

**For illustrative purposes only**

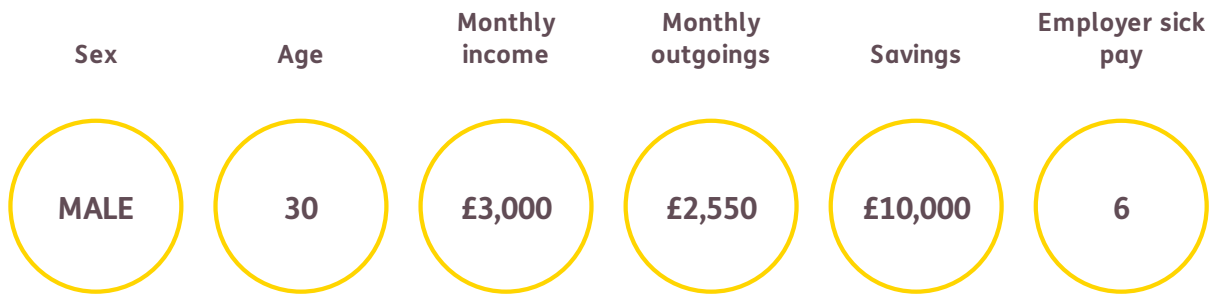
This report has been provided by Suhan Srinivasan of ARM Associates using The Exeter's income risk calculator to highlight how income protection insurance provides a regular income should you be unable to work due to illness or injury.

**Income risk calculator**

**Date:** 05 September 2023

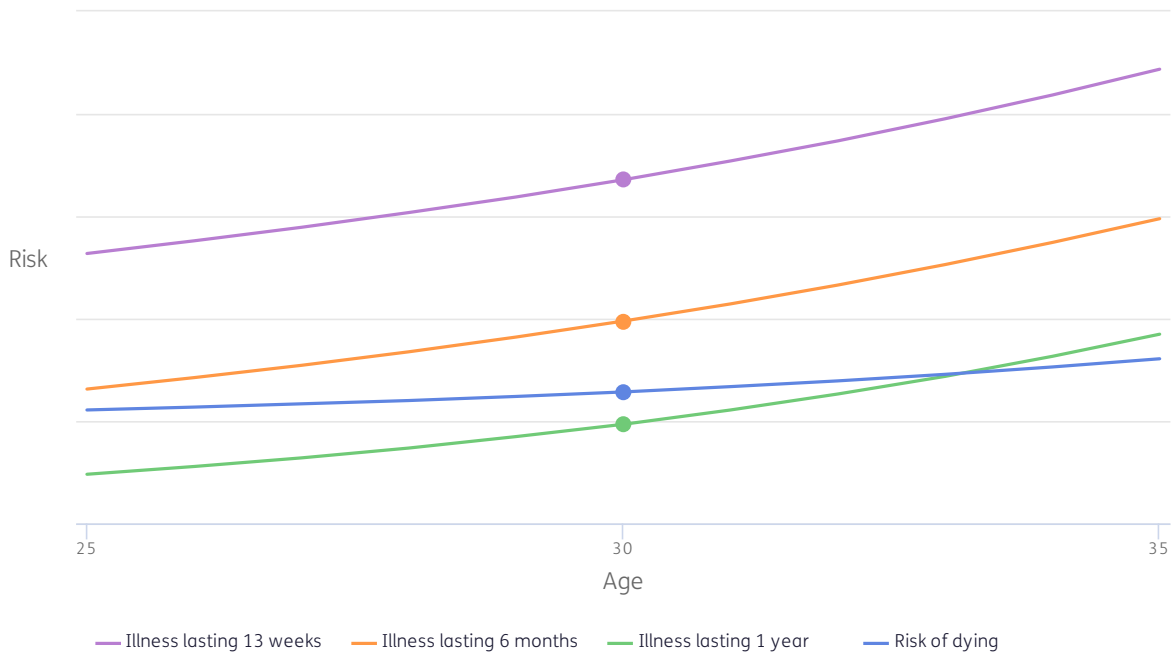
**Name:** Test Subject

**Occupation:** Accountant



**01.** Illness is the biggest risk to your financial security

As you can see from the chart, throughout your working career the risk of a long-term illness is much greater than the risk of dying prematurely. That's why a policy that pays out if you're too ill to work is well worth considering.



