

Family Income Benefit

A cost effective alternative to cover your clients

4 November, 2024

Speaker: **Name Surname**

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Learning objectives

By the end of this presentation you will:

- Be able to describe the main features of a family income benefit policy
- Have a clearer understanding of the types of clients who would benefit from a family income benefit policy and how to position it
- Have a better understanding of the importance of indexing income based policies



Agenda

- What is family income benefit?
- Bringing it to life
- Setting up a family income benefit plan
- The value of indexation
- Making protection tangible
- Let's recap



What is family income benefit?

The nuts and bolts

- Term assurance – Life or CI
- Designed to pay a regular income paid on Death/CI until the end of the term
- Replaces lost income
- Income paid tax free
- Level or indexed cover available
- Joint or single cover available
- Can be set-up on dual-life
- Clients can nominate beneficiaries to receive the policy proceeds, or
- Write the policy in trust
- Access to Helping Hand



Bringing it to life

Where could family income benefit add value?



Divorce



Education costs



Renters



Families

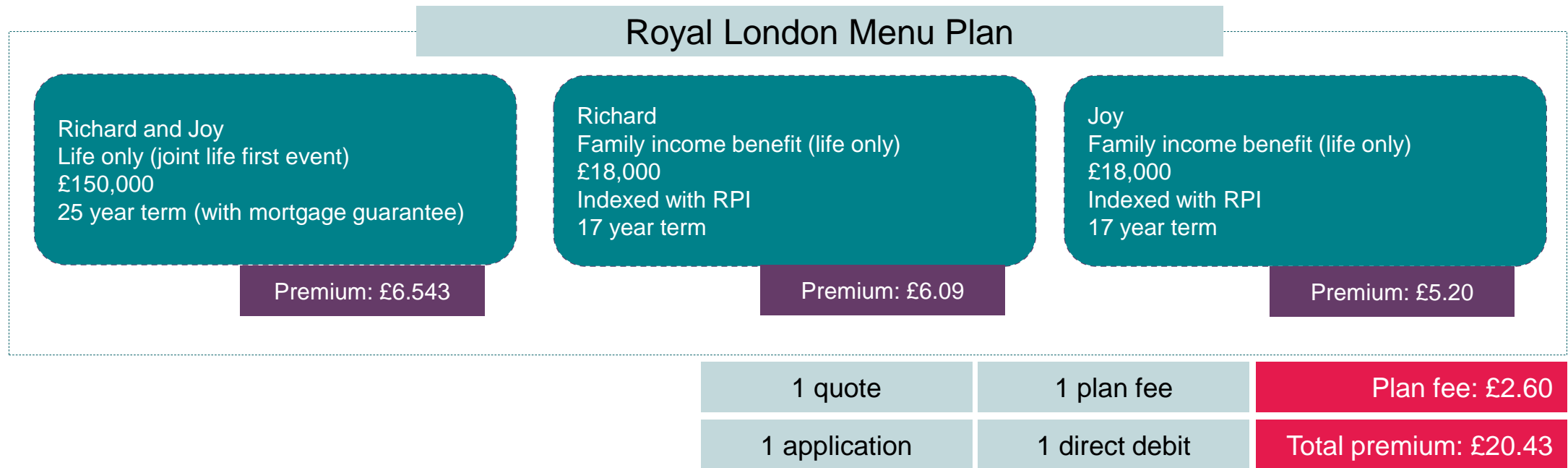
Let's build a tailored solution

Let's meet...

- Joy (28) and Richard (32)
- They have two dependent children, Alfie (5) and Maisie (3)
- Joy and Richard own their own property which has an outstanding mortgage of £150,000
- The remaining term on the mortgage is 25 years
- Joy is a Civil Servant earning £30,000pa and Richard is a nurse earning £35,000pa
- They are both non-smokers with a retirement age of 67
- Their monthly outgoings are around £1,500



