LYONS Financial Services

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Introduction

Welcome to Lyons Insights

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Welcome to this latest edition of Lyons Insights. In this month's issue that focuses on financial protection for families, we have three articles for your enjoyment.

Our first article looks at health insurance and the price that a lot of people pay by just blindly renewing their health insurance each year. There are often better deals out there so shop around, or better still get us to do it for you! We then look at the importance of getting life assurance cover in place while you're young, it makes loads of sense for a variety of reasons. Finally we look at some specific issues that should be considered by cohabiting couples.

I hope you find something that is of interest to you.

Best wishes,
Roisin

Expert Articles

Don't just blindly renew your health insurance!

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However more and more people are aware of the potential to find a better deal and are shopping around. Some ring around all of the providers and get quotes themselves. However in this instance, they are only really getting visibility of a relatively small number of the policies available. Other customers are ringing their health insurance adviser, such as Lyons Financial Services. And they get the biggest savings of all, as we know ***all of the policies*** on offer in the market. This includes the lesser-advertised policies that may have better benefits or lower premiums.

And cost is a significant issue. A 2016 study by the Society of Actuaries in Ireland noted that the cost of health insurance increased by almost a third between 2010 and 2015. And yet, according to another study by the Health Insurance Authority, less than one quarter of policyholders have switched policy since they took out their health insurance cover! Even though there are potential savings of up to one third on some policies. Families can save literally thousands of euros each year by simply shopping around (or better still, getting us to do it for you)!

We know that some people are a bit overwhelmed by the huge choice of different policies with all sorts of features and benefits. As a result, some people reckon it's easier then to just stay where they are. We don't see it this way. We know the savings that are there to be gained, and having established ourselves as one of the leading Health Insurance advisors in the Irish market, we know that we will be able to find the right plan for you and your family.

We pride ourselves on understanding your requirements, making clear recommendations, and helping you to get the best plan for you in place without any fuss. It is our job to understand the ins and outs of all of the different plans.

This enables us to make sure you can get the right cover in place.

We also do this work for companies and other organisations who operate health insurance schemes on behalf of their employees or members. We operate highly efficient salary deduction schemes, which make it easier for employers and employees alike to manage the payment of their health insurance contributions and to claim their tax relief on these payments. Our aim is to provide you with expert advice, find the right plan for you and then quickly get your plan up and running.

So whether you are new to the Health Insurance market, are looking to renew your existing plan or indeed want to make sure you have the very best plan for your own circumstances, give us a call at Lyons on 01 8015808 and we'll make sure you're on the right track.

You're never too young to put life cover in place

Experience in the life assurance industry shows that most life assurance policies are taken out by people in their 30's, 40's and to a lesser extent in their 50's. There is a very low uptake of life assurance by people in their 20's who think; "I don't need it now, I'll buy it when I need it."

Experience in the life assurance industry shows that most life assurance policies are taken out by people in their 30's, 40's and to a lesser extent in their 50's. There is a very low uptake of life assurance by people in their 20's who think; "I don't need it now, I'll buy it when I need it."

We believe that it's time to look again at all the possible things that can go wrong with this line of logic, and ask you to consider these points for yourself (if you're fortunate enough to still be in your 20's!) or indeed to advise your children to think about.

You are fit and healthy now

Typically when you are in your 20's, you're in the prime of your life!
You're fit and healthy, and when it comes to life assurance, you have the choice of benefits, all of which can be purchased at ordinary rates, without loadings or exclusions.

Being overweight is a very common reason for additional loadings being applied to life assurance premiums. When you are young, your Body Mass Index (BMI) is less likely to incur additional loadings than in the future as some of us spread out a little bit!

You also must remember that your ongoing good health is not guaranteed. Many illnesses don't raise their ugly head until later in life. Once you are diagnosed with an illness, it may affect your access to life assurance in the future, either altogether or possibly at normal premium rates.

So taking out life assurance while you are young gives you the best chance of getting cover at rates that are not loaded because of any health issues that you might have.

Your relatives are (more likely to be) fit and healthy

In a similar theme to the above point, the health of your immediate family is an important factor in determining your premium rates. When you are younger, your parents and siblings are of course also younger and as a result, you are less likely to suffer a premium loading based on family history at this stage.

Common Family History issues that can complicate an application for cover include cancers, heart disease, a stroke, haemochromatosis, multiple sclerosis and a range of other serious conditions.

You have not yet have taken up a hazardous activity.

There are a range of activities that can impact your access to and price of life cover if you carry them out, or are planning to carry them out at the time you take out the cover. These would include the likes of;

- Working in a High Risk Area (eg: Libya, Chad, Nigeria, Colombia etc.)
- Scuba Diving
- Private Aviation

These types of activities can result in premium loadings, exclusion of cover if your death is related to these activities, or in some cases complete declinature of cover. It is quite possible that in your 20's, you don't carry out or plan to carry out any of these activities so you will be able to get cover at the most competitive rates.

You have not yet undertaken advanced diagnostic screening

As we all get a bit older, we begin to recognise our own mortality and most people start to pay more attention to their health. Many people as a result go for health checks. This is a great idea as they can pick up any potential issues that you have and enable you to deal with them as early as possible. However advanced screenings can also pick up incidental findings that can affect future life assurance applications.