Source: Data from the ©Continuous Mortality Investigation Limited

## 02. Income protection provides tax free income while you recover from illness

It bridges the gap between your monthly outgoings and the minimal benefits you may receive if you're too ill to work.



- Monthly outgoings **£2,550**
- Monthly income **£3,000**
- Your Statutory Sick Pay **£474.07** per month for **6.5 months**
- Max income protection **£2,500**  
Income protection provides you with up to **60%** of your monthly pre tax earnings of **£4,167**.  
If you don't need as much as **60%** you can simply choose less.

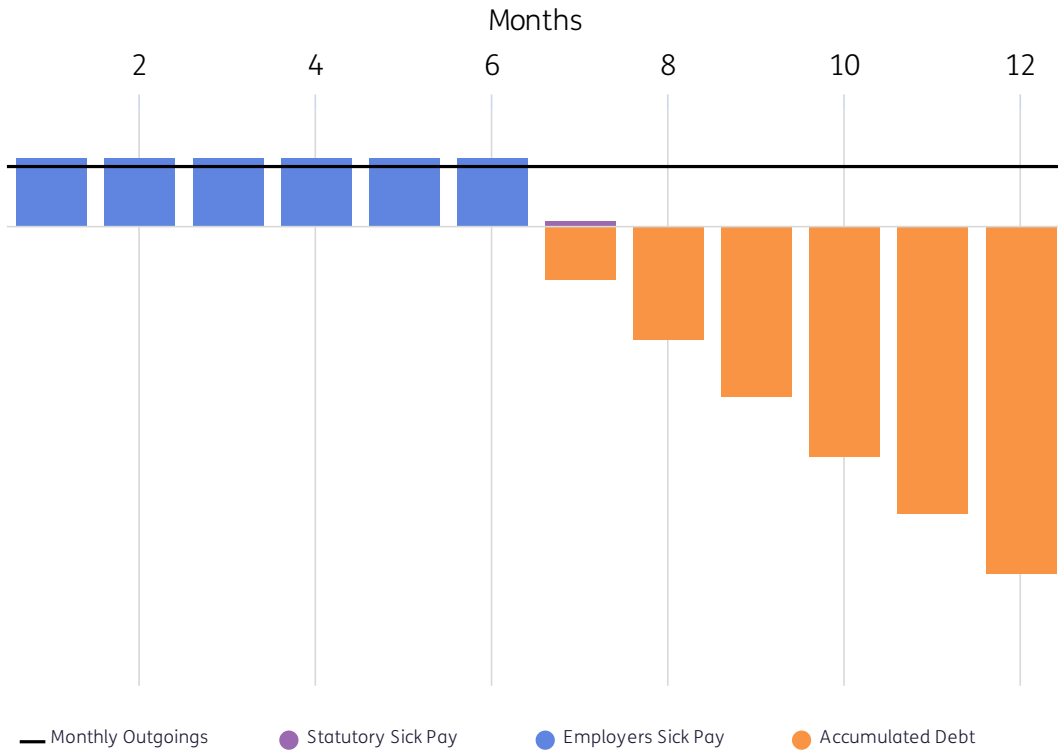
To meet your monthly outgoings during the **6.5 months** you are entitled to Statutory Sick Pay, you require an additional income of:

**£2,076 per month**

(This is the equivalent to **50%** of your monthly salary before tax)

### 03. Income protection prevents illness leading to debt

If you're too ill to earn you may think you can just tighten your belt. But even if you just limit your spending to the essentials, debts can soon mount up. If your monthly expenses continue at **£2,550** your accumulated debt after any company sick pay ends could reach **£15,000** within 12 months.



