PSC
FINANCIAL PLANNING

A Guide to

Life Insurance Cover

Your Future, Our Expertise.

Contents

Protection

It’s a good idea to have a plan in place to protect your loved ones financially in the event of your death.

How can I protect my family financially if I die?

Nobody wants to think about the worst happening, but death is a fact of life and it's a good idea to have a plan in place to protect your loved ones financially in the event of your death.

If you die prematurely this could have serious implications for your family; it could mean a significant and sudden reduction in their financial wellbeing as:

- Your earned income will stop.
- Loans may become repayable.
- Inheritance Tax could arise for your dependants, depending on what and how much they inherit from you.

While social welfare benefits payable on your death, such as the widows/widowers/surviving civil partner's pension may replace part of your earned income, the benefits they provide are low and are designed to cover only the basic necessities of life.

By taking out a life insurance policy you can ensure that in the case of your premature death, your family will be on a firm financial footing.

What is life insurance?

A life insurance policy provides money for your dependants when you die. As with any financial product, there are a number of things to consider before choosing a life insurance policy:

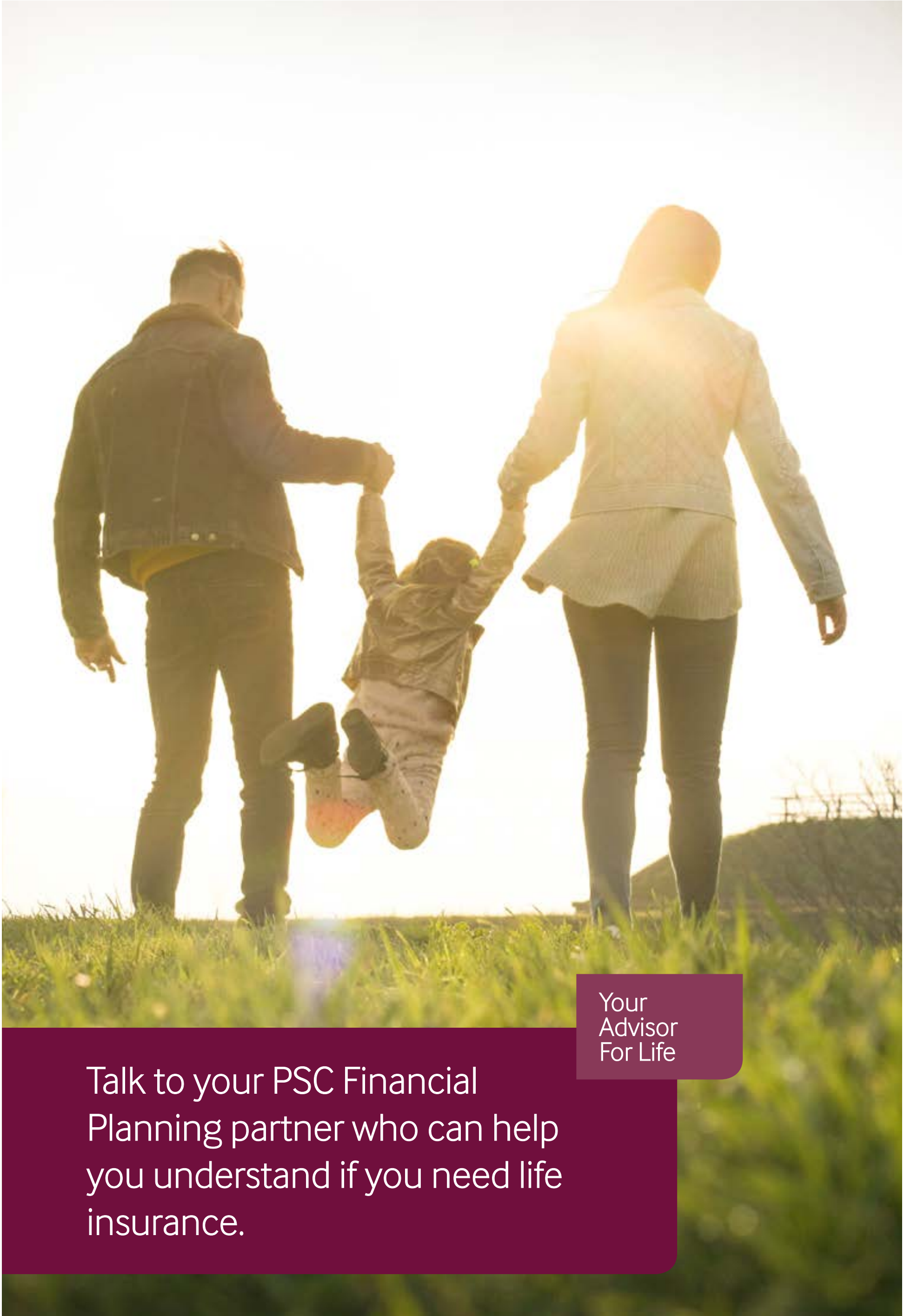
If your children are young, you may need more cover than if you have older children, as younger children will be dependant for a longer period of time. Essentially, you need to think about buying enough insurance to:

- Provide an income for your family for as long as they need it.
- Clear any loans or mortgage you may have (note: you may already have mortgage protection insurance to cover your mortgage repayments).
- Ensure there is money to cover larger costs that may arise in the future, i.e. third level education costs for your children.

