

James Clay

# 7 Ways to Protect Your Finances

#Protect What Matters Most





To have a strong tree, it requires roots to be deep. It is the same with our finances and **protecting our finances is like putting down strong roots** so that we can be protected no matter what may happen.

We protect lots of things in life such as our car and holiday luggage, but protecting our finances is something people **often do not really consider**. The unexpected happens more often than we think, with often a dramatic impact on those involved.

I've compiled a list of the **7 key things** I think you need to know to protect your finances.

Read on to find out what they are so as you can make sure your finances are protected for you and your loved ones.

## #1 Protect Who, How Long, How Much?



👤 The first step in protecting your finances is deciding **who needs protecting**.

In addition to yourself, it's good to think about the needs your spouse or partner & children will have if you're unable to provide an income due to sickness. Often overlooked is that even if a spouse or partner isn't the main income earner, the financial impact could still be significant, e.g. additional childcare costs.

🕒 Secondly, the **duration of the protection** is also important e.g. until mortgage is paid off/ until retirement/ or until a child is no longer financially dependent.



💰 The **amounts** needed then also need to be calculated to ensure adequate protection is in place for you & your loved ones.

The above can become complicated to collate & compare, and this is where a protection adviser can really assist. However, the best person to confirm what you really need is you!



## #2. Life insurance - What Will You Leave Behind?

If you have **people that depend on you & your salary**, and wouldn't be able to cope financially if you were to pass away, Life Insurance **should be a priority**.

Often used to pay off your mortgage, it provides a **tax-free lump sum** to support your loved ones should the worst happen to you. This can be matched to your decreasing mortgage balance or other commitments e.g. school fees.

The amount needs to be carefully considered & relate to the needs of your loved ones. This is often combined with Critical Illness Cover (next tip).

But it's too expensive, right? Well, people often overestimate the cost of this. It's often a fraction of the cost of car insurance, yet provides broader cover. So if you are interested in this area, it's worth getting some advice & quotes tailored to your specific situation.





### #3 Pot of Cash If You Are Critically Ill

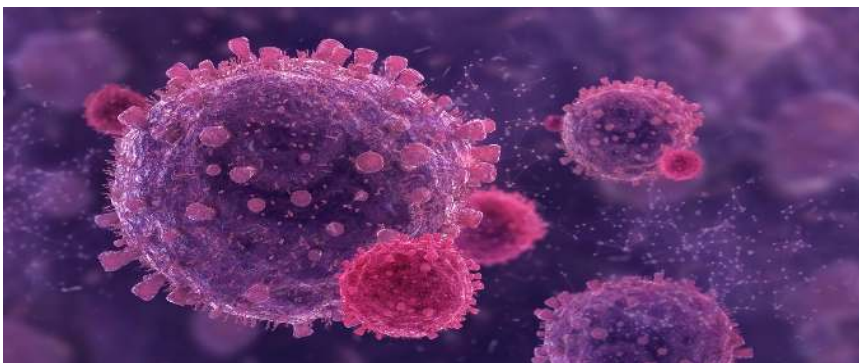
Do you know a loved one who's had a heart attack, stroke or cancer? If so, you're sadly not alone. Many have a critical illness before retirement age, yet are unprepared for this, both emotionally & financially.

#### How would you cope?

How would you cope financially if you or your partner was seriously ill? The way you can protect your finances in this area is to have Critical Illness Cover. This provides a tax-free one-off payment if you suffer a specific medical condition or injury. If selected, Life Insurance is often included at no extra cost.

#### Average age of someone claiming?

"During the first half of 2021, **what was the average age of someone claiming** on a Zurich policy having needed open heart surgery? Go on, wager a guess. Maybe 55 or 60? What about motor neurone disease – maybe 65 or 70? Or a stroke – maybe 75? Would you be surprised to learn that the **average age of a claim** related to open **heart surgery was 35, motor neurone disease was 45 and stroke was 50?**" 😱 \*



The quality of different products & providers varies widely, so is worth having someone who can research & compare this for you thoroughly.

