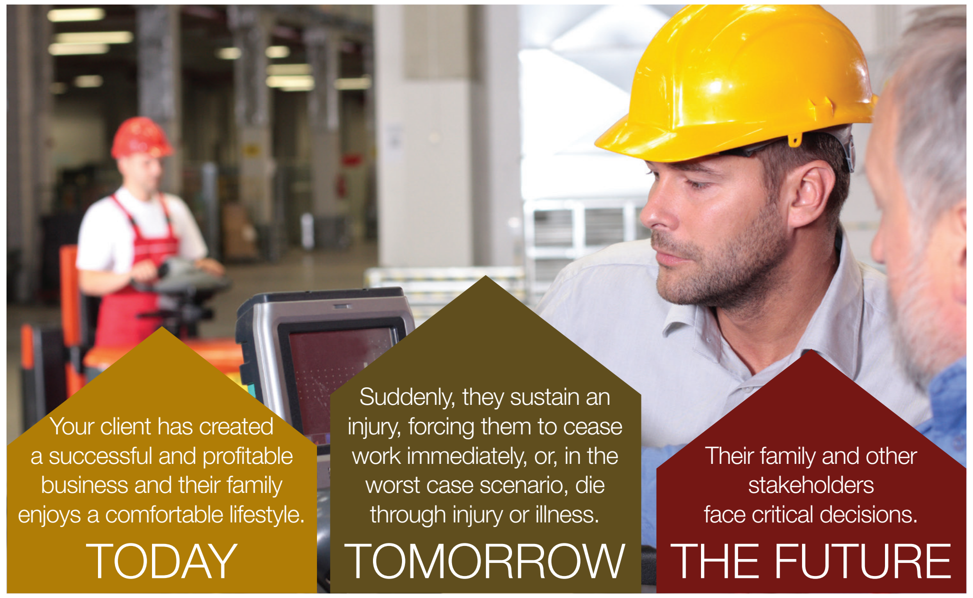
Business Protection



What are their options?

A	The next of kin becomes active in the business. But do they have the experience, skills and expertise to manage the business?
B	The business (or a share in the business) is sold to an outsider, or the next of kin retain their interest as inactive shareholders. But can the other stakeholders accept this arrangement with the extra effort required of them for no extra reward in terms of profit share?
C	The next of kin want to sell their interest to the remaining shareholders. But will these shareholders be able to raise the necessary funds for this transaction?

Every business should have a succession plan in place, even if a transition, retirement or sale is not a current prospect. Business owners don't think twice about insuring their businesses against fire and theft. However, there are numerous other circumstances that can threaten the viability of a business.

Partnership/Shareholder Protection: A life assurance policy put in place by a company or shareholders to provide the necessary funds to purchase the shareholding from the estate of a deceased shareholder or partner.

Keyperson Protection: A life assurance policy put in place by a company on a key employee to compensate the company for the loss of the key person or to repay business loans in the event of the death of the keyperson.

It won't happen to our business!

Many clients believe that it simply won't happen to them. After all what are the chances? Well the chances of one partner/director, in a two or three man business dying or becoming seriously ill before retirement, are probably a lot higher than they might think.

Case Study

John and Therese have 2 children. John part owns a business with Alan valued at €500,000.

We sat with John and identified Therese would need €700,000 on his death to maintain the family's current lifestyle and provide the money to support the children to age 21.

We helped Alan and John formalise what would happen on either of their deaths. They agreed that on death the survivor will buy the deceased partner's share back from his next of kin and they put a legal agreement in place to cover this.

We put in place a plan that pays €250,000 to the surviving partner – if John dies, Alan receives €250,000 and vice versa.

If John dies: Alan receives €250,000 and uses it to buy Therese's share of the business which she has inherited from John. Alan retains control of the business. Therese receives €250,000 from Alan plus €450,000 from personal cover John put in place giving her the €700,000 she needs to provide for her family.

Inheritance Tax Planning

Business owners in particular should take a close look at the implications of capital acquisitions tax if they are thinking about passing on their business to their family when they die. There are some tax free thresholds but these depend on the recipient's relationship to the business owner.

Inheritance tax can become a real burden where financial resources are tied up in a business. If clients do not plan ahead, their families could be faced with a difficult decision between having to sell the business or borrowing the money to pay the tax bill.

There are a number of solutions to their situation including taking out a life assurance policy to cover the cost of the inheritance tax bill, and putting a tax-efficient pension strategy in place.