Income shortfall after 12 months could reach £15,000



**A note about your savings**

If your outgoings continued at the current level, without income protection your hard-earned savings of **£10,000** would last just **16** weeks after any sick pay entitlement.



**A note about sick pay**

After paying any contractual sick leave your employer will only pay statutory sick pay of **£109.40** per week for **28** weeks.



**A note about benefits**

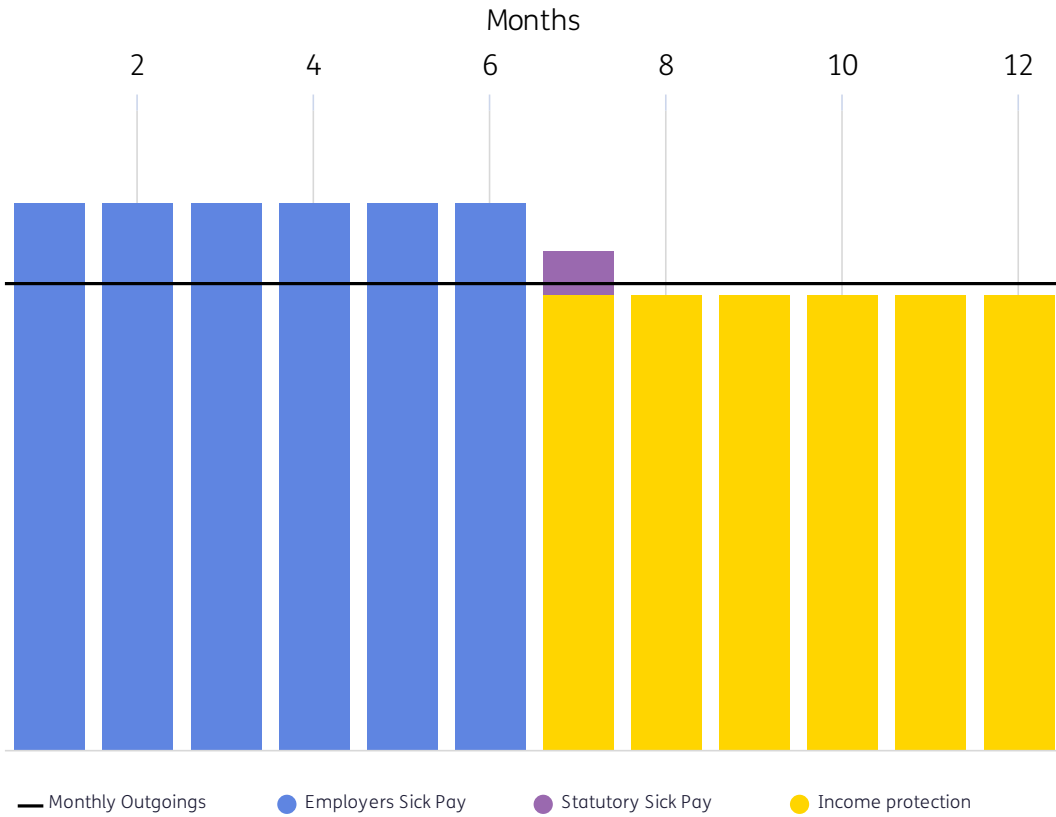
After statutory sick pay you'll receive minimal help from the government – and if you have over **£16,000** in savings you'll receive nothing.

It is possible that you will receive further state benefits from the Government after **28** weeks, however your entitlement depends on your personal circumstances.

**04.**

Having income protection makes all the difference

For as little as **£27** a month you can purchase an income protection policy, that will pay you **£2,500** per month after any company sick pay ends until the end of your claim period.

