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wealth management & wealth preservation
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MULTI AWARD-WINNING CHARTERED
WEALTH MANAGEMENT

GUIDE TO FAMILY PROTECTION



WHAT IS FAMILY PROTECTION?

'Live like you will die tomorrow, but plan like you will live forever.' When it comes to protecting our family, most of us believe in our own immortality, but experience teaches us that it's always best to be prepared. Protecting your family is every person's basic instinct and it's why we do everything we can to make sure the ones we love stay safe and out of harm's way.

Financial protection, much like talking about finances in general, it is often an uncomfortable topic. We all assume that we will live long into the future, but at the same time, as history tells us, things don't always go to plan.

As we've all witnessed globally since 2020, Covid19 and its impact across the lives and livelihoods of many worldwide is one of those black swan events none of us could have anticipated, let alone prepared for.

Achieving financial freedom requires being prepared for when/if things do go wrong.

In order to safeguard and better protect yourself and your family against these scenarios, understanding and taking time to identify where you can protect your wealth for yourself, and your family seems more prudent than ever.

In this guide we showcase the types of protection cover available to provide stability to you and your family in the event of something going wrong in the future.

Please note: This is just a guide and does not constitute financial advice regarding suitable products for you. Please seek regulated financial advice to identify the correct policies for your family protection plan.

Is Protection cover really necessary?

There are over one million British people thought to be financially responsible for both younger and older family members. These people are referred to as the "sandwich generation" as they left it later to have children and the generation before them lives longer.

This results in a potential dual financial responsibility. In turn this makes it all the more important to consider how your loved ones would cope if you were to suffer an incapacitating illness or even die.

So, with the need to provide for loved ones both young and old, is financial protection necessary?

We think so!

As a healthy working person with a good income, you may feel somewhat confident that you are able to provide for your family. But your finances could be more precarious than you think. This places an emphasis on not just growing your wealth, but also protecting your family with the relevant insurances available.

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WHAT PRODUCTS ARE AVAILABLE?

There are many different products to consider, below we highlight a number of products for you to consider, but please remember – before deciding on any protection insurance you should speak to a financial adviser to ensure you have the right product and level of cover, bespoke to your needs.

Life insurance

If you have a mortgage and dependants who live with you, taking out life insurance should certainly be something you consider. The idea of this cover should be to ensure that, if you were to die, the family home can be retained. It can also provide an additional financial pay-out for family at such a difficult time.

If you are an employee, you may have what is called “death-in-service” benefits from your workplace, typically equivalent to two to four years’ salary. If you have this benefit through your employer, do you know if it covers your needs?

It might be worth checking the cover you have is sufficient, and if needed, purchasing extra cover.

The basic type of life insurance is “level term assurance”, which pays out a fixed sum if you die during the specific term of the policy. “Decreasing term assurance” pays out a decreasing sum and is often linked to a repayment-style mortgage. The pay-out reduces to reflect the declining balance of the mortgage.

Whole-of-life insurance

Whole-of-life insurance pays out a lump sum whenever you die and has no fixed term. It is often used in inheritance tax (IHT) planning, where it is taken out to cover future IHT liabilities.

A life insurance policy written “in trust”, can result in the policy proceeds being free of IHT. Furthermore, the premiums you pay may also be exempt from IHT. For more information about life insurance, trusts and IHT, please read our Inheritance Tax Guide or speak to a financial adviser.

Family income benefit

Family income benefit is a type of life insurance which pays out a regular tax-free income from death until the end of the policy term. Policies often run until retirement or when your youngest child reaches 18 or 21 years of age.

Income protection

Income protection, sometimes called Permanent Health Insurance or PHI, pays out a monthly replacement income if you are unable to work due to illness or disablement.

If you are self-employed, this insurance is something you should seriously consider. Income protection insurance pays a proportion of your salary, usually up to a maximum of 50% to 70%. However, because the policy pay-outs are tax free, there may not be much difference to your usual net monthly salary.

If you're employed, it is worth checking first what cover your employer provides: how long would they keep paying you if you could not work for health reasons; would they keep you on full pay; would you be eligible for early retirement, and on what terms would that be?

You may need to take out a policy to provide more assurances for you and your family.

Income protection policies can also be taken out to provide cover during unemployment, however, since Covid19 emerged, these policies are becoming more difficult to find, hopefully this will change sooner rather than later.

