

**An IFA can  
help your business  
make the  
right moves.**



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## Introduction.

As all employers know, the peace of mind and security provided by having appropriate insurance to cover any eventuality can help ensure a thriving business.

As every Human Resource professional knows, an esteemed and protected employee is likely to be more motivated and loyal and therefore a more valuable member of the team. They appreciate the way they are treated by their employer and welcome the benefits provided for them.

For selecting pensions through to insurance, seeking expert professional advice will help to take the pain out of the process – and save valuable time. The ever changing government legislation means that companies cannot afford to lose touch with their responsibilities. As well as bringing companies up to date with regulatory changes, an Independent Financial Adviser (IFA) will help to ensure that they get the best deal out of any financial decisions they make.



## Your pension responsibilities. Choosing the right package.

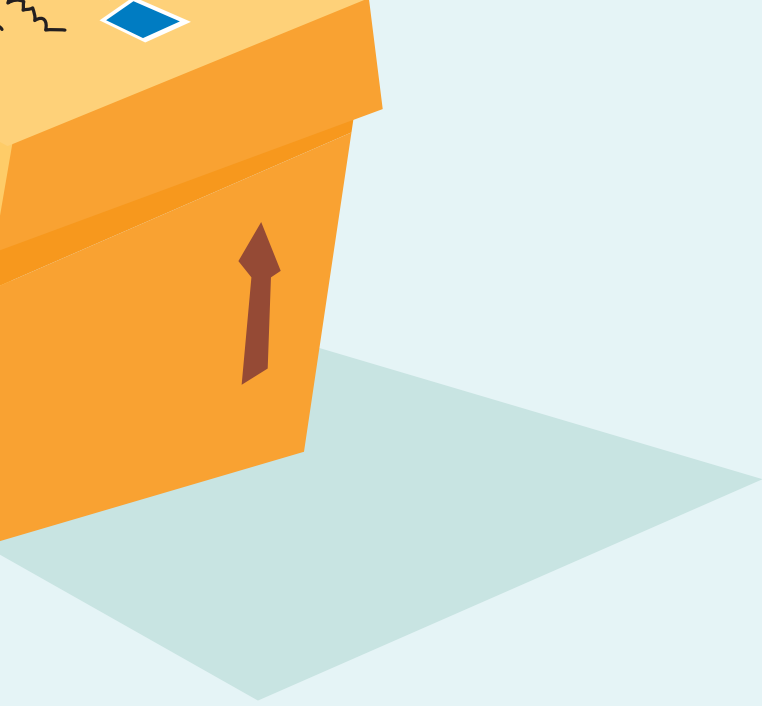
Stakeholder pension legislation means that businesses with five or more employees must, by law, provide their employees access to a pension plan which falls within the regulations.

Stakeholder schemes are designed as low-cost flexible plans – the charges must be no higher than 1 per cent each year. Members must be

able to transfer funds in and out of a scheme whenever they choose without penalty. An array of pension providers offer stakeholder products and employers can pick from a wide selection.

There is more to complying with the stakeholder regulations than simply picking a pension scheme and employers should make sure that they take all the necessary steps. Under the stakeholder guidelines, employers must consult staff before choosing a pension scheme. Once a scheme is designated, employers must inform their employees of the available pension options and provide information about the scheme.

In addition, employers are responsible for ensuring that their chosen pension scheme meets the stakeholder rules and that the scheme provider has registered the designation of the scheme with Opra, the pension regulator. Enlisting the help of an IFA can



save time as he or she can check these details on your behalf.

Stakeholder pension schemes are not the only option available to businesses. Instead, a more sophisticated personal scheme can be offered to employees and/or directors. To avoid making an important pension decision by yourself (which could prove to not be the most appropriate) a discussion with an IFA can help you choose from the hundreds of options available from all the pension providers.

Under a group personal pension plan, for example, employers are required to make contributions to the scheme of at least three per cent of salary on behalf of their employees – something not required under a stakeholder pension. There are plus points, of course, that group personal pensions offer more options than stakeholder pensions and one of the best incentives for employees to join a pension

scheme is employer contributions.

The pensions landscape is further complicated by the nitty gritty of the pension schemes on offer. For example, employers may currently be providing a final salary scheme which provides a pension on retirement based on a proportion of an employee's earnings at retirement linked to their length of service. A decision may need to be taken as to whether the final salary scheme continues being available to employees who wish to join, or a new money purchase scheme is offered to employees which is based on contributions paid and the performance of the fund(s) in which the contributions are invested. Every business has specific individual circumstances and an Independent Financial Adviser will provide advice to suit your company's circumstances.



## Insurance.

### Picking the right policy should things come unstuck.

Businesses need to ensure that they have a comprehensive insurance policy in place which will put them back on a sound financial footing should the worst happen. If the business owns its premises, a comprehensive building insurance policy will be needed. The contents of the work place cannot be ignored in case cash or cheques are stolen or equipment damaged. Picking through the policies on the market can be time intensive, particularly as the small print must be read to determine exactly what is covered, and, more importantly, what is not. A decision needs to be taken about the level of cover needed. The hard work can be avoided by getting an IFA to pick the bones out of insurance policies on your behalf.

