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Reduced Cost Pension Advice - An Under-Used Gem!

The *Employer-Arranged Pensions Advice Exemption* enables employers to provide the first £500 worth of pension-related financial advice each year for their employees with no P11D tax charge. This benefit was first introduced at a value of £150 but was increased to £500 after ratification by the House of Lords in November 2017.

Employers who want to reduce the £500 bill, but help their employees with this advice, can also offer access to this benefit via Salary Sacrifice.

WHO IS IT FOR?

It is designed for employees who want advice on their pensions and retirement planning. It is particularly beneficial to older employees who want advice about their retirement options and how to access their pensions. An "age 50+ Pension MOT" is how some employers are planning to promote this benefit.

The use of a salary sacrifice arrangement can help with affordability of advice for those employees who may not otherwise seek it – yet could benefit greatly from it.

The employer has to set up the facility in order for employees to access this benefit.

WHAT QUALIFIES AS PENSION ADVICE?

The advice must be provided in connection with the employee's pension arrangements or the use of their pension funds. However, it can include advice on general financial and tax issues relating to pension arrangements or pension funds allowing employees to make informed decisions about saving for their retirement.

HOW DOES IT WORK AS A BENEFIT VIA SALARY SACRIFICE?

The employee benefits by saving tax and National Insurance on the deduction from their gross pay. A basic rate tax payer would pay £340 for £500 worth of advice (a higher rate tax payer would only pay £290). The cost to employees could be reduced further if the employer shares some, or all, of their employer National Insurance savings.

FURTHER CONDITIONS

- The scheme has to be offered to all employees but can be restricted by location, relevant pensionable age or if employees meet an ill-health condition.
- Employees will be expected to meet any cost in excess of the £500 directly with the adviser.

PLEASE NOTE

This arrangement should not be confused with the *Pension Advice Allowance* which also provides for £500 of pension advice. The mechanics of this allowance are that the £500 is deducted directly from the employee's pension funds by the provider. The use of this allowance is limited to three times during the individual's lifetime and only once in any one tax year. Although not the same, both allowances can be used by the same person in the same year thus providing a tax efficient way of funding £1,000 worth of pension advice.

FURTHER INFORMATION

For more information about this valuable employee benefit, please contact Nicola Prince, Director of Employee Benefits, or your Employee Benefit Consultant.