

Is your *income* *protected*



Would you be left high and dry if you were suddenly unable to earn an income? There's one protection policy you can't afford to be without, says Communications Consultant **Suzy Hill**.

Protecting your greatest asset

Think of income protection and what springs to mind? Does your mind go blank, do you think of expensive insurance or perhaps you think you don't need it?

The recent budget has left us all in no doubt that we'll have to tighten our belts for a while. But it's not all doom and gloom as businesses are well versed at overcoming challenges. We're British after all!

But despite dealing with what life throws at us most of the time, sometimes we just can't carry on as injury or illness stops us in our tracks. Which is especially irritating when you're self-employed and don't have the luxury of an employer's sickness policy to help.

So what to do? Well you have two options – either put aside enough savings that you'd need if you couldn't earn an income for a period of time. Or look into income protection – an insurance policy that protects up to 66% of your earnings and provides a regular tax-free income if you can't work because of illness or injury.

After all, when you're the sole income earner, it's probably wise to add this to your list of business insurance policies and reduce your risk...

Consumer champion Which? says income protection is 'the one protection policy that every working adult in the UK does need'. But, while this is fantastic endorsement, there are still a few myths I'd like to dispel.

MYTH BUSTER

Myth: Insurance companies don't pay out

Fact: Not always true! But I have two pieces of advice. Firstly, look at an insurance provider's claim payout rates to see if they have a good track record. Most reputable companies publish their

rates and anywhere above 90% is a good sign.

Secondly, look at what type of medical conditions are common within your industry and see if you're covered. For example, many providers will pay out for stress and depression; others won't.

Myth: I don't need income protection as I rarely get ill

Fact: Self-employed people tend to have the attitude of picking themselves up and carrying on but it's not always possible. Life is full of uncertainties and you can't control your health.

Sadly, illness can happen to anyone, including a dentist who was struck down with cervical spondylosis. This painful condition, caused by the wear and tear of the vertebrae and discs in the neck, left him unable to work for 11 months. Because he had income protection, he received an income throughout this time and was also supported back to work by a specialist chair and neck rest.

Myth: I already have health insurance in place so I don't need income protection

Fact: There are many different insurance policies out there and you need to decide what is best for your own situation. I personally have income protection and health insurance as one protects my income and the other provides medical costs in the event I do become ill. It may be worth speaking to an income protection specialist or an independent financial advisor (IFA) for advice.

There could be policies you don't actually need. For instance, Which? recommends people avoid overpriced payment protection and choose income protection instead, saying 'The one protection policy that every

working adult in the UK does need, is the very one most of us don't have - income protection (IP).'

Myth: Income protection costs too much

Fact: There are now some great starter packages on the market that provide a minimum level of cover. An example is an Immediate Cover Plan for a 30-year-old dental professional who earns £30,000 a year and decides to protect 66% of their income, paying £56.55 per month. In the event of illness or injury, they would receive £1,650 per month throughout their illness.

David Thompson is Chief Executive of dg mutual - a Friendly Society specialising in income protection for self-employed professionals and has paid out 99% of members' claims for the last two years. A free Income Protection Guide is available at www.dgmutual.co.uk.

Did you know?

- Income protection can be a budget-busting way to save money. Friendly Societies are owned by members so there are no shareholders, meaning members get a tax-free percentage of profits when their policy finishes
- The Department of Work and Pensions says that 2.2 million people of working age will be off work for at least six months at any one time through sickness and disability
- Statutory sick pay is just £79.15 per week
- The recent emergency budget announced that a medical assessment would be introduced in 2013 to those in receipt of a Disability Allowance
- You can gain independent information from sites including www.moneymadeclear.co.uk and www.which.co.uk.