

WHAT IS THE BEST WAY TO INSURE YOUR MORTGAGE?

One of our clients was recently arranging their mortgage at a bank and the banker asked them if they would like to include life insurance to pay it off upon death. They weren't sure what the best way to proceed was, but ended up completing and signing the forms to get it.

Later they contacted us to discuss what they really had and to consider other options.

They were sold group creditor reducing term insurance, with the bank as the beneficiary. Banks love it because you pay the premium and they collect the insurance money. It can also help lock you in as their customer. The only advantage to your family is it pays off the mortgage if you die.

Is that really an advantage? Or would your family be better off if they collected the insurance, and then decided whether or not to pay off the mortgage? If they decide to sell the house, isn't it easier to sell with a mortgage already on it?

What happens if you increase your present mortgage, or sell your present home to buy another with a higher mortgage? Or decide to switch banks? You need new insurance. But what if you can't get it? Whenever there is a change to your mortgage, you may have to re-qualify for bank mortgage insurance.

Most banks offer the same premium rates for both smokers and non-smokers. Even though most people don't smoke, they end up subsidizing the insurance premiums for those that do.

The best answer is to have a personal policy that is controlled by you rather than the bank. Benefits are paid to your beneficiary rather than the bank. And you only have to qualify for the insurance once, not every time you change your mortgage, switch banks or move to a new home.

A personal policy can be set up with a level death benefit instead of one that decreases. Let's say you start off with a \$200,000 mortgage. A number of years later, you only owe \$100,000 and one of you dies. The personal policy will pay out the full \$200,000 to the survivor. After the mortgage is paid off, there's still \$100,000 left to pay off other debts or to provide extra income.

The survivor may decide to not pay off the mortgage at all, but invest the life insurance proceeds instead and use the income to keep making the payments. Once the mortgage is paid off, the income continues and the house will be debt-free.

For about the same premium you would pay at the bank, you both can each be insured for the full amount, or more, of the mortgage. That means that if one dies, the survivor will still have their coverage. They can decide at that time if they want to continue their protection. They can change homes, banks, or perhaps buy a cottage. With their personal policy already in place, they won't have to worry about qualifying for new coverage, likely at higher rates because of age. At the bank, they have no choice. The bank insurance only pays one benefit and the survivor cannot continue any coverage.

Want mortgage insurance YOU control? Call Today!

(905) 525-7259 or 1-800-661-1518

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