

## Ways to protect you, your income, and family

This is about things that you may prefer not to pay for, but you (or your family) would be mightily relieved should there need to be a claim down the line

### Life Cover

Lump sum payout on the death of the insured

### Critical Illness

Lump sum payout if you suffer an illness such as heart attack, cancer or stroke

(if specified in the policy)

### Income Protection

Pays out a monthly income if you're unable to work through illness or injury

**98% of all  
Protection  
Claims were  
paid out in 2020**

(Source: Association of British Insurers, May 2021 release)

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# PROTECTING YOU

COVID-19 has had a massive impact on all of us and highlighted, for many, the importance having, taking up, or just simply reviewing the types of **Protection Insurance** we have in place.

» There are various types of protection cover on offer, meeting differing needs such as paying out on loss of life, or loss of income due to a serious illness or injury.

Going back to pre-pandemic times, many people would have entered 2020 in robust physical, mental and financial health, but could now find themselves in a totally different place. Mental and physical health concerns are very much front of mind. And with the recession, furlough, and the impact on entire market sectors, people's financial resilience may have taken a battering too.

In fact, recent research shows that around one in four are now deemed to be financially vulnerable. (Source: Financial Conduct Authority, *Financial Lives 2020 survey, February 2021*)

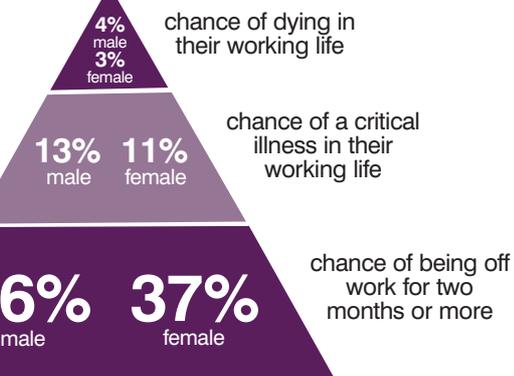
## What can be done...

In this issue we look at some of the key areas where different types of insurance may deliver the protection you need.

Of course, we understand that some will still view protection insurance as something that is simply *'not for them'*, or it is *'too expensive'*, or they *'don't believe the insurer would pay out in the event of a claim.'*

To counter this, we show that the overall payout of claims is actually 98%.

As far as the cost of it goes, you may be pleasantly surprised once we look at what's on offer for you. And the pandemic has generated more interest, with around 1 in 6 people now saying they're more likely to



## Risks faced by both male and female of working age

Both aged 30, non-smokers and plan to retire at 65

(Source: Royal London, *State of the Protection Nation, June 2019, referencing Pacific Life Re research*)

consider taking up a protection product.

(Source: *Drewberry, Q1 2021 survey*)

As for it's 'not for them', surely it's better to have something in place (and possibly never need it), than suddenly need something (and not have it)?

**Life Cover** is a key piece of insurance to have in place, but as the chart above shows, you're possibly at greater risk of being **off work for two months or more**, or **suffering a critical illness** across your working life. And can you be sure your income stream won't be affected?

# Are **YOU** the major financial asset?

People may think that their home is their biggest financial asset. Yet, in most cases, it's actually the wage earner(s) in the household. This is where an **INCOME PROTECTION** policy could deliver some peace of mind.

» The average annual income is about £30,000. Across a working lifetime (discounting inflation), this could equate to about £1.4m, which is almost six times the current average value of a UK home - circa £243,000. So, surely it makes sense to **protect this income stream** (and perhaps the same also for your partner, if relevant).

(Sources: Office for National Statistics, *Weekly Earnings, April 2021*; Nationwide, *House Prices, May 2021*)

## Could it happen to me?

Many of us will feel that we'll never be off work for a long period due to a ill health, or injury. But it does happen; and to many. For example, around 2m people in the UK are off work at any one time due to long-term sickness.\* How would these

people cope when, on average, they are just 24 days from the breadline if their income stream is diminished.\*\*

(Sources: \*Office for National Statistics, *Labour market overview, May 2021*; \*\*L&G, *Deadline to Breadline, Nov. 2020*)

## Support that may be on offer

The upside (unless you're a contractor or self-employed) is that you may, initially, benefit from ongoing financial support from your employer. This is if you were off work due to an illness, or injury - although it's likely to be there for just a defined period. Plus there's limited state support to try to access too.

In which case you need to look at how you might cover any income shortfall, and this is where you could take out an **Income Protection** policy. If you benefit

from employer support for a limited period, then you could defer payouts from the Income Protection policy for that timeframe, and see lower premiums as a result.

Income Protection will generally cover up to around 60-65% of your gross income, and dependent on the type of product you opt for, it could be a tax-free monthly payout until you're well enough to return to work, retired or died, whichever occurs first.

