

# future balance

## Protecting your future income

A useful guide on  
Income Protection



A Future Balance Guide

## Paying the bills

We all earn money to pay our bills and live the life we want, but what would you do if that income or the ability to earn was removed?

**Income Protection** can keep those bills paid and that roof over your head which makes this one of the most important insurance products available.

## It can happen

The Covid-19 pandemic has shown how illness can strike when we least expect it, and cause financial hardship when the wages stop.

You can do something to protect yourself though - **Income Protection** can cover long-term illnesses to give you financial peace of mind.

## Talk to us

We're always happy to guide you with anything you may want help with, and can provide protection solutions that cater to your specific situation and budget.

Don't be afraid to pop us a message or give us a call if there's anything you are unsure about.

# What is Income Protection?

Income Protection is an insurance product that pays out a monthly amount if you are unable to work long-term due to illness or injury.

These payments usually last until retirement, death or your return to work, although there are cheaper policies which will pay out for a maximum of 1 or 2 years.



## Why is Income Protection important?



Income Protection is a crucial product to have in place for several reasons, including:

- **Bills still need paying**
  - Even if you are off work you will still need to pay your bills. However, if you have no income then this could be difficult and potentially cause financial issues, or even mean losing your home.
- **Employers may not pay you for long**
  - Always check your employment contract as you may find your company won't pay your full salary for as long as you think before you move onto Statutory Sick Pay (SSP).
- **SSP doesn't pay a lot**
  - SSP is just £96.35 per week\* for a maximum of 28 weeks. This is unlikely to cover all your bills, and will stop paying altogether after 7 months.
- **Savings won't last long**
  - If you have some money tucked away for a rainy day then you may find that money disappears quickly. Do you want to use up your hard earned savings to cover a period of illness when you could have a policy in place to protect that income in the future?



### For Example

If you had £1,000 per month of outgoings and were only receiving SSP, you'd have a monthly shortfall of **£582.48**

Monthly Outgoings

£1,000

Monthly SSP Income\*

£417.52

£582.48

Monthly Shortfall

\*Correct as of April 2021, Source: <https://www.gov.uk/guidance/rates-and-thresholds-for-employers-2021-to-2022#statutory-sick-pay-ssp>

# How does it work?



## Getting things started

The **Income Protection** product will be set up based on your needs, including your deferred period (which is how long you have to wait before your payments start) and will run for a set period of time (usually up to retirement age).



## Keeping the policy live

Hopefully, as with any insurance product, you continue to pay your monthly premiums and never have to make a claim on the policy. However, if you do need to make a claim...



## Getting in touch with the insurer

As soon as you become ill, it is best to contact your insurer even if you still have a while to run on your deferred period. You can then keep them in the loop whether you need to subsequently start the policy paying out or return to work.



## Receiving your payouts

Once your deferred period has ended, your payouts will begin. They will top up any other income you're receiving (such as SSP) to the benefit agreed when the policy started.



## When will it end

How long the policy pays for will depend on the type of income protection you choose. It will either pay until you return to work, retire or for the maximum period as set out when the policy was set up.



We understand that you may have some reservations but we've addressed some of the most common objections below.



## **It is too expensive / I can't afford it**

The question should really be - can you afford to not have it? Your income is what allows you to pay the bills and live your life, so having a product that would continue to provide you an income is crucial. A review of your current bills may provide an option to save a bit of cash and use the money saved to put an Income Protection policy in place. Even having a cheap, short-term policy in place is better than nothing.



## **I'm young & healthy / It won't happen to me**

This may be true, unfortunately conditions like cancer & mental illness don't discriminate - they don't care how old you are, whether there is a family history or whether you go to the gym 5 times a week. Plus, the younger you are when you start a policy, the cheaper it will be so it's always better to put a policy in place as soon as possible.



## **My employer and/or the state will help me**

Yes, but this may not last as long as you think. Check your employment contract as you may be surprised at how few weeks your employer will pay you for if you were off work long-term through illness or injury. Plus with SSP only paying £417.52 per month you may find a big difference between your income and outgoings. Also, SSP only pays out for 28 weeks so what will you do once that is no longer paying?



## **I'll use my savings**

40.9% of people in the UK wouldn't be able to cover one month's worth of expenses should they lose their income\*. Even if you do have more saved away, how long would that last if you were unable to work for a long period of time, and what would you do once those savings have all gone?

**Take control of your future today and put that all important  
Income Protection policy in place.**

# Glossary



## "Deferred Period"

The **deferred period** is the time that needs to pass between you first becoming ill or injured and when the insurer will begin making monthly payments to you.

The **benefit** is the amount of money that will be paid to you. So a monthly benefit of £1,000 means the policy would pay you £1,000 per month (after the deferred period).

## "Benefit"

## "Premium"

The **premium** is the amount the policy will cost per month. So a £20 premium would mean you need to pay £20 per month to keep the policy live.

The **term** is the length of time that the policy will last. This may be a set number of years (i.e. term of 30 years) or up to a specific age such as your retirement age (i.e. term to age 67).

## "Term"

## "Waiver of Premium"

A **waiver of premium** means that if you are too ill and unable to pay your monthly premiums, then you will no longer have to pay the premiums but your cover will stay in place. It should be noted that not all policies have this in place.

**Statutory Sick Pay** or **SSP** is the minimum you must be paid if you are off work due to sickness for a finite period of time. It will usually be paid on the same day of the month as your usual wages. The amount payable on **SSP** is usually updated every April by the Government.

## "Statutory Sick Pay (SSP)"

# future balance



There's lots to consider with insurance  
but we can help you put the right cover  
in place

Get in touch:



0330 122 9760



[info@futurebalance.co.uk](mailto:info@futurebalance.co.uk)

[futurebalance.co.uk](http://futurebalance.co.uk)