

## **INCOME PROTECTION**

Income protection insurance or income protection cover can fall into two categories. A shorter term version which may run for one or two years or it's big brother which can run for years all the way through to retirement. This longer type, once granted, cannot be taken away by the insurer ( special conditions may apply ) and hence is given the name Permanent Health Insurance. The term 'permanent' however is being phased out by the regulator and being replaced by a more straight forward and correct title of IPP - Income Protection Plan. One of the problems being that it sounds like more of a medical/hospital plan than an income protection plan. Either way, if you feel that the cover you need to be considering is the comprehensive and more expensive Income Protection Plan/Permanent Health Insurance, then you can find it [here](#).

For the purpose of this guide we shall deal with the less expensive annually renewable Income Protection Insurance.

This annually renewable Income Protection Cover is there to provide a monthly income when you need it most during periods of ill health. Often the benefit level can be anywhere between 50-65% of your gross income. This isn't as mean as you think and there's reasons for the levels imposed. Firstly the benefit is based on your gross income and is tax free so it's not as far from your net take home pay as you might think. Secondly, the insurer wants you to be thinking about returning to work at some point. They don't want you sitting in the lap of luxury, sipping fine wines whilst scoffing truffles and foie gras, otherwise you'd just stay at home and saw your own leg off !

The policies available will usually offer a benefit period of one or two years but there may be longer ones available, the market for such cover is quite innovative and new products can appear or change. You may even be able to bolt on additional benefits such as redundancy cover to give you a more comprehensive plan. Something else you need to consider is the deferred period, by that I mean how long it is before the benefit kicks in after becoming ill. The longer the deferred period the cheaper the plan, so if your employer already gives you 2 months pay if your off sick then it may well be wise to choose a plan with an 8 week deferred period and save yourself some money on the premium costs.