

- WEALTH at work calls for greater financial literacy
- Pre budget report
- Education for the next generation

WEALTH at work

KNOWLEDGE | EXPERIENCE | OPPORTUNITY

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corporate clients take urgent action.

The Pre Budget Report extended the impact of the 'anti-forestalling' rules with a lower income threshold of £130,000.

Many of our corporate clients are taking urgent action in advance of the tax year end and have appointed us to provide their employees with technical support via seminars and one to one guidance together with access to advice. The objective is to ensure individuals are not faced with an unexpected tax bill. The calculation

of 'relevant income' means that those with a base pay level in excess of £70,000 have commonly been identified as requiring technical support; once cash bonus, share based awards and other taxable income are added 'relevant income' could well exceed the £130,000 threshold. [ww](#)

please see page 4 for more details



"Many of our corporate clients are taking urgent action having commonly identified those with a base salary in excess of £70,000 as potentially being impacted by the pension tax relief changes. The addition of cash bonus, unapproved share awards and other taxable benefits together with any personal income such as dividends could mean that income exceeds the new £130,000 threshold. We are currently implementing a number of projects for some of the UK's largest employers to help those affected understand the changes."

David Cassidy
Chief Executive Officer, WEALTH at work

Our 3 key principles are:

WEALTH of knowledge.

Our team of professionals with their specialist skills and knowledge are on hand to help and guide you to ensure the value of your company's benefits are maximised.

WEALTH of experience.

With many years of experience in designing and implementing ways to enhance the value of workplace financial benefits we can provide cost efficient programmes which add real value.

WEALTH of opportunity.

Our tailored approach to working with both large and small companies means we are well placed to provide your company with proven ideas as well as innovation to improve your benefit offering.

WEALTH at work calls for greater financial literacy.

High profile and senior pension professionals from The NAPF, the Pensions Regulator, and the Pensions Management Institute attended the launch event of WEALTH at work at an exclusive London venue along with guests from major blue chip companies, such as BT and Kingfisher.

David Cassidy, Chief Executive Officer from WEALTH at work facilitated the event and commented, “The event was organised to bring together some of the UK’s leading pensions expertise to discuss workplace based financial education and how it can help employees enjoy greater financial security”.

The event included a roundtable discussion on the idea of using the workplace to educate employees and increase financial literacy skills in the UK.

Chief Executive of the NAPF, Joanne Segars OBE, commented “One of the main reasons is a lack of knowledge



**Leslie Huss-Smickler,
Pension Policy Manager - BT**

and confidence when it comes to pensions and other investment solutions. It is vital that employers bridge this gap by providing education and advice on all aspects of personal finance including diversification”.



John-Paul Marks, Head of Corporate and International Relations, The Pensions Regulator

John-Paul Marks, Head of Corporate and International Relations at The Pension Regulator agreed and commented that “employers play a vital role in helping their employees to make informed decisions about their future. As a trusted source of

“the workplace provides a wealth of opportunity to drive real value for employees with little or no cost to the employer”



Joanne Segars, Chief Executive Officer, NAPF




Anthony Robertson, Pensions Operation & Policy Manager, Kingfisher



Mike Sullivan - President of Pensions Management Institute and Helen Boylett-Smith, Business Development Manager - WEALTH at work

information they can motivate and support their employees to think about their retirement plans. We are actively encouraging employers to play their part in providing information to employees now and in the run up to 2012, when the introduction of auto-enrolment and the duty to provide a pension will begin. In partnership, we can help enable millions of people to start saving for the first time”.

David Cassidy summarised the discussion by explaining that “the workplace provides a wealth of opportunity to drive real value for employees with little or no cost to the employer”. 



Alan Whalley,
Chief Executive Officer - Mercer



Debi O' Donovan,
Editor of Employee Benefits

Learning points from the roundtable

- the workplace is the ideal place to educate employees
- providing education and advice on all aspects of personal finance is key to enhance financial literacy
- employers can motivate and support employees to think about their retirement plans
- employers can help employees start saving through the provision of workplace saving schemes

If you would like to learn more about maximising the value of your financial benefits or interested in attending any further events please contact WEALTH at work on:

0800 028 3200 or email
info@wealthatwork.co.uk

corporate clients take urgent action.

pre budget update.

The Pre Budget Report announced income tax and national insurance increases however many of these have been deferred.

