



Living With HIV – Financial Facts

This Fact Sheet is designed to explain the financial opportunities and obstacles you may experience when living with HIV. It covers aspects of:

- ? *Mortgages**
- ? *Life Assurance*
- ? *Sickness Assurance**
- ? *Unemployment Cover**
- ? *Pensions*
- ? *Saving For The Future*
- ? *State Benefits and Finance**

This Fact Sheet contains information which we believe reflects the situation in the UK as of March 2003.

Life Insurance is a health issue. Loans, mortgages and savings are financial issues. The two issues need not be interlinked. Just because you have been turned down for one it does not necessarily mean you will be turned down for the other.

It is no longer necessarily a prerequisite of a mortgage advance to take out life assurance - this used to be the case. Some lenders (especially banks) still do require life assurance, though the majority now do not. It is important to find out first whether life assurance would be a prerequisite of the advance if there is a health issue.

The only underwriting that the lender will undertake is financial, which is covered below. They are basically making sure that the applicant has enough regular income to cover the cost of the mortgage.

The above should always be borne in mind. There may be many people who can get a mortgage because they are financially able but are unable to obtain life assurance due to their health situation. There are others who may be perfectly healthy but are unable to secure a mortgage advance because they either do not earn enough money or cannot demonstrate a steady track record of income – e.g. the self employed.

MORTGAGES

As already mentioned when you want to take out a mortgage the underwriting will be entirely financial. The only time your health becomes an issue is if you:

- ? take life assurance to cover the loan in the event of death;
- ? take out an endowment (which has life assurance as one of its components).

Out of the main 4 different mortgage options there is only 1 occasion, endowment mortgages, when life assurance is involved and there would be health questions as a result. Some lenders (mainly banks) do still require life assurance. Always check if this is a

requirement at outset. If you wish to take out life assurance to protect your mortgage this is a separate issue. Do not feel you have to have it.

Very roughly speaking you could borrow 3.25 times your annual income, though it could be substantially more or less than this depending on your situation. Income is generally seen as salary, commission and bonuses. It could also include state benefits and other allowances (see section on benefits). If you are able to put down a deposit of 5% to 10% on the property then it will make your lender more lenient in the amount they lend you and give access to better fixed, capped and discounted rates.

LIFE ASSURANCE

There is no standard life assurance policy that we know of at present which will cover clients with HIV for HIV related deaths.

Do not lie to get the insurance. It is unlikely to pay out in the event of a claim and you will be simply wasting premiums that are better spent on a savings plan. Some people lie to get insurance if it has been made a prerequisite of a loan advance. Your time would be better spent finding a lender who does not require life assurance.

SICKNESS ASSURANCE

These essentially fall into two categories:

Permanent Health Insurance (PHI)

This policy aims to protect your income in the event of sickness and being unable to work due to ill health. With most policies if you are unable to work for a predetermined amount of time, perhaps 13 weeks, the policy would provide you with a weekly or monthly income until you are able to return to work.

Critical Illness

This pays out a lump sum on diagnosis of a critical illness (e.g. heart attack, cancer, and multiple sclerosis). It is usually linked to a mortgage or other fixed commitment and makes sure you are not lumbered with such a millstone if your health deteriorates.

Both these types of insurance present HIV clients with similar types of underwriting problems as described in the life assurance section.

UNEMPLOYMENT COVER

Unemployment cover does not relate to illness and as such there are no issues to do with health or medical underwriting. Policies which combine health insurance with unemployment cover (which many do) will have medical underwriting and as such may prove difficult to obtain. It is important that members applying for unemployment cover

check what they are applying for first and to find out what the medical underwriting will be before putting pen to paper.

It is possible for the information to be put on a central database which would prejudice applications in the future. This practise is becoming less and less common, but be careful.

If your health status is such that it has caused you to take a number of days off work in the past then this may become an issue. Generally unemployment due to ill health is not covered by such a policy in any case.

One thing worth checking for those members stopping work due to ill health is whether they are entitled to take ill health retirement and begin drawing a pension early. This can be a valuable benefit and is often missed. We have advised many clients in the past who have been able to take medical retirement and have then recovered sufficiently to return to work and are still entitled to the ill health pension. Clients should either seek professional advice or contact their personnel department. It will be up to the trustees of the scheme who are bound by the rules set down by the Pension Schemes Office at the Inland Revenue to decide whether or not the client can take medical retirement.

