

## What's your most valuable asset?

One day Carl was pondering what his most valuable asset is. His house, his business, his SUV, his cottage at the lake. He found out too late that none of these even came close.

Carl had been in business with his brother, Jack, for many years. Without warning, he became disabled and could not work.

Jack tried to do Carl's work as well as his own. He also had to split the reduced revenue with his brother. After all, half of the company is still his.

The business couldn't support a non-productive partner for very long. The competition was just too tough. Jack couldn't afford to hire a replacement and pay Carl a salary, too. He had no choice but to take on a part-time job to provide for his own family.

What other income sources are there? The Canada Pension Plan has a disability benefit, but the definition of disability means that benefits often take up to a year to start. And if Carl could qualify, it only pays a maximum of \$971.26 per month.<sup>1</sup>

Carl can't get Employment Insurance benefits because he is part owner of the business. Even if he could, payments only last for seventeen weeks. The average disability at his age 37 lasts over 5 years.<sup>2</sup>

He could try and borrow money from the bank, but banks prefer to lend money that is likely to get repaid. Without a reliable income source, they just won't take the risk with Carl.

Carl could cash in his RRSPs. But withdrawals are fully taxable and will jeopardize his retirement. In 1999, Canadians withdrew over 186 million dollars from their RRSPs because of disability.<sup>3</sup>

Workers Compensation pays a benefit to someone who has a work related injury or illness. But most injuries occur off the job and very few illnesses can be proven to be work related.

Carl is worried about losing his home as he is having trouble making the mortgage payments. Some 46% of mortgage foreclosures are due to disability.<sup>4</sup> And it is difficult for his wife to work because she is busy raising their children and caring for him.

The best source for income in case of disability is a Disability Income Insurance policy. This policy pays a benefit, usually monthly, after a disability has lasted a certain length of time, called the waiting period. The policy you choose will state how long a benefit will be paid. Some policies even pay if you are only partially disabled.

Carl learned that his most valuable asset is really his ability to earn a living. You insure your house, your vehicles, your business and your cottage for loss by fire, accidents and theft. Doesn't it make sense to insure the asset that makes them all possible?

<sup>1</sup> CPP benefits for second quarter 2003

<sup>2</sup> 1982 Disability Table - Transactions of the Society of Actuaries

<sup>3</sup> Statistics Canada

<sup>4</sup> Canada Mortgage and Housing Corporation (CMHC)

**Want to know more about protecting your lifestyle in case of disability? Call today!**



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