



## DISABILITY INSURANCE

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 90 days, though periods can also be 30, 60, 120 or 180 days) – and continue until recovery or the end of a designated benefit period (typically to age 65) depending on the policy. Disability Insurance premium payments paid by the individual are not tax-deductible, but the benefit payments are received tax-free.

### DETERMINING THE RIGHT POLICY FOR YOU

The definition of a qualifying disability is based on the inability to perform the essential duties of a given occupation. The three classes of coverage from weakest to strongest are:

**Any Occupation:** which includes any work that you are reasonably qualified to perform by way of education, training or experience (therefore not limited to your pre-disability occupation).

**Regular Occupation:** which is your occupation at the time of the disability. You must also not be gainfully employed in another occupation to qualify for benefits

**Own Occupation:** which is the same as "Regular Occupation" but allows you to be gainfully employed in another occupation.

**Residual:** Pays a benefit related to the loss of income. For example, if a claimant is able to earn a proportion of pre-disability income, the benefit payable will be reduced by the same proportion.

### 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, such as a spouse, children, siblings or parents
- Are married or have a partner
- 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 provided 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 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.

In addition, there are a number of riders 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 rate or the Consumer Price Index.

**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, which allows for a longer elimination period and a corresponding lower premium for the coverage.

**Overhead Expense Policy:** Reimburses disabled professionals or business people 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.

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