Genistar

Pre-Meeting Booklet

WHAT WE WANT FROM LIFE...

A Partner... A Home... Children... Grandchildren... New Cars... Holidays... Nice Clothes... Nights Out... Meals Out... Gym Membership... Golf... A Place In The Sun........

The list is endless and, we can expand the list even further into what we would like to be able to provide for our children and grandchildren.

However, we always have to remember that everything in the list can only be achieved if we have the means to pay for it. Take away our source of income and the goals to which we aspire collapse like a house of cards.

For that reason, we need to think very seriously about what can happen to any of us at any time, then take action to ensure that we have appropriate protection in place so that we, or our loved ones left behind, are able to continue with the lifestyle and achieve the goals that we desire.

THE NEED FOR PROTECTION – THE PROBLEMS THAT MAY LIE AHEAD OF US:

Death

Unfortunately, human beings are not immortal. Death is inevitable. Knowing this, and more importantly, accepting the fact, enables us to plan for that event and to ensure what we want to happen after we die does happen, especially if it is before we expect.

This can include:

- Paying off any outstanding debt (such as a mortgage or a bank loan).
- Leaving an additional cash sum or a regular income in order that our loved ones are able to maintain the lifestyle that we have helped to build for them.
- Ensuring that there are enough funds set aside to pay for any funeral costs so that the burden does not sit with our loved ones to cover.

Critical Illness and Serious Illness

We must also think carefully about how we would cope financially if we were forced to take long periods off work, or stop working altogether, due to illness. As we would lose our main income, we would be unable to meet mortgage or rental payments over time and our lifestyle would be severely impacted.

The likelihood of anyone suffering from a serious illness is much higher than premature death:

- 1 in 2 people in the UK will develop some form of cancer during their lifetime.[1]
- Every 5 minutes someone in the UK will have a heart attack.[2]
- Every 5 minutes someone in the UK will have a stroke.[3]

We can ensure that further cash is available to meet any additional requirements as a result of the illness, such as home adaptations or medical expenses.

What about lesser events?

Not every illness falls within the conditions covered by a Critical or Serious Illness policy but they can still be bad enough to prevent us from earning a living. It is possible to prepare for these by considering a plan that will help us in any such event.

Income Protection Insurance (IPI)

This used to be called Permanent Health Insurance, but the modern term is more appropriate as it is not our health that is insured, it is our income.

In the event that you suffer a serious illness (but less serious than those covered under Critical Illness) or have an accident that prevents you from working for an extended period of time, Income Protection Insurance can be arranged to provide you with an income to replace some, or most of the earnings you have lost.

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1. Cancer Research
2. British Heart Foundation
3. Stroke Association

Private Medical Insurance (PMI)

You could find yourself being admitted to hospital for a long time or requiring medical treatment for a diagnosed condition. Unfortunately, you could also find yourself on a waiting list to be treated. Private Medical Insurance can help to meet the costs of a hospital stay or pay for treatment as a private patient faster than would otherwise be the case.

Unfortunately, many people do not think about the aforementioned scenarios until it is too late for reasons such as:

- **"I can't afford it"** – they probably never asked what it would cost, or considered whether they could budget for it.
- **"I haven't thought about it"** – which is why this booklet is designed to provide the information to encourage you to do so.
- **"I have other priorities"** – what could be more important than ensuring you and your loved ones are provided for?
- **"I don't trust insurers to pay claims"** – a common misconception as a result of the press only ever publishing bad news. Most claims are paid out unchallenged. Those that are not were generally never covered by the policy in the first place.
- **"The state will look after me"** – not to the standard that you would want for you or your loved ones.

We have provided you with this information to help you understand the different types of insurance cover available so you can select the products that will meet your needs and objectives if you die unexpectedly or suffer from a serious illness or accident.

THE BOOKLET IS SPLIT INTO THE FOLLOWING SECTIONS:

1. Mortality and Morbidity
2. Life Insurance – the different types available
   - **a)** Whole of Life
   - **b)** Level Term
   - **c)** Increasing Term
   - **d)** Decreasing Term
   - **e)** Family Income Benefit
3. Critical Illness Cover
4. Serious Illness Cover
5. Income Protection Insurance (IPI)
6. Private Medical Insurance (PMI)
7. How much cover do I need to arrange and how long should it last?