PENSIONS

As pensions are normally only investment contracts designed for the long term there is no risk to the insurance company for health reasons and thus health does not present an issue. This is true whether the client is entitled to an occupational scheme run by the employer or they are thinking of contributing to a privately arranged Personal Pension.

Both Personal Pensions and Occupational Schemes have the ability to offer life assurance as a benefit within the scheme. Personal Pensions simply offer the same products as other people applying for life assurance but wrapped up in a different policy. Therefore the same underwriting issues apply as those encountered when applying for life assurance by itself.

A substantial benefit for those entitled to an occupational scheme or Group Personal Pension scheme through work, however, is the ability to obtain life assurance with simplified underwriting. A typical form for such cover would have just one question such as "Have you been off work for more than 2 weeks in the last 5 years?" Many of you can answer no to this question and will thus qualify for the insurance, where in almost every other situation you would be turned down. Some company life assurance schemes have no personal questions at all.

We get many clients who do not see the point of having pensions if their health status would mean they have a low life expectancy, particularly if they cannot access funds until age 50 at the earliest. This is a misconception because improved medicines lead to increased longevity and more and more people are able to benefit from pension planning and the tax relief this gives. Furthermore, even if your health were to deteriorate then there are many circumstances (see section on unemployment cover for an example) when you would be able to access the benefits early.

Personal Pensions and Ill Health

If you have an HIV diagnosis and have a personal pension you can apply to take early retirement. In this situation you would take out the fund as it stands (together with any tax free cash you would be entitled to take). You will then be able to apply to an insurance company for an 'impaired life annuity.' This is about the only time you will be able to benefit from the insurance industry as a result of your health situation. It essentially means that you will get a greatly enhanced pension income, at a younger age, as a result of your diagnosis. Protected Rights Benefits cannot be accessed for any reason whatsoever, prior to age 60. Protected rights benefits are those benefits accrued in lieu of benefits under the State Earnings Related Pension Scheme, now called State Second Pension or S2P.

Occupational Pension Schemes

If you are entitled to an occupational scheme and have had to stop work due to ill health, you are entitled to apply to the trustees of the scheme for early retirement on grounds of ill health. In this situation the scheme will work out what you would have been entitled to, had you been able to work until retirement age, and give you that amount straight away, annually. This income is then guaranteed for the rest of your life. Even if you make a recovery and are able to return to work then you are still likely to be entitled to the ill health pension. Different schemes have different policies for ill health benefits. It is important to contact the benefits department or the trustees of the scheme to find out what these are.

SAVING FOR THE FUTURE

Like pensions there are no insurance risks associated with savings and thus there are no issues with health. There are just the normal financial planning issues which everyone experiences to do with the ability to access the fund, how much risk the client is prepared to take, the purpose of your savings, and so on.

The only issue arises when a client is applying for means tested DSS benefits such as Income Support and has substantial savings which may preclude him / her from receiving such benefits.

BENEFITS AND FINANCE

Many people are eligible for benefits as a result of their health situation. However, your financial situation can be altered if you are claiming benefits.

The Disability Living Allowance (DLA) and Incapacity Benefits are not means tested and as such are unaffected by other savings or assets you may have. Incapacity Benefit applications made after 6 April 2001 can lead to reduced awards of Incapacity Benefit if you receive personal or occupational pension payments. Income Support is fully means tested, however. If you are planning on starting a savings plan or have other assets these need to be carefully looked at so that they do not prejudice your right to Income Support.

There are some mortgage companies who allow you to use the DLA and Incapacity Benefits as 'income' when assessing your ability to borrow money. This is by no means true of all lenders, however, and professional advice needs to be taken if this is applicable to you. If you have a partner the lender will take their income into account as well.

About Isis Financial Planners Limited

Isis Financial Planners Limited was formed in February 2002. Our three consultants are some of the most experienced in the business. Louis Letourneau was the founder of Rainbow Finance in 1995 and both Maggie Fleming and Jane Mudge worked for a number of years with Rainbow Finance.

Isis Financial Planners offers a full range of financial planning services (although we do not deal with mortgages) and aims to provide a highly personalised and professional financial planning and wealth management service.

All three Consultants are very experienced in providing financial advice to people living with HIV.

For further advice on **Pensions, Life Assurance, Investments** and **Tax** contact Isis Financial Planners:

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