



**G o f a l a e t h  
A s e d a u  
C Y F**

*Sterling*

**A s s e t  
M a n a g e m e n t  
L T D**

**YMGYNGHORWYR ARIANNOL ANNIBYNNOL**

**INDEPENDENT FINANCIAL ADVISERS**

Ty^ Sterling • 13 Y Porth Bach • Aberystwyth • SY23 2AR  
Ffôn +44(0)1970 617622 • Ffacs +44(0)1970 630009  
E-bost: [financial@sterling-a-m.com](mailto:financial@sterling-a-m.com) • [www.sterling-a-m.com](http://www.sterling-a-m.com)

Sterling House • 13 Eastgate • Aberystwyth • SY23 2AR  
Tel +44(0)1970 617622 • Fax +44(0)1970 630009  
E-mail: [financial@sterling-a-m.com](mailto:financial@sterling-a-m.com) • [www.sterling-a-m.com](http://www.sterling-a-m.com)

MARCH 2018

Guide to  
**Income  
Protection**

Financial resilience and peace of mind  
for individuals and households



Directors: Robert Mills Dip PFS BA (hons) Jonathan J Gibson Dip PFS Certs CII (MP&ER)  
Sterling Asset Management Ltd is authorised and regulated by the Financial Conduct Authority



# Guide to Income Protection

Financial resilience and peace of mind for individuals and households

If you were one of the million people in the UK each year that find themselves unable to work due to a serious illness or injury, how would you cope financially? The Association of British Insurers 2017 findings highlight the fact that of these, many find it difficult to survive on their savings or on sick pay from work.

**S**erious illness or injury can occur at any time and will inevitably cause strain on families financially, as well as personally. Income Protection insurance (also known as 'IP insurance') is designed to provide cover if you can't earn an income for a number of specified reasons. It provides a financial resilience to individuals and households and gives peace of mind.

## Help to support you financially

If something happened to you, would you be able to survive on your savings or on sick pay from work? If not, Income Protection is an alternative way to keep paying the bills. But it's important to remember that Income Protection only covers you if you're unable to work due to illness or injury – it does not pay out if you are made redundant.

This type of insurance covers most illnesses that leave you unable to work. What that

means, exactly, depends on your individual policy. For example, it may cover you if you are unable to work due to a stress-related illness or a serious heart condition.

## Potentially financially vulnerable

In Britain today, there are over three million working couples classed as 'double income, no option' (DINOs), which means they are potentially financially vulnerable if one of the two loses their earnings.

The typical household today looks very different from the traditional image of a working family made up of one primary breadwinner and one homemaker. Nowadays, many households instead rely on two incomes to maintain their lifestyle, or even just to get by. Of the two thirds of Britons who are living as part of a couple, half (51%) are both currently working. Yet, without adequate savings or protection insurance, millions could be at

risk financially if one of the main earners was unable to work for a period of time.

## Dependent on two incomes

Research by LV= has found that there are 3.2 million working couples in Britain that would be classed as DINOs. This means they are dependent on two incomes to make ends meet and would struggle to cope if they lost one of their incomes. The Money Advice Service (MAS) recommends the provision of 90 days' worth of outgoings in savings to protect against a financial shock.

The lack of savings may be down to people simply not being able to afford to put money aside. A quarter (27%) of working couples surveyed say their double wage isn't stretching as far as it did this time last year. However, not having a back-up source of money leaves many couples at a high risk of financial difficulty if one person couldn't work for a period of time.

## Level of financial pressure

The level of financial pressure is also clear in the numbers who anticipate they'll be working for many years to come. Of couples who both work, three in five (58%) wouldn't choose to work if they didn't have to, while over half (54%) say the same of their partner. Three in ten (30%) people in a working couple expect that

both they and their partner will have to work until retirement to make ends meet, while one in five (21%) think both of them will actually need to work throughout retirement.

Millions of couples need both incomes to pay the bills, with a significant proportion saying they'd have to make major changes if they had to rely on one income. And the impact of losing an income is not just financial. Two in five (42%) people in a couple say that if one of them couldn't work, it would strain their relationship.

### Few have income protection

Despite the reliance so many households have on both incomes, worryingly few have Income Protection insurance, leaving them vulnerable if one member of the household was unable to work for a period of time. Three in five (59%) say that neither they nor their partner has any form of income protection.

If your household is reliant on two incomes to make ends meet, it's important to consider how you would survive financially and emotionally if you were forced to live off one

income. With so many households now relying on two salaries to get by, it has never been more important for couples to protect their joint incomes. ■

#### Source data:

Research conducted by LV= published 17/1/2018

“

**If your household is reliant on two incomes to make ends meet, it's important to consider how you would survive financially and emotionally if you were forced to live off one income.**

”

### Much-needed boost to your financial resilience

Income Protection insurance is one way for people to equip themselves should they find themselves unable to work for a period of time. It can be an affordable and valuable safety net that can provide a much-needed boost to their financial resilience. If you have any concerns or would like to review your options, please contact us – we look forward to hearing from you.

# Worried about how you'll pay the bills if you're off work due to an illness or injury?

When you suffer a serious illness or injury, the last thing you should worry about is how you'll pay the bills while you're off work. After all, what if your sick pay should run out while you're still recovering?

**To discuss your situation or for further information, please contact us.**

This guide is for your general information and use only, and is not intended to address your particular requirements. The content should not be relied upon in its entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of the content. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested. All figures relate to the 2017/18 tax year, unless otherwise stated.