Income tax allowances and bands

The decision to freeze both the personal tax allowance and the basic rate tax band in 2010/2011 will result in many more employees paying higher rate tax at 40%. The threshold for paying higher rate tax will remain at £43,875.

The previously announced removal of the personal tax allowance where income exceeds £100,000 and the introduction of a 50% income tax rate for income over £150,000 remain effective from 6 April 2010.

National Insurance

Budget 2009 announced a 0.5% increase to national insurance rates from April 2011. This has been replaced with a 1% increase affecting both employees and employers. Salary sacrifice provides the opportunity to mitigate national insurance with a caveat for those at either end of the earnings scale as to suitability.

Employee benefits

Company cars

The current graduated table of company car tax bands will be extended down to a new 10 per cent

band and all CO₂ emissions thresholds moved down by 5g/km on 6 April 2012 so that the 10% band will apply to company cars with CO₂ emissions up to 99g/km.



Fuel benefit tax

Employees in receipt of free private fuel from their employers for company cars or vans will suffer an increased tax charge with the value on which income tax is charged being increased from £16,900 to £18,000.

Free or subsidised meals

Although a tax exemption is in place many employers have taken this opportunity one step further by setting up a salary sacrifice arrangement so that employees give up a proportion of their pay in return for the purchase of food and drink from the company canteen. Legislation will be introduced to restrict the exemption for the benefit of free or subsidised meals where an

employee has an entitlement in conjunction with salary sacrifice to employer provided free or subsidised meals.

Inheritance tax

The nil rate band will be frozen at £325,000 for 2010/2011 rather than increasing to £350,000 as previously announced. Measures are also being introduced to prohibit the use of trusts where the principal aim is the avoidance of inheritance tax.

Pensions

The Pre Budget Report provided further details of how the government intends to restrict pension tax relief for higher earners from 2011. A consultation document has been published, combined with the forthcoming general election it is likely to be some time before we can be sure of the exact regime that will apply April 2011 onwards.

It is proposed that an individual will not be impacted in 2011 unless their pre tax income, including their own pension contributions and charitable donations is £130,000 or over. If so they will only be affected by a restriction in tax relief where their gross income, with the addition of employer pension contributions is £150,000 or over.

As a consequence of the above further changes have been made to the 'anti-forestalling' regime, intended to deter individuals from increasing their pension contributions in



By Paul Bloomfield, Tax & Business Development

2009/2010 and 2010/2011.

Widening the impact of 'anti-forestalling' a new 'relevant income' threshold of £130,000 is effective from 9 December 2009. This means individuals with a 'relevant income' between £130,000 and £150,000 will now be subject to the same rules that have applied to those with 'relevant income' in excess of £150,000 since the Budget on 22 April 2009.

In summary a tax charge may now arise where:


- an individual has 'relevant income' of £130,000 and over
- change their normal ongoing regular pension savings,
- and whose total pension savings in a tax year exceed the special annual allowance of £20,000 (or the lower of £30,000 and average contributions over the past three years if contributions are less than quarterly)

Any tax charge arising is payable via an individual's self assessment tax return and for many it might only be at this point they become aware of a tax liability.



Responding to the pension tax relief changes

At WEALTH at work we are currently assisting our clients by providing communication, financial education

and one to one support in advance of the tax year end. Please contact us to discuss how we can tailor our service to meet your requirements and those of your key employees. 

key tax rates and allowances 2010 / 2011 tax year.

Income tax – personal allowance

Aged under 65	£6,475
Aged 65-74	£9,490
Aged 75 and over	£9,640

Income tax – rates and bands

Basic rate 20%	£0 to £37,400
Higher rate 40%	£37,400 +
Additional rate 50% over	£150,000

To learn more, please contact WEALTH at work on:

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Alternatively, visit **www.wealthatwork.co.uk**

education for the next generation.

A well run financial education programme will ensure employee engagement in pensions and savings for the future. We now have empirical evidence to show relevant and engaging seminars supported by simple tools will get employees interested. What will not work are brochures and intranet sites that laboriously explain a pension scheme. This is for two reasons: first, what would motivate an employee to go and search these out in the first place; and second, even if they do, these materials usually concentrate on funds and investment choice rather than the reasons why. So many times we hear employees, particularly those below age 30, saying: “I don’t believe in pensions.” At the other end of the age range, we are increasingly concerned that those at the point of retirement are not educated in the workplace on their retirement income options – this is despite pressure from the Pensions Regulator encouraging employers to ensure employees understand their options.