SECTION 1

MORTALITY & MORBIDITY

MORTALITY - THE CONDITION OF BEING MORTAL

The simple fact is that we are all going to pass away at some point. Over the last century, improved living standards, working conditions and medical treatment means that we are living longer than ever.

This is good news but means that we need a well thought out plan to ensure we have sufficient income to enjoy life to a ripe old age.

This does not take away from the fact that death can occur at any time and therefore part of the plan should be to prepare for every eventuality.

MORBIDITY – THE RATE OF INCIDENCE OF A DISEASE

In simple terms this is the likelihood of any individual contracting a serious illness or disease. In our lifetime, we are much more likely to suffer from disease or illness than we are to die prematurely.

PLANNING FOR BOTH

It follows that whatever plan we put in place should account for the probability of a long and meaningful life with adequate provision to maintain a good lifestyle in retirement. However, we should also account for the possibility of premature death, serious illness, or accident, so that provision is made to maintain our desired lifestyle as far as possible for ourselves and our loved ones.

Everything that you plan for in life is dependent on having the income to pay to for the different elements of the plan. This is why protecting or replacing that income, no matter what happens, is a vital part of ensuring the success of the plan.

SECTION 2
LIFE INSURANCE

WHOLE OF LIFE

This type of insurance is guaranteed to pay out a lump sum (tax-free) whenever the client dies. The beneficiaries of the policy can use the cash to pay for your funeral and other costs. Whole of Life policies are also sometimes used as part of Inheritance Tax Planning strategies.

Disadvantages of these policies are higher premiums (because they are guaranteed to pay out at some point – provided you have paid all premiums due). They also usually have an investment element to help them grow to keep up with the effects of inflation, however if the investment strategy does not work as expected there could be a shortfall in what is needed when you die.

TERM ASSURANCE

This type of insurance works as it sounds. The policy guarantees to pay out a tax-free lump sum if you die within the term selected e.g. eight years and four months into a ten-year plan. If you die one day after the plan expires at the end of ten years, nothing is paid out. If you cancel the plan at any time during the ten years nothing is paid back – there is no cash surrender value on these plans as there is no investment element, which helps to keep premiums lower. Premiums are also lower because the life cover will come to an end at some point – as opposed to a Whole of Life plan.

The term of the plan is variable to suit what you require, with the minimum term usually being 10 years.

The main types of term assurance are:

- **Level Term** assurance – the sum assured remains the same (level) throughout the term.
- **Increasing Term** assurance – the sum assured increases each year throughout the term e.g. by the rate of inflation (Retail Price Index - RPI) or by a fixed amount e.g. 5%.
- **Decreasing Term** assurance – the sum assured reduces each year by a predetermined amount to zero at the end of the term.
- **Mortgage Protection** assurance – this is a decreasing term assurance that matches the amount and term of a capital and interest mortgage. The policy is designed to pay off the outstanding mortgage debt if the life assured dies during the term of the policy, provided all premiums are paid when due and the mortgage interest rates remain within a specified maximum range.
- **Family Income Benefit (FIB)** – This is another form of decreasing term assurance with lower premiums due to the fact that the sum assured is paid out by instalments (hence the family income). The payments are paid out from the date of death until the date when the policy would have come to the end of its specified term. People will normally arrange this type of cover to run until their youngest child reaches a certain age (for example 21). There is usually an option to increase the premiums by a fixed percentage each year so that the cover keeps pace with inflationary effects.

Most policies will have "add on" options available for additional premiums, such as:

- **Increasing** cover (automatically each year) or Increasable cover (at specified intervals such as every five years or for specific life events, marriage, having children, purchasing a bigger home).
- **Renewable** so that a new policy can be started at the end of the term of the old policy. No health questions are asked but the premium will be higher.
- **Convertible** so that at any time during the term it can be converted to a Whole of Life plan (with higher premiums).
- **Waiver of Premium** so that in the event of sickness or accident, the premiums will be paid for you to keep the cover in place until you recover.

Some policies are also re-viewable at certain times (for example every five years) so that the insurer can adjust the premiums for the next period taking account of the claims experience and expenses etc that have taken place in the preceding period. Premiums are likely to be increased or the sum assured reduced if you do not accept the premium increase.

