

PROTECTION POLICIES TO CONSIDER

How to safeguard your income in uncertain times.

In the last few years we've seen a huge amount of political upheaval, along with several high-profile business failures and accompanying job losses.

September 2019 saw travel group Thomas Cook collapse and cause around 9,000 job losses in the UK, and 22,000 worldwide.

Meanwhile, high-street retailers have continued to struggle, with UK retail losing the equivalent of 85,000 jobs in the year to 30 September 2019 according to the British Retail Consortium.

While ATOL protection repatriated around 150,000 customers affected by Thomas Cook's autumn implosion, those of us who rely on a monthly salary coming in should heed the warning of once profitable businesses going to the wall.

There's no sign of the high street's situation improving, while continued global political instability makes it nearly impossible for businesses to effectively plan ahead.

It's an uncertain time for businesses, but also for the individuals who run them, buy from them and work for them.

With that in mind, it makes sense to start thinking about the ways you can improve your financial resilience and prepare for whatever the 2020s might have in store.

Alongside carefully-considered financial planning, protection policies could offer that much-needed sense of security.

WHY USE PROTECTION INSURANCE?

Protection insurance is a general term for several types of insurance that pay out in circumstances where you might need to replace lost income, or supplement existing income.

Among other policies, it includes income protection, critical illness cover, and life insurance.

There's evidence to suggest the number of people in the UK receiving support from these types of insurance is on the rise, as the Association of British Insurers (ABI) said the insurance industry paid out more than £5.3 billion in protection claims in 2018 – £200 million more than the year before.

Choosing which policy to go with is a personal decision, and premiums can be expensive, so it's important to give this some thought. First, you need to work out what you need, then calculate what you can afford to cover.

Then there are other factors, such as whether you're employed or self-employed, whether or not you have mortgage repayments to make, whether you have dependants to support financially, and the current state of your health.

As a brief guide, we've outlined a few of the scenarios where a protection policy might help you.

SECURITY IF YOU LOSE YOUR JOB

As more big names enter administration, anyone relying on their regular income from employment has reason to be concerned.

If the company you work for collapses, the loss of your main income could have a serious knock-on effect on your finances and any regular payments you need to make.

If, for whatever reason, your role is made redundant, you will be entitled to statutory redundancy pay as long as you've been working for your current employer for two years or more.

The amount you get depends on your age and how long you've been working for the employer, but it's capped at a maximum of £15,750 in 2019/20.

Many employers also offer more generous redundancy terms in their employment contracts, or offer them voluntarily, and the first £30,000 of any redundancy payment is usually tax-free.

If you've been employed for less than two years, you don't have the right to redundancy pay, so in this case, certain insurance policies might be able to cover you.

Payment protection insurance, otherwise known as PPI, may come with negative connotations now since the mis-selling scandal that broke out in the early 2000s.

However, the insurance itself isn't inherently bad, and there may be some circumstances where it could be suitable.

In return for a monthly premium, it will cover your loan repayments if you're unable to work.

This could apply if you've been made redundant, but also if you've suffered from illness or injury.

Alternatively, you could opt for **short-term income protection** insurance, which pays out an agreed monthly amount to replace a proportion of your income, during a short period of time.

PROTECTION IF YOU'RE ILL OR INJURED

Some of the insurance policies that cover redundancy will often pay out in the event of health problems that prevent you from doing your job.

PPI or short-term income protection can be particularly helpful if you're self-employed and don't have the employee benefit of sick pay, but make sure to check that the policy you're considering covers self-employment.

For more serious cases, you may need **long-term income protection** instead.

This provides regular payments, based on a proportion of your income, if you're unable to work for an extended period of time due to illness or injury.

The payments last until you're well enough to return to work, or until the policy term ends. You can claim this as many times as you require while the policy lasts.

Meanwhile, **critical illness cover** can provide a lump sum in the event of specific serious illnesses.

COVERING UNPAID INVOICES

While protection insurance guards against some personal difficulties you may encounter, self-employed business owners can take additional steps to cover unpaid invoices.

In the aftermath of the 2018 collapse of construction giant Carillion, the ABI said businesses were paid around £31m in **trade credit insurance**.

Carillion was estimated to owe small businesses around £141,000 each on average when it went into liquidation, many of which will have seen none of that money back.

While collapses on this scale don't happen all the time, any customer failing to pay you for work that's already been agreed can pose risks to your cashflow.

Trade credit insurance covers businesses against the risk of not being paid by their customers for products and services that are due within 12 months.

It typically covers commercial risk, such as a customer's insolvency, as well as political events, natural disasters, or problems that are out of your or the customer's control.

Having the cover of trade credit insurance can be helpful if you're exporting overseas and want to reduce the risk involved, or more generally to instil a greater trust in your customers if you're looking to expand sales.

WE CAN HELP

With thousands of protection insurance policies to choose from, there's no substitute for professional advice. We can assist with all-round financial security or put you in contact with an insurance expert who can talk you through your options.

 **Talk to us about protecting your finances.**

IMPORTANT INFORMATION

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