



RELEVANT LIFE PLAN

PUT LIFE COVER ON EXPENSES.

A Relevant Life Plan is a cost efficient way of offering life cover to you or your employees. It's tax efficient and, in most cases, premiums can be treated as an allowable business expense by HMRC. With Corporation tax relief available, no additional income tax or NI to pay, it's good business for both you and your employees.

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ADDED PEACE OF MIND TAX FREE.

A Relevant Life Plan offers some very special advantages to directors and employees of small businesses, most notably tax efficiency. While the cover is personal to you and your employees, the policy may count as a business expense so it's tax deductible and does not count towards annual or lifetime pension allowances. It's also a cost-effective way to offer life cover to your employees if your business is not eligible for a group life scheme

WHAT IS THE RELEVANT LIFE PLAN?

- It's designed to provide life cover for an employee, which may include directors, whilst they are employed.
- Your business pays regular premiums based on the level of cover.
- If the person covered dies or is diagnosed with a terminal illness whilst in employment during the term, the plan pays a fixed, one-off lump sum.
- The plan is designed to meet certain legislative requirements that mean your premiums, benefits and options should be treated tax efficiently.

WHO CAN TAKE OUT A RELEVANT LIFE PLAN?

To be eligible for a Relevant Life Plan, the person covered must be an employee of a UK business, which can include company directors who are salaried. Unfortunately, Relevant Life Plans are not available for sole traders, equity partners of a partnership or equity members of a Limited Liability Partnership. The rest of this guide assumes that the person covered is an employee of the business.



HOW IT WORKS

Company takes out a Relevant Life Plan



Which insures the employee's life



The Relevant Life Plan is put in trust to a person/s or charity of the employees choice.



If the employee dies during the term a claim is made by the trustee/s.



The plan pays out to the trustee/s.

IF YOU OR AN EMPLOYEE LEAVES THE COMPANY

There are two options which must be exercised within 90 days of leaving:

- The new employer can apply to continue the policy, with Terminal Illness Cover, without the need for further medical evidence or underwriting.
- The former employee can continue with the policy without Terminal Illness Cover or the need for further medical evidence or underwriting.

Terms and conditions apply.



▶ AMOUNT OF COVER

The Maximum amount of cover available usually depends on the employee's age and remuneration (as decided by you, the employer) and is reduced if the employee already has any family protection cover in place.

- **Age 17 to 29:** up to 25x remuneration package
- **Age 30 to 39:** up to 25x remuneration package
- **Age 40 to 49:** up to 25x remuneration package
- **Age 50 to 59** up to 20x remuneration package
- **Age 60 to 73** up to 15x remuneration package

WHAT MAKES THIS PLAN SO GOOD FOR COMPANY DIRECTORS?

- You can effectively make a saving on life cover compared with paying for it personally.
- Premiums are normally classed as a business expense and so are likely to be an allowable deduction for Corporation Tax purposes.
- Keeping the plan in trust offers the potential to plan for Inheritance Tax if your estate is or is likely to be worth more than the current Inheritance Tax threshold.
- Offers a cost-effective way to provide life insurance with terminal illness cover benefits to your employees.
- Our key documentation has been reviewed by William Massey QC, a top senior English barrister.



ADDITIONAL BENEFITS

The plan automatically includes some additional benefits, at no extra cost. While the application is being underwritten, the employee will be covered with Accidental Death Benefit. Please refer to our Key Features Document for more information. The employer can increase the level of cover without the need for further underwriting. This is known as the Guaranteed Insurability Option and is available if the employee:

- Receives an increase in remuneration.
- Increases their mortgage to move or to make major home improvements.
- Gets married or enters into a registered civil partnership.
- Becomes a parent.

As the employer, you'll have to pay the extra premiums.
Terms and conditions apply.



WHAT CAN YOU SAVE?

The unique way in which Relevant Life Plans work mean you can effectively have the taxman help pay for your personal life cover.

EXAMPLE SAVING: BUSINESS DIRECTOR

Andrew Millar is managing director of a furniture design business in Lancashire. He already has a life policy but with he and his wife about to have their third child, he wants to increase his cover to help make sure his family would be financially secure if he died. His existing plan doesn't allow him to increase his cover, so he decides to take out further cover by starting a new life policy.