Why should they bother?

Most companies want to ensure their employees are making provision for retirement and try to encourage this in a number of ways – the most compelling is contribution matching. In addition, there are new ways to encourage pension saving to the benefit of the employee. For example, any company running a share incentive plan should now be educating their employees about linking these to their pension, as the employee effectively gets two lots of tax relief on the same money. They get tax relief when they enter the share incentive plan and then again if they transfer these shares into their pension. Financially the upside of this is compelling, but it does not cost the employer any more money as it maximises relief through the current tax system.

In the current climate, some employees may need to cut costs. How should they communicate in this case?

Companies spend lots of money on



The Flexible savings platform delivered to FT Global 500 company

WEALTH at work has delivered its flexible savings platform to one of the world's most well-known brands. The main objective is to enable SIP participants to make an in specie transfer of shares to a pension once the shares have been held in the plan for five years or more. Shares are transferred directly from the SIP trustee to the pension, so offering employees a seamless process. Participating employees benefit from two helpings of tax relief, first on their purchase of partnership shares, and second on the transfer to the pension. Employees are able to implement this online. Once the shares have been transferred to the pension, employees are given the choice of retaining the shares or diversifying their shareholding, with access to a range of funds intended to replicate existing core pension provision. The WEALTH at Work platform is unique in that it also provides access to a corporate ISA for those seeking to retain access to their wealth. The corporate ISA provides employees with the same investment choices as the pension, so retaining shares or diversifying their shareholding.

As part of the launch, a programme of financial education was delivered by WEALTH at work with the objective of securing employee engagement and providing employees with sufficient information to make personal decisions in relation to their new benefit. The financial education programme has been made available in both off-line and online formats, with staff able to refer to a bespoke, branded website designed by WEALTH at work, accessed by following a link from the company intranet.



By Jonathan Watts-Lay, Director

glossy brochures, which very few employees read and even fewer understand. I always encourage companies to do internal research into this and the answer is always the same. So stop wasting money on glossy brochures and intranet sites which have little if any impact and reinvest that money in a compelling education programme.

Is pension the right savings vehicle in the workplace?

It is essential to get both employers and employees to understand that often there are short, medium and long-term savings options in the workplace. For example, a save as you earn scheme could be considered short term and provides the employee with a 'no risk' savings option. Share incentive plans could be considered medium term as they involve investment in the stock of the company, but due to both tax and national insurance relief provide downside protection; and longterm savings are the provision of pensions. A good education programme should

explain all of these and how they can be linked – the key point being that if you are in your twenties and are concerned that you don't want to invest in longterm savings (pension) only, you do have other options.

As well as encouraging staff to contribute, how can you get them interested in their investments?

Again, this needs to be understood at a number of levels. The first is: does the employee understand the funds they are invested in? They may have invested in riskier funds without understanding the downside risk. Second, pensions are a long-term investment, as explained above, so employees need to understand that a knee-jerk reaction is not beneficial when considering the allocation of assets. The one thing an employer should not do is fail to explain – this is again where a well implemented financial education programme is compelling. www

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meet the team.



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how can we help?

Help your employees take control of their financial future with WEALTH at work.

1. Education

WEALTH at work tailors all financial education to the needs of each organisation and its employees - delivered via a range of mediums, from seminars to webcasts, with the objective of ensuring employees understand the value of their cash, share and pension benefits.


2. Flexible Savings Platform

The WEALTH at work Flexible Savings platform is one of our most important approaches.

Designed specifically for the workplace, this brings together:

- Share scheme and pension modeller tools
- Inspecie transfers of company shares to pension and ISA
- Diversification of company stocks to ensure employees don't have all their eggs in one basket
- Bulk pension transfers
- Annuity broking and much more.

3. One-to-one guidance**

You can give employees the option to meet with one of our professional Strategic Investment Planners to review their current investments and financial objectives. After an in-depth review, they can receive an Investment Planning Report, recommending a suitable investment strategy. 

**Available to clients with £20,000 in investment assets.

How **WEALTH at work** can help.
If you would like to discuss this in more detail,
please contact our team on:

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