



ARBUTHNOT LATHAM

Bankers since 1833

Guide to personal protection

Anticipate life's uncertainties and secure your financial wellbeing







Introduction

The importance of protecting your wealth

Life is full of unpredictable twists and turns. While it is natural to hope for the best, it is important to plan for the worst, as life's journey does not always go as expected. But with the right level of protection, you and your family can remain financially secure should unexpected events happen.

Prioritise your own peace of mind

Just as you insure your home against theft or damage to protect against unexpected spending, it is important to consider the financial impact of an injury, illness, or death and ensure you and your family are adequately protected. After all, you are your most valuable asset.

Embrace the confidence that comes with knowing you are protected. By taking a proactive approach, you can navigate the uncertainties of the future with confidence, safeguarding your wealth and preserving the financial comfort of your loved ones.

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What is protection?

Protection, such as life insurance or critical illness insurance, can provide you with a lump sum payment or replace lost income at a time when it is most needed. It usually involves paying regular premiums to maintain the financial stability of your family, whatever may happen in the future.

Some examples of reasons to take out protection:

- 01 Provide for your family financially in the event of your death or the death of your partner
- 02 Ensure you can maintain your lifestyle and continue to provide for your family if you fell seriously ill, had a serious accident, or were unable to work for a prolonged period or permanently
- 03 Repay a mortgage or other debts if you die or are diagnosed with a critical illness
- 04 Ensure your beneficiaries receive the full value of their inheritance.

Questions to ask yourself:

- Ideally, what would you want the situation to look like for you and your family in the event of a serious illness or worse?
- How does this compare to your current arrangements?
- If these events happened today, what would the impact be on you and your family?

How your protection needs evolve over different life stages

The role protection plays in your financial plans often depends on your life stage. We recommend regularly reviewing your protection needs to ensure your coverage meets the changing needs of your family and your situation.

Here are some examples of when you may want to evaluate your protection options.



Young adults starting their careers

As a young professional, you may not have many financial responsibilities. However, you still face financial risks, such as falling ill and being unable to work. Income protection, offering a tax-free monthly income during physical and/or mental health-related work absences, can help give you peace of mind.



Moving up the property ladder

When buying a property, it is essential to ensure that the mortgage can be covered in case of unforeseen events. And if your borrowing needs change – remortgaging or increasing your borrowing – it is important that you review your cover periodically to ensure it remains suitable for your needs.

Life insurance, providing a lump sum payout in the event of death, is a key consideration as this could be used by your family towards paying off the mortgage. Protection can also be shaped to fit around your mortgage so that the sum paid out decreases over time.



Getting married or in a civil partnership

As you build a life together, it is likely that your individual financial responsibilities will become intermingled. If you die prematurely, your partner could be drastically affected by the loss of your income and added expenses. Having the right protection in place can help the surviving partner carry on without major changes to their lifestyle.



Supporting your family

Welcoming children into your family involves not only joy and excitement but also a serious consideration of your financial responsibilities. These might include managing day-to-day expenses, financing education, or possibly moving to a larger home. A fundamental aspect of this is protecting your mortgage, which ensures your family retains their home no matter the circumstances.

However, protecting your mortgage alone may not suffice. In securing your family's future, consider additional protection to cover potential lost earnings and health issues that could affect you or your partner. It is also advisable to increase your life cover and review your critical illness cover to ensure that regular living expenses, educational costs for your children, and retirement savings for your partner are adequately secured in the event of critical illness, incapacitation, or worse.



Life after work

As mortgages are cleared and children become independent, financial protection priorities may change. However, protection remains important. As you accumulate wealth or become an empty-nester, your need for life insurance may decline. But be sure to maintain enough coverage to protect your retirement savings.

Once in retirement, the need for a lump sum may be less significant. Evaluate your coverage against what you anticipate spending in retirement to find the best option for your situation.



Leaving a legacy

The size of your estate, which encompasses assets such as property, savings, investments, and personal belongings, can impact the amount of your wealth which is passed down to heirs after your death.

Many policies pay a tax-free, lump sum known as a death benefit. This could help beneficiaries to receive the full value of your estate, mitigating the need to sell assets to meet tax obligations.



Protection for you and your family

There are a wide range of solutions to protect you. Here is an overview to the different types of personal protection.

Life insurance

Life insurance gives financial security for you and your family in the face of life's uncertainties.

Policies are designed to pay your family money upon your death, known as a death benefit. These proceeds can cover immediate expenses, outstanding debts, and replace lost income, enabling your dependents to maintain their standard of living.

