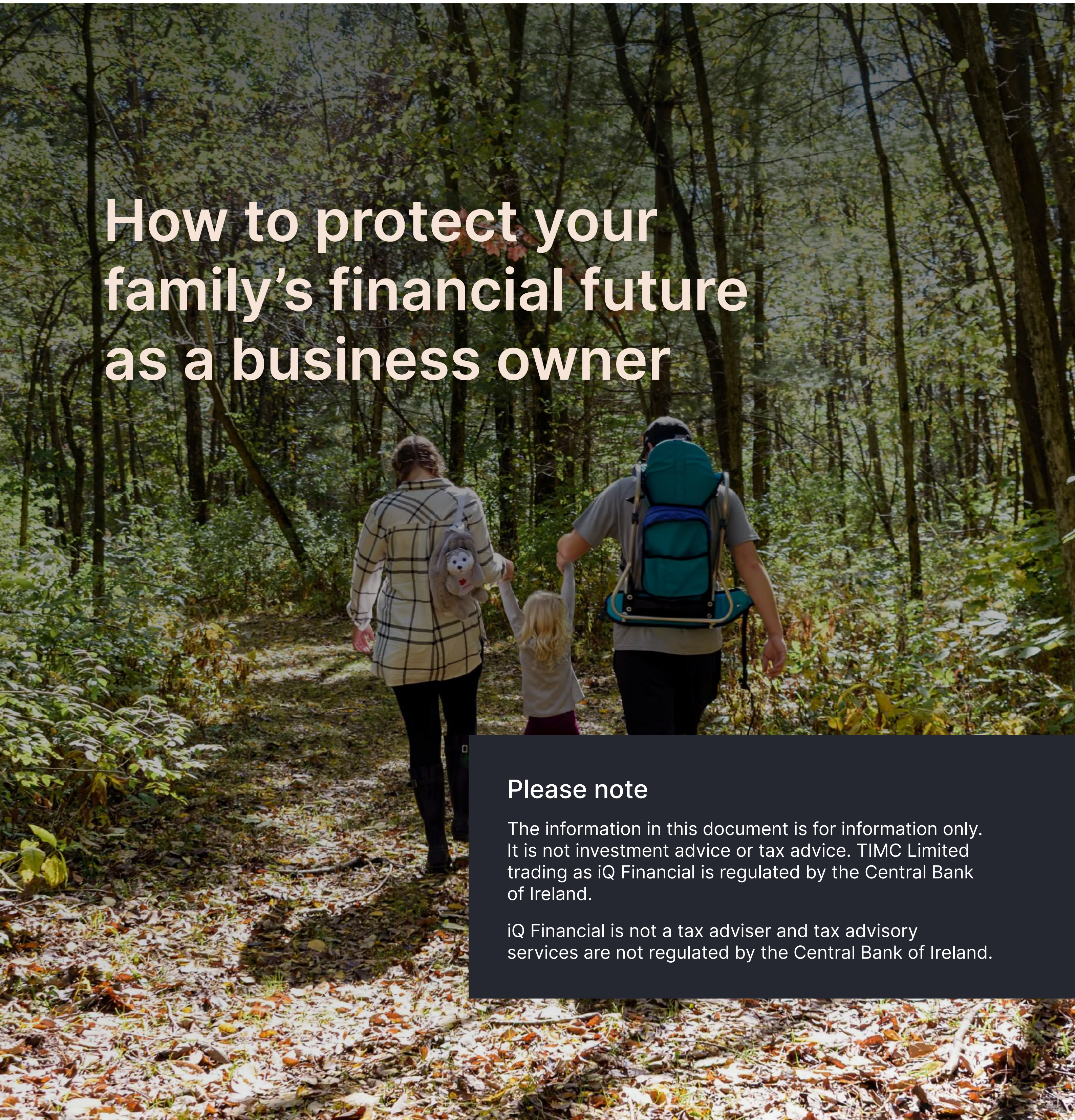
How to protect your family's financial future as a business owner



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As a business owner, one of the most important things you can do is to ensure you have plans in place to provide for your family no matter what happens.

Very few business owners would argue with this, but many fail to ensure they have adequate provision made to protect themselves and their families. The importance of protecting your wealth can be easy to overlook, particularly if your business is profitable. However, failing to prepare can have a hugely detrimental impact on even the most comprehensive financial plan.

In this guide to protecting your family, you will learn about:

- The different types of protection business owners should consider
- How to transfer assets tax-efficiently
- How to effectively plan for your family's future, with or without the unthinkable occurring
- How to work out your "number"
- Why working with us at iQ Financial could be one of the most beneficial steps to take for your future.

