

# Tax efficient method of protecting your family

BY CHRIS HUNT, of  
**jh johnson hunt**

I WAS in my local pub the other day when I met up with an old mate of mine, Jaffa, who owns his own company and who had turned 58 the week before.

To my surprise, he announced that his wife was expecting. For the uninitiated, he hadn't had the name bestowed at random. To my knowledge, and to his close circle of friends, he was thought to be as lethal as a "starters" pistol.

Over the evening our conversation moved from family planning to financial planning and wealth preservation. Not a common marriage of phrases.

We all know that pension contributions qualify for tax relief. Some of you will also know that if your employer pays the pension premiums for you there are additional tax savings from National Insurance and, for the employer, Corporation Tax. These tax savings become particularly relevant if you are a director of your own company.

Some of you may not know that before December 6, 2006, it used to be possible to purchase life insurance as an additional benefit of a pension contract and the premiums would obtain the same tax relief. Since that time, the only way to pay for life cover has been out of money on which tax has already been paid.

Directors might choose to pay life cover premiums out of the company account. This is usually

because the beneficiary of the policy is the company itself and there are circumstances where these premiums are allowable for Corporation Tax relief.

Further, if the beneficiary is the employee's own family, then the premiums are classed as a benefit in kind and so tax is still due.

Using existing tax legislation, a handful of insurance companies have once again made it possible to take out a life insurance policy on an employee and just like pension contributions, the premiums will qualify for Corporation Tax relief.

Where this new policy differs, is that the addition of a simple Trust enables the benefits of the policy to be paid to the employee's family with no tax deductions and the premiums will not be classed as a benefit in kind.

How much money can be saved? A basic rate taxpayer will save 32 per cent on the premiums, a higher rate taxpayer will save 47 per cent, and those of you reading this article that are suffering the additional rate of income tax will save 55 per cent.

If you are a director of your own company, this has become the only sensible way to pay for life assurance.

So what should you do now? Firstly, don't immediately cancel your existing life cover. Get a quote for a new policy from an Independent Financial Adviser "IFA", who will explain how the new trust will benefit you and how much money can be saved.

Usually this meeting will cost you nothing more than a little of your time, as the IFA will be paid

by the insurance company if you proceed with the new policy.

As an alternative to commission, the IFA can offer you the option of paying a fee instead, in which case the premiums on the policy will be slightly reduced.

After the new policy is in force, and even though your existing term assurance policy may have years to run before it expires, you can now cancel it without penalty.

Protecting your family from the financial consequences of your death is vital, and now you can virtually double the amount of protection for the same cost.

Saving unnecessary tax is the first and most cost effective step towards planning for your family and preserving your family wealth.



Take advice from an IFA, says Chris Hunt.

## Estate agent builds on new foundations

FORGET the traditional idea of an estate agent.

Lovelle Bacons has taken the entire concept a major step into the future with an impressive £100,000-plus revamp of their Grimsby town centre head office.

Everything has been brought under one roof at Hampton House to create a complete property shop where the focus is as much on lettings and sorting out legal issues as it is on buying and selling of houses.

The first thing the visitor notices on entering the building is a smart Italian-style coffee bar with stools, magazines, armchairs and a sofa – and the slogan "An estate agency never tasted this good".

But that is just the front showroom. Upstairs more than 25 people are engaged in property management and lettings, accounts and legal matters, along with commercial property.

With around 1,500 ten-

ants on its books, Lovelle Bacons is now the third largest social sector housing organisation in the area after Shoreline and Havelock Longhurst.

This side of the business increased considerably in December when Beardsley joined the operation.

Senior partner Jonathan Lovelle said the ordinary housing market in North East Lincolnshire remained sluggish.

"There are some signs that things may be starting to pick up, but it is going to be a while yet before the market gets back to anything like what we consider normal."

He blamed the mortgage famine and the reluctance by banks and building societies to lend to first time buyers unless they had a large deposit.

"In a low wage town like Grimsby and with poor job security it has become very difficult to save for



Just a part of the team at Lovelle Bacons (back, from left): Ray Turner, Annie Lowe, Andrew Cressy, Suzanne Lovelle, Don Beardsley, Joy Huckatt and Stephen Quickfall. Front: Lynne Riggall, Anne Cullen and Linda Benson. Inset: Jonathon Lovelle.

that deposit, especially if people are paying rent at the same time."

In fact, the traditional estate agency currently accounts for just over 10 per cent of the business, a figure that will increase if the market revives.

Conversely, more people are renting either for social reasons or because they feel it gives them greater flexibility should they want to leave town.

This is why the property lettings business has grown so dramatically in the last couple of years.

The business not only matches tenants to homes, but it collects rents for landlords and deals with any property related legal issues that may arise.

Jonathan's solicitor wife Suzanne now runs the legal department while a group of former senior bank executives from Barclays, the Halifax and NatWest, have been brought in to look after the accounts department.

The business is also deep into handling valuations, boundary disputes, arranging mortgages and advising on energy saving matters.

Jonathan himself is responsible for managing the commercial property and commercial lettings department.

He said it was vital to

keep the cost base as low as possible if businesses were to survive the current economic downturn.

For that reason the firm closed their offices in Bethlehem Street (Bacons), Beardsley's outlet and the commercial property branch in Wellowgate (now occupied by local hairdressers Athena) and moved everything into Hampton House.

But money has not been spared in giving the new head office a total makeover. The ground floor looks more like a modern hotel lobby rather than an estate agents.

He says the idea of having a one-stop property centre is the way of the future. Different parts of the property market will always have some element of boom and bust, depending on the economic state of the country at the time.

Estate agents must be ready to adapt to those changes at short notice.

He believes the public is less inclined to get into debt than they were a few years ago. "What intrigues

me is how the word 'debt' went out of fashion and the word 'credit' came in. Debt was bad while credit was good, yet they both mean the same thing.

"Who on earth allowed that to happen?" he asked. "But credit is now becoming a bad word."

He felt it was time for the Government to do more to help first-time buyers get onto the property ladder.

"The help announced in the Budget a couple of weeks ago was a good start, but it was only a start. The amount of money available is limited and we still have to see the details.

"In some European countries like France first-time buyers receive match funding, usually in the form of tax relief. I think this is something that could be looked at and possibly adapted here.

"There is no doubt that the national economy does pick up when we have a buoyant housing market because people are out there buying goods and spending money on their

homes."

Unlike domestic property, the commercial property market in North East Lincolnshire was improving.

"A lot of people are starting their own businesses these days, and if you have the right location then you will let a property."

Just three months after the Halifax closed their agency branches in Scartho, Waltham, Humberson and Bradley crossroad, Lovelle Bacons had re-let all four sites.

One is a takeaway, another an estate agents, a third financial advice office and the fourth a branch of Cash Converters.

"They were good main road locations and that is why they went so quickly," he said.

A decade or so ago, Jonathan Lovelle transformed the way houses were advertised in the Press.

He could be about to do the same with the estate agents business itself – although it is no longer just an estate agent these days



Rachael Julier and Sue Walton in the coffee shop at Lovelle Bacons.