

A safety net for uncertain times

How would you pay your bills if you couldn't work?

In today's unpredictable world, safeguarding financial stability is more crucial than ever. Many of us would struggle to keep up with our essential outgoings, such as mortgage and rent, if we lost an income due to illness or an accident.

Whether you're employed or self-employed, income protection is a long-term insurance policy designed to ensure you receive a regular income until you either retire, are fit to return to work or pass away.

Surprisingly, only a small fraction of the UK population – less than one in ten, to be precise – has this type of cover in place, according to research^[1]. This is despite the alarming statistic that 42% of UK adults are concerned about their household's ability to cope financially if they cannot work^[2].

GENDER PROTECTION GAP

There is also a notable gender protection gap. A significant 29% of women surveyed indicated that they couldn't afford protection, in contrast to 23% of men. Moreover, over a quarter of women admitted they would have to rely on their partner's income if they found themselves unable to work. This reliance underscores the importance of personal financial independence and protection planning.

REPLACE A PORTION OF YOUR INCOME

Income protection insurance offers regular payments that replace a portion of your income. These payments are made until you can return to work, retire, pass away or reach the end of the policy term – whichever happens first. Typically, the policy covers between 50% and 65% of your income, addressing a wide range of illnesses that may prevent you from working, both in the short and long term.

CLAIM AS MANY TIMES AS NECESSARY

A significant advantage of this type of insurance is its flexibility. You can claim as many times as necessary during the policy's lifespan. However, it's important to note that there is often a pre-agreed waiting, or 'deferred', period before payments commence. Typical waiting periods range from four weeks up to a year, with longer waiting times generally resulting in lower monthly premiums.

FEW EMPLOYERS OFFER EXTENDED SUPPORT

It's crucial to differentiate income protection from critical illness insurance, which provides a one-off lump sum upon diagnosis of a specified serious condition. When unable to work due to illness or an accident, many people might assume their employer will continue to provide some income support. The reality is that employees often transition to Statutory Sick Pay within six months, with few employers offering extended support beyond a year.

EVALUATING YOUR EMPLOYER'S SUPPORT

It's essential to verify what support your employer offers if you become incapacitated. The loss of income can quickly erode savings and make it difficult to cover essential household bills, especially if you're self-employed and lack sick pay benefits. This is where income protection insurance becomes invaluable, providing the peace of mind that your financial obligations are met, even in the face of adversity. ■

Source data:

[1] The survey data was collected and analysed by Censuswide Research. The total sample size was 4,043 UK adults, including 1,000 self-employed and 1,000 private renter respondents. Fieldwork was undertaken between 17 – 29 April 2024. The survey was carried out online. The figures have been weighted and represent all UK adults (aged 18+).

[2] The survey data was collected and analysed by YouGov plc. The total sample size was 2,059 adults. Fieldwork was undertaken between 2 – 8 February 2024. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).

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WILL YOU AND YOUR FAMILY REMAIN SECURE DURING UNEXPECTED LIFE EVENTS?

Income protection insurance is essential to creating a comprehensive financial plan. It ensures that you and your family remain secure during unexpected life events. Contact us for further information if you have concerns or want to explore the options available.