



HAVE YOU GOT A SAFETY NET?

Here is a brief refresher course about Income Protection for you in event of illness or accident!

Let's first of all see what the Government give a self employed person off work due to Incapacity:

Incapacity Benefit is paid at three weekly rates:

Short-term (lower) IB is paid for the first 28 weeks then short-term (higher) IB is paid from weeks 29 to 52long-term IB is paid from week 53

How much do you get?

Weekly rate Amount is short-term (lower rate) £61.35 (higher rate) £72.55 long-term basic rate £81.35 these are increased slightly if you are over Pension Age but no long term IB over a year

You may be able to get extra benefit

- an 'age addition' - with your long-term Incapacity Benefit if you were under 45 when you became too ill or disabled to work.

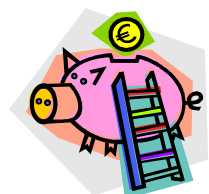
You may be able to get extra benefit for your partner, civil partner or the person who looks after your children.

Of course, insurance is not the only answer to these situations, you can self insure and save the premiums, or build up an emergency investment fund to deal with at least 6 months of expenses etc.

There is of course always the question of locum expenses if you were unable to work, and the running costs of the business as well as the home. This is distinct from personally insuring and enables you to get a replacement professional(s) and still not lose your own income. The latter business expenses or locum cover is something that Kim or David at Balens can give you more information about this upon request.

But first, let's look at some basic reasons why people suffer financial stress:

- **Failing to get the financial priorities right according to the different cycles of life**
- **Attitudes not matching realities, expectations not being met.**
- **failure to plan/think ahead**
- **Outside forces – economy, your work, political decisions, war, etc**
- **Illness or Accident restricting income**
- **Poor or inappropriate advice**
- **Poor decisions**
- **Getting the Financial Balance wrong**
- **Energy Flow, Money work/life balance issues**
- **Feelings, Desires being active not reflective**
- **Lack of Control – Debt**
- **Lack of Awareness, Inadequate Admin System**



There are a number of different vehicles for IP as follows:-

1. PERMANENT HEALTH INSURANCE
2. PERMANENT HEALTH INSURANCE FRIENDLY SOCIETY VERSIONS
3. ACCIDENT, ILLNESS AND REDUNDANCY COVERS FOR LOANS, MORTGAGES
4. PERSONAL ACCIDENT AND SICKNESS POLICIES
<i>Also Available to provide Cash which can provide an income...</i> LUMP SUM PROTECTION SCHEMES SUCH AS:- LIFE COVER, FAMILY INCOME BENEFITS CRITICAL ILLNESS INSURANCE

Here are the principle features of each of items 1 to 4 above!

1. PERMANENT HEALTH INSURANCE
<ul style="list-style-type: none"> a) Non cancellable b) Income carries on until chosen retirement age c) Permits chronic conditions and recurrences of previous claim d) Premiums fixed or increasing e) Options to inflation link/increase f) Less Flexible g) Require full medical underwriting h) Not so easy to increase decrease cover i) Waiting periods 1-6 months j) Type of occupation, Gender and Age rated premium factors k) Premiums are generally higher except for under 25 year olds l) No Lump Sum Benefits for disablement
2. FRIENDLY SOCIETY PHI
<p>Be careful to check their Definitions of Disability Should be Total Disablement from Suited Occupation not “Any” Own Occupation definition is best Check benefits are included...Temporary Total Disablement Temporary Partial Disablement Beware! Some Friendly Society Policies cover total from own occupation then switch later in event of long term claims to any or suited Premiums can increase with age Some Friendly Society Policies include an Investment component Conditions and recurrences Non Cancellable</p>

3. ACCIDENT, ILLNESS & REDUNDANCY COVERS FOR LOANS, MORTGAGES

We don't normally recommend these sorts of policies, they are generally sold with loans, HP, mortgages, etc. They can be quite restrictive in cover and sometimes expensive

4. PERSONAL ACCIDENT AND SICKNESS POLICIES

Income carries on for Two years only Max
Generally much cheaper
May exclude chronic conditions and recurrences after a claim has been paid out
Cancellable
Premiums fixed
Options to inflation link/increase rely on you to choose cover at inception and anytime thereafter
Flexible
Includes Lump Sum Benefits for loss of limbs, eyes etc
A few questions are asked rather than full medical underwriting- pre existing conditions excluded
Waiting periods only 1 to 2 weeks
Not Gender and Age rated (usual entry age limits apply)

CLAIMS FOR BOTH TYPES OF POLICY.

Benefits are underwritten at claims stage. IPI only covers personal income after business costs have been deducted i.e taxable income after costs. IPI does not generally cover 'total' income e.g the amount you need to earn to cover your outgoings connected with your business as well as giving you a wage. E.g One may well have to earn 50k to realise a taxable amount of 25K.

So whilst you can insure for the 25K, you can't insure for the full amount lost through not being able to earn. Therefore revenue that is required purely to cover staff, rent or any other costs will not be covered and needs to be insured under a different type of cover – locum or Business Expenses Policy.

It is possible that many professionals who do have IPI are either under or over insured because they do not realise this.

You can only claim for 60% of your income after deduction of expenses, in other words your NET TAXABLE INCOME you should adjust your cover if circumstances change- although this is more difficult with some types of PHI policy. You will be asked to submit your accounts to validate a claim.

Start up businesses especially should take care- you may be making a loss in the early years for tax reasons, but this means there is no point in insuring as you can only insure personally for what your accounts show you have earned.

TAX POSITION!

You can claim tax relief on premiums if setting up an Employment Benefits package for your employees, otherwise no tax is claimable for premiums paid as a business expense- however when you receive the benefit, it is not taxable- remember - max benefit to insure for is approx 60% of net taxable income (after expenses) this is partly to make sure you are not better off claiming than earning normally. Under normal circumstances when fit and earning income, you would have had to pay tax etc on your income.