

PERSONAL PROTECTION CASE STUDY EXAMPLE

John was a 40-yr old employed finance director who had just purchased a new home, which he paid for with some equity from his previous home and a mortgage to make up the shortfall. He wanted to know what would happen with the mortgage payments and balance if he were to pass away or become ill as his partner Edna, who he has two young children with, does not currently work and so would not be able to cover the re-payments.

Protection for John's family

In our initial meeting, we discussed their goals, objectives, attitude to risk, available surplus capital and income situation. This was done through a fact find exercise, so that we had a holistic understanding of their financial situation which allowed us to isolate the areas that they needed guidance on.

Priorities:

John's main priority was to protect his family in the event that he passed away or could not work, either through critical illness or disability. He wanted to ensure that the mortgage could be paid off. We discussed his current protections at work, which offered a package including; PMI, income protection and a death in service policy that paid 3x his salary. We formulated a proposal that included taking out a decreasing term assurance and critical illness policy to cover the outstanding mortgage balance. This allowed the sum assured to decrease in line approximately with the outstanding mortgage balance over the term of the mortgage, which was 15 years. This policy will pay a lump sum to John or his beneficiaries (Edna) in the event that he dies or becomes critically ill. We placed the policy into a trust so that the beneficiaries could receive the pay-out outside of probate and it would not form part of John's legal estate, which would have created an inheritance tax liability.

Proposal

We presented this to John and Edna, who we included throughout the process, in a detailed report. We included information on the policy, referencing the fact find meeting throughout to show how it met their objectives and we highlighted the strengths and weaknesses of the proposal as well as a detailed breakdown of the costs involved.

John chose to proceed with our advice and as such, we dealt with the administration on his behalf.

**Names and exact circumstances have been changed to protect the confidentiality agreement with our clients.*



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A photograph of a person's hands in a dark suit jacket, holding a glowing blue icon of a family (two adults and two children) against a dark background with bokeh light effects.

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