

Financial Planning Report

Prepared for:

ABC Company



Prepared by:

Mr PPOL REMOTE DEMO
Independent Financial Adviser

PPOL

25/11/2014

SUITABILITY REPORT

Introduction and Basis of Advice

I am authorised to provide advice on all areas addressed in this report and I can confirm you have been provided with a copy of our Client Agreement, our Terms of Business, the services we offer and how we can be remunerated for these services.

My recommendations that follow are based on my understanding of your business's financial position and objectives. The report should be read in conjunction with the relevant illustrations, fee disclosure and Key Features documents; I do stress that if you do not understand any of the information then please contact me as a matter of urgency.

I would also mention that if any information has not been disclosed, it is possible that my advice may not take account of all your business's requirements and could ultimately have been different.

Summary of Current Position & Objectives

Please find below a summary of the current business position:

Business Name	ABC Company
Business Type	Limited Company
Business Owners	Mr T Jones & Mrs S Delaney
No of Employees	8

ABC company

.....Meeting Notes

You have specifically requested that I focus my advice on the following:

- To introduce a pension scheme for your employees in order to comply with pensions auto-enrolment legislation

Attitude to Risk

We discussed at some length your attitude to risk (ATR) and in particular the relationship between risk and reward. I can confirm the agreed risk profile for each area of financial planning discussed in this report is detailed below.

Your risk profile is summarised as follows:

Investment Attitude to Risk: Low

Investments in this area are designed to provide a relatively stable and conservative level of growth and / or income. In return for the opportunity to earn more than from your deposit type investments, you are willing to accept a low risk of capital loss.

If you feel that this does not accurately reflect your attitude to risk please contact me as a matter of urgency.

Pension Recommendations

I have recommended a **Workplace Pension** for the following reasons:

- This type of pension will fully discharge your employer responsibilities for auto-enrolling your employees into a workplace pension
- It will allow you to set different payment limits for different categories of staff
- It will act as a co-operative arrangement, with pooled assets and shared costs allowing economies of scale
- Contributions are treated as a single investment rather than as multiple accounts
- The scheme will provide simplicity ensuring better employee engagement with the auto-enrolment process
- A master trust structure enables all businesses whatever their size to benefit from independent, robust, high quality governance without the costs associated with an employer establishing and running their own trust-based scheme
- You wish to keep the investment choices fairly simple and this type of scheme will meet your objective
- You wish to keep the associated costs and charges of your workplace pension to an absolute minimum
- Your employees will receive tax relief on their contributions
- Any employer contributions will qualify as a business expense which can be offset against the business's taxable profits

NOW Pensions - Workplace Pension Plan - ABC Company

Scheme Type	Employer Contribution Level	Frequency	Employee Contribution Level	Frequency	Scheme Retirement Age
Master Trust	3%	Monthly	5%	Monthly	67

Indexation - The contributions will increase each year so helping to mitigate against the effects of inflation.

Salary Sacrifice – This is an alternative way for employees to contribute to their workplace pension by giving up part of their future earnings in exchange for a non-cash benefit. An amount equal to the pension contributions made by the employee would be deducted from members basic pay, reducing the income tax and national insurance contributions (NIC) deductions paid. In exchange the employer would pay this amount into the workplace pension which in turn would achieve NIC savings for the employer as an employer won't pay NICs on the amount of salary exchanged.

Auto-Enrolment Certification - The scheme meets the government auto-enrolment legislation.

Pension Only Scheme - The recommended scheme is government subsidised and membership of it ensures a low cost, straightforward, pension only scheme with no other ancillary pension options.

Entry Charges	
Adviser Charge	AC Paid By
2%	Provider

I am recommending the above for the following reasons:

- NOW: Pensions is a subsidiary of one of Europe's largest pension funds, the Danish pension scheme ATP. They operate in the UK as a multi-employer pension fund. They can offer a simple and cost effective auto enrolment solution direct to employers of all sizes or via intermediaries and payroll providers. In April 2013, NOW: Pensions became the first master trust scheme to attain the National Association of Pension Funds (NAPF's) new PQM Ready Standard, the benchmark that shows employers the scheme is a well governed with low charges and good member communications.
- The charging structure of the recommended plan is competitive when compared to similar plans in the market place
- They have provided us and our clients with an excellent service in the past
- The charging structure of the recommended plan is competitive when compared to similar plans in the market place

Investment Strategy - Target Date Funds

Target Date Funds are aimed at people planning for retirement. They offer a lifelong managed investment strategy so should remain appropriate to an investor's risk profile even if left accidentally unreviewed. Research suggests that age is by far the most important determinant in setting an investment strategy, thus Target Date, or age-based funds are particularly attractive as default investment funds.

