



**Francis Cole**  
Professional Financial Services

One Life  
Live It  
Protect It

# The Difference Between Income Protection & Critical Illness Cover

Your Take-A-Minute Guide



More Than Insurance It's About Love

At Francis Cole there are 2 areas of financial protection that we advise on known as Income Protection & Critical Illness Cover, but it is extremely common for people to get these two types of insurance confused and mixed up.

As a general rule, Income Protection provides you with a monthly tax free income should you be off work through illness or injury, whereas Critical Illness Cover will provide you with a one-off tax free cash lump sum should you suffer a critical illness such as a heart attack, stroke or cancer. Here is a more detailed outline of what they both do and how they work.

### Income Protection

Income Protection provides you with a monthly income should you be off work through illness or injury. This consistent monthly tax free payment will enable you to look after yourself and your partner/family financially and is very important to have in place, even if it is for a low amount of cover.

As a general rule, the maximum amount of cover that you can apply for is 60% of your approximate annual income but the monthly benefit that you receive is tax free. If you are self-employed then this is 60% of your taxable income. If you're employed it is 60% of your GROSS income. For example, if your income is £60,000 per annum, the maximum benefit you could apply for would be for a policy that would pay out £36,000 per annum i.e. £3,000 per month.

You can set up the policy so it runs until you are certain age (e.g. until age 65), or you can just choose a policy that runs for a specific number of years (e.g. 25 years). This known as the TERM of the policy.

The policy will start paying out depending on the 'deferred period' you choose. Typically, the deferred periods available are 4, 8, 13, 26 and 52 weeks.

When setting up the policy from the outset, you can choose how long you would want the policy to pay out for. This is commonly known as the 'benefit period'. As a rule, you can choose a benefit period of either 12 months, 24 months or for an unlimited/indefinite period of time.

### Critical Illness Cover

Critical Illness Cover is an insurance product in which the insurer will typically make a tax-free lump sum cash payment if the policyholder is diagnosed with one of the specific illnesses on their predetermined list as part of their insurance policy. Insurers will have common illnesses that they will pay out on, but it is true to say that lists do vary from one insurer to another and, therefore, some insurers will offer more comprehensive lists of illnesses than others. In turn, this will increase your chances of a pay-out.

Although most people choose a policy that pays out a one-off lump sum, it is possible to have a policy that pays out an ongoing monthly payment instead.

It's important to understand that critical illness policies don't cover all illnesses but most of them cover things such as Alzheimer's disease, Motor Neurone Disease, MS, Parkinson's Disease, Heart Attack, Stroke, and some types of Cancer.

### Can I have both types of cover?

You can have both types of cover as they are doing two different things. Of course, in certain instances, you can get paid out on both policies at the same time if you are diagnosed with an eligible critical illness that also results you not being able to work.

### How much does it cost?

The premiums are based on a number of factors such as your age, occupation, smoker status, the amount of cover and the term of the policy. There are also occasions when your medical history, BMI reading or hobbies/lifestyle can affect the premium. For specific quotations, and accompanying information, contact us at either [timfrancis@franciscole.co.uk](mailto:timfrancis@franciscole.co.uk) or 07785 921234.

