



LUCAS FETTES

Your guide to personal insurance protection

Safeguard yourself against the unexpected.



Introduction

In the UK, there is a growing problem; as a nation, we are not taking the appropriate steps to protect ourselves against unforeseen risks - such as a loss of income, long-term illness, or an unexpected death. In short, we are under-insured.

Recent research has illustrated that much of the population are closer to the breadline than they might think, with a report from Legal & General finding the average UK household is just 24 days away - much closer than the 90 days they believe.

Furthermore, the same report highlights that as a population we are much more likely to insure our house, contents, and pets, than we are to insure against an unexpected illness or death.

Why is this?

Many people have misinformed views of personal insurance protection:

- "Nothing bad will happen to me."
- "I can worry about that later."
- "Personal insurance protection is expensive."
- "I can rely on my savings."
- "My family can support me."
- "I can rely on my employer."
- "The state will take care of me."

However, many of these are simply misconceptions and, in truth, your financial security is at risk if you have not put in place suitable personal insurance protection.

The important thing to consider is how would you and/or your dependants cope with the sudden loss of your income?

In this guide, we outline and explain some of the personal insurance protection solutions available. Each of which can provide you with peace of mind, should an unexpected event occur.

After reading this guide, if you have any further questions, do get in touch.

24 Days

How close the average UK household is to the breadline.

Source: *Deadline to Breadline.* (legalandgeneral.com)

14 Million

The amount of UK adults showing low financial resilience.

Source: *Financial Lives 2020 survey: the impact of coronavirus.* (fca.org.uk)

14 Years

How long it takes for the average UK household to save the equivalent of their annual salary.

Source: *Deadline to Breadline.* (legalandgeneral.com)

98.3%

The number of personal insurance protection claims paid out in 2019. The highest on record.

Source: *Record 98.3% of protection claims paid out in 2019* (abi.org.uk)

What is personal insurance protection?

Personal insurance protection policies are forms of insurance intended to help you plan against the unexpected.

They act as a safety net, and form part of your wider financial plan as a contingency, ensuring you and/or your dependants are financially secure in the event of an unexpected loss of income.

For example:

- An injury;
- A long-term illness; or
- Your death.



There are many solutions available, each designed for different people and circumstances. The solutions you choose should reflect your personal circumstances and what you want to protect.

Why should you consider these policies?



To achieve peace of mind



To manage the risk of the unexpected



To safeguard your financial security

Your options

Life Insurance

The purpose of Life Insurance is to ensure that your dependants will be provided for financially, should you die unexpectedly.

Life Insurance pays out either a lump sum or regular payments on your death, giving your dependants financial support after you have gone. These are tax-free benefits.

In addition, you decide how the policy is paid out and whether it will cover specific payments (E.g. mortgage or rent) or if it is to leave your family with an inheritance.

The type of cover you receive depends on the type of policy you choose.

Whole of Life

These policies provide you with cover that pays out regardless of when you die.

The benefit of Whole of Life Insurance is that it can be used to help your beneficiaries with your funeral arrangements, help pay any Inheritance Tax (IHT) liability on your estate, or support any of your other wishes.

Whole of Life Insurance is typically more expensive than other, shorter-term policies.

Term Assurance

Term Assurance policies provide cover for an agreed period of time, set out in the contract (E.g. 25 years). As such, they only pay out if you die during this period.

Typically, these policies are taken out to cover financial obligations, such as a mortgage or education costs for children.

There are three types of Term Assurance policies, each of which differ from one another.



- **Increasing-term:** The amount your insurer will pay out increases over time.



- **Level-term:** Your dependents will get the same amount, no matter when they need to claim.



- **Decreasing-term:** The amount your insurer pays out will decrease over time.

These policies are complex, so it is important to check the various options and features before proceeding.

Joint Life

Through a Joint Life policy, you can insure two people at the same time.

You will need to decide if you want the policy to pay out on first or second death.

It can make life easier knowing that you are both covered; however, it is important to remember that if you choose 'first death', once a claim is made, the partner who is left will not be covered anymore and they will need to take out their own individual policy after that.



Family Income Benefit

Family Income Benefit is designed to provide an income if you die whilst the policy is in place. This income will be paid for the remainder of the policy term.

Like with Term Assurance, these policies are taken out to cover financial obligations.

You can also add critical illness to the plans or build inflation proofing, to ensure the payment increases each year.