DECIDING WHAT LIFE COVER YOU NEED TO PROTECT YOUR PLAN

In order to do this, you need to think about and determine:

- Does the policy need to provide a cash lump sum or a regular income?
- How long does the cover need to protect you for (the term)?
- How much cover needs to be arranged as a total?
- Do you already have other cover that can meet some of the total required? If so, is the cover still fit for purpose (remember that an employer death in service benefit will only cover you while you are employed by them, so you might want to discount this amount).
- Who needs to be covered? If both partners in a relationship need to be covered will this be individual policies covering you separately, or a joint life policy?
- Who do you want the benefits made payable to?
- Should the policy be written under a trust arrangement?

THE POLICY CAN BE ARRANGED AS:

- **Own life** – this can be suitable if you wish to place the policy in trust so that the trustees pay the benefits to your nominated beneficiaries without the need to settle your estate first of all (which can be very complicated, expensive and time consuming)
- **Life of another** – probably the most common arrangement whereby one spouse or partner is the life assured and the other is the insured, or owner of the policy. On the death of the life assured, the policy pays out the benefits to the insured. (There has to be insurable interest in the life assured i.e. the insured must stand to suffer a financial loss on the death of the life assured).
- **Joint life, first death** – in this arrangement both lives are covered on the same policy, which may reduce the premiums slightly when compared to separate policies for each life, and the benefit is paid to the survivor on the death of the first life assured. The disadvantage with this is that cover ceases at that point and if the survivor needs further life cover for themselves, it may then be declined by the insurer for health reasons, or the premiums may not be affordable.
- **Joint life, second death** – where the situation is such that the death benefit is only needed when both assured lives have died. When the first life assured dies the policy continues with premiums still due to be paid. These policies are normally written for Inheritance Tax planning and should normally be written under trust to keep the sum assured out of the estate and therefore free from Inheritance Tax.

CAPITAL OR INCOME?

- **Capital** payments should be selected if the purpose is to repay a mortgage or other substantial loan, provide an emergency fund or specific legacies for beneficiaries, or to meet any Inheritance Tax (IHT) bill.
- **Income** payments should be arranged as an alternative where this would best suit the beneficiaries, for example, a spouse or partner with young dependents. It may also be beneficial to arrange income payments rather than a capital sum in instances where the beneficiary is a vulnerable person, who may be taken advantage of.

HOW LONG SHOULD THE COVER LAST?

- **Capital** cover might only need to be arranged for the term of a mortgage or other loan, or to provide an additional lump sum for a spouse or partner upon a death within the term.
- **Income** cover might be arranged for a shorter term to provide support for your children's upbringing and education, or it might be arranged to support a dependent spouse or partner for a longer period of time e.g. until normal retirement date.

EXISTING COVER – IS IT SUITABLE?

- **Policies already in force** – these should be checked carefully to ensure that they are still fit for purpose. Do they meet your needs in relation to the term left or the amount of cover they provide? Do they pay benefits as capital or income? Are the premiums reasonable?
- **Employee benefit cover** – this can be considerable if provided by a generous employer, however it is usually only available as long as you work for them. (Some plans have an option for the employee to take out a new policy if they leave the company, known as a continuation option, but these are not common). Some people prefer to leave this out as it is not guaranteed cover but is still good as additional cover if you die in service.

LIFE ASSURANCE WRITTEN UNDER TRUST

- A **Trust** is a legal arrangement under which one party (the **settlor**, or policy owner) creates a legal framework (The Trust) to hold assets (The Trust property) for a third party or parties (the **beneficiaries**). The Trust is run or managed by **trustees**.

LIFE ASSURANCE POLICIES IN TRUSTS – THE ADVANTAGES

- The **beneficiaries** can receive the policy **proceeds** very quickly following the death of the life assured without having to wait for probate to be granted, which can take a very long time.
- When properly set up, the proceeds should be free from Inheritance Tax.
- The settlor can pre-determine how they want the benefits to be paid and to whom.
- The trustees will ensure that the benefits of the policy are distributed accordingly.
- There may be better protection against creditors if the settlor is made bankrupt.