Comparing the two plans that his financial adviser recommends, he doesn't hesitate to choose the Relevant Life Plan. Below you can see the sums that made his decision easy.

The Relevant Life Plan is particularly beneficial for Andrew because he's employed as a salaried director and is also a shareholder of the business, so all the savings go to him. If he were to pay for his life cover personally it would cost £1,569.65 every year. By the company using a Relevant Life Plan to provide cover, it only costs £800 each year. That's £769.65 less, which is a saving of almost 50%.

The example assumes that Andrew's Relevant Life Plan gets full tax relief and qualifies as a allowable business expense.

	NON-RELEVANT LIFE PLAN POLICY	RELEVANT LIFE PLAN
Annual Premium	£1,000	£1,000
Employee National Insurance Contribution (assuming 2%)	£34.48	None
Income Tax (assuming 40%)	£689.65	None
Gross earnings needed	£1,724.13	£1,000
Employer National Insurance Contribution (assuming 13.8%)	£237.93	None
Total gross cost	£1,962.06	£1,000
Less Corporation Tax (assuming 20%)	£392.41	£200
Tax-adjusted total cost	£1,569.65	£800



This example is fictitious and provided for illustration purposes only. Actual premiums will depend on individual circumstances. As with all insurance policies, there are exclusions and limitations. Your financial adviser will be able to discuss these with you.

GOOD NEWS AT A BAD TIME.

It's reassuring to know that, if the unthinkable ever happened to the employee, the decision to take out a Relevant Life Plan could help secure their family's financial future.

EXAMPLE PAY OUT: MANAGING DIRECTOR

Andrew Millar is employed as a managing director of an automotive manufacturing business in Coventry. Andrew leads a healthy lifestyle and takes plenty of exercise, but he worries that someday he may not be around to support his wife, Ellen. The company takes out a Relevant Life Plan, setting his cover at £1 million. Andrew nominates Ellen as a beneficiary.

If the worst did happen and Andrew died during the term, the Relevant Life Plan trustees would receive £1 million. This could then be paid, tax free to Ellen, giving her enough money to pay off the mortgage on the family home and hopefully live comfortably for years to come.

The chart below explains how it would work, assuming that Andrew's Relevant Life Plan gets full tax relief and qualifies as an allowable business expense.



THE IMPORTANCE OF TRUSTS

Writing a policy in trust is one way of helping make sure the benefits of the policy are paid out to those who you want it to go to and without unnecessary delays. Trusts can provide the following benefits:

- Beneficiaries may receive the money at the right time tax efficiently.
- Probate is avoided.
- Intestacy law avoided.
- IHT liability may be avoided/reduced.





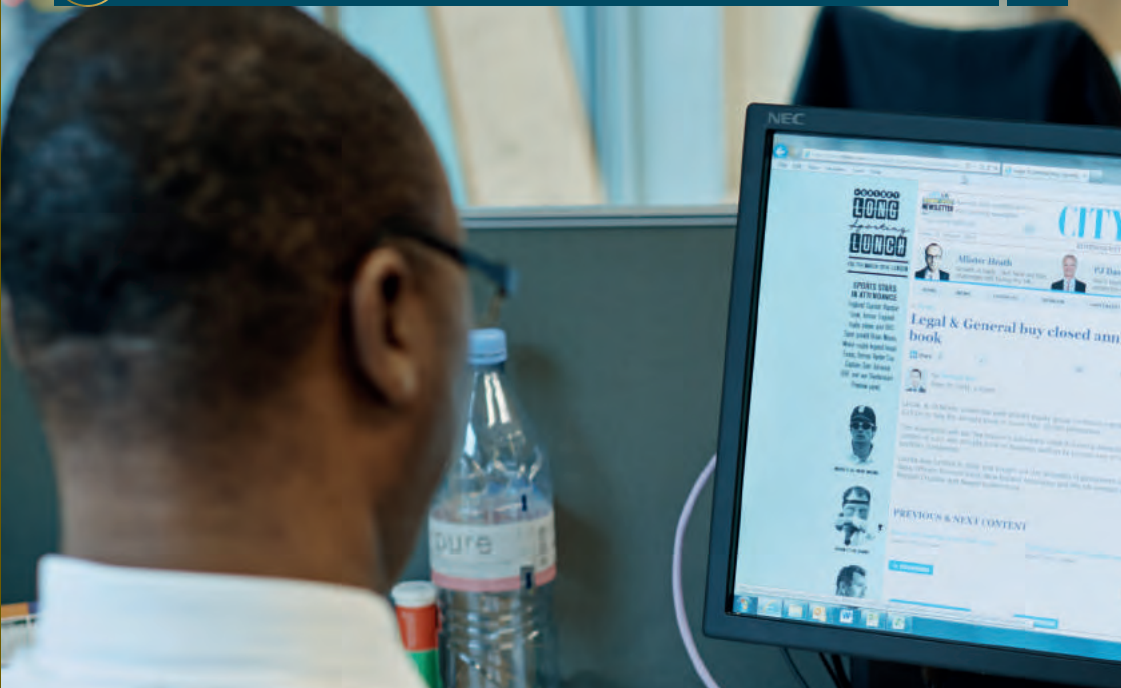
IN A SMALL BUSINESS.

