



A clear guide to life, business, income and family protection

**Protect what you've built,
care for what you love.**





Contents

Life Protection	1
Family Income Benefit	4
Critical Illness Cover	5
Income Protection	6
Underwriting	8
Business Protection	9

Protection

With so many options on the market, navigating financial protection products can be overwhelming. At Wealth Genius, we are dedicated to helping you make informed decisions about your financial future. This guide is designed to give you more information about key products on the market.

1. Life Protection

Life Insurance

Life insurance is the most sold protection product in the UK. Its purpose is to provide a death benefit to your loved ones should you die unexpectedly. Usually, paid out as lump sum, life insurance enables your family to keep up with everyday payments and meet unforeseen costs. There are many types of life insurance, with different terms, premiums and benefits. It's important to consider each carefully, before making a decision on what is right for you.

Term life insurance

Term life insurance covers you for a certain period of time. This could be the length of your mortgage, or maybe until your children move out and become financially independent. You choose the amount of cover you need, and the time frame.

There are 3 main sub-types of term life cover:

i) Decreasing cover

Decreasing life cover is usually used to cover specific long-term debt, such as a mortgage repayment. Decreasing life cover means that your payout (the amount your family receive should you die), decreases as your mortgage repayment decreases. Your premium (the amount you pay to the insurer) stays the same. The main advantages of decreasing cover are that it's cheaper than other covers, and allows you to choose how much and for how long you want cover. Your premiums also stay the same, making it easy to budget for.

The main disadvantage, however, is that it decreases in line with your mortgage repayment. Should you need to cover other costs, these won't be accounted for. And similarly, if your mortgage interest rate becomes higher than in your policy you might not be able to pay off your entire mortgage.



ii) Level cover

Level cover is similar to decreasing cover, except the payout doesn't reduce overtime. You would receive the same amount of payout at the beginning of term as at the end. Like decreasing cover, level cover allows you to choose how much and for how long you need cover. Your premium also stays the same. The main advantage is a fixed payout allows you to account for other costs beyond your mortgage, e.g. daily living expenses, bills, school fees etc. It provides more security than decreasing cover.

The main disadvantage is that it costs more than decreasing cover, and your payout won't increase with inflation. The payout could also be subject to Inheritance tax charges.

iii) Increasing cover

Increasing cover means that your payout increases over the term of your policy. Your amount of cover is reviewed regularly against inflation or a fixed rate, and rises accordingly. However, your premiums are also reviewed regularly and rise over the course of your policy.

The main advantage is your payout can meet rising living costs, meaning that your family won't face additional financial pressure from a cost of living crisis. The main disadvantage is, of course, the cost of this cover and the unfixed nature of a premium which rises with inflation.

'Whole of life' cover / life assurance

Life assurance, like life insurance, pays out a lump sum in the event of your death. However, the policy covers your whole life rather than a set period of time. So long as you keep up with your premiums, you're guaranteed a payout at some point.

The main advantage is this guaranteed payout whenever you die. This can give you peace of mind throughout your life, knowing that your loved ones will be cared for no matter what. The lump sum is also usually tax free.

However, life assurance doesn't come for free. The main disadvantage is significantly higher premiums. You might also end up paying more in premium in your lifetime than the final payout, not necessarily making it a cost-effective option. Equally, depending on your policy, your premiums could increase over time, especially if you have poor health.

Terminal illness cover

Terminal illness is a feature of many life insurance policies. It means you can receive your payout early, if you're given a terminal illness prognosis with a life expectancy of 12-months or less. You can use your pay out as you wish to; it allows you to make choices about the future and supporting your loved ones before you die.

Terminal illness cover shouldn't be confused with critical illness cover. Terminal illness cover only pays out if your conditions is untreatable, and will lead to death in 12 months. It's usually included in most life insurance policies at no added cost.

