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A Guide to Family Protection

Your family means everything to you and you would do anything to keep them safe and happy. If a day arrives where you are no longer able to provide for your loved ones – whether through being unable to work, illness, injury or the case of your untimely death – having family protection in place will allow you to continue supporting and nurturing them long into the future.

What is family protection?

Family protection encompasses life insurance, critical illness cover and income protection. These are insurance policies you can take out to ensure your loved ones will not suffer financial hardship in the case of death or illness to one of the family's main earners. The right protection for your unique needs can be seen as an indispensable safety net against any unexpected downturn in your financial situation.

The payout from family protection can either come as a lump sum or a regular income upon the death or diagnosis of an illness of a family member. In both scenarios, the money can be used to cover essential commitments and bills, ensure financial stability going forward and prevent the family from having to make drastic changes to their lifestyle or spending plans.

Protection policies provide vital support for you and your family with the different types complement one another to ensure you can meet all financial commitments come what may.

Life insurance

Life insurance pays a lump sum if the policyholder dies unexpectedly or prematurely. Thinking about the world you'll leave behind can be uncomfortable, but doing so is the only way to understand how you can plan for your loved ones to be well looked after when you are no longer around. For many bereaved families, the payout from life insurance is essential to cover costs and safeguard their finances.

Life insurance is a commitment to the future. With this policy type, you'll have the certainty that you are putting in place a solid support system that your loved ones will be able to count on in challenging times. If you have dependents who would suffer financially in the case of your death, life insurance brings peace of mind that your family's lifestyle and aspirations will remain unaffected by money worries.

Critical illness

Critical illness cover pays out a lump sum if you are diagnosed with a specified illness. Common examples include cancer, heart attack or stroke. Payouts may be used to pay off a mortgage or to provide financial support during a period of being unable to work; at these challenging times, the money can ease some of your financial burden, reassuring you and your family that you'll be able to meet key financial commitments.

Critical illness cover spans a wide range of conditions, with policies that can be tailored to your specific requirements. For example, alongside the most devastating illnesses, less severe critical illness cover is now often available to help cover financial needs before a condition becomes critical. Your adviser can help you understand the various options and how to achieve the right protection for your family situation.

Income protection

Income protection supports you and your family if you are unable to work due to illness or injury. It pays out a monthly income, usually a proportion of your usual earnings, to those unable to work through accident or illness. Policies vary in the level of protection provided but a general rule is that you'll receive somewhere between half and two thirds of your gross annual salary in the event of a claim.



Having income protection as well as other policies such as life insurance helps provide the most comprehensive family protection. For example, whereas life insurance is usually paid as a lump sum after a person passes away, income protection pays a monthly sum to replace lost earnings.

The importance of family protection

Protection policies are a crucial safety net for anyone, regardless of their situation or life stage. For families, however, the need to ensure your dependents are protected against the worst possible twists of fate is even greater.

Did you know that most families would have to cut their living costs to survive financially if the main breadwinner were to fall ill or die prematurely? Family protection can be the difference between your family struggling to pay bills or remaining financially secure should the unthinkable happen to you. Since it provides security that will stay in place throughout your life, protection is also a key component of long-term financial planning. It's not just your family who will benefit. For policyholders, the knowledge that your loved ones will be safe and provided for long after you have gone offers crucial peace of mind at a difficult time.



The early bird...

Getting protection early has major benefits. Payments are determined by your age and state of health. This means that the longer you wait to get started, the higher your monthly premium is likely to be.

It also means you'll benefit from more years of being protected. The prospect of needing a payout from family protection may seem a long way in the future, especially for some younger people, but we all know that life can be unpredictable. Unexpected events can occur at any time, so it is best to be prepared as soon as possible.



Estate planning using life insurance

Life insurance can play an especially important role in estate planning. By taking out a life insurance policy and designating it in a way that aligns with your estate planning objectives, you are providing security to your family

In addition to the long-term financial security you'll be providing your family, the proceeds from life insurance can be critical in meeting immediate costs. The funds can be useful for paying Inheritance Tax and other related costs such as funeral expenses or debts, allowing your loved ones to hold onto long-term assets and eliminating one source of stress at a difficult time.

Writing the policy in trust

Another key consideration is writing your life insurance policy in trust. A trust is a legal arrangement that makes sure your money ends up where you want it to go. You appoint a trustee to oversee the trust and they will then ensure that the assets contained within the trust go to the named beneficiaries.

Writing life insurance in trust means that your beneficiaries will get the money quickly and with less hassle. This is especially useful for people leaving money to partners who are not married or in a civil partnership. Getting the right advice and support is crucial when setting up a trust and choosing your trustees.



How we can help

We know the process inside out, so can help you navigate the complexities of family protection and make sure you get the right insurance for your unique circumstances. Moreover, advisers can tailor policies for your budget and individual needs, finding cover that corresponds with your life and the lifestyle of your loved ones.

Everyone should consider taking out protection because it provides a crucial safety net to catch you in the worst case scenario. Often when a major life event occurs, people get a jolt into thinking more carefully about their financial future. Personal milestones such as major birthdays, getting a mortgage or having children, as well as global happenings such as the pandemic, all prompt people to re-evaluate their financial future.

Get in touch

We're here to help you protect your family. We know it's not always easy to talk about life insurance or other protection, which is why we take the time to listen and help you find the right cover for your unique needs. Whatever your situation, we can help you get the protection you need so that you and your loved ones can live a long and prosperous life. Contact us today to see how we can help.

As with all insurance policies, conditions and exclusions will apply

It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from, taxation are those currently applying or proposed and are subject to change; their value depends on the individual circumstances of the investor. No part of this document may be reproduced in any manner without prior permission.

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