McCarthy Taylor

McCarthy Taylor Limited

Corporate Fee Guide

With effect from December 2018

Introduction

WHY PAY FEES?

By paying for our advice, we act for you and get paid to advise you irrespective of the outcome or decision you make. This may also mean you do not need financial products. *As a consequence, VAT is payable on our Corporate Financial Planning Fees, since our recommendations are not made on the basis that a product sale will be the result.*

Please note that some work we do is VAT exempt. Where VAT is applicable, it will be charged at the appropriate rate, currently 20%

Fees are transparent, not hidden or confused with the product provider's charges.

It is our policy to provide clients with an estimate of our fees wherever possible. In some circumstances this is not possible and a basis for charging will be agreed with the client, in advance and on an hourly scale rate, which will be our standard fee rate published from time to time.

Where commissions cannot be rebated fully, and are paid to us for whatever reason, they can instead be treated as a payment on account of the fees we charge you and credited to your account accordingly. Please note commission cannot be paid on pension and investment advice.

In all cases, an Advised Services Agreement will be entered into with the client, setting out the terms under which the client appoints McCarthy Taylor Limited, as their Chartered Financial Planner and Independent Financial Adviser and work required..

The following is our current corporate guide to fees for specific areas of work subject to the circumstances of each case. Fees are agreed with the client at the outset. If these fees are to be exceeded or varied, agreement will be reached with the client in advance of further charges accruing on the clients account.

Corporate Planning

INITIAL REVIEW

McCarthy Taylor believes the comprehensive analysis of existing arrangements, including group life insurance, income protection, critical illness cover, private medical insurance and pension schemes, is the right starting point for any Financial Planning exercise.

The first consultation meeting is at our cost, however, the work required for the completion of a Corporate Financial Planning Questionnaire, and gathering existing provider details, using letters of authority obtained from you will be charged for in the estimated costs and usually takes around two hours, although this is very dependent upon your individual circumstances.

As a consequence, costs will vary considerably, dependent upon:

- the subject matter of the review;
- the degree of expertise required;
- the extent of existing action already taken, and therefore requiring analysis;
- the recommendations for action; and
- the action actually taken arising from the recommendations.

Of course, the success of any Financial Planning exercise is dependent upon the action taken to implement recommendations, and the subsequent review of progress against objectives.

Our fees for corporate work are charged on an hourly time spent basis, in the same manner as Solicitors and Accountants. The time spent in relation to a particular matter is recorded daily on a time recording system, in common use by accountancy practices, and in 6 minute segments.

Each Adviser engaged on a client's affairs has an hourly charging rate applicable to their expertise and qualifications. The agreed fee reflects an estimate of their time in doing the work. This will include the time of qualified Paraplanners where they undertake an adviser's work.

Our Fee Agreement will, so far as possible, specify the staff members who will be involved in a client's affairs and their specific charging rate.

HOURLY RATES

Where there is no agreement otherwise, or in the case where exceptional work is required, the current hourly charge rates applied are as follows:

Senior Director	£250 per hour
Director	£210 per hour
Chartered Financial Planner	£200 per hour
Independent Financial Adviser	£175 per hour
Para-planner	£150 per hour

We describe below some common subject matters for reports and provide an indication of their costs.

Where appropriate, we may seek assistance from other companies within the McCarthy Taylor Group, such as; McCarthy Taylor Consulting Limited and McCarthy Taylor Trustees Limited. These are our sister companies providing specialist services. These companies are NOT regulated by the Financial Conduct Authority. They do belong to other professional bodies.

When necessary, a separate fee agreement will be entered into directly with those companies and their fees will be discussed with you in the same way.

Pension Scheme – Auto Enrolment

The Government has legislated to compel employers to automatically enrol their employees into a pension scheme, to which they must contribute. The legislation needs to be implemented from 1st October 2012 onwards, and this will be phased in until 2019.

The legislation already affects large employers and smaller companies are expected to comply sometime during this period, depending upon their PAYE reference. The Pensions Regulator will notify the employer of their staging date, which is the date they must implement the legislation.

Where an employer has an existing pension scheme in place, this will need to meet certain qualifying conditions, should the employer wish to operate this under the new rules.

It may not be possible to use certain schemes, as the provider may be unwilling to allow this and the employer will need to find a new suitable scheme.

The following provides a summary of the fee based service we can offer for Auto Enrolment.

