



Henson Crisp

making your future possible

Income Protection

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Income Protection – How Does it Work?

Income Protection plans can help you rest a bit easier, safe in the knowledge that you will still get an income if you are off work because of illness, injury or a terminal illness. The monthly payments will cover some of your lost earnings, helping you maintain your lifestyle while you are away from work.

How Much Will I Receive?

Typically, the plan will pay 50-70% of your earnings. The payments are tax-free. If you are self-employed, you can normally include certain regular fixed overheads such as business rental costs.

When Will I Receive It and For How Long?

Income protection plans are very flexible. When you start to receive the income depends on the “deferral period” that you select. It can start from as early as four weeks, while 13 or 26 weeks is the norm. The longer you chose to defer, the lower the premiums.

You can also choose for how long the policy will pay out if you are unable to work.

Can it be Inflation-proof?

Yes, you have the option to index-link your payments so that they rise with the cost of living.

Does it Affect my State Benefits?

Yes, income from an Income Protection policy is classed as “unearned income” and is taken into account when calculating how much Universal Credit you may receive.

Remember that these plans do not have a cash-in value at any time and if you stop paying your premiums your cover will stop.

It is About Your Home

Your house is not only probably your major asset, more importantly it is your home. It is where you feel safe and secure. Protecting your home is as important as your physiological needs.

But in uncertain times, where the risk of redundancy is at its highest in a generation, how would you protect your home if you lost your job? What if you had an accident that stopped you from working, or developed a critical illness?



Research from [Finder.com](#) has highlighted the following:

- 15% of UK consumers have nothing saved up at all
- 1 in 3 Brits have less than £1,500 set aside

That means that almost 15% of us would have no way to cope if we were suddenly hit by lost income, or a huge new expense like divorce, redundancy, or bereavement. 64% of people would struggle within 12 months if forced to take an extended period of time off work.

Amazingly, some 41% expect to rely upon statutory sick pay, which is less than £100 per week.

Most people rely on their salary to keep on top of monthly expenses, without this salary you can be left in a difficult situation when having to cover rent, mortgage repayments or bills. The harsh reality is that the safety net is low in the UK.

But you can take reasonable steps to protect your home and your family in the event of any of the above circumstances. An Income Protection Insurance ensures you receive a monthly income for as long as you need to recover so even if you have to be off work for a prolonged period, you can protect your finances

It is a reliable insurance in turbulent times. The large insurers paid out 97.8% of Income Protection Cover claims in 2018.

90% of Income Protection claims for Vitality members in 2018 were for members under the age of 50, highlighting the importance of this cover for all ages.

It's not Just About Money – Additional Services from Income Protection Plans

Income Protection is more than just a monthly income. Most plans also give you the help you need to get better.

Many insurers will provide additional support from counselling and information services. They will also offer a team of rehabilitation nurses, mental health specialists and physiotherapists to work out the best way of getting you back to work, putting you in control of maintaining your health and wellbeing.

Additional services if they think it is going to help. For example:

- A second medical opinion
- Support recovering from a heart attack
- Speech and language therapy after a stroke
- Complementary therapies to help manage symptoms or help with recovery
- Access to legal and career helplines for independent advice on employment rights and support in getting back to work sooner
- Access to experienced rehabilitation specialists

Financial Advice

Of all the various types of insurance, Income Protection is perhaps the one which requires experienced expertise in the financial markets to make the right choice for you.

Options you need to discuss with your adviser include:

- Choice of a full term or 2-year limited benefit claim period
- Choice of single or dual deferred periods
- Option to select deferred periods of 4, 8, 13, 26, 52 and 104 weeks
- Choice of level or an increasing cover option
- Increasing cover options of 3%, 5% or RPI
- Choice of monthly or annual premiums
- Guaranteed premiums (unless cover changes or increases)

All of these have an impact on the premiums you pay and require careful consideration with your adviser.

Moreover, you might not need income protection insurance if:

- You could get by on your sick pay - For example if you have an employee benefits package which gives you an income for 12 months or more.
- You could survive on government benefits - But they might not be enough to cover all your outgoings.
- You have enough savings to support yourself - Remember that your savings might need to see you through a long period.

- You could take early retirement - If you are near retirement age, perhaps you could afford to retire early. If you are unable to return to work, you might be entitled to take your pension early.
- Your partner or family would support you - Perhaps your partner has enough income to cover everything the two of you need.

There are also several other insurance products you can use to protect yourself from money problems if you are ill or injured or if you die and you want others to be protected.

- Do you need life insurance? This product provides some financial support to your dependants if you die.
- Do you need critical illness insurance? This type of policy will provide you with a tax-free 'lump sum' if you are diagnosed with a serious illness covered by your policy.
- Do you need payment protection insurance? Payment protection insurance will cover selected payments, such as your mortgage, if you cannot work because you are ill, had an accident or got made redundant.
- Do you need short term income protection? This product will cover your essential outgoings if you cannot work for a short period of time.