PATH to SUCCESS™

Expert Advice on Navigating CI Sales

PIVOTING TO CI FROM INVESTMENT PLANNING

Health Testing Your Client's Current Investment Plan

WHO: Any client with investments

Most clients think that they have a strong financial plan once they have covered off protecting their families should they die and protecting their future for retirement. Rarely is much thought given into how vulnerable their savings are should they be diagnosed with a critical illness.

When talking to your client about protecting their savings, it is crucial for your client to understand that, like them, most people have not considered transferring the financial risk of a substantial health event away from their retirement savings/investment portfolio. If this isn't stressed with your client when introducing protecting their investments, human nature will cause them to push back, especially if they feel that you are singling them out as having missed addressing an exposure so potentially devastating to their planning.

Below are scripts to use when the client is your investment client or when they are someone else's. They differ, so your current client does not question why you had not addressed this risk previously.

SCRIPT TO USE WITH YOUR INVESTMENT CLIENT

I'm pleased with our planning and your commitment to our investment planning strategy.

There is a financial risk we should discuss, which has nothing to do with investment performance, that can severely impact your investment plans, and that is a major illness like cancer, heart attack, or stroke. When these major health events occur, quite often, people's ability to make their ongoing planned contributions stop, and worse, potentially they have to make a large withdrawal to help them through their recovery.

Thankfully a doctor recognized how being diagnosed with and surviving a critical illness was impacting people's savings and worked with insurers to create a product to protect you financially . With critical illness insurance, the insurance company pays you a benefit that puts additional capital into your household on the diagnosis of a covered illness, so you may not need to stop your investment contributions or, worse, access your hard-earned savings.

With cancer alone happening to nearly one in two Canadians, I would rather see us shift this risk onto an insurance company, does that make sense?[1]

SCRIPT TO USE WITH SOMEONE ELSE'S INVESTMENT CLIENT

What most investment plans have in common is a well laid out plan to put a certain amount of money aside each month with the goal of getting a specific rate of return that, by a certain date in the future, will have the right amount built up to meet the investment planning goal.

What I rarely see is a retirement plan that accounts for the extremely likely scenario that a significant illness could occur and disrupt the ability to keep making those contributions. What I also rarely see is a plan addressing the risk that a diagnosis like cancer could require a significant withdrawal of funds to help financially with recovery.

Most Canadians don't know that there is a relatively new product invented by a doctor called critical illness insurance that can transfer this financial risk to an insurance company. In exchange for a small premium, the insurance company pays you a benefit that puts additional capital into your household if you are diagnosed with a covered illness, so you may not need to stop your investment contributions or, worse, access your hard-earned savings.

With cancer alone occurring to nearly 1 out of 2 Canadians in their lifetime, I think it makes sense for us to consider shifting that risk.[1]

WHY CRITICAL ILLNESS INSURANCE IS A SMART SOLUTION

There are two ways your client can choose to protect their investments from a critical illness: they can earmark part of their investment or they can protect themselves with a critical illness policy. Most clients, if given the choice of blocking off $100k of their portfolio as a health care contingency fund or paying a much smaller critical illness premium each year, will choose the latter. To introduce this, you might say:

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The reality is that, regardless of current health, none of us are immune to the possibility of a significant health event like cancer, heart attack, or stroke. Nearly one out of two Canadians will have cancer in their lifetime. Unfortunately, many will have to access significant capital from their investment savings to help them through recovery.

With the likelihood of being diagnosed with a covered critical illness being relatively high, I think it's prudent to have a contingency in place for accessing capital if an illness occurs. Thankfully, there is a better way than just earmarking $100,000 of your portfolio and leaving it for a potential health crisis. A Doctor invented a product called critical illness insurance, whereby we can allocate a much smaller monthly insurance premium that would inject the $100,000 into your household if you were diagnosed with a covered critical illness.

Most clients would choose to put aside a smaller monthly premium and enjoy using the $100,000 in their investments on things post recovery they planned on like travel, golf, and so on.

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REGISTERED VERSUS NON-REGISTERED

WHO: Clients with a non-registered emergency fund

Some people may argue that they don't need critical illness insurance because they have set aside money into an emergency account which they can access should they need to. Typically the account is a non-registered account or a TFSA. While this is sound financial planning compared to using taxable investments, most people don't realize that having an emergency account may not be the most efficient way to fund and cover off all types of risks. With critical illness insurance, you can show your client a more efficient way to access funds should the emergency be due to a critical illness.

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I think every single person requiring funds to assist them or a family member through something serious like cancer would take the money from a non-taxable source like their non-registered accounts or TFSA as opposed to accessing their taxable registered accounts. Utilizing these non-taxable accounts is far more efficient than withdrawing funds from a source that would require paying tax.

Now what most people don't know is that there is a way to access funds to deal with something serious like cancer called critical illness insurance that is even more efficient than using their own non-taxable funds. A doctor worked with the insurers to develop this product that allows us to pay a small amount (or to re- direct a small amount each month from your investments) to the insurance company, and if a major illness occurs, they pay you a benefit. This payment is tax-free and only costs you a fraction per dollar you would have had to withdraw from your non-taxable savings. You can use the money any way you want to help you and your family through recovery, and the good news is that you don't have to worry about replenishing your non-registered savings account after recovery.

