

Personal and family protection

A guide to personal and family protection policies and how they can offer you valuable peace of mind

If you want to learn more and receive advice tailored to your personal circumstances, please get in touch.

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What is personal and family protection insurance and why is it important?

If you have a mortgage, people who depend on your income, or you want to protect your lifestyle in the event of an accident or illness protection insurance could help you and your family avoid a financial disaster.



What is personal and family protection insurance and why is it important?

Life and protection insurance is the best way to secure your financial future against the risk of an unexpected loss of income. Having this cover in place can also help you to deal with any financial difficulties that may arise, such as not being able to keep up with your mortgage repayments.

Nobody likes to imagine the worst happening, but sometimes the difficult questions need to be considered. If you were to die, would your loved ones be able to maintain their current lifestyle without your income? If not, then a lump sum life assurance payment could be the answer, helping your family to continue living in the way they're accustomed to at a very difficult time.

If you or your family were to come up against a situation that meant you would lose your regular income, a protection policy could help you to:



Pay off your mortgage or continue making mortgage repayments



Maintain you or your family's lifestyle



Pay for replacement childcare



Cover school or university fees



Pay for specialist nursing support

You may already have life and protection insurance in place, but it's always worth reviewing your policies to ensure the type and amount of cover provided still matches your personal circumstances. For example, you may have moved home or had children since you originally took out the policies.

What it does

Life insurance (sometimes known as life assurance) will pay out either a single lump sum (sum insured) or a regular income when you die. It can help provide financial security for people who depend on you, if the worst happens.

Why you might need it

Although no amount of money can replace a loved one, it can help those left behind to weather the financial storm left in your absence. For example, it could pay off your mortgage or provide an income to go towards regular household expenditure.

1. Term insurance

This is the simplest type of life insurance. You choose how long you're covered for, eg. 20 years (the term), and the policy pays out if you die within the agreed term. You can also take out term cover as a couple, with the policy paying out on the first death only during the term. There are several different types of policy:

- **Level:** The amount of cover and premiums remain the same
- **Increasing: (or index-linked):** The amount of cover and premiums gradually rise in line with inflation

- **Decreasing:** The amount of cover will reduce over the policy term; this is often used in conjunction with a repayment mortgage, where the amount of the loan outstanding reduces each year
- **Renewable:** You can extend the original term of the policy
- **Convertible:** Lets you convert the policy to whole of life insurance

2. Family income benefit insurance

This is essentially the same as term insurance, but instead of a lump sum pay out on death, there is a regular income paid to your beneficiaries. This type of policy may be more suitable if your main requirement is to ensure that your dependants are provided with ongoing financial support.

3. Whole of life insurance

Whole of life insurance pays out a lump sum when you die, whenever that is, as long as you are still paying the premiums.

Serious and critical illness insurance

What it does

Serious illness and critical illness insurance plans pay out a tax-free lump sum on the diagnosis of a range of serious (but not fatal) conditions. These conditions include things like heart attack, stroke, cancer, major organ transplants and many others. The conditions covered will vary depending on the insurer.

Serious and critical illness insurance often comes as an optional addition to a life insurance policy, but can also be purchased on its own. Some policies will pay out a partial amount of your sum assured, while others will only pay out once. This means that although they won't necessarily replace your regular income, you can still use the money towards medical treatment, mortgage repayments or anything else you choose.

Why you might need it

Many people buy serious and critical illness insurance when they take on a major commitment, like a mortgage, or when they start a family. However, as any of us could suffer a serious illness at any time and would most likely appreciate our financial burden being lightened, it's fair to say that this type of cover is relevant for most of us, no matter what life stage we're at.

Replacing an existing critical illness policy

If you already have critical illness insurance, you should think carefully before you cancel your existing policy and take out a new one. This is because your health may have deteriorated since taking out the cover and pre-existing medical conditions would not be covered by the new policy.

Recent advances in the treatment of certain conditions, such as cancer, are also worth considering, as a new policy might be more restrictive than an older one when it comes to paying out on claims for certain conditions.

We will be able to identify whether any of these issues are applicable to your own circumstances and advise you accordingly.

Income protection insurance

An income protection policy will pay out a regular tax-free income if you're unable to work because of an accident or sickness.



