

## Financial protection

Ensuring a secure future for you and your loved ones

Nobody wants to consider what would happen if they became too ill to support their family financially. Financial protection is essential to creating peace of mind for your loved ones, but understanding what cover you may need can be confusing.

### IMPORTANCE OF FINANCIAL SECURITY

Have you considered the implications financially if someone in your family were unable to earn money, became ill or were to die prematurely? It's not something we like to think about, but if you have left regular employment and are now either retired or have become self-employed, then any previous protection you received from an employer becomes your responsibility.

Think about the regular items you and your family spend money on – holidays, socialising, club memberships, family events. Paying for these could become more difficult without the right protection in place.

### COVERING ESSENTIAL COSTS FIRST

Start by covering your debts and other essential costs, such as mortgage payments, council tax,

utilities and food costs. You can then consider additional protection for other priorities.

### THE MAIN TYPES OF PROTECTION INCLUDE:

#### HEALTHCARE INSURANCE

Most UK residents are entitled to free healthcare from the NHS. However, some individuals also opt for private medical insurance. Also known as 'PMI,' it pays some or all of your medical bills if you're treated privately. Basic policies typically cover the costs of most inpatient treatments, and more comprehensive policies extend their coverage to outpatient treatments.

#### CRITICAL ILLNESS COVER

Critical illness cover pays a tax-free lump sum or regular payments upon diagnosing a specified

critical illness. A lump sum could help you to take time off, modify the house, pay for medical treatment, or give you time to recuperate or adjust to your new condition. You can also build in children's cover – a lump sum payout if they are diagnosed with a critical illness could allow you to take unpaid leave to care for them.

#### INCOME PROTECTION

Income protection pays out a regular income to replace income you've lost through being unable to work due to sickness or disability. You can choose to take cover for a set period of time – for example, one to three years or until age 65 – and delay the start of payments for a number of months, both of which can help keep premiums down. You can also choose your level of cover – usually somewhere between half and two-thirds of your income.



## Fair, Friendly Financial Advice

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### LIFE INSURANCE

Life insurance pays out on death and can provide a lump sum or regular monthly payments over a specified timeframe – say, until children reach a certain age. The payments can help pay off or cover a mortgage, pay for school fees and cover lost income.

### PROTECTING YOUR INHERITANCE

In the event of your death, the size of your estate could determine whether your family or other beneficiaries become liable for Inheritance Tax. This tax can place a significant financial burden on your loved ones if insufficient funds are readily available or if adequate plans are not in place.

### IMPORTANCE OF STRATEGIC PLANNING

Without proper planning, your family may be forced to sell valuable assets, such as the family home, to cover the tax bill. Therefore, it is crucial to consider all available options to protect your estate and ensure that your beneficiaries receive their intended inheritance.

One effective strategy is to set up a Trust for your dependants. A Trust offers several advantages that can alleviate the financial strain on your family. It pays out quickly upon death, eliminating the need to wait for probate to access the funds.

### SETTING UP A TRUST

A Trust also falls outside of your estate, meaning there is no Inheritance Tax liability as long as it has been in place for seven years before your death,

assuming the 14-year rule isn't invoked. Additionally, some Trusts allow you to decide exactly how much money goes where and when, giving you greater control over the distribution of your assets.

Another critical component of Inheritance Tax (IHT) planning is considering pensions. Pensions generally fall outside your estate, offering a significant advantage in reducing potential IHT liabilities.

### COMPLEXITIES OF PENSIONS

However, the rules governing pensions can be complex, necessitating professional advice. It is essential to inform the pension scheme of the right beneficiaries and keep your nomination forms up to date to ensure your family benefits as intended after your death. It is also important to note that a nomination form is not legally binding on the trustees. The pension trustees have discretion in order to ensure the benefits are outside the estate of the individual for IHT purposes.

Properly managed pensions can offer substantial tax advantages and financial security for your loved ones. Regularly reviewing your pension arrangements is vital to maintaining the effectiveness of your inheritance planning strategy.

### REGULAR REVIEWS AND UPDATES

Reviewing and updating your financial plans regularly is crucial to protect your inheritance effectively. Life changes such as marriages and births, or changes in tax laws, can significantly impact your current strategy. Staying proactive ensures that your estate remains optimally managed and protected.

Inheritance planning is a complex field requiring careful consideration and expertise. Seeking professional advice can help you navigate the intricacies of Trusts, pensions and tax implications, ensuring your legacy is preserved for your loved ones. ■

### TAKING ACTION FOR PEACE OF MIND

Understanding and choosing the right financial protection ensures that your family remains financially secure despite unforeseen circumstances. Assess your needs and make informed decisions to safeguard your loved ones' future. If you require further information to make informed decisions about financial protection, please contact us for expert guidance.

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