



PENNEY
FINANCIAL PARTNERS

Part of **BRIGHT** WEALTH MANAGEMENT

FINANCIAL PLANNING TIPS FOR CONTRACTORS



**“NOBODY KNOWS
WHAT COULD BE JUST
AROUND THE CORNER, BUT
PROPER PLANNING CAN
MAKE SURE WE ARE IN THE
BEST POSSIBLE POSITION
TO MEET ANY FUTURE
CHALLENGES.”**

INTRODUCTION

Receiving advice on your finances is more important than it has ever been. While changes in pension, taxation, employment and financial regulation over the last few years has introduced more complexity, it has also created planning opportunities. Taking advice around your financial goals and objectives will ensure you can make the most of these opportunities and any exemptions and reliefs that are available to you.

In an increasingly interconnected world, we have seen how unforeseen global events can rock the foundations of what we had thought was a stable financial footing. Nobody knows what could be just around the corner, but proper planning can make sure we are in the best possible position to meet any future challenges.

This short e-book has been put together to outline some of the key principles for contractors when considering their financial affairs.

**If you would like to know more, please talk to
your Integro Accountant or contact us directly on
penney@sjpp.co.uk or 01743 450990.**



PROTECTING YOUR INCOME

Many of the contractors we work with were once in an employed position and, at that time, had the peace of mind that if they were unable to work due to sickness, or an accident, they would continue to receive some form of "sick pay" so their bills would remain paid and they had the time they needed to recover.

Contractors can replace this safety net when they branch out on their own with an executive income protection policy. They are considered an allowable business expense, so are tax deductible for the company and the premiums paid do not attract income tax or national insurance for the employee. Individuals can cover up to 75% of their typical remuneration as well as any regular pension contributions they make and employer national insurance liabilities.

If you ever need to draw on an executive income protection policy, the benefits are paid directly to your limited company to be distributed to you as the employee, under the PAYE scheme.

Recent times have shown us that we live in an uncertain world, this is a highly tax efficient and cost-effective way of protecting your livelihood as a contractor.

The levels and bases of taxation, and reliefs from taxation, can change at any time. The value of any tax relief depends on individual circumstances.



SAVING FOR RETIREMENT

We are passionate about helping our clients to set goals for the future and to follow this up with the strategy required to achieve them. A key element of this strategy will often include looking at the use of personal pensions to achieve financial independence. These plans are an extremely tax efficient option for contractors running their own limited company.

When a contractor makes contributions from their company into their personal pension, they are typically treated as an allowable business expense. As a result, you won't have to pay corporation tax on them. Nor will you have to pay income tax or employers' national insurance on the contribution.

This highly tax efficient approach that also saves money towards a future that will put a smile on your face, makes employer paid pension contributions a must for any contractor.

The value of a pension with St. James's Place will be directly linked to the performance of the funds you select and the value can therefore go down as well as up. You may get back less than you invested.

The levels and bases of taxation, and reliefs from taxation, can change at any time. The value of any tax relief depends on individual circumstances.

A sandcastle with several towers and a flag on top, built on a sandy beach. The background shows the ocean and a sunset sky with warm, golden light.

FINANCIAL SECURITY FOR YOUR FAMILY

As with "sick pay" many contractors who were once employed are likely to have benefited from death in service cover, which would have paid a lump sum (normally a multiple of their salary) to their loved ones if the worst were to happen to them during their working life.

Just like sick pay, this can be replaced by contractors taking out a relevant life policy. This is a life insurance policy, paid for by the contractors limited company.

The relevant life policy is written in trust, so any money paid out goes directly to your loved ones, not your company. The policies are a business expense, benefiting from corporation tax relief and do not give rise to an income tax or national insurance liability for the contractor.

Trusts are not regulated by the Financial Conduct Authority.

A man is swimming in the ocean, with his head and shoulders above water. He is splashing water, and his eyes are closed. The water is blue, and the sky is blue with white clouds. The man's reflection is visible in the water.

YOU ARE YOUR BUSINESS

You are your business. Don't underestimate the importance of looking after yourself. If you ever require medical care that could see you join an NHS waiting list, Private medical insurance will help you get the right treatment in a timely manner.

TAKING CONTROL OF YOUR OLD PENSIONS

It is not uncommon for contractors to have had a number of different employed roles before becoming a contractor. It is likely that each of these will have had their own associated pension and as a result, there may be a number of old pension pots essentially being left to their own devices!

**DON'T LET POOR ADMINISTRATION ADD TO YOUR
WORRY OF PLANNING FOR THE FUTURE.**

It is important to regularly review your existing pension arrangements to see if they continue to meet your retirement objectives. Receiving the right advice during this process ensures you can take greater control over how your pension funds are invested and that you will be able to access them in a way that suits your plans for the future.

The value of a pension with St. James's Place will be directly linked to the performance of the funds you select and the value can therefore go down as well as up. You may get back less than you invested.

SAVE FOR A RAINY DAY

Whether you are brand new to contracting, or it's something you've done for a long time, having sufficient cash reserves is always a good idea.

As a rule of thumb, having 6 months of your typical monthly drawings saved as cash within your business gives you the flexibility to take on work you will enjoy, rather than working for the sake of being paid. It also provides an added safety net if you're unable to work in the short term for any reason.










WHY PENNEY FINANCIAL PARTNERS

For over twenty five years, we have offered individuals and businesses expert advice on wealth management. Our strategies can help you to meet your financial objectives, including the provision of an enduring legacy.

We have particular expertise in investment management, asset protection, retirement strategies and Inheritance Tax mitigation and share this with clients across the UK. Any advice provided by Penney Financial Partners will be tailored to your individual needs and based on our core values of quality, integrity and excellence.

- › We put our clients at the heart of everything we do
- › We take care and pride in our people so they can take care and pride in our clients
- › We are technical experts and actively seek out ways to continuously improve
- › We take accountability and personal responsibility for our roles
- › We communicate appropriately and help make complex things easy to understand
- › We provide complete peace of mind and build relationships built on honesty, trust and respect
- › We deliver outstanding service with a personal touch

Our service is professional and always personal. We are committed to the highest standards:

-  First meeting without obligation or commitment
-  Highly experienced team
-  Support and advice when life gets challenging
-  Specialists at your disposal
-  Quality answers to your questions
-  Personal touch and communications
-  Phone calls – 1 working day response
-  Letter/email communications – 2 working days response
-  Proactive guaranteed* advice
-  Access to St. James's Place specialist technical and tax expertise
-  High quality investment management provided by St. James's Place

*St. James's Place guarantees the suitability of advice given by members of the St. James's Place Partnership when recommending any of the wealth management services available for companies in the group more details of which are set out on the Group's website at www.sjp.co.uk/products.

To review any of the areas outlined in the guide please get in touch with your Integro accountant, or contact us directly on the details below.

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Senior Partner Practice

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