



00;00;09;25 - 00;00;32;00

Peter Ward

My name is Peter Ward and welcome to the Solutions to Go podcast. Your source for information on investing insurance, banking, tax planning and Healthy Living. If you'd like to know more about anything discussed on this podcast, please visit mysolutionsonline.ca, where you'll find a wide variety of articles and videos. Today we're talking all things life insurance. I was really pleased to have back on the show Tyler Martin, who is a senior plan right advisor here at Manulife. The last time Tyler was here, he took us through the value of advice and the role of an advisor. Today, we switched our focus to life insurance in order to bring some understanding to it. I'll admit that I've often looked at life insurance as a monthly expense, a bit of a nuisance. But what really helped me to understand is that insurance can be a helpful tool when it comes to having peace of mind. We'll talk about the difference between term and permanent insurance, along with some innovative forms of insurance that reward a healthy lifestyle. But the key theme really was the life insurance is about the whole family. It's for your spouse or your children and for your own reassurance that should the worst happen, they will be provided for. Let's jump in. Welcome to the show, Tyler.

00;01;25;27 - 00;01;26;16

Tyler Martin

Thanks so much, Peter.

00;01;26;22 - 00;01;32;17

Peter Ward

So as a plan right advisor, maybe you can take us through what you do on your day to day and just kind of introduce your role to the listeners.

00;01;32;22 - 00;01;52;12

Tyler Martin

Yeah, absolutely. So, the plan right team itself is divided into a couple of different sections, and I am one of the senior advisors in the team. And what that typically means is that we're a little bit more focused on holistic financial planning. So more often than not, members are going to reach out to us because they are specifically looking for some advice with a professional. And there's about 60 of us across Canada. And what we do is we offer that holistic financial planning to people and whatever that might mean to them. So that could mean anywhere from investment planning. Talking about retirement planning, creating financial plans, risk management strategies, you name it, we're happy to touch on it.

00;02;10;14 - 00;02;27;13

Peter Ward

That's great. So today we're going to be talking about one of those aspects. We're going to talk about insurance today. And I don't really think about life insurance. I don't really think about

the need for it. And I think it's something that maybe all the people think about or maybe it started to come into effect in estate planning and things like that.

But in your opinion, when should Canadians really start thinking about taking out a policy or, you know, look at life insurance?

00;02;34;17 - 00;02;56;20

Tyler Martin

In an ideal world, certainly we would be looking at life insurance while we're healthy and we're young. But it's a little bit more difficult to sometimes see the value when you are healthy and young. I think a lot of younger folks like myself, we tend to see it more as an expense rather than an asset. And that's, you know, not necessarily the way that, you know, as advisors, we want to convey that kind of message. So that would really be the ideal time would be when you're healthy and you're young and you can be insurable and you can qualify for the insurance policy, lock in the rate then in there and then you're good for life.

00;03;06;13 - 00;03;10;06

Peter Ward

And is that is that like permanent insurance essentially, or would that be term?

00;03;10;08 - 00;03;19;02

Tyler Martin

So we do sell both term and permanent solutions. And so a lot of times it will come down to the need for the client itself. And of course, you know, more often than not the budget.

00;03;19;04 - 00;03;37;16

Peter Ward

So, you know, let's do a completely hypothetical situation here. So, I'm a 37 year old man, married with two cats and a rabbit. I have life insurance from my benefits at work. I come into your office and I say, Tyler, do I need more life insurance? I'm covered. I have maybe two times my salary, but I've got a mortgage, things like that, and I'm concerned. What would you say to a client that comes through the door?

00;03;40;01 - 00;04;00;11

Tyler Martin

Know, I always tell people it's fantastic that you have the life insurance in itself. It's a really, really great starting point. And the really nice thing with group benefits in particular is that there tends to be a lot of cost efficiency there. It's very, very cost affordable in order for you to be able to get the life insurance coverage that you're looking for in more often than not, you can even get, you know, up to, say, ten times your salary. Sometimes it does require some insurability requirements there, but overall, it is a really cost efficient way to go about it. The only thing that you definitely want to be aware of is that more often than not, you know, with Canadians being as leveraged as they are these days, typical amount of life insurance through their group benefits is around, you know, one to maybe even three times salary. And it's

typically not sufficient to be able to cover their mortgage, any sort of income replacement, final expenses, taxes owing anything along those lines. And there's always a bit of a danger with over relying on group coverage alone because you know what happens if you were to leave the company tomorrow and that's kind of the biggest question mark for the future.

