

Protect the things that matter

Could you pay for your mortgage should the worst happen?



“A mortgage is likely to be the biggest debt you leave behind should the worst happen, so having a policy in place will help give you peace of mind.”

YOU’LL ALREADY KNOW HOW important it is to protect your home and its contents, but it’s also important to think about how you might pay for your mortgage should the worst happen.

Protection to cover your mortgage gives you peace of mind in knowing that in the event of your death or you becoming too ill to work, your mortgage payments could be covered.

LIFE INSURANCE

You’re not legally obliged to have life insurance for a mortgage, but some lenders may consider it a precondition for letting you borrow money to buy a home. For the vast majority of homeowners, having financial protection in place makes sense.

The amount of life cover you’ll need will depend on the size of your mortgage and the type of mortgage you have. You may also want to factor in any other debts you may have, as well as money needed to care for dependants, such as a partner, children or elderly relatives.

If you’re buying your home with your partner, your mortgage repayments could be calculated on the basis of two salaries. If you or your partner died prematurely while your mortgage loan was still outstanding, would one of you alone be able to keep up the regular mortgage repayments?

Life insurance can help by paying out a cash sum if you die during the length of your policy, which can be used to help pay the remaining mortgage – this is what ‘mortgage life insurance’ usually refers to – meaning your partner can continue living in your family home without worrying about the mortgage.

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CRITICAL ILLNESS COVER

Life insurance covers the worst-case scenario, but it’s also important to consider how you might pay your mortgage if you couldn’t work because of illness. Critical illness cover insurance is designed to protect you and your loved ones from the financial impact of you being diagnosed with and suffering for a period of time from a specified critical illness.

A critical illness can affect anyone at any age and can turn lives upside down. In the event of being unable to work due to a critical illness, having a back-up plan in place can alleviate some of the financial stress of the situation.

Some people may use their savings to supplement their loss of income, others may rely on an employment benefit package, while others may find that critical illness cover is one of their best options if they need a cash sum.

If required, it could help to pay for things like installing adaptive equipment in your home, towards household bills, childcare costs, to cover regular home care or simply help maintain a reasonable standard of living for you and your family if you have to take time off work to recover.

INCOME PROTECTION INSURANCE

This type of insurance, also known as permanent health insurance, offers

financial support if you can’t work because of an accident or injury. You don’t need it to get a mortgage, but it can give you a safety net in case something were to happen. It pays you a regular income and continues until you return to paid work or you retire.

The amount of income you are allowed to claim will not replace the exact amount of money you were earning before you had to stop work. You can expect to receive about a half to two-thirds of your earnings before tax from your normal job.

This is because some money will be taken off for the state benefits you can claim, and also the income you receive from the policy is tax-free. You can’t claim income protection payments straight away if you fall ill or become disabled – you usually have to wait a minimum of four weeks.

This is because you may not need the money straight away as you may be entitled to sick pay from your employer or you may be able to claim Statutory Sick Pay for up to 28 weeks after you stop work. ♦

>> WANT TO DISCUSS YOUR PROTECTION NEEDS? <<

If you are planning to take to out a mortgage, or want to review your existing protection requirements, speak to **Capital Mortgage UK Ltd** – telephone **0131 241 1601** – email **info@capitalmortgageuk.co.uk**.