

Protection BULLETIN

From Sandlayne Associates

2018 issue

Protect your Team!

Life Cover

Designed to provide a lump sum payout should one of the insured die

Critical Illness

Set up to pay out a lump sum if you suffer a heart attack, cancer or stroke
(if specified in the policy)

Income Protection

This would pay out a monthly income if you're unable to work through illness or injury

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Dispelling MYTHS!

If you were unable to work due to an injury or illness, suffered a critical illness, or faced an untimely death - you (or your family) may be very grateful that there was a protection policy in place.

» Yet research shows that only 26% of UK adults have a **life** policy, with a far smaller percentage having either a **critical illness** or **income protection** plan.

The same survey also set out why some felt a protection plan was not for them:

1. *'It's too expensive.'*
2. *'Don't see the benefit of having it.'*
3. *'Don't trust the insurer to pay out in the event of a claim.'* (Source: Royal London, March 2017)

All understandable concerns, but do make sure you talk to us first before writing it off, and let's briefly consider each of those points.

1. It's too expensive

Costs will, understandably, vary due to age, health, lifestyle, extent of cover required, etc.

Once we've established your needs, we can search for the most suitable deals. You may even be pleasantly surprised at what

can be delivered, as the insurance industry is both highly competitive, and innovative.

Additionally, it seems that the average Brit spends £124 a month on little luxuries, such as takeaways, taxis, and snacks.* So, by cutting out a few items each month you may swiftly find the money to help fund a protection policy that puts your mind at rest. (Source: *Scottish Widows, January 2018)

2. Don't see the benefit of having it

It's often difficult to contemplate needing a protection policy, until you really need it! But surely it is better to: *'have something in place and hopefully not need it, than to need something and unfortunately not have it'*.

You can, of course, try to sort it out yourself online, but you might find that when you're confronted by a raft of options, it makes sense to take advice.

3. Don't pay out!

In fact, 97.3% of all claims were paid out in 2016, equating to £13m a day!

Life Cover

- 99.5% of all claims were paid out.
- Average payout of £75,000 (term), £4,750 (whole of life).

Critical Illness

- 92.2% of all claims were paid out.
- Average payout of £67,700.

Income Protection

- 84.7% of all claims were paid out.
- Average payout over 164 weeks of £32,800.

(Source: Association of British Insurers, 2016 data, May 2017 release)

As with all insurance policies, terms, conditions and exclusions will apply.

LIFE cycle

On average, around 125 UK adults, aged 18-55, die each day. (Source: Office for National Statistics, 2016 data, released July 2017)

» This shows that while, in general, we're now living longer, the worst could still happen at any time.

If you have people who are financially dependent on you, and you do not have other adequate resources to fall back on, then you really should consider having an element of **life cover** in place.

This is often set up to ensure that the **mortgage can be paid off**. Ideally, you may want to exceed that amount to provide additional funds for those left behind, enabling them to get through a difficult emotional and financial period, as painlessly as possible.

Also, it's not just homeowners that should consider taking out a life plan, the benefits would be **equally applicable to those renting**, to ensure that those left

behind have a period of financial security.

Of course, you will need to balance any 'personal' life cover with any 'death in service' benefit that may be in place through your employer.

Take your pick

There are various types of life cover. For example, you can take out 'level term' insurance, where you choose the amount you want to be insured for and the period for which you require cover. If you die within the term, the policy pays out.

Alternatively, you may prefer a 'decreasing term' policy, where the amount paid out on claim reduces over time to possibly reflect the decreasing amount owed on your repayment mortgage.

For all term assurance plans, should you not die within the policy period, then it doesn't pay out, and the premiums you've paid are not returned to you.

Please talk to us and we'll take you through this, and other aspects such as opting for single, or joint life.

As with all insurance policies, terms, conditions and exclusions will apply.





Each year, a million people in the UK suffer a prolonged absence from work due to sickness, and up to half a million would find their savings have run out after just a few weeks. (Source: The Chartered Insurance Institute, 2016 report)

Recovery Time...

» If this happened to you, how would you meet your financial obligations if unable to work for an extended period?

One route, to deliver some peace of mind, is to take out an **Income Protection** policy. This product is designed to pay out a tax-free monthly sum in the event that you can't work due to illness or injury. If you need to claim, it could deliver important financial support, particularly when you consider that the average age for making the initial claim is in the mid-40s.

Once you've got an idea of a possible income stream, you can then decide when you'd like your income protection cover to kick-in (called the deferred period). The longer you wait, the cheaper the premium will be.

Also, do be sensible about how much you require until you're able to return to work (or have retired). In the same way you wouldn't need a payout commensurate with buying a new house if the kitchen floods, your potential payout via an income protection

policy should be calculated in a similar way (up to a maximum amount). As before, the less you need, the lower the premium.

Payment Protection Insurance is optional. There are other providers of Payment Protection Insurance and other products designed to protect you against loss of income.

As with all insurance policies, terms, conditions and exclusions will apply.

