There's more to protecting your savings than making sure all your investment eggs aren't in the same basket.

It's also about protecting your investments from the effects an unexpected illness or accident can have on your financial health.

Physical and financial health go hand-in-hand

If you unexpectedly suffer an illness or injury that leaves you needing help with everyday tasks[1], you could face many care-related expenses:

- Personal care, equipment or medication costs not fully covered by government or group plans
- Travel (gas, hotel room, eating out) if necessary treatment is not available locally
- Higher ongoing living expenses (additional child care, home repairs, lawn care, snow removal)
- Lost income above what is available from your disability plan*
- Lost income for family members who may have to reduce their hours or even give up their positions to care for you

What are the risks?

We take everyday activities like getting out of bed, getting washed, and getting dressed for granted. But each year, thousands of Canadians face the reality of needing help with such basic tasks.

- After age 65, 44% of men and 72% of women are expected to develop either a cognitive impairment or a need for help with two or more activities of daily living for at least 90 days

Source: Cohen, Marc A., Maurice Weinrobe, Jessica Miller, and Anne Ingoldsby. "Becoming Disabled After Age 65: The Expected Lifetime Costs of Independent Living," AARP (American Association for Retired Persons) Public Policy Institute, 2005.

* Long term care insurance may be appropriate for individuals who are unable to access enough disability insurance because of low or no reportable income, but disability insurance and long term care insurance do not provide the same coverage. Disability insurance benefits are paid based on an individual's ability to work. An insured individual may qualify for disability benefits but not require long-term care.

Sun Life Financial

Providing care for yourself or a loved one can easily cost $1,250 a week, or $65,000 a year. How would you cover this additional expense?

OPTION 1: Dip into your RRSP

Assuming a moderate marginal tax rate of 40%, covering a one-year, $65,000 care need would require a $108,000 withdrawal from your RRSP. $108,000 invested at 5% for 25 years would have grown to over $338,000.

The cost of "dipping" into an RRSP

- Can't restore lost contribution room
- Can't replace the tax-deferred growth on these investments
- Withdrawals attract tax at marginal tax rate

OPTION 2: Take out a loan

Assuming you could secure a loan when you're ill or injured, a $65,000, 10-year loan at 7% interest would require monthly payments of about $750. That's $90,000 over 10 years.

And you won't be able to contribute this $750 a month into your savings. Investing $9,000 a year at 5% for 10 years translates into more than $247,000 after 25 years. This brings the potential total loss to over $337,000.

OPTION 3: Purchase an annuity

Buying an annuity that would pay out $5,417 a month ($65,000 a year) after tax for three years (you can't buy an annuity for fewer than three years) would require an upfront sum of over $190,000.[2]

A five-year payout annuity would require more than $300,000.[2]

If you think these options are an expensive way to pay for care, you're right. There is another way: use long term care insurance.

Insurers can offer protection for a fraction of the cost an individual would incur if they personally had to pay for care they need without the benefit of having insurance. Depending on how you design your coverage, premiums for a plan that provides an income of $1,250 a week while you're dependent[1] can start as low as $50 a month for a 40-year-old. You can also choose a design that limits the length of time premiums are required.

Don't wait until you're retired to look at the benefits of long term care insurance: the younger you are when you decide to apply for coverage to help protect your investments, the lower the premium and the better your chances of being insurable. You'll also have coverage for early claims that could occur as a result of accidental injury.

Long term care insurance:
A smart choice that could prevent the loss of your entire savings.

[1] Sun Long Term Care Insurance offers a benefit that pays a weekly income while you are physically dependent for longer than the applicable waiting period. Physical dependency means that the insured person needs assistance from another person to perform two or more of six activities of daily living (bathing, dressing, feeding, toileting, transferring, continence) or if they require continual supervision because of deteriorated mental ability.

[2] Based on Sun Life Financial payout annuity illustrations prepared in March 2009. Rates are not guaranteed.

810-3394-05-09