Joint vs Single Insurance

Joint life insurance covers you and your partner under one policy. It can be cheaper than buying separate policies, as you'll only pay one premium. Whilst this can seem like a great idea on paper, it's worth considering that a joint insurance policy will only pay out once. This means your policy will end after the first death. There's nothing wrong with doing everything together as a couple, but just like taking out a joint bank account, it's important to think about the financial implications further down the road.



2. Family Income Benefit

When considering life insurance policies, you've probably been looking at options which provide a lump sum on death. A lump sum is certainly beneficial allowing you to pay upfront expenses such as funeral costs, outstanding debts and mortgage payments. However, a lump sum is not an income. It's a means to an end. A lump sum pays your most pressing needs, but it won't replicate the vital income you lost with the death of your partner. For this reason, it's worth considering a Family Income Benefit, which provides much-needed long-term financial stability following a catastrophic event.



What is Family Income Benefit?

Family Income Benefit (FIB) is essentially a life cover that's paid out in monthly payments rather than a lump sum. It's a practical solution that allows you to maintain a reliable income stream from as soon as you claim it, up until your cover term ends. This provides certainty, knowing you can pay monthly bills and regular outgoings.

Alongside this, you can tailor a FIB to fit with long-term milestones, such as university fees, weddings and retirement. You can also use regular income generated by a FIB to raise capital to borrow money should you need to, for example if the remaining parent decides to stop working.

Above all, a FIB is a financial safety net for your children. As a parent, your greatest worry is not the mortgage, or a lost income, but leaving your children with an emotional and financial burden they can neither manage nor understand. We want our children to enjoy their childhood and not have to grow up before they should. Whilst money can never take away the pain of grief, it can protect your children's livelihood. A FIB policy can be placed in trust. This gives you the option to name a legal guardian as a secondary trustee, meaning that a monthly income can be rerouted to the people raising your children. With this added benefit, you know that your children will be cared for responsibly and properly, without financial pressure placed on their guardians.

3. Critical Illness cover

Critical illness (CI) covers provides you with a tax-free lump sum should you become seriously ill. You can purchase critical illness on its own, or as an addition to your life insurance policy. Critical illness cover is usually more expensive than life insurance, but ensures that if you become seriously ill, you and your family won't be impacted by your loss of income, and the unforeseen costs such as specialist care or treatment.

It's important to read critical illness policies carefully. You can only claim for serious illnesses covered by your policy, nothing else. Equally, your policy will have clearly defined conditions for what constitutes a 'critical illness'. If you become seriously ill, but don't meet all the conditions of your policy, then you might not be paid in full, or in some cases at all.

Children's Critical Illness Cover

Your child's diagnosis of a serious medical condition could have major financial consequences, you could need to take time off from work, modify your home, or even go abroad treatment. Children's CI cover has historically been added onto adult CI cover. This option however usually results in extremely high, and sometimes unaffordable premiums.

However, insurance providers such as Guardian, Vitality, and Zurich have been introducing new policies, with separate Children's CI cover. These options provide generally inexpensive cover, which can run alongside adult life cover or income protection policies.



4. Income protection

If you can't work due to injury or illness, income protection can replace a proportion of your lost income, usually 50-75%. It is paid out as regular, tax-free monthly payments until you return to work, retire, reach state pension age, or your policy ends.

Income protection is not intended to replace your full salary, it's designed to help you meet essential expenses whilst you recover.

Most income protection policies have a waiting period, meaning you can't make a claim as soon as you fall ill. Depending on your cover you might have a waiting period of anywhere between 4 weeks – 2 years. This is to account for income you could claim through your employer's sick pay scheme, or through statutory sick pay.

It's important to note that income insurance policies don't always cover every illness. Equally some policies which cite 'stress or mental ill health' as a qualifier might have stricter regulations than you've anticipated. In some cases, a doctor's sign-off is not enough to make a claim. It's important to go through policy with a fine-tooth comb because, the devil, like always, is in the detail.

Income protection does not cover redundancy.



