

CRITICAL ILLNESS COVERAGE

TRANSITION

To conserve your retirement income

Critical illness coverage



Dave's story

Dave is a 40 year-old air traffic controller. He plans to make a \$2,000 annual contribution to his RRSP until age 65. However, at age 52 he suffers a heart attack. He therefore stops making contributions for three years and must withdraw \$25,000* from his RRSP to fill the income gap and pay for home care.

Here's how critical illness coverage could have changed Dave's future.

Critical illness coverage	No	Yes	
RRSP contributions	\$2,000	\$1,285	
Annual premium for critical illness coverage	N/A	\$715 **	
RRSP value at age 65 ⁽¹⁾	\$42,302	\$64,396 ⁽²⁾	← + \$22,094
Annual income at retirement (for 20 years)	\$3,233	\$4,921	
Critical illness benefit	N/A	\$25,000	

⁽¹⁾Assuming a 5% annualized rate of return

⁽²⁾Dave wasn't forced to suspend his contributions or withdraw \$25,000 from his RRSP.

Compare three possible situations

Critical illness coverage	No	Yes	
		Dave is stricken with a critical illness	Dave is not stricken with a critical illness
RRSP value at age 65	\$42,302	\$64,396	\$64,396
Critical illness benefit	N/A	\$25,000	-
Flexible refund of premiums	N/A	-	\$24,302
Total	\$42,302	\$89,396	\$88,698

What would you choose?

*In the example, no tax was calculated on the \$25,000, since the tax refund on RRSP contributions was not taken into consideration.

**Transition T100 Coverage with Flexible Return of Premiums after 15 years.



CRITICAL ILLNESS COVERAGE... to conserve your retirement income



Sandra's story

Sandra is a 25 year-old nurse. She makes a \$3000 RRSP contribution every year. Unfortunately, Sandra is diagnosed with cancer at age 42. She stops making contributions for five years and withdraws \$50,000* to pay the cost of drugs, make up for lost income and pay for other unexpected expenses.

Here's how critical illness coverage could have changed Sandra's future.

Critical illness coverage	No	Yes
RRSP contributions	\$3,000	\$2,415
Annual premium for critical illness coverage	N/A	\$585 **
RRSP value at age 65 ⁽¹⁾	\$185,054	\$306,318 ⁽²⁾ ← + \$121,264
Annual income at retirement (for 20 years)	\$14,142	\$23,409
Critical illness benefit	N/A	\$50,000

⁽¹⁾Assuming a 5% annualized rate of return

⁽²⁾Sandra wasn't forced to suspend her contributions or withdraw \$50,000 from her RRSP.

Compare three possible situations

Critical illness coverage	No	Yes	
		Sandra is stricken with a critical illness	Sandra is not stricken with a critical illness
RRSP value at age 65	\$185,054	\$306,318	\$306,318
Critical illness benefit	N/A	\$50,000	-
Flexible refund of premiums	N/A	-	\$19,907
Total	\$185,054	\$356,318	\$326,225

*In the example, no tax was calculated on the \$50,000, since the tax refund on RRSP contributions was not taken into consideration.

**Transition T100 Coverage with Flexible Return of Premiums after 15 years.

What would you choose?

www.inalco.com

The elephant,
symbol of our 100 years
of strength and longevity.