Income protection insurance

What it does

Income protection insurance pays out a regular tax-free income if you become unable to work because of illness, injury or – with certain policies – compulsory redundancy. It could help you keep up with your mortgage repayments or rent, and other day-to-day living costs until you are able to return to work.

You can arrange cover to replace a percentage (normally up to 70 per cent) of your lost income until you reach retirement, return to work, or die, whichever happens first. Alternatively, cover can be arranged for a limited period of time, which will result in a cheaper premium.

The premium you'll pay will vary depending on these factors and others such as your age, health, the nature of your job and, of course, the level of income you wish to protect.

Why you might need it

If you become ill or suffer an injury during your working life, an income protection policy can help protect against possible loss of income and give you the peace of mind you need to concentrate on recovery.

Other types of income protection insurance

Payment protection insurance and short term income protection insurance (along with mortgage payment protection insurance and accident, sickness and unemployment insurance) can provide a monthly income if you can't work due to an accident, illness / injury or, often as an optional extra, unemployment.

There are important differences between these products and income protection insurance, the most notable being that they will only pay a percentage of your income for a limited period of time – usually between 12 and 24 months.

In contrast, income protection insurance will pay out for as long as you are unable to work (up until the policy expires). Shorter payment periods are available from some insurance companies, which reduces the cost of these plans.

What else do you need to know?

It's not just the type of protection insurance that's important. You'll want to know the likely cost, whether you need a trust document and how to make sure your cover stays appropriate for your circumstances.



What else do you need to know?

What cover will you need and how much will it cost?

This will depend on your own personal circumstances, but we can quickly help you calculate an appropriate level of cover by considering things like:

- Your mortgage and/or any other outstanding loans
- Your current income and your household
- Any likely childcare needs if you or your partner were to die or suffer serious illness or injury

Clearly, the higher the level of cover you decide you need, the more it will cost. Your age, medical history and occupation are among the other factors that will have an impact on cost. However, most policies are extremely good value for money, and many people are surprised at how affordable putting cover in place can be.

Keeping your cover up-to-date

You should always review your level of protection insurance whenever there are significant changes in your life. Getting married or moving in with a partner, buying a home, having children or changing your job can all have an impact on your financial obligations. Even if your circumstances don't change significantly, it can be worth reviewing your arrangements to see if you can find a more suitable policy. Having said that, it's important to ensure the cover of any new policy meets your needs, and that you're aware of any benefits you may lose compared to your existing policy.

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HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

Writing your life insurance in trust

A trust is a legal document that allows you to specify what will happen to your money after your death. If your life insurance policy is written in trust, any sum assured will be paid to your trustees, who will ensure the funds are distributed to the correct beneficiaries.

A life insurance policy that has been written in trust doesn't form part of your legal estate, and is therefore not subject to Inheritance Tax, ensuring that more of your hard-earned money is passed on to your chosen beneficiaries. Life insurance companies also tend to pay the money out more quickly under a trust, making things easier financially for your beneficiaries.

Even if your partner is your beneficiary (and therefore the life insurance payment would be exempt from Inheritance Tax under current rules), it can be worth putting your life insurance in trust to ensure payment is made as quickly as possible. We can advise you on the benefits of placing your policy in trust and can even arrange it for you. There is normally no charge for arranging a trust if it is arranged when the policy is taken out.

