



BBi Financial Planning

Chartered Financial Planners : Independent Financial Advisers



Introduction to Financial Protection

for Individuals and Families



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What is protection?



Financial protection is the foundation of your financial plan. It is your essential first step.

Getting the right protection in place shields you from the effects of accidents, illnesses and tragedies that can strike any of us at any time.

After all, there's no point creating a wonderful plan based on your dreams for the future if it can all be taken away in an instant.

Good protection advice helps you identify the biggest risks and the most affordable options for you.

The best protection strategy will cover everything, all of the time, but for most people that's not practical or affordable.

We can help you understand and prioritise the cover you need for your circumstances.

If you read nothing else remember this: A life-changing amount of money can be cheaper than you think.



Who needs protection?



Protection is for anyone who's life, or the lives of others, will be financially compromised if disaster strikes.

For individuals

This means understanding the risks to yourself.

- What would happen if you couldn't work?
- If you have an accident?
- If you need quick medical treatment?
- How will you pay the bills and recover at the same time?

For families

This means understanding the impact of how to pay for the cost of living, and major expenses like rent or a mortgage. Will you cope if the main breadwinner is unable to work through a serious illness or even death?

It is common now for both adults to work, especially if they are parents. This may be necessary to ensure there is enough money coming in.

If something happens to one of you how will you pay the bills? How will you arrange childcare so the surviving parent can work?



Types of protection



Before you consider the types of protection available we first need to consider the types of risk you might face. It's important to make sure you are buying the right insurance product for your circumstances, needs and budget.

Life:	Health:	Bills:	Medical Costs:
What happens if you die?	What happens if you suffer a serious illness?	How can you make sure your essential bills are paid?	How can you afford to pay for treatment?

We can match these risks to four types of protection.

Life Assurance:	Critical Illness:	Income Protection:	Medical Insurance:
Provides a payment if you die.	Provides a payment if you are diagnosed with a serious illness (and survive).	Replaces a part of your income if you can't work through accident or illness.	Covers the cost of private medical treatment.

Most products contain a range of possible options and extras.



Life assurance



What does it cover?

This product will pay a claim if you die.

Your chances of dying early are relatively small, which is why simple life assurance is such a cheap form of cover.

You choose the amount you would like to insure (the 'sum assured') and how long you want the cover for (the 'term'). The cost ('premiums') is calculated based on these choices and your medical history.

What options are available?

- **Cover type:** *Level cover* (the default option) means your sum assured will not change. *Increasing cover* prevents inflation eroding your plan value. *Decreasing cover* is ideal for liabilities such as a repayment mortgage which gets smaller every year.
- **Premium guarantee:** *Reviewable premiums* are often cheaper to begin with but can change over the term of your plan. *Guaranteed premiums* give you certainty of cost because they will never change.
- **Waiver of premium:** This is a small extra insurance used to cover the cost of your policy if you are unable to work.
- **Total Permanent Disability:** This option allows you to make a claim if you are totally and permanently disabled (for example because of a terrible car accident), but survive.

Who might benefit?

Life assurance only pays out if you die, or have a very short life expectancy.

The real benefit of the cover is for the people and liabilities you leave behind.

- Perhaps you have a family with a mortgage or other loan. Life assurance can clear the outstanding debt so they never have to worry about another payment again.
- Maybe you want to provide a lump sum to help your partner raise your children alone.
- Are you planning to make a gift of cash to someone? If you die within seven years of making the gift they will have to pay inheritance tax. You can cover this risk with a special seven-year life assurance plan called Gift Inter Vivos.
- Life insurance can be used to pay death taxes.

Speak to us if you have any questions and we can recommend the right type of cover and options for you.



Critical illness



What does it cover?

This product will pay a claim if you are diagnosed with and survive a serious illness, such as a heart attack, cancer or a stroke. Some studies project that half of us will be diagnosed with a serious illness like this at some point in our lives.

We are now more likely to survive these illnesses than ever before, but they will still have a big impact on our lives, and you will still need time to recover. How will you work or maintain your standard of living during this time?

It's often sensible to include life insurance with your critical illness plan to give you the best of both worlds.

You choose the amount you would like to insure (the 'sum assured') and how long you want the cover for (the 'term'). The cost ('premiums') is calculated based on these choices and your medical history.

