

Protecting Our Children

Through Family Law

Child & Spousal Support Insurance Protection



Using Life Insurance

to Guarantee your **Monthly Spousal and Child Support Payments**

When a divorce or separation occurs, courts are given the authority under family law statutes to order one party to maintain a life insurance policy to secure the other party's source of support upon death of the payors. Below are some common questions that clients ask regarding this obligation:

Why does the court mandate that I provide life insurance as well as support?

Your obligation to pay child support or spousal support continues even **after** you pass away to allow your family to maintain its current standard of living. Per section 34(4) of the Ontario Family Law Act, "An order for support binds the estate of the person having the support obligation unless the court provides otherwise."

Life insurance simply provides the financial resources to continue your support obligation in the event of your death. If you were to pass away without having life insurance in place, your ex may not have enough funds to look after themselves, or the children.

Must I purchase life insurance, or can I use an existing policy?

Should you have an existing policy large enough to satisfy your obligation, you can use that and name your ex as the irrevocable beneficiary (see more about that below).

If you don't have any insurance, or your existing insurance is not enough, it is **mandatory** to purchase a life insurance policy.

What type of policy should I get? *

TERM with conversion options to a permanent policy without proof of current medical status.

Term insurance with Child & Spousal Support Insurance Protection (CSIP)- Since most support obligation typically terminates within 18 years, there are various life insurance options available however, the least expensive option is a term insurance policy, with the Support Payment insurance rider. This rider is equivalent to the child and spousal support court ordered amounts and are guaranteed to be paid on a MONTHLY basis upon the death of the payor for the obligation period.

Depending on length of obligation and costs involved, one would consider:

Term 10-20-25-30-35

And Support Payment Insurance Rider -15-20-25 years (Monthly Income for your loved ones!)

Example: A 45-year-old client purchases a 20-year term policy, then dies at age 55. The beneficiary will receive the monthly payment provided for in the contract for:

- The next 20 years in the case of a Fixed Term contract
- The next 10 years in the case of a Decreasing Term contract

Another question that is most commonly asked is whether to insure one or both parties:

It is ALWAYS in the best interest of the child or children that both parties have their own individual term insurance with the support payment insurance rider.

Planning for the unexpected is crucial when it comes to our children. Purchasing life insurance this way will provide either parents with the financial security they need, in the event of a pre-mature death.

Who is the beneficiary?

The beneficiary is split in two ways:

1. The Death Benefit (the total obligation amount) is put in a TRUST for the children *Gifting them a secure financial future.
2. While, the Support Payments are being paid to the living parent on a MONTHLY basis.

OR

What is an irrevocable beneficiary? (based on individual needs)

Option: The party receiving the support is named irrevocable beneficiary. This means that the beneficiary cannot be changed without his/her consent. They do not need to own the life insurance policy, since changes are not allowed to be made to the policy without the irrevocable beneficiary's signature. As well, should any payments be missed, the irrevocable beneficiary will be notified, so that they can ensure the policy does not lapse due to non-payment.

What happens when the support obligation ends?

When there is no longer an obligation for support, it is the owner's option to convert this policy into a permanent plan, name another beneficiary and remove the support payment rider. However, if an irrevocable beneficiary has been established, they must sign over their rights back to the owner. Alternatively, if there is no need for the policy, the owner can cancel without any penalty.

What can I expect to pay for an insurance policy?

Here are sample rates for different age groups based upon standard rates. Should someone have a health issue, they may need to pay a higher rate than what you see below.

Monthly cost for a \$500,000 Term 20 Life insurance policy
with Guaranteed \$1,500 MONTHLY Support Payment Rider FIXED FOR 20 years



AGE	MALE	FEMALE
35	\$66	\$48
45	\$150	\$104
55	\$442	\$295

Example: How much does this policy cost? (Male 35)

Term 20 Fixed \$370.00 x 20 yrs = \$7,400.00 + Fixed Term 20 Rider \$360.00 x 20 = \$7,200.00

Total premiums paid = \$14,600.00

BUT, if the unexpected happens, the \$500,000 is set in trust for the children and the monthly payment of \$1,500 begins and continue for the next 20 years – “ Guaranteed”

\$1,500 x 12 x 20yrs = \$360,000 WOW!! GREAT VALUE

Monthly cost for a \$500,000 Term 20 Life insurance policy
with Guaranteed \$1,500 MONTHLY Support Payment Rider DECREASING FOR 20 years

AGE	MALE	FEMALE
35	\$56	\$42
45	\$123	\$87
55	\$363	\$244



Example: How much does this policy cost? (Female 35)

Term 20 Term \$260.00 x 20 yrs = \$5,200.00 + Decreasing Term 20 Rider \$177.00 x 20yrs = \$3,540.00

Total Premiums Paid \$8,740.00

BUT, if the unexpected happens, the \$500,000 is set in trust for the children and the monthly DECREASING payment of \$1,500 is PAID FOR THE REMAINING YEARS – “ Guaranteed”

\$1,500 x 12 X remaining years

PLEASE NOTE: Your mediator will discuss the issue of life insurance throughout your meetings and refer you to our life insurance specialist

EVANS Administrative Services Inc., *Protecting Our Children*

Phone: 905-447-4257

Email: contact@protecting-our-children.com

www.Protecting-Our-Children.com