So, for a relatively small insurance premium you are protecting yourself and your savings if diagnosed with a critical illness and it's a far more efficient way of protecting yourself compared to having to access any part of your hard-earned savings.

With cancer alone occurring to nearly one in two Canadians, I believe it makes sense to shift this risk onto an insurance company.[1]

REGISTERED VERSUS NON-REGISTERED

WHO: Risk averse clients

The following is a short but interesting question that can stimulate conversation with your client. Asking this question is most effective in volatile m arket conditions where people feel a heightened awareness of the risks to their portfolio.

Is your portfolio subject to health risk?

OR

Is your portfolio protected against health risk?

Most clients will respond with a "what do you mean?"

Unfortunately, with the high incidence of major illnesses like cancer, heart attack, and stroke, many Canadians will end up drawing on their hard-earned investment savings to financially help them with their illness and hopefully their recovery.

Any withdrawal, whether large or small can have a significant impact on a long-term financial plan. Worse, if the withdrawals are made when markets and portfolios are depressed, the negative effect of withdrawing funds is futher compounded.

Thankfully, a doctor created a progressive new way to shift the finanical risk of a critical illness diagnosis from off your portfolio onto an insurance company. With critical illness insurance we re-allocate a small piece of your savings each month to the insurance company. By doing this, if you have a significant illness that is covered by the policy, the insurance company will pay you a tax-free benefit rather than you having to access your savings. Nearly one in two Canadians will face cancer in their lifetime; do you think it makes sense to explore that option?[1]

RETURN OF PREMIUM

WHO: High net worth/Large investment clients

Large investment clients make excellent candidates for the return of premium on death and expiry/surrender riders as part of your critical illness discussion. With return of premium, you can position critical illness insurance as a product with a significant chance of return with a downside of a 0% rate of return. Most other investments with large potential rates of return come with the potential of large risk of reduction or even the complete loss of the principal invested.

With critical illness insurance, an ultimate 0% rate of return is actually a very good thing, as it means the client lived many years without having a critical illness diagnosis and with no loss to their principal.

ADVISOR SCRIPT

By putting critical illness insurance in place, you pay a relatively small premium, and if diagnosed with a covered illness, the insurance company would pay you a benefit for an amount larger than the total premiums you've paid. This is much more efficient than having to access your hard-earned savings. With cancer alone occurring to nearly one in two Canadians, I believe it makes sense to shift this risk onto an insurance company.[1]

We can structure this product so if you pass away prior to a critical illness benefit being payable or the policy expiring, the insurance company returns 100 percent of your eligible paid premiums to your estate. Further, if you remain healthy for 20 years or more, you can cancel your coverage and receive all your eligible premiums back.

So, there are several outcomes:

1. If you suffer a covered illness, a benefit will be paid from the policy
2. You pass away and you receive all your eligible premiums back,or
3. Ideally, you keep your policy to expiry and never suffer a critical illness, resulting in a 0% return which cost you a tiny portion of your overall portfolio.

This 0% rate of return should be our mutual goal as it would mean you did not have to deal with something significant like cancer, heart attack, or stroke.

IF CI WAS AN INVESTMENT PRODUCT

WHO: Speculative investors

This strategy will resonate best with clients who may not typically be pro-insurance and with speculative investors. The approach is to present the internal rate of return of critical illness insurance with a return of premium rider and ask them if they would be interested in a vehicle that provided significant potential returns in the event of an early diagnosis, with the downside being the full return of principal due to the return of premium rider.

It is fascinating how many clients put a portion of their investments into vehicles that do not share as favorable a risk-return relationship as critical illness insurance.

Some advisors may feel uneasy positioning a high rate of return upon diagnosis as being a positive thing, and we agree. No return makes having one of the covered illnesses desirable, which is why this strategy includes the return of premium, and the advisor and client should both hope for a zero percent return, which means no diagnosis, but instead continued good health.

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I would like to show you a product today that if it were an investment as opposed to an insurance product, many investors would think it might be too good to be true.

The product is critical illness insurance, and in exchange for a monthly premium, upon diagnosis with a covered illness like cancer, heart attack, or stroke, you receive a tax-free payout to help you and your family through recovery.

With cancer happening to nearly one in two Canadians, many people will receive these significant payouts at a challenging time. I would rather my clients receive these funds from the insurance company than out of their hard-earned savings.

My goal for all my clients is for them never to have a significant health diagnosis and never receive a critical illness insurance payout.

What you would be interested in knowing is that we can structure this product so that if , you are not diagnosed with a covered critical illness for 20 years or more, you can cancel the coverage for a 100% refund of eligible premiums paid.

This downside protection is very different than most products or investments whereby if you can have a significant return, your principal is typically at risk of going down.

I know that many of my clients, unfortunately, will deal with a significant diagnosis and benefit from the large payout, but I like that the rest who stay healthy get all their money back*.

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NOTE: It is important to read the contract for full details on how Return of Premium works and what premiums are eligible for return.

[1]SOURCE: Canadian Cancer Society https://www.cancer.ca/en/cancer-information/cancer-101/cancer-statistics-at-a-glance/?region=on

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