FrancisCole
Professional Financial Services

One Life
Live It
Protect It

Income Protection for Self Employed Consultant Engineers

Your Take-A-Minute Guide

More Than Insurance **It's About Love**

For self-employed consultant engineers, Income Protection is hugely important as they have no employer to provide them with any type of Sick Pay entitlement whatsoever. Consequently, this means that they have to make their own arrangements by putting an Income Protection policy in place for themselves.

What is Income Protection?

Income Protection will pay you a monthly tax-free income if you are unable to do your own occupation due to ill health, accident or injury. It is a consistent payment that enables you to look after yourself and your partner/family by continuing to pay the bills, general living costs and maintain the lifestyle that you are accustomed to.

How much cover can I have and how long would the policy last?

Typically, the maximum amount of cover that you can have is 60% of your approximate annual income. By 'income', we mean your income AFTER expenses, but BEFORE tax.

For example, if your income is £100,000 per annum, the maximum benefit you could apply for would be for a policy that would pay out £60,000 per annum i.e. £5,000 per month. If you are an engineer in an 'employed' role with your firm, then the maximum amount of cover that you can apply for is approximately 60% of your GROSS income. If this applies to you, then we have a separate Income Protection guide for employed engineers.

When does the policy start to pay out?

When setting up the policy at the outset, you can choose when you would like the to policy to start paying out. This is known as the 'deferred period'. Typically, the deferred periods available are 4, 8, 13, 26 and 52 weeks. The longer the deferred period the lower the premium.

How long will the policy pay out for?

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.

How would a policy work in a real-life scenario?

Example - Imagine the policyholder, Paul, has a policy for £5,000 per month which runs until age 65 and has been set up on an unlimited benefit period basis with a deferred period of 13 weeks. If Paul suffers an illness, accident or injury which results in him never being able to do his occupation again, then the policy would pay out £5,000 per month after 13 weeks until his 65th birthday. Of course, if his policy was set up on a '24 month limited benefit period' basis, the policy will only pay Paul £5,000 per month for 24 months.

A note of caution with regards to ongoing/continuing income

Some insurers will penalise consultants for payments received for work already delivered and billed for, once a valid claim has begun because they class those payments as 'ongoing/continuing income'. Therefore, if in the example above, imagine Paul was with such an insurer, and was claiming £5,000 benefit each month. Then on one particular month, Paul receives £3,000 for work he did prior to being ill. That insurer will deduct that £3,000 from his £5,000 benefit, thereby leaving him with only a £2,000 payment for that month. Of course, at Francis Cole we ensure that we recommend an insurer who do not penalise consultant engineers in this way.

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 or 07785 921234.