What it covers

In general, it will pay out until:

- You are well enough to return to work.
- You have retired.
- The policy ends.
- Or upon your death.

Whichever happens first.

Each policy will have different conditions, and you would obviously need to disclose any pre-existing medical issues.

Additionally, many plans offer further benefits, such as rehabilitation support, possibly giving access to treatments and therapies not readily available on the NHS. This may be key for certain long-term conditions such as stress, where early intervention could be crucial for recovery.

Work out your finances

First though, you'd have to do the maths and establish if you would just receive the Statutory Sick Pay of £89.35 a week in the 2017/18 tax year (paid for up to 28 weeks, if you qualify), or if there are additional benefits from your employer or the state. For 2018/19, it is £92.05 a week. This amount is less than one-fifth of the average weekly wage of around £500*, which could leave a big shortfall in a person's finances.

(Source: *Office for National Statistics, UK Labour Market, January 2018 release)

DO IT FOR THE KIDS...

Even if you think you're invincible, an untimely death could occur, so do take measures to protect your family.



Yet just over half of all UK parents, with children under 18, have made no will.

(Source: Will Aid, October 2017)

Despite the fact that dying Intestate (without a Will) may mean that your estate might not go to the people you intended; or in a way where it may not be shared out as you would have wished.

Trusts

A Trust is another legal arrangement, which could benefit children, along with other dependants. For example, it can help ensure that **life policies** are paid out speedily to the beneficiaries.

It can also protect beneficiaries who might be too young to handle their affairs. Or, it could potentially enable you to ring fence any payouts to help reduce a future Inheritance Tax liability.

Not all protection policies should be written in Trust, so do take advice. The Financial Conduct Authority does not regulate Will writing, Taxation or Trust advice.

For example, if there isn't a **Guardianship** arrangement in place to protect your young children - and, for example, both parents sadly perish in a car accident - then the children may have to initially go into Care!

The simplest way to protect against this is through a **Will**, or by having a **Guardianship letter** in place, both of which will set out your wishes, and whom you want to appoint as their guardian.

Similar circumstances might occur if a couple aren't married and the mother dies and hasn't previously granted parental rights.



Suffering a Critical Illness

In the 1960s more than 7 out of 10 heart attacks in the UK were fatal. Today, at least 7 out of 10 survive. *(Source: British Heart Foundation, August 2017)*

» Similar improvements have also occurred with cancer treatment. In the 1970s just 1 in 4 people survived their cancer disease for 10 years or more, today it's 2 in 4.

(Source: Cancer Research UK website, January 2018)

These days, it's more likely that you could survive a serious illness, such as heart attack, cancer or stroke. Although, if you did suffer a serious illness, it's highly unlikely that you would make a swift return to work, which could create concerns regarding your finances. Fortunately, there is a specific product that may enable you to focus all your energies on recovery.

Critical Illness cover

This cover can encompass a wide range of serious illnesses and conditions such as multiple sclerosis (although not all forms of cancer and heart disease are covered by a critical illness policy).

Added value benefits...

The industry recognises that a payout upon claiming against any type of protection policy may be the initial driver in setting it up.

It's also aware that there is a real benefit - for both the insured and the insurer - if a relationship is maintained throughout the term of the policy, as reflected by the following examples:

- Incentives to keep healthy - including discounts off health club membership, and through wearable technology.
- Specialist support - such as GP/nurse helplines, telephone counselling, carer support services, consumer rights, debt management advice, early intervention and rehabilitation services.

When we go through your protection needs, we can highlight any added value items.

However, if the condition was specified in your policy and you survive (generally for 30 days from the date of diagnosis), then the policy is designed to pay out a lump sum; thereby easing a lot of the immediate financial worries.

Additionally, if you're employed, you may also have the buffer of a period of disability cover as an employee benefit. After that, you may then have to fall back on state benefits of limited value.

Also, don't just think that this should only be a concern if you are much older, as the average age of critical illness claimants across many insurers is around the late 40s!

What do you need?

You can decide the level of cover you require at the outset, should you need to claim. Perhaps you may want to have enough to pay off the mortgage, or alternatively you may opt for less cover (meaning a lower premium too), but still have enough to see you through the initial couple of years as you recover.

Critical illness cover can be taken as a stand-alone policy, or as a bolt-on to a life assurance plan. The policies will vary with regard to the illnesses covered, and in some cases it could also include cover for your children up to age 18 (if applicable), within a specified payout limit. Please get in touch to find out more.

As with all insurance policies, terms, conditions and exclusions will apply.

■ The contents of this newsletter are believed to be correct at the date of publication (February 2018).

■ Every care is taken that the information in the *Protection Bulletin* is accurate at the time of going to press. However, all information and figures are subject to change and you should always make enquiries and check details and, where necessary, seek legal advice before entering into any transaction.

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

■ The information in this newsletter is of a general nature. You should seek professional advice tailored to your needs and circumstances before making any decisions.

■ Please contact us if you'd like to discuss your protection needs:

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