

How much Lifecheque coverage does my business need?

It's a good question and one you'll need to consider to decide the right amount of **Lifecheque** coverage you need to best protect your business against the financial risk of critical illness. As a business owner, you may have thought about what would happen to your business if you or one of your key employees dies, but have you thought about the financial impact a critical illness could have?

Manulife's critical illness insurance, **Lifecheque**, helps cover costs so business decisions aren't forced upon you by unexpected illness. And, most importantly, it means that the person who is ill can focus on what really matters ... *getting better*.

The following worksheet highlights some issues your business may want to plan for:

- Replacing a key person while he or she recovers
- Protecting a business loan
- Funding a buy-sell agreement
- Reducing or eliminating debt

If critical illness affected me or one of my key employees, I'd like to ...

Paying off debts and taking care of future needs can reduce the amount of monthly income you need to cover your monthly business expenses. Check off any debts or expenses you could reduce or eliminate with a Lifecheque benefit.

	Amount needed (\$)	Reduction in monthly cost (\$)
<input type="checkbox"/> Reduce or eliminate my business operating loan		
<input type="checkbox"/> Reduce or eliminate the mortgage on my business property		
<input type="checkbox"/> Retire other debts		
<input type="checkbox"/> Create a fund for future business expansion		
<input type="checkbox"/> Other		
Total – Amount needed	1	
Total – Monthly cost reduction		2

I could focus on recovery if I didn't have to worry about ...

	Monthly estimate (\$)
<input type="checkbox"/> Covering business overhead (deduct savings, if any, shown in Box 2)	
<input type="checkbox"/> Hiring management expertise in my absence (replacement management costs)	
<input type="checkbox"/> Ensuring existing and new clients are looked after (cost of replacement sales force)	
<input type="checkbox"/> Delivering existing contracts on time (cost to hire skilled trades people/contractors)	
<input type="checkbox"/> Lost business income	
<input type="checkbox"/> Other	
Cost of running my business - Add costs above	3
Expected income (disability insurance/business overhead insurance)	4
Total - Monthly cost to cover business expenses (Box 3 - Box 4)	5
Multiply amount in Box 5 by the number of months you estimate for recovery	6
Total – My business recovery plan (Box 1 + Box 6)	

Some facts to consider ...

It's impossible to predict exactly how much financial impact critical illness could have on your business. It depends on the recovery time required and who it is who's sick – you or a key employee. However, here are some of the issues that you might like to think about.

Disability income

Most long-term disability plans are designed to replace a percentage of your income if you are unable to continue working. You'll need to review how long your waiting time is before benefits are payable, what percentage of your income you will receive, how long you will receive it and what the requirements are for eligibility. For example, do you need to prove you're unable to do your own work or any work? Your best solution may be a combination of critical illness insurance and disability insurance. Since **Lifecheque** pays a cash benefit 30 days after diagnosis*, it can be a great complement to the regular income provided by disability insurance.

Retiring business debt

Check to see if any business loans are affected if you or a key employee becomes sick. Are they payable on demand? Would your bank continue to be comfortable with the viability of your business?

Business overhead insurance

You may want to consider some of the limitations of this solution. How long are benefits paid? Is there a waiting time?

Lost business income

Will you be able to hire replacement staff of the same expertise as the people you currently have in your organization? You may want to consider that learning curves and hiring times might impact your company's ability to win new customers and service existing ones.

Buy-sell

If one of the owners were diagnosed with a critical illness, the partnership may want to consider restructuring the ownership of the business. Would you like to have funds available to allow you to consider a buy/sell agreement?

**30 days in most cases. Your advisor can provide details.*

Lifecheque. It's about peace of mind. It's about recovery. It's about life.

**For more information on Lifecheque,
contact your Advisor, or visit
www.manulife.ca**

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