

News from Louis Letourneau.
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"Many people just decide to ignore the financial consequences of being unable to work because of illness or incapacity. It's the "it'll never happen to me" syndrome."

Some weeks ago there was an item on the news that moved and puzzled me. It was a sad story - a terminally-ill man was complaining that he didn't qualify for the Winter Fuel Allowance because he was under 60. His argument was that his need was far greater than many who do qualify by virtue of their age, because he was unable to work and had very little income. His condition meant that he needed his central heating on most of the time because he really felt the cold.

Of course I was moved by his plight - you couldn't fail to be - yet I was puzzled that he seemingly had no private "insurance" to see him through this awful experience. Instead of being able to enjoy what time he had left with his family, he was pre-occupied with his dire financial situation. There could be many reasons why he had no private provision, and it might have been that his past medical history would have made it impossible for him to get private insurance cover - in this situation little can be done, aside from self-insuring with savings. But I wondered whether it was a case of choice - had he made the subconscious decision that private provision wasn't required, was too expensive or was it that he just didn't know what was available? We'll never know, but I'm sure that many people just decide to ignore the financial consequences of being unable to work because of illness or incapacity. It's the "it'll never happen to me" syndrome.

There are several types of private insurance cover available. One option that's been in the news of late is mortgage payment protection whereby you can cover the amount of your mortgage payments in case you're sick or made redundant. This cover can be useful but you need to be aware of the exclusions - existing medical conditions aren't covered, for example. Anyone self-employed needs to be very careful about this type of cover because you could be paying for redundancy cover that you can never claim for. In any event, this type of arrangement usually pays out for a limited period of time; 12 months is normal, so while it's useful, it doesn't cover the long-term situation.

More useful would be either income protection or critical illness cover. Income protection will replace salary or self-employed earnings if you're unable to work due to illness or incapacity, and it's a long-term contract, lasting usually until normal retirement age. There are very few exclusions; one provider has removed all exclusions from its plan, meaning that even HIV/Aids is included.

Critical illness, as the name suggests, pays on diagnosis of a critical illness but provides a lump sum rather than an ongoing income. This cover would be particularly useful to repay a mortgage, for example. However, the cover is more restricted to illnesses such as cancer, heart attack and stroke - essentially, the life-threatening conditions. Of course

there are many conditions that can render you incapable of working - a bad back, perhaps. For this type of condition income protection would be ideal.

All too often I meet people who have masses of life insurance they don't really need, but who have completely ignored what happens if they're too ill to work - sometimes in the mistaken belief that the state will provide. If you do find yourself in this unfortunate situation, just think how much easier it would be if you didn't have to worry about the Winter Fuel Allowance.

Louis Letourneau, MA is an experienced independent financial adviser (IFA), specialist in financial planning and wealth management. He founded Rainbow Finance in 1995 and has consistently challenged financial companies and Government on their attitudes to gays, lesbians and same sex couples and was instrumental in the Inland Revenue to changing its guidance notes to recognise unmarried couples in pension benefits. His work has also resulted in life insurance companies starting to relax the discriminatory underwriting criteria toward gay men and people living with HIV. He was a founder of the Rainbow Research Project which surveys and educates private pension schemes in how they recognise unmarried couples on death benefits. He was also a founder member of the Stonewall Immigration Group (which campaigned for Immigration rights for same-sex couples, achieving a significant victory in April 1997) and helped set up the gaypartners.org initiative with gay.com in early 2001, campaigning for same-sex partnership rights. He speaks regularly on national and local radio.

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