

Why should I back-up my income?

Meet Scott and Lorna.

Scott is 36, Lorna is 32 and their son, Ross, is 5. Scott earns £36,000 a year as an office manager and Lorna is an accountant, who brings home £32,000 a year. They've just moved into a new rental home (yay!) but it costs them £1,113 every month. They're also saving towards buying a larger family home.

One of Lorna's friends recently got ill and is unable to work. This got Lorna thinking... how would she and Scott protect their family and their home if this happened to them? So she started looking into how they could back-up their income and be prepared, should this happen. She wasn't sure what suited them best, so spoke to an independent financial adviser...



BACK-UP PLAN

VS

NO BACK-UP PLAN

They take out the maximum Income Protection (IP) cover with Royal London, based on their salaries: **£21,300** for Scott and **£19,100** for Lorna each year.

We cover up to 65% of the first £15,000 of pre-tax earnings, plus up to 55% of the remainder, up to £250,000 a year.

Their cover is for 30 years and will pay out for a maximum of 24 months if either of them is unable to work through illness or injury.

They choose a 13 week deferred period as they both receive full pay from their employers for the first 12 weeks if they are off sick. This means their Income Protection payments start after 13 weeks.

£24.85 monthly payment

Scott and Lorna have managed to save **£1,500** towards their dream home so far, and are continuing to put a little money aside every month into their savings.

They both receive full pay from their employers for 12 weeks if they are off sick, and are able to ask Lorna's parents for help if they need to.

£25 a month into savings



After two years, Scott is in a car accident and suffers a vertebra fracture which requires surgery. He's in hospital for 7 consecutive nights immediately after the accident and unable to work for 6 months until his operation, plus another 6-8 weeks during his post-op recovery period.



After his 13 week deferred period, Scott receives income protection payments of **£1,775** a month for five months.

After 12 weeks of full pay, Scott receives statutory sick pay of **£99.35** a week.

£8,875 over five months

£1,987 over five months



He also receives a hospitalisation payment for the seventh night spent in hospital (we start paying after the first six):

£100

With Scott still not back to work, they have to **dip into their savings** which have now reached:

£2,100

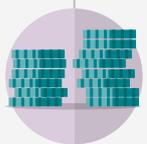


and a fracture payment for his vertebra fracture:

£2,000

Lorna's parents agree to help out and loan them a month's rent.

£1,113



Total value of claim

£10,975

+ They have their savings to put towards their dream home.



Funds available

£5,200

They now have **£0** left in their savings and owe **£1,113** to Lorna's parents.



Your financial adviser can help you get a back up plan in place. To find out more about income protection speak to your financial adviser or visit royallondon.com/income-protection

Advisers may charge for their services - though they should agree any fees with you upfront.

Royal London income protection is available to UK customers only. Policyholders can claim if they can't do their own job, due to illness or injury, and meet our definition of incapacitated. There is no cash in value at any time. If premium payments stop, cover also stops.