



Relevant Life Plan

Put life cover on expenses



Business Protection: For small
and medium sized businesses

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What is a Relevant Life Plan?

A Relevant Life Plan is a tax-efficient way for you to offer a death-in-service benefit to your employees.

The life cover is tailored to your employees, yet counts as a business expense. Premiums can be treated as an allowable business expense by HMRC. With Corporation Tax relief available, no additional Income Tax or National Insurance to pay.

Simply put, it's a cost-effective way to offer employee life cover.



Many businesses may not be aware of a Relevant Life Plan, or the benefits the product could provide to your business, and your employees.



Provides life cover for an employee while working for you. This may include directors.



Your business pays regular premiums based on the level of cover.



During the term, if the employee covered dies or is diagnosed with a terminal illness (with a life expectancy of less than 12 months) whilst in employment, the plan pays a fixed, one-off lump sum.



The plan is designed to meet certain legislative requirements that mean your premiums, benefits and options should be treated tax efficiently.



Who can take out a relevant life plan?

The person covered must be an employee of a UK business, which can include salaried company directors.

Relevant Life Plans are not currently available for sole traders, equity partners of a partnership or members of a Limited Liability Partnership. The rest of this guide assumes that the person covered is an employee of the business.

How it works

- 1 Company takes out a Relevant Life Plan
- 2 The employee's life is insured
- 3 The Relevant Life Plan is put in trust to a person/s or charity of the employee's choice
- 4 If the employee dies during the term a claim is made by the trustee/s
- 5 The plan pays out to the trustee/s

What if you or an employee leaves the company?

There are two options which can be exercised:

- The new employer can continue with the policy and it will retain it's relevant life plan status and tax efficiency
- The former employee can continue with the policy but it will no longer have the relevant life plan status. Importantly they will have continuity of cover and on the same premium as the original policy

There is no need for further medical evidence or underwriting. Full details of the terms and conditions can be found in our Relevant Life Plan Policy Booklet.

Wellbeing Support



Personalised support for your employee and their family

From the day your L&G policy begins your employee and their immediate family have access to Wellbeing Support.

Provided by RedArc Assured Limited, the service gives your employee and their immediate family access to support from experienced registered nurses. Help is available as standard throughout the life of the policy. You don't need to make a claim first and receiving help from RedArc will not affect the policy in any way.

[Find out more](#)



Why consider a Relevant Life Plan?



Offers a cost-effective way to provide life insurance with terminal illness cover benefits to your employees.



Effectively make a saving on life cover compared with paying for it personally.



Premiums could be classed as a business expense and so are likely to be an allowable deduction for Corporation Tax purposes.



The plan is written in trust for the benefit of the employees dependents. As such would be paid outside of their estate, which could be beneficial from an Inheritance Tax perspective.

Amount of cover

The reason for the policy being taken out is to provide protection for the employees family. The lump sum amount paid would be based on the lost income of the employee. The maximum amount of cover available usually depends on the employee's age and their overall remuneration, including salary, bonuses and regular dividends.

Age 18 to 49	Up to 25x remuneration package
Age 50 to 59	Up to 20x remuneration package
Age 60 to 73	Up to 15x remuneration package

Additional benefits

The plan automatically includes some additional benefits, at no extra cost:

Accidental Death Benefit

While the application is being underwritten, the employee will be covered. If the employee dies in an accident during this time, we'll pay out the amount of cover, up to a maximum of £300,000. The employee is covered for up to 90 days until we accept, postpone or decline the application.

Changing your policy option

The employer can increase the level of cover without the need for further underwriting. As the employer, you'll pay the extra premiums for increasing cover and making changes.

This is available under certain circumstances if the employee:

- Receives an increase in remuneration due to a change of employment or promotion with you
- Increases their mortgage
- Gets married or enters into a registered civil partnership
- Becomes a parent – whether through birth or legal adoption or becoming the legal guardian of a child
- Divorce or dissolution of a civil partnership

Eligibility criteria applies.

Terms and conditions apply to these benefits and more information is available in the Policy Summary and Policy Booklet.

How it makes a difference

The unique way in which Relevant Life Plans work is that a business provides personal life cover to it's employees.

Example of how you could save

Andrew is managing director of a furniture design business. He already has a life policy but as his wife is about to have their third child, he wants to increase his cover to help make sure his family would be financially secure if he died. His existing plan doesn't allow him to increase his cover, so he decides to take out further cover by starting a new life policy.

Comparing the two plans that his financial adviser recommends, he doesn't hesitate to choose the Relevant Life Plan. Below you can see the sums that made his decision easy.

The Relevant Life Plan is particularly beneficial for Andrew because he's employed as a salaried director and is also a shareholder of the business, so all the savings go to him. If he were to pay for his life cover personally it would cost **£1,589.27** every year. By the company using a Relevant Life Plan to provide cover, it only costs **£810** each year. That's **£779.27** less, which is a saving of almost **50%**.

The example assumes that Andrew's Relevant Life Plan gets full tax relief and qualifies as an allowable business expense.

	Non-relevant life plan policy	Relevant Life Plan
Annual Premium	£1,000	£1,000
Employee National Insurance Contribution (assuming 2%)	£34.48	None
Income Tax (assuming 40%)	£689.65	None
Dividend Tax	None	None
Gross earnings needed	£1,724.13	£1,000
Employer National Insurance Contribution (assuming 13.8%)	£237.93	None
Total gross cost	£1,962.06	£1,000
Less Corporation Tax (assuming 19%)	£372.79	£190
Tax-adjusted total cost	£1,589.27	£810

This example is fictitious and provided for illustration purposes only. Actual premiums will depend on individual circumstances. As with all insurance policies, terms and conditions apply. Your financial adviser will be able to discuss these with you.



