



CORPORATE BRIEFING

October 2007

Pension Age – changeover from 50 to 55

Changes have been made to pension ages in legislation that became effective on 6th April 2006.

At present members of most types of pension scheme can take their benefits from age 50. However, the normal minimum pension age will increase to age 55 from 6th April 2010. This change is intended to benefit the economy and help tackle the 'pension crisis' by encouraging older workers to remain active in industry for longer.

In order to take benefits before age 55 an individual's 50th birthday must be before 6th April 2010. Those reaching 50 on or after 6th April 2010 will need to wait until age 55 before any benefits can be taken. Even for those reaching age 50 before 6th April 2010, if benefits haven't been taken by then the new minimum normal pension age of 55 applies.

Exit this way...

Receiving a large sum from the sale of a business can be a welcome and yet daunting experience; early financial planning can help guide the way to a smoother exit.

Small Medium Enterprises are defined as those businesses employing fewer than 250 employees and make up over 95% of the UK's businesses employing over 12.6 million people across the UK.

For many SME owners the decision to sell will not be an easy one and may come after years of building the business from small beginnings into a large, profitable concern. The decision may be caused by an approach, changing circumstances or even just the need to eventually hand the reins over and retire.

As soon as the decision to sell has been made the real preparation begins. The accountant and corporate finance adviser will prepare the necessary management information, assist in the valuation of the business and may even help with finding a suitable buyer. It's at this early stage that the role of a financial adviser can be invaluable.

A financial adviser is able to assess exactly the level of income needed after the sale and where this can come from having reviewed existing investments and pensions; whether there will be income from continued employment or whether it will need to be raised from the proceeds of the sale.

It's also important at this stage to remember that even if the seller is staying on with the business after completion of the sale for either a hand over or buy out period, that other employment benefits such as life, private medical and dental insurance and company car benefits may be lost or reduced and the cost of replacement should be calculated and built into any future income plans.

Boosting income for the few years prior to a sale can create greater flexibility for the future investment of any cash proceeds. Pension simplification now means that large lump-sum payments can be made into pension plans and receive full tax relief providing they are the lower of the Annual Allowance or the taxable earnings of the investor for the year in which the payment is made. Changing the way in which income is received can enable significant payments to be made into pension plans with the extra boost of tax relief being reclaimed on the payment made.

Working Time Regulations

The minimum holiday entitlement for all workers will be increased to 28 days (currently 20 days based on a standard five-day working week). This change means that employers will no longer be able to include public holidays within the paid holiday.

The increase will be introduced in two stages – 24 days from 1st October 2007 and then 28 days from 1st April 2009. Employers will be entitled to provide a payment in lieu of the increase during the transitional period.

Employers should note that the entitlement is capped at 28 days a year although employers may choose to provide more contractual holiday.

It is essential that employers review their contracts of employment, as specific terms may need to be addressed.

Effective Delivery of HR Absence Policy

The cost of staff absence to the UK economy rose to some £13.4 billion in 2006, with over 40% of overall time lost attributable to longer periods of absence – 20 days or more. The average employee took around seven days off sick in 2006, losing UK businesses 175 million working days in total.

The challenges for companies today are many, including the reduction of lost time both in terms of incidence and duration of absence due to employee sickness; the maximisation of productivity; determining the causes of employee absenteeism and the true incidence levels; helping employees return to work in an efficient and timely manner.

We have access to a resource called WorkMatters which focuses on making a tangible difference to an employer's overall sickness expenses and helps advisers deliver a range of tailored solutions to their clients.

Exploiting the Open-Market Option

Employees could increase their pension by an average 10 per cent if they shop around for a good annuity, by exercising their open market option when they come to retire.

Currently, only one in three does, with the remainder accepting whatever their existing pension provider offers. If any of your staff are approaching retirement, you can arrange for one of our advisers to meet with them.

For further information please contact:-

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You should be aware that investment in securities involves risk. The value can fall as well as rise and you may not get back the full amount invested, particularly in the earlier years.

Taxation: All statements relating to taxation are based upon our understanding of the law and HM Revenue & Customs practice in force at the date of this report. There can be no guarantee that the tax position or proposed tax position at the time of investment will endure indefinitely.

Financial Education

Financial education aims to provide generic information to employees about a broad range of personal finance issues. It can help employees to begin to understand and make choices and decisions about their own personal circumstances and the benefits available to their employers. It is distinguished from financial advice by its generic nature.

Employers are beginning to realise the importance of providing financial education to staff.

Financial education can be delivered through a range of formats, from newsletters, workshops and even individual clinics. As well as factual information about the benefits and services on offer in the work place, it can cover issues such as pre-retirement planning, mortgages and debt management.

Seminar

A seminar for business owners and decision makers will be held on 1st November 2007 in the Gosforth Park Marriott Hotel. Topics to be covered include:

- Statutory Dismissal/Grievance Procedures
- Analysis of Chancellor's Pre Budget Report
- Attracting and retaining quality staff
- Streamlined pension administration
- Paternity pay and leave

**For information on attending contact
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If you read nothing else read this...

- Many employees are not currently saving enough to fund their retirement
- Employers may not feel it is their responsibility to encourage saving but there is often no one else to do so
- Financial incentives or access to independent advice could help to boost staff contributions