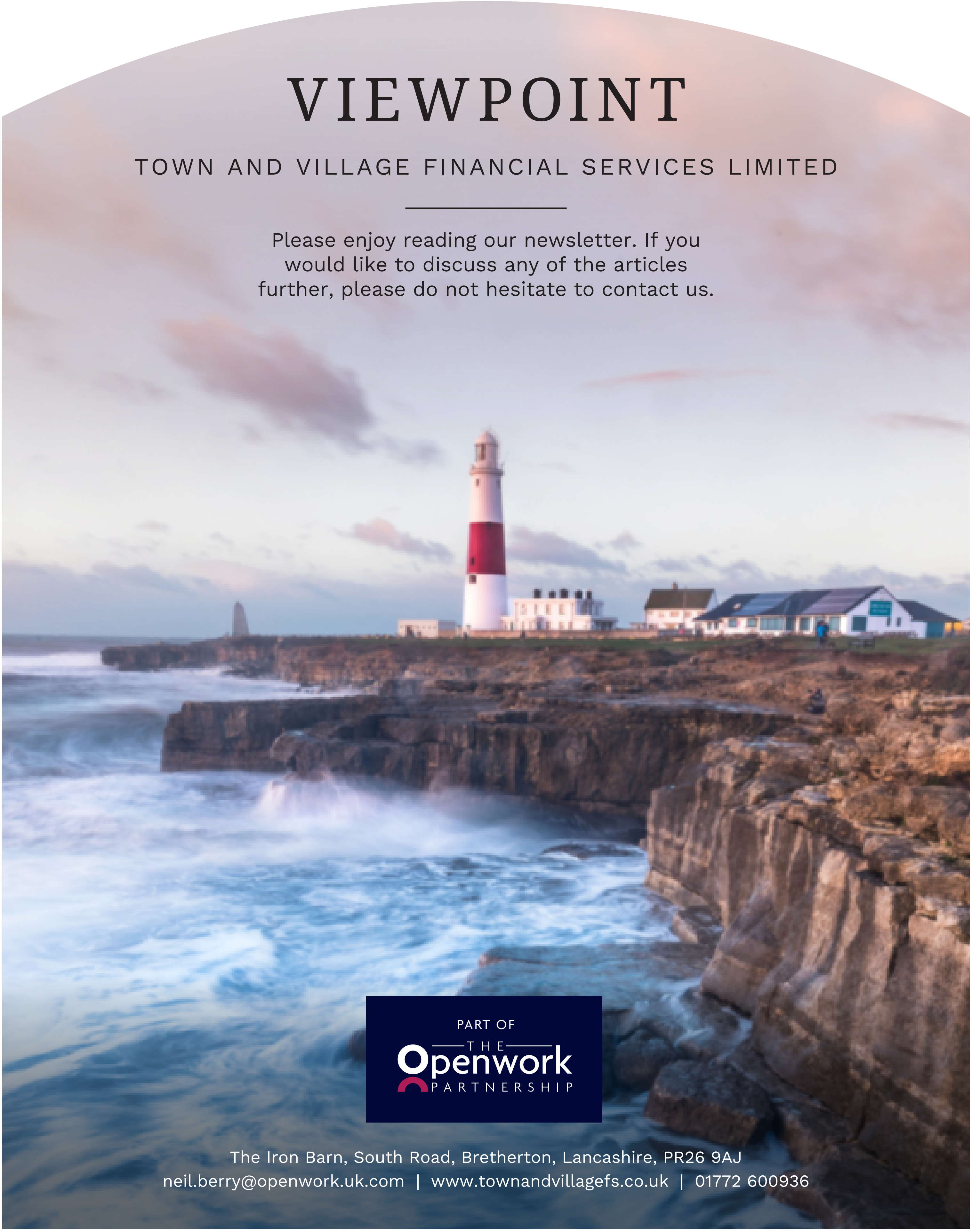
TOWN & VILLAGE
FINANCIAL SERVICES

VIEWPOINT

TOWN AND VILLAGE FINANCIAL SERVICES LIMITED

Please enjoy reading our newsletter. If you would like to discuss any of the articles further, please do not hesitate to contact us.



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What is critical illness cover?

Whether you need critical illness protection depends on your situation as well as any existing policies you might already have in place.

