

SPECIAL REPORT

Risk Management Review



Live your dream.

When it comes to wealth management, many people simply focus on the “fun stuff”, like saving for goals, rates of returns, and building and modifying portfolios based on market conditions. These aspects of wealth management are exciting and ever changing; however, they can be narrow in scope.

As a prudent investor, before you commit too much of your capital to long-term savings, you may want to consider the risks that can prevent you and your family from achieving your goals. Although you may be reluctant to think about these risks, the harsh reality of life dictates that you can't avoid them.

WHAT IS THE RISK MANAGEMENT REVIEW?

We recommend that all clients engage in a process known as the Risk Management Review, which is the next stage of your Personal Wealth Management Strategy.

The Risk Management Review is the process of examining the risks you and your family may encounter in achieving your financial goals, and ensuring contingency plans are in place should they occur. Clients who experience this process are confident that no matter what happens, they can accomplish their objectives and enjoy peace of mind.

Some of the risks that we look at are:

1. **Short Term Cash:** What if an emergency struck your family? Would you be able to come up with enough immediate cash without disturbing your long-term portfolio?
2. **Disability:** What if you or your spouse suffered a long-term disability? Would the coverage from your work be enough? The Bank of Canada tells us that *4% of all mortgage foreclosures in Canada were caused by the death of a breadwinner and yet 48% were caused by a disability.*

If you need your earned income to attain financial independence, you should transfer the risk of losing income as a result of long-term disability to an insurance company (if possible).

If you are a professional or business owner and have expenses that would continue even if no income were coming in, you should consider transferring this responsibility to an insurance company by acquiring an office overhead/business overhead expense policy.

3. **Premature Death:** One area we are reluctant to consider is the death of a breadwinner. Yet what would happen? Is your current insurance enough to provide for the family? Is it the right type? This could become our worst nightmare both emotionally and financially, and yet many put off even thinking about any of these tragedies—not to mention putting contingencies in place.

4. **Critical Illness:** What if you or your spouse were diagnosed with a critical illness and could no longer work? Where would the income come from? Who would pay the medical bills? What about ongoing treatment? Did you know that one year of sickness can eat up 10 years of savings?

If you are diagnosed with a critical illness, the impact can be immediate or gradual. Some illnesses may require special physical aids to living such as a hospital bed, ramps, or special transportation. Critical illness insurance can provide needed cash upon diagnosis to help offset the costs of these special needs. It could enable you to obtain out-of-country treatment should options in Canada be not readily available. With this type of protection, how you use the money is totally at your discretion.

5. **Long Term Care:** What if one of you was unable to take care of yourself due to a disabling injury or illness? The cost of long-term care either in your home or a facility can be very expensive, especially if you prefer a private facility as opposed to government-subsidized care. While you may think that you can afford this type of care, you could consider transferring this risk for a small cost. You could then protect your estate from the erosion that might occur should long-term care be required. The decision to acquire such protection will primarily be driven by your wish to pass your estate to your heirs without it being depleted by late-in-life expenses.

6. **Out-of Province Major Medical Expenses:** As Canadians, one area of concern is health-care expenses we might incur when travelling outside of our province or visiting another country. IPC can help you obtain insurance coverage to address this concern.

7. **Individual Group Protection (health & dental etc):** If you are self-employed or run a small business, chances are that you and your employees do not have this type of protection.

A Risk Management Review can help put these fears to rest. We will look at each risk and make recommendations on various solutions that you and your family may take advantage of.

If you would like to undergo a Risk Management Review, please contact our office for a consultation.

