



# Keeping your senior leaders on the right path

EXECUTIVE PENSION AND BENEFIT PLANNING

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# Executive Pension and Benefit Planning

Wren Sterling has created a Pension and Benefit Planning service specifically for the personal financial planning needs of senior executives, directors and business owners.

We know your people are central to your success and you want to remunerate them in a way that makes your commitment clear. Supporting that will undoubtedly be a benefits scheme that satisfies their professional and lifestyle aspirations.

However, when you offer competitive salaries and benefits to your executives it can introduce tax planning issues, if it isn't managed proactively by an expert financial adviser.

Wren Sterling overcomes this by pairing corporate advisers with private client advisers, ensuring you get the maximum benefit from your investment in our relationship.

This brief guide introduces the different aspects of our service and poses questions about your financial planning arrangements, which will form the basis of a discussion with your Wren Sterling adviser.

## Where we are

We have advisers throughout the UK, based in 8 regional offices including our Head Office in Nottingham.

- Glasgow
- Halifax
- Nottingham
- Warwick
- Grantham
- London
- Weybridge
- Belfast





# Personal Financial Planning for Executives

We can help you support your executives directly by providing holistic personal financial advice that covers everything from their pension arrangements to wealth planning to protection.

## Executive Pension Planning

For those with higher incomes it is important to balance tax efficiency with flexibility to ensure that, whilst taxation is minimised, this does not compromise the overall investment strategy or become an excessive financial burden.

First of all we can review your executive's existing pension planning arrangements to check their ongoing suitability. This can include company pensions and self-invested pension schemes.

Within this exercise we will assess whether the executive has breached or is likely to breach the lifetime and annual allowances and what provisions and advice needs to be in place to counteract that.

Furthermore government measures have been introduced to restrict tax relief for high earners and this includes 'tapering' of an individual's annual allowance. Wren Sterling can provide careful guidance to ensure all affected individuals are not unnecessarily penalised with additional tax charges.

Our advisers have access to solutions from across the market, including SIPPs, SSAS and complementary benefits and we use these to create a bespoke report for your executives recommending a clear course of action.

## Lifetime and annual allowances

Recent changes to the annual and lifetime allowances can mean high earning executives, or those with large final salary pension schemes, are at risk of breaching either of these allowances, with tax consequences for doing so.

## Pensions in accordance with annual and lifetime allowances

You usually pay tax if your pension pots are worth more than the lifetime allowance. This is currently £1 million. If you're in more than one pension scheme, you must add up what you've used in all pension schemes to which you belong.

You might be able to protect your pension pot from reductions to the lifetime allowance.

Type of pension pot	What counts towards your lifetime allowance
Defined contribution - personal, stakeholder and most workplace schemes	Money in pension pots that goes towards paying you, however you decide to take the money
Defined benefit - some workplace schemes	Usually 20 times the pension you get in the first year plus your lump sum - check with your pension provider

The rate of tax payable on pension savings above the lifetime allowance depends on how the money is paid - the rate is:

- 55% if paid as a lump sum
- 25% if nominated to be paid as an income

Wren Sterling can advise on the right strategy for your executives on an individual basis.

## Cashflow Planning

Your executives and their families deserve to know how their wealth and decisions made around investments, taxation and planning, will impact their lives now and in the future.

Cashflow planning can help answer questions such as:

- Will I have enough money to stop working when I want to?
- Am I going to run out of money in later life?
- Will I be able to afford care home fees if I need to?
- Am I going to leave behind an Inheritance Tax bill?
- Can I afford to spend more now?
- Will my family be financially stable if I die unexpectedly?

Using market-leading technology and the skill and experience of an expert, we can map your executives' current circumstances and plot the likely path for your executives through to retirement and beyond.

## Wealth Management

Wren Sterling's wealth management offering is a wide ranging service and is a natural follow on from an individual consultation and cashflow planning appointment.

We look after the existing wealth of your executives, plan for the future and protect their plans from the expected (taxes) and the unexpected (illness or premature death) through our range of financial planning and insurance options.

Financial planning alone doesn't cover all the requirements of senior executives though; it requires a holistic approach, involving accountants and solicitors to deliver a complete strategy. Whilst the Wren Sterling adviser drives and coordinates the wealth management plan, our professional connections also contribute to make it all possible. For more information on our private client services, please contact your adviser for a brochure.