I have recommended the above for the following reasons:

- Members can simply be enrolled into the fund that targets their year of expected retirement
- Each fund will have a set of 'building block' funds and an asset allocation which always remains appropriate to its target date
- Funds will be blended between active and passive management strategies

Income Requirements in Retirement

Each scheme member will receive an illustration providing an indication of the income they could receive at retirement based on the agreed employer and employee contributions to the recommended workplace pension. It is important that this workplace pension is reviewed on a regular basis to ensure the initial and future level of contributions is sufficient to meet legislation and the members stated income requirements in retirement. Where members elect to take part of their pension fund at retirement as a tax free cash payment, this will reduce the income they receive from the residual pension fund. The illustrations provided do not include any member State Pension entitlement.

Expression of Wish

I would recommend that all members complete an Expression of Wish Form. This will ensure the proceeds of their workplace pension, subject to the trustee's discretion, are paid to their chosen beneficiary on death.

Further Information and Risk Warnings

Further information regarding the recommended investment can be found in the Key Features Document provided and the Appendix of this report. A summary of the risk warnings associated with my recommendations can also be found in the Appendix of this report.

Important Information

Cost of Services

A summary of how my company can be remunerated for the advice received and the provision of my services is detailed in the disclosure documentation provided.

Our Service Proposition

My company offers a number of service propositions which govern the type of service and the regularity of contact and reviews you will experience. The ongoing servicing of your plans is recommended but not compulsory and if taken up can be cancelled at any time. The associated costs of our propositions and when they commence are set out in our disclosure documentation already provided and these costs may go up or down in line with the fluctuating value of the underlying assets. I confirm that you have elected for the following service:

- A focused and limited advice transaction service instigated by client request.

Charges Summary

Proposed Workplace Pension NOW Pensions {BusinessName}

Entry Charges	
Adviser Charge	AC Paid By
2%	Provider

Entry Charges: One off charges taken before or on investment.

- Adviser Charge: A fee paid to the adviser for advice and services.
- AC Paid By Provider: The Adviser Charge will be facilitated by the product provider but taken from your funds.

Cancellation Notice

Once your plan is set up you have a legal right to cancel should you change your mind, the period is generally 30 days (which may reduce to 14 days for NISA and Unit Trust investments and may increase to 60 days for annuities). The amount you get back may be reduced by a decrease in value between making your initial investment and up until your investment is sold.

Affordability & Emergency Fund

You should keep some money immediately accessible to cover any unforeseen emergency expenditure that may arise. I would normally recommend that you retain an emergency fund equal to three month's expenditure within an immediate access deposit account as a bare minimum. I confirm you are happy with the level of your emergency reserve. I would also like to take this opportunity to confirm that the above recommendations are affordable to you.

Financial Services Compensation Scheme ('FSCS')

The FSCS was set up under the Financial Services and Markets Act 2000 and exists to protect clients of FCA authorised firms and covers deposits, insurance and investments. The scheme can pay compensation to clients who have lost money as a result of their dealings with FCA authorised firms that are unable to pay claims against them.

For pensions the compensation limit is 90% of the investment with no upper limit.

Confirmation

I have identified your objectives and I hope you agree that the recommendations made correspond to your current needs and future requirements. If you have any queries concerning the content of this report, or should you feel the recommendations are in any way an inaccurate reflection of your circumstances and future objectives please contact me immediately.

Report written by **Mr PPOL REMOTE DEMO**

Signature _____ Date ____/____/____

We the undersigned have received this report. We acknowledge this is a fair reflection of our conversation and confirm we have received all supporting literature including Key Features Documents, fund fact sheets and illustrations.

Accepted by **ABC Company**

Signature _____ Date ____/____/____

APPENDIX

Risk Warnings – Workplace Pensions

In addition to the risks shown below, I recommend you read carefully the section entitled “risk factors” in the Key Features Document provided.