Critical illness insurance

According to the most accurate forecast to date from Cancer Research UK, more than one in two people will develop some form of cancer during their lifetime. Developments in medical science means more of us survive critical conditions which in itself creates more financial difficulties due to long periods of treatment and convalescence after which we may not be able to return to our original occupation.

Critical illness insurance pays out a lump sum on diagnosis of a range of serious conditions, typically including heart attacks, strokes, certain types of cancer and conditions such as Multiple Sclerosis (MS).

Pay-outs are commonly used to pay off a mortgage and other debts, while some people cover outgoings such as children's school fees, which they might not be able to afford if they cannot work.

Private medical insurance

Private medical insurance (PMI) can help you obtain medical treatment more quickly than would otherwise be the case through the NHS. It can therefore enable you to get back to work sooner.

Whilst we truly value the National Health Service, we also appreciate that its resources are coming under increasing pressure and may not be able to meet all our expectations, with long waiting lists of primary concern. Private Medical Insurance can provide greater peace of mind for you and your family.

So, is it all necessary?

Whilst to some, insurances may seem like something you pay for but never actually use. If you want to ensure you have the best chance to keep your wealth in any eventuality, you should be looking to protect it.

These protections may be needed to clear a mortgage or other borrowing, to pay for the upkeep of children or dependents for their education, upbringing and to allow a spouse or partner to sustain a comfortable standard of living should you die prematurely.

Whatever the rationale, it is critical to identify an appropriate level and period of cover. The use of trusts is also key to effective planning and is often overlooked as the final stage. Once cover has been put in place, it should be regularly reviewed to ensure it continues to meet your needs, particularly if inflation protection has not been included.

Please note: To ensure you choose the right protection, the right level of cover and term, please seek regulated financial advice.

What are the benefits of financial protection?

As with most forms of insurance, there is a complex array of options to choose from and finding the right level of cover for your needs is not always straightforward. If you're reading this and thinking what the benefits are of taking out financial protection, consider how you or your family would cope if your income stopped, or your situation changed.

According to a report from Royal London, just 27% of consumers are confident they have sufficient cover. The research also found:

- 56% of aspiring young adults would last less than three months on their savings if they couldn't work. But just 17% say they're likely to buy income protection in the next five years.
- Only one in five (22%) of high-income households currently have critical illness cover. Many wrongly believe it's too expensive.

So, what are the benefits?

• Provides peace of mind

In any financial planning discovery meeting, it is normal for 'what-if' scenarios to be discussed. What would happen if you were to become too ill to work? Could your loved ones cope financially without your income? The right financial protection will give you peace of mind. You know that you have something to fall back on if necessary. Taking out the appropriate policy can keep you on track financially even when things don't go to plan. It's a step that can ease your fears and let you focus on what's important to you.

• Creates a safety net when things don't go to plan

Even the best-laid plans don't always go to plan. When something unexpected

happens, it can leave you financially vulnerable. Whilst it's always a good idea to have an emergency savings fund and other provisions, financial protection will act as a safety net too.

If losing your income for an extended period means you'd struggle to keep up financially, protection can provide the cash injection you need to remain financially stable. This means, with the right policy, you don't have to worry about paying for essential things such as your mortgage or rent, during a difficult time.

• Delivering time to get back on track

If you become ill and are unable to work, it can be tempting to go back too soon for financial reasons. But it could potentially harm your recovery from illness. Income protection or critical illness cover can provide you with some valuable time needed to get back to full health. Allowing you to get back on your feet first and figure out if any adjustments need to be made. Having a policy to fall back on means you don't have to rush into making a decision.

• Protecting what matters to you

Understanding what you are most concerned by matters. For a large majority, keeping up with mortgage payments if you were unable to work is important to them and their family. For some, a key worry will be what would happen to their family if anything were to happen to themselves, how will they be taken care of? Financial protection can provide confidence that what matters to you will be protected.

Building financial protection as part of your financial planning

If you'd like to talk about what a protection plan might look like for you, please contact our financial advisers for a free initial meeting.

HOW CAN FIDUCIA HELP YOU?

