FOR CUSTOMERS

A GUIDE TO INCOME PROTECTION THE MAGIC OF REGULAR INCOME

One of the biggest risks to your financial security is finding yourself unable to work due to an illness or injury. That's why more and more people are waking up to the value of Income Protection.

It pays you a monthly income if you become too ill to do your job, so you can keep paying your bills until you're well enough to return to work.



INCOME PROTECTION EXPLAINED

Here's a short guide to how Income Protection works and the decisions you need to make.

WHY SHOULD I CONSIDER IT?

If you find yourself too ill to work, financial help is limited. If you're employed you may be entitled to a few months' sick pay, but if you're self-employed you're on your own. And don't expect much help from the government. Statutory sick pay is just £116.75 a week.¹

WHEN DOES IT PAY OUT?

Income Protection pays out when you're unable to work and your income reduces due to illness or injury.

WHEN DOES THE COVER END?

You decide how long you want the policy to be in place – this is your cover term. Most people choose the age they're planning to retire. The maximum age you can take cover out until is 70 – or younger for some jobs.

HOW LONG DOES A POLICY PAY OUT FOR?

This depends on your choice of payment period. You can choose a 2-year payment period or a full-term payment period.

A 2-year payment period is the cheaper option, where the policy will pay out until you're able to return to work or for a maximum of 24 months.

A full-term payment period is more expensive, but the policy will pay out until you're able to return to work or the end of your cover term.

HOW MANY TIMES CAN I CLAIM ON THE POLICY?

An income protection policy remains in place even after you've benefited from making a claim.

So, if in the future another illness or injury prevents you from working, you can make another claim. In fact, the cover only ends at the end of the cover term.

HOW MUCH COVER CAN I GET?

With a Guardian policy, the monthly cover amount is calculated based on a percentage of your gross annual earnings. With us, this is capped at 65% of your pre-tax annual earnings. However, this percentage is reduced if you earn over £60,000. This can differ with other providers, your Financial Adviser will be able to help you get the right amount of cover.

For example:

If you have a gross annual income of £50,000, your monthly gross income is £4,166. So, the maximum amount of monthly cover you can choose is £2,708 (65% of £50,000 / 12).

1. Gov.uk, Statutory Sick Pay (SSP), June 2024.

ARE PAYOUTS TAXABLE?

No. All monthly Income Protection payouts are tax-free. So, you may not need as much monthly cover as you think.

ARE PREMIUMS FIXED FOR THE TERM OF THE POLICY?

This depends on whether you choose Level or Increasing Cover.

With Level Cover, you choose the monthly amount of cover you want, and the monthly cover amount and monthly premium are fixed for the term of the policy. It's the cheapest option.

With Increasing Cover, the amount of monthly cover you choose rises each year in line with inflation. This makes sure your cover amount keeps pace with the cost of living but also means your premiums will rise each year.

WHEN DO PAYOUTS START?

When you take out a policy you need to choose a deferred period.

The deferred period is the number of weeks you're prepared to wait before your policy starts paying out after you're unable to work.

Typically, you can choose from the following deferred periods: 4, 8, 13, 26 and 52 weeks.

The longer the deferred period, the cheaper your premiums will be.

IS INCOME PROTECTION AFFORDABLE?

One of the great benefits of Income Protection is its flexibility. You have control over the cover amount, the payout term, the policy term, and the deferred period. All of which can be fine-tuned to create cover that meets your needs and budget perfectly. Your Financial Adviser can recommend a policy that fits your needs and budget.

Terms and conditions apply. Please speak to your Financial Adviser for more information.





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