Home Finance Solutions Protection Guide

Protecting your finances for yourself, as well as your loved ones, in the event of a death or illness is ever more important, as the cost of living continues to increase. We have put together a handy guide to help explain the various products available to you to insure against various scenarios.

Life Assurance

Life assurance is the technical term for life insurance. It is designed to pay out a lump sum upon death, which can be used to clear your mortgage balance and any debts in order for the survivor to continue living in the family home. This insurance is particularly important if you have children. There are two types of life assurance:

Decreasing Term Assurance Also know as mortgage protection this type of life cover is designed to clear your mortgage debt upon death. As you pay your monthly mortgage payments the amount you owe reduced over time. This cover reduces in line with those payments, so that as you clear your mortgage, the amount insured also reduced.

Level Term Assurance As with DTA, this policy is also there to clear your mortgage debt upon death. The difference is that this policy is often used for those with an interest-only mortgage. As you make monthly interest payments, the mortgage debt does not reduce, so this insurance remains level with the amount you owe.

ADDITIONAL POLICY BENEFITS

Waiver of Premium - Waiver of premium is an optional extra that means you wont have to pay out monthly premiums after a period of time if you are incapacitated due to illness or injury and are unable to do your normal job.

Total and Permanent Disability – TPD benefit is an optional extra on critical illness cover plans. Providers will have their own definitions, but put simply, if you are totally and permanently incapacitated, they will pay out the benefit.

Terminal Illness Cover – Terminal illness cover pays out the lump sum if the life insured is diagnosed as terminally ill and is eligible to claim. Most providers include this for free, but some have it as an optional extra.

Critical Illness Cover

Critical Illness cover is a form of insurance that pays out a tax-free lump sum if you are diagnosed with a specified illness or medical condition. The policy will pay out if you are diagnosed with one of a list of serious conditions within the policy term.

You can spend the money however you wish; you could use it to clear any debts, pay for medical bills or to adapt your home to suit your needs.

The list of conditions may be long, with some insurance companies including more than 60 ailments, conditions and injuries. Common illness covered are heart attacks, stroke, certain cancers, blindness etc.

Critical illness can be taken as an add-on policy for your life cover or as a stand-alone policy depending on your needs.

Income Protection

Have you thought about how you would make mortgage payments and maintain your lifestyle if you were off work for a long-term sickness or injury? Some employers will pay you a normal salary for a while and then you will fall into statutory Sick Pay, which is around £92 a week for 28 weeks.

Income protection is designed to replace a proportion of lost earnings. Th e benefit payments are currently tax-free and help you to keep on top of your finances during a stressful time.

If you have savings, or your employer can cover you for a certain period, you can build a 'deferred period' into your policy. The longer this period of time is, the lower your premiums will be, but the longer you will have to wait for your benefit to be paid.

Family Income Benefit

Most families, couples or co-habitants rely on at least one regular monthly salary to cover regular household spending. How would your household replace this if one partner died?

For peace of mind, many people choose a type of family life insurance called family income benefit (FIB).

Household bills will always need to be paid. A sudden loss of income can make it tough to manage these and other expenses and this is where FIB can help to provide extra support. If you have a young family, you might want cover to run until your children are grown up, using the income for everyday expenses or specific items such as school or university fees.

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