00;04;38;26 - 00;04;56;10

Peter Ward

Yeah. So let's just drill down on that a bit. I mean, if you think about it, you know, I have a mortgage payment. Now what? I'm thinking about life insurance, how far out should I be planning, you know, to leave my spouse to have even with ten years or is it five years like it because you know, is it is it dual income households there'll be income missing there. So is there is there like a rule of thumb that you kind of follow.

00;04;59;22 - 00;05;16;19

Tyler Martin

Or there's not necessarily a black and white way to go about finding out, you know, the proper amount of insurance, including what type of insurance and the overall amount that you're looking for. What I always tell people when I have a conversation around life insurance is that it is not for your own benefit. It's for the benefit of your loved ones. So more often than not, what that means is having that uncomfortable conversation, you know, with your spouse or with your family members and figuring out what they would need if you were no longer here tomorrow. I know it's a little bit morbid, but it's an incredibly important conversation to have. And that's really the only way to find out.

00;05;33;23 - 00;05;48;14

Peter Ward

You know, it's not a one size fits all thing. It's very personal. And, you know, it is hard to talk about and totally understand that, you know, it is a little morbid to talk about, but it's something that you can kind of hopefully set and forget and, you know, maybe review every couple of years.

00;05;48;21 - 00;05;56;05

Tyler Martin

Absolutely.

00;05;56;05 - 00;06;12;25

Peter Ward

So let's talk about the basic types of policy when it comes to life insurance. You know, so I look at them and I think term and then I see permanent insurance and why would I go with one over the other? Like if I go for a term of ten years when I go to renew, isn't it just going to get more expensive? Like should I consider permanent in that case? Or is there some way that you can kind of define the differences?

00;06;19;05 - 00;06;37;21

Tyler Martin

In an ideal world, of course, you know, everybody would have \$1,000,000 of permanent life insurance, but it's just simply not realistic for everybody to have that, you know, right away. What I always tell people is that, you know, starting with term, especially while, you know, you're young and you're healthy and you're accumulating assets, maybe you're growing a young family and you have a lot of expenses coming at you. Cost efficiency is paramount. And in this case, in term, insurance is always going to give you more bang for your buck. So, it's always going to buy more coverage upfront relative to permanent insurance. And one thing that, you know, a lot of people don't necessarily think about ahead of time is that majority of companies these days, Manulife included, the nice thing with them is they do offer the ability to convert the term insurance policy to any permanent insurance policy throughout the life of the term itself. So, by no means are you throwing in premiums down the drain. What you're doing there is you're basically locking in your insurability while you're young and healthy, locking in those term rates at a very affordable rate. And then later on, you know, when cash flow could potentially be a little bit improved, you could look at potentially converting some or all of that term insurance to permanent solutions later on. However, there are, of course, you know, scenarios where people would be able to get, you know, whole life or permanent solutions right away. And that's a bit of a different conversation.

00;07;35;02 - 00;07;48;27

Peter Ward

The decision to convert from a term to a permanent. When would that decision to be made? Is this something that, you know, maybe a health problem with the client or is that just a decision they can make at any time for any reason?

00;07;48;27 - 00;08;08;19

Tyler Martin

Yeah, so they can make the decision at any time. But more often than not, it is more of a life changing event, if you will, that kind of triggers that. But, you know, a lot of times when you talk about term insurance, you know, ideally, we're trying to match the amortization of the mortgage itself. And a lot of times when people start to pay down, that mortgage will come very, very close to being debt free. That tends to be a really good option to kind of replace the mortgage premiums with whole life coverage and premiums instead.

00;08;14;11 - 00;08;38;13

Peter Ward

And that's something that I didn't consider actually. You know, I was always thinking maybe permanent is a better solution. But, you know, over your lifetime, you have different liabilities that expire at certain times. So maybe you do need a bigger term policy for to cover the mortgage. And then as it gets paid down, you know, you can consider converting or so that's a that's actually an interesting take that I never thought about before is, you know, covering your liabilities for a certain term as opposed to, you know, just getting a life insurance policy.

