

# What are the different types of life insurance in Canada?

## Term life insurance

Term life insurance policies provide the owner (policyholder) with insurance coverage for a set period, typically one, five, 10, 15, 20 or 30 years, or until a specific age like 60 or 65.

If the term set out in the policy is reached and you are still alive, there is no payout. At any time, you can decide to apply for a new policy, or to renew the coverage at the end of the term, if the policy allows it. Term life insurance policies are usually renewable, but at a higher premium cost than the previous period. Since term life insurance policies have lower premiums than permanent ones at the start of the contract, they are the most purchased type of life insurance.

## Permanent life insurance

Permanent life insurance has no term limit. It will last for your entire lifetime, provided you continue to pay the premiums. The premiums will not change and as a result, are significantly higher than term life insurance. Some permanent insurance plans also have cash values in addition to the insurance amount. The cash value is accessible when the

contract is cancelled, or you can use the cash value as collateral for a loan. The two types of permanent insurance are Universal and Whole life.

Universal life insurance is a combination of term insurance, permanent insurance, and a savings/investment account. You get the advantages of the affordability of a term plan, the potential lifetime protection of permanent insurance and the potential of tax-preferred savings growth within the life insurance policy.

Whole life insurance provides a combination of permanent life insurance protection and an opportunity for tax-preferred cash value and an increasing death benefit over time. The base insurance protection is guaranteed for life, if premiums continue to be paid. With whole life insurance, your policy may receive dividends as determined by the insurance company. You can use dividends to buy more insurance coverage, receive a cash payment, apply them to your annual premium or leave them on deposit – the choice is yours. With whole life insurance, depending on the dividend option you choose cash values build up over time on a tax-preferred basis which you can access whenever you need.

## How much does life insurance cost?

The cost of life insurance depends on multiple factors. Let's look at a 35-year-old looking to replace your income for your family for 10 years if you die. After completing a financial plan, it was determined you need \$750,000 of coverage.

For \$750,000 in coverage, here is an example of what it could cost each month with a term life insurance policy. You'll notice the rates are more than double for smokers:

Term	Male (35) non-smoker	Female (35) non-smoker	Male (35) smoker	Female (35) smoker
10 years	\$32	\$24	\$71	\$51
20 years	\$47	\$35	\$120	\$93
30 years	\$88	\$66	\$205	\$153
100 years	\$445	\$384	\$640	\$505

Consult your accountant, financial planner, or insurance specialist to compare the different types of life insurance and to determine which type of life insurance is right for you.

## Questions?

Contact us at 905-632-6134 if you have any questions regarding this or any other topic.