

Insure Your Tomorrow, to Ensure Their Future

This document contains important information and you should read it carefully and keep it safe for future reference.



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IMPORTANT INFORMATION

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Introduction

Becoming a parent or legal guardian is a profound and life-changing experience filled with joy, excitement and anticipation. Amidst the whirlwind of preparing for a new arrival, it's easy to overlook the importance of insurance. However, ensuring that you have adequate insurance coverage is one of the most critical steps you can take to protect your family's financial future. From providing peace of mind to safeguarding against unexpected events, here's why insurance is indispensable for parents and legal guardians.

Protecting your loved ones

One of the primary reasons to prioritise insurance when becoming a parent or legal guardian is to protect your loved ones in the event of your untimely death or incapacitation.

Life insurance serves as a financial safety net, providing a tax-free lump sum payment to your beneficiaries in the event of your passing. This financial cushion can help to cover immediate expenses such as funeral costs, outstanding debts and mortgage payments, ensuring that your family can maintain their standard of living and avoid financial hardship during an already difficult time.

Life insurance comes in several types, each designed to meet different needs and financial goals. Some of the most common types of life insurance are:

Level Term: Provides coverage for a specific period (e.g., 10, 20, 30 years) with a fixed premium and death benefit.

Decreasing Term: The death benefit decreases over the term of the policy. This type of life insurance is typically used to cover a mortgage or other debts that decrease over time.

Whole Life Insurance: Offers lifetime coverage with a fixed premium and includes a savings component (cash value) that grows over time. The policy pays a death benefit to beneficiaries upon the insurer's death.

Whole of life policies may come with regular reviews, for example around ten years when the premiums may increase or the sum assured may reduce.

This is not an extensive list and it is essential that you conduct your own research to find the right policy for you and your circumstances.

Life Assurance plans typically have no cash in value at any time and cover will cease at the end of term. If premiums stop, then cover will lapse.

Replacing lost income

For many two-parent or care giver families, both parties contribute to the household income.

In the event of the inability to work for one parent or care giver, the loss of income can have serious consequences for their other half and children. Income protection insurance provides a source of regular income replacement if you're unable to work due to illness or injury, helping to cover the ongoing living expenses and help to maintain the financial stability for your family.

It is recommended that the value of cover that you choose will cover your essential expenses including your mortgage/rent

payments, groceries, childcare and any other monthly outgoings such as a car loan repayment and fuel.

Income protection policies typically covers up to 60% of your income and includes other income you may receive. The payment of any benefits may affect any claim to means tested state benefits. Not all illnesses are included so it's important to be aware of the protection it provides.



Covering your health

In the UK, health insurance primarily revolves around the NHS which provides comprehensive healthcare free at the point of use. However, there are also private health insurance options available for those seeking additional coverage or faster access to treatments.

Private health insurance can take the form of individual plans, designed to cover one individual, family plans to cover the extended family of an individual and company plans where an employer offers health insurance as part of their benefits package.

Perhaps the most important health cover you can get is critical illness cover. These policies tend to provide a lump sum payment if you are diagnosed with a serious illness specified in the policy. This is often used to cover treatment costs, loss of income or necessary lifestyle changes.

Please bear in mind critical illness plans may not cover all the definitions of a critical illness. The definitions vary between product providers.

Protecting your home and possessions

As a new parent or legal guardian, your home is not just a place to live, it's a sanctuary where you create memories and build a life together as a family.

Your expenses change as you adapt to a new addition and you may not have the same level of spare income per month to put into an emergency fund. Home contents and buildings insurance protects your home and personal belongings against risks such as fire, theft and accidental damage. When toddlers learn how to use their limbs, anything they can get their hands on can get thrown and by having contents cover, you will only have to pay your excess.



What you need to know about insurance policies

When evaluating insurance policies, such as income protection insurance or critical illness cover, several key factors need to be considered to ensure that the policy meets your needs and provides adequate coverage. Some of the key factors you need to be aware of are:

Waiting period

Also known as the "deferred period," the waiting period is the length of time you must wait after becoming unable to work before the insurance payments start. Waiting periods typically range from one month to one year, with longer waiting periods usually resulting in lower monthly premiums, however this means that you will have to self-fund during this period.

Benefit period

The benefit period is the length of time that the insurance payments will continue to be paid out if you remain unable to work due to illness or injury. Benefit periods can vary widely depending on the policy, ranging from a few years to until retirement age. You need to take into account your age, occupation, general health and family health history when deciding on the benefit period. If you are younger, you may benefit from a longer benefit period to protect against income loss over your entire working life, while older individuals may prioritise shorter benefit periods or retirement age coverage.

Cost vs coverage

You need to explore whether the cost of the premiums is worth the level of coverage provided by the insurance policy, taking into account factors such as waiting periods, benefit periods and any additional features. You should compare quotes from multiple insurers to find the best value for your insurance needs, considering not only the premiums but also the quality of coverage and reputation of the insurer.

Death in service

Death in service refers to a benefit provided by an employer to the family or beneficiaries of an employee who dies while still employed by the company. This benefit typically takes the form of a lump-sum payment, often a multiple of the employee's annual salary, and is paid out regardless of whether the death occurs at work or outside of work hours.

The purpose of this benefit is to offer financial support to the deceased employee's dependents during a difficult time. It is an important part of many employee benefits packages and is designed to provide peace of mind to employees and their families.

Ensuring their future

Having a family is full of surprises, both joyful and challenging. Having the correct level of insurance provides a safety net that allows you to focus on the joys of bringing up a family without worrying about the "what-ifs" of life.

Whether it's a sudden illness or that toy car through the TV screen, having the right insurance coverage in place gives you the confidence and peace of mind to handle whatever comes your way.


As soon as you become a parent or legal guardian it is important to make sure that your will is up to date to reflect your wishes upon your death. As part of creating a will, you can outline who you want your estate to go to, whether that be your partner, child or someone else. Within your will you can also set up conditions that for example if you pass away before your child turns 18, they will not have immediate access to a large sum of money and it will be put in trust.

The Financial Conduct Authority does not regulate lasting power of attorney, trusts, will writing, estate planning or tax planning.

Where we come in

All of this can sound a bit overwhelming and can be a lot to cover on your own.

We want your time to be spent with your children, knowing that you are covered for every circumstance. This guide is not an exhaustive list and ensuring your child's future is more than about insurance. It is about effective financial planning including estate planning. It is never nice to think about a time that you won't be here, but your child will thank you if they are able to grieve without the added stresses that dealing with a messy estate plan can bring.



**It is never too early to
plan for your child's future,
but it can be too late.**