*\* source = Zurich Website on 07/10/2021. Link to original article [here](#).*



### #4 Income Protection to Retirement?

**Would your employer pay staff who are off sick from work for more than 1 year?** If so, this is very rare.

Income protection helps bridge this gap.

#### How much does it pay out?

Income Protection pays out a **monthly amount, which is a % of your monthly income** (typically **60 to 70%**) if you are unable to work because of illness or injury (redundancy not normally covered).

#### How long does it pay out?

How long do you want it for? There are various options, but it usually pays until retirement, death or your return to work. Shorter term policies are available at a lower cost.



#### How does it work with other forms of financial protection?

Income Protection can be taken out to complement Critical Illness Cover (i.e. pay for living expenses not just provide a lump sum) or as a separate policy.

To help you understand the different options & to get advice on choosing the best fit for you, it's a good idea to talk to a qualified protection specialist. They'll be able to compare price and quality across a range of different providers & will be able to guide you towards the one that's most likely to suit you.



### 9% Have Income Protection



Source Which? See <https://www.which.co.uk/money/insurance/life-insurance/income-protection-explained-aum068h7cqr3>



## What Are My Risks?

**You can check these out here:**

**Personal Protection Calculator**





### #5 Family Income Benefit

Do you have children under 18 or who are older but still financially dependent on you? If so, Family Income Benefit offers an alternative to life insurance.

Instead of (or as well as) a lump sum from life insurance, your **loved ones receive a regular income for a set period** if you pass away. This **helps pay the bills for a set period e.g. until the children are 18**.

You confirm at the outset what amount this monthly payment should be to ensure financial stability & over what time period, in the event of your death. The premiums then reflect this.



For example, after the mortgage is paid off you might want £2,000 per month for 10 years which is when your youngest child turns 18. If you died in the 1st year, the insurer would have to pay out for the remainder of the policy. If you died in the 9th year, the insurer would not have to pay out for as long.



## #6 Lasting Powers of Attorney (LPA)

LPAs allow you to appoint people to manage your affairs if you are mentally or physically unable to do so e.g. due to an accident, illness or old age.

The people you nominate are called **attorneys**. LPAs are a legal document, completely separate from your will.

### 2 Types:



**1. Health & Care** - lets your attorney make decisions about your medical treatment & day-to-day care e.g. where you live, what you eat & what medical treatment you receive.

**2. Financial decisions** - lets your attorney handle & make decisions about your money & property e.g. paying bills, selling property, collecting your pension.

### Why would I want to have LPAs?

- If **unable to express your wishes**, someone you trust can step in & make important decisions for you
- The **alternative is going to court** to get a Deputyship order which takes a long time & is much more expensive



### #7 Make A Will & Make Your Mark

Make a will & make your mark before it's too late - **60% of people don't have a will in the UK\***. This is about **30 million people who are letting the law decide who should inherit everything** from them when they die, which may be contrary to their wishes.

**Dying without a valid will is called dying 'intestate'** & when this happens strict inheritance laws come into play to establish who is entitled to inherit what. This follows a very strict order.

These laws are called the **Rules of Intestacy** and **often do not allow for modern family situations**. For example :

- co-habiting partners & step children are not entitled to receive anything.
- If there are no living relatives then the Crown gets the lot, generating lots of cash for the government.

Without a will, this often leads to bitter disputes & family feuds, all of which can be avoided. Most people think a will is just for the end of their life, which it is – but who knows when that will be?



**Join the 40% of people who have taken this step – #protect what matters - your loved ones.**

Source: \* <https://www.co-oplegalservices.co.uk/media-centre/articles-may-aug-2018/60-of-people-dont-have-a-will/>

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## #Protect What Matters

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# What Do You Want to Protect?

Hopefully, this guide has given you a few things to think about and highlighted areas you want to consider to protect your finances

Let's have a chat about how you could make sure that you protect what matters most.

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