CASE STUDY

Mr and Mrs X run a successful business and were looking at additional ways to extract profits in a tax efficient manner. They had existing pensions of £121,000 and £184,000 respectively, but these were managed by an alternative IFA. Mr & Mrs X were also concerned that pensions were overly complicated and wanted a better understanding of how the portfolios are invested.

Objectives:

1. Mr & Mrs X were looking to reduce their corporation tax liability and extract profit in a tax efficient manner.
2. Mr & Mrs X wanted Albert Goodman to review their existing pensions and explain the current portfolios in more detail.

Solution:

1. To help to reduce corporation tax within a business, we recommended that they make employer pension contributions into suitable pensions.

   We were able to establish that Mr & Mrs X had sufficient unused pension allowance from the previous three tax years, to pay the desired £75,000 each. In addition, we came up with a longer-term strategy to ensure that all pension allowances would be used on an ongoing basis.

   As a result, Mr & Mr X made total contributions of £75,000 before their company's trading year end reducing their corporation tax liability by £28,500 in the current tax year. In addition, based on the future contribution strategy, we have projected an annual corporation tax saving of £15,200.

2. Following a detailed review of the existing pensions, Albert Goodman Chartered Financial Planners were able to determine that the existing pension funds had provided underperformance for the level of risk taken. In addition, Albert Goodman Chartered Financial Planners were able to demonstrate that the existing pension scheme was a more complex arrangement that included additional fees when compared to a solution that AG would offer. The table below provides a comparison of these charges:

Existing Pension Plans	Total Ongoing Charges	Annual Monetary Cost
Platform Charge	0.23%	£699
Average Weighted Fund Charge	0.83%	£2,523
Discretionary Fund Manager Charge	0.31%	£942
Ongoing Adviser Charges	1.00%	£3,039
	2.36%	**£7,203**

Proposed Pension Plans	Total Ongoing Charges	Annual Monetary Cost
Platform Charge	0.25%	£760
Average Weighted Fund Charge	0.31%	£942
Ongoing Adviser Charges	0.75%	£2,279
	1.31%	**£3,981**

You can see from the tables above, that the ongoing cost reduction would be 1.05% per annum. Based on the current pension values, this would equate to a monetary saving of £3,191 per annum, but would fluctuate with the changing value of the pensions.

As a result of these findings, Mr & Mrs X decided to proceed and transfer their existing pension funds into the new provider, managed by Albert Goodman. This portfolio included the tilt towards ESG investments (Environmental, Social & Governance led investing) as this was an extremely important factor for Mr & Mrs X.

SUMMARY

The case study highlights the importance of undertaking an independent review of your pensions to ensure you are not paying too much for your pensions. Whilst there was a significant cost saving to be had in the case study above, it is also important to consider the wider portfolio position and your investment objectives and needs when analysing any investment portfolio. Our Independent Financial Advisers will analyse various aspects of your existing investment or pension portfolio and consider the underlying performance and risk before making any recommendations.

If you would like to discuss your existing investment or pension portfolio with one of our advisers, please get in touch and we will be happy to discuss this in more detail.

CALUM BUTT

CONSULTANT

ALBERT GOODMAN CHARTERED FINANCIAL PLANNERS