremendous emotional and financial burden. Do you have a plan that takes this into account?

✓ Canadians are living longer. Because of healthier lifestyles and medical advancements in treatments for many chronic illnesses, our life expectancy has greatly increased.

That longevity comes with a financial cost; there will be a lot of people long on life (and short on money) with a false expectation that their quality of life will be good. We'll have to provide financially for ourselves and our loved ones much longer than we may have anticipated. We will need funding for ongoing care, treatment and medications.

✓ You need to plan now. This is the time to gather accurate information based on evidence and facts to prepare for life's uncertainties. An Ipsos-Reid study revealed that 42 per cent of Canadians are concerned that they will have to care for their parents when they get older.

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You may be caring for a parent right now. But despite such concerns, we don't like to think about what the future could hold for us – and we don't make plans to give ourselves financial independence if something bad happens.

The good news is you don't have to do it alone. Help is available to navigate through the abundance of information and misinformation online and offline. Certified Financial Planners (CFPs) with expertise in insurance matters are well-trained professionals who can ask the tough questions you need to consider. They will present various scenarios to help you make informed decisions about your future.

You need the straight facts about plans that protect you and your family against the high costs of long-term home care and facility care. Such costs can vary today from $4,000 to $10,000 per month and rapidly deplete your retirement savings, causing financial strain on your spouse and children.

With health care inflation rising quickly, these monthly costs will likely double in the next 10 to 20 years to $8,000-$20,000 per month. Then even the wealthiest Canadians' will have to pay attention.

Wouldn't it be comforting to know that a small investment today can eliminate this "black hole" forever?

Now is the time to get the information you need. Long Term Care insurance and Critical Illness Insurance are often overlooked simply because it isn't the happy future we want to consider for ourselves.

But as government support declines and as we live longer, we must ensure we have a realistic plan to deal with the costs of care and illness in our retirement years.

After a lifetime of hard work, safe investing and careful tax planning, it's a tragedy to see savings depleted and estate values diminished by illness.

Some policies (both Long Term Care Insurance and Critical Illness insurance) can return all of your premiums if you don't make a claim and just stay healthy – it's forced savings with big protection.

For those who prefer to self insure by financing their health care with after tax dollars, consider the following win-win strategy:

Purchase an inexpensive joint last to die life insurance policy to replace the money spent on your healthcare. It will guarantee that you enjoy your retirement years without worrying that you won't be leaving something in the estate for your children or for your favourite charities.

It's also an inexpensive and tax-efficient way of creating wealth that will likely be needed to pay for future tax liabilities.

With this in place, you will face the future with peace of mind. Planning for a rainy day allows you to enjoy the sunshine now with confidence. ❐