

# RELEVANT LIFE INSURANCE CASE STUDY EXAMPLE

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A relevant life plan could provide valuable protection for the families and loved ones of employees or directors of a limited company, partnership, charity or sole trader, whilst maximising tax efficiency by having the policy premiums qualify as an allowable business expense.

As an example, a client of ours, Graham, who runs a small printing business, Abbots Prints Ltd, approached us over concerns about how his family would cope financially if he were to pass away. As Graham and the business is the sole source of income for their household consisting of himself, his wife and their three young children, the loss of Graham would have a huge financial impact on the family.

We sat down for an initial consultation to discuss the issue with Graham. We conducted a fact finding exercise where we discussed the families' income and expenditure and ran some cashflow analysis to understand what level of cover would be required to support Graham's wife and children should the worst happen.

Graham had previously considered a Group Life scheme for himself and his employees but was concerned about the expense to the company at that time. He had not heard of Relevant Life policies so was not aware that there were other options available to provide life cover for himself, or a select few individuals only, via the business.



*\*Names and exact circumstances have been changed to protect the confidentiality agreement with our clients.*

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We provided Graham with details of the monthly premiums required to provide the desired lump sum benefit for his family in the event of his death, this worked out at roughly £1,000 over the course of the year. We further explained that the monthly premium can be paid via Abbotts Prints Ltd and qualify as an allowable business expense therefore reducing his liability to corporation tax, income tax (premiums are NOT classed as a P11D benefit) and National Insurance. Below is a comparison of the tax implications of paying the same premiums on an ordinary life cover plan vs a Relevant Life plan payable through the business over the course of a year;

	Ordinary Life Cover - Premium £1,000 per year	Relevant Life Plan - Premium £1,000 per year
Employees National Insurance contribution @ 2%	£34.00	£0.00
Income tax @ 40%	£690	£0
Employers National Insurance contribution at 13.8%	£238	£0
Total Gross Cost	£1,962	£1,000
Corporation Tax relief at 19%	£373	£190
<b>Total Net Cost</b>	<b>£1,589</b>	<b>£810</b>

\*Assumes that corporation tax relief is 19% and has been granted under the 'wholly and exclusively' rules. In both cases we've assumed a payment of £1,000 each year for the life cover on an employee who's paying income tax at 40% and employee's National Insurance at 2% on the top end income. We've also assumed that the employer is paying corporation tax at the small profits rate of 19% and will pay the employer's National Insurance at the contracted-in rate of 13.8%

By taking our advice Graham has been able to provide invaluable financial protection for his family who will now receive a tax free lump sum upon his death, and by utilising his business and opting for a Relevant Life policy paid for via his company rather than a personal arrangement, has achieved significant savings at the same time.

If you'd like to know more about the how Brunel Wealth can help you and your business, please do contact us on 0117 325 2224 or [contactus@brunelwealth.co.uk](mailto:contactus@brunelwealth.co.uk).

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