SECTION 3

CRITICAL ILLNESS COVER

Unlike life assurance policies, a critical illness plan pays a cash lump sum on diagnosis of one of a number of specified critical illnesses listed in the plan documentation (e.g. invasive cancer, stroke or a heart attack).

The important point to note is "on diagnosis", the plan will not pay out if the illness has not been formally diagnosed e.g. if you have a heart attack and die immediately. However, if you have a heart attack and survive, the plan will pay out once you have been diagnosed as having suffered a heart attack. This is why consideration should be given to both life assurance and critical illness cover as part of your overall plan.

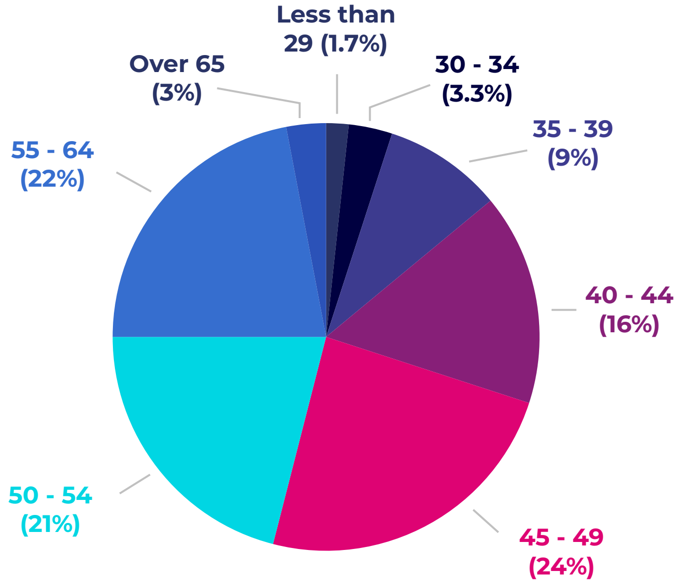
Different plans have different features such as:

- Payments if you undergo a specified medical procedure (e.g. aorta surgery or a heart valve replacement)
- Payments if you are put on to a waiting list for certain types of procedure such as receiving an organ transplant.
- Payment of a reduced sum for some critical illnesses e.g. a more minor cancer
- Payment according to the severity of the condition

WE ARE MORE LIKELY TO SUFFER FROM A CRITICAL ILLNESS THAN PREMATURE DEATH

- Around 367,000 new cancer cases are diagnosed every year. This is based on information from the Cancer Research website.
- 100,000 people have strokes each year.[4]
- In total, almost 204,000 people were on waiting lists for invasive heart procedures and operations by the end of February 2021 in England.[5]
- There are over 130,000 people with MS in the UK, and nearly 7,000 people are newly diagnosed each year.[6]

CRITICAL ILLNESS CLAIMS ACCORDING TO AGE [7]



A critical illness policy is designed to pay out a tax-free cash sum on diagnosis of any specified illness listed in the policy. Different providers will specify different illnesses; however, the following core conditions are generally covered by every provider: [8]

- **Cancer**
- **Coronary Artery by-pass Surgery**
- **Heart Attack**
- **Kidney Failure**
- **Major Organ Transplant**
- **Multiple Sclerosis**
- **Stroke**
- **Third Degree Burns**

4. Stroke Association
5. British Heart Foundation
6. MS Society
7. Scottish Provident
8. Association of British Insurers

There are many other conditions for which cover is available and you should check the policy terms and conditions to see what you are covered for, and if any conditions apply before payments are made. Typical additional conditions could include: [9]

- **Aorta Graft Surgery**
- **Benign Brain Tumour**
- **Blindness**
- **Coma**
- **Deafness**
- **Heart Valve Replacement or Repair**
- **Loss of Limbs**
- **Loss of Speech**
- **Motor Neurone Disease**
- **Paralysis/ Paraplegia**
- **Parkinson's Disease**
- **Terminal Illness**

CLAIMS

The policy pays out a lump sum when a critical illness is diagnosed. The provider will always check that the diagnosed illness is covered by the policy and that it was not a pre-existing condition.

It is very important when arranging any protection policy that you disclose all relevant information in relation to your health to avoid problems at a later stage when a claim is being made.

