# HOW SECURE IS YOUR FAMILY OR BUSINESS'S FUTURE?

## PROJECTING OURSELVES INTO THE FUTURE TO SEE WHAT'S AROUND THE NEXT BEND IS NOT AN EASY THING TO DO

Given the current situation during this difficult and unsettling time with coronavirus (COVID-19), it's important to think about how secure your family or business's future would be in the event that you were no longer around. Understandably, we would rather not think of the time when we're no longer around, but this crisis has highlighted the importance to protect the things that really matter – like our loved ones, home, lifestyle and business – in case the unexpected happens.

The outbreak of the coronavirus may mean you have concerns about your life insurance and whether you're covered. If you have life insurance to provide for those left behind or to cover business loans after your death, it's important to keep paying the premiums, even if you're tempted to put it on hold to cut costs. You could lose your cover and may struggle to find the same level of cover if you start another policy later on.

### FULL REPLACEMENT VALUE

For many of us, projecting ourselves into the future to see what's around the next bend is not an easy thing to do. However, without thinking, we insure our cars, homes and even our mobile phones – so it goes without saying that you should also be insured for your full replacement value to ensure that your loved ones and business are financially catered for in the event of your unexpected death. Making sure that you have the correct type and level of life insurance in place will help you to financially protect them.

Life insurance provides a safety net. Ultimately, it offers reassurance that your family and business would be protected financially should the worst happen. We never know what life has in store for us as we've seen in recent week with the outbreak of COVID-19, so it's important to get the right life insurance policy. A good place to start is asking yourself three questions: What do I need to protect? How much cover do I need? How long will I need the cover for?

### ASK YOURSELF

- Who are your financial dependents – your husband or wife, registered civil partner, children, brother, sister, or parents?
- What kind of financial support does your family have now?
- What kind of financial support will your family need in the future?
- What kind of costs will need to be covered, such as household bills, living expenses, mortgage payments, educational costs, debts or loans, or funeral costs?
- What amount of outstanding business loans do I have now?

### FINANCIAL SAFETY NET

It may be the case that not everyone needs life insurance. However, if your spouse and children, partner, or other relatives or business depend on you to cover the mortgage, other living and lifestyle expenses, or business loans, then it will be something you should consider. Putting in place the correct level of life insurance will make sure they're taken care of financially.

That's why obtaining the right professional financial advice and knowing which products to choose – including the most suitable sum assured, premium, terms and payment provisions – is essential.

### NO ONE-SIZE-FITS-ALL SOLUTION

There is no one-size-fits-all solution, and the amount of cover – as well as how long it lasts for – will vary from person to person. Even if you consider that currently you have sufficient life insurance, you may probably need more later on if your circumstances change. If you don't update your policy as key events happen throughout your life, you may risk being seriously under-insured.

As you reach different stages in your life, the need for protection will inevitably change. How much life insurance you need really depends on your circumstances – for example, whether you've had a mortgage, you're single or have children, or you have business loans that you are liable to pay. ■

# Is your income protected?

## Being unable to work can quickly turn our world upside down

There is a growing unease about the economic fallout of coronavirus (COVID-19), with many businesses laying off contractors and putting staff on extended leave, as well as natural worries about contracting the disease.

What this crisis has shown is that being unable to work can quickly turn our world upside down. No one likes to think that something bad will happen to them, but if you can't work due to a serious illness, how would you manage financially? Could you survive on savings or sick pay from work? If not, you may need some other way to keep paying the bills – and income protection insurance is an option to consider.

You might think this may not happen to you, and of course we hope it doesn't, but it's important to recognise that no one is immune to the risk of illness and accidents. No one can guarantee that they will not be the victim of an unfortunate accident or be diagnosed with a serious illness. This won't stop the bills arriving or the mortgage payments from being deducted from your bank account, so forgoing income protection insurance could be tempting fate.

**COVER MONTHLY PAYMENTS**

Income protection insurance is a long-term insurance policy that provides a monthly payment if you can't work because you're ill or injured, and typically pays out until you can start working again, or until you retire, die or the end of the policy term – whichever is sooner.

**KEEP YOUR FINANCES HEALTHY AS YOU RECOVER FROM ILLNESS OR INJURY:**

- Replaces part of your income if you become ill or disabled
- It pays out until you can start working again, or until you retire, die or the end of the policy term – whichever is sooner
- There's a waiting period before the payments start, so you generally set payments to start after your sick pay ends, or after any other insurance stops covering you. The longer you wait, the lower the monthly payments

- It covers most illnesses that leave you unable to work, either in the short or long term (depending on the type of policy and its definition of incapacity)
- You can claim as many times as you need to while the policy is in force

### GENEROUS SICKNESS BENEFITS

Some people receive generous sickness benefits through their workplace, and these can extend right up until the date upon which they had intended to retire. However, some employees with long-term health problems could find themselves having to rely on the state, which is likely to prove hard.