Do bear in mind that you may not need life insurance or you may need less cover if:

- You don't have any dependants or your family is grown up and financially independent.
- You have sufficient death-in-service benefits through your job or pension plan.
- You have enough money or you have investments that could provide a sufficient income for your dependants to live on if you died.
- Your partner earns enough money to support themselves and any dependants.

Talk to your PSC Financial Planning partner who can help you understand if you need life insurance.



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Ultimately, PSC Financial Planning will ensure you choose the cover and product best suited to your needs and circumstances.

Getting the Right Advice?

PSC Financial Planning are experts in financial matters and will help you to assess how much life cover you need to protection your dependents in the event of your premature death. In doing so we will consider aspects of your current lifestyle such as net income and expenses, both present-day and future costs such as payment of third level education for dependents. We will be cognisant of the affordability of the options proposed and work with you to offer you the optimum protection package, given your budget.

Your PSC Financial Planning partner will thoroughly research the options available to you and provide you with a range of recommendations based on a fair analysis of the marketplace.

Why PSC Financial Planning?

There are two key decisions you will need to make when taking out life insurance cover:

- How much cover do you need?
- Which type of cover is best suited to your needs?

Your PSC Financial Planning adviser will be able to explain the choices available to you in simple language allowing you to make an informed decision. We can guide you on the level of cover you need and the best type of cover for you, based on your personal and financial circumstances.

We will then help you through the process of setting up your life insurance cover, help you to make sense of the cover provided and the restrictions and limitations of such cover.

What are the different life insurance policies?

With life insurance, you have a number of options: you can arrange cover for a limited period, called 'term life insurance' or cover to last throughout your life, called 'whole of life' cover. You can also opt for a 'joint policy' or 'dual-life policy' with your spouse/long-term partner or joint borrower. There are also a number of optional extras you could add to your policy, including: conversion, indexation and income benefit.

Term life insurance: Life insurance policies pay a lump sum to your named beneficiary or your estate if you die during the term of the policy. Term life insurance is the most straightforward and one of the most affordable forms of life insurance. For example: you might take out a term life insurance policy on your own life for €100,000 over 10 years. If you die within 10 years (the term), the policy pays out €100,000 to your dependants. If you don't die within the term of the policy, no benefit is paid out and the policy ends.

Whole of life insurance: Whole of life insurance guarantees the payout of a lump sum whenever the policyholder dies, so long as the required monthly premiums are maintained. Premiums for whole of life cover are more expensive than 'term life insurance' as the cover can potentially run for the whole of your life.

With whole of life cover, some of your monthly premiums may be invested by the insurer into investment funds. This exposes you to the risk of your premiums increasing. Some companies offer guaranteed whole of life rates. This means the premium will not increase for the same level of cover throughout your life and the policy and life cover will remain in force as long as you pay the premium.

Joint Policy/Dual Life Policy: If you are in a relationship and have young children, it may be worthwhile considering a joint life policy. This covers two people on the same policy and could pay out a lump sum when the first of you die (a joint life policy) or a separate lump sum on the death of each of you (a dual life policy).

Conversion: If you add a conversion option to a term assurance policy you can renew or extend the term of your policy at a future time for a cost appropriate to your age and the terms offered by the company at the time, regardless of your state of health at that time. This protects you in case your health deteriorates and you can't get cover in the future. Make sure you talk to your PSC Financial Planning adviser about the terms of conversion - when can conversion be exercised and are there restrictions on the options you can select on conversion?

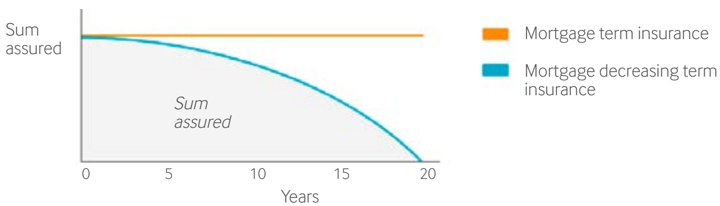
Indexation: This allows you to guard against inflation eroding the real value of your cover over time. Premiums and cover increase annually at your policy anniversary date. Pay attention to the rate of increase in premium versus the rate of increase in cover. Some policies have a cheaper premium to begin with but have a higher rate of increase in premium over time.

Income Benefit: You may prefer to have a benefit paid as an income to your family rather than a lump sum (or in addition to a lump sum). This may be appropriate if you have a young family and need to provide for their day-to-day expenses until your children reach maturity.

Your PSC Financial Planning expert can advise you on all of the options and their costs to help you to select the most suitable plan for you and your family.

