

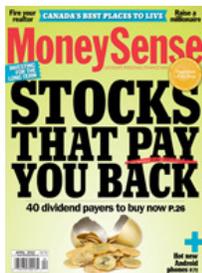
THE POWER OF ADVICE

MoneySense Magazine

Protection plan

Are you sure you have the insurance you need?

By [MoneySense staff](#) | From MoneySense Magazine



When you take out a mortgage, it's a good time to check that you'll be able to access emergency cash if disaster strikes. A job loss or sudden illness can put a heavy strain on your family's ability to make it through tough times. Here's the backup you need:

Get life insurance

Everyone who has dependents should have life insurance. Take out enough to pay off the mortgage and cover your family's expenses for several years. Your employer's benefit plan may provide the insurance you need. If that's not enough, then consider topping up your coverage with affordable term life insurance.

Consider disability insurance

Your family's top income earners should also have disability insurance. This provides a portion of your salary if you become ill or injured and unable to work. "One in six Canadians will be disabled for three months or more before age 50," says Barb Garbens, a fee-only certified financial planner in Toronto. "You have to protect yourself so an accident won't completely derail your life."

Many workplace benefits plans include disability insurance, but watch out for the cap—it may not be enough. If your employer doesn't provide coverage, or you need more, consider a private plan. As an added bonus, their payments are tax-free, which isn't true for corporate plans.

Build up a cash reserve

Try to save up enough in cash to fund six months' worth of expenses. That includes everything from mortgage payments to groceries. "If you have a sudden job loss in the family, it can be a lifesaver," says Rona Birenbaum, a fee-only adviser with Caring for Clients in Toronto. "Or, establish a line of credit you never use. It's there 'just in case.'"

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