Safeguarding your finances

You have a steady income, controlled outgoings and some savings in the bank, your financial circumstances are set up well, but what can change and how quickly?

Keeping the 'river' flowing…

Your money is like water flowing through your household. Income comes in, then bills and living costs flow out, with hopefully a small amount spare to save, a 'lake' if you like.

If your **income stops**, the '**river' stops**, but **costs don't**, debt needs to be repaid and your savings and investments may be **swiftly depleted** if relied upon.

FILL THE 'LAKE'

A savings account at a bank should be accessible, and ideally pay interest.

You should aim to save each month and build your reserves. This is also useful not only against ill health but also redundancy.

<u>Ill health can stop income</u>

Basic financial protection is in three forms;

Fill the 'lake';

Save now, build reserves and hold these reserves in an accessible bank account – ideally **3 months of total costs**.

(Start building for specific planned events e.g. holidays once this level is reached and keep these savings separate, maybe invested if the event planned is sufficiently in the future)

Insure your debts (and protect your family);

Take out a life and critical illness cover plan(s) with a sum assured and term equivalent to your debts. Add more to the sum assured to support a family.

Insure your income;

Take out a permanent health insurance plan to **cover your costs**, typically up to 60% of your net income.

PROTECT INCOME

Your employer may pay you for 6 months if you're ill. Permanent Health Insurance plans can be tailored to start paying 'income' to you when your employer's support stops.

If your general outgoings are £800 pm, then you can set these plans to pay that, possibly increasing with inflation in the event of them being used.

When you recover, they stop and if you're ill again later, they start again.

PROTECT DEBT

If you have a mortgage of £80,000 over 20 years, a plan can be used to pay this amount, should you acquire a critical illness or die during that term.

Another plan could pay a lump sum to support a family.

Repaying your mortgage could save your home.

Prioritising these protective measures should be done over investing or saving for the 'nicer; aspects of spending.

Your investments could soon be gone if you don't have the necessary covers in place as above, **do these things first**.