Associates; Can your finances be better prepared for the future?

Director of Client Services at Lloyd & Whyte, **Daniel James**, offers some hints and tips to associates feeling financially lost in the wake of COVID-19

The here and now

As a self-employed dentist you will have been used to the reams of paperwork and money management that comes with your annual accountancy and tax bills, but how prepared could any of us been for the arrival of a pandemic? We're all getting used to living with the daily intrusion that COVID-19 has brought us: the face mask in your pocket for nipping to the shop, the anti-bac gel as you enter and leave public buildings, but living with the financial uncertainty that has come for many associates is something which isn't so easy to overcome on a daily basis.

A recent survey conducted by the BDA has stressed that 70% of practices can only remain financially stable for 3 months or less, and worryingly 20% of practices think they can only see out a month.¹ The personal financial knock-on from this is huge, with many associates working privately not qualifying for any of the support of the NHS contract to help bridge the gap. The BDA have made great strides with regards to the abatement news for NHS contracts, but it continues to lobby the government to provide support for associates in private practice. Support from many MP's is in place, but this all takes time to get through the governmental fields of protocol.

Unsurprisingly, these financial pressures have caused a huge increase in anxiety levels amongst General Dental Practitioners. A recent study on the psychosocial effects of the COVID-19 pandemic on staff in a dental teaching hospital found that 53.3% of dental staff are showing signs of generalised anxiety.² Concerns for friends, family and personal health were raised as being the main triggers for anxiety. On an even grander scale, The WHO states that almost all people affected by emergencies will experience psychological distress.³

The current landscape for associates feels pretty bleak and whilst some things are out of your immediate control, there must be a way to think proactively, to prepare positively for the next few weeks and months ahead, and in the worst case scenario: be financially prepared if the second wave of COVID-19 hits.

What can I do if money is tight right now?

It may feel counterintuitive, but you could consider temporarily suspending your contributions to your pension, your ISA's and savings accounts to help ease the present monthly burden. If you are unsure about the long-term implications of doing this then we recommend you speak to an adviser. Similarly, speaking to your lenders about payment holidays can also give you some reassurance. The government has introduced legislation about pausing payments so if money is a little tight, put a call through and speak to the lenders about your situation sooner rather than later.

Also, it is worth remembering that for those who are facing personal financial hardship, there is also the BDA Benevolent fund, information for this can be found on the BDA website.

What can I do to help myself?

Some of these tips may take a little bit of time to execute but it's worth the output of energy if it saves you money.

1. **Budget analysis** Grab a pen and go through your bank statement. Highlight everything that isn't an essential purchase and add up the total. You will be amazed at what it can add up to and subsequently what you can cut out of your monthly expenditure.

2. **Shop around for utilities** It feels like such a chore but it can be so simple and quick. Most utility companies take all the hassle away, ending the contract with your previous supplier and taking over the new contract with you. There is no suspension of service for you, and it's quids in.
3. **Set up a second bank account** Having one bank account for all your bills, and another set up for disposable income can save you from overspending and reduce the chance of nudging into your overdraft.

Thinking further ahead

With a vaccine still being researched we are all bracing ourselves for a second wave of COVID-19 this Autumn. At the time of writing we know that about 140 vaccines are in early development, and around two dozen are being tested on people in clinical trials.⁴ A normal vaccine takes years, if not decades to develop but researchers hope to achieve the same amount of work, and hopefully results, in only a few months. With some experts reportedly hoping for a vaccine to be widely available by mid-2021, we do need to prepare ourselves for Coronavirus playing a big part in our day to day work and personal life for the foreseeable autumnal and wintery months ahead.

So, with this uncertainty at the forefront of our minds, what can you do to prepare yourself for the continued disruption to your financial security? As the appointed Independent Financial Advisers (IFAs) to the BDA, we are able to share possible options which can help to ease anxiety over financial worry whilst also helping review your financial position for the months ahead.

