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INCOME SECURITY

Lessons learned from a tragic game of touch football

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Howard Rocket was 48 when he was hit with the consequences of an unexpected accident during a game of touch football one Sunday in 1995.

"I went up for a pass, slipped and hit my neck on the ground," says the former Toronto dentist who is now 64. "Basically I broke an artery in the spinal cord area, and suffered a stroke. … At the worst times, I was blind, couldn't speak, couldn't do anything. But I recovered."

Dr. Rocket says he probably would have gone bankrupt following his accident if he hadn't invested and saved while co-founding walk-in dental clinics in 1980 that he later sold. Although he had life insurance, he didn't have a thorough financial plan, and certain insurance products weren't around at the time of his accident to provide for his wife and two daughters.

"Many people think they're invincible. But if something does happen, they have to be protected for themselves and their family because it can cause a devastating financial problem which can turn their whole life upside down," says Dr. Rocket, who walks despite paralysis on his left side. Now an entrepreneur and motivational speaker, he has written a memoir of his journey, *A Stroke of Luck*.

Investing and saving before an unforeseen illness or accident takes you out of the workplace is but a small part of protecting yourself, family and estate, experts emphasize.

Mark Halpern, a certified financial planner who has guided Mr. Rocket and his family in recent years, says changing work and family dynamics have made protecting income and finances crucial – especially as the health-care system deals with an aging population that is living longer, and the federal government discusses possible changes in the Canada Pension Plan and Old Age Security.

"The shrinking family leaves people more vulnerable, and more boomers are taking care of aging parents and their kids still," says Mr. Halpern, who is founder of illnessPROTECTION.com, based in Markham, Ont.

He adds that the growing ranks of people who are self-employed or have contract jobs generally don't have benefit and insurance plans that can help protect the income and assets of workers.

Mike Etherington, a third-generation certified financial planner and president of Etherington Financial Services Inc. in Vancouver, says that ensuring income security – including determining how an accident or illness would affect your bank account, everyday living and retirement – is one of the main cornerstones of a sound financial plan.

Unfortunately, Mr. Etherington says, it's easy to subscribe to "the Superman theory" that nothing bad can happen to you, even though "you could be in the wrong place at the wrong time and get hit by a bus tomorrow."

The best time to take action to protect your finances is when you're healthy, experts stress.

"Most people don't start thinking about these things until they get married and have their first child, or they're buying their first house, or someone actually becomes sick," Mr. Halpern notes. "But the best time to look after things is when times are good, because the options are plentiful. After [an accident or illness], they have much more limited options, which can place a burden on families and finances."

Designing a financial plan to cover an unforeseen work stoppage includes assessing any group coverage at work – such as critical illness, disability, life and long-term-care insurance. Employees must decide whether additional private coverage is needed to supplement lost income.

Critical illness insurance, which came to Canada around 1996, is especially recommended – whether working or not – given that one in three Canadians will develop cancer, one in two heart attack victims is younger than 65, and three-quarters of the 50,000 Canadians who suffer a stroke annually will be left with a disability, according to health sources.

Typically, critical illness coverage pays a lump sum ($50,000, $100,000 or $250,000 depending on the amount of coverage) if the insurance holder is diagnosed with any of more than 20 diseases or conditions, including cancer, stroke, heart attack, Alzheimer's and multiple sclerosis. The idea is for that lump sum to supplement or replace income that may be lost while off work for treatment or recovery. It can also help cover expenses such as private nursing care, modifications to home or vehicle, and care for a spouse or children.

Cost can be a factor when considering whether to take out insurance, with premiums varying with your age, whether you smoke, your health, how much coverage you take and its duration.

For instance, $100,000 of critical illness coverage would cost a 45-year-old healthy male non-smoker about $71 a month, and a female non-smoker $69 a month based on a 10-year term. For about triple the premium, that same 45-year-old can get a policy with level premiums guaranteed to age 75, and have the option any time after 15 years to get 100 per cent of his or her premiums returned, provided no claim was made.

Recent economic uncertainty has prompted some insurance companies to promote job-loss insurance, which can help cover payments on lines of credit and credit cards. But some experts warn that premiums can be expensive and policies often come with conditions for coverage and maximum payment limits.

For Dr. Rocket, the critical illness premiums he would have paid if that product had been offered at the time of his accident would have been a drop in the bucket. “I’m a perfect poster boy for why you need insurance,” he says. “It probably cost me $3-million to $4-million to get me back to where I am today.”

While thorough preparation in the event of an accident or illness seems like a no-brainer, “the challenge is getting people’s attention,” Mr. Halpern says. “We’re so busy, living in such a busy world, and you don’t wake up in the morning and say, ‘I’m going to buy some life or disability insurance.’ That’s why it’s important to take a big-picture view and sit down with a professional, and look at all the risks and chart out a plan for the future.”

Financial planning tips

Save for tomorrow: Have three to six months of liquid funds available – such as cash, or easily cashable money market, bonds or other investments – to tide you through time off work.

Assess any work insurance coverage: Evaluate your group benefits at work to see whether you need any supplemental coverage. For instance, many employers don’t offer disability coverage, which provides financial protection when an accident or illness causes you to be disabled and unable to work, and those that do may offer plans that pay about two-thirds of your earned income if off work on long-term disability.

Protect against common illnesses: Critical illness insurance pays a lump sum of up to $2-million, depending on the coverage you get, after about 30 days of getting diagnosed with one of about two dozen illnesses.

Think long-term care: Long-term-care insurance, which is becoming more important as people live longer, provides money to someone who needs home or facility care, and/or help doing everyday things such as dressing, eating or bathing, or have cognitive impairment like dementia or Alzheimer’s. The biggest policies available offer about $9,000 in tax-free monthly benefits, or you can have a payout policy or an indemnity policy, which will replace monies spent up to $9,000 about month.