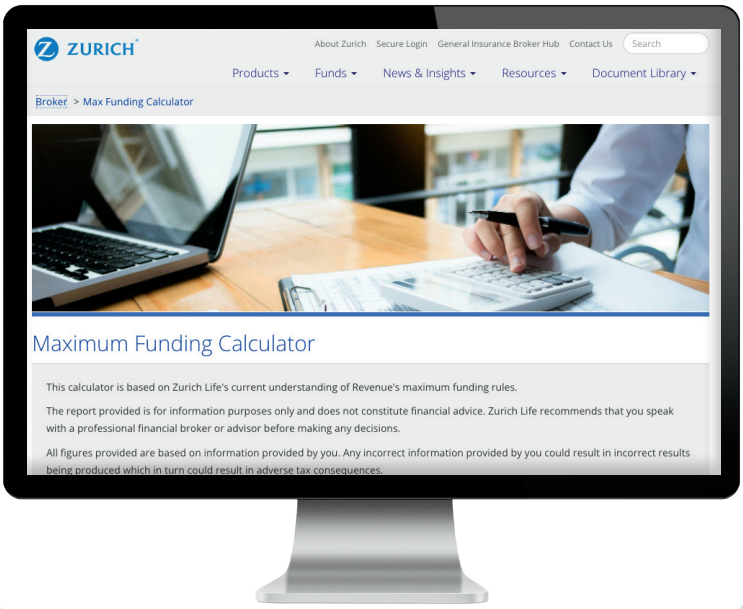
ZURICH

Using Executive Pensions to extract wealth for business owners.

Good forward-thinking business planning means that SME owners should look at their options for extracting profits from their business in the most tax efficient manner. Better known as Wealth Extraction, this is the efficient means of withdrawing profits for the benefit of the business owner in the most tax efficient means possible which if done well, could lead to financial freedom in retirement.

Extraction of company profits via an employer contribution to an executive pension is very popular with business owners. Profits withdrawn via an Employer contribution to an Executive Pension Plan result in tax relief for the Employer (subject to Revenue limits) and no immediate tax liability for the employee.



Key Advantages

- Corporation Tax Relief for the Employer @ 12.5% (Subject to Contribution Limits)
- Generous Limits for Employer's to contribute.
- No Income Tax, PRSI or USC liability for the employee following the contribution.
- No PRSI Liability for the Employer as a result of remunerating the employee in this way.
- Profits invested in pension fund which allows tax free growth until retirement.
- Opportunity to plan for business exit strategy with access to funds available as early as 50 if all links with the business are severed or anytime between age 60 – 70 without having to sever any links with the business.
- Pension lump sum at retirement which is tax free up to the first €200,000 and subject to favourable rate of 20% for the next €300,000.
- Income in retirement via Pension Annuity or Approved Retirement Fund.
- Possibility to pass wealth to spouse and children via Approved Retirement Fund.

Perhaps the most important advantage of Executive Pension arrangements is that employer contributions are not restricted by the age related limits that apply to personal contributions, but instead are related to the cost of providing retirement benefits based on "two thirds" of salary (where there is at least 10 years' service at retirement).

This can result in very generous scope for employer contributions. To best illustrate the scope for contributions to an executive pension simply use the Zurich Maximum Funding Calculator on ZurichBroker.ie which produces a comprehensive, personalised client report showing the maximum allowable contributions.

The Maximum Funding Calculator allows you to consider all the relevant information to determine the maximum contribution the company can make for a director.

Understanding contribution types
The report outlines the options for funding in respect of the two different contribution types which are – Ordinary Annual Contributions and Special Contributions.

Ordinary Annual Contributions are forward looking – they cover the contributions that can be made to the scheme each year from now to retirement. Tax relief will always be attained on Ordinary Annual Contributions in the year in which they are made.

Special Contributions are backward looking – they can be used to backdate periods of salaried service which were previously not pensioned. Tax Relief on Special Contributions can also be attained in the year in which they are made if the Special Contribution is either equal to or less than the Employers Ordinary Annual Contributions.

Tax Relief on any Special Contributions in excess of the Employers Ordinary Annual Contributions will need to be spread forward to future company accounting periods up to a maximum of 5 years, however tax relief will be available in those future years.

End of year tax planning is key for SME's and maximising wealth extraction is high on the list. At Zurich, we see significant volumes of Executive Pension contributions in the months of November and December as SME's close out their accounts. For Financial Brokers, this is a ever growing area of revenue and it's important that you are familiar with all the options available.

To find out more, simply contact Zurich Technical Services on 01 209 2020, speak to your Zurich Broker Consultant or visit ZurichBroker.ie

Zurich Life Assurance plc
Zurich House, Frascati Road, Blackrock, Co. Dublin, A94 X9Y3, Ireland.
Telephone: 01 283 1301 Fax: 01 283 1578 Website: www.zurich.ie

GR: 6826 Print Ref: ZL PSA 4474 0322

ZURICH