Building a tailored solution



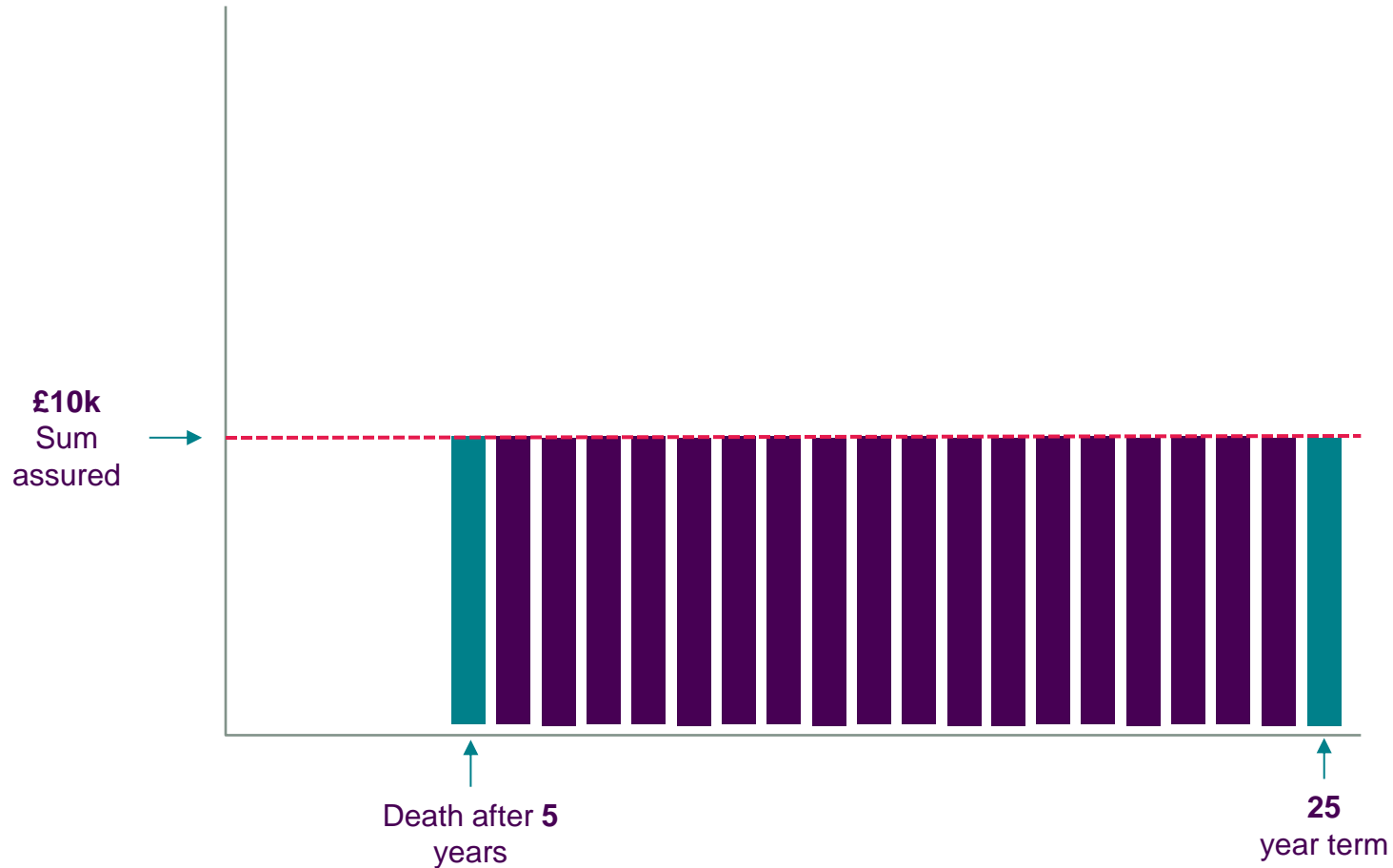
The value of indexation

Why index?

- Indexing policies allow clients to **maintain the real value** of their protection over time
- If a claim needs to be made in the future the value of the benefit will better reflect their standard of living at that time
- Royal London policies can be indexed at an annual rate linked to RPI, 2%, 3%, 4% or 5%



