

case studies

THE BUSINESS

THE CLIENT

James and Andrew are the co-owners of a successful plant hire company; the business had £300,000 on deposit and owned a warehouse worth £1mn. Due to the size of the company James and Andrew needed to arrange a pension for themselves and their employees. Andrew is ten years older than James.

They also wanted to secure the company's position should either of them or their key staff suffer premature death or ill health. Finally, they wanted to investigate possible exit strategies including what would happen to the company if either of them died.

OUR ADVICE

Pensions

- We advised on setting up a group stakeholder pension for the staff members into which it was agreed the company would match employee contributions of up to 5% of their salary.
- We spoke to the staff individually to explain the new scheme to them and the benefits of the employer contribution match.
- We advised James and Andrew to pool their existing pension funds into a SIPP (Self Invested Personal Pension). We arranged a cash investment into the pension from the business and then organised for the pension fund to buy their warehouse with the help of a loan which we also arranged for them.
- We created retirement plans for Andrew and James based on their timescales to retirement, their desired lifestyles and their risk tolerances. This resulted in a contribution level that is required to hit their targets and will be reviewed annually to ensure they are on track to reach their retirement goals.

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Business Insurance

We carried out a thorough assessment of the business with James and Andrew to establish who the key staff members were and what the loss to the business would be in financial terms should one of them become incapacitated or die.

We then advised on appropriate insurance plans to ensure that the business would receive adequate cash to tide it over if a key staff member were to die or suffer a long term illness. This cash would be vital at a time when the business could be facing severe problems and would no doubt provide a lifeline to ensure the survival of the company.

We also advised on a formal agreement with appropriate insurance policies so that if either James or Andrew were to die the business would have adequate funds to buy the deceased's share of the company from their respective families

THE RESULT

- James and Andrew feel the new employee pension plan will attract new staff and generate increased loyalty from their existing staff. The group pension scheme was fully taken up by their employees as they understood the value of it as well as the investment options and the flexibility they had to stop or change contributions and to take the pension with them to a new employer.
- The SIPP provided a tax efficient way of releasing cash from the company as the business is now paying rent for the warehouse which goes into the pension fund and is offset against their profits to reduce their corporation tax bill. The growth in the value of the warehouse along with the rental income is tax free which again reduces their tax bill when the warehouse is sold.
- Both Andrew and James know what they need to do to achieve their retirement goals and have more focus and confidence in sticking to the plans we have developed for them. James and Andrew feel the business is better placed to cope with any unexpected incapacity or death as there would be a cash inflow to the business to compensate for any problem of this nature. This has given both of them more confidence in the business. Finally, they are happy that the long term future of the business is assured should either of them die. James, as the younger of the two, is especially pleased that this has been thought through as he knows if Andrew predeceases him he will be able to take control of the company and Andrew's family will be adequately provided for.