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Insurance is key to financial planning

MONEY 301 But most people don't have enough, says columnist *Ellen Roseman*

[ELLEN ROSEMAN](#)

Insurance is the foundation of financial planning. A sudden death, accident or illness can bankrupt you.

But many people are under-insured. They don't like being forced to dwell on unpleasant possibilities — or they think the odds are stacked against them.

"A modern ingenious game of chance in which the player is permitted to enjoy the comfortable conviction that he is beating the man who keeps the table." That what's Ambrose Bierce said about insurance in *The Devil's Dictionary*, published in 1906.

Financial advisers have trouble selling insurance to people who don't want to buy it. But true-life tales can turn skeptics into believers.

Mark Halpern, a certified financial planner in Toronto, uses his own life story to show the value of insurance.

"My father died of a heart attack when I was 11," he says. "I had three older brothers and my mother had to go back to work at age 48.

"He had no insurance, no will, no safety deposit box. It was a mess."

Halpern now has four children of his own and another on the way. As an insurance specialist for 15 years (his website is [IllnessProtection.com](#)), he tries to "crash-test people's lives," showing what happens if they're killed or disabled without any benefit programs to cover them.

One of his clients, Paul Rubb, died of cancer at age 45, leaving a stay-at-home wife and three young

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children.

Rubb had a critical illness insurance policy, which helped cover expenses before his death, as well as a substantial life insurance policy.

"I was always adamant that we have life insurance," says widow Miriam Rubb, 43. "I never finished university and I can't work, beyond being a sales clerk at Winner's."

However, she has to go to work soon. Even with a \$2 million life insurance policy, she finds it hard to maintain her family's lifestyle.

"I'd feel better if I could live off the principal and didn't have to dip into it every month," Rubb says.

Left with \$1.75 million after paying off debts, she invested the insurance proceeds in guaranteed deposits that pay only 3 per cent interest (or less than \$45,000 a year).

She set up an apartment in her basement and found a tenant to live there. But that's still not enough.

"Paul wanted \$2 million on his life," Halpern says. "I told him he needed more. But as often happens, I tell clients what they need and they tell me what they want. It's not always the same.

"That's why I have my clients sign a waiver of responsibility, which I keep in their file to protect me."

He likes to tell Miriam Rubb's story at all his presentations to financial advisers. The moral: \$2 million isn't a lot of money if you plan to live off the interest.

When buying a critical illness policy, how much do you need? Halpern advises getting enough to cover at least a year's salary, plus a year of mortgage payments.

Critical illness lets you collect a lump-sum amount when you're diagnosed with a serious and life-threatening condition, such as cancer, heart disease or stroke.

Many critical illness policies will give you a refund of premiums if you never make a claim.

Ronald Porter, a family doctor in downtown Toronto, refers patients to Halpern for critical illness insurance.

"In Ontario, access to health care is restricted. You may need treatment for cancer or heart disease and you can't get it fast enough," Dr. Porter says.

"If you carry this insurance, you can take your savings and get timely medical care in the United States.

"I send two people a week to a clinic in Cleveland, Ohio, or the Mayo Clinic in Rochester, Minn. — and that's just one practice."

Critical illness insurance is still new to Canada and not widely used. Dr. Porter doesn't have a policy of his own yet, but he's working on it.

Tina Tehranchian, a certified financial planner with Assante Capital Management Ltd. in Toronto, focuses on small business owners and self-employed professionals.

"Life insurance is a big part of my practice," she says. "My clients don't have the pensions and benefits that others do, so it's easier for me to open the conversation."

She also talks to her clients about disability insurance, which replaces their monthly income if they're unable to work.

"Disability is the biggest risk business owners face," she says. "The financial loss can be pretty significant during a person's lifetime.

"If there's any money left over, we look at critical illness insurance."

Tehranchian introduces me to a client whose husband has been severely disabled for 26 years. It's the kind of nightmare scenario you hope never happens to you.

John Fisher was hit by a car while crossing the street. He suffered brain damage and has not worked since. (He was 34 years old at the time.)

Because he was covered by disability insurance, he could stay out of an institution and his wife, Jan, could stay home to care for him.

A small business owner, John decided to buy the disability plan just a few months before his accident.

"In the summer of 1979, he was swimming in a pool and had an intuition that things could not keep going so well in his life. He needed back-up protection," Jan says.

In September, John started investigating which policy to buy. In November, he made his first payment. And in December, he was hit on the side of his head by a delivery van's mirror.

"Luckily, he had taken out a full disability policy, not a partial one," says Jan. The payments have stayed the same at \$1,800 a month.

The couple also hired a lawyer to sue the delivery company. It took three years but they got an out-of-

court settlement of \$300,000, which they put into a structured annuity.

John has a small vocabulary and he's learned to use a computer. A sports nut, he often attends games on his motorized scooter.

"We've worked hard on his quality of life," Jan says.

An advocate of disability insurance for business owners, she now realizes that she needs insurance of her own.

"John requires full-time care, but we don't have any backup if I get sick," she says.

"I'm thinking of getting a critical illness policy myself. Tina has given me a few examples and I'm going to look into it this year."

Money 301 is taking a break until Aug. 7, when we'll continue this series on financial advisers.

Ellen Roseman's column appears Wednesday, Saturday and Sunday. You can reach her by writing Business c/o Toronto Star, 1 Yonge St., Toronto M5E 1E6; by phone at 416-945-8687; by fax at 416-865-3630; or at ellen@ellenroseman.com by email.

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