00;08;38;13 - 00;08;58;22

Tyler Martin

And then the most important thing to take away here as well is that you can always get a whole life or a permanent life insurance policy, and add a term rider as an alternative. So, if you're somebody that is simply just against term insurance and term insurance alone, then you can always look at maybe getting a \$25,000 or \$50,000 whole life policy and just tacking on a term rider from there. And now it's kind of the best of both worlds.

00;09;06;18 - 00;09;25;05

Peter Ward

Yeah, it's very much like situation specific we'll say for clients.

Tyler Martin

Yeah, absolutely. Absolutely

Peter Ward

So okay. So I think we kind of covered this, but we'll talk about it again. When is the best time to buy a policy. I was associate life insurance was something older people do for estate planning and looking after their kids and things like that. But you know, you hear that around the office, too. You know, the best time to buy life insurance is when you don't need it or when you're young. So would you have any opinions on that?

00;09;32;27 - 00;09;48;15

Tyler Martin

Yeah, absolutely. I mean, I think it comes down to again and you know, what we said beforehand and you're buying when you're young and healthy is really the most idealistic time to purchase. And. Exactly like you noted there, Peter, you know, I think when we talk about life insurance, the most important thing is to have it, not need it, rather than to need it and not have it. Because when you need it and you don't have it, it's, you know, unfortunately too late at that point to be able to get something in place. And a lot of times, you know, I can speak personally as well that sometimes it's difficult for younger folks to be able to see the value in insurance coverage, especially life insurance in their lifetime. And a lot of times it takes, you know, one of those triggering events, whether it's a personal health event or maybe somebody in their family or perhaps a close friend, that maybe they have suffered a premature death or a critical illness that's been, you know, hugely adverse. And their financial situation, that is typically a trigger more often than not that I see. And that tends to be a little bit of a push on their end to go with the life insurance.

00;10;29;14 - 00;10;49;28

Peter Ward

It seems like, you know, some products and companies are strengthening the link between preventative behavior and reduced policies and rewards. Why do you think the insurance industry as a whole is moving more toward the preventative side of things rather than, you know, here's your life insurance and this is how much it costs based on, you know, your ailments. It seems like more now they're encouraging fitness, healthy eating, things like that,

regular checkups and linking those to reduce premiums. Is there is there a benefit to the companies?

00;11;00;04 - 00;11;19;06

Tyler Martin

Yeah, absolutely. I mean, you know, when we look at it right now in many life offers a very unique program. It's called Vitality. I'm sure any of the listeners out there have probably heard about vitality, very unique to Manulife and Manulife alone. It was actually something that was developed in South Africa. And there are some companies in Europe that use vitality as well. And it's incredibly interesting. Now we're starting to see a little bit more of a lengthy timeline around vitality. We can start to see, you know, some of the positive impacts that it's making within the clients themselves. You know, it's getting people, you know, off their couch, getting to the gym, getting to those regular checkups, like you mentioned as well. And in exchange, you know, you can get a free Apple Watch or a free Garmin watch. You can get some discounts along the way. You can reduce your premiums. These are all very positive things. The client wins. And of course, Manulife wins as well because the death benefit doesn't get paid out quite as early.

00;11;52;16 - 00;12;18;12

Peter Ward

It's important to just promote that link between health and wellness. You know, I myself, I have the Garmin, you know, I have the vitality through the group benefits and I really enjoy it. And it really pushes me to work out to get those points every week, you know, and then they get the gift cards, etc.. So I do think that it's really building this positive behavior for Canadians, and I think it's great. Let's flip over to estate planning. What are some of the different ways insurance can be used for estate planning?

00;12;24;06 - 00;12;53;24

Tyler Martin

So there are tons of different ways to think about insurance for estate planning. Majority of times when we talk about estate planning, we're typically going to be focusing a little bit more on life insurance relative to living benefits in particular. And, you know, there are ways, legal ways you can set up trusts and things like that. But really, for the purpose of the discussion today, for insurance specifically, generally speaking, we're talking a little bit more about whole life or permanent coverage because at the end of the day, none of us know when we're going to bite the bullet. However, we're all going to bite the bullet at some day or another.