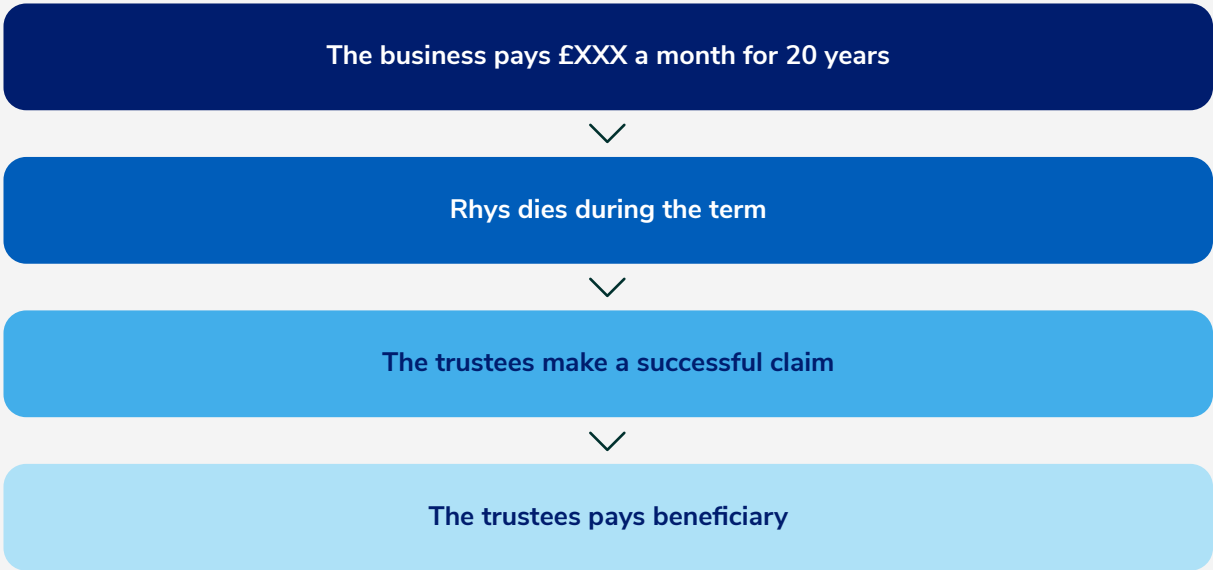
Example of a pay out

Rhys is employed as a managing director of an automotive manufacturing business. He leads a healthy lifestyle and takes plenty of exercise, but he worries that someday he may not be around to support his wife. The company takes out a Relevant Life Plan, setting his cover at £1 million. Rhys nominates his wife

as a beneficiary under the trust. If the worst happened and Rhys died during the term, the Relevant Life Plan trustees would receive £1 million. This could then be paid, tax free to his wife, giving her enough money to hopefully live comfortably for years to come.

The below chart shows how it would work

Cover: £1 million



The importance of trusts

Writing a policy in trust is one way of helping make sure the benefits of the policy are paid out to those who you want it to go to and without unnecessary delays. Trusts can provide the following benefits:

- Beneficiaries may receive the money at the right time tax efficiently
- Probate is avoided
- Intestacy law avoided
- IHT liability may be managed

In our online application process we have included the option to write your policy under trust without the need for signatures. Our simple Online Trust process takes care of all aspects of the trust and will speed up your application. Your adviser will be able to provide you full details.

Example for a small business of less than five people

Justin is owner-operator of a publishing business. He works full-time and employs two others – Liz, another experienced publisher, and Rose, a trainee. Justin would like to provide life assurance to cover himself and his employees.

The company is too small to take out a group life scheme, but his financial adviser suggests he takes a look at our Relevant Life Plan, which could offer an affordable alternative. The chart below explains how the costs work, assuming the Relevant Life Plans get tax relief and qualify as an allowable business expense.

	Justin	Liz	Rose
Premium	£100 a month	£70 a month	£30 a month
Employee National Insurance Contribution	None	None	None
Income Tax	None	None	None
Total company gross cost	£100 a month	£70 a month	£30 a month
Employer National Insurance Contribution	None	None	None
Less Corporation Tax (assuming 19%)	£19	£13.30	£5.70
Tax-adjusted cost	£81	£56.70	£24.30





Big business benefits, for small businesses

A Relevant Life Plan and Executive Income Protection could work well together, both the business and the employee could have peace of mind.

If an employee is unable to work due to incapacity caused by illness or injury or dies whilst employed by the business, this could reduce the financial impact on both their family and the employer.

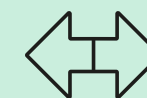
Executive Income Protection

Designed to help protect businesses against the financial impact of their employee's incapacity on the business. Businesses can help protect not just an employee's salary but can also cover dividends and P11D benefits.

It's a great way to help a business alleviate the financial uncertainty that often comes when someone is unable to work due to illness or injury.



Choice of cover options including limited benefit and deferred periods, and level or increasing cover.



If an employee leaves the business you can transfer the policy to the new employer. Terms and conditions apply.



Rehabilitation Support Service and access to Wellbeing Support (provided by RedArc Assured Limited) included as standard.

Working hand in hand, helping to secure future plans

Small businesses often don't have the staff numbers to qualify for a group risk scheme, however by using L&G's small business plans they can offer a competitive employee benefit package to attract and retain skilled staff.

By introducing valuable benefits such as Executive Income Protection and Relevant Life Plans, a business and their employees are given security in the case of injury, illness or death.

The flexible cover is tailored to meet business and employee needs, both now and in the future.

Speak to your adviser to find out how a Relevant Life Plan could work for you.

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