



Life Insurance as Income Replacement

Whether you've just accepted your first job or are years into building your career, it's important to consider what sort of lifestyle your salary affords, and who (other than you) relies on this steady source of income. Not sure where to start? Ask yourself this:

- **Are you the main wage-earner in your family? If not, does your family depend on your salary to live?**
- **Do you have children to support?**
- **Are you helping aging parents pay for medical bills or retirement living?**

The more people that depend on your income, the more important it is to ensure that this money is still available to them if the unthinkable were to happen to you. Sure, it can feel a bit grim to consider – but here's the reality: If your income supports a loved one's lifestyle, you'll want to be sure they are taken care of after your death. Simple as that.

Even more simple? The right life insurance can be used as a tool to replace your income if you were to die unexpectedly. And it's more important than you think.

THE IMPORTANCE OF LIFE INSURANCE.

Results from a 2019 survey tell us that 75% of Canadians are living with debt.¹ In this scenario, if the primary wage-earner were to die without a life insurance policy, their family would likely have difficulty managing their living expenses while paying off that debt. In fact, they would probably have to make some pretty major changes to their lifestyle to stay afloat.

Now imagine it was your family: Your spouse may need to sell the family vehicle, or possibly your home, if they can't afford to pay the mortgage. They may need to dip into their retirement savings to pay off your credit card debt or outstanding loans. Family vacations? They may need to be postponed indefinitely.

Given the choice, it's probably safe to say the average Canadian would like to avoid major disruptions to their family's lifestyle in the event they've just lost their parent or partner. And yet, below are some surprising stats that demonstrate a gap in understanding when it comes to the importance of life insurance.

- **1 out of 3 Canadian households don't have any life insurance at all²**
- **67% of Canadian survey respondents put other financial priorities ahead of life insurance³**

Considering 75% of Canadians wouldn't be able to afford their current lifestyle if the main wage-earner in their family were to die, the math just doesn't add up.

CHOOSING THE RIGHT INSURANCE FOR YOUR FAMILY

When it comes to choosing the right life insurance for your unique needs, the best first step is to speak with a Serenia Life advisor. They'll start by asking you some questions to better understand your needs and goals, and then they'll go over your options with you. For each product, there are different plan types that can be customized to meet your specific needs. If you are looking for income replacement specifically, term life insurance is typically the way to go. This type of insurance can also help with mortgage payments, loan repayment, and your children's education.

It's important to note that determining the benefit amount is very specific to your individual needs. You need to consider your monthly salary, living expenses, any existing debts, and how many years of your salary you'd like this money to cover. Then you'll need to do a bit of math. Confused? This is where your Serenia Life advisor can step in and uncomplicate things for you with a simple questionnaire.

Did you know? If you're at the start of your career, and you're young and healthy, this type of insurance may cost you less than a coffee a day. And yet, 55% of millennials wrongly assume that life insurance costs significantly more than that.⁴ Don't believe it? Check out the average monthly rates for male and female non-smokers in their 30s, 40s, and 50s below.

Monthly Cost* for \$250,000 Coverage, Male Non-Smoker

AGE	T10	T20	T30
30	\$14.18	\$18.00	\$26.55
40	\$17.33	\$27.45	\$50.40
50	\$37.80	\$75.15	\$138.15

Monthly Cost* for \$250,000 Coverage, Female Non-Smoker

AGE	T10	T20	T30
30	\$10.80	\$13.95	\$20.03
40	\$14.40	\$20.70	\$38.03
50	\$28.18	\$54.23	\$95.85

IF YOU'RE JUST STARTING YOUR CAREER

At this stage in your life, the likelihood is that you're still young and healthy**. You know what that means? Your life insurance will be a lot more affordable than if you were to wait until you're making the salary of your dreams. If you're convinced you can't take on another expense, take a look at your budget, and re-prioritize a few things. It could be as simple as cutting down your number of coffee runs, opting out of one social event per month, or bringing your lunch to work instead of eating out every day.

Not convinced you need life insurance? Think about who is going to pay for your funeral expenses in the event of your death. Do you really want to burden your spouse, parents, or siblings with costs of as much as \$20,000?⁵ The right life insurance plan means leaving your loved ones the space to grieve – instead of a debt to pay.

IF YOU'RE MOVING UP THE LADDER

Whether you've already achieved your career goals or continue to work towards a coveted promotion, it's probably safe to say you've been employed for several years now. And with experience comes a few grey hairs, so you are likely approaching middle age. While the cost of life insurance goes up with age and changes to health status, the good news is that perhaps you're at the stage of life where you don't have to live on such a strict budget – your kids may be all grown up, and you're earning a salary that doesn't require you to cut corners.

Still not convinced you need life insurance? The older and wiser you get, the easier it is to understand the implications of not investing in your loved ones' financial future. If you were to die unexpectedly, would your dependents have the funds to continue to pay the mortgage, pay off any existing debts, and continue to live the lifestyle they've become accustomed to? If you purchase the right life insurance, the answer is YES!

IF YOU'RE APPROACHING RETIREMENT

Sure, costs may go up again based on your age, health status, and lifestyle – but if your kids have left home, your mortgage is finally paid off, and your living expenses are down, there's no time like the present to make that purchase. While nobody wants to think about their own mortality, it's important to be realistic about drafting (or updating) your will and power of attorney and – yes – getting life insurance too. Already have a policy? Now is a great time to get in touch with a Serenia Life advisor to request a financial needs analysis. And don't forget to start thinking about your sources of retirement income – whether a pension, RRSPs, or the sale of your home – so that you can be sure that you're leaving your loved ones in a comfortable position when it's time to say good-bye.

Still not convinced you need life insurance? As you get closer to your golden years, it's all the more important to think about how your death might impact your family financially. Whether you're helping pay for your grandchildren's RESPs or are leaving credit card debt behind, consider who depends on your financial help and who might take on your financial burden.

Remember, a life insurance policy is a wise use of your salary today – if it can help support your family financially tomorrow.

Ready to explore life insurance options that can act as an income replacement? Connect with a Serenia Life advisor for a FREE Needs Analysis today!

SereniaLife.ca/ContactUs

*Includes policy fee.

**If you are living with a chronic health condition or a recent diagnosis, it is best to speak with a Serenia Life advisor to discuss the most affordable options for your unique needs.

Sources

1. "Canadians and their Money: Key Findings from the 2019 Canadian Financial Capability Survey." Government of Canada. 2019. <https://www.canada.ca/en/financial-consumer-agency/programs/research/canadian-financial-capability-survey-2019.html>
2. "LIMRA Study: An Historically High Number of Canadian Households Own Life Insurance." LIMRA. 2019. <https://www.limra.com/en/newsroom/news-releases/2019/limra-study-an-historically-high-number-of-canadian-households-own-life-insurance/>
3. "2020 Insurance Barometer Study." LIMRA. 2020. <https://www.limra.com/en/research/research-abstracts-public/2020/2020-insurance-barometer-study/>
4. "Canadian Millennials Expressed Concerns With Working Gig Jobs In Environics Research Survey For TD Insurance." Environics Research. 2017. <https://environics.ca/news/life-insurance-the-ultimate-in-financial-adulthood/>
5. "Average Cost of a Funeral in Canada." canadabuzz.ca. October 11, 2021. <https://canadabuzz.ca/cost-of-a-funeral-in-canada/>

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