

The Contractor's Financial Safety Net

A practical guide to getting mortgage-ready and protecting your income, family and business

Contracting changes the risk

You gain flexibility and control, but you may also lose the standard lending assumptions and workplace benefits that permanent employees rely on. This guide helps you identify the gaps before they become urgent.

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How to use this guide

You do not need to become an expert in mortgage underwriting or insurance. Use this guide to recognise where contractor income creates a problem, understand the main types of support available and prepare useful questions for an adviser.

The starting point is not “Which policy should I buy?” It is “What would happen if this risk occurred, and what financial gap would it create?”

A five-minute starting exercise

Write down your essential monthly household costs, the people who depend on your income, your mortgage and business debts, the benefits available through SourcePay or a current assignment, and how long your savings could support you if work stopped. Those answers reveal which gaps deserve attention first.

The four gaps contractors should review

Gap	The contractor problem	What may help
Borrowing gap	A lender assesses payslips or taxable drawings instead of your real contract earning power.	Specialist contractor mortgage advice and a lender assessment based on day rate, contract value, umbrella pay or the most appropriate accounts evidence.
Income gap	Illness or injury stops you working and long-term sick pay is limited or absent.	Personal or executive income protection, supported by critical-illness cover and private healthcare where suitable.
Family gap	Your income, death-in-service equivalent or company-funded benefits disappear after death or serious illness.	Life insurance, Relevant Life, whole-of-life and critical-illness cover, plus suitable trust or estate-planning support.
Business gap	The company loses a key person, needs to repay borrowing or cannot fund an ownership transition.	Key-person, shareholder or partnership, business-loan and executive income protection, plus other business insurance.

Quick risk check

If you answer “no” or “not sure” to any of these questions, it is worth including the issue in an adviser conversation.

- Could your household meet its essential costs if you could not work for six months?
- Would a lender see your day rate, contract value or company performance rather than only a small salary or recent payslips?
- Would your mortgage and family commitments remain manageable after death or a serious illness?

- Do you know exactly what SourcePay, an umbrella arrangement or a current assignment provides—and when those benefits end?
- Could your limited company continue if you or another key person were unavailable?
- Is there a funded plan for business loans or the transfer of shares after death or critical illness?
- Have your policies been reviewed since your last major change in income, contract status, mortgage, family or business ownership?

1. Getting a mortgage when your income is not standard

The mortgage itself is not a special product simply because you are a contractor. The difference is how a lender assesses affordability and continuity of income. A lender that relies only on payslips, P60s or tax returns may not capture a day rate, retained company profit or the normal pattern of contracts and short gaps.

How contractor income may be assessed

Assessment route	How it works	When it may be relevant
Day-rate assessment	The lender annualises an eligible day rate using its own working-week assumption.	Contractors whose current rate better reflects earning power than salary or dividends.
Contract-value assessment	The current contract value is annualised or assessed alongside contract history.	Fixed-term or project-based professionals with clear contract documentation.
Umbrella or PAYE assessment	Payslips and employment income are reviewed under criteria that recognise umbrella deductions and assignment patterns.	Inside-IR35 or umbrella contractors.
Accounts or tax-return assessment	Company accounts, salary, dividends, profit or SA302 information are used according to lender rules.	Established limited-company directors or self-employed applicants.

No method guarantees acceptance or a particular borrowing amount. Credit history, deposit, expenditure, property type, contract continuity and lender criteria still matter.

Mortgage needs Broadbench can support

- Buying a first home when standard affordability calculations undervalue contract income.
- Moving home while changing contracts, umbrella providers or IR35 status.
- Remortgaging before a fixed deal ends or when existing lender criteria no longer fit.
- Applying for a further advance for improvements or another permitted purpose.
- Arranging buy-to-let finance as a contractor, freelancer or business owner.
- Applying as a new contractor with relevant professional or sector experience.

Documents worth preparing

Information	Why it helps
Current contract and renewal information	Shows rate, term, role and expected continuity.
Recent umbrella or PAYE payslips	Provides evidence of current income and deductions.

Information	Why it helps
Limited-company accounts and personal tax documents	Supports routes based on trading history, salary, dividends or profit.
Contract history or professional CV	Helps explain continuity where there are short gaps or a recent move into contracting.
Deposit, credit commitments and monthly expenditure	Allows a realistic affordability and lender-criteria review.

Problem to solve

Do not apply repeatedly until a high-street lender understands your income. Multiple unsuitable applications can waste time and may affect future choices. Start by identifying the assessment route and lender criteria that fit your circumstances.

