



FAMILY INCOME BENEFIT

What is it?

Family income benefit policies provide an income for the rest of the term of the contract if you die during the policy term. Premiums remain level throughout and should the person assured survive the policy term, there will be no benefit. As this type of contract only provides cover in the event of death there is no surrender value, so if you stop paying the premiums at any time, your cover will cease.

Premiums are based on your personal circumstances but the main areas for consideration by an insurer are your age and state of health. The older you are, the higher the premium will be. Similarly if you have or had a serious ailment the insurer may seek to charge you more or in some cases be unwilling to cover you at all. Higher levels of cover and longer policy terms all increase cost as will the fact that an individual smokes.

As it is a fixed term, there is no flexibility and you will be unable to increase cover or extend the term. Should you therefore find yourself ill at the end of the term you may be unable to obtain further cover.

In order that income payments keep pace with inflation it is usually possible to have them paid on an increasing basis. It may also be possible that upon death a cash sum be taken instead of the income.

Many policies now have additional features such as waiver of contribution or terminal illness benefit. The former ensures that your contributions are maintained should you be unable to work through accident or illness, whilst the latter allows the payment of the sum assured in the event of you being diagnosed as having less than twelve months to live.

Critical illness cover

Critical illness cover can be included as part of a family income benefit policy.

A critical illness policy is designed to pay out a lump sum if you are unfortunate enough to suffer from any of the specified critical illnesses but survive for a period of time after diagnosis (normally 28 days). The lump sum could be used to pay for things like nursing care, home-help, adapting your house to accommodate a disability, it could pay off your mortgage or give you a holiday to recover from treatment.

Critical illnesses usually include cancer, heart attack, kidney failure, multiple sclerosis, major organ transplant and strokes. These are known as core conditions and account for the majority of claims. The comprehensiveness of conditions covered varies enormously and details regarding what will and will not be covered will be fully explained in any supporting literature which you should check to ensure it meets your purposes.

It is usual to include cover for permanent total disability within the contract. The definition of Permanent Total Disability does vary and some insurers define it as the life assured being unable to follow their normal occupation as a result of sickness, whilst others will define it as the life assured being unable to independently perform three or more activities of daily living as a result of sickness or accident.

Eligibility

You must be aged 18 or over to apply for this protection and the policy can be taken out on your life or you can write it on 'life of another' basis i.e. on the life of your spouse so that in the event of their death the benefits can be paid directly to you.

Taxation

There is no tax relief available on the premiums and the proceeds are paid free of income tax.

It is possible to write this policy under trust which means the proceeds of the policy can be paid to your beneficiaries and will not be included in your estate for inheritance tax purposes.

All statements concerning the tax treatment of products and their benefits are based on our understanding of current tax law and HM Revenue and Customs' practice. Levels and bases of tax relief are subject to change.

Risk considerations

There are a number of risk considerations that need to be taken into account. It is important that you are aware of these.

- If you cease paying premiums your plan will be terminated and all cover will cease
- Failure to disclose any requested or relevant information may affect any future claims
- Payment will not be made for a critical illness claim arising from an excluded condition
- This type of plan will not acquire a surrender value at any time
- At the end of the term selected, cover will cease and no further benefit will be payable
- If any relevant information provided, when applying, is not disclosed accurately and honestly, this could result in any cover offered becoming invalid and / or may result in the non-payment of any future claims
- If this policy is to replace any existing policy offering the same type / level of cover, you must not cancel any existing policy until the new policy is in force