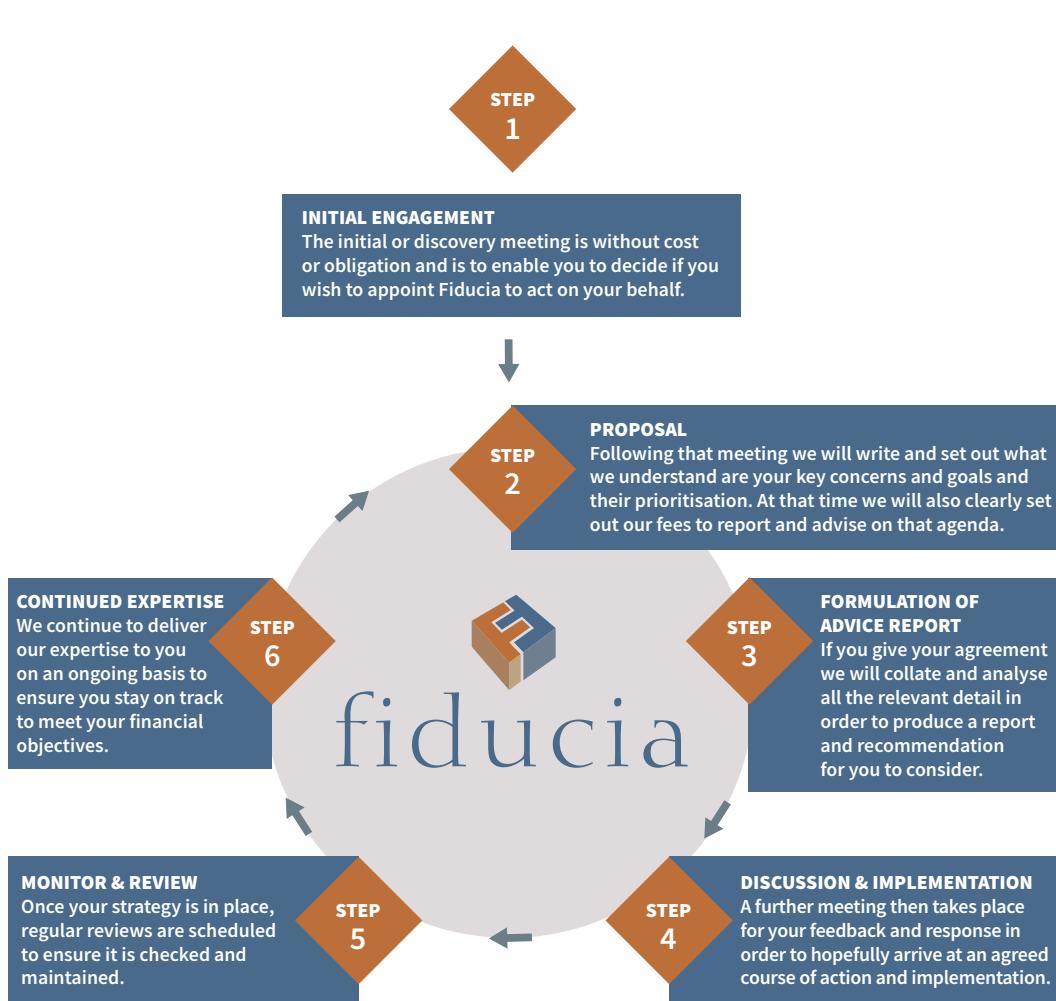
With the appropriate protection in place, you're in a position to start planning other areas. Financial protection gives you the confidence to know you can remain on track to meet your goals and needs, including your family's, even if the unexpected should occur.

Fiducia Wealth Management are a well-established multi award-winning firm of Chartered Financial Planners with a proven track record of delivering outstanding wealth management and financial advice to private clients, business owners, family estates, charities, pension funds and trustees on tax, investments, and financial planning.

Our offices are in Dedham on the Essex/Suffolk border and in Chelmsford.

We provide our expertise to a diverse range of clients throughout the East of England, London, and the UK nationwide. Integrity, openness and transparency are our core values, and we recognise that no two client's requirements, situations and objectives are the same – our solutions are therefore bespoke to help you meet your financial goals and later life needs in the most tax efficient way.

We follow a tried and tested six step process to identify your financial objectives and needs, our advisers are experienced to identify the right personal protections for you to consider to better protect your wealth and way of life for the future, should the unexpected occur.





Are you ready to explore your family protection options?

Speak to our team today, arrange your FREE initial discovery meeting and start your journey to achieving your financial goals.

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