How is Your Financial Parachute?

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Most of us take for granted that we will be able to get out of bed every morning and go to work to earn a living. We base all of our financial plans on this seemingly obvious concept. **Our most valuable asset is the ability to earn an income**. Unfortunately, it is also one of the most vulnerable and most of the undesirable things that can affect it are beyond our control.

You have life insurance, a medical and dental plan, and full coverage on your house, cottage and vehicles. But have you secured your most valuable asset against the greatest risk? The threat of a disability is greater than the other risks you routinely cover. Look at the risks we face each day and the chances of them happening:

- 1 in 88 homes catch fire in a year[1]
- 1 in 21 vehicles are involved in an accident[2]
- 1 in 3 people are disabled before age 65 for 90 days or more[3]

A disabling injury or sickness that lasts too long can be catastrophic. The principal breadwinner of a family, instead of being a major source of family income, becomes a drain on its remaining resources. And these resources may already be strained by other family demands.

The facts tell us that a substantial number of us are destined to have the ability to work taken away by a period of disability. For example, a 25-year old has a 53.7% chance of becoming disabled for 90 days or longer before age 65[4]. A 35-year old has a 50.3% chance and the probability for 45-year old is 44.3%.[4]

Many mistakenly believe that most disabilities are accident-based. Nothing could be further from the truth. In mid-career, age 45, only 25% are due to accidents[4]. Even at the higher-risk age of 25, just 46% of disability claims are accident-related[4]. By age 62 this has dropped to a mere 12%[4]. As less than one in sixteen of such accidents occur in the workplace, few are covered by Workers' Compensation.

Other government plans, like Canada Pension Plan (CPP) and Employment Insurance (EI), may pay you if you become disabled. However, the benefits are minimal (maximum $1,363.30 per month for CPP and $573.00 per week for EI as of February 2020) and may be short-lived (just 15 weeks for EI).

If you become sick or hurt and cannot work, how will you pay your bills? How long will your savings last? Who will support your family? Can your family support you? Can you afford to stay in your present home? If you do not have satisfactory answers to any of these questions, you should consider disability insurance.

[1]National Fire Protection Association: Residential Fires; 2011
[2]Insurance and Liability Resource Centre for Nonprofits, 2004
[3]Canadian Life and Health Insurance Association: A Guide to Disability Insurance; 2012.
[4]Canadian Life and Health Insurance Association Disability Tables, Society of Actuaries 1985 Commissioner's Individual Disability Tables, A Health and Activity Limitation Survey

Questions about financial security planning?

Contact our office! [1]

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