TRUSTS

If you arrange a policy that includes both life assurance and critical illness cover (a combined policy), it is possible to write the policy under a special type of trust, sometimes called a split benefit trust, or a "carve-out" trust. This is because the life assurance element is held in trust to be paid out as described in the section earlier in this document, but the critical illness element is "split" or "carved out" from the life assurance as it would be paid out while the life assured is still alive so that they can benefit from the proceeds.

9. Association of British Insurers

SECTION 4

SERIOUS ILLNESS COVER

A more recent introduction to the Protection Insurance market is called Serious Illness Cover (SIC). This can cover up to 182 conditions and can pay out under less severe circumstances than required for Critical Illness claims. This is because the policy takes into account the severity of the condition when diagnosed. The less severe the condition, the lower the payout. Therefore, the policyholder is more likely to benefit from a Serious Illness policy than from a Critical Illness policy.

For example, if you are diagnosed with a form of cancer that is covered under both types of policy, the Critical Illness plan would pay out 100% of the claim and the policy would cease with no further cover.

A claim for the same cancer under a Serious Illness policy might pay out 25% of the total amount insured when the severity of the condition is accounted for. The major difference is that the policy remains in force until such time as the policyholder has claimed 100% of the initial cover.

You may even have an option to "Top Up" the cover to 100% again after any claim.

SECTION 5

INCOME PROTECTION INSURANCE (IPI)

Only a very few firms provide support to their employees if they are absent from work due to sickness or accident for an extended period, typically providing 6 months full pay followed by 6 months half pay.

The vast majority however, only pay for a short period e.g. 2 weeks. Some will only pay Statutory Sick Pay (SSP).

Despite this only around 1 person in 10 has any form of income protection in place.

THE COST

There are various factors taken into account including your state of health, lifestyle and the amount of cover needed to replace your income. As well as these, the type of work that you do can affect the premium levels. There are four main groups used by most insurers:

- **Class 1** - Professional; managers; administrative staff; staff with limited business mileage; admin clerk; computer programmer; secretary.
- **Class 2** - Some workers with high business mileage; skilled manual work; engineer; florist; shop assistant.
- **Class 3** - Skilled manual workers and some semi-skilled workers; care worker; plumber; teacher.
- **Class 4** - Heavy manual workers and some unskilled workers; bar person; construction worker; mechanic.

The riskier the job that you do, the higher the premium because you are more likely to have to make a claim under the terms of the policy.

HOW MUCH DOES INCOME PROTECTION COVER?

This is usually arranged as a percentage of your earnings with 50% up to 70% being the normal range available.

For personal policies, the income is paid to you as a tax-free benefit, therefore you would not be much worse off than if you were receiving full pay but having to pay income tax and National Insurance contributions.

DEFERRAL PERIOD

The deferral period is the period of time from when a person has become unable to work until the time that the benefit begins to be paid.

The payments commence after the deferral period has passed (provided you have notified the insurer of your claim). Typical deferral periods are 13 or 26 weeks; however, they can be as low as 4 weeks or as long as 52 weeks.

The longer the deferral period, the lower the premium. Ideally, you would arrange a deferral period to end at the same time as any sick pay from your employer ends.

Following a claim, the insurer will determine your inability to continue working using one of three methods:

- **Activities of daily living (ADLs)** – You might not be able to work but you can still shower, get dressed or climb a stair (all ADLs). The premiums are lower, but the insurer will not pay out unless you cannot perform a number of ADLs set by them.
- **Suited occupation** – This is usually better than Activities of daily living, but the insurer might refuse a claim if it believes you can carry out other work for which you are “suited”. They might pay part of the claim e.g. your new job role pays 50% of your previous earnings, therefore the insurer might pay 50% of the claim amount.
- **Own occupation** – This is the highest level of income protection. The insurer will pay out if you suffer an accident or illness and cannot do your own job. The premiums are higher as the risk to the insurer is higher.

Other features

Depending on the insurer, some policies may include add-on benefits such as:

- Life insurance (typically two years premiums).
- Waiver of premium (paid for you if you are sick).
- Hospital payments (reduced payments – no deferral period).
- Return to work payments (f you are on a phased return programme).
- Deferral period waived (if you claim again within 12 months).

