



Teachers Financial Planning

Protection options

Knowing what level and type of financial protection you and your family may require can be challenging. This short guide is designed to give an overview.



Protection UPDATE

Most people tend to consider insurance and protection when they have people who are financially dependent upon them. Dependents could be your spouse, partner or civil partner, young or disabled children or older relatives who are not financially independent.

Scenarios that may prompt you to weigh up your cover options include:

- getting married
- buying a house
- starting a new job
- applying for a mortgage
- starting a family.

Which type of protection?

There are multiple types of insurance products available, depending on your circumstances. Your options include:

Life insurance

Life insurance is protection that can provide a lump sum to your beneficiaries in the event of your death. There are two main types of life insurance:

Term life insurance

This is life insurance in its most basic and lowest cost form. You choose the amount you want to be insured for and the length of time you want to be covered. If you die within that period the policy pays out to your beneficiaries. If you don't, the policy doesn't pay out and your premiums are not returned to you. There are different types of term life insurance too.

Whole of life insurance

As the name suggests, whole of life policies are ongoing. They have no set term and will pay out when you die, whenever that is. These policies tend to be more expensive than term life insurance for the obvious reason that they pay out regardless of when you die. Typically, whole of life policies also include an investment element, the performance of which can determine whether your premium increases or cover decreases at certain policy anniversaries.



For more information on life insurance, please ask us for a copy of our full guide to life insurance.

Critical illness cover

Unlike life insurance, critical illness cover provides a tax-free lump sum cash payment if you're diagnosed with one of the serious illnesses covered by your policy. This can be used to help you and your family with financial commitments such as mortgage repayments or household and medical bills.

Policies will vary and some may include additional medical conditions but examples of the more than 50 diseases and conditions usually covered by critical illness include:

- cancer
- heart attack
- stroke
- multiple sclerosis.

Income protection

Income protection insurance can provide support if you are unable to work due to

Protection options



illness or injury. It is different from critical illness cover because it pays a percentage of your salary. Policies generally pay after a pre-determined waiting period, which is usually when your sick pay entitlement ends. Payments will stop as soon as you can start working again, when you retire or when the policy expires.

Private medical insurance

Private medical insurance pays all or some of your medical bills when you are treated privately. National Health Service waiting times can be as long as 18 weeks and many people choose to pay for private treatment instead.

Like most protection policies the level of cover varies and will depend on your specific circumstances. Most private medical insurance policies will cover the costs of in-patient treatments, such as tests and day-care surgery. Some will extend to out-patient treatments but this will depend on the terms of the policy.

Other types of protection

Other types of insurance for businesses and individuals include:

- motor insurance, which is compulsory for all drivers
- buildings insurance, which is usually a condition of a mortgage offer
- contents insurance, designed to protect your personal belongings
- professional indemnity and directors and officers insurance for businesses, to

protect against legal actions and negligence claims

- key person insurance, which covers a business against the loss of essential staff members
- employer liability and public liability insurances, which cover a business in the event of accidents and claims by employees or members of the public
- other business insurances, such as equipment insurance, goods in transit insurance and business interruption insurance.

Factors that may affect your protection policy

Depending on the type of protection, there are some factors that may affect your insurance policy. These include:

- **Your age** – the older you are the more you are likely to pay for cover
- **Your health** – if you are in good health your cover will typically cost less
- **Your job** – if you are employed in a hazardous job you may pay more
- **Your hobbies and lifestyle** – dangerous hobbies and smoking will affect your policy and you will pay more for cover.

These factors typically affect the cost and terms of life insurance, critical illness insurance, income protection cover and private medical insurance.

Before you decide

Before you settle on the right protection option for you and your family, it is advisable to:

Talk to your employer

Are you already covered by a policy provided by your company? Many employee benefit packages include protection policies, particularly life insurance and private medical insurance. Missing this step could mean you end up paying for insurance you don't even need.

Consider the level of cover

Whichever type of cover you opt for, you will also need to establish the level of protection that you are comfortable with. This will depend on your personal circumstances, including the level of premiums you can afford to pay.

Seek professional advice

Some protection policies may seem simple but it is surprising how many options are available. Seeking professional advice will help you to find and decide on the best policy for you. It will also ensure that you fully understand the protection you are taking out.

Beware of packages

Be careful when being offered insurance products alongside other things such as a mortgage. Buying 'on the spot' may not necessarily give you the best possible deal for your circumstances. As with annuities, it is always advisable to exercise your right to shop around first.

Compare and shop around

When comparing, make sure you are comparing like for like and that you have taken all elements of a policy into consideration.



We can help you to compare a wide range of protection policies to ensure that you find the right one for your individual needs.

Important information

The way in which tax charges (or tax relief, as appropriate) are applied depends upon individual circumstances and may be subject to change in the future. This document is solely for information purposes and nothing in this document is intended to constitute advice or a recommendation. You should not make any investment decisions based upon its content. The value of

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