

## Income Protection

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No one likes to think that something bad will happen to them. But each year close to a million people find themselves unable to work due to a serious illness or injury. If you couldn't work due to a serious illness, how would you manage? Could you survive on savings, or on sick pay from work? If not, you'll need some other way to keep paying the bills – and you might want to consider income protection insurance.

### What is income protection insurance?

Income protection insurance is a long-term insurance policy to help you if you can't work because you're ill or injured.

- It replaces part of your income if you can't work because you become ill or disabled.
- 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.

It's not the same as critical illness insurance, which pays out a one-off lump sum if you have a specific serious illness.

It's not the same as short-term income protection, which also pays out a monthly sum related to your income, but only for a limited period of time (normally between two and five years) and can cover fewer illnesses or situations.

### Do you need it?

According to the ABI, one million workers a year find themselves unable to work due to a serious illness or injury.

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.

### 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 government benefits – but they might not be enough to cover all your outgoings
- You have enough savings to support yourself – remember that your savings may need to see you through 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.