Critical illness insurance pays out a one-off, lump sum if you're diagnosed with a condition or disability that is covered by your policy. It can be offered when someone applies for life insurance – as extra coverage.

In a similar way to some life insurance plans, critical illness covers a set number of years. You can specify whether you want the payout to rise over the course of the term (so it keeps up with inflation) or the opposite – decreasing because your aim is to cover something specific like your mortgage.

If you're thinking about critical illness cover, it's important to speak to your financial adviser who can help you decide how much cover you'll need and how long the term should last.

What does critical illness cover?

Products vary depending on the provider. Certain illnesses are covered as standard by most insurers, including, cancer, heart attack, stroke, organ failure, multiple sclerosis, loss of arms or legs and Alzheimer's and Parkinson's disease.

Some providers may allow you to add additional illnesses to your policy, which you'll pay more for. Your children could also be covered as part of your policy so it's worth asking your adviser about these options if it's something you're keen to have in place.

What does critical illness not cover?

Although a diagnosis of a critical illness can mark the start of a claim in some policies, others may only begin to offer protection once your illness hits a certain level of severity. For example, if you are diagnosed with cancer, payments may only begin when permanent symptoms have been officially diagnosed. Additionally, not all types of cancer are necessarily covered by critical illness protection.

It's important to work with your financial adviser when reviewing a policy and all the small print before you commit to make sure you are sufficiently covered – and aware of areas not included.

Pre-existing conditions

Just like the life insurance application process, critical illness protection requires you to disclose any pre-existing conditions. If you don't then your policy could be invalid.

Your adviser can search the market for a suitable plan, but you'll probably have to pay more in premiums and there will likely be some extra exclusions. The price you pay will vary, based on things like age, occupation, state of health, lifestyle and how much coverage you need and for how long.

Do you need critical illness cover?

There are things to consider if you're worried about being diagnosed with a critical illness and the impact on your income and ability to keep up with bills (which would not be covered by state benefits when you're unable to work).

Your adviser will help you look at the following areas:

- Your employer's coverage – is there any paid leave for illness or disability and for how long?
- Do you have an existing life insurance policy and if so, does it have any illness coverage included?
- Could you consider income protection insurance as an alternative to critical illness?
- Do you have sufficient savings and investments you could use in place of critical illness cover?

If you want to proceed, it's important to work with your adviser to see how much protection you'll need. This means looking at your monthly outgoings and how much you and your family require to live comfortably. You might want to add in any potential costs from medical treatment you may need.

During these important decisions it's easy to lose track of the small details, which is why your adviser can help make the process easier for you and your family and give you some peace of mind.

We can examine your needs and existing policies and then find you the right cover that protects your finances – and your family – should anything happen.

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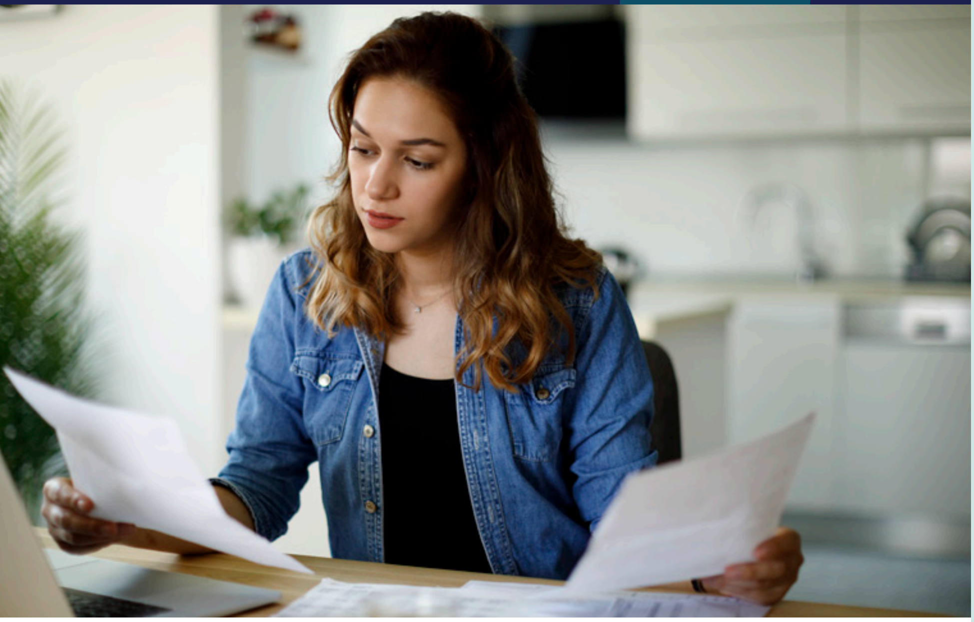
Think twice: Why cancelling your financial protection during the current cost of living crisis could be a bad idea



Centuries ago, Benjamin Franklin announced that

"By failing to prepare you are preparing to fail".

