

Insurance and protection: things to consider

Few things in life can provide more peace of mind than having a secure financial future. Whether it's your family, home or lifestyle, knowing that the things that are most important to you are protected if the worst should happen means you can enjoy the here and now without worrying about what the future may hold.

Borrowing

Many people use multiple credit cards in their daily lives, and it's not uncommon to take out a loan to cover home improvements, purchase a vehicle, or to consolidate debt. Mortgages are likely to be the most significant credit people will ever have. The cost of repaying multiple creditors may not pose a problem when you can rely on your monthly income, but what if that should change? It's easy to see how debt can pile up quickly.

There are different types of insurance which could help to ensure you don't encounter serious debt problems in the short-term if your circumstances should change suddenly. Short Term Income Protection Insurance (STIP) is a solution that can provide you with an income to cover the cost of your credit repayments and essential outgoings for up to a year.

Redundancy

Whether you see it coming or it comes as a shock, being made redundant can bring numerous challenges, the most pressing of which is usually the loss of your earnings. It's important to note that most insurance policies won't cover you for the first three months of your redundancy, so it's wise to have savings to cover this period.

STIP can provide short-term financial relief, but you should keep in mind that if you were aware redundancy was a probability within 6 months of taking out your policy then it's unlikely you'll be able to make a claim. So thinking ahead and preparing for the unexpected is particularly important.

Insurance and protection: at a glance



98%

98% of protection insurance claims presented in 2019 were paid out upon claiming.¹



£14.5m

UK insurers pay out £14.5m every day for protection policies.²

Short-term illness

Many people assume they'll be adequately protected by sick pay should they suffer from an illness which is temporary in nature. However, the Statutory Sick Pay employers are legally obliged to provide is only £95.85 per week³, so unless your employer runs a so-called 'occupational scheme' to supplement this you could be seriously out of pocket.

Income protection insurance is designed to cover situations where you are no longer able to work due to illness or injury. Self-employed people can find income protection insurance particularly relevant, as their business may depend on them alone.

Injury and critical illness

Whether or not you maintain an active and healthy lifestyle, no one can predict their future health. The Office of National Statistics estimates that 141 million working days were lost due to sickness or injury in the UK during 2018.⁴

Critical illnesses such as strokes, heart attacks and cancer can necessitate long recovery periods, and permanent disability resulting from injury can affect almost every area of someone's life. They may also prevent sufferers from doing the same job they once did. If the need to replace your income due to critical illness or serious injury should arise, government benefits may not provide sufficient relief.

Some employers provide critical illness and injury cover schemes, but it is unwise to assume that all conditions and eventualities are covered – always read the small print, and consider taking out a policy which covers any gaps in your employer's scheme.

Death

If you have children, a spouse or other family members who depend on your income, it's worth thinking about how they'll manage if you're no longer there. Money is never going to be enough to compensate for the loss of a loved one, but it will at least mean your family don't have to deal with financial woes.

Life cover is a sensible option for anyone with dependents who relies on an income rather than being independently wealthy. Cover differs between policies, but most usually only pay out upon death. However, there are options if you'd like your policy to provide a payment upon a terminal diagnosis or serious disability.

For more information or to discuss any of the issues surrounding inheritance, contact your Financial Planner.

¹ https://www.abi.org.uk/globalassets/files/publications/public/key-facts/key_facts_2019_spread.pdf

² https://www.abi.org.uk/globalassets/files/publications/public/key-facts/key_facts_2019_spread.pdf

³ <https://www.gov.uk/statutory-sick-pay>

⁴ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/articles/sicknessabsenceinthelabourmarket/2018>

⁵ <http://www.cancerresearchuk.org/health-professional/cancer-statistics-for-the-uk#heading-Three>

Insurance and protection: at a glance



£95.85

Statutory Sick Pay is only £95.85 per week for a period of up to 28 weeks.



141m

141 million working days were lost due to sickness or injury in the UK during 2018.⁴



50%

50% of UK citizens born after 1960 will be diagnosed with a form of cancer at some point in their lifetime according to Cancer Research UK.⁵