Critical Illness Cover

Critical Illness Cover supports you financially if you are diagnosed with one of the conditions included in the policy. The tax-free, one-off payment helps pay for your treatment, mortgage, rent, or changes to your home (E.g. wheelchair access).

The conditions and illnesses covered can vary significantly between different insurers. The most comprehensive policies cover 50 different conditions or more, but others are much more limited.

Once a valid claim has been made the policy ends. Critical Illness Cover can normally be added to Life Insurance policies at an additional cost or held as a standalone policy.

Income Protection

If you lost your income due to illness or an accident, could you maintain your household expenses?

Income Protection provides you with the peace of mind that, if you are unable to work through illness or injury, a proportion of your income is protected until you are able to return to work.

These policies provide regular payments that replace part of your income and continue until you can start working again or until you retire, die or reach the end of the policy term – whichever is sooner.

Cover is included for most illnesses that leave you unable to work, both in the short and long-term

You are able to claim as many times as you need to while the policy lasts. Inflation protection can also be arranged.

Private Medical Insurance

Private Medical Insurance provides cover for individuals who wish to seek private medical treatment outside the NHS when they are ill.

Through one of these policies, you will have the choice of specialist consultant, the hospital, and the timing of the treatment.

Unlike Critical Illness Cover and Income Protection, the contracts are renewable on an annual basis and premiums increase with the your age.

What is covered is dependent on the individual policy, but usually includes short-term medical conditions, in-patient tests, surgery and hospital accommodation and nursing.



How do I know what is right for me?

Insurance policies are complicated and it can be an overwhelming process to attain the right cover for you and your dependants.

The first step is to consider what you most need to protect. This could be:

- Covering your mortgage payments;
- Providing for your children; or
- Making sure you have an income.

Once you have considered this and set a goal, you can align your needs to one of the many options available.



Other considerations

Underwriting

The main factors assessed to determine the cost of insurance are your age, sex, occupation, smoker status, health, the level of cover you need and type of product that you choose.

Normally, the older you are, the higher the premium. Your individual height, weight, medical history and lifestyle are all assessed.

If you do not disclose all information requested, it could mean your policy may not pay out and your provider may need to cancel your policy altogether.

Trusts

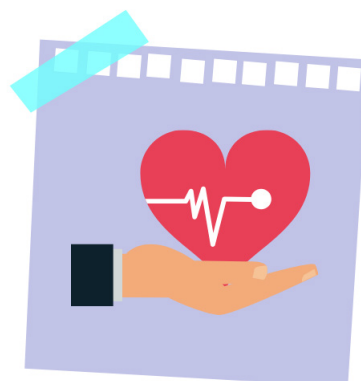
It can be beneficial to write insurance policies into Trust to protect them from Inheritance Tax and to speed up payment.

There are a variety of different Trusts available, and you should seek professional financial advice to establish which are suitable for you.

What does your employer offer?

As part of your employee benefits package, your employer may offer forms of personal insurance protection.

It is best to check with your HR Manager, to confirm what cover you already have as part of your employment arrangements. Note that you will lose these if you change jobs.



How can we help?

When illness or injury affects everyday life it can lead to devastating financial consequences for individuals and families.

At Lucas Fettes Financial Planning, we believe that protecting against an unexpected event is essential and we offer a range of options to protect you and your family.

Our expert team are on hand to help you choose suitable arrangements, so your family is protected should the unexpected occur.

We can:

- Guide you through the application and claim process;
- Gain an understanding of your risks and the protection you need;
- Find suitable cover at the lowest cost;
- Advise on trust and ownership structure; and
- Explain your policy and when you have a valid claim.

We are chartered independent financial planners; Our independence means we have access to the entire market to find the best solution for you.

It is important to put policies in place early. Should you wish to discuss your personal insurance protection options and how we can assist you, please get in touch.



Important information

The personal insurance protection products discussed in this guide (with the exception of some Whole of Life policies) are not savings or investment products and have no cash value unless a valid claim is made.

The tax treatment of any policy may depend on your individual circumstances and may be subject to future change.

Contact us

If you would like to find out how we can help you, through our independent financial advice and guidance, please get in touch.

To contact a Lucas Fettes financial planner, call us on 01603 706 820 or email info@lffp.co.uk.

www.lfffinancialplanning.co.uk



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