



CASTLE WEALTH  
Independent Financial Advice

GUIDE TO  
**LIFE  
INSURANCE  
PROTECTION**

PLANNING FOR A TIME WHEN  
YOU'RE NO LONGER AROUND



JULY 2019

**Head Office:**  
Thremhall Park, Start Hill,  
Bishops Stortford, Hertfordshire, CM22 7WE  
**Tel:** 01279 874505 Fax: 01279 874303

**Chelmsford Office:**  
Old Park Farm, Ford End,  
Chelmsford, Essex, CM3 1LN  
**Tel:** 01245 860912

**Web:** [www.castlewealth.co.uk](http://www.castlewealth.co.uk)  
**Email:** [info@castlewealth.co.uk](mailto:info@castlewealth.co.uk)

Castle Wealth Ltd is an appointed representative of Sanlam Partnerships Limited, which is authorised and regulated by the Financial Conduct Authority.  
Registered office: Rae House, Dane Street, Bishops Stortford, Hertfordshire, CM23 3BT. Registered in England and Wales, Company no 07676287.

GUIDE TO

# LIFE INSURANCE PROTECTION

## Planning for a time when you're no longer around

**W**elcome to our *Guide to Life Insurance Protection*. It's not easy to think about how you would secure your family's future if you were no longer around. Understandably, we would rather not think of the time when we're no longer around. But it's important to protect the things that really matter – like our loved ones, home and lifestyle – in case the unexpected happens.

### Full replacement value

For many of us, projecting ourselves into the future to see what's around the next bend is not an easy thing to do. But, without thinking, we insure our cars, homes and even our mobile phones – so it goes without saying that you should also be insured for your full replacement value to ensure that your loved ones are financially catered for in the event of your unexpected death. Making sure that you have the correct type and level of life insurance in place will help you to financially protect your family.

Life insurance provides a safety net for your family and loved ones, helping them cope financially during an otherwise difficult time. Ultimately, it offers reassurance that your family would be protected financially should the worst happen.

We never know what life has in store for us, so it's important to get the right life insurance policy. A good place to start is asking yourself three questions: What do I need to protect? How much cover do I need? How long will I need the cover for?

### Financial safety net

It may be the case that not everyone needs life insurance. But if your spouse and children, partner or other relatives depend on your income to cover the mortgage or other living and lifestyle expenses, then it will be something you should consider. Life insurance will make sure they're taken care of financially.

So whether you're looking to provide a financial safety net for your loved ones, moving house or you're a first-time buyer looking to arrange your mortgage life insurance – or simply wanting to add some cover to what you've already put in place – you'll want to make sure you choose the right type of cover. That's why obtaining the right professional advice and knowing which products to choose – including the most suitable sum assured, premium, terms and payment provisions – is essential.

### Seriously under-insured

The appropriate level of life insurance will enable your dependents to cope financially in the event of your premature death. When you take out life insurance, you set the amount you want the policy to pay out should you die – this is called the 'sum assured'.

Even if you consider that currently you have sufficient life assurance, you'll probably need more later on if your circumstances change. If you don't update your policy as key events happen throughout your life, you may risk being seriously under-insured.

### Protection will inevitably change

As you reach different stages in your life, the need for protection will inevitably change. How much life insurance you need really depends on your circumstances – for example, whether you have a mortgage, and whether you're single or have children. Before you compare life insurance, it's worth bearing in mind that the amount of cover you need will very much depend on your own personal circumstances, such as the needs of your family and dependents.

### Ask yourself:

- Who are your financial dependents: your husband or wife, registered civil partner, children, brother, sister or parents?
- What kind of financial support does your family have now?
- What kind of financial support will your family need in the future?
- What kind of costs will need to be covered, such as household bills, living expenses, mortgage payments, educational costs, debts or loans, or funeral costs?

There is no one-size-fits-all solution, and the amount of cover – as well as how long it lasts for – will vary from person to person.

These are some events when you should consider reviewing your life insurance requirements:

- Buying your first home with a partner
- Covering loans



- Getting married or entering into a registered civil partnership
- Starting a family
- Becoming a stay-at-home parent
- Having more children
- Moving to a bigger property
- Salary increases
- Changing your job
- Reaching retirement
- Relying on someone else to support you
- Personal guarantee for business loans

### Current standard of living

The premiums you pay for a life insurance policy depends on a number of things. These include the amount of money you want to cover and the length of the policy, but also your age, your health, your lifestyle and whether you smoke.

If you have a spouse, partner or children, you should have sufficient protection to pay off your mortgage and any other liabilities. After that, you may need life insurance to replace at least some of your income. How much money a family needs will vary from household to household, so ultimately it's up to you to decide how much money you would like to leave your family that would enable them to maintain their current standard of living.

### Two basic life insurance types

There are two basic types of life insurance: 'term life' and 'whole-of-life'. But within those categories, there are different variations.

The cheapest, simplest form of life insurance is term life insurance. It is straightforward protection – there is no investment element, and it pays out a lump sum if you die within a specified period. There are several types of term insurance.

The other type of protection available is a whole-of-life insurance policy, designed to provide you with cover throughout your entire lifetime. The policy only pays out once the policyholder dies, providing the policyholder's dependents with a lump sum, usually tax-free. Depending on the individual policy, policyholders may have to continue contributing right up until they die, or they may be able to stop paying in once they reach a stated age, even though the cover continues until they die.

### Remove the burden of any debts

Generally speaking, the amount of life insurance you may need should provide a lump sum that is sufficient to remove the burden of any debts and, ideally, leave enough over to invest in order to provide an income to support your dependents for the required period of time.

The first consideration is to clarify what you want the life insurance to protect. If you simply want to cover your mortgage, then an amount equal to the outstanding mortgage debt can achieve that.

To prevent your family from being financially disadvantaged by your unexpected death, and to provide enough financial support to maintain their current lifestyle, there are a few more

### PLANNING FOR A TIME WHEN YOU'RE NO LONGER AROUND

Planning for a time when you're no longer around may seem daunting. It doesn't have to be. We're here to take the uncertainty out of preparing for the future. If you would like to discuss any concerns you may have or you require any other information, please contact us – we look forward to hearing from you.

variables you should consider:

- What are your family expenses, and how would they change if you died?
- How much would the family expenditure increase on requirements such as childcare if you were to die?
- How much would your family income drop if you were to die?
- How much cover do you receive from your employer or company pension scheme, and for how long?
- What existing policies do you have already and how far do they go to meeting your needs?
- How long would your existing savings last?
- What state benefits are there that could provide extra support to meet your family's needs?
- How would the return of inflation to the economy affect the amount of your cover over time? ■

# ARE YOU PREPARED FOR THE UNEXPECTED?

Every family is different, but they often play a big part in our lives. So it's important to think about how you can protect them against the unexpected as best you can. The earlier you start planning, the earlier you'll be ready.

**To discuss your concerns or for further information, we're here to help – we look forward to hearing from you.**

This guide is for your general information and use only, and is not intended to address your particular requirements. The content should not be relied upon in its entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of the content. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested. All figures relate to the 2019/20 tax year, unless otherwise stated.