

Insurance – An Investing Perspective

By Chris Long



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for a complimentary review.**



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RAYMOND JAMES®

Member-Canadian Investor Protection Fund.

Investors don't usually think of insurance as part of their investment strategy, but they should.

Specialized health care and illness insurance, as well as wealth and estate planning insurance options, enable investors to protect themselves during their lifetime. Additionally, insurance can offer legitimate ways to maximize retirement savings and minimize estate tax liability.

Insurance becomes part of an investment strategy when it protects you against loss of health or income. It can also protect your ability to save and invest for the future. The type of insurance you buy can be determined by asking the same basic questions you'd ask regarding any investment decision: Will it have real value when I need it? Do I understand what I'm buying? And what is my "return on investment"?

Life insurance needs to be matched to the timing of the risk. Term insurance is short-term coverage for income replacement or asset protection. Its value is in how well it can retire mortgage and other debts and become a source of income for the beneficiaries of the policy. The term of the insurance policy is fixed and renewable, but the cost becomes progressively more expensive. Older investors may want to convert to a whole or universal life insurance policy with a death benefit value based on the estimated taxable assets of the estate. In this way, the policy's beneficiaries can settle outstanding debts and taxes of your estate and avoid the hasty or unwanted disposition of assets.

Investors can also use a life insurance policy for supplemental retirement income, using the policy's cash value as collateral for a series of tax-free loans during retirement. Upon death, the policy death benefit pays back the loan.

Various kinds of health and care insurance are of growing investor importance. Disability and critical illness insurance can be of real value to investors building a savings or investment portfolio and where there is a need for protection from premature withdrawal of funds as a result of a prolonged illness or disability.

The real value of a disability or critical illness policy depends on a clear understanding and knowledge of exactly what your coverage is and the claims qualifications and conditions. From an investor's point of view, critical illness insurance can have distinct advantages.

Long-term care insurance covers the cost of in-home and/or institutional care for an insured person requiring assistance with daily living activities and protects against the financial hardship of maintaining a loved one in an assisted-care facility for a long period.

Insurance can be an important part of any investment strategy.

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