



The end of Furlough – how to stay covered

As Covid restrictions finally begin to ease in the UK, many who were forced out of work due to the virus are now able to return to something that vaguely resembles normality. With this, the end of the furlough scheme is in sight.

Since the first lockdown in March of 2020, the government helped to pay 80% of the wages for workers who could not continue to work from home in a safe manner. But with normal life beginning to resume, the furlough scheme is coming to an end. This however doesn't mean that UK residents have to say goodbye to that safety net that has helped so many households over the last 17 months. Income protection is a great way to ensure you always have the security that the furlough scheme has provided for millions nationwide. By taking out income protection, you ensure that if you are unable to work, your salary will be covered. Similarly to the furlough scheme, income protection has helped thousands of people get through difficult periods without having to worry about the financial aspect.

Income protection is an insurance policy that helps to cover a policy holder's salary if they become unable to work through illness or injury. These payments can last until death, retirement or your return to work, making it incredibly helpful if anything were to happen. Short-term policies are also available for a lower cost. It's important to note that income protection policies don't cover for redundancy or unemployment and are only eligible if your income is affected by your health. Income protection differs from critical illness cover – a policy that pays out a lump sum if you were to be diagnosed with a critical illness.

Incredibly, more UK residents own mobile phone insurance than income protection, which is scary when you consider how much the two policies

could potentially pay out. We'll happily insure something worth between £500 and £1000, but we're more reluctant when it comes to protecting our salaries that are worth so much more. Very few employers support staff financially for more than a year if they're unable to work and there aren't many state benefits available to help with similar scenarios – so income protection is definitely worth considering for anyone of working age. According to a recent study, roughly 9% of UK residents have some form of income protection in place, compared to 41% of the population who have life insurance.

How much can income protection pay out?

Most commonly, the pay-outs from income protection policies are calculated as a percentage of your earnings – with 50%-70% being the usual expected range depending on the policy or the provider. As an example, if your annual salary was £40,000 and your policy was designed to pay out 70%, you would receive £28,000 over the course of a year if you were unable to work for the full 12 months. Although these policies don't cover your full salary, they are fully exempt from income tax.



If you'd like to discuss the options available to you, contact your adviser today.