

From Anthea Osborne, Trust Financial Solutions

Get PROTECTED!

Life cover

Designed to provide a payout should one of the insured die

Critical Illness

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

Family Income Benefit

Popular product for families with young children

Income Protection

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

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TIME to recover

■ 93.1% of all 'Critical Illness' claims paid out in 2015.
 ■ Average payout of £66,200.
 (Source: Association of British Insurers, April 2016 release)



What would happen if you suffered a serious illness, such as a heart attack, cancer or stroke **and survived** - and were then, understandably, unable to swiftly return to work?

» The likelihood of surviving a serious illness will luckily continue to improve as medical know-how further develops - but your good fortune, could create financial problems too!

For example, around 188,000 people have a heart attack each year, with 7 out of 10 surviving. Also, half of the people diagnosed with cancer now survive their disease for at least ten years!

(Sources: British Heart Foundation, August 2015, Cancer Research UK website, September 2015)

Fortunately, a specific product exists to cover a wide range of serious illnesses - **Critical Illness cover** (although not all forms

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

of cancer and heart disease are covered by a critical illness policy). This is designed to pay out a lump sum (if the condition was specified in your policy, and you survive generally for 30 days from the date of diagnosis); thereby easing a lot of the immediate financial worries.

And don't think that this is only of concern if you're much older. The average age of critical illness claimants from one insurer, for example, was 47!

(Source: Aviva claims statistics, 2015)

Of course, if you're employed, you may have the buffer of a period of disability cover as an employee benefit. After that, you would have to fall back on State benefits of limited value. You are even more vulnerable if you are self-employed.

Focus on recovery

If you suffered a critical illness, surely it would help to focus all your energies on recovery, without the additional worry about your finances?

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 decide to 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 may vary with regard to the illnesses covered, **so it helps to take advice.**

■ 99.5% of all 'Life' claims paid out in 2015.
 ■ Average payout of £53,790 (term), £5,925 (whole of life).
 (Source: Association of British Insurers, April 2016 release)

It's your LIFE...

» In the same way that you'll insure your car, pet and mobile, make sure you've applied the same principles to you and your immediate family.

In this issue, we set out elsewhere that there are numerous protection products on offer to help provide cover should you be unable to do your job due to an accident, or have a long-term or life-threatening illness. Of course, you may recover from the above, return to work and get your finances back on track. But what if you die? There's no second chance!

Whilst medical know-how means that we're now living longer in general, the worst could still happen at any time.

That's why, if you have people who are financially dependent on you, and you do not have other adequate resources to fall back on, you should

consider having an element of **Life Cover** in place.

This is generally set up to ensure that the mortgage can be paid off. Ideally you may want to exceed that amount to also make sure that there are some funds available for those left behind, enabling them to get through a difficult emotional and financial period as painlessly as possible. And it may be cheaper than you think. Of course you need to check the level, if any, of a 'death in service' benefit that may be in place through the employer, and include that as part of your sums.

There are various types of life cover, so do talk to us and we'll take you through the options.

Trusts

When you do set up life cover, consider

placing the policy in trust, as it may help ensure that the proceeds are paid out speedily to the beneficiaries.

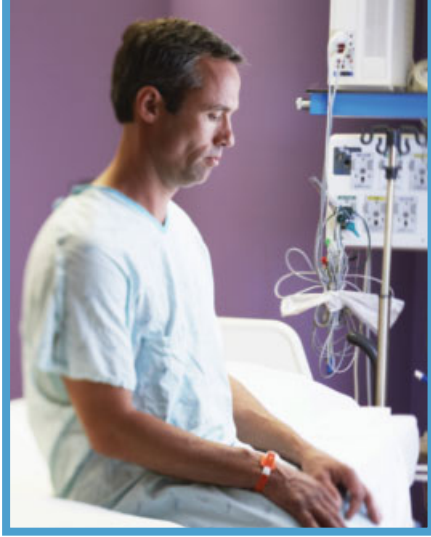
Or, it could potentially enable you to ring-fence any payouts to help reduce a future Inheritance Tax liability (under current legislation tax year 2015/16).

