




PATH SUCCESS™

Expert Advice on Navigating **CI** Sales 

OVERCOMING OBJECTIONS: I CAN USE MY OWN MONEY

“I can use my own money” is a common objection that advisors often hear with wealthy clients. Sometimes this objection lies with the advisor who assumes their wealthy clients do not need critical illness insurance, so they do not even show it. While it is true that many wealthy clients may not require CI to have accessible cash, you can still generate significant opportunities by repositioning the product as a more efficient way to access money versus using their own money.

NEEDING VERSUS OWNING

For your wealthier clients who have access to significant savings should they suffer a critical illness, it is important to address up-front that we are not suggesting that they need the financial protection offered by critical illness insurance, but that they may benefit financially from owning it. Critical illness insurance can be a more efficient method to access capital than their own savings should they be diagnosed with a critical illness.

For example, if the following client were to be diagnosed with a covered critical illness at age 55, they can:

- **Withdraw \$350,000 from their own savings, or**
- **Pay for a critical illness insurance policy which, in this case, would result in the client paying \$48,910 in total premiums for the insurance company to pay a benefit of \$350,000.**

Assumptions:

- **Male, 45 year old, NS**
- **Marginal Tax Rate (individual): 53.53%**
- **Personal Dividend Tax rate (for dividend income): 47.40%**
- **\$350,000 CI Level to Age 75, annual premium \$4,891***

To get the same after-tax benefit from investing their money instead of paying a premium, your client would need the following returns from their investments:

Age at time of diagnosis	Critical illness benefit amount	100% in interest income	100% in dividend income	100% in realized capital gains income	100% in deferred capital gains income
50	\$350,000	230%	203%	146%	122%
55	\$350,000	74%	66%	47%	39%
60	\$350,000	39%	34%	25%	21%
65	\$350,000	24%	21%	15%	13%
70	\$350,000	16%	14%	10%	9%
74	\$350,000	12%	10%	8%	7%

* Equitable Life Illustration Version 20-1 April 29, 2020



TO THAT END, AN ADVISOR MIGHT SAY:

I want to talk to you about a product called critical illness insurance that you may not need, but a lot of people who have significant savings are choosing to own.

This product provides clients who are facing a significant health crisis like cancer, heart attack, or stroke, with an injection of funds from an insurance company rather than from their savings that they can use however they see best to recover.

Many successful/wealthy clients look at this product this way: Why would I spend my hard-earned savings on funding my recovery when I can use the insurance company's money instead?



TRAVEL INSURANCE

Would your client consider traveling outside of the country without taking out adequate travel insurance coverage? Generations of clients have transferred the financial risk of a health event while travelling, to an insurance company even for a short trip. When your client purchases travel insurance they are acknowledging two things:

- **they are vulnerable to having a significant health event (In other words, they think “it could happen to me”), and**
- **they are concerned it could happen in the short time over their vacation.**

It is your role as their advisor to extend adequate insurance protection including critical illness insurance, which addresses the same concerns as travel insurance, which are your clients:

- **are vulnerable to having a significant health event (diagnosis of a critical illness), and**
- **could be diagnosed with a critical illness at anytime**

If your client understands the risk of traveling without Travel Insurance, they should also be able to understand the risk of living without Critical Illness Insurance.



TO THAT END, AN ADVISOR MIGHT SAY:

Do you travel at all outside the country?

How much would you travel each year?

When you travel, do you make sure you have travel insurance?

Why?

The typical response is along the lines of: “If I had an unexpected health crisis, it would be crazy to have to pay those costs myself when I could have had the insurance company pay them.”

That's smart... when you travel x days a year; you transfer the potential costs associated with a health crisis during that time to an insurance company by purchasing travel insurance. Most Canadians don't know that there is a product that can provide funds while they are at home or away should they have to deal with a serious illness like cancer, heart attack, or stroke. Unlike Travel Insurance, though, critical illness insurance can protect you and your family 365 days of the year at home or abroad.



With Travel Insurance, you pay a small manageable cost to an insurance company and shift the significant financial payout if you suffer an illness while traveling to an insurance company. This is the same with Critical Illness Insurance; you pay a small manageable cost to an insurance company and shift the potential need for funds for treatment and recovery if you suffer a covered critical illness to an insurance company.

Shouldn't we consider protecting your finances from a major health event for more than just the x days you are out of the country each year?



GENERAL INSURANCE

Do your clients insure their valuable items such as art and jewellery, even though they might be able to purchase them again if they were stolen? Clients know that it is smart to give a small monthly amount to an insurance company to replace expensive items should they be stolen or damaged. The concept of insuring valuables is not new and can be dated all the way back to the 1st millennium BC when merchants paid to insure their goods being shipped together. The collected premiums would be used to reimburse any merchant who lost their wares during transport, due to storm or sinking¹.

If general insurance makes sense to protect, for example a \$20,000 piece of art, then critical illness insurance makes even more sense since it could potentially protect against a significantly higher amount than \$20,000. Compared to general insurance, critical illness insurance is relatively new, and therefore the prior generations who did not have access to it have not shared its importance with today's generation. We can however leverage the wisdom of general insurance to show your clients the value of critical illness insurance.



ADVISOR SCRIPT:

When you buy something valuable, like art or jewelry, do you make sure it is insured?

That makes total sense. Why would you risk having to use your own money to replace it when for a fraction of the replacement cost you can transfer the risk to an insurance company.

What's unfortunate is most Canadians are unaware that they can transfer the risk of having to use their savings to deal with a significant health diagnosis like cancer, heart attack, or stroke to an insurance company.

Critical Illness insurance works very much like your general insurance. You pay a monthly premium, and upon diagnosis of a covered critical illness, the insurance company pays a benefit to help you in your recovery.



RETURN OF PREMIUM

The return of premium rider is covered in detail in the Overcoming Objections: CI is Expensive module, however, it is important to mention it when dealing with the “I can use my own money” objection. Although the return of premium rider will not be suitable for all clients due to their financial position, it can be attractive to your wealthier clients who have this objection.

Your wealthier clients typically have the cash flow to purchase the return of premium and are more likely to be able to fund that rider until a refund is available.



You can end the discussion on any of the strategies discussed above, Need versus Own, Travel Insurance, General Insurance, by adding:

What is great about this product is that we can add a rider called return of premium that gives you the option any time on or after 20 years if you haven't had a critical illness to cancel your coverage and get 100% of all the eligible premiums you paid for your policy back.

Think of it this way, if you did have to deal with a health crisis, your premium outlay would turn into an insurance payout to help you through, and if you remain healthy, you receive all of your premiums back.

Wouldn't it be great if your travel, general, and other insurance plans worked like that?

