Leaving things to chance

Richard Lishman discusses the situations that could cost you dearly

B eing a dentist is not known as a particularly dangerous occupation, but there always exists the small possibility that a sudden catastrophe will strike a dental clinician, rendering them incapable of work on a temporary or permanent basis. A medical condition (such as cancer or musculoskeletal problems) or an accident (such as a car crash or a bad sports injury) can easily leave dentists unfit to practice. Income protection policies are insurance against such eventualities, and guarantee an agreed monthly income for the policyholder if they find themselves unable to earn a living.

Income protection is especially necessary for self-employed individuals such as dentists. If they are subject to a grave misfortune that leaves them incapable of practising dentistry, the outlook is bleak if they have not chosen to protect themselves with a suitable policy. NHS sickness leave payments for dentists who have been GDC-registered and carrying out dental work for the health service for two years last for just 22 weeks, and are calculated on an average of the claimant’s monthly pensionable earnings since they started work.

The situation is worse yet for dentists who have not invested in an insurance policy and experience an accident or illness that forces them out of work for a longer period. At present, the state offers Statutory Sick Pay of £79.95 per week for 28 weeks; beyond that, the same amount is paid in Incapacity Benefit until the 53rd week of inability to work, when the payment rises to £76.50 a week. Needless to say, these sums will not go far for anyone trying to afford anything beyond the most basic of lifestyles.

Therefore, it is a wise decision for dental professionals to take out an income protection policy at any stage of their career. Many specialist insurers offer packages at a steep discount to Vocational Dental Practitioners, in recognition of the fact that their financial situation is much less secure than more established dentists. It is, however, important for VDPs to review the terms of their policy when they become fully qualified and join a practice as an associate. Their income is likely to rise rapidly at this point, and often coincides with the increase in financial commitments engendered by such things as buying a mortgage or starting a family. Accordingly, the terms of income protection policies designed for the needs of a trainee dentist may be too modest if they are hit by accident or injury as an associate a few years later.

A sound income protection policy is no less important once a dentist has been qualified for some years and has much heavier financial obligations, making it more necessary than ever to continue investing in income protection. The ambitious dentists who wish to own their own practice will almost certainly require a policy. This is because lenders, who provide the extra financing, need by all but the wealthiest aspiring practitioners to start their own business, demand that an income protection policy is in place as a matter of course.

Like all forms of insurance policy, income protection packages are necessarily complex arrangements designed to cover a wide multitude of possibilities. The combinations of different terms that providers can offer individuals are effectively limitless; important details in policies can vary widely. As well as the amount paid out to the policyholder every month, these include deferred periods (the length of time that the policyholder must wait after becoming unable to work before starting to receive payments), Limited Benefit Terms (time restrictions placed on the payment of benefits – usually two, three or five years), and whether the agreed premiums are variable or guaranteed. It is also wise for those taking out longer-term policies to consider the option of having their cover increase in correlation with the rate of inflation or another pre-agreed amount.

Judging the correct policy for one’s own specific circumstances is not an easy matter. Carelessly choosing the cheapest or most generic income protection package may well cost dentists a substantial amount, whilst failing to protect them and their families to the required extent. Enlisting the guidance of an experienced Independent Financial Adviser means that there is little chance of voiding a policy through such errors as overlooking a significant clause in the “small print”, or unintentionally leaving out small but crucial details of one’s medical or occupational history.

Income protection policies provide peace of mind for most of their holders, and can save the unfortunate few who become unfit to work through accidents or sickness from an uncertain fate on meagre state benefits. Choosing the right policy is not a simple matter, however, thanks to the manifold differences between each of them. Dentists need to be particularly careful about which income protection package they choose; going to a specialist Independent Financial Adviser who understands the possible issues that could arise for dentists is a very sensible choice to make.