

A UK-based financial advisory firm: Internal Accreditation

It is possible for an EPP and in fact all occupational schemes to be funded via salary or bonus sacrifice.

In essence, the employee gives up part of his / her salary or bonus and, instead, the employer makes a payment into the EPP. This can be **very tax-efficient**, but it can go badly wrong unless the correct procedures are followed.

The Key points are:

- Salary sacrifice is an issue of employment law rather than a direct concern of HMRC
- The salary sacrifice **MUST** be made and clearly documented before the start of the period giving rise to the remuneration. Retrospective sacrifice is not possible.
- The documentation – normally letters between employer to employee – must be properly signed and dated.
- The documentation must not suggest that the pension contribution is dependent on the salary sacrifice – if it appears conditional, HMRC may challenge it and deem it to be a contribution from the employee, not the employer.



WHEN MIGHT A SIPP BE SUITABLE FOR YOUR CLIENT?

- Where an individual requires **personal control** over their investments (e.g. operation of an individual investment portfolio, either managed by themselves or by an investment manager)
- A SIPP can be an effective way for a partnership or sole trader to **buy commercial property** either now or in the future

i Refer to the Flexible Retirement Planning Service website regarding this issue - go to:
<http://employee.intranet.barclays.co.uk/C/6/Barclays%20Financial%20Planning/Central%20Document%20Library/Sales%20Standards/index.html>
... and look under Pensions / Guidance Procedures / Flexible Retirement Planning Service.
Alternately if you have access to the

i **AREAS TO CONSIDER**

Charging structures are likely to be higher than for Stakeholder pensions. There may be an initial set up fee together with an annual administration fee. In addition, further charges may apply e.g. property and investment transactions, valuations and annuity purchase.

Such charges may make SIPPs an inappropriate form of pension planning for those wishing to make modest contributions to the plan.

There is an element of risk with the purchase of property through a pension fund. It takes time to sell property and so contingency plans must be in place in the event of death.

What are the pros and cons of the director receiving his remuneration in these different ways? Drag your answers in the following exercise to the appropriate column.

Your answers Model answers

PROS	CONS
Remuneration paid as salary/bonus is a deductible business expense and therefore reduces profit	Dividends are unearned income, and so not pensionable
No NI payable by either party on dividends	As no NI on dividends, employee doesn't qualify for State benefits in respect of this form of income
Dividends are distributions of profit, and therefore are not regarded as a deductible business expense	Salary/bonus are both pensionable
NI is paid by employer and (if applicable) by employee on salary/bonus	

SUBMIT **QUIT** **SECTION 3 OF 5** **PREVIOUS** **NEXT**

Time Remaining: 1:27:10

Questions: 3/3

Case 1: Pension - Case Study 1/4

Case 2: Pension - Case Study 0/4

Case 3: Pension - Case Study 0/4

Case 4: Pension - Case Study 0/4

Anders is a 34 year old IT programmer, working for a small independent software house. He is single and lives alone in his flat, which he bought 6 months ago for £165,000. Anders believes it is only necessary for him to protect his mortgage, as he has no dependants relying on him. His situation is as follows:

- Anders' mortgage is £110,000 on an interest only basis. His interest payments are £410 per month. The mortgage is fully protected in the event of his death or suffering critical illness. His brother will be the beneficiary should he die.
- He contributes £250 pm into a savings plan.
- Anders has worked for his current employer for just over a year and would be provided with full sick pay for 4 weeks, but nothing thereafter.
- As the company he works for is very small there is no private healthcare or pension benefits provided.
- Anders earns £48,000 pa and also enjoys the use of a company car: the taxable benefit is £3,000 pa.

1. Anders is not convinced of the need for further protection. What are the risks in his current situation?

- Anders' estate would have to meet an unprotected SPT liability
- Should he suffer a critical illness Anders would not be able to meet mortgage payments
- His home would be repossessed by the mortgage company in the event of his death
- He would be unable to cover his cost of living in the event of critical illness or long-term ill health

The Challenge

Our client needed to ensure that all of their financial advisors are competent and understand the regulatory requirements. The solution must support their Topgrading HR Strategy. The financial advisors are geographically dispersed, typically based in branches throughout the country. Their solution to confirm competence of the financial advisors each year must fully control the reputation and regulatory risks while minimising the risk of lost performance opportunities.

The Solution

A series of scenario-based assessments were constructed, to be undertaken online within a secure environment. The assessments should be undertaken every twelve months for each financial advisor to obtain / retain an internal license to advice clients. A set of e-learning materials were used to provide educational support.

The Implementation

The final solution incorporated:

- Timed assessments that were randomised and required invigilator authentication
- A cooling-off period and limited number of attempts for each user
- Learning content and assessments delivered using Inmarkets eLDP
- Training records and scores transferred to the internal performance management system
- Exams and learning content authored and maintained using Inmarkets Course Creator, with design support from Inmarkets consultants.

The Result

The client realised a saving of over 80% costs from the previous paper-based approach. The fact that the process time was so much faster than the previous paper method also meant that any performance-related risks were identified and addressed more quickly.

If an employee fails to pass the required assessments within the specified time frame and/or attempts limit the firm may offer coaching/mentoring to rectify the performance problems.