Short-term Income Protection (STIP)

As the name suggests, STIP provides payout for a short period, usually 1-2 years, and with a maximum of 5 years. STIP typically has shorter wait periods and less expensive premiums, as your payout period is shorter. However, it provides only temporary cover.

STIP also have key exclusions; self-inflicted injuries, injury resulting from alcohol or drug abuse, or certain pre-existing conditions won't be covered.

Long-term Income Protection

Long-term income protection provides regular tax-free monthly payments until you return to work or reach retirement. With long-term insurance, you're covered should you be permanently unable to return to work. This can provide a substantial financial safety net, rather than just a short-term reprieve. You can keep claiming within the length of your policy.

Guaranteed Increase Options

For most of us, our income and expenditure will increase throughout our lives. Income protection cover should also be updated to meet these changes, and ensure that cover can keep up with changing needs. A guaranteed increase option (GIO) allows you to increase your cover as a result of certain events, referred to as triggers, without undergoing new medical examinations. This can save you time, stress and money. Trigger events include: marriage or civil partnership, birth or adoption of a child, salary increase or promotion, increase in mortgage or rent. Some insurance providers offer triggers on policy anniversary's, allowing you to increase your cover on these dates.



5. Underwriting

Underwriting is simply an insurance providers process of risk assessment. It's a standard part of personal protection cover. It allows an insurer to assess your level of risk, determine what cover and what terms they're willing to offer you, and how much premium you'll pay. When submitting an insurance application you'll be asked for detailed and accurate information on your:

- Age:

Insurance generally costs more as you get older.

- Occupation and hobbies:

High-risk jobs e.g. armed forces, might have higher premiums or exclusions. So will high-risk hobbies such as underwater diving or mountaineering etc.

- Health and medical history:

Some medical conditions can carry greater risk, e.g high blood pressure, diabetes, heart disease, and cancer. Income protection could also be affected by chronic back or joint problems, or mental illnesses.

- Build:

Your BMI ratio and waist measurement might affect your premium, or a provider's willingness to offer cover if it's very high.

- Family history:

Hereditary conditions could be developed later in life. Heart disease, diabetes and cancer are known to run in families.

- Alcohol and drug consumption:

Regularly drinking above government recommendations or having a history of alcohol or drug abuse can affect cover.

- Smoking:

A history of smoking or regularly smoking can affect your health.

- Living or travelling abroad:

Travelling or living in countries with increased risks e.g. war, political instability, or prevalence of disease could affect cover. Government legislation also restricts who can receive cover outside the UK.

Some policies will require you to undergo a medical examination or provide medical evidence if you are a higher-risk applicant. You may need to undertake further medical examinations or provide further medical evidence if you want to make changes to your policy.



6. Business Protection

The UK has a dynamic business landscape, but incongruously, a large business protection gap. Especially for small businesses with less than 50 employees, business protection is essential. Small businesses generally rely on a founder, key stakeholder or team member. What would happen to the business if they died or became seriously ill?

Key Person Protection

Key person protection provides financial support to your business should a key member die or become seriously ill. It's a form of life insurance, but instead of being paid out to a dependant, it's paid to your business. This can help you cover profit loss, and recruitment expenses to replace your key person.

Shareholder Protection

Shareholder protection provides a lump sum that allows surviving shareholders to buy out shares from the deceased owner or shareholder. This can help surviving shareholders maintain control of the business, to support its ongoing success and allow time for your business to agree on its future management.

Disclaimer:

Tax treatment varies according to individual circumstances and is subject to change.

About Us:

Wealth Genius is a specialist financial planning firm. Our dedicated team have in-depth knowledge of the NHS pension system, and the careers paths of doctors, dentists, GPs and locums.

We are committed to delivering a personalized, face-to-face service.

We are part of the Quilter Financial Planning network, one of the UK's largest advice networks, dedicated since 2006 to helping clients secure their financial futures.

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Protection Services Guide

