

Case Study | Income Protection

Many people believe they may be entitled to receive some financial help from their employer or through the state benefit system should something happen to them. However, in reality, 43% of UK employers would reduce pay to statutory sick pay after two weeks.

Making sure you understand what your employer offers in terms of sick pay is very important as is knowing what happens if you are self-employed.

With a dedicated Mortgage Team now available on site, clients can not only benefit from independent mortgage advice but also discuss and protect income should the need arise.

Our client:

We arranged a new mortgage for an existing client of Financial Advice Centre. Our client was the daughter of a longstanding client, a First Time Buyer, aged 32 and a self-employed dentist. The mortgage application process was straightforward however, our client was aware she would be solely responsible for covering all the monthly outgoings and mortgage repayments from her own income - regardless of the circumstances.

Our client is a highly qualified professional with years of training and experience requiring full use of her hands and fingers to do her job!

The problem:

Our client was self-employed so if she was off work due to an accident or illness she would not get paid. The client had some accessible savings that could cover her for a few months in an emergency, but if it was a long term illness then paying her mortgage each month would be difficult.

As she has a very specific job, it was very important to obtain a cover that offered her 'own occupation'. This means that in the event of an accident or illness the cover will continue to pay whilst you cannot do your job. A number of Income Protection plans cover you for 'any occupation' which means if you are able to retrain or do another job the benefit would be reduced or not paid at all.

In addition, our client wanted any benefits received to be payable up to her retirement age of 68 (she is now age 32) and opted for an 8 week waiting period, which means that the client would not receive benefits until 8 weeks after claim (other waiting periods are available such as 4, 13, 26 & 52 weeks).

The solution:

With our Mortgage Team we researched the market and recommended a provider that would provide benefits of up to 60% of her income tax free on a monthly basis. This meant she would receive £3,200 per month up to the age 68 in the event of a claim.

The premium was £63.30 per month with an option to index her benefits against inflation if required. If she had wanted to make sure the benefit increased with inflation this could have been added to the plan. This would have meant the premium would increase each year.

All that was required by the insurer to activate her policy was a fully completed application form including medical details. We worked with the client to complete these correctly.

Conclusion:

Our client now has peace of mind that in the event of something happening to her hands her income will be protected providing her with funds to cover all her bills, living expenses and mortgage payments.

To find out more about how income protection plans can help you then please contact our Mortgage Team on 01905 723 058.