This is especially true when it comes to ensuring your personal finances are protected from the rainiest of days. However, with the rising cost of living likely putting pressure on your spending, you may be considering cancelling your cover, even when this could leave you more vulnerable than before. Read on to discover some of the reasons you should consider prioritising your financial protection over other cost of living worries.

Rising costs should highlight the necessity of financial protection

A recent survey by Which? has revealed that 65% of households have resorted to cutting back on essentials, selling items, or dipping into savings to pay their rapidly rising bills.

Financial protection products such as life insurance, income protection, and critical illness cover are sometimes the first things that people decide to cancel when things are tight.

However, without financial protection, one unexpected event or serious illness could plunge you into having to deal with a crisis with no financial support in place.

Life insurance means your family will not face financial hardship

Keeping your life insurance policy can ensure your family benefit from financial support if the worst happens.

Without protection in place, your family could perhaps no longer afford their regular outgoings, leaving them in a difficult financial position at what will already be a stressful time.

Cancelling your policy could jeopardise the financial security of your loved ones.

If you're the main breadwinner, without your contribution to the household, your family may struggle to meet their regular financial commitments.

Income protection could support you while you're unable to work

Injury, illness, or an accident could prevent you from working and earning your living at any time, making it hard to meet everyday expenses.

Even if you receive Statutory Sick Pay (SSP), paid at £99.35 a week in 2022/23, it may not be enough to cover your usual expenses and could force you (and your family) to adapt your lifestyle while you recover. Moreover, if you're self-employed, you aren't eligible for SSP.

Income protection could save you from such stress. If illness or injury prevent you from working, you can expect to receive up to around 60% of your wages.

Just as important as a payout, an income protection plan could give you access to rehabilitation services that grant you the ability to work again. As an example, 78% of Aviva customers who had rehabilitation support returned to work.

You could receive cover during a critical illness

If you cancel your critical illness cover to save money, you could find yourself out of pocket if you're diagnosed with a serious condition. You may have to take an extended period off work on a significantly reduced income.

Critical illness provides a lump sum if you are diagnosed with a specified illness such as the following:
Heart attack / Stroke / Cancer / Multiple sclerosis
Conditions may vary between providers.

While it's unpleasant to think about, you should consider your own circumstances and whether you might be vulnerable if you cancel.

Having protection to offset unexpected healthcare expenses could be essential to preserving your financial wellbeing.

You may not feel you need insurance in all the areas discussed here. For example, some employee benefit packages include life insurance, so it's worth checking to see if this is something you already have through your work.

The type and level of protection that is most suited to you will depend on your circumstances. We can help you decide what would provide you and your family with the most benefit and help you understand which policy is right for you, too.

Potential consequences

If you cancel your protection now with the intention of taking out cover again when your finances permit, you may find the premiums are significantly higher – especially if your health has deteriorated since you took out your original protection. You may also find there are exclusions based on pre-existing conditions.

The short-term savings often may not be worth the potential long-term vulnerability you cause yourself.

Your pension could be your "secret weapon" of protection

According to Pensions Age, 86% of savers are not on track to achieve their retirement expectations.

This serves as a caution that foregoing pension contributions could leave you short when it comes to your retirement funds.

So, pausing or cancelling your contributions now could have a negative effect on the size of your pension pot when you come to retire. This may leave you having to compromise on your later-life plans.

Discussing your pension with us could help to prevent overspending or under budgeting that may affect the funds you'd like use for your retirement.

GET IN TOUCH

We can help to assess your financial wellbeing and assist in finding the right protection for you. This can help to safeguard your finances when confronted with unexpected circumstances. Please get in touch to discuss your needs.