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A long life ahead – the protection market

By Karen Barrett, Chief Executive of Unbiased.co.uk

Nobody knows what life can bring so it's worth taking out financial protection in case things don't quite go to plan. This will ensure that whatever life throws at you, you won't need to worry about your finances.

The most common form of protection is life assurance. As the name suggests this provides a pay out if you die while you are covered by the policy. This means it can be useful to clear any debts such as your mortgage as well as providing cash for your family if you're no longer around.

Next on the protection shopping list is critical illness insurance. This is often available as an option with life assurance, or as a standalone product. Rather than paying out when you die, it pays out when you are diagnosed with a serious illness such as cancer or multiple sclerosis or you suffer something life-threatening like a heart attack or stroke.

Income protection is another option. This replaces your income if you're unable to work as a result of long-term sickness or injury. If this happens, an income, which can be a maximum of around two thirds of your gross salary, will be paid until you return to work or you reach retirement age.

Shorter-term variations on income protection are available in the form of accident sickness unemployment cover (ASU) and mortgage payment protection insurance (MPPI). These also cover periods of involuntary unemployment but payments only last one or two years.

What type of protection you need will depend on your circumstances and requirements. For example, if you don't have any financial dependants you might prefer to take out critical illness insurance or income protection in case you are seriously ill or unable to work due to illness. But, if you have children you'd want to be sure their financial needs were taken care of until they were old enough to support themselves so life assurance should be one of your protection priorities. The first time people tend to think about protection is when they buy a house and take out a mortgage.

But whatever the trigger to take out a protection product, seeking independent financial advice is vital. An independent financial adviser (IFA) can assess your exact requirements and scour the whole market to find the product most suitable for you. For details of IFAs local to you who can advice on protection visit www.unbiased.co.uk