Absolutely. So, term insurance, unfortunately. You know, it's great for accumulating assets, protecting liabilities while you're young in your you know, within your working years. But eventually that term insurance doesn't necessarily provide the same level of value. Like you noted earlier, there typically are going to be renewals and the cost will increase over time as well. So from a estate planning perspective, we have to kind of look at, you know, what kind of liabilities are going to be there at death. For example, if somebody has a cottage, that is something to consider from a capital gains perspective. So, there are ways to look at liabilities and set up whole life coverage accordingly. And the nice thing with any permanent life

insurance policy, at least for the majority of them, the death benefit is typically going to grow over time. So the longer that you live, the more that your beneficiaries will ultimately benefit. And it also isn't basically an inflation protection mechanism as well.

00;13;48;15 - 00;14;07;14

Peter Ward

Interesting. That's just to just dive down into the cottage scenario a bit more because obviously if a spouse dies, you transfer the cottage, it's not a big deal. But if you know the last surviving spouse dies and passes it onto the children, then there's a taxable liability there. So you could use life insurance to cover that liability essentially, and keep the cottage in the family.

Is that kind of what you're saying?

00;14;08;15 - 00;14;26;03

Tyler Martin

Absolutely, 100%. So that's exactly what it is, because, you know, oftentimes, you know, it's difficult for parents to kind of force a sale on children, for example, from my experience. And a lot of times that's exactly what happens because people will never know when they're going to pass away or, you know, suffer any sort of, you know, health event along the way. And that's not going to allow them to continue paying the mortgage premiums for the cottage, for example. So, it's really important to kind of get something in place early on and especially lock in those rates again while you're young and you're healthy as well.

00;14;38;05 - 00;15;02;21

Peter Ward

Yeah, that's something that I had never thought about before, because if you think about the capital appreciation of a cottage over 30, 40 years. Right, it's it may not even be economically viable for the kids to keep it. So that's really where I find the value in life insurance is, planning for you know, I mean, like you said, it's morbid, but the planning for when you pass on and, you know, passing something on to your kids, etc., so yeah, I think there's a lot of value in that.

00;15;02;21 - 00;15;32;25

Tyler Martin

It doesn't have to be necessarily for a cottage. It can be, you know, just for the sake of creating intergenerational wealth or estate preservation as well. There are tons of benefits that insurance can give you, but a lot of times it really comes down to putting something in place early on enough that you have enough years to be able to accumulate cash value in the policy and really, you know, see the benefit, you know, over the course of the, you know, 40, 50 plus years.

00;15;32;25 - 00;15;44;26

Peter Ward

So, let's get to the big question. It's a question that we ask at the end of every episode. And I think you might've touched on it a few times, but what is the one thing you wish the general public better understood about life insurance and its function?

00;15;44;26 - 00;16;02;05

Tyler Martin

It's a really tough one to answer here. Just to kind of put my hand on one thing, it's always a bit of a challenge. But I think, you know, if I had to say one thing and one thing alone, I would really focus on the fact that nobody Superman. And as much as, you know, we're we might be young, we might be healthy today. You know, we never know what the future's going to hold. So really, insurance is all about risk mitigation, you know, kind of hedging your risk for the future in the event that something does happen. So, I think that the most important thing is to have a conversation with a financial planner that you trust and have a good relationship with. If you don't have one, you're more than welcome to reach out to myself or anybody else in the plan right team at any time. And we can have that conversation together as well. But trying to get ahead of things is really the most important thing in my opinion.

00;16;31;00 - 00;16;36;15

Peter Ward

That's great and very well said. So, thank you, Tyler, for being part of the show and we hope to have you back soon.

00;16;36;16 - 00;16;41;01

Tyler Martin

Thanks so much, Peter.

00;16;41;01 - 00;17;01;10

Peter Ward

I was really happy to have Tyler back on the show. Some of my key takeaways there was that life insurance isn't a one size fits all solution. Sometimes term is better getting something in place that covers liabilities for younger families. Then, as we get older and accumulate more assets, there are some situations where a permanent policy may be the best option. The main thing is to speak to advisor. They should be able to guide you through your options. I know it's not the most comfortable thing to talk about, but in this case I think the old adage rings true. It's better to have it and not need it. Than to need it and not have it. Thanks for listening to the Solutions to Go podcast. If you're enjoying the episodes, please like and subscribe.

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Peter Ward

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