



MGP (Employee Benefits) Limited
16 The Courtyard, Common Lane,
Culcheth, Warrington WA3 4HA
Tel: 01925 765821
Fax: 01925 764871
Web: www.mgpeb.co.uk
Email: enquiries@mgpeb.co.uk

Lifestyle protection

One in five self-employed and contract workers unable to survive a week without work

The world of work has changed enormously over the past 20 years. Being self-employed, freelance or working on a contract basis has become the norm for all sorts of professions.

Although it has many benefits, working for yourself means that the responsibility for providing a financial safety net shifts from the employer to the individual. New research has highlighted the precarious nature of self-employed people's finances.

FINANCIAL SUPPORT

A survey^[1] of the financial health of self-employed, part-time and contract workers reveals that if an accident or illness prevented them from working, more than one in ten (11%) wouldn't be able to last any time without using long-term savings, while 30% would run out of money in less than a month. And 48% said they couldn't turn to friends or family for financial support, while one in ten said they would be forced to turn to credit cards or payday loans.

Figures from the Office for National Statistics (ONS) show that the number of self-employed workers in the UK increased from 3.3 million in 2001 to nearly 5 million in 2019^[2]. While a quarter (25%) of those surveyed said they would seek help from the state, benefits provide little or no support for this group.

INCOME PROTECTION

Some self-employed people wrongly believe they would be eligible for income protection if they fell ill and couldn't work. However, Statutory Sick Pay isn't available to self-employed workers, and for those workers who are eligible, the maximum that can be claimed is just £94.25 a week versus the average outgoing of £262.83^[3] a week for self-employed or contract workers.

More than half (55%) have no life insurance, private medical insurance, critical illness cover or income protection should they find themselves

unable to work due to illness or injury.

MORE TIME OFF WORK

Nearly half of those surveyed (45%) worry that sickness will prevent them working. They also worry about consistency of earnings (37%), and over a third (35%) of those workers who took time off for illness or injury last year returned to work before they felt they had fully recovered. Half (50%) of these said they did so because they couldn't afford to take any more time off work.

People in full-time employment commonly receive sick pay and life insurance through their employer, but self-employed people need to provide it for themselves. Although many self-employed people and contractors worry about the consequences of an accident or illness preventing them from working, too few are taking steps to protect themselves from any loss of earnings if they are unable to work. ■

DO YOU HAVE A FINANCIAL SAFETY NET IN PLACE?

Many self-employed people consider income protection insurance and critical illness cover in case they get too sick or injured to work, or suffer from a serious illness. Life insurance is also common for people who have dependents, such as a partner or children. If you have any concerns or want to review your protection requirements, please contact us.

Source data:

[1] Research among 1,033 UK self-employed, part-time, contract and gig economy workers between 1 October and 7 October 2019, conducted by Opinium on behalf of LV=.

[2] EMP14: Employees and self-employed by industry.

[3] Average monthly outgoings of £1,182.76 recorded from 1,033 UK self-employed, part-time, contract and gig economy workers between 1 October and 7 October 2019, conducted by Opinium on behalf of LV=.

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