



FAQ for Families

Why families are often included in this conversation

Life insurance decisions later in life can affect more than one person.

Advisors often encourage family involvement when a policy review may influence:

- Retirement income planning
- Ongoing premium commitments
- Estate or beneficiary outcomes
- Long-term financial flexibility

This document is meant to address common questions families raise when an advisor introduces life settlements or policy-backed advances as options to consider before any decision is made.

It is informational only and intended to support thoughtful discussion.

Is this safe?

Yes – when used appropriately and reviewed properly.

Both life settlements and policy-backed advances are established financial arrangements that are used in Canada under defined legal frameworks.

- **Life settlements** are permitted in Quebec, where policy owners are allowed to sell a life insurance policy under provincial law.
- **Policy-backed advances** are structured as loans secured by a life insurance policy and are used across Canada, including outside Quebec.

These options are not informal or experimental. They involve written agreements, legal documentation, and oversight by advisors and professionals.

Importantly:

- Nothing proceeds without the policy owner's informed consent
- Advisors remain involved throughout the review
- Legal and tax considerations are addressed before completion
- Families are encouraged to ask questions and take time

Like any financial decision later in life, the focus is not on speed, but on understanding and suitability.

Who is involved in this process?

Several parties may be involved, depending on the situation:

- The policy owner, who makes all final decisions
- The advisor, who coordinates discussions and ensures the decision fits the broader financial plan
- Specialists, who review policy and medical information
- Legal and tax professionals, when appropriate

Family members are often included in discussions, especially when decisions affect estate planning or beneficiaries.

What happens to the life insurance policy?

That depends on the option being reviewed:

- In a life settlement (available only in Quebec), the policy is sold and ownership transfers
- In a policy-backed advance (life advance), the policy doesn't change ownership. Instead, it is kept in force by the lending party and used as collateral for a loan

In both cases:

- The policy owner understands the implications before proceeding
- The structure is clearly explained in advance

- Beneficiary outcomes are discussed

No changes occur without documentation and explicit authorization.

Does this replace the role of the advisor?

No.

These options are not standalone financial products. They are considered within the context of an overall financial plan.

The advisor's role typically includes:

- Explaining alternatives
- Coordinating information
- Involving family members when appropriate
- Ensuring suitability and alignment with goals

If anything, these discussions tend to increase advisor involvement rather than replace it.

Are there tax implications?

Tax treatment depends on:

- The structure used (life settlements typically have a taxable component, policy-backed advances are typically tax free)
- The type of policy
- The individual's broader tax situation

Because tax outcomes can vary, advisors often recommend reviewing implications with a qualified tax professional before proceeding.

Nothing in this process should be viewed as tax advice.

Who sees medical or personal information?

Only information that is relevant to evaluating the policy is reviewed.

Key points:

- Medical information is used for assessment purposes only
- Access is limited to parties who require it
- Privacy laws differ by province, but confidentiality obligations apply in all cases
- Information is not shared casually or broadly

Consent is required before medical records are requested.

Can the policy owner change their mind?

Yes, especially early in the process.

Initial reviews are exploratory, not binding.

Families should understand that:

- Early discussions do not obligate anyone to proceed
- Decisions are revisited as more information becomes available
- Advisors encourage thoughtful pacing

It is normal for families to pause, reassess, or decide not to proceed at all.

What happens if health changes?

Health is one of several factors considered when evaluating a policy.

If health changes:

- The potential value of a policy may change
- A previously unavailable option may become viable
- An option under review may need to be reassessed

This is one reason advisors sometimes suggest reviewing options before a policy is surrendered or lapses, even if no immediate action is taken.

Is this the right choice for everyone?

No.

There are many situations where keeping a policy, restructuring it, or choosing another strategy is more appropriate.

These options are best viewed as:

- One possible alternative
- Considered alongside others
- Evaluated carefully and individually

A responsible advisor will explain when *not* proceeding makes sense.

A note on family discussions

Conversations about life insurance can be emotional. Families may worry about motives, fairness, or long-term impact. It is normal for these discussions to take time.

The goal of reviewing options is not to rush decisions, but to ensure that no option is overlooked before a policy is given up or allowed to expire.

This document is provided for general information purposes only. Every case is reviewed individually. Nothing herein constitutes an offer or financial advice.