SECTION 6

PRIVATE MEDICAL INSURANCE (PMI)

WHY WOULD YOU NEED TO THINK ABOUT PRIVATE MEDICAL INSURANCE (PMI)?

The fact is that the National Health Service (NHS) is struggling to cope with the ever-growing number of patients, whilst suffering severely from under-funding by successive Governments. Treatment for non-life-threatening conditions is slow, with waiting lists getting longer despite “targets” being set.

Many people therefore choose to have essential operations carried out privately to avoid the delays. They can usually choose a time and place more suited to them, as opposed to being sent to a pre-determined location by the NHS. Additionally, they may prefer the comfort and privacy of their own room whilst undergoing treatment.

ACUTE AND CHRONIC CONDITIONS

It is important to understand the distinction between the two terms as PMI is primarily designed to cover Acute conditions.

Acute conditions tend to affect you very quickly, but they are curable, normally within a relatively short time-frame. An example might be a hip replacement.

Chronic conditions are long lasting and usually incurable, even with medical treatment. Examples would be the many types of cancer, or diabetes.

PMI policies will pay for medical treatment when you need it (as defined in the policy terms). Cover is provided typically for:

- **Accommodation costs (including meals)**
- **Nursing charges**
- **Theatre fees**
- **Drugs/Medication**
- **Dressings**
- **Doctors’ fees**
- **Consultants’ fees**
- **Anesthetists’ fees**
- **Outpatient treatment**
- **Diagnostic tests and investigations**
- **Home nursing during recovery**
- **Costs of a parent staying with a young child in hospital**
- **Minor surgery carried out by a GP**
- **Chemotherapy, radiotherapy, etc.**
- **Private ambulance**

SECTION 7

HOW MUCH COVER DO I NEED TO ARRANGE AND HOW LONG SHOULD IT LAST?

The type of protection cover that you need will depend on some key factors. The tables below will help you consider these. It is important that you accurately record the amounts that you spend each month and indicate whether each area is an essential or non-essential cost.

TOTAL HOUSEHOLD EXPENDITURE

What we spend each month	£	Essential (✓)	Non-essential (✓)
Mortgage			
Rent			
Council Tax			
Electricity			
Gas			
Personal Pension contributions			
Telephone / broadband line rental			
Mobile telephone			
Buildings / Contents insurance			
Main groceries shop			
Additional groceries shop			
Credit cards			
Car loan			
Other loans			
Car insurance			
Road tax			
Car repairs / maintenance, MOT etc.			
Public transport			
Clothing / footwear			

What we spend each month	£	Essential (✓)	Non-essential (✓)
Tobacco			
Alcohol			
Pets (food, insurance, vet bills etc.)			
Package holidays			
Extra holiday expenditure (clothes etc)			
Holiday spending money			
TV License			
Sky / Cable TV			
Cinema / Restaurants / Bingo etc.			
Leisure (football, concerts, subscription services etc.)			
Childcare costs			
Child Maintenance			
Education costs for children			
Children's' hobbies			
Any other expenditure			
Regular Savings			
Goal 1 savings			
Goal 2 savings			
Goal 3 savings			
Monthly Total			
x12 = Annual Total			

This table represents your current lifestyle. You may wish to add further detail for any future goals that you have (such as university costs or weddings) where shown.

When you have completed the table, you will have the actual total cost of maintaining your standard of living every month, and you may also realise that what you have ticked as non-essential costs are probably those areas that you would miss the most if you had to give them up.

The essential areas are the costs that we have to accept must be paid although we wish we did not have to.

TOTAL HOUSEHOLD INCOME

Now make a list of all sources of income that you have coming into your household each year.

	Partner 1		Partner 2	
	Gross	Net After Tax	Gross	Net After Tax
	£	£	£	£
Income from main employment				
Income from other employments				
Pension income (if applicable)				
Maintenance payments				
Child Maintenance				
Child support				
Child benefit				
Other state benefits				
Income from Investments				
Rental income				
Other income				
	Total Net	£	**Total Net**	£

Total net annual income	**Partner 1 (a)**	£
	Partner 2 (b)	£
Total combined annual income (a+b)		£

WHAT HAPPENS IF ...

