

There's more to your family's life than the family home

by Doug Cowan



What is Family Income Benefit?

Family Income Benefit is one of the least expensive forms of Life Insurance and differs from most other types in that it is designed to pay the benefit as an income rather than a lump sum.

Low Cost Family Protection -

The fact that the amount of cover is paid in regular instalments means that the risk to the Insurer is decreasing over the term chosen which makes Family Income Benefit cheaper than Level Term Life Insurance where the risk to the insurer is the same throughout the term of the plan.

Regular Tax Free Income Payments -

In the event of a claim, income can be paid monthly, quarterly or annually and under current rules the income is tax-free. This makes it ideal for Family Protection where a family is looking to insure the main bread winner over a specific term, for example to his or her retirement age.

Extra Cover Options -

Family Income Benefit can also include Critical Illness Insurance which is designed to pay the selected income if the policyholder is diagnosed with a Critical Illness within the chosen term. Critical Illness conditions

Continued overleaf

Family Protection Products

There's no such thing as the average family anymore. Circumstances change, nothing is guaranteed, but all families come with responsibilities. These responsibilities do not change if you are unable to work due to a critical illness or for the surviving spouse, if you were to die. Who should look after whom and how do you go about it?

There are a variety of protection products which we all come across at some time in our life stages. The following are a few:

- Mortgage Protection
- Level Term Life Cover
- Critical Illness
- Whole of Life Plan
- Income Protection Benefit
- Accidental Death Cover

These plans are either set up by an individual to cover a particular circumstance or by an employer offering employee benefits. Either way, these benefits come at a cost and are generally set up on a need and cost basis. With the exception of Income Protection benefit all of the above plans are for a lump sum provision on claim and this may not be suitable for all due to cost. There are alternatives, one of these being Family Income Benefit.

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vary from insurer to insurer but in general include such conditions as Cancer, Heart Attack, and Stroke etc. In addition to these 'Core Conditions' you can also select comprehensive cover which usually includes 25-30 additional conditions.

Although Level Term Life Insurance is perhaps the most

popular choice for Family Protection, the difficulty for most claimants is how to generate an income from the cash lump sum. For simplicity most people tend to place the proceeds of the policy in a Bank or Building Society deposit from which they take a regular amount of interest as income. The problem with this is that whilst the lump sum

payment is tax free the interest generated may be subject to tax and will have to be declared via Self Assessment.

Family Income Benefit therefore, should be considered when looking to effect insurance for Family Protection. Family Income Benefit is a low cost, tax efficient solution to Family Protection.

Case Study 1

- Husband, wife and two children, own house with mortgage. Husband works only.
- They have a Mortgage Protection policy only.
- Husband dies – the house is passed to his widow.
- The mortgage is paid off due to the Mortgage Protection policy.
- Widow still has to pay the bills and provide for the children. She relies on state benefits and quickly realises that she has insufficient income to support the house and her family.
- Widowed Parent's allowance is currently £95.25 per week.
- Widow has to sell the property incurring associated costs such as solicitor, agency fees and removal costs. The family moves to a smaller property.
- Widow struggles to find an appropriate job and childcare arrangements. Financial difficulties continue.

Case Study 2

It could have been so different:

- Husband, wife and two children, own house with mortgage. Husband works only.
- They have a Mortgage Protection policy and Family Income Benefit plan.
- Husband dies – the house is passed to his widow.
- The mortgage is paid off due to the Mortgage Protection policy.
- Widow receives a monthly Family Income Benefit of £1500 a month*. This helps cover the monthly expenses and maintain the family's current lifestyle.
- The family home remains and the widow can support the family during this difficult time.

* 25 year term Family Income Benefit plan based on male age 35 years, female age 31 years, both non-smokers. Benefits payable on first death, monthly premium typically £26.64 for £1500 per month benefit. For an additional premium critical illness can be included.

Why is Family Income Benefit Important?

Having protection cover in place could mean the difference between your family being able to continue to afford to live in the family home in the event of your death, or not.

Many people understand insurance is an important part of their finances, however many people can forget that the important part of their finances is **THEMSELVES**,

their ability to bring in an income or manage the household. You may have Mortgage Protection, but as demonstrated an income is required thereafter to maintain the home and family lifestyle. With a Family Income Benefit plan you are protecting those closest to you and all that the family has worked for.

For all your protection needs call:-

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Please note that in order to convey points as succinctly as possible a significant amount of detail has been omitted from this update. As such none of this article should be construed as financial advice.