

# Financial Planning & Wealth Management for your business



## Protecting you, your business and your employees – Relevant Life Plans

A Relevant Life Plan (RLP) could be a cost effective way of providing life cover to both directors and employees of limited companies as the policy may be classed as a business expense, thus offering tax advantages.

RLPs are individual policies providing life cover to employees including Directors of Limited Companies, but not partners, members of a Limited Liability Partnership (LLP) or sole traders.

With an RLP the company arranges the plan and provides life cover for the employee up to a maximum age of 75. The plan must be written under a specific trust arrangement, where the beneficiaries of the trust are the family of the person being covered.

Upon death within the term the benefit (sum assured) from the policy is usually paid free from Inheritance Tax and the premiums paid by the company are normally treated as an allowable business expense. This means that they effectively qualify for Corporation Tax relief.

Unlike conventional Death in Service schemes, the premiums and sum assured of an RLP do not count towards annual or lifetime pension allowances, because RLPs do not fall under pensions legislation. This could be beneficial for those who have already accumulated substantial pension benefits and are close to the Lifetime Allowance limit, currently set at £1,030,000.

The table below compares the costs of an employer funded life policy versus a relevant life plan assuming the same annual premium:

		Life Policy (Non Relevant Life Plan)	Relevant Life Plan
Annual Premium		£1,000	£1,000
Employee National Insurance contribution	2%	£34.48	n/a
Employee Income Tax	40%	£689.65	n/a
Employer National Insurance contribution	13.8%	£237.93	n/a
Employer Corporation Tax deduction	19%	-£372.79	-£190
<b>TOTAL COST</b>		<b>£1,589.28</b>	<b>£810</b>

This is an example only and premiums payable are dependent upon a number of factors, including age of the insured, sum assured, term and state of health and are subject to acceptance by the product provider following medical underwriting. The table assumes that premiums paid into a Relevant Life Plan will be allowable as a business expense. You should consult your accountant or tax adviser for confirmation.

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