



Part of our service commitment is to provide timely, relevant and insightful information to you.

In the text below, we include an article on insurance options and also our thoughts on equity markets following recent activity.

### [Complementing Your Healthcare Benefits With Insurance](#)

Most Canadians consider themselves fortunate to have access to a universal healthcare system. However, not all services and procedures are covered by provincial healthcare plans. While employer-sponsored healthcare plans provide additional coverage, there are usually restrictions, limitations and caps placed on the services provided.

In the attached document you will find a brief document on Insurance and how to better protect you and your family from unforeseen health concerns. Please let us know if you would like to discuss any aspect of your insurance plan in greater detail after having a moment to review.

### Equity Strategy

Recent market volatility has left many market participants wondering what's next? Early month swings in the market were some of the largest intra-day moves in history. For some context, it had been 491 days since the last peak to trough pullback – the longest in history. Additionally, what happened in the market on Friday, February 2nd and Monday the 5th was reminiscent of historic crashes. However, there has been a belief that the correction was exaggerated spurred on by program and algorithmic trading. Understandably, there is a lot of concern with the recent market movements but looking at the market environment suggests there is no need for alarm:

- Fundamental conditions are not currently ripe for a bear market or recession;
- Corporate earnings are robust;
- The economy is recovering, and;
- Company valuations are reasonable.

Having said that, interest rates are on the rise, not just in North America but globally. The key question is how far and how fast will this trend continue and what the impact will be on markets beyond the sharp pullback we saw earlier this month. Unfortunately, no one can predict the exact timing of rate moves but our view remains that the bond bull market which started in the early 1980s is on its last legs. Put another way, we believe long-term interest rates will move up in the U.S. and Canada over time and that it is important to consider interest rate risk when considering investments. Accordingly, our strategy is to continue to underweight fixed income securities and overweight equities. On the equity side we see a number of opportunities among large, high quality companies in North America. Our portfolios have a large allocation to financials and particularly life insurance companies, which benefit from higher rates. We also note that U.S. financials are among the biggest beneficiaries of the recently passed U.S. tax cuts.

While popular perception is that rising interest rates are negative for stocks, research shows that this is not necessarily the case. While the median annual return for the S&P 500 has in fact been better when interest rates are declining, interest rate cycles for the last 60 years

## Monthly Market Commentary – February 2018

shows that the market can absorb interest rate increases as long as they are gradual and absolute levels do not go much above the mid-single digit range (the S&P has historically struggled once the US 10-year yield goes above the 6-8% level). The good news is that we are still a very long way away from these levels and expectations are for the Fed to continue to take a conservative stance in their unwinding of historically low rates.

# Complementing Your Healthcare Benefits With Insurance

With the controversy surrounding healthcare reform in the U.S., most Canadians consider themselves fortunate to have access to a universal healthcare system. However, not all services and procedures are covered by provincial healthcare plans. And, while employer-sponsored healthcare plans provide additional coverage, there are usually restrictions, limitations and caps placed on the services provided.

To safeguard against the potentially devastating impact a life-threatening illness or disability can have on you, your family and your finances, critical illness, long-term care and disability insurance can offer coverage beyond that provided by government and employer health plans.

## Critical illness insurance

With advances in medical science Canadians are surviving illnesses that probably would have resulted in death in the past. But, while people are surviving, their finances may not. A critical illness such as cancer, heart attack or stroke can have a devastating impact on your financial well-being. You may be unable to work and medical bills not covered by government and company health plans can mount up quickly. You may also incur unexpected expenses throughout your illness and recovery that traditional health plans don't cover. Without critical illness insurance, it may be necessary to draw on your investment portfolio to cover expenses, which could significantly impact your retirement savings.

Once diagnosed with a qualified illness, a critical illness insurance policy generally pays a tax-free cash benefit (typically about 30 days after the initial diagnosis and assuming you survive), which is equal to the amount of insurance you purchased. How you use the money is entirely up to you. You can use the benefit to take a sabbatical and recuperate, pay off your mortgage, make renovations to your home to accommodate any special needs, inject money into your business to keep it going while you're recovering, or even pursue private medical treatment outside Canada. The flexibility provided by critical illness insurance benefits can help alleviate financial worries during this time.

## Long-term care insurance

The rising cost of long-term care can quickly erode your savings. Long-term care insurance, which can also be used to complement critical illness coverage, is designed to help people maintain their independence by providing the financial resources needed to control how and where they choose to live.

Long-term care insurance generally provides a daily tax-free benefit to cover the costs of a nursing home or professional in-home care. To qualify for benefits, a person must be unable to perform two or more Activities of Daily Living (ADLs). Common ADLs are bathing, eating, dressing, toileting and transferring. An example of transferring would be rising from a chair unassisted.

Long-term care insurance provides the financial support necessary to help you live life on your terms while helping to protect the value of your estate.

## Disability insurance

The ability to earn an income is important since it generally supports one's lifestyle. If you're unable to earn an income due to health issues or a disability, having adequate disability insurance coverage is important for meeting your living expenses and achieving your long-term financial security.

The chances of your home burning down or your car being involved in a serious accident are much lower than your chance of becoming disabled. **Table 1** shows the probability of disability and its duration across an individual's working life. It's important to note that the chance of being disabled longer than 90 days is actually higher the younger you are.

**Table 1**

Age	Probability of Being Disabled Longer Than 90 Days	Average Length of Disability After 90 Days
25	58%	1.2 years
30	54%	2.5 years
35	50%	2.8 years
40	45%	3.1 years
45	40%	3.2 years
50	30%	3.1 years
55	25%	2.6 years
60	14%	1.6 years

Source: 1985 Commissioner’s IDA Morbidity and Commissioner’s Standard Ordinary (CSO) Mortality Tables, Society of Actuaries.

Disability insurance is designed to replace a portion of your income in the event you become disabled due to accident or illness and are unable to work. While your employer may offer disability insurance as part of their company benefits package, you should check the details of your policy as company benefits often only cover a percentage of your income. In this situation, it might be beneficial to purchase supplemental disability insurance coverage.



For more information on how these types of insurance coverage can help protect you and your family, please contact your BMO financial professional.



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