Ask Broadbench about a contractor mortgage

Returns to the SourcePay page and booking form

2. Protecting income and access to healthcare

For many contractors, the ability to work is the asset that funds everything else. Savings can cover a short interruption, but a longer illness or injury can affect household bills, mortgage payments, pension contributions and the ability to keep a company operating.

Four different problems, four different tools

Product	What problem it addresses	Important points to discuss
Personal income protection	Pays a regular benefit after a chosen waiting period when illness or injury prevents eligible work.	Definition of incapacity, benefit amount, waiting period, payment period, exclusions, occupation and existing benefits.
Executive income protection	Allows an eligible company to fund cover intended to replace income or remuneration when an insured employee cannot work.	Company eligibility, insured benefit, tax treatment, business structure, waiting period and how a claim would be paid.
Critical-illness cover	Pays a lump sum after diagnosis of a condition covered by the policy definition.	Covered conditions, severity definitions, survival period, amount of cover and whether the need is personal or business-related.
Private healthcare	Provides access to eligible private diagnosis and treatment rather than replacing lost earnings.	Underwriting, exclusions, hospital list, outpatient limits, excess and personal versus business arrangements.

These products are not interchangeable. Private healthcare may help you access treatment but does not replace earnings. Critical-illness cover provides a lump sum only for conditions meeting the policy definition. Income protection is designed around incapacity and ongoing income loss.

Questions that shape an income-protection plan

- How long could savings and any SourcePay, umbrella or statutory benefits cover essential costs?
- What monthly amount would keep the household stable without over-insuring?
- Should the policy be held personally or funded through an eligible limited company?
- How is inability to work defined for your occupation?
- How long should a claim be payable, and to what age should cover continue?
- What existing medical conditions, exclusions or underwriting terms need to be understood?

Problem to solve

The aim is not simply to buy the highest benefit. It is to create a dependable bridge between the day income stops and the day you can work again or another long-term plan takes over.

Ask Broadbench about protecting income and health

Returns to the SourcePay page and booking form

3. Protecting family, home and estate

A contractor may not have a permanent employer's death-in-service scheme. Even where an assignment provides benefits, they may end when the assignment or employment arrangement ends. Personal or company-funded protection can create a safety net that is not tied to one contract.

Product or support	The need it may address
Personal life insurance	A lump sum or other insured benefit for dependants, mortgage repayment or future household needs after death during the policy term.
Relevant Life cover	Company-funded life cover for an eligible employee or director, structured under specific rules and often used by small businesses.
Whole-of-life cover	A policy intended to pay whenever death occurs, subject to premiums and terms; it may form part of legacy or inheritance-tax planning.
Critical-illness cover	A lump sum after diagnosis of a covered serious illness, helping with debt, recovery costs or a period away from work.
Buildings and contents insurance	Protection for the home structure and possessions against insured events.
Inheritance-tax-focused protection	Insurance arranged to help meet an expected estate liability; tax and legal advice may also be required.
Wills and trusts support	Introductions to an appropriate specialist where legal documents or estate structures are required.

Work backwards from the financial consequence

Before choosing an amount of cover, list the liabilities and needs the policy would have to fund. These may include a mortgage, other debt, childcare, school costs, household income, business guarantees, funeral expenses or a future inheritance-tax bill.

Then consider what would already be available: savings, investments, existing policies, pension benefits, property equity and any benefits attached to current employment or an assignment. The difference is the protection gap.

Problem to solve

A policy should be connected to a clear financial purpose. "I have life cover" is not enough if the amount, term, ownership or trust arrangement no longer matches the people and liabilities it is meant to protect.

Ask Broadbench about protecting family and home

Returns to the SourcePay page and booking form

4. Protecting a limited company and its owners

Small businesses can be highly dependent on one or two people. Protection creates funding when an event that affects a person would otherwise become a cash-flow, debt or ownership crisis for the company.

Business protection	The contractor or company problem it may address
Key-person insurance	The company suffers a financial loss when a person central to revenue, relationships or operations dies or becomes critically ill.
Shareholder or partnership protection	The remaining owners need funds and a legal mechanism to purchase an affected owner's interest after death or critical illness.
Business-loan protection	A company loan, overdraft or personal guarantee could become difficult to repay after the death or critical illness of a key person.
Executive income protection	An insured employee or director cannot work and the business needs funding connected to their remuneration or absence.
Relevant Life cover	The company wants to provide eligible life cover for a director or employee outside a large group scheme.
Business healthcare	The company wants eligible staff or directors to access private diagnosis and treatment.
Professional indemnity	A client alleges that professional advice, services or an error caused financial loss, subject to the policy terms.