1) Income Protection

This cover pays a percentage of your income if you're temporarily unable to work due to

illness or injury. If you need to claim on this you will receive a pre-agreed amount which helps fill income gaps when you can't work. You'll usually receive between 50%-65% of your salary (depending on the insurer) and sometimes the insurer will also provide support services to help you get back to work.

One thing to note is that income protection does not pay out if your dental practice is closed due to COVID-19 or if you are made redundant for example. It is a common misconception, but income protection is always linked to your health and not whether your employment status changes.

Unfortunately there is not really* an insurance that will replace your income if you lose your job, so we advise having your own funds set aside in preparation for if this situation should unfortunately arise. By saving up to 6 months' salary you can give yourself the chance to re-find employment without financial strain. (We say 'not really' because even though redundancy cover can exist, it can be tricky to be made redundant if you are self-employed).

2) Critical Illness Cover

If you are diagnosed with a serious medical condition (cancer being the most common cause of claim) then critical illness cover for dentists can help alleviate the pressure of ongoing financial commitments. However, please be sure to consider all options of Critical Illness Cover. Lloyd & Whyte can offer a policy titled 'Own Occupation' which means that you would still be paid these benefits if you were unable to continue working as a dentist. (Unfortunately other policies on the market won't pay benefits if they believed you could work in another capacity, such as stacking shelves in a supermarket for example.) Critical Illness Cover can be paid out to you in a lump sum or ongoing payments.

It's important to note that Critical Illness Cover does carry a premium. The reason for this is that so many people, unfortunately, do become critically ill. At the moment four times the amount of people make a claim against their critical illness premiums (compared to life insurance), which drives up the cost of this particular insurance. The Association of British Insurers (ABI) and Group Risk development (GRiD) performed a study showing that the insurance industry paid out more than £5.3 billion in protection claims in 2018.⁵ This is a £200 million increase year-on-year and the statistics will only be larger in 2020 since COVID-19 hit our shores. From a customer perspective it

is worth noting that 97.6% of all claims were paid so this is without doubt an insurance policy worth investing in.

The stress of a partner going through a serious illness can leave immense strain on the other partner to single-handily run the home, juggle childcare and work full-time. Unfortunately, too many people also overlook the impact of dealing with the emotional stress of a family member being diagnosed with a serious medical condition and the impact this has on their own health. Critical Illness Cover takes away the worry of loss of earnings and helps to manage the ongoing financial commitments.

3) Life Insurance

Life insurance for dentists can help remove the worry of how your family and dependents will cope financially in the event of your death. It is most commonly used to repay a mortgage or provide family protection.

During the first three months of Coronavirus, nearly 7,000 life insurance claims were paid to the value of £90million.⁶ The ABI statistics show that every claim has been accepted and the equivalent to £980,000 a day has been paid out to help support families of people who sadly lost their fight against COVID-19.

The average cost of life insurance can be as little as £6.62 per month⁷ (based on £100,000 cover for a 35 year old until they reach 60 years old) but this figure will depend on the type of cover you choose (single or joint life insurance) and the term of the policy. Your IFA can go through the different options here, but there are choices to be made depending on if you want to clear a debt, such as a mortgage (aka Decreasing Term) or if the sum paid out increases over time to keep pace with the cost of living (aka Increasing Term). There is also cover available where the payments remain the same for the whole policy term. You can choose the amount of time you want to be covered for and the size of the pay-out (aka Level Term).

The options may seem baffling, but it works in your interest for them to be so. This way the IFAs can structure your financial security in such a way that it is tailor-made for you and your own personal situation. No two financial arrangements are ever the same.

Where to start?

It sounds cliché but start at the beginning by speaking to one of our Independent Financial Advisers. This is their area of expertise and they can take the stress away from you and

help make provisions for your financial security going forwards.

Also to help you work out which areas of financial management to focus on first, you can head over to the BDA Financial Healthcheck. This is an anonymous self-assessment tool which gives you the chance to see how you currently use your money, and at the end you'll receive a report which offers financial advice personalised to you.

For your Financial Healthcheck visit www.lloydwhyte.com/bda-financial-healthcheck ♦

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