

Build your own ARK

Financial expert **David Thompson*** provides his top ten tips on how income protection insurance can put your mind at rest.

Income protection insurance

Recent research has revealed that over five million households are not saving enough money and 1.1 million have under £1,000 of savings, leaving many exposed when faced with unexpected expenditure.¹

You have a one in seven chance of being off work for more than six months due to illness or injury.² Have you considered how you would pay your bills if you became ill or injured and were unable to work?

Income protection insurance provides a regular tax-free income if you are unable to work because of illness or accident. This type of insurance is extremely important for self-employed dental professionals who, in the absence of sick pay from their employer, rely on their ability to work.

WHY?

1 A back-up plan keeps you afloat. Income protection delivers a level of financial security if you are unable to work as it provides a regular replacement income.

2 It covers both long and short term illnesses. No matter what you are off work for, income protection covers a wide range of conditions. Check each provider carefully to make sure you'll be protected if the worst happens.

3 It reduces stress. Imagine if you were unable to work due to falling ill or suffering an injury. The last thing you need is the additional worry of financial matters. Having income protection in place helps to reduce stress as it provides financial security, leaving you to concentrate on getting back to full health.

**David Thompson is CEO of dg mutual who specialise in income protection for self-employed professionals. dg mutual paid out 99% of income protection claims for the fourth year running in 2011 and over 60% of claims within one week. As a mutual society, dg mutual has no shareholders but instead pays out a share of the profits to all members. <http://www.dengen.co.uk/live/news/news.asp>*

4 Regular payments. Sadly the bills don't stop coming in just because you're ill. If you make a claim, you will receive regular payments which help with everyday expenditure.

5 Peace of mind. Income protection provides peace of mind if the worst happens so you don't need to worry about life's 'what if's'. The money is there if you have a valid claim.

6 Government benefits won't be enough. Many people couldn't survive on what the state provides so income protection insurance is perfect to fill the gap.

7 A nest egg for the future. With lots of income protection policies out there, you need to find the right one for you. Many friendly societies offer you a share of the company's profits and give a tax free cash lump sum at the end of your policy, which could be a handy little nest egg.

8 Benefits are paid as long as you need them. Income protection provides an income as long as you need it. So, no matter how long you're out of work and for what reason, income protection supports you financially.

9 There's no limit to how much you can claim. Even if you are out of work on more than one occasion through the duration of your policy, you can still claim as income protection is with you every step of the way.

10 Affordable cover. A small investment each month could prove to be priceless. For example, a 30-year-old dental hygienist with an income of around £28,000 a year would pay approximately £49.14 a month for income protection, receiving £360 a week if they were unable to work through illness or injury. This is based on a 'day one' option, so the individual would receive the income as soon as possible.

The right policy for you

The next step is to find the right provider for your circumstances. For example, think about if you need an income straight away. If so, a policy that doesn't involve a deferment period could be your best solution.

There is always news about insurance companies not paying out, so find out the provider's claims history and make sure claim payout rates are above 90%. Also ask how long their customers have had to wait before receiving payment as it's important you receive your money as quickly as possible.

Don't leave your finances exposed; let income protection provide a financial safety net in case of accidents or sickness.

1. The Financial Inclusion Centre. www.inclusioncentre.org.uk
2. Department for Work & Pensions (DWP). Mortgage Payment Protection Insurance (MPPI) & Accident, Sickness and Unemployment Insurance (ASU). 2004. <http://www.orchardfinancialservices.com/mortgage-protection.html>