

YOUR COMPLETE GUIDE | 2025/26

# A Guide to Income Protection Insurance

Protecting the income that protects everything else

This guide contains 15 pages and will take approximately 20 minutes to read



# Your income is your greatest asset

This guide explains what income protection insurance is, how it works, and why it could be one of the most important financial decisions you ever make.

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## What Is Income Protection?

Income protection insurance provides a regular income to you if you are unable to work due to illness or injury. It replaces your earnings for as long as you need it.

It is designed to cover your essential expenses, such as mortgage or rent, household bills, food, and the cost of living. It can help you get back to work.

### Key Points

- Pays up to 80% of your gross income
- Covers any illness or injury that prevents you from working
- Payments continue until you return to work or reach age 65
- Most policies have a waiting period before the first payment



# The Income Gap: Why It Matters

Most people think that getting their pay and leave that should be there that they can't work means the money that goes for all of it. In some benefits areas, you could receive less than 10% of your salary.

**£118.75**

Statutory Sick Pay per week (the legal minimum your employer must pay)

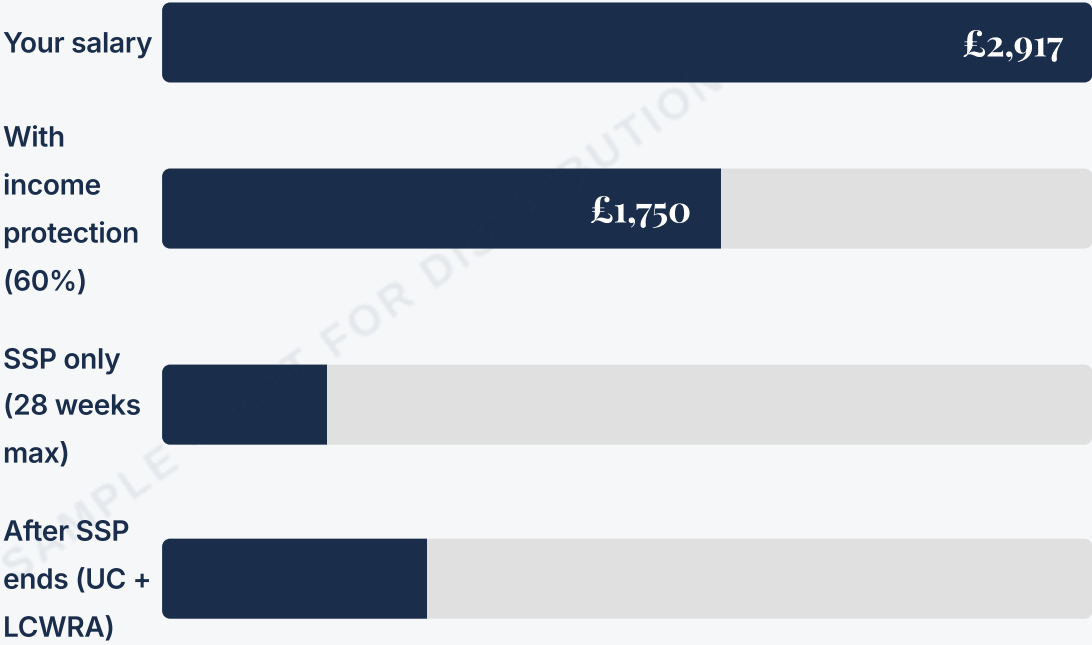
**58%**

of UK adults have no life, critical illness, or income protection at all

**29 days**

how long the average family's savings would last without income

Monthly income if you cannot work



# How Income Protection Works

Income protection is straightforward. You choose how much cover you need, how long you can wait before claiming, how long you can wait for the policy to start. We help you find the right policy for your needs and budget.

## The Deferred Period

This is the waiting time between when you stop working and when your benefit payments begin. You can choose from 4 weeks up to 52 weeks. The longer you wait, the lower your premiums. We typically recommend matching this to your employer's sick pay or savings.