Do talk to us to find out more.

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

The Financial Conduct Authority does not regulate Taxation or Trust advice.





One in 10 of us will face a period of sickness absence of more than six months during our working lives. Whilst you may have life cover in place, how would you (or the family) cope if a wage earner was off work for a long period of time? *(Source: Demos survey, April 2013)*

■ 91.2% of all 'Individual Income Protection' claims paid out in 2015.
 ■ Average payout over time of £40,000.
(Source: Association of British Insurers, April 2016 release)

Can't work!

» To put that one in 10 figure into perspective, the odds of winning the Lottery are around one in 14 million! Yet many of us think that this may occur! So, assuming your numbers don't come up, perhaps you should consider how you'd fund your lifestyle if you were off work for an extended period, and establish if you would be able to manage financially?

Of course, many people may assume that it's only something like a bout of flu that will keep them away from work. Yet, according to research from LV=, flu only accounts for 10 days lost across a working life. It's stress and depression (81 days) and a bad back (57 days) that have the greatest impact.

(Source: LV= National Sickness Report, October 2013)

Income Protection

One route 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 are unable to work due to illness or injury. In general, it will pay out until you are; well enough to return to work, have retired, the policy ends, or upon your death; whichever happens first.

Each policy will have different conditions, such as cover choices against not being able to work in your own occupation, or any occupation, and you would obviously need to disclose any pre-existing medical issues.

*(*Under current legislation tax year 2015/16)*

First though, you'd have to do the maths and establish if you would just receive the Statutory Sick Pay of £88.45 a week (paid for up to 28 weeks, if you qualify), or if there are additional benefits from your employer or the state.

Once you've got an idea of this 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.

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). And again, the less you need, the lower the premium.

But do consider as part of that process

that the same LV= research showed that almost a quarter of respondents said that their savings would actually run dry after just two months of trying to bridge any income gap.

Income Protection is a complex product, with a vast array of options, so it's essential that you take advice. Do get in touch if you'd like to find out more.

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

Finding the extra pounds

You might feel you're already stretched to the limit to find the money to pay for protection.

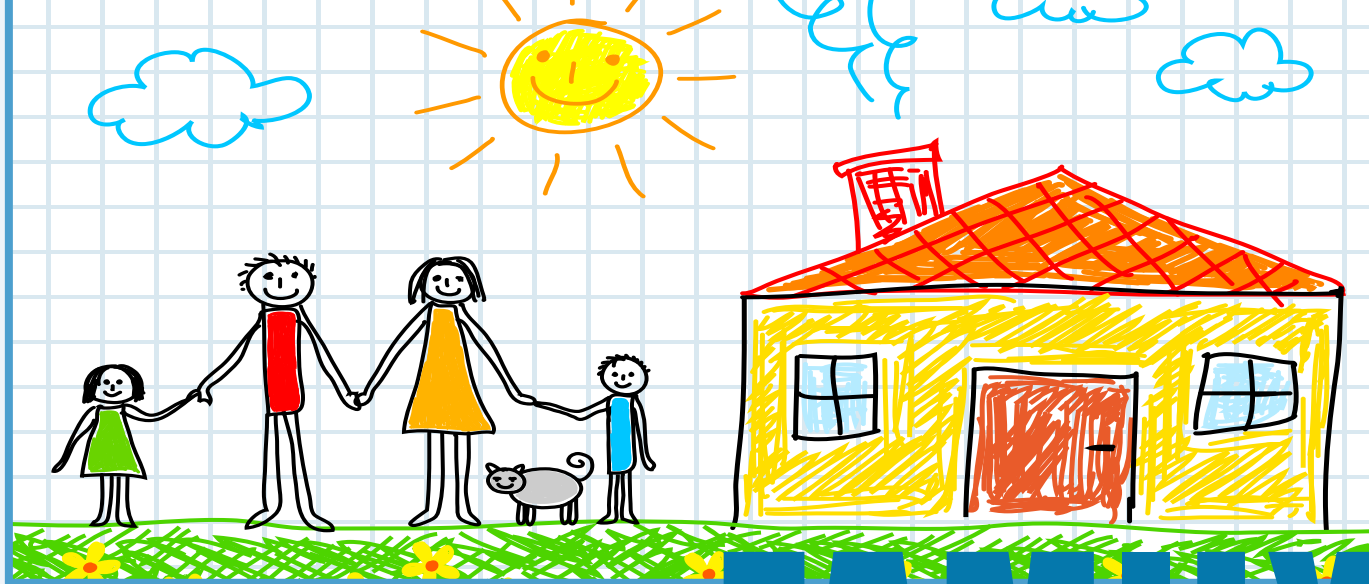
However, it may be easier than you think when you consider all those little items we may take for granted, like the odd drink or a magazine. In fact, you might be surprised to find out how quickly it all adds up.