### TAX-FREE MONTHLY INCOME

Without a regular income, we're already seeing, as a consequence of COVID-19, how many people are finding it a struggle financially. Even if you were ill for only a short period, you could end up using your savings to pay the bills, but how long would they last for? In the event that you suffered from a serious illness, medical condition or accident, you could even find that you are never able to return to work. Few of us could cope financially if we were off work for more than six months. Income protection insurance provides a tax-free monthly income for as long as required, up to your nominated retirement age, should you be unable to work due to long-term sickness or injury.

### PROFITING FROM MISFORTUNE

Income protection insurance aims to put you back to the position you were in before you were unable to work. It does not allow you to make a profit out of your misfortune. So the maximum amount of income you can replace through insurance is broadly the after-tax earnings you have lost, less an adjustment for state benefits you can claim. This is typically translated into a percentage of your salary before tax, but the actual amount will depend on the company that provides your cover.

### SELF-EMPLOYMENT

If you are self-employed, then no work is also likely to mean no income. However, depending on what you do, you may have income coming in from earlier work, even if you are ill for several months. Self-employed people can take out individual policies rather than business ones, but you need to ascertain on what basis the insurer will pay out. A typical basis for payment is your pre-tax share of the gross profit, after deduction of trading expenses, in the 12 months immediately prior to the date of your incapacity. Some policies operate an average over the last three years, as they understand that self-employed people often have a fluctuating income.

### INNOVATIVE NEW PRODUCTS

Depending on your circumstances, it is possible that the payments from the plan may affect any state benefits due to you. This will depend on your individual situation and what state benefits you are claiming or intending to claim. This market is subject to constant change in terms of the innovative new products that are being launched. If you are unsure whether any state benefits you are receiving will be affected, you should seek professional financial advice. ■

# What are you waiting for?

## COVID-19 pandemic has made more people think about just how crucial it is to make a Will

Since the outbreak of coronavirus (COVID-19), the number of people seeking to write new Wills has risen by over 30%, according to The Law Society. Understandably, the current situation is causing angst among people, particularly elderly and vulnerable clients who have been self-isolating. It's estimated that more than half of British adults have not made a Will.

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**Source:** The Law Society.

The coronavirus pandemic has made more people think about just how crucial it is to make a Will and ensure it is kept up to date. Everyone should have a Will, but it is even more important if you have children; you own property or have savings, investments, insurance policies; or you own a business. Your Will lets you decide what happens to your money, property and possessions after your death.

### MAKE YOUR WISHES ARE CLEAR

Making a Will and keeping it up-to-date is the only way you can ensure that when you die, your wishes are clear. If you die with no valid Will in England or Wales, the law will decide who gets what. If you have no living family members, all your property and possessions will go to the Crown.

If you make a Will, you can also make sure you don't pay more Inheritance Tax than you legally need to. It's an essential part of your financial planning. Not only does it set out your wishes, but die without a Will, and your estate will generally be divided according to the rules of intestacy, which may not reflect your wishes. Without one, the state directs who inherits, so your loved ones, relatives, friends and favourite charities may get nothing.

### COHABITANTS

It is particularly important to make a Will if you are not married or are not in a registered civil partnership (a legal arrangement that gives same-sex partners the same status as a married couple). This is because the law does not automatically recognise cohabitants (partners who live together) as having the same rights as husbands, wives and registered civil partners. As a result, even if you've lived together for many years, your cohabitant may be left with nothing if you have not made a Will.

A Will is also vital if you have children or dependents who may not be able to care for themselves. Without a Will, there could be uncertainty about who will look after or provide for them if you die.

### PEACE OF MIND

No one likes to think about it, but death is the one certainty that we all face. Planning ahead can give you the peace of mind that your loved ones can cope financially without you, and at a difficult time it helps remove the stress that monetary worries can bring. Planning your finances in advance should help you to ensure that when you die, everything you own goes where you want it to. Making a Will is the first step in ensuring that your estate is shared out exactly as you want it to be.

If you leave everything to your spouse or registered civil partner, there'll be no Inheritance Tax to pay, because they are classed as an exempt beneficiary. Or you may decide to use your tax-free allowance to give some of your estate to someone else or to a family trust. Scottish law on inheritance differs from English law.

### PASSING ON YOUR ESTATE

Executors are the people you name in your Will to carry out your wishes after you die. They will be responsible for all aspects of winding up your affairs after you've passed away, such as arranging your funeral, notifying people and organisations that you've died, collating information about your assets and liabilities, dealing with any tax bills, paying debts, and distributing your estate to your chosen beneficiaries.

You can make all types of different gifts in your Will – these are called 'legacies'. For example, you may want to give an item of sentimental value to a particular person, or perhaps a fixed cash amount to a friend or favourite charity. You can then decide who you would like to receive the rest of your estate and in what proportions. Once you've made your Will, it is important to keep it in a safe place and tell your executor, close friend or relative where it is.

### REVIEW YOUR WILL

It is advisable to review your Will every five years and after any major change in your life, such as getting separated, married or divorced, having a child, or moving house. Any change must be by Codicil (an addition, amendment or supplement to a Will) or by making a new Will. ■