



FINANCIAL SERVICES FOR CO DIRECTORS

There are a number of financial services products company directors can avail of to protect themselves, their families and the other company directors as well as funding for their retirement:

- Business Protection
- Life cover through the company
- Income Protection
- Directors Pensions

The advantages of these policies are that the premiums are paid by the company with no BIK implications and more importantly the premiums are written off against corporation tax.

What are the advantages of a directors' pension?

- Co directors can use relatively large profits to avoid paying tax completely and legitimately by investing in a pension.
- A property can be purchased in a personal capacity and be backed by pension fund assets thus having the company effectively finance a private investment without incurring a BIK liability.
- Pension fund assets are legally separate.



BREON MANNING
Financial Advisor

Breon is a Qualified Financial Adviser (QFA) and a TMI Registered Tax Consultant. He holds specialist Diplomas in Wealth Management (Institute of Bankers) and Pensions (LIA) and is a Fellow of the Life Insurance Association of Ireland (FLIA). Breon also holds the designation of Registered Stockbroker (not practising).

Specialisations: financial planning, investment monitoring, portfolio construction and management, annuities and protection planning.

BUSINESS PROTECTION

On death the shares of a deceased director form part of their estate. Those who inherit the shares may not want to get involved in the business or conversely the surviving shareholders may not want the next of kin to come into the business. The most feasible option is to sell shares back to the surviving shareholders. This would require the shareholders to produce a substantial lump sum. The solution is business protection - an arrangement can be put in place whereby on the death of a shareholder, funds become available to buy shares back from the next of kin.

The cost of business protection is very competitive. By way of an example, if we take 3 company directors non smokers with an average age of 45. If the company was valued at €1 million and each director had an equal shareholding of 33%. The premium for €330,000 life cover until age 65, would be approx €50 per month per director.

LIFE COVER THROUGH THE COMPANY

Life cover through your company is also known as Section 785. It is a convenient and cost effective method of getting your company to pay life cover on your behalf. A sum assured of €300,000 for a non smoker age 45 with a term of 20 years is approx €50 per month.

INCOME PROTECTION

Company Directors pay PRSI at the class S rate. This means you do not have any social protection, invalidity or disability. In other words no dole.

Income protection is an insurance policy that gives you a replacement income if you can't work because of accident, illness or injury. Income protection can replace up to 75% of your normal income which lets you cover your regular expenses and protect your family's lifestyle.

PENSIONS FOR COMPANY DIRECTORS

Pension landscape has changed dramatically over the last few years. Pension are no longer about funding for retirement in its traditional form but more about wealth accumulation, asset building and estate planning. Savvy company directors are now using their pension as a mechanism for turning company profit into personal wealth.