| Treats | £ Cost/unit (est.) |
|-------------------------|--------------------|
| Soft drink | 1.00 |
| Snack | 1.00 |
| Magazine | 1.75 |
| Coffee | 2.50 |
| Pint of beer or lager | 3.50 |
| Glass of wine (175ml) | 3.50 |
| Taxi | 5.00 |
| Cigarettes (pack of 20) | 7.00 |
| Take-away meal | 7.00 |
| Total = £32.25 | |

For example, if you cut out just one unit each week of the above items, then you could save around £140 across a month. In many cases, that'll be more than you need to cover the cost of your protection policy.

We don't expect you to give up all of life's little luxuries. But, by keeping an eye on your spending, you could afford to set aside a little extra to improve your financial security.





Protect the FAMILY

In spite of healthier lifestyles and improving medical know-how, on average, around 47 adults, aged 18-44, die every day. (Source: Office for National Statistics, 2014 UK figures, released December 2015)

» If the unthinkable happened and the breadwinner died, would the family be able to cope financially, quite apart from the emotional turmoil? It's possible that there may be life cover in place to help pay off the mortgage. But what if the partner left behind has children and needs to provide for everyday items such as food, clothes, utility bills, childcare, or other expenses like holidays and birthdays?

If you think this may not add up to much, then consider the findings from an LV= survey that looked at the cost of raising a child to the age of 21. This stands at almost £232,000 - equating to more than £200 per week! It's a pretty sobering figure should an income stream end due to an untimely death.

(Source: LV=, *Cost of a Child report*, February 2016)

Family Income Benefit

If you're a parent with children, then it may make sense to have in place a specific plan to help meet the needs of the children, in addition to any general life cover you may have.

In which case, **Family Income Benefit** may be one of the better value protection plans on offer. Rather than delivering a lump sum should you die, it provides a regular, tax-free*, monthly (or annual) payment for the dependants - from the time of the claim to the end of the plan term. (*Under current legislation tax: year 2015/16)

That's why it's well-suited to those with young families, as the idea is that it should be arranged to pay out until the children have grown up, so it's often taken out over a 10 to 20-year term, or whatever is appropriate in your circumstances.

How it works

Say you took out a 20-year term, which was set up to pay out £20,000/year and it was claimed against after one year, then the family would receive £20,000/year for the next 19 years, equating to a total payout of £380,000 (if there was no index-linking).

However, if for the same plan, there wasn't a claim until 18 years into the policy term, the total payout would be £40,000. And if, fortunately, there was no claim at all within the 20-year period, then the policy simply runs the whole term without any payout.

Consequently, the resulting lower premium cost (because the potential payout decreases the further through the policy you get), could make the difference between you being able to afford the insurance or not.

Why not talk to us to find out more.

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

7 FAMILIES CHARITY-LED CAMPAIGN

Hopefully, this issue will give you a better feel for the protection products that may meet your needs. If you need further convincing, why not take a look at the '7 Families' campaign which has been set up to assist seven families who have lost their main income through a serious or long-term illness or disability, and didn't have any financial support in place. This charity-led initiative delivers financial support for a year and it's partly been set-up to demonstrate the need for people to plan financially. You can find out more at: www.7families.co.uk

■ The contents of this newsletter are believed to be correct at the date of publication (July 2016).

■ 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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