Mortgage Protection: Mortgage Protection is life cover where the sum you are insured for decreases each month. Convertible Mortgage Protection gives you the option to convert from decreasing cover to level cover during the term of the policy without providing medical evidence. There is an extra cost for adding on this benefit but it is relatively inexpensive.

Mortgage Protection can cover two persons on one policy and this is usually done on a joint life first death basis. This means the plan pays out only on the first death and then ceases.



What is mortgage protection?

If you have a mortgage on your family home, you are legally required (with some exceptions) to have life insurance cover to pay off the mortgage should you die before the end of the mortgage term. This is called mortgage protection cover.

Most lenders offer this cover as part of their home loan package. However you are not obliged to take their cover. You can arrange such cover yourself and there are many advantages in doing so:

- With help from your PSC Financial Planning adviser you can search the market for the most competitive mortgage protection policy cover available (lenders typically use just one insurer for their mortgage protection cover).

- You own the cover yourself so if you move to a different lender, you can take the cover with you. Lender's mortgage protection cover, on the other hand, ceases when you move your mortgage to a different lender and you would then have to take out fresh cover.

- For example a male age 35 years, non-smoker, life cover lump sum of €200,000 for a 20 year term would cost €10.88 per month for Mortgage Protection (decreasing cover) or €15 per month as Level Term Cover. Your PSC Financial Planning partner will be able to shop around for you for the most competitively priced life cover on the market.

Note: You do not have to take out mortgage protection insurance if: you are aged over 50; the mortgage is not on your principal private residence; you cannot get the insurance or can only get it at a much higher premium than normal. These are exemptions to the legal requirement to have mortgage protection life cover in place. However, your lender may still specify mortgage protection life cover as a condition of the loan offer even if these exemptions apply to you.


Mortgage Protection
With help from PSC Financial Planning you can search the market for the most competitive mortgage protection policy cover available.

How much does life insurance cover cost?

Your monthly life insurance premiums will depend on a number of factors:

- How old you are when you take out the cover
- How long you want the cover
- The level of cover you want, and whether you want this cover to increase annually, say at 3% per year.
- Your general health
- Whether you smoke or not (smokers will be charged more than non-smokers for the same cover)
- What additional benefits and options you want to add on

Remember: Extra benefits may be added to a basic term policy for an extra cost. Some of these benefits could include: serious illness cover, where you could make a claim if you were diagnosed with one of the serious illnesses covered; index-linking, where your cover increases in line with inflation each year; and a conversion option, which allows you to convert your policy into a new policy before the end of the term without having to prove your good health.

What are the medical obligations of taking out a life insurance policy?

Insurance companies will not usually request you take a medical examination unless you have a history of illness, you are over a certain age or you are applying for a large amount of cover on a life insurance policy.

Note: Life Insurance policies will generally not pay out if your death is caused by a medical condition that you were aware of when you first applied for cover and did not disclose to the insurer before your policy started.

You must fill out the application form correctly, disclosing all material facts about your health and circumstances. A material fact is one that is likely to influence the acceptance or pricing of the cover by an underwriter. If you fail to disclose a key fact you could render the policy void and the life cover would not be paid on your death. If in any doubt, disclose the fact. Your PSC Financial Planning partner is experienced in completing these application forms and will be on hand to assist you with any queries.

Financial Guidance

Your PSC Financial Planning expert can give you advice on the tax implications of life insurance for your family.

What are the tax implications of life insurance for my family?

Although life insurance benefit is paid out as a tax-free lump sum, whoever inherits the money after your death, depending on their relationship to you, may have to pay inheritance tax. The amount of tax they pay depends on how much they inherit; their relationship to you; other gifts and inheritances they may already have received and Revenue rules at the time of your death.

There is no inheritance tax on sums received from spouses/civil partners; your life cover benefit will be paid tax free if the beneficiary is your wife/husband/civil partner. For couples outside spousal/civil partnership relationships, it may make sense to arrange cover so that one partner owns (and pays) for the cover on the other. This ensures cover is paid to the intended party tax free. Your PSC Financial Planning expert can give you further advice on this option if applicable.

Inheritance Tax currently applies at 33% if your child inherits more than €310,000 from you or your spouse/civil partner. You can arrange life insurance cover to pay this anticipated Inheritance Tax liability to ensure that your child will be able to take their entire inheritance tax free.

Can I claim tax relief on my life insurance premiums?

Income tax relief is not generally available on life insurance premiums. However if you're self employed or working for an employer who does not include you in a pension scheme for retirement benefits, you can arrange life insurance cover payable to your estate and the premiums may qualify for income tax relief at marginal rate, within certain Revenue limits. This type of cover cannot be assigned to a lender; the proceeds on death must be paid to your estate.

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PSC Accountants & Advisors provide the following services:

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- Book keeping
- Business start ups
- Payroll
- Value Added Tax
- Relevant Contract Tax
- Company Secretarial
- Corporate Finance, Recovery & Insolvency
- Budgets & Cashflows
- Financial Planning

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