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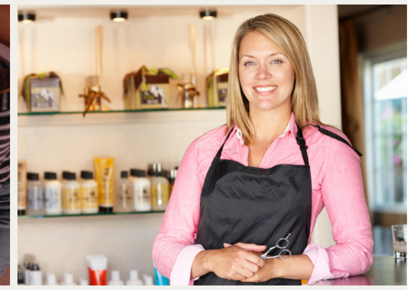


Working together we can ensure that all of our clients get the best possible advice tailored to their circumstances

We have a wealth of financial planning expertise and experience to share with you and your clients.

We would welcome the opportunity to discuss the services we can provide to your clients with the potential to refer our clients who may need tax, accounting or legal advice to your business.

In the following newsletter we have identified some areas of financial planning where your clients may require professional advice.

I look forward to meeting with you to discuss the idea of working together into the future in order to provide both of our clients with a complete local professional advice-based service.

Yours sincerely

John Diskn and Niall Callery
Momentum Financial Services Ltd

Momentum FINANCIAL SERVICES LIMITED

For business clients we can advise on:

- Business Protection
- Shareholder Protection
- Key Person Protection
- Partnership Protection
- Inheritance Tax Planning
- Directors' Pension
- Company Investments

Making use of such arrangements can help ensure your clients are not left financially exposed. They can also help to maximise effective wealth protection and succession planning.

When would your clients need our help?

There are certain times in people's lives when they may need to put financial plans in place to protect their income or assets during their working lives or for retirement. These are just a few of the life events where your client could benefit considerably from meeting with a financial advisor:

- Marriage
- New home
- Birth of a child
- Inheritance
- Retirement
- Investment property purchase
- Redundancy
- Injury/illness

Helping your clients to understand the value of making financial plans for their own and their family's future provides a comprehensive solution to meeting your clients' needs.

Investment Options

We can offer advice to clients on potential investment options available. These can range from products that offer capital security on part or all of the initial investment, to risk managed funds that can protect up to 90% of the value of an investment in volatile markets or to high risk funds that offer the potential for higher returns with a corresponding increase in the high risk of losing part or all of the initial investment.

We can also offer clients cash fund alternatives suitable for short-term holdings.

Whatever your clients' investment needs we can offer practical solutions and advice.

How we can help your clients

Retirement Planning

A pension is one of the most important savings plans your clients will ever contribute to. Following recent developments in pension legislation, a number of changes affecting pensions have come in, making professional pension advice now more important than ever. By referring your clients for retirement planning advice you can ensure that they are not missing out on any tax saving opportunities which could be gone or reduced in the near future.

Below is a summary of some of the major changes that have been introduced in the last three years.

Approved Retirement Funds

In the 2013 Finance Act, the level of specified income you need to invest in an ARF decreased dramatically from €18,000 to €12,700. The investment required in an AMRF or annuity before you could invest in an ARF has also fallen dramatically from €119,800 to €63,500. This means, you may have clients who have over €63,500 invested in an AMRF, and they will now have the remainder of their fund treated as an ARF.

In the 2012 Finance Act, the amount of the annual deemed distribution for tax purposes from an Approved Retirement Fund (ARF) has been increased from 5% to 6% in respect of ARFs held by an individual with aggregate asset values over €2m at 30th November in a tax year.

Payments and transfers from ARFs

The rate of tax applying on the death of an ARF holder where the value is paid out to a child aged 21 or over was increased to 30% from 20% as part of the Finance Act 2012. Any payment from an ARF is regarded as a distribution and is therefore taxable as such. The event of the death of an ARF holder is regarded as a distribution.

Employer PRSI Relief

From 1st January 2012, Employer PRSI relief for employee pension contributions was eliminated (it was reduced by 50% in Finance Act 2011).

Relief on chargeable excess

Measures have been introduced to reduce the immediate tax burden arising where an individual retires and their pension find is in excess of the Standard Fund Threshold (SFT) of €2.3m. These measures apply to public sector pensions only. These amendments are effective from 8th February 2012.

Private and Public sector pensions

Provision has been introduced for individuals who have a private and public sector pension entitlement to 'cash-in' their private sector entitlement on a once-off basis. This provision is of benefit to those individuals employed in the public sector only and whose pension pool (private and public combined) is in excess of the SFT (or their own Personal Fund Threshold (PFT)). An opportunity is now being provided to such individuals to encash their private pension rights in whole or in part from age 60 with a view to minimising any 'chargeable excess' on retirement.

Employee Contributions

Employee pension contributions no longer qualify for relief against PRSI or against the Universal Social Contribution (USC) which replaced the health and income levies on 1 January 2011.