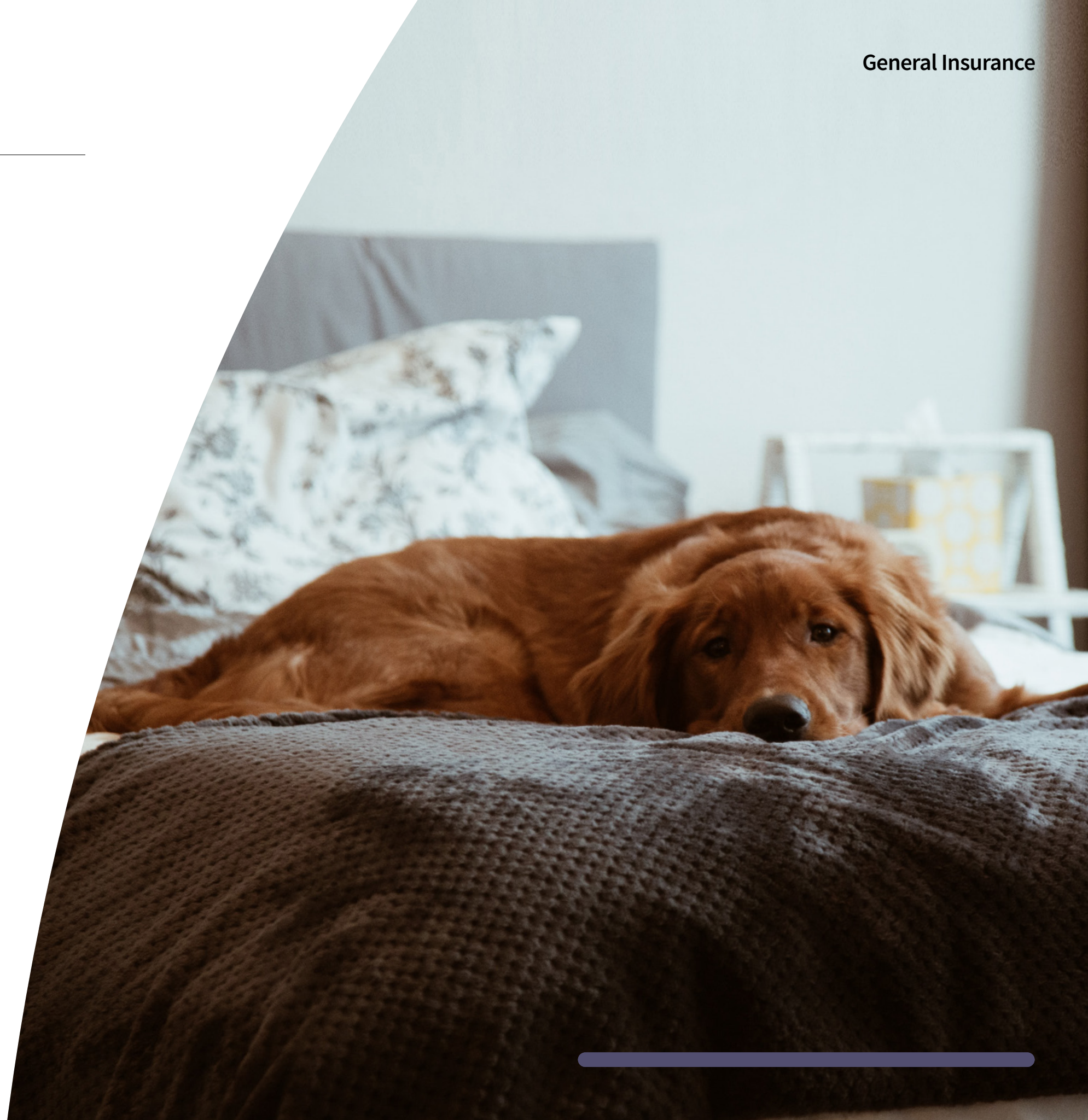
Look beyond the price

It may be tempting simply to opt for the cheapest policy available. But it is important to bear in mind that whilst many products may look the same, there can be important differences between them that can be difficult to spot.

This is particularly important with serious and critical illness cover, and income protection insurance, where the cover available from different providers varies more significantly. Care should be taken to select a policy that is most suitable for your particular needs. We can help you make the right selection.

Working with you

Trusted support from
recommendation to
application and beyond.



Working with you



Getting to know you

We'll complete a comprehensive Fact Find with you, either face to face, over the phone or on video call so we can identify your current needs and your future plans.



Researching the options

Using our expert product knowledge, we will put together a personal recommendation for you.



Recommending the right solution

Once we have identified the options available, we'll talk with you again to discuss our recommendations. We'll also provide full recommendations in writing, allowing you time to review these.

Assuming you're happy with our recommendation, we'll work with you to complete the application forms and stay in touch throughout the process – and into the future.

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Next steps

We hope this guide has given you a broad insight into life and protection insurance. If you'd like to explore the specific options for your circumstances, or simply check if you have the right level of cover in place, please get in touch.



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