Alternatively, if a lower monthly premium is better for your pocket, then you could opt for a scheme that only pays out for a specific period of time.

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

Over £200m  
has been paid  
out by insurers  
for deaths  
attributable  
to COVID-19  
(Source: Association of British  
Insurers, March 2021 release)

In 2019, in pre-COVID times, as many as 604,707 people died in the UK (that's more than 1 a minute). If this is not bad enough, in 2020 (as we encountered the pandemic) 690,439 died - an 85,732 increase!

(Source: Office for National Statistics, National Records Scotland, and Northern Ireland Statistics & Research Agency, actual 2019 figures & provisional 2020 data)

# Looking after others

» Hopefully, most of us will live a long life, but COVID has sadly shown that many families have experienced unexpected personal loss, or know of people who have died.

Plus, it's not just the pandemic that you need to consider. In a normal year, such as 2019, 605,000 people still died from a multitude of ailments, such as cancer, heart diseases and dementia & Alzheimer's. That's more than one person a minute.

If you have people who are financially dependent on you, then you really should consider having an element of **life insurance** 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**.

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.

## Different types of cover

There are different options, such as:

**Level term** - you choose the tax-free 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.

**Decreasing term** - the actual amount paid out on a successful claim reduces over time. This may be relevant if you have a repayment mortgage, where it could reflect the reducing loan amount owed.

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.

## Add Critical Illness Cover

Whilst you may feel death is a long way off, suffering a critical illness such as a heart attack, stroke or cancer, might be a greater cause for concern.

Once we've gone through your needs and budget, then it may make sense to add this element to your life cover. In the event of a successful critical illness claim, your life cover element should still continue to insure you.

## Consider setting up a Trust

Writing life insurance in trust is one of the best ways to protect your family's future in the event of your death.

- Trusts are a straightforward legal arrangement that's a sensible option in most cases.
- You decide on who benefits – this is important if you're not married or in a civil partnership, as the life cover payout may not transfer to the intended recipient.
- Faster access to the tax-free payout. If a trust is not in place when you die, your

beneficiaries would need to obtain probate, which can cause delays. With a trust arrangement, your beneficiaries could receive their inheritance shortly after the death certificate was issued, with possible tax benefits too.

**We can assess your particular needs and identify a suitable route forward.**

**As with all insurance policies, terms, conditions and exclusions will apply. The Financial Conduct Authority does not regulate trust advice.**

## 2020 CLAIMS PAYOUTS

98% of all claims were paid out in 2020, equating to £17m a day!

### Life Cover

- 99.5% of all claims were paid out.
- Average payout of £79,304 (term), £4,026 (whole of life).

### Critical Illness

- 91.3% of all claims were paid out.
- Average payout of £67,011.

### Income Protection

- 86.5% of all claims were paid out.
- Average payout of £22,170.
- Average length of claim could be around 6 years.\*

(Sources: Association of British Insurers, 2020 data, May 2021 release; \*2020 claims data from LV and Aviva)



# Critical Illness Cover

## A FINANCIAL COMFORT BLANKET

Did you know that the current survival rate in the UK for a Heart Attack is 7 out of 10.

(Source: British Heart Foundation Factsheet, March 2021)

» Similar improvements have also occurred with cancer treatment. Forty years ago 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, May 2021)

This means that these days, it's more likely that you could survive a serious illness, such as heart attack, cancer or stroke. Although, whilst you may survive, it's highly unlikely that you'd make a swift return to work, which could create concerns regarding your finances. Particularly if you have additional healthcare costs, or home renovation needs to reflect your changing circumstances. Fortunately, there is a specific product - **Critical Illness Cover** - that could pay out a tax-free lump sum if your serious illness was

specified in the policy and you survive (generally for around 14-28 days from the date of diagnosis). This payout would hopefully enable you to focus all your energies on recovery by easing a lot of the immediate (plus ongoing) 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 40s to early 50s!

### 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 insurance 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 hear more...**

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

## Added value across Protection products

- The insurance industry recognised over recent years that there's a real benefit - for both the insured and insurer - if a relationship is maintained throughout the term of the policy by providing value-added products and support.
- The pandemic has merely reinforced the importance of this offering. Specialist support such as GP/nurse helplines, and virtual screenings, online mental health, and physiotherapy support have all come to the fore at a time when it's been difficult to secure assistance through your normal channels, such as your local doctor's surgery.
- Additionally, the pandemic has delivered an increase in the adoption of electronic GP reports (to help speed up the underwriting process for protection products), a positive innovation that will continue to develop, and is likely to stay with us.

■ The contents of this newsletter are believed to be correct at the date of publication (June 2021).

■ 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: Tel: 01424 434045

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