



MEARNS
& COMPANY
CHARTERED FINANCIAL PLANNERS

INCOME PROTECTION Decision Making Guide



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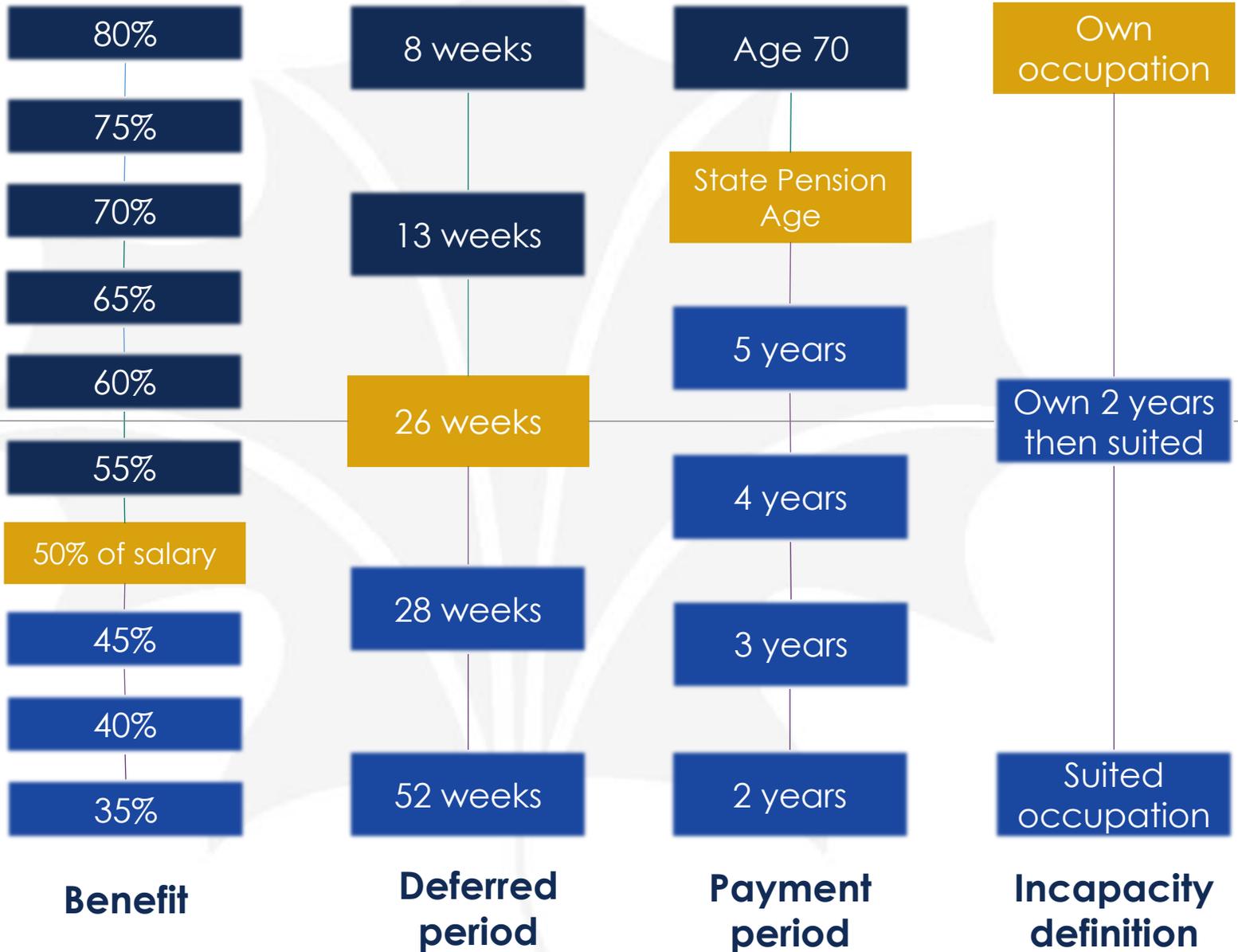
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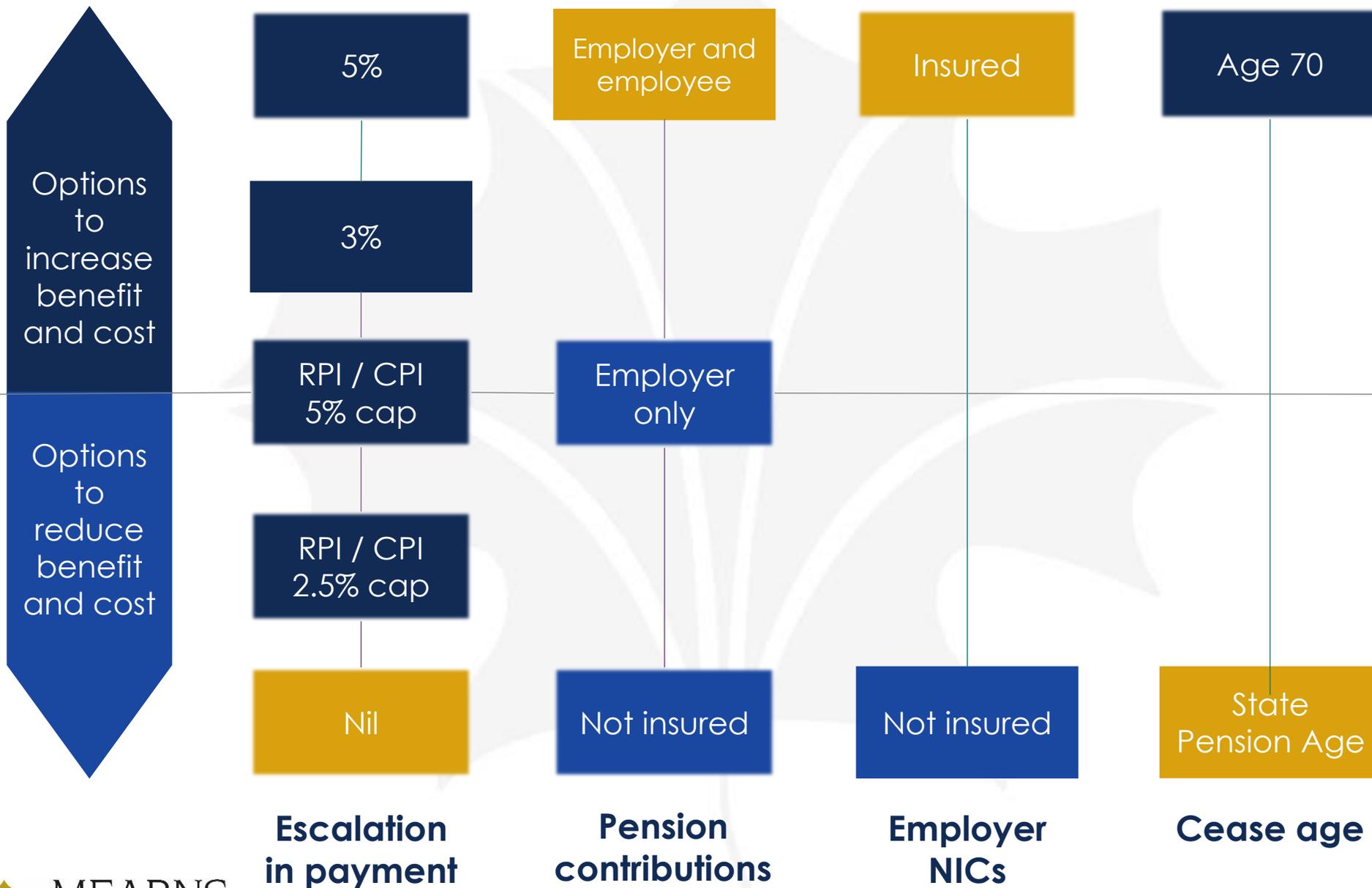
Income protection