Business-continuity questions

- Whose absence would materially reduce revenue or stop delivery?
- What borrowing, overdrafts, guarantees or director loan accounts would remain?
- Who would own the shares after a death, and would the other shareholders be able to buy them?
- Would the business have enough cash to recruit, replace expertise or reassure clients?
- Do client contracts require a particular level of professional indemnity or other insurance?
- Are current policies owned by the right party and aligned with the legal agreements they are meant to fund?

Problem to solve

Insurance alone does not create a succession agreement or determine who can buy shares. Business protection works best when the policy, company records and legal documents are designed to operate together.

Ask Broadbench about protecting a business

[Returns to the SourcePay page and booking form](#)

5. When should a contractor review their arrangements?

Protection and mortgage arrangements can become unsuitable without anything being wrong with the original advice. The usual cause is that life or work has changed.

Change	What to review
Moving between umbrella, PAYE and limited-company work	Income evidence, lender criteria, policy ownership, benefit structure and any lost workplace benefits.
Moving inside or outside IR35	Net income, affordability, premium budget and whether company-funded protection remains appropriate.
Starting or renewing a mortgage	Borrowing capacity, interest-rate exposure, mortgage protection and household resilience.
A large day-rate or income change	Affordability evidence and whether existing income or life cover is now too low or too high.
Marriage, separation, children or dependants	Beneficiaries, trusts, term and amount of life, critical-illness and income protection.
Taking on a business partner, key employee or borrowing	Key-person, shareholder or partnership, loan protection and legal agreements.
A health change	Existing cover, underwriting implications and the importance of advice before cancelling or replacing a policy.
Approaching a fixed-rate or policy review date	Available mortgage routes, premiums, policy terms and whether the original need still exists.

Important

Do not cancel existing protection until replacement cover has been accepted, terms are understood and the adviser has confirmed the appropriate sequence. A health change can make replacement more expensive, restricted or unavailable.

6. Preparing for an adviser conversation

The initial call is more useful when you can describe the problem and provide a rough picture of the numbers. Exact documents can follow later if needed.

Bring or consider	Examples
Work and income	Contract type, day rate or salary, umbrella or limited-company status, IR35 position, contract end date and work history.

Bring or consider	Examples
Household commitments	Mortgage, rent, debts, essential monthly spending, dependants and savings.
Business commitments	Loans, guarantees, shareholders, key employees, revenue dependence and client insurance requirements.
Existing protection	Policy type, owner, insured person, benefit amount, term, premium, exclusions and trust status where known.
Your priorities	The event that worries you most, what must be protected first and the budget you would be comfortable exploring.

Questions to ask the adviser

- Which problem does this recommendation solve, and what remains uncovered?
- Why is this lender, insurer or policy structure suitable for the way I work?
- What evidence, underwriting or exclusions should I expect?
- What happens if I change contract, income, IR35 status or company structure?
- Who owns the policy, who receives a claim payment and should a trust or legal agreement be involved?
- What does the advice cost, what does the product cost and how is the adviser paid?
- When should the arrangement be reviewed?

A simple priority plan

If the full range of risks feels overwhelming, work in this order:

1. Protect the income and cash flow that keep essential household and business commitments paid.
2. Protect the people who would face the greatest financial loss after death or serious illness.
3. Protect the mortgage, business borrowing and ownership arrangements that could create an immediate crisis.
4. Review healthcare access, property insurance and longer-term estate-planning needs.
5. Set a date to review everything after major changes or at an agreed regular interval.

You may not need every product in this guide. The purpose of advice is to identify the material gaps, avoid unnecessary overlap and decide what should be addressed now, later or not at all.

Start with the problem. Broadbench will help you work out the solution.

As a SourcePay contractor, you can book a no-obligation call with a Broadbench adviser who understands umbrella, day-rate, limited-company and contract-based income. Tell the adviser what you are trying to achieve or protect; you do not need to choose a policy first.

Book a no-obligation adviser call

Returns to the SourcePay page and booking form

Important information

This guide provides general information and is not a personal recommendation, tax opinion or legal advice. Product eligibility, premiums, underwriting, terms and exclusions apply. Tax treatment depends on individual circumstances and may change. Where wills, trusts, tax or legal arrangements are involved, advice from an appropriately qualified specialist may be required. Broadbench Ltd is authorised and regulated by the Financial Conduct Authority, number 590288, in respect of mortgage and insurance mediation activities only. Your home may be repossessed if you do not keep up repayments on your mortgage. Broadbench charges a non-refundable mortgage fee of £500, payable on application.