



YOUNG FINANCE®

A Young Group Company

Advice Guide 2:
Mortgage Protection
and Life Insurance

Mortgage Protection vs Life Insurance

There are different types of mortgage protection and life insurance (or assurance) available. Some provide a payment only in the event of your death, whereas those with critical illness cover included will provide the lump sum if you are diagnosed with a qualifying medical condition.

Level term life insurance

Provides a fixed lump sum payment should you die within a specified period of time.

How it works:

- You select the amount of cover you would like and the period that you want the cover to run for.
- If you die during the term of the policy, your insurer will pay the fixed amount you are covered for.
- If you set up a joint policy (a single policy to cover two people), the amount of cover is paid out upon the first person's death.
- The policy expires when a claim has been paid.
- The policy has no cash-in value at any time.

Level term life insurance with critical illness

Provides a fixed lump sum payment should you die or suffer a critical illness within a specified period of time.

How it works:

- You select the amount of cover you would like and the period that you want the cover to run for.
- If you die or are diagnosed with a critical illness during the term of the policy, your insurer will pay the fixed amount you are covered for.
- The type of illnesses typically covered include heart attack, stroke, cancer and multiple sclerosis, but the precise cover and exclusions may vary by insurer and the level of cover.
- The full list of specific qualifying illnesses is detailed by insurers in their key facts document, which is available upon request.
- If you set up a joint policy (a single policy to cover two people), the amount of cover is paid out upon the first claim.
- The policy expires when a claim has been paid.
- The policy has no cash-in value at any time.

Mortgage protection cover / decreasing term insurance

Provides a decreasing lump sum payment to cover your outstanding mortgage amount should you die within a specified period of time.

How it works:

- You select the amount of cover you would like and the period that you want the cover to run for.



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- The amount of cover reduces each month during the policy term and is calculated to equal the capital outstanding under a normal repayment mortgage.
- If you die during the term of the policy, your insurer will pay the calculated amount of cover at that time.
- If you set up a joint policy (a single policy to cover two people), the amount of cover is paid out upon the first person's death.
- The policy expires when a claim has been paid.
- The policy has no cash-in value at any time.

Mortgage protection cover / decreasing term insurance with critical illness

Provides a decreasing lump sum payment to cover your outstanding mortgage amount should you die or suffer a critical illness within a specified period of time.

How it works:

- You select the amount of cover you would like and the period that you want the cover to run for.
- The amount of cover reduces each month during the policy term and is calculated to equal the capital outstanding under a normal repayment mortgage.
- If you die or are diagnosed with a critical illness during the term of the policy, your insurer will pay the calculated amount of cover at that time.
- The type of illnesses typically covered include heart attack, stroke, cancer and multiple sclerosis, but the precise cover and exclusions may vary by insurer and the level of cover.
- The full list of specific qualifying illnesses is detailed by insurers in their key facts document, which is available upon request.
- If you set up a joint policy (a single policy to cover two people), the amount of cover is paid out on the first claim.
- The policy expires when a claim has been paid.
- The policy has no cash-in value at any time.

Family Income Protection

This is a low cost term assurance policy which pays a set income in the event of the death of the policy holder.

How it works:

- The tax free income payment is made to a future specified 'end date' agreed when the policy is first taken out.
- It is often used to replace income of the main earner in the event of their death until the last dependent child has reached 18 years of age.
- The income payment can be paid annually or as a lump sum, depending on the specifics of the policy.
- Family income protection can be surprisingly cheap as the policy is on a 'decreasing basis' - the amount that the insurer has to pay out diminishes the closer the policy gets to its end date.