Plan Money
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Whole-of-life assurance

Have you made provision for financial protection that lasts for the rest of your life?

Whole-of-life assurance policies provide financial security for people who depend on you financially. As the name suggests, whole-of-life assurance helps you protect your loved ones financially with cover that lasts for the rest of your life. This means the insurance company will have to pay out in almost every case and premiums are therefore higher than those charged on term assurance policies.

Different types

There are different types of whole-of-life assurance policy – some offer a set payout from the outset, others are linked to investments, and the payout will depend on performance. Investment-linked policies are either unit-linked policies, linked to funds, or with-profits policies, which offer bonuses.

Whole-of-life assurance policies pay a lump sum to your estate when you die. This could be used by your family in whatever way suits them best, such as providing for an inheritance, paying for funeral costs and even forming part of an Inheritance Tax planning strategy.

Some whole-of-life assurance policies require that premiums are paid all the way up to your death. Others become paid-up at a certain age and waive premiums from that point onwards.

Whole-of-life assurance policies can seem attractive because most (but not all) have an investment element and therefore a surrender value. If, however, you cancel the policy and cash it in, you will lose your cover. Where there is an investment element, your premiums are usually reviewed after ten years and then every five years.

Whole-of-life assurance policies are also available without an investment element and with guaranteed or investment-linked premiums from some providers.

Reviews

The level of protection selected will normally be guaranteed for the first ten years, at which point it will be reviewed to see how much protection can be provided in the future. If the review shows that the same level of protection can be carried on, it will be guaranteed to the next review date.

If the review reveals that the same level of protection can't continue, you'll have two choices:

- Increase your payments
- Keep your payments the same and reduce your level of protection

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Maximum cover

Maximum cover offers a high initial level of cover for a lower premium, until the first plan review, which is normally after ten years. The low premium is achieved because very little of your premium is kept back for investment, as most of it is used to pay for the life assurance.

After a review you may have to increase your premiums significantly to keep the same level of cover, as this depends on how well the cash in the investment reserve (underlying fund) has performed.

Standard cover

This cover balances the level of life assurance with adequate investment to support the policy in later years. This maintains the original premium throughout the life of the policy. However, it relies on the value of units invested in the underlying fund growing at a certain level each year. Increased charges or poor performance of the fund could mean you'll have to increase your monthly premium to keep the same level of cover.

AS PART OF OUR SERVICE WE ALSO TAKE THE TIME TO UNDERSTAND OUR CLIENT'S UNIQUE NEEDS AND CIRCUMSTANCES, SO THAT WE CAN PROVIDE THEM WITH THE MOST SUITABLE PROTECTION SOLUTIONS IN THE MOST COST-EFFECTIVE WAY. IF YOU WOULD LIKE TO DISCUSS THE RANGE OF PROTECTION SERVICES WE OFFER, PLEASE CONTACT US FOR FURTHER INFORMATION.

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