- 4 to 8 weeks best if you are self-employed with limited savings
- 12 weeks a popular choice for employees with 3 months of sick pay
- 24 to 52 weeks most often used if you have employer support or savings to bridge the gap

## Your Benefit Amount

Most policies pay between 60% and 80% of your gross pre-tax income. The benefit is set below your full salary to encourage recovery and return to work. If you pay the premiums yourself, every penny you receive is completely tax-free.

### *Did you know?*

If you pay your own premiums, income protection payments are entirely tax-free under all UK tax rules. There is no cap on the amount you can receive, and this will be the case until April 2026.

# Choosing the Right Policy

Not all income protection policies are the same. The choices you make at the time of purchase will affect you and your family in the future. We guide you through what to look for to find the right fit.

## Occupation Definition

This is the single most important choice. Your occupation's usual duties will determine if you qualify for your specific job, and if you cannot do other work, the average replacement rate for 2024.

'Broad occupation' policies will require you to take a different job. 'Job-specific' policies only pay if you cannot do your job. There are changes for the latter category.

## Guaranteed vs Reviewable Premiums

Guaranteed premiums stay the same for the life of your policy. Reviewable premiums may increase but can increase significantly over time, sometimes tripling. For long-term periods of cover, guaranteed premiums are the better choice.

## Short-Term vs Long-Term

Short-term policies are for up to two years and cover and cost less. Long-term policies pay until you retire, with a death benefit age 65+. The average income protection claim will last for 6 years. Long-term cover provides significantly more security.

### Average Claim Duration

**3-7 years**

The average income protection claim will last for 3-7 years. This is based on data from 2019 to 2022.

**96.9%**

96.9% of income protection claims are paid for at least 12 weeks.

**£204m**

£204m of income protection claims were paid in 2022, up 8% on the previous year.

# Income Protection vs Other Cover

Income protection, critical illness, and life insurance each protect against different risks. Understanding the differences helps you build the right safety net.

RECOMMENDED  

## Income Protection

- ✔ Regular monthly income
- ✔ Covers any illness or injury
- ✔ Pays until recovery or until death
- ✔ Flexible start and end dates
- ✔ Can cover multiple lives
- ✘ Does not cover pre-existing conditions

**Best For:**  
Protecting your income during illness or injury

## Critical Illness Cover

- ✔ One-off lump sum payment
- ✘ Specific conditions only
- ✘ High premiums, low policy value
- ✘ Not paid until death or recovery
- ✘ Usually only one claim allowed
- ✘ Does not cover pre-existing conditions

**Best For:**  
Covering the cost of treatment

# What Does It Cost?

Income protection is a type of insurance that most people don't have. The premium depends on your age, occupation, health, and the options you choose. There's a lot to think about when it comes to income protection. We've broken down the costs of income protection to help you understand what you're getting for your money.

**£13**

per month for a 25-year-old office worker  
(£1,500/month benefit)

**£20**

per month for a 35-year-old office worker  
(£1,500/month benefit)

**£39**

per month for a 45-year-old office worker  
(£1,500/month benefit)

How long you wait to claim affects the cost. The longer you wait, the more you pay.

4-week deferral, long-term

**£49/month**

8-week deferral, long-term

**£39/month**

13-week deferral, long-term

**£27/month**

13-week deferral, 2-year

**£20/month**

## Making It Affordable

# A Real-Life Example: Sarah's Story

Income protection makes the difference when the unthinkable happens. Here's how it worked for Sarah and her job.

**Sarah Henderson, 45** Self-employed

Freelance graphic designer, single mom with two children and a mortgage.

Keep the family home   Stay independent   Be there for her children



**What income protection can do for you**

Income protection can help you keep your income flowing when you're unable to work due to illness or injury. It can also help you cover your mortgage, pay your bills, and support your family during a difficult time.

# Self-Employed? You Need This Most

If you are self-employed, you have no employer to fall back on. There is no Statutory Sick Pay, no company sick pay, and no one else paying the bills for you when you are away. Your income is the amount you stop working.

## The Self-Employed Protection Gap

Only 10% of self-employed workers have income protection, compared to 87% of employees. For the self-employed, the most important year only state safety net is Employment and Support Allowance of around £100 per week, which is roughly £400 per month. For most, that would not cover the mortgage.