So while undergoing the likes of ECG’s, MRI’s or Echocardiograms can be crucial to your ongoing health, you need to recognise that they may result in findings that can impact your access to life assurance. At the end of the day, you are less likely to be getting these diagnostic tests done in your 20’s.

Protect yourself against policy changes

Events happen in the life assurance industry that can impact the price of cover too! We only have to see how life assurance premiums increased for women as a result of the EU Gender Directive. And if we go back in time, the 1990's HIV scare resulted in an approx. 15% increase in premiums overnight.

In the very challenging world of securing a mortgage today, applicants who are declined life cover (or who are being charged an unaffordable premium) can find a mortgage application being refused.

So for a number of reasons, getting cover in place early can protect you against sudden premium increases and help smooth your path when buying a home.

And of course cover is cheaper

I purposely left this point until last as the earlier points are equally important! But yes, cover is cheaper at these earlier ages, so getting the cover in place early secures these lower premiums.

“But I don’t need it now”

We hope that the above points have given you some food for thought as to why it might be a good idea to get cover in place now. Also, we’re here to find the most appropriate cover for you. So for example, if you are in your 20’s, we might consider cover with Life Events Options that allow you increase your cover (within limits) ***without further medical evidence at that time*** when buying a new home, when getting married or having a baby. At the end of the day, that’s what we’re here for – to find you the right cover, at the right time, to suit your specific circumstances and needs.

I hope you found the above interesting. If you have any questions or comments, please leave them below or contact us by phone or email.

Are you a cohabiting couple? Get protection advice!

According to the Census carried out in 2011, 12% of families in Ireland are now made up of cohabiting couples. This cohort of our population still faces some unique challenges when it comes to personal finance and inheritance. In this article, we’re going to identify some of the significant issues to be managed, and set out why it is so important for cohabiting couples to get expert financial advice. Not doing so could result in some very expensive tax liabilities down the road!

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The Background

In 2010 the *Civil Partnership and Certain Rights and Obligations of Cohabitants Act* was enacted. This Act conferred rights similar to those of a married couple on registered civil partners and qualified cohabitants. The rights extended though are different for both.

Registered civil partners now have automatic rights to each other’s estates on death. This entitlement was not extended to cohabiting couples, who can apply for a provision out of the deceased’s estate but have to pay inheritance tax on it.

As a result, it is critically important that cohabiting couples get expert financial advice in order to avoid inheritance tax bills in the future.

The family home

As cohabiting couples are not treated for tax purposes in the same way as married or civil partnership couples, the death of one partner could result in a sizeable tax bill for the surviving partner. First of all, cohabiting couples should make themselves aware of the qualification conditions for ***Family Home Relief***, which allows a complete exemption from Inheritance Tax and Capital Gains Tax if those conditions are met. This relief is available to any two individuals, which of course includes cohabiting couples. Meeting these conditions could result in a significant tax saving on the death of a partner.

Mortgage Protection

Mortgage Protection will be put in place as a condition of gaining mortgage approval. This policy repays the loan to the bank in the event of death of a borrower. Should the conditions of Family Home Relief not be met, there is a potential tax liability for the survivor on the death of their cohabiting partner as their Inheritance Tax Threshold (the amount on which you don't pay tax) is only €16,250.

In the worst case scenario, if one partner alone bought the house and subsequently died, their surviving partner's tax liability could be based on the full value of the house (less the threshold amount) – a very sizeable bill.

Arranging mortgage protection on a joint life basis might give rise to a potential tax liability, as could the inheritance of the property itself. Solutions we would consider could include,

- Increasing the amount of life cover to cover the inheritance tax liability
- Taking out a "life of another" policy
- Taking out a section 72 policy to specifically pay the tax

We suggest strongly that you seek our advice to find the very best solution for you.

Personal & Family Protection

As cohabitants have no automatic rights to their deceased's partners assets, unless they have a will in place the proceeds of a life assurance contract could even end up in the hands of the deceased's next of kin. This can be avoided by the policy being structured correctly. Again we will examine your specific circumstances and advise you on the optimal route to ensure that on your death, your assets end up with your intended beneficiary and in the most tax efficient way possible. There are very important considerations around the type of policy to be used and who pays the premium, in order to ensure the most tax efficient solution.

Small gift exemption

In Ireland there is a small-gift exemption, which allows anyone to gift up to €3,000 in any tax year to anyone else with no attaching tax liability. This can be done every year and is an effective way for cohabiting couples to transfer some wealth to each other and for parents to transfer wealth to their children - €6,000 is allowed each year from 2 parents to each child. This can really add up over time!

Cohabiting couples can use this exemption very effectively where one partner is financially dependant on the other. In order to avoid a liability for inheritance tax, it is crucially important that the person who will benefit from the policy actually pays the premium from his or her own means. If they don't have means and their partner pays the policy, they are liable for inheritance tax on the death of their partner. The small gift exemption can be used to transfer wealth to the partner without means, who can then use this to pay the premium. This will enable the policy owner to pay the premium where he/she doesn't earn an income.

The goal of this article is to give cohabiting couples a flavour of some of the important issues they need to consider in relation to their personal finances. We will be delighted to talk you through your specific situation, and help you ensure you avoid any nasty surprises at a later stage.

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