A critical decision

You’re covered in the event of redundancy, but what about if you get sick? Thomas Dickson considers the benefits of critical insurance cover

In today’s society, most people live with a certain amount of debt. So, making sure you are adequately covered to meet the demands of a credit-laden life should you fall ill and be unable to work is essential. It’s common for dental practitioners to take out multiple policies to meet their requirements in times of adversity, with life assurance and income protection being two universal options. However, an alternative that should be considered is critical insurance cover (CI).

The essential element of any policy is to provide a basic level of income when the policyholder is unable to work and Income Protection will do this. However, CI will provide a tax-free lump sum of cash on the diagnosis of serious illness or permanent disability, which could be useful for those without an accumulation of assets as a safety net.

We are twice as likely to suffer a serious illness than die before the age of sixty. For a multitude of reasons, including the advances in medical sciences and technology, the survival rates for once fatal illnesses are much higher. A consequence of this is families contending with the unwelcome cost of treatment while having to meet daily financial commitments, often on a reduced income. For dentists this could also include the running costs of the practice.

Two main policies

There are two main types of policy available: ‘term’ (level) or ‘mortgage’ (decreasing). When considering CI, there are several factors involved. Firstly, there are your current mortgage commitments, for both the home and the practice. It is necessary to balance the current costs of living with the cost of providing financial cover when you are unable to work.

Secondly, although generally cheaper, a mortgage critical illness plan means the amount that can be paid out decreases over the course of the cover. In contrast, a level term critical illness cover payout remains constant throughout the life of the policy. The advantages for both types will require careful consideration.

Check the small print

At the outset, choosing the right provider of your cover is vital as there will be no option to change if your health deteriorates. One of the main areas for dentists to consider with critical illness policies is to make sure the wording on the small print covers you as a dentist. Very few insurance companies have the necessary ‘own occupation’ that could be crucial in the event of a claim.

One in four women and one in five men will suffer a serious illness before retirement age. Taking adequate measures to ensure that the recovery process is not hindered by financial worries seems a prudent step.

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About the author

Thomas was brought up in Hong Kong and studied at Aston University, Birmingham and in Tokyo. Thomas started working as a financial adviser in 1983, became an independent financial adviser in 1990, and is now a director of Essential Money Limited. Essential Money provides independent financial advice to dentists throughout the UK. Thomas has been awarded the Advanced Financial Planning Certificate by the Chartered Insurance Institute and is a Certified Financial Planner. For advice, call Essential Money on 0121 685 5000, email Thomas@essentialmoney.co.uk or visit www.essentialmoney.co.uk.

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