Now you have to consider how the tables above would change if either of you were to die prematurely. Also think about any expenses that would no longer apply, you must account for new expenses also;

- The cost of renewing a golf club or gym membership may no longer apply
- The mortgage could be paid off if you already have separate life insurance for this
- Childcare costs may have to be met if you have to go back to work or now work full time

Look again at the figures and determine what your total expenditure and income would be if that were to happen and record the figures in the table on the next page.

Death of Partner 1	£
Total annual expenditure (a)	
Total annual net income (b)	
Shortfall (a-b)	

Death of Partner 2	£
Total annual expenditure (a)	
Total annual net income (b)	
Shortfall (a-b)	

The shortfalls are what you need to provide cover for. You also need to consider how long you need to have the cover in place. Here is an example:

A shortfall of £10,000 per year needs to be replaced in the event that one partner dies. This includes the loss of their income, any expenditure no longer required and additional expenditure resulting from their death. This could be the amount needed to maintain their lifestyle up to (or beyond) normal state retirement age.

Assume state retirement age is 38 years from now, the shortfall to be covered is therefore:

£10,000 x 38 years = £380,000

Now factor in the costs of bringing up children to the age of 18, current research reveals the realities of this as:

£79,176 to raise a boy and £108,884 for a girl. Adding on a full-price university degree means another £27,750 for each.[9]

For two young children this could add another £220,000 or more, depending on current ages.

The total is now £380,000 + £220,000 = £600,000

You might also want to allow for additional costs to be added, for example:

Funeral costs if not already provided for separately £5,000 (current approximate cost).[9]

Relocation costs if you wish to move closer to other family or friends or for employment. This would potentially include Estate Agent fees, legal fees, removal costs, replacement furniture and fittings, stamp duty etc, which could easily amount to £20,000 or more.

9. Money Super Market

Next you need to think about how your lifestyle might be affected if either of you were to suffer a critical or serious illness. This time when you revisit the expenditure table you might find that not a lot of your outlays will stop, but rather that overall costs might increase, whilst income may be seriously reduced through inability to work for a long period of time, if not permanently, as a result of the illness.

Think about additional costs that could be incurred if one of you were to find themselves severely ill, for example:

- Childcare costs if you are no longer able to look after your children during the day.
- Care costs for the partner who is seriously ill.
- Modifications to the home to make life easier.
- Relocation costs if you have to move to a more suitable property or another area.
- Medication not paid for by the National Health Service.

Serious Illness of Partner 1	£
Total annual expenditure (a)	
Additional expenditure (b)	
Total annual net income (c)	
Shortfall (a+b-c)	

Serious Illness of Partner 2	£
Total annual expenditure (a)	
Additional expenditure (b)	
Total annual net income (c)	
Shortfall (a+b-c)	

As with the calculations for your life assurance needs, you need to consider how many years you need the cover for, so the total shortfall x the number of years required cover gives you a base figure.

For example, a shortfall of **£15,000** needed for **38 years** would require initial cover of **£570,000.**

Again, this would be to maintain your current / rearranged lifestyle. You may also want to add in an additional amount to provide a further tax-free cash payment for extra benefits such as extended holidays (which could be conducive to recovery of the person suffering from the illness), paying off the mortgage as a lump sum, setting aside monies for university education or wedding costs that you had planned for your children.

EXISTING COVER

You need to check for any policies that might already be in place for you and decide if these can be used towards the cover requirements you have calculated above. You also need to determine the amount of cover, the term remaining and if the policy is suitable for your needs.

ADD ON BENEFITS

You need to think about the extras that we looked at earlier, particularly if the length of time you need the cover to run for is considerable as inflation could seriously erode the real value of any eventual sums assured paid to you:

- Increasing cover (automatically each year) or Increasable cover (at specified intervals such as every five years or for specific life events, marriage, having children, purchasing a bigger home).
- Renewable so that a new policy can be started at the end of the term of the old policy. No health questions are asked but the premium will be higher.
- Convertible so that at any time during the term it can be converted to a Whole of Life plan (with higher premiums).
- Waiver of Premium so that in the event of sickness or accident, the premiums will be paid for you to keep the cover in place until you recover.

WHAT NEXT?

Taking into consideration all of the above, this will then help you to understand your position and what your financial protection needs are.

We hope you found this information useful and that you enjoy the Financial Game Plan in your meeting with our Company Representative.

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