

News from Louis Letourneau.

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State benefits are there to help you in times of need, says [Louis Letourneau](#), but they should be treated as the last resort.

Last month, I looked at some [New Year's resolutions](#) to help get your finances in shape. Following on from this, I thought that some information about state benefits might be useful, and would help in getting those finances sorted out.

Sadly, many people think that our Social Security system will provide for them in all sorts of emergencies. Although it can be very helpful and useful, it really should be treated as a last resort. Benefits are often low, restricted, and difficult to claim. There are several areas to consider, from state pension provision, incapacity benefits, to help with mortgage payments in the event of redundancy.

State pension provision is, perhaps, the easiest to explain and understand. The first point is that, if you rely on the state for your pension provision, you can kiss goodbye to retiring to Gran Canaria until you're 65 - at the earliest. Even then, you may not have enough to support the sangria lifestyle you want. Basic pension is currently just £77.45 a week, although, if you have no other savings, then this could be increased to £102.10 a week with the addition of the new and highly complicated Pension Credit. You may also have earned some benefits under the State Second Pension. The sad truth is that for any meaningful income in retirement you will have to make some sort of [private provision](#).

Another popular area of misconception is that the State will pay your bills if you can't work due to illness: wrong again I'm afraid to say. State Incapacity Benefits are now very complicated, and the amount that you get depends on how many weeks you have been ill, and whether you are employed or self-employed.

State benefits can start after three days' illness. For the first 28 weeks, an employed person can expect to receive £64.35 a week and the self-employed person will get £54.40 a week. By the way, this is taxable although it's paid gross. Between weeks 29 to 52 everyone gets £64.35 a week, and yes, it's taxable; you also have to pass the Personal Capability Assessment. One in four people fail this test, which includes assessing if you can walk more than 50 metres without stopping, and whether you lose control of your bowels more than once a month. Nice. From week 52 you will receive £72.15 a week and an age related addition if you are under 45. And, yes, you've guessed; it's taxable.

If you're employed you hopefully have some good sick-pay arrangements, which means you could be off work for some months without having to worry about money. The trouble is that so few people actually know how much they would get from their employer in these circumstances. If you are self-employed, it's easy; if you can't work, generally your income stops fairly quickly. Fortunately, you can make private provision by taking out an [Income Protection Plan](#). Alternatively, a [Critical Illness Plan](#) might pay a lump sum that you could

use to fund your living expenses or repay some, or your entire, [mortgage](#). However, not all conditions are critical, and the best plan is income protection.

The good thing about state pension and incapacity benefits is that they aren't means tested, so that everyone, with the requisite national insurance records, can claim. This isn't the case with all state benefits, though.

Another popular misconception is what happens if you're made redundant and you have a mortgage to pay. Many people just assume that the state will pay your mortgage for you. Wrong again. You won't get any financial help with mortgage interest if you have more than £8000 in savings, and even having more than £3000 will limit what you can get. You won't get any help on interest payments on any amount above £100,000; not much good in London and the south east, and many other areas now, now thanks to booming property prices.

However, the real stab in the back is that if you took your mortgage out after 2 October 1995, you won't get any help at all for nine months. If your mortgage started before this, it'll still be two months before you get any help, and then it's only 50 per cent of the interest for the first four months.

Many mortgage lenders have packages available for accident sickness and redundancy cover, but be careful. If you have good sick-pay arrangements at work, the accident and sickness parts of these plans can be surplus to requirements, because you won't be able to claim under such a plan if you still have your income. Check the small print very carefully. Separate redundancy cover is obtainable, and generally costs around £3.57 a month for each £100 of mortgage-related-payments. It's usually payable two months after you are made redundant, and is payable for up to 12 months only – usually because you can find another job in this time.

Hopefully, all of this isn't too gloomy for the New Year, but better safe than sorry.

Louis Letourneau is a Director of Isis Financial Planners Limited. Isis offers truly independent specialist advice to the gay community and can be contacted on 0845 1300 778 and email postbox@gayfinance.info. You can also visit our website at www.gayfinance.info

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.

For further advice on [Wills](#), [Life Assurance](#), [Tax](#), [Investments](#) and [Pensions](#), contact Isis Financial Planners:

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