Making sure your life insurance policy is written into a trust can help ensure that funds are available to pay some or all of the potential inheritance tax, as well as ensuring a smooth transfer of assets to your chosen beneficiaries. This is where your wealth planner will consider life insurance as part of your wider estate planning strategy.

There are two main types of life insurance policies, and each can be tailored to address specific needs and circumstances:



Term life insurance



Whole-of-life insurance



Term life insurance

This offers coverage for a specified period. It provides a payout, known as a death benefit, to your beneficiaries if you pass away during the policy term. It is often chosen for its affordability and simplicity, making it an ideal choice for those seeking basic protection for a specific period, such as during the years of a mortgage or while raising a family.

There are several different types of term life insurance to suit different needs. Each type offers unique features to cater to specific financial situations and preferences:

- **Level term life insurance** maintains a constant death benefit throughout the policy term
- **Decreasing term life insurance** sees the death benefit payout decrease over time, often to match a specific liability such as a mortgage
- **Increasing term life insurance** has a death benefit that rises gradually, typically to keep pace with inflation but premiums rise as well
- **Family income benefit** provides a regular income to the beneficiaries rather than a lump sum payment.



Whole-of-life insurance

This is an option that covers you for your entire life, rather than a set period of time. It ensures the financial security of your loved ones regardless of when you pass away. The policy remains in force until the policyholder passes away, at which point a death benefit provides a source of funds to the policyholder's beneficiaries.

The benefits of life insurance extend beyond the financial protection offered. It gives you peace of mind, ensuring that loved ones are financially secure in the event of the policyholder's death.



Whole-of-life insurance plays an important role in estate planning, releasing funds to pay potential inheritance taxes and ensuring a smooth transfer of assets to your loved ones.”

Paul Clifton
Director, Wealth Planning



Critical illness cover

A serious health diagnosis can have a severe impact on your finances as you may need to take time off work for your treatment and recovery. Critical or serious illness cover is designed to help with the financial burdens – it pays out a lump sum payment if you are diagnosed with one of the specific conditions covered by your policy.

It differs from income protection insurance, which covers a wider range of incidents and pays out a regular income.

The facts of life



Nearly 1 in 2 people born in the UK in 1961 will be diagnosed with some form of cancer during their lifetime.¹



On average someone in the UK is diagnosed with cancer every 90 seconds.²

The protection gap

In the UK, we are more likely to take out life insurance over critical illness cover, even though statistics indicate that experiencing a critical illness is more likely.

25% have a life insurance policy in place.

7% of UK adults have critical illness or income cover.³

Source:

1. [Cancer Research](#)
2. [Macmillan, UK cancer statistics factsheet](#)
3. [Charles Stanley research 2022](#)



Income protection

This type of insurance pays you a regular income if you are unable to work because of an injury or illness. It works by paying out regularly to replace a part of your income, usually until your return to work, retirement, or death.

It can be an enormous support allowing you to maintain your standard of living and cover essential expenses when faced with an unexpected setback. Importantly, it can also help you focus on recovery without the added stress of financial strain.

Top tip

Unfortunately, only a few employers support their staff for long periods if they are off sick from work. Some employers can provide as much as a year on full pay; other employers pay up to six months on full pay and then a period on half pay before reducing sick pay to the statutory minimum.

How would you and your dependents manage if your regular income was stopped or halved?

Be in the know: check what cover is provided by your employer.



Mortgage protection

This is a type of insurance designed to safeguard homeowners and their families against financial hardship in case of unexpected events like critical illness or death.

It typically pays off or covers a portion of the outstanding mortgage balance, ensuring that your loved ones can continue living in the home without the burden of mortgage payments.



Life events which mean you should review your protection:



Get married, enter a civil partnership, or file for divorce



Start reducing your estate through making financial gifts



Changes to you or your partner's health



Your children become independent



A child is born or adopted



Retire or partial retirement



Take out, refinance, or finish paying off a mortgage or other loan



Change in your lifestyle, such as quitting smoking for at least 12 months



Change jobs or careers



Receive an inheritance



Buy a property

Other ways to protect those who matter to you

Write a will

A will can provide certainty at an uncertain time, setting out your specific wishes for the distribution of your assets and the arrangements for any minor children in the event of your death.

Without this your loved ones will need to deal with the complexity of the division of your assets and personal items which will be subject to the rules of intestacy. These rules are set in UK law and determine how your assets (including property) will be distributed in the absence of a will.

A letter of wishes

While not binding, a letter of wishes can help your loved ones understand your intentions on matters such as funeral arrangements, advice for guardians and executors and how you would like certain personal items distributed. Unlike a will, this is not a public document and remains confidential to the executors, trustees, or family members.