Need guidance on protecting your wealth and your family? We can help

If you need advice from professionals you can trust, get in touch to speak to a helpful planner.

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2 common reasons why business owners lack protection

In our experience, the most common reasons why business owners do not have adequate personal and business protection are:

1. Failing to take the time to properly consider what you need
2. A reluctance to pay the premiums required to adequately protect you and your family.

The former is understandable to a degree, as successful business owners have a huge workload, and we understand that it can be hard to cover all the bases.

However, the latter is less forgivable. Paying the cost needed to ensure that your financial plan (and ultimately your life) is based on a solid foundation, and has a margin for error built in, is a critical feature of any decent plan.

Financial "disasters" come in all shapes and sizes

It isn't pleasant to think about, but we all realise that there are many life events that could tip your wealth into risky territory.

Two key financial disasters you could encounter are:

- Your death
- A serious injury or illness.

Both these events would leave you unable to work and earn the income that is critical to the long-term financial health of you and your family.

Protection: just another product, or a business owner's lifeline?

You may think that personal and business insurance are just "products" the financial industry tries to flog.

From a more positive angle, we encourage you to see these products, if they are designed specifically to meet the needs of your financial plan, as something that gives your plan a margin of error.

The chances that you will need them are slim, but the consequences of not having them in place are potentially catastrophic.

5 popular types of life and illness insurance for business owners

Most people don't get excited about life insurance or income protection, and specified critical illness insurance doesn't exactly get the blood pumping!

However, if you die, suffer an unfortunate accident, or are unable to work due to a long-term illness, these financial products can mean the difference between maintaining a reasonable lifestyle and perhaps losing much of your hard-earned wealth.

Indeed, death or serious illness is bad enough without adding financial hardship for you and your family into the mix.

If you have a financial plan that helps you and your family map out the lifestyle you want for the rest of your days – a plan that clearly states what you want to do, when you want to do it, and with whom – then everything that supports the achievement of that plan is hugely important. Crucially, that includes your personal and business insurance.

Below are five popular types of insurance business owners should consider, and how they could benefit you and your family if a claim was successfully made.

Insurance type	What it's best for
Personal life insurance	Personal life insurance pays a tax-free lump sum to your estate if you die. This could ensure your family can maintain their lifestyle and avoid upheaval in the event of your passing away.
Keyman life insurance	Keyman life insurance pays a lump sum to your business, rather than your personal beneficiaries. It can cover the financial hit your business would take if it lost a key shareholder, owner, executive, or employee.
Business insurance (buy-sell)	This protection provides funds that may facilitate your shareholders or partners buying out your share of the business, should you die, with all aspects agreed in advance and legally binding. It can help ensure that the full value of your business is passed on to your estate.
Income protection	Income protection provides a regular taxable income of up to 75% of your salary if you are unable to work long-term as a result of an accident, illness, or injury. Premiums paid usually attract Income Tax or Corporation Tax relief.
Specified critical illness	This cover provides a tax-free lump sum if you are diagnosed with one of the specified illnesses covered by your policy. The vast majority of claims relate to cancer, heart attacks, and strokes.

We can help incorporate protection into your comprehensive financial plan

A well-thought-out financial plan can help you identify the type and amount of insurance you need.

Once you establish your goals and develop a strategy for achieving them, you can use your business turnover and your personal cashflow to execute the level of cover you need to protect your plan.

This strategy could give you and your family the peace of mind that comes from knowing you've given yourself every chance of achieving your financial goals, even if the unthinkable happens.

Both a will and Enduring Power of Attorney could ensure your protection package is effective

Creating and regularly reviewing a will, and putting an Enduring Power of Attorney (EPA) in place, can ensure your assets are dealt with effectively in case you lose capacity or pass away unexpectedly.

You should consult your solicitor with regard to both measures. Some plans could be undermined if these important legal documents are not in place and up to date.

Making tax-efficient transfers can be a fantastic long-term measure to preserve the value of your assets for your family

In addition to incorporating an appropriate level of personal and business insurance into your financial plan, making tax-efficient wealth transfers to your loved ones can be a very worthwhile protective measure.

Transferring assets to those you love, whether it's property, cash, or investments, may incur tax in the form of Capital Acquisitions Tax (CAT). The rate of CAT stands at 33%, as of the time of writing, on all amounts that exceed the thresholds applying to the person receiving the asset.

