How Much Income Protection Cover Do You Need?

Posted on 24 October 2025

People often get this wrong. They either under-insure (because they think “something’s better than nothing”) or they go overboard and pay for cover they don’t really need. The truth? The right amount of **income protection cover** isn’t a magic number – it’s a balance between what you *must* protect and what you can afford.

It comes down to one question: *how long could you cope if your income stopped tomorrow?*

If the answer’s “not long”, you’re not alone. Most households in the UK couldn’t last three months without their pay coming in. Yet it’s rarely something we plan for – we’re more likely to insure our phones than our wages.

So, let’s sort that out. Here’s a plain-English way to work out how much cover you actually need.

Start with the Basics: What Are You Protecting?

Income protection isn’t about replacing every pound you earn – it’s about keeping your life *manageable* if you can’t work.

The goal is to cover your **essential expenses** – not the luxuries, not the nights out, just the things that keep you afloat.

Here’s a good starting list:

Expense Type	Typical Monthly Cost (UK Average)	Essential?
Mortgage or rent	£800–£1,200	□
Council tax	£150	□
Utilities (gas, electric, water)	£250	□

Expense Type	Typical Monthly Cost (UK Average)	Essential?
Food & groceries	£350–£500	□
Broadband & phone	£60	□
Car finance / transport	£200–£300	□
Insurance (car, home, life)	£100	□
Childcare / school costs	£300–£600	□
Subscriptions & extras	£100+	□

Once you've totalled your essentials, you'll have a clearer sense of your *baseline survival number* – the income you genuinely need to keep things ticking over.

If you're not sure, a simple rule of thumb is to aim for **around 60% of your gross monthly income**. That's roughly what most income protection policies are designed to replace anyway.

Why You Can't Just "Use Savings"

You might be thinking, "I've got savings – I'll be fine."

Maybe. But be realistic. If your income disappeared for six months, how long would those savings really last?

Let's say you've got £10,000 in the bank. Sounds decent. But if your outgoings are £2,000 a month, that's only five months of breathing space – and that's before you factor in emergencies, car repairs, or inflation quietly nibbling at your balance.

Income protection is about *sustainability*. It keeps your savings intact for genuine one-off events, rather than slow financial bleeding.

A Simple Formula That Works

Here's a straightforward way to estimate your cover level:

1. **Add up your essential monthly expenses.**

Let’s say: £2,000.

2. **Subtract any regular household income you’d still receive.**
   Maybe your partner earns £1,000.
3. **Subtract any benefits or employer sick pay.**
   Let’s say you get Statutory Sick Pay (SSP) – £116.75 per week (£505 per month).
4. **The remainder is your shortfall.**
   £2,000 – £1,000 – £505 = **£495 per month** short.
5. **Round up slightly for safety.**
   £500–£600 per month of cover would keep things comfortable.

In practice, most people choose to insure **50–70% of their gross income**, which usually fills that gap nicely once you consider tax differences.

Example 1: The Employed Homeowner

- **Income:** £40,000 per year
- **Monthly net pay:** ~£2,600
- **Essential bills:** £1,900 per month
- **Savings:** £3,000
- **Sick pay:** Full pay for 4 weeks, then SSP (£505/month)

If they were off for six months, here’s how the maths looks:

Month	Income (employer/SSP)	Outgoings	Deficit	Savings left
1	£2,600	£1,900	£0	£3,000
2	£505	£1,900	-£1,395	£1,605
3	£505	£1,900	-£1,395	£210
4	£505	£1,900	-£1,395	£0
5	£505	£1,900	-£1,395	-£1,395
6	£505	£1,900	-£1,395	-£2,790

By month four, their savings are gone. By month six, they’re £2,700 in the red.
A policy replacing **60% of income (£2,000/month)** would completely bridge that gap – comfortably covering bills until they can work again.

Example 2: The Self-Employed Tradesperson

Self-employed people often get hit hardest when illness strikes.

- **Income:** £30,000 per year
- **Net monthly income:** ~£2,000
- **Outgoings:** £1,600
- **Savings:** £1,500
- **No sick pay, no benefits**

After one month off work, they're already eating into savings. Two months? They're struggling.

A long-term income protection policy paying **£1,200 per month** after an eight-week waiting period would keep their head above water indefinitely – right up until retirement if needed.

