

Income Protection Insurance

Do you need income protection insurance?

According to the ABI, each year close to a million people find themselves unable to work due to a serious illness or injury. If you were unable to work due to a serious illness, how would you manage?

What is income protection insurance?

- It replaces part of your income if you can't work because of illness or disability.
- It pays out until you can start working again, or until you retire, die or the end of the policy term - whichever is sooner.
- There's a waiting period before the payments start. You generally set payments to start after your sick pay ends, or after any other insurance stops covering you. The longer you wait, the lower the monthly payments.
- It covers most illnesses that leave you unable to work, either in the short or long term (depending on the type of policy and its definition of incapacity).
- You can claim as many times as you need to, while the policy lasts.

Do you need it?

It doesn't matter whether or not you have children or other dependants – if illness would mean you couldn't pay the bills, you should consider income protection insurance.

You're most likely to need it if you're self-employed or employed and you don't have sick pay to fall back on. But please check with your employer to see how much you would get under your company terms of employment.

Who doesn't need it?

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 state benefits – but they may not be enough to cover all your outgoings
- You have savings that are large enough to see you through what could be a long period.
- You could take early retirement – if you're near retirement age, perhaps you could afford to retire early. If you are unable to return to work you may 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.

How much does it cost?

How much you pay will depend on the policy and circumstances. Usually income protection insurance covers a wide range of illnesses and situations and has the potential to pay out for many years. The cost of a policy will vary based on a number of factors, including:

- Age
- Whether you smoke or have previously smoked
- Health
- Job
- The percentage of income you'd like to cover

In conclusion

The right policy is vital and an independent IFA can research the whole market to find the best policy.

Please contact us on 01892 612500
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