- 4.5M million people are self-employed in the UK
- 87% say they would work through illness or injury because they cannot afford not to
- Self-employed premiums are not tax deductible, but payments are entirely tax free

## Limited Company Directors

If you run a limited company, you can arrange Executive Director Income Protection where your company pays the premiums and claims compensation tax free. We can advise on the best structure for your situation.

### Do not forget the bigger picture

Income protection works best alongside other policies, savings, and life insurance. When you are unable to work, your contributions stop too, creating a double hit compared to employees. One of the other pieces to make sure getting to self is covered.

# Common Myths Busted

Income protection is a widely misunderstood form of life insurance. Here are the facts behind the most common misconceptions.

**Q**

**"My employer will look after me if I am off work"**

**A**

Most employers only provide Statutory Sick Pay (SSP) of £94.25 per week for a maximum of 28 weeks. Even enhanced company schemes rarely last more than six months or full pay after that, you are on your own.

**Q**

**"It is too expensive for what you get"**

**A**

A 20 year old office worker can get £1000 per month of cover for under £50 per month. That is less than most people spend on streaming subscriptions, and it protects your future income.

**Q**

**"I'm young and healthy, so I do not need it"**

**A**

Many health conditions and non-infectious problems such as back pain and joint issues account for 50% of all income protection claims. These affect people of all ages, starting young and means significantly longer durations for life.

**Q**

**"Critical illness cover does the same thing"**

**A**

Critical illness cover is designed to pay out for specific diagnosed conditions. Income protection pays monthly income for any illness or injury that prevents you from working, including everything conditions the back pain and anxiety that critical illness does not cover.

**Q**

**"Insurers look for signs to refuse claims"**

**A**

The industry has paid 90% of individual income protection claims consistently over the past decade. Most declined claims result from failing to disclose medical history or applications with any known diagnosis is an important.

# Your Protection Checklist

Use this checklist to ensure your policy is set up correctly and covers you for your protection. It's a good idea to check this regularly.

<b>1</b> Check your employer's policy Does your employer have a policy? If so, what does it cover? Is it enough for you?	<b>2</b> Check your own policy Do you have a policy? If so, what does it cover? Is it enough for you?
<b>3</b> Check your existing policy Does your existing policy cover you? If so, what does it cover? Is it enough for you?	<b>4</b> Check your existing policy Does your existing policy cover you? If so, what does it cover? Is it enough for you?
<b>5</b> Check your existing policy Does your existing policy cover you? If so, what does it cover? Is it enough for you?	<b>6</b> Check your existing policy Does your existing policy cover you? If so, what does it cover? Is it enough for you?
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<b>9</b> Check your existing policy Does your existing policy cover you? If so, what does it cover? Is it enough for you?	<b>10</b> Check your existing policy Does your existing policy cover you? If so, what does it cover? Is it enough for you?

# Your Next Steps

Protecting your income does not need to be complicated. Here is how to get started.

- 1 Review your current position** 15 MINS

Use the checklist on the previous page to understand your situation with any savings habits and monthly outgoings.
- 2 Get in touch with us** 5 MINS

Get in touch so to arrange a meeting. We will discuss your circumstances and requirements.
- 3 We search the private market**

We search the private market to find the right cover at the right price, including features like own occupation cover and guaranteed renewals.
- 4 Start your cover** 10 MINS

Once you are happy with our recommendations, we handle the application process. Many policies can be set up in a single appointment.

**Ready to protect your income?**

Get in touch [here](https://www.ashmore.com) or email [enquiries@ashmore.com](mailto:enquiries@ashmore.com) to book your free 15 minute consultation. There's no obligation, and 80% of income protection is arranged through an adviser for good reason.



*"Income protection is not about fearing the worst. It is about making sure the life you have built, the home you love, and the people who depend on you are looked after, no matter what."*

Your Financial Adviser

# Protecting what matters most starts with a conversation

Our team of experienced financial advisers is here to help you find the right income protection for your circumstances. We search the whole market and explain everything in plain English.

## Ready to take the next step?

Call us on  or email   
Visit us at