



TAX EFFICIENT PROTECTION RELEVANT LIFE PLANS

JOHN DUCKMAN Independent Financial Adviser

Tax Efficient Life Insurance

Many businesses offer a wide range of benefits to attract and retain the people they need.

Several of these benefits become much less attractive when you realise that you will be paying tax on them, including death-in-service cover and income protection.

But there are ways of providing this kind of cover without being financially penalised:

Relevant Life Plans

A relevant life policy is life insurance set up to provide a death benefit for an employee, but this can also include a company director.

Like death in service, it can provide a lump sum to an employee's family and dependents in the event of their death. The benefits are currently exempt from any income tax or national insurance liability and are normally free from Inheritance tax.

Please note that salaried directors can benefit from this cover, but sole traders and companies set up as partnerships are not eligible for this cover.

Larger Pay out

Death in service insurances are typically offered through the company's pension scheme. This means they count towards the lifetime allowance, which is currently £1.03 million for tax year 2018/19 rising to £1.055 million in tax year 2019/20. With schemes regularly offering up to four times annual salary, it would be very easy, particularly for highly paid key employees to exceed that threshold if a claim is made.

This would mean that any pay-out would be reduced by a lifetime allowance excess tax charge leaving less money to support the dependents.

Relevant life policies sit outside of an individual's pension provision and are written under a discretionary trust.

The recipients would be able to receive all the money tax-free.

Even More Tax Efficient

Relevant life policies also bring attractive tax advantages for business owners, company directors and employees.

They are considered a business expense and are therefore paid before taxable profits are generated. This means that they do not require any contribution from the employee or count as a taxable benefit in kind. Employees can enjoy the cover without any kind of financial penalty.

What's more, because they are made before profits are calculated, they reduce corporation tax liabilities. They are also not eligible for National Insurance.

Both employers and employees can be better off with a Relevant Life policy.

Please contact us at Continuum for a personalised quotation or further information.



The Financial Conduct Authority does not regulate deposit accounts.

Your home may be repossessed if you do not keep up repayments on your mortgage.

The Financial Conduct Authority does not regulate taxation & trust advice and will writing.

In most cases Relevant Life Plan premiums and benefits enjoy full Income Tax relief, National Insurance relief and Corporation Tax relief.

All statements concerning the tax treatment of products and their benefits are based on our understanding of current tax law and Inland Revenue practice. Levels and bases of, and relief's from taxation are subject to change.

MORTGAGES | LIFE INSURANCE | SAVINGS | INVESTMENTS | PENSIONS | ESTATE PLANNING



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