A Relevant Life Plan can be the ideal way to provide life cover benefits to your employees in a practical and cost effective way.

GROUP EXAMPLE: A SMALL BUSINESS OF LESS THAN FIVE PEOPLE

Sebastian Greene is owner-operator of a tree surgery business based in Bristol. Sebastian works full-time and employs two others – Amy, another experienced tree surgeon, and David, a trainee. It's a job that carries risks, even for qualified professionals, so Sebastian would like to provide life assurance to cover himself and his employees.

Sebastian cannot access a full group life scheme because his company is too small but his financial adviser suggests he takes a look at our Relevant Life Plan, which could offer an affordable alternative. The chart below explains how the costs work, assuming the Relevant Life Plans get full tax relief and qualify as an allowable business expense.



	SEBASTIAN	AMY	DAVID
Premium	£100 a month	£70 a month	£30 a month
Employee National Insurance Contribution	None	None	None
Income Tax	None	None	None
Total company gross cost	£100 a month	£70 a month	£30 a month
Employer National Insurance Contribution	None	None	None
Less Corporation Tax (assuming 20%)	£20	£14	£6
Tax-adjusted cost	£80	£56	£24



This example is fictitious and provided for illustration purposes only.



COVER WHERE IT'S DUE.

Death In Service benefits (from registered group schemes) can mean the estates of people with large pension funds incur extra tax. That's not true of a Relevant Life Plan because, under the current rules, its premiums and benefits don't count towards the annual or lifetime pension allowances.



PENSION EXAMPLE: THE LIFETIME ALLOWANCE

Andrea Davidson is 45 and lead architect for a civil engineering practice in London. She earns £100,000 a year. Andrea's dream is to design and build her own home when she retires. After making considerable contributions to her pension, she's amassed a retirement fund of £500,000. Enough, with the sale of her current home, to build her own house and live comfortably in retirement.

As of this year, Andrea's employer has decided they would like to offer all key employees a Death In Service benefit of 10 x salary, with the aim of keeping the longest serving and most talented people at the company.

If her employer decided to use a group life plan, which is a registered pension scheme, Andrea and her family could actually lose out because any claim would put her pension funds over the lifetime allowance, with the excess taxed at 55%. Fortunately, the company director does his homework and, with the help of a financial adviser, opts instead for our Relevant Life Plan.

This means if Andrea dies before she retires and before the policy expires, her family could receive all the money they were due, leaving them potentially more than £275,000 better off.

	DEATH IN SERVICE	RELEVANT LIFE PLAN
Size of Andrea's pension fund	£500,000	£500,000
Lifetime allowance tax year 2015/2016	£1 million	£1 million
Life Cover	£1 million	£1 million
Pension funds on death	£1,500,000	£500,000
Excess above the lifetime allowance	£500,000	None
Tax payable on excess @ 55%	£275,000	None



This example is fictitious and provided for illustration purposes only.

FIND OUT MORE

To find out more, please contact your insurance broker who can give you a copy of the Key Features Document and Policy Terms and Conditions, which explains the benefits and limitations of the Relevant Life Plan in more detail.

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