So, taking the time to plan how you will pass wealth onto the next generation can help minimise the tax they pay.

As of the time of writing, the legislation provides various reliefs and exemptions, so it is important that these are used, where possible, to ensure your loved ones receive the inheritance they deserve.

Retaining advice from experienced tax, legal, and financial experts can help ensure that you plan effectively.

The tax-efficient CAT thresholds are as follows:

1. Transfers to a spouse or civil partner are exempt from CAT.
2. Parents can gift or leave up to €335,000 to a child.
3. You can transfer €32,500 to a grandchild or other close relation.
4. You can transfer €16,250 to anyone not covered above.

4 tax-efficient options for effective wealth planning

When it comes to making tax-efficient transfers, there are plenty of routes you can weave into your plan. Here are four tax-efficient wealth planning options to discuss with your iQ Financial planner.

1. Using the annual Small Gifts Exemption

Using the annual Small Gifts Exemption, where you can gift up to €3,000 a year to anyone before CAT is payable, is likely to form part of your plan.

While this may seem a relatively small amount, used early and as one part of an overall plan, this can help you to greatly reduce the tax your loved ones will eventually pay over time.

2. Use a Section 72 policy

Providing funds to pay CAT can be done by way of a life insurance product known as a “Section 72 policy”.

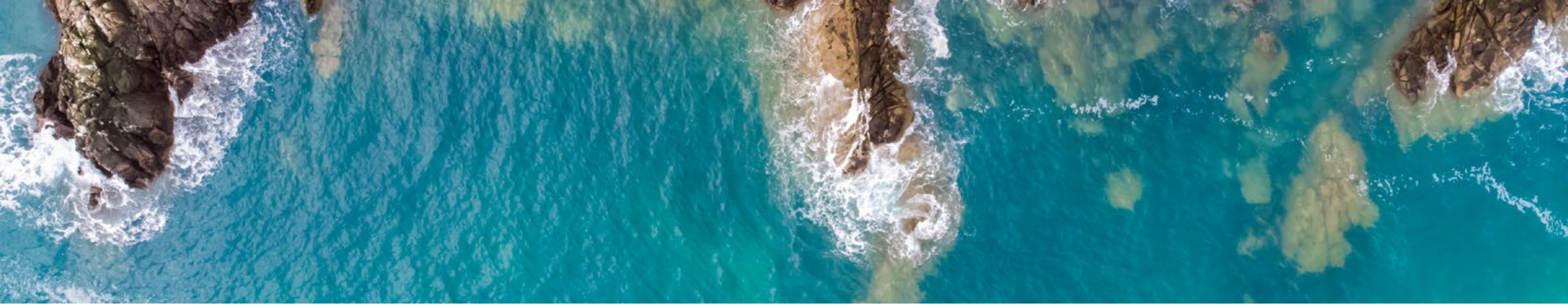
The proceeds from the policy do not usually form part of your estate, as long as they are used to pay CAT. In return for paying a set premium for the rest of your life, you get certainty around a payout amount that should cover the CAT arising on your estate.

3. Use a Section 73 savings policy

A Section 73 policy is a savings policy that provides a similar exemption to Section 72.

If the proceeds of a payout are used specifically to pay CAT on gifts, or inheritances arising from future gifts made by the insured person during their lifetime, they may be exempt from tax.

Payout funds can be used, for example, if you want to help your child with a deposit for a house.



4. Make the most of reliefs granted when passing on a business or farm

Passing a business or farm can attract the following reliefs. Advice from an experienced tax adviser should be taken to ensure you maximise these reliefs:

- Business Assets Relief
- Agricultural Relief
- Retirement Relief
- Entrepreneur Relief

Two of the more important reliefs above are Retirement Relief and Entrepreneur Relief. If you qualify for Retirement Relief, some of the sale proceeds are exempt from Capital Gains Tax (CGT). There are two types of Retirement Relief, depending on whether you sell to a family member or third party. Entrepreneur Relief reduces CGT on part of the gain from the sale.

Before you qualify for Retirement Relief or Entrepreneur Relief, there are a number of conditions and anti-avoidance tests that you must meet. We suggest you'll need advice from your tax advisers ideally three years before a sale being completed.

Your will can underpin the tax-efficient wealth transfers you make

Putting a will in place and reviewing it regularly are important elements of planning for the efficient transfer of assets to the next generation. Without one, your plans could be fruitless.

Are you yet to create a will and prepare for an efficient wealth transfer? Here's where you could start.

