

The difference income protection can make



Many of us would face some financial difficulties if we couldn't work for a prolonged period of time due to injury or ill health.

It's hard to imagine how our lives would be impacted if being off sick from work resulted in a big change to our usual monthly income. Turning to savings could help, but with nearly 1 in 3 UK adults having savings of £500 or less¹, it may not be enough.

Meet Joe and Tim whose lives were impacted very differently by having to take 6 months off work due to an accidental injury. This fictional example shows just how important protecting your income can be...

¹ Mintel 'Managing Household Income UK' April 2020

Joe Chance - Unprotected



Joe's 35 and works as a computer programmer earning £43,000 a year (£2,740 a month after tax). He's been renting his flat for the past 10 years and has saved an emergency fund of £3000 but has no other financial protection in place.

Tim Coverall - Protected



Tim's 35 and works as a computer programmer earning £43,000 a year (£2,740 a month after tax). He bought his flat 3 years ago and saves £200 each month. He has Aviva Income Protection+ which costs £89.52 a month for £2,329 monthly cover.

Safeguard your financial resilience with income protection

If you suffer a loss of earnings due to illness or injury, income protection pays out a proportion of your income while you're unable to work, or for a fixed period of time. It can help you cover your monthly rent or mortgage payments, bills and living expenses. There is no cash-in value at any time.

Your adviser can explain all the different features and benefits available and help you identify your own protection needs.

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Month one: An accidental injury means 6 months off work

Joe Chance - Unprotected



Joe suffers a herniated disc falling off his bike. He can't work for the next 4 months until his back operation and for a further 6-8 weeks of post-op recovery.

He gets full pay from his employer as sick pay for the first month.

From the second month he'll receive Statutory Sick Pay of £96.35 per week.

Tim Coverall - Protected



A car accident leaves Tim with a back injury. He suffers a herniated disc and can't work for the next 4 months until his operation and for a further 6-8 weeks of post-op recovery.

He gets full pay from his employer as sick pay for the first month.

From the end of the second month he'll receive his income protection benefit of £2,329 a month.

In this example Tim Coverall is a non-smoking, 35 year old male in good health, working as computer programmer earning £43,000 per year (or £32,881 per year or £2,740 per month after tax). His income protection plan provides a monthly level benefit of £2,329 to age 65, after a 4 week deferred period. His monthly guaranteed premium is £89.52.

Month
one

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Month two: Company sick pay ends

Joe Chance - Unprotected



From the second month Joe gets Statutory Sick Pay of £96.35 per week.

With careful budgeting Joe reduces his monthly outgoings to around £2,000 but still faces a significant shortfall.

He has to dip into his emergency fund to cover this month's outgoings.

Tim Coverall - Protected



The income protection benefit is paid one month in arrears, so at the end of the second month Tim receives his first benefit payment of £2,329 from Aviva.

Tim's able to cover all of his mortgage, monthly bills and expenses without making any major changes to his monthly budget.

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**Month
two**

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Month three: Waiting for surgery

Joe Chance - Unprotected



It's Joe's third month at home waiting for his surgery.

Despite cutting back wherever he can Joe still faces a significant shortfall between his income and outgoings.

He's forced to use the rest of his emergency fund and rely on his credit card to cover all of his monthly bills, expenses and rent.

Tim Coverall - Protected



It's Tim's third month at home waiting for his surgery.

With his monthly Income Protection+ payment, Tim can cover all of his monthly bills, expenses and mortgage.

He doesn't have to worry about dipping into his savings.

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Month
three

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Month four: Spinal surgery

Joe Chance - Unprotected



Joe has his spinal surgery and returns home for a further 6 weeks post-op recovery before he can return to work.

As he's exhausted his emergency savings, Joe has to sell some of his possessions to cover his monthly outgoings.

Tim Coverall - Protected



Tim has his spinal surgery and returns home for a further 6 weeks post-op recovery before he can return to work.

Tim's monthly outgoings are all covered by his income protection plan so he can focus on recovery and things like family birthdays.

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Month
four

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Month five: Post-op recovery

Joe Chance - Unprotected



Joe's recovery is going well but with Statutory Sick Pay as his only income, his finances are getting desperate.

Joe asks his parents for a loan to get him through the month.

Tim Coverall - Protected



Tim's recovery is going well and he's able to cover his monthly outgoings.

He's able to plan for the future and can even arrange physiotherapy through his Income Protection+ policy with Aviva.

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Month
five

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Month six: Ready to get back to work

Joe Chance - Unprotected



Joe's recovered from surgery and is ready to return to work.

Unfortunately he's exhausted all of his finance options and is having to move to a smaller home with lower rent.

Tim Coverall - Protected



Tim's fully recovered from surgery and is ready to return to work.

As his income protection replaced his income while he was unable to work, Tim's finances are in good shape.

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**Month
six**

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