



## Critical illness cover vs income protection: do you need both?

Critical illness cover and income protection are often confused, with many people assuming if they have one, they don't need the other. However, these policies and the cover they provide do offer different benefits, so let us explain the difference, and why it's often worth having both.

**What is critical illness cover?**

Critical illness cover is a type of protection that pays out a tax-free lump sum if you are diagnosed with a critical illness covered by the policy. The most claimed for conditions are cancer, heart attack and stroke, which account for over 80% of claims made.

**What is income protection cover?**

Income protection policies are intended to replace lost income and help you pay your day-to-day expenses if you can't work due to illness or accident. The most common claims are for mental health issues, musculoskeletal problems

(including bad backs and broken bones) and cancer. These policies can also offer support with rehabilitation.

**What's the difference?**

The first difference is in how they pay. Critical illness policies pay out in one lump sum. This money can be used however you like, from paying off your mortgage to paying for private medical treatment or even paying for a bucket list holiday. In contrast, income protection claims pay out a smaller sum each month, mimicking the wage you would receive if you were still working. These payments will continue until retirement, death,

you return to work, or the term ends.

The second difference is how claims work. To claim on a critical illness policy, you must be diagnosed with a medical condition that meets one of the definitions on the policy. In contrast, to make a claim on an income protection policy simply relies upon you being unfit for work, no specific medical condition is needed. The policy documents give full details on how to claim and what is or isn't covered, so it's best to check these if you want to make a claim.

**Why have both?**

Having critical illness and income protection cover gives you more options. If a critical illness strikes, for example cancer, a lump sum to pay off debt, your mortgage or pay for private care can be invaluable. Likewise, you may need to take time off work, so monthly pay-outs from income protection, to help cover the day to day bills, would be a godsend. As a result, you would be financially supported both at the time of diagnosis and into the future.



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