

# Financial Insights

from Quinn+Cardy Wealth Management  
of BMO Nesbitt Burns

## Should I Purchase Life Insurance Online?

In this digital age, with the click of a button we can purchase virtually anything online and have it delivered almost instantaneously. Life insurance is no exception. In some cases, you can buy a life insurance policy without having to answer many questions about your health.

While this may appear enticing due to its convenience and anonymity, there may be reasons to consider how you buy your insurance. Here are some perspectives:

**Potential cost savings** — The cost of any insurance policy is based on the chances that claims will be made. Generally, the higher the risk, the higher the cost. Insurance companies identify these risks through the process of underwriting — for life insurance, often questions are asked about health and lifestyle, and sometimes health screening is required. This process can be circumvented with the purchase of guaranteed-issue life insurance, commonly offered online, which typically requires little or no health information from you. However, due to the risk pooling of all applicants who purchase this type of guaranteed issue insurance, the cost could be inflated to account for high-risk individuals. As such, there may be potential cost savings, as well as better coverage, by purchasing an underwritten policy that may not be available online.

**Determining how much** — How much do you really need? Some consider the “rule of 10,” meaning you would need 10 times the coverage of your annual income for protection. However, after considering your net worth and any existing liabilities, as well as future needs, by this rule you may be purchasing too little or too much. While online insurance calculators can help to provide estimates, a more thoughtful analysis may provide better insight. It doesn't make sense to unnecessarily pay for life insurance that you do not need.

**Understanding coverage and payment features** — With many different products and features available, do you fully understand what you are potentially purchasing online? Are you aware of other potential options, pricing or features that may be available? Are you sure you are purchasing the right type of coverage for your needs? Some investors



may not understand the difference between term and permanent insurance. For other investors, permanent coverage may offer benefits as part of a broader wealth plan that the investor may not be aware of.

**Broader wealth planning opportunities** — While income protection is important, life insurance can provide so many other benefits, including for investment, tax, retirement and succession planning. For example, some permanent life insurance policies offer insurance protection alongside investment savings, with the two portions unbundled for flexibility and the potential for an amount of growth to be tax-sheltered. Owners of private corporations can consider taking advantage of the capital dividend account (CDA) as the CDA may permit the corporation to pay a tax-free dividend to the shareholders. For retirement planning, some forms of life insurance can be used as an adjunct to retirement savings plans, to provide a supplementary way to save money on a tax-deferred basis. Life insurance is also used in estate planning as proceeds generally pass tax free to beneficiaries. It can help to cover capital gains tax liabilities of an estate to relieve potential monetary stresses for heirs.

If you need assistance in evaluating your insurance needs, our team can help you determine how best to protect, enhance, structure, and distribute your wealth with the use of insurance solutions. Please don't hesitate to get in touch.



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