If you're self-employed, I'd say this kind of cover isn't optional. It's essential. You can read more about how lenders assess variable earnings and affordability on our income protection insurance page.

How Long Could You Cope Without Income?

This is the question that changes everything.

If you've got generous sick pay from work, you might be fine with a longer **deferred period** (the time before your policy starts paying). That'll keep your premiums lower.

If you're self-employed or on minimal benefits, you'll probably want payments to start sooner – four or eight weeks, say.

The table below gives you a rough idea of how deferred periods affect cost:

Deferred Period	When Payments Start	Typical Impact on Premium
4 weeks	After 1 month off work	Higher premiums
8 weeks	After 2 months	Moderate premiums
13 weeks	After 3 months	Lower premiums
26 weeks	After 6 months	Lowest premiums

The trick is matching the deferred period to your real-world resilience – your savings, your employer policy, your partner’s income. Get that balance right and you’ll never overpay.

Don’t Forget Inflation

Here’s something people overlook.

A policy that pays £1,500 a month today might not stretch as far in ten years’ time. That’s why most good income protection plans offer an **index-linked option**, where your cover (and premium) rises with inflation each year.

It’s not glamorous, but it keeps your safety net from shrinking silently in the background.

Align Your Cover with Your Mortgage

For most households, the mortgage is the big one.

If your income stops, missing payments can escalate quickly – late fees, credit score damage, the lot. So many people base their cover amount directly on their **monthly mortgage payment plus essential bills**.

For example, if your mortgage is £900 and your total monthly essentials come to £1,800, you could insure around £1,800–£2,000.

It’s enough to protect your home and give breathing room without paying for unnecessary extras.

And if you want more detail on how these policies fit into mortgage planning, see our main income protection insurance page for a clear breakdown of how it complements life and critical illness cover.

Should You Cover "Lifestyle" Spending Too?

This is where people get carried away.
Do you *need* to insure the gym membership, streaming services, and takeaway budget? Probably not.

But you also don't want to strip your lifestyle down to bare survival. If you've got kids, for example, or regular commitments like club fees or family support, factor those in too.

The right balance sits somewhere between **bare minimum** and **comfortable continuity**.

How Much Cover Is "Too Much"?

You can't just insure 100% of your income – insurers won't let you. That's because the goal is to motivate recovery, not replace work entirely.

Most providers cap it around **60–70% of your gross income**, tax-free.
Any more than that and you'd end up better off sick than working – which creates, shall we say, "perverse incentives".

If you've got fluctuating income (like bonuses or overtime), most insurers base your cover on an average of the last 12 months, or sometimes your last three years if you're self-employed.

Common Mistakes People Make

1. Setting the wrong deferred period.

If you’ve only got a month’s savings, don’t choose a six-month deferral. You’ll run dry before the first payment lands.

2. Ignoring joint finances.
If your partner also relies on your income, cover your shared expenses – not just your own.

3. Forgetting about tax.
Most policies pay out tax-free, so you don’t need to cover your full net salary. Covering 60% of your gross income roughly matches your take-home pay.

4. Choosing the cheapest option.
Short-term cover might look affordable, but if you’re off long-term, you’ll regret not going for a full-term plan.

5. Not reviewing regularly.
Got a pay rise? New mortgage? Baby on the way? Your cover needs to move with your life.

Real-World Snapshot

A 35-year-old teacher earning £36,000 might pay around **£25–£40 per month** for a long-term policy covering £1,800 monthly after an eight-week deferral.
A 42-year-old builder earning £45,000 might pay **£60–£80 per month** for £2,200 cover starting after four weeks.

That’s about the cost of a gym membership – or two takeaways – for the peace of mind that your home and bills are covered indefinitely.

Final Thought

There’s no perfect formula. The right amount of cover depends on your lifestyle, dependants, and tolerance for risk.

But here’s what’s certain:

If losing your income would force you into debt, dip into savings, or sell something important, then you probably need income protection.

Start by working out your essentials, match it with your financial buffer, and choose a cover level that feels sustainable – not excessive, not bare-bones.

The aim isn't to live comfortably off insurance forever. It's to **buy yourself time** – time to recover, rebuild, and get back on track without everything else unravelling.

Note: The information in this guide was correct at the time of publication but is subject to change.