€2.3 million
The reduced Standard Fund Threshold introduced in the Finance Act 2012 for the maximum pension fund that can be built up at retirement.

€200,000
The maximum amount that can be taken as a tax free lump sum from all pension arrangements at retirement.

€115,000
The reduced income limit for tax relief on personal contributions to a pension arrangement introduced in the 2011 Finance Act.

0.6% per annum
The temporary pension levy introduced on the value of private pension fund assets from 2011 until 2014.

Protection

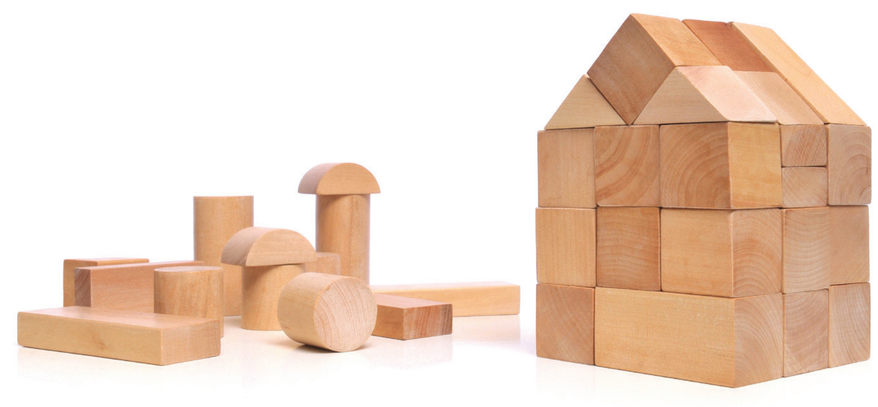
Protect what matters most

With many people facing new financial challenges we are urging families everywhere to consider what sort of financial cover they have in place should the unexpected happen.

Many of us will instinctively rely on our savings and investments or the value of our properties as our financial cushion should one partner become seriously ill or die unexpectedly. Typically these are not enough.

Spending a small amount on protection cover means you can provide for the financial needs of your family in the event of serious illness or death.

The issue of financially protecting both you and your loved ones has never been more important than in the current economic climate.



Case Study - Income Protection

Philip is a self employed business owner earning €72,800 per annum (€1,400 per week) and is a higher rate tax payer. He is 37 years old and is a non-smoker. He wants to protect 75% of his earnings until the age of 65 in the event that he became seriously ill and was unable to work. Philip is not entitled to any State Illness Benefit.

We advised Philip to take out an income protection plan with a payment after 13 weeks of being unable to work due to a serious illness and with his benefit in payment increasing at 3% per annum.*

Benefit Amount: €72,800 x 75% = €54,600 p.a./€1,050 p/week
Gross Premium*: €198.88 p/month
Net Cost: €117.34 p/month (after tax relief of 41%)

* Terms and conditions apply. Benefits are subject to underwriting and acceptance. Benefit will increase at 3% p.a. Includes hospital cash benefit until age 65. A Government Levy of 1% of the premium will be payable on each premium paid. This quotation is for illustration purposes only. It is important to note that tax relief is not automatically granted; you must apply to and satisfy Revenue requirements. Revenue terms and conditions apply.

Quotation from www.bestadvice.ie on 11 June 2013.

Investment Property

Q Has your client an investment property which forms part of their financial plans?

Q Has its value decreased in recent years to the point where it may now be more of a burden to their family instead of the safety-net it was meant to be?

Q If your client died would they like to leave it mortgage-free?

Answer

In the case of your client's death, putting life cover in place would benefit in the following ways:

- Their family wouldn't have to worry about the mortgage.
- Any rental income could contribute towards their family's finances.

Case Study

Gary and Helen bought a property in 2004. As it was an investment property they didn't have to take out mortgage protection cover. Its value quickly rose with the rapid increase in house prices and by 2006 they estimated it was worth about €100,000 more than they had paid for it. At that time they viewed it as a valuable financial safety net for themselves if they ever needed it and something they could pass on to their children in time.

Since 2006, Gary and Helen have fallen victim to the housing market collapse. They are now faced with the reality that the mortgage on their investment property is now greater than the estimated value of the property. If they were to sell it today they would have to find an additional €100,000 to clear the mortgage. If their children were to inherit it they would now be inheriting a debt instead of an asset.

Based on their affordability we advised Gary and Helen to take out a plan with €100,000 lump sum on death cover for the remainder of the mortgage term. If either of them died the lump sum payment combined with the value of the property will help ensure the mortgage is cleared.