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CRITICAL ILLNESS INSURANCE

What it is, why people opt for it.

Ever hear of critical illness insurance? This isn't standard-issue disability insurance, but a cousin of sorts. With people living longer, it is a risk management option entering more people's lives.

The notable wrinkle about this type of insurance is that the insurer issues you a lump sum while you are alive.

Insurance for a prolonged health crisis. You buy critical illness insurance to help you out in case you are diagnosed with, suffer from, or experience a serious, potentially life-threatening health concern. Now, what does an insurer define as "serious" or "life-threatening"? That varies.

Events or illnesses that often qualify include organ transplants, open-heart surgeries, deafness or blindness, Alzheimer's disease, HIV or AIDS diagnoses that are not sexually linked, heart attacks, paralysis or the loss of limbs, serious cancers and other maladies. Many non-fatal, but trying conditions also fall within the category.

The idea is that you will use the payout to get through the crisis financially - the treatment, the surgery, the costs incurred. The cash premium is either paid directly to you, or to someone that you designate.

A lump sum to use as you see fit. While critical illness insurance pays out a lump sum to the ill, insured party, there are usually no strings attached to the money. It usually does not have to be used for medical payments. The money is tax-free, and you can use it to pay hospital bills, living expenses, business expenses ... whatever costs you need or want to pay in a time of crisis.

Things to remember. Critical illness insurance policies only pay out if you come down with one of the stipulated illnesses. This is why many people do not purchase them. However, with lifespans extending, many people recognize that more years may give them more chances to encounter a serious but survivable illness.

If you would like to know more about critical illness insurance and whether it may be appropriate for you or a loved one, then be sure to talk with a qualified insurance or financial professional today.