And if you are appointing guardians, a letter of wishes is a chance to explain how you want your children to be raised, for example in terms of religion or education.



It is good to talk

It is much better to discuss matters now, rather than burden your loved ones with trying to untangle things when emotions are high, which can lead to family rifts and disputes.

Appoint a lasting power of attorney

If you should lose mental capacity through an accident or illness, your family will need to make arrangements at a time of heightened stress. In the absence of a lasting power of attorney (LPA), a deputy will be appointed through the Court of Protection to make decisions about your property and finances, and also your health and welfare. This process takes time and money and adds a degree of stress at a time when your family may already be under pressure.

However, if you have an LPA in place, you will have exercised control over who can make decisions on your behalf. There are two types of LPA and you can set up either or both:



**Property and financial
affairs LPA**



**Health and
welfare LPA**

Creating an LPA gives you the opportunity to discuss your expectations for things like later life care, medical treatments, where you want to live, and expectations for your finances with your appointed attorneys. It provides peace of mind that your affairs are in the hands of those you trust, should the need arise.

We would be happy to connect you with a family law firm that can give you specialist advice on setting up an LPA and drafting wills. Get in touch or speak to your Arbutnot Latham relationship manager to find out more.

Working with a wealth planner

Financial certainty at an uncertain time can give you, your family, or your business one less thing to worry about. We want you to feel secure with the knowledge that you have the right contingency plans in place.

Our protection planning service can draw on solutions from across the market, tailored to your specific needs.

Our wealth planning team will work closely with you to get to know you and your objectives, assess your risks and recommend the right solutions to meet your individual needs.

How we work with you for personal protection advice:

- 01 Explore your needs and goals** - We get to know you and understand your family circumstances and financial needs
- 02 Discuss risks and implications** - We work with you to identify any potential risk, shortfalls, or vulnerabilities, and the implications
- 03 Present your advice** - We recommend the most suitable level of protection to ensure your family remains financially secure whatever the future holds
- 04 Implement agreed plan** - Once we have agreed the right protection and levels of cover, we put your plan into action to support your goals
- 05 Review your plan** - As life changes, we are available on request to assess your protection plan ensuring it evolves with your changing needs.

Helping you to protect your business

Business protection is a crucial aspect of planning, helping you to anticipate and manage the impact of unexpected events on the continuity and stability of a partnership or business.

At Arbuthnot Latham, we work closely with entrepreneurs and business owners at all stages of the business lifecycle. Our experts take the time to understand your business and the people in it to advise on the best form of cover to help protect your business in the most effective way.

By taking a proactive approach, you can navigate the uncertainties of the future with confidence, safeguarding your business and preserving the financial comfort of your loved ones.

Planning advice across all your needs

If you are looking for advice that goes beyond protection, your Arbuthnot Latham wealth planner can work with you to create a holistic wealth plan which helps you to grow, protect, access, and pass on your wealth in a tax-efficient manner.

We use cashflow modelling to forecast your future finances, and to help you anticipate important life events, such as providing for your children, planning for your retirement, and legacy planning. We can model how events and scenarios may impact your lifestyle and options over time.

Together we can help to anticipate life's uncertainties and secure your financial future.



Our personal approach

At Arbuthnot Latham, we believe in personal connections. We take the time to get to know you – personally and professionally – to understand your goals and aspirations for the future and how you want your wealth to work for you.

Your dedicated relationship manager helps you to manage all your financial affairs, protect your family's future, and support the growth of your business – bringing in the right specialist at the right time.

And once we understand your needs, we deliver expert solutions swiftly, leaving you free to focus on enjoying the things that matter most to you.

A bank for you, your family and your business.

- **Private banking:** Managing your day-to-day finances and helping you achieve your aspirations.
- **Commercial banking:** Meeting the financial needs of owner-managed and independent businesses.
- **Wealth management:** Planning, protecting, and investing your wealth.
- **Specialist finance:** Dedicated financing for raising cash and managing cashflow, offered by our subsidiaries.

Our client commitments

While all our clients are unique and come to us with different needs and requirements, we are committed to providing a consistent level of personalised service, including:

- Named banker and access to a wider relationship team
- Support across your personal and professional financial needs
- A team who listen, give clear explanations, and get things done
- Prompt response times and reliable day-to-day support.

Get in touch

Reach out to your Arbuthnot Latham relationship manager to find out more about how we can support you with your protection or wider wealth planning needs.



Become a client

If you are interested in becoming a client, please scan the QR code to access our client enquiry form on arbuthnotlatham.co.uk.





Helping you go further

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