Options to increase benefit and cost

Options to reduce benefit and cost



Income protection



Income protection

Benefit	Deferred period	Payment period	Incapacity definition
<p>The proportion of salary payable to an employee who satisfies the illness/injury criteria.</p> <p>Insured benefit is paid to the employer, who is then responsible for deducting income tax and national insurance before paying the employee.</p>	<p>The minimum period of absence an employee must satisfy before eligible to submit a claim.</p> <p>Shorter period of absence can normally be linked.</p>	<p>The limit on when income protection payments will be made – provided the employee continues to satisfy all requirements.</p>	<p>The basis against which an employee's illness/injury will be assessed. Either assessed on their ability to do either:</p> <ul style="list-style-type: none"> - their own job; or - a job that they have the skills and education to undertake.
Escalation in payment	Pension contributions	Employer NICs	Cease age
<p>The rate at which benefits in payment will increase on each anniversary of a successful claim.</p> <p>This is designed to preserve an absent employee's income against cost inflation.</p>	<p>Both employer and employee pension contributions can be insured. This helps to ensure that an absent employee has a source of income in retirement if absent long-term.</p> <p>Employer contributions would have to continue for eligible employees to satisfy automatic enrolment duties.</p>	<p>Income protection, when payable, is treated as salary. Therefore, employers must pay National Insurance based on the benefit paid. As this is a cost to the employer that would not be payable if an income protection policy was not in place, this can also be insured.</p>	<p>The age at which employees can no longer become/remain members of the income protection scheme.</p> <p>This also potentially limits payment periods for fixed period claims. No payment will be made after the cease age, even if the 2,3,4,5 year payment term has not been reached.</p>