

Understanding Life Insurance

When it comes to choosing insurance policies, it can be overwhelming to navigate the different types available. But with some understanding of the options, you can make an informed decision that meets your needs. There are several types of insurance policies to consider, including term life insurance, permanent life insurance, universal life insurance, participating life insurance, and critical illness insurance.



Types of Life Insurance



Term



Permanent



Universal



Participating



Critical Illness

- A business owner may purchase a term life insurance policy to protect their business in case they pass away unexpectedly, ensuring that the business can continue operating.

Permanent Life Insurance

Permanent life insurance is another option to consider, often called whole life insurance because it covers you for your entire life. It provides your beneficiaries with a tax-free payment after you die, and some plans can build cash value over time. Permanent insurance costs are usually guaranteed not to increase from the time you first buy the policy. If you're interested in lifetime coverage, premiums that don't change, and a permanent guarantee that will help protect your family, cover the cost of your funeral, and let you make plans for your estate, then permanent life insurance may be a good choice for you.

Examples:

- An individual who wants lifetime coverage and the ability to build cash value over time may choose a permanent life insurance policy, such as whole life insurance or participating life insurance.
- A person who wants to cover the cost of their funeral and leave a legacy for their loved ones may choose a permanent life insurance policy.

Term Life Insurance

Term life insurance is an affordable and easy-to-understand option that provides flexible protection for a set period of time. If you pass away while the policy is in effect, a tax-free payment will go to the people you designate as beneficiaries. Term insurance is a great solution if you are looking for temporary protection or affordability, such as to cover a mortgage or business loan or until your children are finished with school.

Examples:

- A young family with children and a mortgage may choose a 20-year term life insurance policy to ensure that their family is protected financially if either parent passes away during that time.



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Universal Life Insurance

This is an all-in-one option that combines lifelong peace of mind with a broad range of investment account options for tax-preferred savings growth. You can choose a guaranteed death benefit for your beneficiaries, and the payments you make above the cost of insurance can grow in a tax-preferred savings account or increase the amount of your death benefit. If you're interested in building your savings alongside your RRSPs and TFSA or looking for a way to leave more money for your children or grandchildren, then universal life insurance may be right for you.

Examples:

- A person who is looking for a way to save for retirement while also having life insurance coverage may choose a universal life insurance policy with an investment component.
- An individual who is interested in leaving an inheritance to their children or grandchildren may choose a universal life insurance policy to ensure that their beneficiaries receive a tax-free payout after they pass away.

Considerations

Choosing the right policy can be a confusing process, but asking yourself some key questions can help. Consider whether the policy will meet your current and future needs, the cost of the policy both currently and expected lifetime costs, the provider's financial strength, and whether the company backs its guarantees. Remember that it doesn't have to be an either/or choice between different types of insurance, and you may need more than one type to meet all of your insurance needs. With some understanding and guidance from a financial advisor, you can choose the right insurance policy for you and your loved ones.

Participating Life Insurance

Participating life insurance provides a combination of permanent life insurance protection and an opportunity for tax-preferred cash value growth. The base insurance protection is guaranteed for life, as long as you pay the premiums on time. The policy is also eligible to receive dividend payments, which you can use to buy additional coverage or reduce your annual premium. If you're interested in innovative ways to save for retirement or more effectively plan for your estate, then participating life insurance may be the right choice for you.

Critical Illness Insurance

This type of insurance offers financial help to pay the costs associated with life-altering illnesses, such as cancer, stroke, or heart disease. If you become sick with an illness covered by your policy and survive the waiting period, you'll receive a lump-sum cash payment. You decide how to spend the money, which can help reduce debt, replace any reduced or lost income for you and your spouse, bring in additional help at home for you and your family, and consider new medical treatments and medications not covered by private or government health insurance plans.

Examples:

- An individual who has a family history of a certain critical illness or who is at higher risk due to lifestyle factors may choose to purchase a critical illness insurance policy to protect themselves and their family from the financial burden of a serious illness.
- A person who wants to ensure that they have access to the latest medical treatments and medications may choose to purchase a critical illness insurance policy to help cover the costs of these treatments.