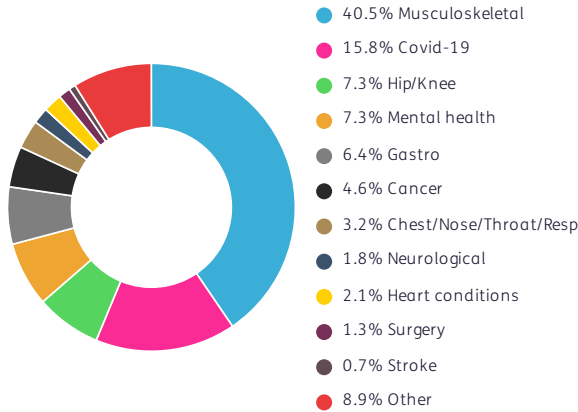


For **£27** per month (or **1%** of your monthly salary before tax) you can buy an income protection policy that pays out **£2,500** per month (or **60%** of your monthly salary before tax) whilst you are too ill to work. See part 6 of the report for more details.

# 05. Income protection covers all illnesses

Income protection pays out on any physical and mental illness and injury that prevents you from doing your job, not just any job, unless there is a specific illness excluded from your policy. What's more, monthly payments continue until you recover, reach the end of your claim period or your policy term expires.

### Most common causes of claims



### The Exeter Claims Statistics 2022

Average claim duration  
(long term claim period):

**96 WEEKS**

Average claim duration  
(limited claim period):

**83 WEEKS**

% of claims paid:

**92%**

# 06. Policy options help keep premiums affordable

With any income protection policy there's a number of options that will help match your premiums to your budget.

			
<p><b>Benefit amount.</b></p>	<p><b>Retirement age.</b></p>	<p><b>Waiting period.</b></p>	<p><b>Claim period.</b></p>
<p>This is how much you would like to receive each month if you become too ill to work.</p>	<p>This is when you want the policy to end. The examples below use age 65.</p>	<p>This is the time between an illness or injury occurring and benefit being paid.</p>	<p>This is the maximum period we will pay monthly benefits for each individual claim.</p>
<p><b>The options are:</b></p>	<p><b>The options are:</b></p>	<p><b>The options are:</b></p>	<p><b>The options are:</b></p>
<p>Up to 60% of monthly salary before tax.</p>	<p>Any age between 50 - 70.</p>	<p>Day 1, 1 week, 4 weeks, 8 weeks, 13 weeks, 26 weeks or 52 weeks.</p>	<p>2 years, 5 years or for the entire term of the policy.</p>

## Premium examples

Examples based on a 30 year old Accountant, £50,000 annual salary, non-smoker and level guaranteed premiums. Age-costed premiums are also available for Income First which can provide a more affordable price at outset.

<p><b>Cost Example 1</b></p>	<p><b>Cost Example 2</b></p>	<p><b>Cost Example 3</b></p>
<p><b>Benefit amount</b> £2,000</p>	<p><b>Benefit amount</b> £2,250</p>	<p><b>Benefit amount</b> £2,500</p>
<p><b>Retirement age:</b> Age 65</p>	<p><b>Retirement age:</b> Age 65</p>	<p><b>Retirement age:</b> Age 65</p>
<p><b>Waiting period:</b> 26 weeks</p>	<p><b>Waiting period:</b> 26 weeks</p>	<p><b>Waiting period:</b> 26 weeks</p>
<p><b>Claim period:</b> 2 years</p>	<p><b>Claim period:</b> 5 years</p>	<p><b>Claim period:</b> Entire term</p>
<p><b>£16 per month</b></p>	<p><b>£22 per month</b></p>	<p><b>£27 per month</b></p>

This is an indicative quote only based on the information provided and does not guarantee we will be able to offer cover. The premium examples may change if the application has different information, additional information or our approach to underwriting changes between now and submission. For an accurate quote, your adviser will have access to our [adviser portal](#).

# ARM ASSOCIATES

Get in touch

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