Ellacotts
Wealth Planning

ELLACOTTS WEALTH PLANNING

www.ellacottswealth.co.uk

Ellacotts Wealth Planning provides independent financial advice to compliment the advice given to you by your Ellacotts accountancy team. Working closely with your accountant, we are able to ensure that your financial planning needs are aligned to both your personal and business requirements.

We are able to help you and your business plan for the future in terms of retirement and also planning for the unexpected. As Independent Financial Advisers, we review the whole of the market to ensure the recommendations we make are suited to your needs and requirements.

At our initial meeting, we will discuss at length your future objectives, timescales for achieving these, as well establishing your attitude to risk and capacity for loss. If you have existing plans in place, we would ask you to sign letters of authority so we can obtain information on these plans to assess whether they remain suitable for your needs.

Areas we can help

Pension planning – pre retirement
Using pensions still remains the most effective way of reducing tax. Up to £40,000 can be paid into a pension, with basic rate tax relief available at source, making the net cost £32,000. A pension fund does not pay tax within the fund, making the underlying investment extremely tax efficient. If you are a higher rate/additional rate tax payer, further tax relief may also be available. Up to 25% of the fund can be paid out tax free on retirement and death benefits are tax free up to age 75.

Pensions offer a lot of flexibility in the assets that can be held in them, for example, you can hold commercial property or land and direct shares within the plan,

Pensions – post retirement
We are able to help you plan your finances post retirement. Firstly, to make them as tax efficient as possible and secondly to help you make sure you do not run out of money. We use cash flow forecasting to help you see how much income you are going to need in retirement and, making certain assumptions, how long your money will last.

Using a combination of pensions and other investments and income sources, we are able to maximise tax allowances and reduce personal income tax liabilities.

Investing for the future
ISAs offer tax efficient capital growth or income. Like pensions, the funds held do not pay Income Tax or Capital Gains Tax, however, on death, the value of ISA assets will be included in the value of your estate. Married couples are now able to inherit ISA funds from their spouse on death, meaning the tax efficient status is retained.

General Investment Accounts (GIAs) are similar in structure to ISAs, however, income and gains generated by the underlying investments are liable to Income Tax and Capital Gains Tax (subject to the usual allowances). Investments held in a GIA can be moved seamlessly into ISAs at the start of a new tax year.

Investment management
Our portfolios meet a number of different risk levels. We have chosen our investment partners based on extensive due diligence to ensure they continue to meet our investment objectives, which are aligned with your long term requirements.

As people become more aware of the damage being done to our planet, we have a growing number of environmental, social and governance (ESG) portfolios available. These portfolios will only invest in sustainable investments, that consider the long term impact on society, environment and the performance of the business.

We want to build long term relationships with our clients and helping you achieve your personal investment objectives is key to this.

Business protection
Death or critical illness of a shareholder or key person can have a serious impact of the future on your business.

Shareholder protection
Shareholder protection allows a business to protect itself against the financial loss it may suffer from losing a major shareholder.

It is designed to cover the shareholding director of limited companies. The liability of these shareholders, 'the owners', is limited to the value of their unpaid share capital in the business and any personal guarantees.

Shareholders can have important voting rights, which directly affect the running of the business. Losing a shareholder normally results in these rights passing to the deceased shareholder's beneficiaries which would usually be their family.

Shareholder protection allows the surviving shareholders to purchase the available shareholdings meaning the business can continue without further disruption.

Key person protection
Key persons are people in a business who are vital to its profitability and continued financial success. There can be more than one key person within any one business.

Losing a key person can have a damaging effect on a business in several ways, both in the short term and medium to long term.

Key person protection plans involve the business taking out a 'life of another' policy on a key employee. This means that in the event of the key person's death, the value of the life cover is paid to the business. The business can then use this money to meet its financial needs while recruiting a replacement or reorganising the business.

Critical illness cover can also be taken out on the key person. This would allow the business to use any benefits if the key person suffers a critical illness to pay for a temporary replacement or cover a profit shortfall.

Business loan protection
Many businesses borrow money to fund their growth and development. The repayments will usually be covered by the business's income, but they could be affected by the loss of a key person or someone who has acted as a guarantor for the loan.

Key person loan protection can be arranged to provide payment in the event of death, critical illness, or both.

Employee Benefits
Providing employees with additional benefits is a good way of retaining staff. We are able to provide solutions tailored to your workforce for group life assurance, critical illness cover and income protection.

In addition, we can also help you meet your auto enrolment employer duties if you have not already set up your workplace pension.

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Case Study - Shareholder protection

Our client was going through a management buy-out. As part of the agreement, the exiting shareholders wanted the new shareholders to take out life assurance so should one of the new shareholders die, there would be a lump sum available to continue payments to the exiting shareholders. The exiting shareholders only wanted cover during their pay-out period, but on discussion with the new directors it was agreed that this was cover they wanted to have until they retired from the business. We set up a level term assurance plan for each of the three directors along with the relevant trust deeds and cross option agreement. In addition, we liaised with their solicitor to make sure the trusts and cross option agreement were right for the clients. Now the three shareholders have insurance in place until they are aged 65, meaning should one of them die, the remaining two have a lump sum to buy the shares from the deceased shareholder's family.

Case Study - Group life and income protection

Our client is the UK subsidiary of a company based in the Republic of Ireland. The Irish holding company already provided group life and income protection to their employees, but could not include the employees based in the UK. The company has 8 employees in the UK and wanted to give them the same benefits as the Irish employees.

Group Life
We set up a group life plan to provide cover of 4 x basic salary. This means that should an employee die while employed by the company, their family will receive a tax free lump sum. When the scheme was set-up it was also registered with HMRC as a pension providing life assurance benefits only. By doing this, the sponsoring employer is able to treat the premiums as a business expense. We also used a master trust to ensure that any benefits paid out do not form part of the deceased persons estate. Using a trust also enables benefits to be paid swiftly to the deceased employee's family.

Group Income Protection
We also set up a group income protection plan which covers of 62% of gross basic earnings. So if an employee is unable to work due to accident or illness, after a 26 week deferred period, they will receive 62% of their basic salary. Benefits paid under the group income protection plan are paid to the employer who then pays them on to the employee. As such, benefits are subject to Income Tax and National Insurance. It is possible to have a shorter deferred period, however, this does increase costs.

The benefit of doing group protection is, as long as you are within the insurers non-medical underwriting limits, every employee can be covered without having a medical examination, meaning cover is still available for employees in poor health.

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