

**SILVER
LEVENE**

FINANCIAL

A GUIDE TO RELEVANT LIFE POLICIES _



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FINANCIAL

ARE YOU AND YOUR BUSINESS MISSING OUT?

Most people pay for life insurance on an individual basis. But, if you own or part own your company, an alternative option exists that could potentially save you thousands of pounds in insurance premiums.

If you've got a mortgage, have children or own assets then more likely than not, you've got personal protection policies. Even if you're not a homeowner, anyone with a spouse, a long-term partner or dependents of any kind should consider getting life insurance as a first port of call in the financial planning process.

Neglecting this element of your financial planning can undo the best-laid plans – as without an immediate financial safety net in the event of your death or terminal illness, your loved ones might not see the full benefits of the assets you leave behind.



SAVE 49%*
ON YOUR
PERSONAL
PROTECTION

***Based on**

- £200 monthly premium
- 40% income tax rate
- Pay 2% national insurance

ARE YOU AND YOUR BUSINESS MISSING OUT?

Relevant Life Policies also offer the option of including a significant illness benefit.

The last thing anyone wants to worry about when they're seriously ill is money. This cover will allow you to get the support you need should the worst happen.

However, getting covered is not the end of the story. If you are unfamiliar with a "Relevant Life Policy" and own a company there's a strong chance you're paying a lot more for protection than you need.



LIFE INSURANCE

+

OPTIONAL SIGNIFICANT ILLNESS

+

TAX-EFFICIENCY

=

RELEVANT LIFE POLICY

WHAT IS A RELEVANT LIFE POLICY?



A Relevant Life Policy works like traditional life insurance and significant illness policies, except that you don't pay for it yourself. The policy pays your family a cash lump sum through a trust if you die. But your company buys the policy and pays the premiums.

A Relevant Life Policy is designed for business owners who are too small to get group life insurance. You can take out relevant life cover to protect:

- Yourself
- Other company directors, such as your spouse or partner
- Contractors
- Your employees

**69% OF BUSINESSES HAD NEVER
HEARD OF A RELEVANT LIFE POLICY.**

Source: Legal & General, State of the Nation's SMEs - 2019

WHAT ARE THE BENEFITS OF A RELEVANT LIFE POLICY?

The main benefit of a Relevant Life Policy is that it's extremely tax-efficient. Here's how:

- The policy premiums are an allowable business expense, so they'll lower your corporation tax bill. This is because the policy benefits employees, which makes the expense 'wholly and exclusively' for business purposes.
- A Relevant Life Policy doesn't count towards your yearly or lifetime pension allowance limits.
- HMRC excludes a Relevant Life Policy from the definition of 'relevant benefit'. So, unlike benefits such as a company car, you don't pay income tax or National Insurance on it. You also don't have to declare it on your company's annual P11D form.
- The payout is usually exempt from inheritance tax because it's paid through a specially-designed trust that keeps it separate from your estate.

Relevant Life Policies are also portable. If you decide to start another business, you can still keep the policy. Or if you go employed you could ask your employer to pay for it.

Useful links

Business Income Manual

www.gov.uk/hmrc-internal-manuals/business-income-manual/bim37007

Employment Income Manual

www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim15045

The Annual Allowance

www.moneyhelper.org.uk/en/pensions-and-retirement/tax-and-pensions/the-annual-allowance

Lifetime Allowance for Pension Savings

www.moneyhelper.org.uk/en/pensions-and-retirement/building-your-retirement-pot/lifetime-allowance-for-pension-savings

THE COST OF LIVING WITH A TERMINAL ILLNESS IN THE UK CAN BE BETWEEN £12,000 AND £16,000 PER YEAR.

Source: Marie Curie, The Cost of Dying - 2019

HOW DOES A RELEVANT LIFE POLICY WORK?

An employer takes out a policy on an employee's life

The policy is put into trust for the beneficiaries

The employee dies, becomes terminally ill or meets the definition of employee significant illness leading to retirement or anticipated retirement

The trustees make a claim

The policy pays out to the trustees

At their discretion, the trustees can pay the employee in the case of employee significant illness or terminal illness or their chosen beneficiaries in the event of death



Is there a catch?

The only caveat with relevant life is that you own, or part own the business so there's an employer-employee relationship between the person covered and the business setting up the policy.

Should all business owners consider a Relevant Life Policy?

In a nutshell, **yes**. This sort of business protection should be priority for anyone who owns, or part owns, a business and wants to protect themselves, their family and their assets.

Some businesses will have different needs that make another sort of cover more appropriate. For example, Relevant Life Policies can't be used as shareholder protection, as they're essentially personal life cover for the benefit of financial dependents.

39% OF PEOPLE WITH CANCER HAVE USED SAVINGS, SOLD ASSETS OR BORROWED TO COVER THE COSTS OR THE LOSS OF INCOME CAUSED BY THEIR DIAGNOSIS.

Source: Macmillan, No Small Change - February 2017

EXAMPLES



Save 49%* on your personal protection

	PERSONAL LIFE POLICY	RELEVANT LIFE POLICY
Employees Income Tax	£137.93	-
Employee National Insurance	£6.90	-
Total employee earnings needed to fund monthly premium	£344.83	-
Employer National Insurance	£47.59	-
Total gross cost to employer	£392.41	£200.00
Corporation tax relief**	£74.56	£38.00
Net cost to employer	£317.86	£162.00

* Based on: £200 monthly premium, 40% income tax rate and 2% national insurance payment

** Taxes are rising from April 2022 as such savings will increase



CONTACT US_

Whatever your unique needs are Silver Levene Financial advisers can help you get the right protection for you, your family and your business.

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