



Relevant Life

Life cover can of course take many different forms, enabling people to select the policy most appropriate for their individual circumstances, whether personal or business.

One such policy, considered by a number of businesses for individual employees between the ages of 17 and 71, is **Relevant Life**.

This policy can provide life and terminal illness cover, with the benefits payable to the employee's family or financial dependents. If an individual is the director of a limited company, a Relevant Life policy such as this may be worth considering.

Relevant Life policies can also be taken out by sole traders and partnerships, but only for employees – not the owners of the business or partners themselves.

The sum assured under a Relevant Life policy does not have a statutory limit, but must be deemed as reasonable. Commonly, the maximum sum assured allowed by insurers ranges between 15 times up to 35 times the assured's income, depending on their age. This income can include salary, bonuses, dividends paid in lieu of salary and any taxable benefits in kind.

It may be worth noting that:

- Premiums are not deemed to be benefits in kind
- Premiums are not assessed for NI
- Benefits are free from Income Tax
- Benefits do not count towards the Lifetime Allowance
- Most benefits are paid free of Inheritance Tax
- Tax Relief is available to the employer on premiums paid

The last of these points may make Relevant Life a particularly cost-effective option to consider. Net savings are said to amount to as much as 49% for some individuals.

FSCS Cash Protection

As market uncertainty increases, cash may become a greater consideration.

From 30 January 2017, the sum protected by the Financial Services Compensation Scheme in a UK regulated current or savings account and cash ISA increased to £85,000 from £75,000. However, it should be noted that the maximum compensation amount is per financial institution, and not per bank.

This raises the following question: what constitutes a financial institution?

It is important to consider how certain associated organisations relate to one another. For example, deposits with Halifax and Bank of Scotland, because of the nature of their association, would qualify for one lot of compensation across the two organisations, whereas you'd be entitled to two sets of compensation for deposits with RBS and NatWest (i.e. you'd be entitled to compensation for each). Additionally, when financial institutions such as building societies merge, this becomes a matter that may be worth further consideration.

Joint accounts qualify for double the FSCS compensation scheme allowance, due to each individual having their own allowance.

Compensation payments are made by the FSCS within one week of a claim.

In addition, there is a higher short-term protection allowance of up to £1m. This is available for six months following certain 'life events'. The six month period commences once an individual becomes entitled to a payment, or once the amount has been paid into their account, whichever occurs later. A 'life event' includes monies received from the sale of a property (not buy-to-let), inheritances, redundancy or insurance and compensation payouts. The individual must provide proof of the source of the monies in order for compensation to be granted, the FSCS will pay the agreed figure (over and above the £85,000 allowance and up to the maximum of £1m) within three months of a claim.

No responsibility can be accepted for the accuracy of the information in this newsletter and no action should be taken in reliance on it without advice. Please remember that past performance is not necessarily a guide to future returns. The value of units and the income from them may fall as well as rise. Investors may not get back the amount originally invested.