A non-indexed example



£10,000 income paid first year

£10,000 income paid each year for 20 years remaining term

Total income paid £200,000

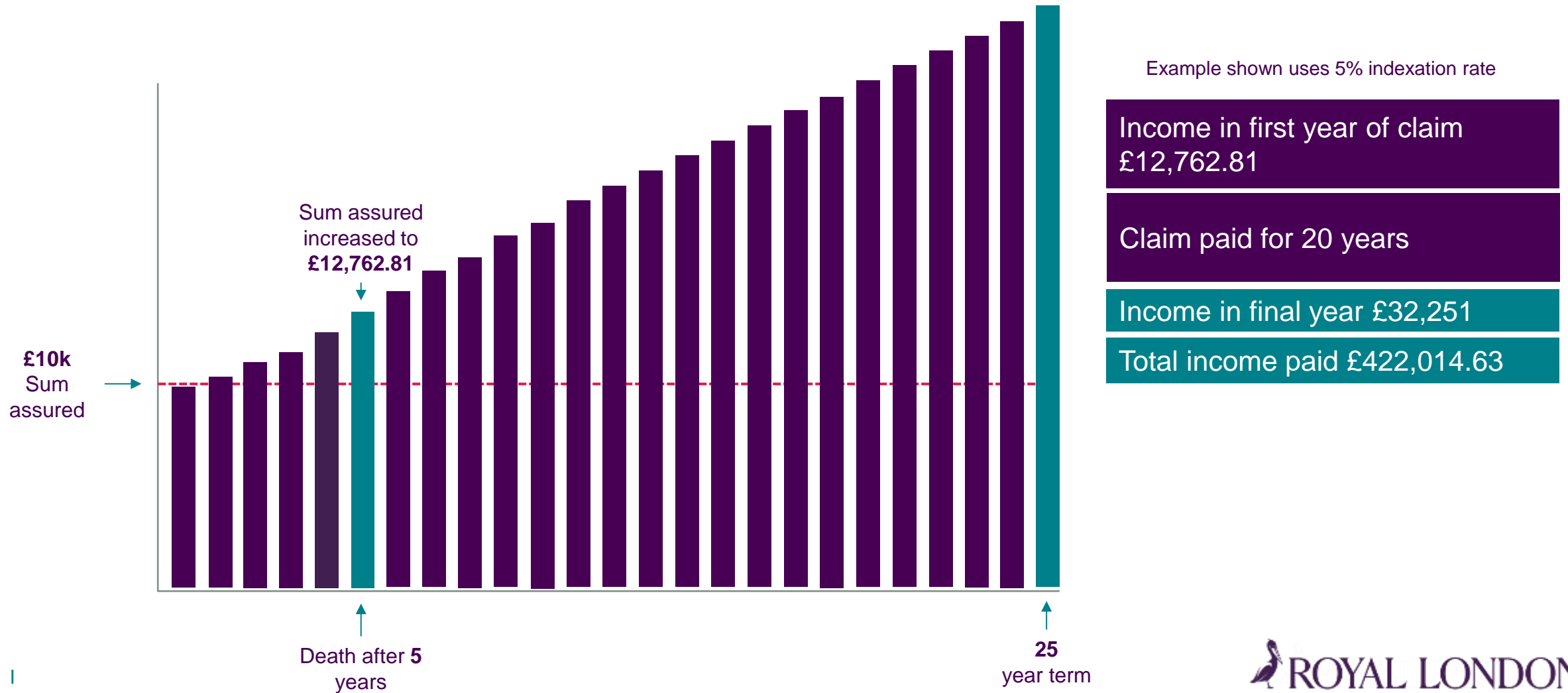
The indexation process

- Clients will be offered the option to increase cover, either with RPI or fixed rate
- Indexed family income benefit costs slightly more than non-indexed
- We'll stop offering the option if a client refuses the increase two years in a row

Let's look at the situation again where the cover increases each year with indexation



