

Life insurance basics

Maybe you're asking yourself what you need with life insurance, when you're young and full of energy? The term "insurance" has a negative connotation, because it suggests the possibility of something bad happening. But not having insurance won't prevent misfortune. It's better to have a minimum amount of protection.

In fact, your life insurance needs should evolve as your life changes, and you marry, have a family and develop a career. You may now be in one of two situations that are each a good time to take out life insurance.

- Substantial debt or borrowings as a single person

At this stage, the insured capital is generally low because the risk of death is small and you don't have any dependents.

- Child-related expenses; not many assets because you're just starting a career and have a substantial debt load

Even if the need for life insurance is at its peak in order to provide income replacement, the likelihood of death is remote. This makes it easy to get a lot of coverage for very little. In fact, it is preferable to get life insurance with high insured capital in order to guarantee your insurability in case of a change in your state of health and protect your family's financial security in the event of death.

Talking to your branch advisor is the best solution for assessing your life insurance needs. In the meantime, here is a summary of the features of two types of life insurance:

	Permanent	Term
Features	Has two components: coverage and savings (the only exception to this rule is Term 100 insurance, which is permanent insurance that usually does not have a savings component).	Covers a predetermined period (if insured dies during this period).
Duration	Whole life (if kept in force).	<ul style="list-style-type: none"> • Based on term of policy. • Must be renewed. • Can be made permanent (clause in policy).
Cost of premiums	Level (fixed).	<ul style="list-style-type: none"> • Spread out evenly over the term of the policy. • Raised at renewal.
	Four factors influence the cost of life insurance: <ul style="list-style-type: none"> • The amount of insured capital • Age • Sex • Physical condition 	

<p>Advantages</p>	<ul style="list-style-type: none"> • Protects you for your whole life (if kept in force). • Fixed premiums, regardless of age or state of health. • Cash surrender value can be used for advances and to maintain coverage in case of non-payment; policy can be cashed in when life insurance is no longer needed. • Income taxes deferred on capitalized amounts. 	<ul style="list-style-type: none"> • Affordable premiums, initially lower than for permanent life insurance, since they are generally used to cover a period where the probability of death is low. • Can be turned into permanent life insurance.
<p>Disadvantages</p>	<ul style="list-style-type: none"> • High initial cost could prevent subscriber from taking out sufficient coverage. • May be inefficient for covering short-term needs. 	<ul style="list-style-type: none"> • Premiums increase at each renewal and are not always guaranteed. • No longer renewable after age 65 or 75. • In case of non-payment of premiums, the life insurance terminates after 30 days and cannot be put back in force in case of precarious health. • No capital payable if the insured lives beyond the term of the insurance.