

# About Relevant Life

A **Relevant Life Plan** offers a cost-effective way for an employer to arrange **Life Cover** on the **life** of an employee (or director), with the benefit payable to the employee's family or financial dependant.

Premiums are paid, and the policy is owned, by the employer.



## What does it cost

Age	Benefit amount	Term	Cost
30	£750,000	20 years	£20 pm
40	£750,000	20 years	£46 pm
50	£750,000	20 years	£110 pm

This table shows the tax savings\* that could be achieved by using a relevant life plan:

Premium		Ordinary Life Cover £1,000	Relevant life plan £1,000
Company gross cost	Employee's National Insurance contribution at 2%	£34	Nil
	Income tax @ 40%	£690	Nil
	Employer's National Insurance contribution at 13.8%	£238	Nil
	Total gross cost	£1,962	£1,000
Company gross cost	Corporation tax relief at 19%	£373	£190*
Net cost		£1,589	£810*

\*Based on £1,000 a year for the life cover of an employee who is paying income tax at 40% and employee's National Insurance at 2%. Employer is paying corporation tax of 19%, and employer's National Insurance of 13.8%.

# Relevant Life Q&A

## What is covered under a Relevant Life Policy?

Relevant Life is payable on death or an earlier diagnosis of a Terminal Illness (12 months or less to live). There is an option to include an amount payable on diagnosis of a serious illness such as cancer, heart attack or Stroke etc.

## Would the employee pay any benefit-in-kind tax personally?

No, Relevant life plans are non-registered arrangements. The premiums paid by an employer wouldn't constitute a taxable benefit in kind, as the policy will purely be providing retirement (in the form of terminal illness cover) or death benefits.

## In what circumstances can a Relevant Life policy not be used?

A relevant life policy can not be used for business loan cover, business continuity or business succession planning.

## Who can apply for a Relevant Life policy?

Any employee or director of a limited company, or an employee of a partnership, charity or a sole trader. However, sole traders or equity partners themselves are not eligible for a Relevant Life policy.

## If there is a claim what tax is payable on the payout?

The claim proceeds won't be subject to income tax, or corporation tax. The policy will be held in a Discretionary Trust, therefore there will be no inheritance tax (IHT) for the estate to pay on death, but, like all non-pension discretionary trusts, the trust itself can be subject to periodic and exit charges.

## Who can be trustees, and who can be beneficiaries?

The trustees will administer the trust on the behalf of the beneficiaries. The trustees can be other shareholders/directors of the business, or friends/family members. The beneficiaries would typically be your dependants E.g wife and children.

## What is the maximum value I can insure?

All insurers have limits on the amount of cover you can have, this is usually based on your income from the business and your current age, an example is as follows:

Up to age 35	30 times salary	Ages 36-50	25 times salary	Ages 51-60	20 times salary	Ages 61+	15 times salary
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Income could include regular bonuses, commission, overtime and P11D benefits. In the case of a shareholder/director, dividends are taken into account.

There are some Insurers that will only apply these limits when you are looking at a cover amount in excess of £1,000,000.

## What is the maximum age?

Some insurers will provide cover up to aged 75.