What options are available?

- **Cover type:** *Level cover* (the default option) means your sum assured will not change. *Increasing cover* prevents inflation eroding your plan value. *Decreasing cover* is ideal for liabilities such as a repayment mortgage which gets smaller every year.
- **Premium guarantee:** *Reviewable premiums* are often cheaper to begin with but can change over the term of your plan. *Guaranteed premiums* give you certainty of cost because they will never change.
- **Waiver of premium:** This is a small extra insurance used to cover the cost of your policy if you are unable to work.
- **Children's cover:** Some plans grant you an element of free cover for children.
- **Additional cover:** Used when combined with a life assurance plan. Is this cover in addition to, or part of, your total cover? Careful use of this option can bring your costs down.
- **Buyback option:** Usually making a claim ends your plan. A buy back option allows your plan to continue. The reason for your original claim will no longer be covered.

Who might benefit?

The quality of medical diagnosis and care is now so good that you are more likely to survive a serious illness than ever before. Critical illness cover means you, and not just people who survive you, can benefit.

- Your claim can clear debts like mortgage and personal loans, meaning you have one less thing to worry about.
- You could use the claim to pay for treatment or specialist medical care.
- Has your condition affected your life or mobility? A claim can pay for modifications to your home or car.
- Even a smaller claim can be extremely valuable. How relieved would you be if you didn't have to pay your mortgage for two years? Peace of mind can be invaluable in your recovery.

Speak to us if you have any questions and we can recommend the right type of cover and options for you.



Income Protection



What does it cover?

If something happens and you are unable to work, how will you earn money to pay your bills? State benefits exist but will they be enough to maintain your lifestyle?

Income Protection cover replaces a portion of your income if you are unable to work through illness or accident. It usually pays up to 50% of your income.

You choose the amount you would like to insure (the 'sum assured') and how long you want the cover for (the 'term'), and your 'deferred period'. The cost ('premiums') is calculated based on these choices and your medical history.

You can read more about state benefits at the Money Advice Service <https://www.moneyhelper.org.uk/en/benefits/benefits-if-youre-sick-disabled-or-a-carer/what-disability-and-sickness-benefits-can-i-claim>

What options are available?

- **Term of cover:** An income protection plan can replace your income for just a few years for to the rest of your working life.
- **Amount of cover:** How much do you need it to cover? Subject to limits, you can choose the cover you want. Perhaps you only need to cover your mortgage because you have enough savings to last? Maybe you want to cover a fixed £1,000 per month?
- **Deferred Period:** This is the amount of time you will need to be incapacitated before your benefit is paid. The shorter it is the sooner your income will be replaced, but the more the plan will cost. Carefully balancing this with your income requirements, savings and other insurance can save you a lot of money.

Who might benefit?

Some employers make provision for your salary to continue if you are unable to work, but this is unlikely to last forever.

If you're self-employed you won't even have this option.

Bills must be paid regardless of your ability to work. How will you make sure the important things get paid for?

- You can calculate your essential spending and take out only the cover you need.
- You can manage the cost by arranging the right indemnity period.
- Even a small claim, a few hundred pounds a month, can be very valuable when things are tight.

Speak to us if you have any questions and we can recommend the right type of cover and options for you.



Medical Insurance



What does it cover?

The NHS is a wonderful resource available to everyone, but we know that waiting times can be long and the hospitals can be inconvenient, even though the care might be excellent.

Private medical insurance covers the cost of private diagnosis, treatment and care.

It means you can be seen more quickly by a specialist of your choice, and if you do end up needing treatment you can receive it in the hospital you want with private accommodation.

A note on cancer: Cancer treatment is expensive. Good insurance companies now provide unlimited cancer treatment as standard.

What options are available?

- **Hospital list:** Choose a list of hospitals to suit where you live or work. Excluding London hospitals can save you a lot of money.
- **Outpatient cover:** This is often limited but you can adjust the benefits to suit your budget.
- **Psychiatric:** Psychiatric care may not be included as standard but if you need it there is a policy for you.
- **'Six-week' option:** Sometimes the NHS can treat you quickly. In that case do you need to pay for additional cover? A 'six-week' option means you can use your private care to avoid waiting too long, but make use of the NHS to keep your costs down.
- **Excess:** Like your car insurance excess, choosing to shoulder some of the cost yourself can bring your premiums down.