- For a full explanation of the charges and how they affect a plan, please refer to illustrations and Key Features Documents.
- The figures on any quotations provided are for illustration purposes only and are not guaranteed.
- The value of the investment is determined by the value of the units, the price of which can fall as well as rise. What a member might get back is not guaranteed. The value of the investment may be eroded by the effect of inflation over time.
- The recommendations are based on current taxation, law and practice and the current legal and administrative framework and are based on my current interpretation and understanding of those, all of which may be subject to change.
- Past performance is no guarantee of future returns.
- When a member retires, the pension may be lower than illustrated if:
 - The member stops or reduces regular contributions.
 - Investment performance is lower than illustrated.
 - The cost of converting your pension fund into an income for life is more than illustrated.
 - The pension is vested early.
 - Tax rules change.
 - Charges increase above those illustrated.
- It is important to periodically review the value of investments against expectations - particularly as members approach retirement age.
- Please bear in mind that the outlook for market sectors can change, as a result your asset allocation could become unbalanced.
- Fund or funds may have a higher risk rating than your overall stated attitude to risk. If this is the case, then the overall risk rating applied to the combined funds being recommended is designed to meet your stated risk profile.
- Where a property fund has been recommended you should be aware property and land can be difficult to sell – so you may not be able to cash-in this investment when you want to.
- Where a corporate bonds has been recommended you should be aware in adverse market conditions the fund may be difficult to sell.
- Where a fund invests in overseas markets, changes in currency exchange rates mean that the value of the investment can go up or down.
- The employer must ensure that any salary sacrifice (exchange) arrangement is effective in the eyes of HMRC. This means that employers must alter the terms and conditions of employment for the employees who choose to opt-in
- An employee’s gross salary must not fall below the National Minimum wage as a result of salary sacrifice (exchange)
- Employees should be made fully aware salary sacrifice (exchange) may impact on other benefits which are linked to their salary, for example, benefits on death, redundancy payments and over-time rates. Statutory benefits linked to lower salary may also be impacted such as, basic state pension, statutory maternity, paternity and sick pay and working or child tax credits.
- Where a company does not comply with the auto enrolment of its employees it will be deemed to be acting unlawfully and liable for substantial fines.
- Where an employer provides different schemes and benefit structures to different groups of workers they must still provide at least the minimum requirements to all.

Technical Notes – Pensions

A current summary of the main UK registered pension's legislation can be found below.

Budget 2014 - If unchanged, then with effect from 6th April 2015 legislation will enact the following:

- Regardless of fund size individuals will be able to draw down their 'money purchase' pension savings whenever and however they wish after age 55 (age 57 from 2028). Any amount taken will be treated as income and subject to their marginal rate of income tax in that year. A tax free lump sum equivalent to 25% of the pension fund value can still be withdrawn.
- No prescribed product at retirement needs to be purchased however Annuities and Drawdown will remain available but with greater flexibility.
- The 55% beneficiary tax charge on death pre and post age 75 whether crystallised or not will be abolished
- The transfer by members of Defined Benefit (DB) pensions into Defined Contribution (DC) pensions will cease for Public Service scheme members.

State Pension Age

- The State Pension Age is 65, it is planned to be further increased to age 66 by 2020, age 67 between 2026 and 2028, age 68 by the mid 2030's and age 69 by the late 2040's.

The Lifetime Allowance

The lifetime allowance is the limit of pension benefits you can draw from before tax is applied. Excess benefits are subject to a tax charge on the balance over the lifetime allowance. The charge is 25% or 55% depending upon whether the excess benefits are taken as an income or a lump sum.

- The lifetime allowance is currently £1.25 million

Pension Protection

- Enhanced, Primary, Fixed or Individual are forms of pension protection and were introduced between 2006 and 2014 in order to ring fence benefits from the lifetime allowance.

If you have opted for any form of the above "protection" it is important that you inform me of this fact, as this could affect my advice concerning your pension planning.

Contributions

- There is no restriction on the number of pension schemes one can contribute into.
- Individual contributions are unlimited. However, there are limits on the amount of tax relief receivable. This is restricted to the higher of £3,600 or 100% of salary subject to the annual allowance.
- The annual allowance for 2014/15 is £40,000. It is possible to offset contributions in excess of the annual allowance against unused allowances from the previous three years.
- Contributions or accruals made by an employee/employer in excess of the annual allowance are subject to a tax charge at the member's marginal rate of tax relief.
- Employer contributions count towards the annual allowance. It is up to the Employer's local inspector of Taxes whether or not the entire contribution will be relievable for tax purposes.