A fully indexed example



The indexation process

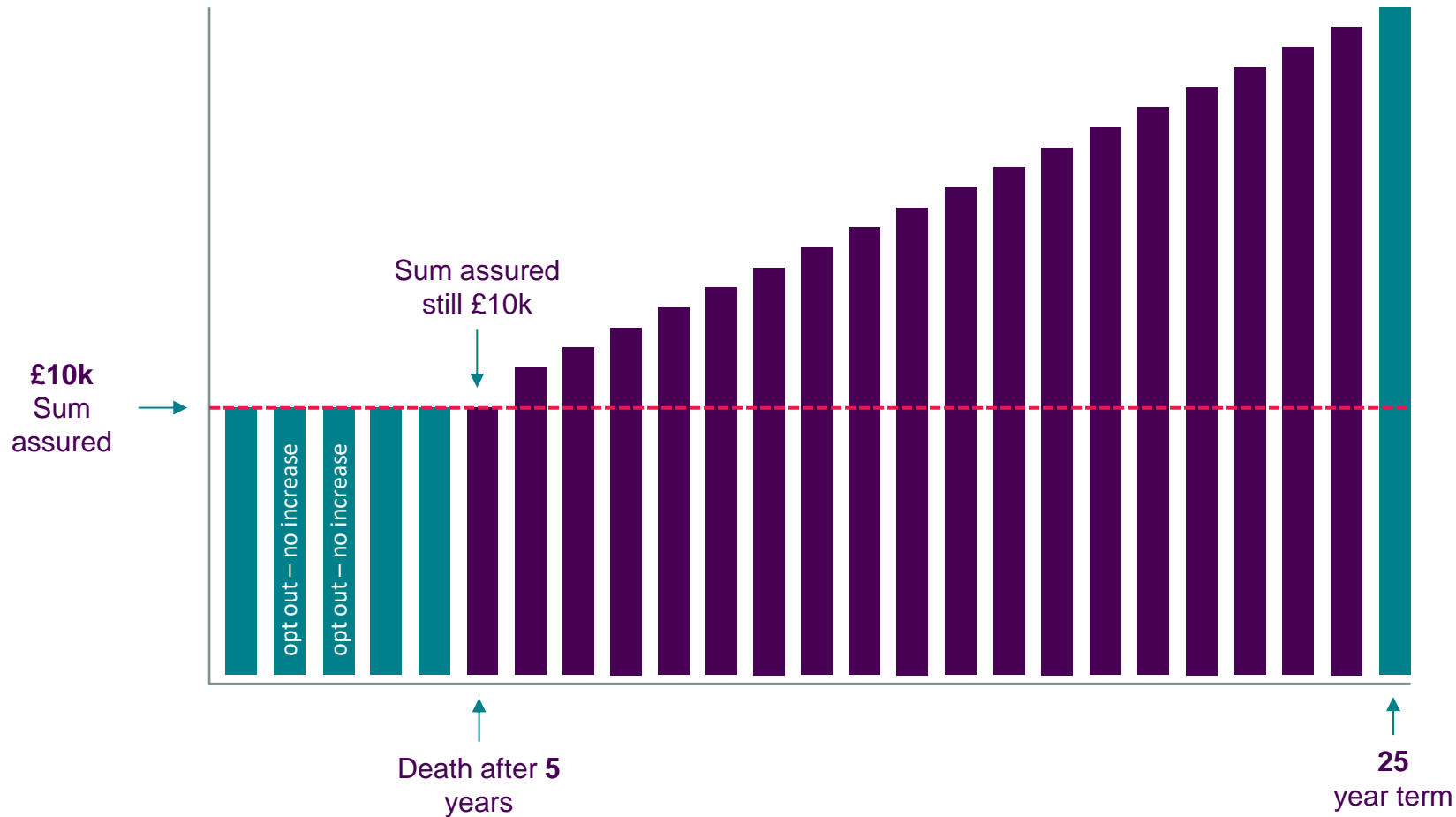
- Clients will be offered the option to increase cover, either with RPI or fixed rate
- Indexed family income benefit costs slightly more than non-indexed
- We'll stop offering the option if a client refuses the increase two years in a row

Let's look at the situation again where the cover is indexed, but the client refuses the increase



An indexed (opted out) example

Example shown uses 5% indexation rate



Royal London remove the facility to increase cover

£10k paid in the first year of the claim

Sum assured will increase by the index rate over the remaining term

Sum assured £25,269.50 in the final year

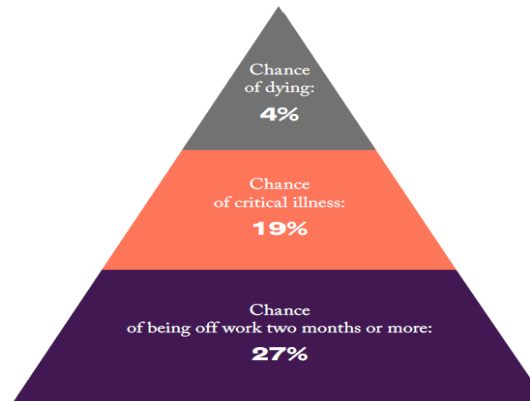
Total income paid £330,659.48

Making protection tangible

Helping clients to see the risks they face

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THE FACTS ABOUT THE RISKS YOU FACE



Richard, your chance that any of these could happen before your retirement age of 67 is:

43%

This is based on your age, gender and whether you smoke. Life insurance is more popular than critical illness cover or income protection – but there's a much bigger chance of being diagnosed with a critical illness and/or facing a long-term absence from work.

To find the best way to protect you and your family, talk to us today.

Your logo here

T: E:

Source: The Institute and Faculty of Actuaries' Continuous Mortality Investigation insured lives incidence rates. Incidence rates for the entire population may be different to those lives that take out insurance products.

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