Who might benefit?

The NHS is a wonderful service – especially if you have a chronic condition - but we know it is under tremendous pressure. There can still be long waiting lists for other conditions.

Private care means you can avoid these pressures for yourself, and relieve the stress on the system for others.

It means you can be treated more quickly, in greater comfort, and sometimes even have access to treatments not available on the NHS.

- You can be seen by a consultant of your choice
- No need to endure NHS waiting times
- Private hospital rooms

Speak to us if you have any questions and we can recommend the right type of cover and options for you.



How much does it cost?



The cost of your cover will vary depending on the type and amount of cover you need, and how long you need your cover for. A 30-year life assurance plan will cost more than a 10-year plan, for example, because you are protected for three times as long.

Simple life cover is very affordable and provides valuable protection for a family.

Critical Illness cover is more expensive than comparable life cover because you are far more likely to survive the diagnosis of a serious illness than you are to die. This alone should tell you how valuable it is.

The table below shows some example costs of life and critical illness cover.

- The costs below are monthly and assume a healthy 35-year old non-smoker accepted at ordinary rates.
- Cover is level for 25 years

Like any other insurance, the cost is based on the risk of you making a claim. If you are healthy, young and a non-smoker, you will get the best rates. As the risk of you making a claim goes up, so does the cost.

Costs for income protection and medical insurance can vary greatly depending on your needs and options. Get in touch for a free quotation.

Cover	Cost
Life assurance £100,000 Critical Illness £0	£7.10
Life assurance £100,000 Critical Illness £25,000 Life cover will decrease to £75,000 after a critical illness claim	£15.16
Life assurance £100,000 Critical Illness £100,000	£33.89

If you're concerned you might not be able to get cover you should still contact us. We can speak directly to underwriters to discuss any conditions and likely impact on costs before you make an application.



How does it work?



We have a multi-step process to get the right cover for you.

Understand your needs

First we need to understand you, your financial obligations and the risks you face.

Understand your budget

We can provide the most comprehensive cover in the world but if you can't afford it you won't see the benefit.

Prioritise your cover

Some risks are greater than others. Some plans are more suitable. We can recommend the right cover to suit your needs and budget.

Application

A full application is required before an offer can be made. If you are fit and healthy this is a quick process and an offer of cover is likely to be made immediately.

Medical underwriting: If you disclose things such as illnesses or prior claims, expect your application to go to underwriters for a closer look. They will take your medical history into account before coming back with terms, and they may contact you or your GP for additional information or tests.

Financial underwriting: If you have a very high sum insured (for example above £500,000) the insurance company may ask for financial evidence to back this up. Most people don't need to provide this.

Offer

Your acceptance terms will take into account all the information gathered above. If any medical conditions have been factored in, you may be charged a higher premium (a loading) or in some cases a claim may be denied (an exclusion).

Don't be put off by these a loading. This really means you are more likely to claim, which mean you are more likely to need the insurance.

Acceptance

Once you are happy you can begin the plan and start paying the premiums. Congratulations, you're now protected.

Claim (hopefully not)

Hopefully you will never get to this stage, but if you do, you will be able to take advantage of your valuable cover, and you (or your family) will see just how life-changing it could be.



How we can help?



Talk to one of our advisers today to discuss your protection needs.

Regular reviews are important to make sure you are properly covered, and you are not paying more than you need.

Remember, time moves on and circumstances change, so what may have been right for you a few years ago may not be fit for purpose today. We are happy to review your existing cover too.

We can work with you to discover what protection you might need and recommend changes to make sure you are getting value for money.

About us

BBi Financial Planning is independent and chartered.

Independent means we are not obligated to recommend any product or service, and we can advise you on the whole market.

Chartered means our advisers are among the most qualified, experienced and ethical in the UK. As a chartered firm we are in the top 5% of financial planning firms in the country.

Our advice to you is always bespoke and in writing.

We've been doing this for over fifty years because our clients keep coming back. We want to treat you right so we will be here for another fifty.

Disclaimer

This document is for information and education and is not advice. Contact us to discuss your needs or arrange a meeting with one of our chartered advisers. Any companies mentioned are for information only and are not a personal recommendation.

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