1. List all your assets

Think about how your asset profile will develop over time, and the consequences this will have for you and your family when transferring wealth.

For instance, make sure you have a suitable pension account in place with the help of your financial planner, so that your pension funds are passed to your estate in the most tax-efficient manner. Not all pension accounts are the same in this regard, so working with a professional could be beneficial.

2. Take time to establish your priorities for transferring wealth

If you have young children, objectives such as education fees will be shorter term in nature. Other objectives, like retirement planning, may be longer-term issues you need to consider.

3. Obtain expert advice

Using experienced tax, legal, and financial professionals may be the key to ensuring that your plans are effective.

Leaving this to chance is likely to result in your loved ones receiving less than they could have if proper planning had been done – a situation you might wish to avoid at all costs.

Creating a financial plan is an essential step towards providing for your family – with or without the unthinkable occurring

Benjamin Franklin once said: "By failing to plan, you are preparing to fail".

As a business owner, you know that this is true of so many things in life – certainly when planning for your family's financial security. Financial planning is an ongoing process that can help you take control of your finances, plan your future financial life, and ensure you align the use of your money to what's really important to you.

Like all good plans, you should start by looking at where you are today, take time to figure out what you want to achieve, then develop a plan to help ensure you get there.

The funny thing about a financial plan is that, just like running a business, once you put a plan in place, life happens and your plan needs to change. The process of putting a good financial plan in place, and reviewing it regularly, can:

1. Help to give you clarity about where you are financially, and how your financial future will look
2. Show you your options, and the strategies you could use to help you reach your goals, which may help you to make more informed decisions
3. Give you time and space to think properly about where you are today, and to figure out what is most important to you and your family
4. Be flexible enough to allow for changes to be made while still allowing you to remain on track to reach your goals – you could call this your "margin of error", a key part of any plan
5. Allow you to identify what needs to be done to provide for your family, should something unfortunate happen to you.

Failing to plan puts much of your future success in the hands of the gods.

If you don't take the time to figure out where you're going and to look at the different options you have to get there, ask yourself: what are my chances of success?

You would never set out on a car journey without knowing where you're going and looking at a map (or GPS) to plan how best to get there. Why leave something as important as your family's future to chance?

Finally, your spouse or significant other should, ideally, be fully involved in the planning process from the outset. They will be fundamentally affected by the plan, and should have an influence on how the plan looks initially and how it is tweaked year after year.

Knowing your "number" can help your family thrive in future

In the context of providing for your family, it is also important to know your "number", meaning the amount of wealth they would need, should anything happen to you.

Calculating your number is easy to do once you have figured out the key elements that go together to form your financial plan.

These include:

What's your "number"? We can help you find the answer

Your "number" is the amount you need to accumulate for you and your family to live comfortably in the years to come.

1. **Working out how much you (or your family if you pass away) need to spend each year to maintain your lifestyle**

Many business owners and retirees we meet have a round number in their heads that feels like it could be enough. However, it is important to spend a little time calculating the actual number properly; rough ideas won't suffice.

2. **Naming the milestone events that are important to you, and working out how much will they cost**

These could include a much-anticipated world trip, a home relocation, a bolthole by the sea or abroad, and helping your son or daughter pay for their wedding or house deposit – the possibilities are endless.

3. **Calculating a reasonable estimate for future inflation**

Over 10 years, based on historical rates of annual inflation, your money will lose around 30% of its real value (or purchasing power) if it is left in cash.

Choosing appropriate investments to obtain an attractive long-term return and ensuring you factor inflation into the calculation are key components of protecting your purchasing power over the years and decades ahead.

4. **Deciding where will you invest the money you have accumulated**

It is important to ascertain how much of a return it is reasonable to expect your investments to generate in the long term.

5. **Assessing how much room for error you want to build into your plan**

As the author Morgan Housel said: "The most important part of any plan is planning on your plan not going according to plan".

Incorporating a margin of safety into your plan could be an effective way to safely navigate a world that is governed by odds rather than certainty.

5 reasons why you should choose iQ Financial

1. We deal exclusively with a small number of business owners like you, so we understand the main challenges you face when planning for your retirement.
2. We are financial planners who concentrate on you and your family. We are only interested in developing long-term, deep relationships with clients, based on a detailed understanding of all aspects of your personal finances and, critically, of your personal goals for the future.
3. We match your money with your life. Our ultimate aim is to help you lead a full and happy life, both now and in the future, with the money you have.
4. We work hard to provide a level of service to you and your family that is unmatched by other firms.
5. We will not engage a new client unless we are confident that the value you will get from dealing with us will be a multiple of the fee you pay us.