## Relevant Life Policy

A Relevant Life Policy is a single life plan taken out on the life of an employee by an employer, if all criteria is met. Payments are treated as a business expense and are likely to be classified as an allowable deduction against Corporation Tax for the employer. Other benefits include:

- No liability for the employee to Income Tax
- No liability for the employer or employee to National Insurance
- Benefits paid tax free to the nominated beneficiaries
- These payments do not form part of an individual's annual or lifetime allowance

## Executive Remuneration

Our oversight can ensure your executive remuneration strategy is tax-efficient. Particularly with ever changing pension legislation, good intentions can sometimes result in an unexpected tax bill, reducing rather than enhancing remuneration. Regular reviews guard against this possibility.

### Fees

The line between what is considered corporate business and private financial planning is yours to draw. For example, you may wish to only cover our fee for the review of the employment related benefits of your executives, with them paying our fee for any additional personal review. Alternatively, you may wish to consider paying for the entire process as an additional benefit. Our advice fees are commensurate with the work and responsibility involved.

# Business owner and SME planning

Protecting your business and your people now, whilst planning for the future, is key to businesses success. We can provide support in all areas from succession planning to corporate investments.

## Succession Planning and Business Assurance

Wren Sterling's succession planning and business assurance services are designed to protect your business and fellow directors from the unexpected. The best financial planning arrangements are only as good as the protection that underpins them, so we recommend that all our clients regularly review their protection policies to ensure their ongoing suitability.

Business protection can be complex, but it's designed for the unique circumstances of your business and can minimise the financial impact of disruption.

## Shareholder protection

It's not pleasant to think about the premature death of a shareholder, but safeguarding the future of the business is vital for other shareholders, as well as employees and other dependants. Failure to consider shareholder protection could leave your business unprepared.

For example, in the event of the death of a shareholder, other directors may need to seek a loan from the bank to buy those shares. What view will the bank take, at that point in time for the business, following the death of a key person? Will they lend?

Without shareholder protection, you could also leave the estate of the deceased in limbo as a buyer is sought, or it may be that the family of the deceased seek a role in the business, which you may find undesirable.

## Keyperson Protection

Without doubt the loss of a key employee is at the very least destabilising and can cause your business to have to operate differently - sometimes this change happens overnight. Processes may need to be reconsidered, roles and resources reallocated and you could be left with a critical role to recruit.

In more serious cases it may also damage profits, customer relations, future plans and the whole financial stability of a business.

It's a time for clear thinking, rather than snap decisions. It is possible to reduce the impact on your business with key person insurance. It can help prevent the loss of profits, protect loan repayments, safeguard the raising of capital, and give you valuable breathing space to take stock of your situation and plan sensibly.

## Profit Extraction and Exit Strategies

Knowing when and how to withdraw equity from your business in the most tax efficient manner is essential to executive financial planning.

Our profit extraction and exit strategy options look at the choices available and then create a tailored plan. This will take into account your personal circumstances and aspirations and those of the business.

## Planning Remuneration

Our oversight can ensure your remuneration strategy is tax-efficient. Pension policy in particular has changed regularly in the past few years, so the risk is that the right intentions can actually leave the people they were designed to remunerate facing an unexpected tax bill.

## Dividend strategies

Dividends have undergone big changes in recent times. A common strategy has been to draw a salary of around £8,000 while also receiving dividends. Previously there was a 10% dividend credit that applied to extracting profits in this way.

As of 6 April 2016 the tax credit has been replaced with a £5,000 annual dividend tax allowance. Dividend income that exceeds £5,000 and the income tax personal allowance is taxed at the following rates:

- basic rate: 7.5%
- higher rate: 32.5%
- additional rate: 38.1%.

## Winding the business up

Once it has been determined that a company is to be wound up, there are a number of relationships and obligations which must be terminated. Wren Sterling can help manage this process, calling on our professional connections network to assist and advise.

## Corporate investments

In a low interest rate environment, companies are seeking returns on surplus cash not required as working capital. We offer a range of solutions that aim to generate positive investment returns within time periods that align to the organisation's strategic goals.

# Next steps

To arrange for an executive benefits expert to meet your senior team and prepare a report covering the relevant aspects contained in this document, please contact your Wren Sterling adviser. If you don't have a Wren Sterling adviser, please contact:

 0370 1432 100

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