- No tax relief will be granted on contributions paid after age 75.

Retirement Ages

- The age of which one can retire is 55.
- It is still possible to take benefits exceptionally early on the grounds of permanent ill health.

Tax-Free Lump Sums

- It is possible to take a tax free cash payment of 25% of the fund value from any pension.
- It is possible for an individual to protect any entitlement to a Pension Commencement Lump Sum payment in excess of 25% accrued prior to April 2006. .

Death Benefits

- On death before age 75, there will be no tax charge on an uncrystallised pension fund
- Death on or after your 75th birthday will result in a tax charge of 55% on all uncrystallised benefits if taken as a lump sum
- A 55% tax charge on death will apply to any crystallised benefits regardless of age.

Retirement Benefits

Income at retirement can be secured by way of purchasing an annuity (lifetime or fixed term) from an insurance company or taking income directly from the pension fund or scheme assets by way of drawdown or a scheme pension. The following limits or conditions on pension income apply:

- The maximum Capped Drawdown GAD limit is 150% of the prevailing annuity rate.
- Flexible Drawdown allows those who already meet a minimum income requirement of £12,000 p.a. to take income without limit from their pension fund.
- Individuals over 60 with a total pension fund of less than £30,000 can withdraw the entire fund as cash (25% tax free rule applies) under current 'Triviality' rules.
- Individuals over 60 with a total pension fund not exceeding £10,000, can withdraw the entire fund as cash (25% tax free rule applies) under 'Small Pot' rules. .

Investments

- Use of an asset other than on commercial terms will give rise to an income tax assessment, like a benefit-in-kind.
- Small business owners and professional partnerships can transfer their own business premises and company shares into their pension pots.
- Scheme borrowing is limited to 50% of scheme assets.

Auto-Enrolment

All employers are required by law to automatically enrol certain members of their workforce (known as eligible workers) into a qualifying workplace pension scheme and contribute to it. A minimum contribution is set based on a band of the gross annual earnings and will include the employees and employer's contribution and the tax relief added together. These duties took effect for the largest employers from 2012 with all other sized employers being phased in until 2018.

Notes on Financial Products

Workplace Pensions

Auto-Enrolment

The Pensions Act 2008 established new duties on employers to help more people save for their retirement. All employers are required by law to automatically enrol certain members of their workforce into a pension scheme and make a contribution towards it. Employers must enrol all workers known as 'eligible job holders' i.e. those who:

- Are not already in a qualifying workplace pension scheme
- Are at least 22 years old
- Are below state pension age
- Earn more than £10,000 p.a. (2014/15)
- Work or ordinarily work in the UK

These duties took effect for the largest employers from October 2012 with all other sized employers being phased in until 2018. The dates for auto-enrolment are known as the organisations 'Staging Date'.

Workers who are 'non eligible jobholders' i.e. those that don't meet the criteria shown above who for example earn less than the earnings trigger for automatic enrolment or who are aged 16 to 21 or SPA to 74 can 'opt-in' to the workplace pension and employers still have duties in relation to making contributions to them. 'Entitled workers' (those than earn less than £5,772 (2014/15)) will not be automatically enrolled or receive employer contributions but can apply to join a workplace pension.

Qualifying Pension Schemes

Where there is no existing workplace pension an employer needs to auto-enrol its jobholders into a new auto-enrolment scheme. Where an existing workplace pension scheme or schemes exist, checks are required as to whether the scheme(s) are to be used and if so do they meet the three sets of requirements in order to be an automatic enrolment scheme. Whether the scheme under consideration is new or existing the sets of requirements that must be met are:

- Automatic enrolment criteria
- Qualifying criteria
- Minimum requirements

Automatic Enrolment Criteria

Broadly speaking there should be nothing in the rules of the pension scheme which would act as a barrier to automatically enrol, opt-in or re-enrol a job holder. If a barrier is identified then this would have to be changed under the scheme rules. There should be no provisions that require the jobholder to express a choice in relation to any scheme matter, provide information in order to remain an active member or allow any amount to be deducted from the value of a jobholders fund, contributions or pension rights for any employer fees in relation to a money purchase scheme sometimes referred to as a 'consultancy charge'.

