

May 12, 2020

Good day!

The current situation is bringing to light a very interesting perspective on life. Covid-19 is equalizing the world; no one seems to be exempt regardless of age, sex, financial status, geographic location or occupation. As such, I have found myself thinking about one specific aspect of the Financial Planning process – Risk Management.

This is something we all do on a regular basis. We buy security systems and alarms for our homes and business to protect from the risk of theft and injury. We install virus protection software on our devices to protect from the risk of our systems being attacked and taken over. We wear helmets when doing many activities to protect from the risk of physical injury. When there is RISK, we need to protect ourselves or our belongings.

The Risk protection that I am going to focus on today covers a few other areas of our lives. We address the risk of leaving loved ones struggling financially upon our death by putting Life Insurance in place. We address the risk of being personally financially impacted from a serious illness or injury by getting Critical Illness and Disability Insurance. Another type of protection is Health Benefits that reduces the cost to us of expenses such as prescriptions, eye ware, dental services and therapists like massage and physio.

Do you know where life insurance came from? It was started in the farming communities who identified the risk to their families if one of them was no longer around to support their family. These farmers decided to pool their money and then when one family experienced a death, they took some of that money and gave it to the family members (known as beneficiaries) to ensure they could survive until they were able to get back on their feet. The remaining families continued to contribute to the fund and over time, they set up a group to manage the money and distribution of the funds and voila, we have a thriving industry based on the theory of protecting the individual through the group. A very altruistic idea actually.

Another fun fact, Critical Illness was started in Africa in the 1980's and at that time was called 'Dread Disease' protection. Needless to say once the marketing guru's got hold of this, they changed the name to make it more appealing. Good decision I say! This type of insurance covers you while you are alive but are impacted financially by a serious illness or injury.

As a financial planner, Risk Management is an integral part of a financial plan and an important complement to the Investment component. Often when you get started in life, you have a lower net worth. Your assets are not much higher than your debts, they could be house value versus mortgage, savings versus credit cards and vehicle versus loan value. These are the higher risk years if you have people dependent on your income to continue with this lifestyle. Life insurance is a way to cover those in your life who would be left behind.

Critical illness and Disability insurance coverage is also important during these years of building assets and reducing debts and you will benefit from this, not just your beneficiaries.

In retirement or when you are debt free, life insurance is an important Estate Planning tool. For example, you may want to ensure the family cottage stays in the family upon your death. Life insurance can be put in place to pay the potential tax due from capital gains; this is often the reason why families have lost a prized part of their life and memories. You may also still have dependents that you want to protect such as a disabled child.

During the financial planning process, we review the various risks you may be exposed to at that point in time and prepare a Needs Analysis to determine the appropriate type of insurance and amount of coverage. If this has peaked your interest or sparked any questions about yourself or other family members, feel free to reach out to me. We can explore what your personal risk is or could be and determine if there is any need for you to have some Risk Management protection in place or reviewed.

My thoughts are with all of you and look forward to hearing from you with any financial concerns or questions.

Best Regards,



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