Alongside insuring buildings and contents, employers must take into account their legal liability towards employees, the public and customers. Employers' responsibilities are outlined in the Health and Safety

At Work Act. Insurance will protect businesses in the event that they are sued for damages, covering costs such as court awards or claimants expenses.

Apart from a company's physical assets such as a factory, computers, offices, machinery and cars which are generally insured, it also has its employees which to most businesses drive the success, or failure, of the business. Therefore it could also pay to assess whether or not other forms of insurance should be taken out. For example, many companies rely heavily on a handful of key staff members. If one of these individuals should die, the company may lose profitable key accounts, be unable to continue with a large project or in the worst scenario, the business may be forced to close. Key man insurance (life assurance taken out by the company on the life of a key employee) can protect against this business threat. The level of cover should be based on an estimate of

the losses a business would incur should it lose a key employee in this way. Similarly, share protection insurance can provide cash at the right time to ensure the shares of a company remain with the company and do not pass to the deceased share holder's family.

Employers can also arrange group life assurance, critical illness, income protection or private medical schemes for employees. These policies pay out to employees or their dependents in the event of death, critical illness, loss of income due to long term illness or accident and can pay for private medical treatment. Employers who set up insurance for their staff will usually benefit from tax breaks for doing so and an IFA will be able to advise on the tax position.

Other types of cover include business interruption insurance, credit insurance and, in an increasingly litigious era, legal expenses insurance.



## Commercial mortgages.

Occupying your own business property, rather than merely using a copy of the landlord's keys, can be a source of great satisfaction and can prove to be very cost effective. In order to own your business premises, it is likely that a commercial mortgage is required.

Businesses need to be on a relatively secure financial footing before applying for a commercial mortgage. Commercial borrowers are considered to be a higher risk in terms of loan repayment default than for example an employee

with a residential mortgage. The repayment terms as a result are not as cheap as residential mortgages and a sizeable deposit will be required. The majority of commercial lenders are likely to lend between 70 and 80 per cent of a property's value. In addition, interest rates will be higher than those attached to residential loans – typically between 2 per cent and 4 per cent above the Bank of England base rate.

Arrangement fees on some products are negotiated on a case by case basis. Where charges are stipulated, they tend to range between 0.25 per cent and 1.25 per cent. Most lenders set a minimum level for the advance they are prepared to make, ranging between £15,000 and £100,000. Some also specify the maximum amount available to borrowers.

Businesses can also take advantage of tax allowances, by claiming back some of the costs of a commercial mortgage.



## Employee perks.

Employers might also want to consider providing incentives to help attract and retain staff. Employee perks can range from private health cover to company cars to gym membership.

An increasing number of small businesses are thinking about offering Enterprise Management Incentives which are tax advantaged share options designed to help small higher risk companies recruit and retain employees with the skills that will help them grow and succeed. They are also designed to reward employees for taking a risk by investing their time and skills in

helping small companies achieve their potential.

An IFA can help employers find an incentive scheme that is suitable to their needs and fits within their budget.

They will also do the maths to calculate the most cost efficient means of providing such incentives, as well as advising businesses of any relevant tax breaks.



## Why an IFA is well placed to give wise advice.

Consulting an expert is the first logical step for businesses to take when arranging financial matters. There is a proliferation of different types of advice available and anyone seeing a financial adviser needs to understand whether that adviser is tied to advising on only one range of products, more than one range of products or the whole market. All financial advisers will provide you with an initial disclosure document when you first meet them explaining what their status is.

Remember that an IFA can access the widest range of financial products and can provide holistic advice on all areas of financial planning for a business.

It may be that you want an expert to look at your existing financial arrangements and employee benefit package. An IFA can assess schemes such as pensions, risk benefits and private medical insurance and highlight any areas you may want to alter with

recommendations on possible modifications. Normally a comprehensive report will be prepared by the IFA whilst he or she will provide a professional opinion on your current position.

Employers will, of course, have to pay for the advice that they receive. IFAs will either take commission from the products they arrange, or they will charge a fee according to the time taken helping you with your financial affairs. The options of payment will be explained to you on your first meeting.

## Notes.

For further information on independent financial advice for your business, please contact your IFA.

If you do not already have an IFA and are looking for financial advice for your business call the

**IFA Promotion Corporate Hotline on 0800 085 3251.**

If you do not already have an IFA and are looking for advice on personal finances call the

**IFA Promotion Consumer Hotline on 0800 085 3250.**

Alternatively, visit our website at [www.unbiased.co.uk](http://www.unbiased.co.uk)



## Other brochures available:

- Financial log book
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- Mortgage guide
- ISA guide
- Tax efficiency guide
- Pension guide
- Investment guide
- Independent Financial Advice for consumers
- Surviving an economic downturn
- Savings when rates are low guide
- Guide to IFA qualifications
- Bereavement guide
- Housing market uncertainty guide
- Equity release guide

## Factsheets available:

- Finding the right life assurance
- Planning for your family
- Long term care
- How IFAs make their money
- Confused about endowments?
- A parent's guide to education fees planning
- Funding for university
- The pensions debate
- How to get saving

To request one of the above brochures or factsheets, please call our Hotline on **0800 085 3251** or visit us at **[www.unbiased.co.uk](http://www.unbiased.co.uk)**

The above brochures are available in the following alternative formats: large print, braille and audio tape. Please call our Hotline on **0800 085 3251** if you wish to order an alternative format.

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