Qualifying Criteria

For a UK pension scheme to be qualifying in relation to the jobholder, it must be either an occupational or personal pension scheme, be tax registered and satisfy certain minimum requirements for each scheme type.

Minimum Requirements

Defined Contribution (DC) occupational pension schemes – The minimum requirements for this scheme type centre on contributions and require that under the scheme:

- The employer must make contributions in respect of the jobholder
- The total minimum contribution (however calculated) is at least 8% of the jobholders qualifying earnings
- The minimum employers contribution (however calculated) is at least 3% of the jobholders qualifying earnings

Defined Contribution (DC) personal pension schemes – The minimum requirements for this scheme type is also contribution rates but in addition the mechanisms for paying the contributions and the pension benefit type provided.

- The employer must agree with the provider to make contributions in respect of the jobholder
- The minimum employers contribution (however calculated) is at least 3% of the jobholders qualifying earnings
- The jobholder must agree with the provider to make contributions (however calculated) that are at least equal to the difference between 8% of the jobholders qualifying earnings and the employers contribution
- A direct payment arrangement between employer and jobholder must be in place and payments must be made in accordance with strict due dates

‘Qualifying earnings’ for 2014/15 are earnings between £5,772 and £41,865 and can be salary, wages, commission, bonuses and overtime or statutory, sick, maternity, paternity and adoption pay.

Contribution levels above are being ‘phased’. The government has set a minimum percentage that has to be contributed in total which includes the employee's contribution, the employer's contribution and the tax relief added together. This minimum increases gradually between 2012 and 2018 at which point the total contribution will be no less than 8% (of which at least 3% will be paid by the employer).

Defined Benefit (DB) pension schemes – Most DB pension minimum requirements centre around the benefits the jobholder is entitled to at retirement which must be broadly equivalent to a hypothetical test scheme benchmark details of which are available from the DWP. Schemes must also provide a contracting out certificate. The test scheme requirements are:

- A pension entitlement from age 65 (rising to 68) for life
- Annual pension and lump sum minima
- Annual increases of pensions in payment
- The revaluation of accrued benefits

Scheme Certification

Where employers already provide a pension scheme for their workers, it will need to be checked if it is a qualifying scheme i.e. it meets a number of conditions based on the level of contributions paid or the benefits that members receive. If it doesn't qualify at the moment, employers may be able to change the scheme rules or amend the terms of the policy so that they will be able to use it.

Existing DC pension schemes (occupational or personal) may have scheme rules in place that base contributions only on 'pensionable pay' for example only and deduct these without reference to the full list of earnings and minimum threshold for qualifying earnings. In recognition of this, employers with schemes of this type can self-certify that their scheme meets minimum requirements in respect of one of the three pre-agreed alternative requirements. This is called 'Certification' and the requirements are:

- Set 1- Total minimum contribution of at least 9% of pensionable pay (at least 4% must be the employers)
- Set 2 – Total minimum contribution of at least 8% (at least 3% must be the employers) and pensionable pay must constitute at least 85% earnings
- Set 3 – Total minimum contribution of at least 7% of earnings (at least 3% must be the employers) provided that all earnings are pensionable

Opting Out

Whilst it is compulsory for employers to automatically enrol their eligible jobholders, ongoing membership of the workplace pension scheme is not compulsory for the jobholder. Opting out is possible by giving an opt-out notice effectively 'undoing active membership'. This can only happen if the jobholder is already enrolled and must be within a specific time period known as the 'opt-out period'. Opting out is not a choice available to workers who have been enrolled under their contract of employment or by entitled workers who have asked to join the scheme. These individuals must cease membership in accordance with the scheme rules.

If asked to do so, employers must also re-enrol their eligible jobholders who have previously opted out within certain timeframes.

Charges

The government has been keen to keep overall scheme charges low to ensure maximum take up of workplace pensions. They have confirmed that from April 2015, qualifying workplace pension scheme charges will be capped at 0.75% (excluding transaction costs) on all default investment strategy funds. Equivalent caps are set for schemes where schemes have set combination charge structures i.e. scheme flat fees, or contribution charges combined with fund management investment fees.

Workplace pension's charges that will be 'banned' altogether include 'sales commissions' deducted from member pots, 'active member discounts' which served to discriminate between those that have left employment and those that remain and 'consultancy charges' where members effectively pay for advice given to their employer.