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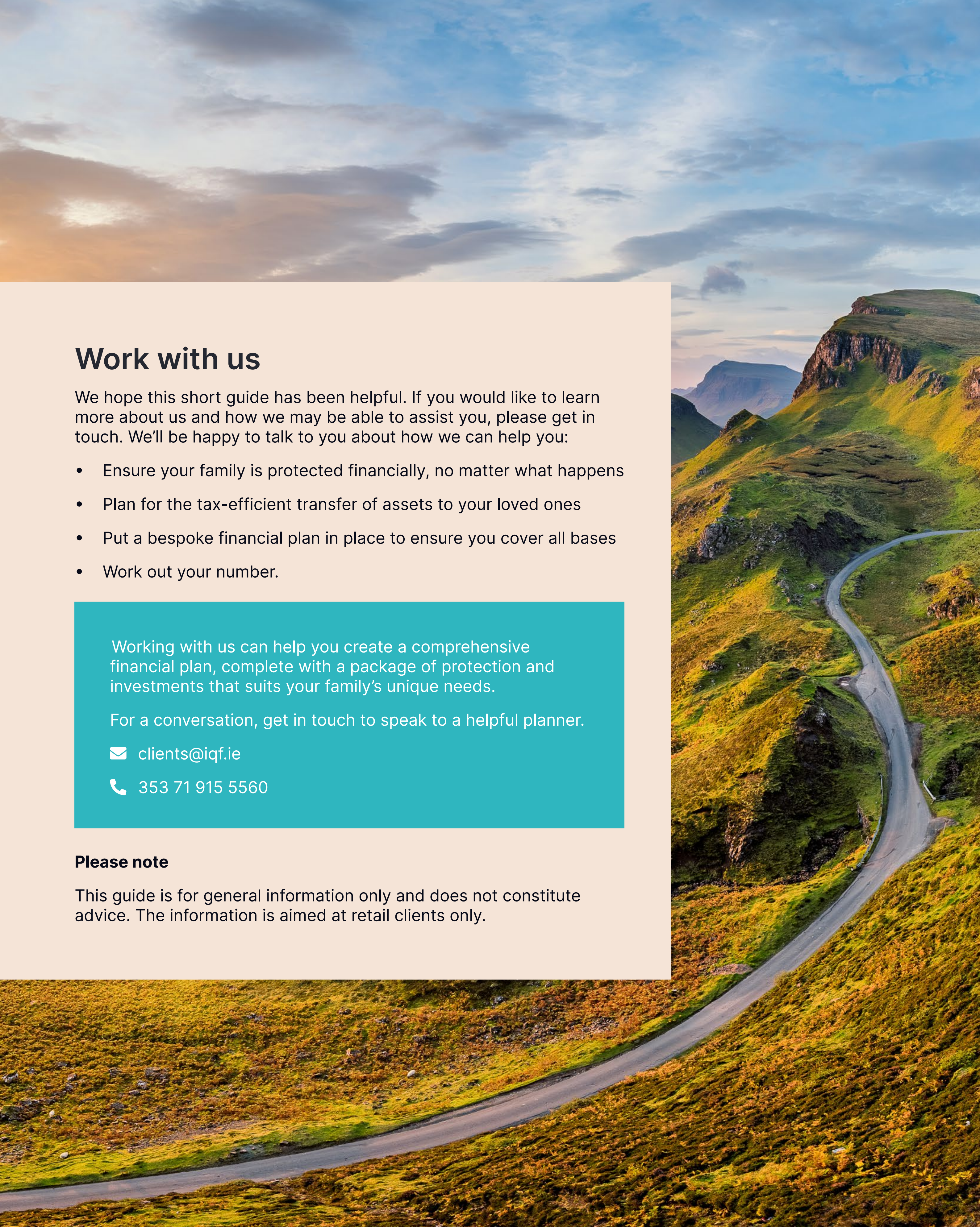

Work with us

We hope this short guide has been helpful. If you would like to learn more about us and how we may be able to assist you, please get in touch. We'll be happy to talk to you about how we can help you:

- Ensure your family is protected financially, no matter what happens
- Plan for the tax-efficient transfer of assets to your loved ones
- Put a bespoke financial plan in place to ensure you cover all bases
- Work out your number.

Working with us can help you create a comprehensive financial plan, complete with a package of protection and investments that suits your family's unique needs.

For a conversation, get in touch to speak to a helpful planner.

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