Stages	**Work Involved**
Workplace Pension Advice Report & Recommendation	Corporate Fact Finding Workforce Assessment Full Market Review & Identification of Workplace Pension Consideration and Advice for Existing Schemes Report Submission Post Report Employer Consultation
Initial Administration (Implementation)	Member Communications Scheme Set Up Member Enrolment Opts Outs Employee Categorisation Administration Functions Data Input
Ongoing Administration	Handling Scheme Payments Scheme Compliance New Joiners & Leavers Death Claims Record Keeping Reporting to The Pensions Regulator
Ongoing Consultancy Advice	As required

The following provides an indication of costs that would be incurred. Please note that the cost is largely determined by the overall size of the scheme and number of services you wish to employ us for.

Advice Areas	**Work Undertaken**	**Cost**
Group	Corporate Financial Review Form	£350
Initial Advice	Workplace pension advice report	£2,750
	Workplace pension scheme implementation	£1,250
Ongoing Advice	Consultancy Support (Hourly Rate) - e.g. employee benefit presentation	£165
	Consultancy Support (Day Rate)	£1,045
	Group Scheme Annual Review	£500
	Group Risk - New Life/IP/CIC/PMI	£1,250

Please note that it is not possible to take commission or consultancy charges from the member's pension to cover our costs.

We have priced the below on a working population of an average of 50 members joining a scheme, which is subject to the minimum cost applicable to all schemes.

Initial Advice Work Only	**Minimum Cost**	**Advice Cost per member***
Workplace Pension Advice Report & Recommendation	£3,100	£ 62
Initial Administration Work	**Minimum Cost**	**Installation Cost per member***
Workplace Pension Scheme Implementation	£1,250	£25
Total Minimum Initial Fixed Cost	**£4,350**	

For larger schemes the above costs will be negotiated on an individual basis.

For ongoing consultancy support, you may not wish for each member to receive individual advice on the pension scheme, although you may consider this as an option for senior managers/directors, in which case our hourly and day rates are listed above.

You may wish for us to supply initial and periodic electronic presentations on the subject of pension education for the benefit of the workforce, which can be sent for general viewing at any time on a 'multi-site' basis, if relevant. Conference calls can also be arranged on instruction. This would be scheme specific and include updates on legislation.

You may also like to have in place or instead of the above, an adviser support telephone/email line, which members can contact and obtain technical support from a qualified adviser. The time cost incurred would be applied on an hourly rate basis, as above.

PERSONAL ADVICE FOR MEMBERS

We consider that such advice areas as pension transfers, would fall in to personal advice and as such, we would agree advice costs directly with the member.

In terms of offering a 'special deal' by virtue of scheme association, this will be considered on a case by case basis and the level of work that we are appointed for.

Please note that the costs quoted are subject to review should your requirements change or if there are significant changes in member personnel. These costs are also subject to minimum amounts by negotiation, such as for administration and ongoing consultancy costs.

OCCUPATIONAL TRUST BASED PENSION SCHEMES

Trust based pension schemes were once the ideal sought by all major employers, but the cost of defined benefit schemes has become prohibitive and many schemes are now closed. Employers have switched to money purchase versions, where the company still appoints the trustees, administrators, investment managers etc and these schemes look very similar to the final pay version but company contributions and the employees contributions are fixed as a percentage of earnings. We can advise on such schemes, provide investment advice and our sister firm can provide administration and trustee services.

SMALL SELF-ADMINISTERED PENSION SCHEME

A SSAS is a company sponsored pension scheme, usually open to shareholder directors only but is sometimes offered to senior employees also, to encourage loyalty and succession. However, the maximum number of members is 12.

The key benefits of a SSAS, over traditional pensions, are:

- Ability to own commercial property, often the property from which the company carries on its business, and to receive rent into the scheme, thereby providing the opportunity for investment growth free of income tax and capital gains tax.
- The ability to purchase assets for use in the company's business.
- The ability to loan money to the company for the purpose of expanding the business, currently at a rate of interest as low as 1.5% per annum.

Whilst the standing costs of a SSAS tend to be greater than regular insured pensions, the ability to create a fund which can assist the development of the business can be a significant attraction.

For information on scheme set up and ongoing cost, please refer to the Guide to Self-Administered Pension Schemes, supplied by McCarthy Taylor Consulting Limited.

GROUP LIFE

You may wish to enhance your employment package, by introducing a group life scheme. This is a tax efficient arrangement, which can include directors and / or the workforce at large. Generally, these cost little to maintain. The company can claim the costs incurred as a fully deductible business expense and there is no taxable benefit on the employee.

GROUP PRIVATE MEDICAL INSURANCE

One of your key concerns may be ensuring the attendance and performance of the workforce. Implementing a group private medical scheme can help reduce non-attendance time and improve efficiency through wellbeing programmes and focus on health in general.

Through economies of scale, a group scheme would cost less per member, than if taken out on a personal basis. Such premiums would qualify as a fully deductible business expense against corporation tax, although in respect of the premium paid for covering the member this would be a taxable benefit in kind on the employee.

GROUP INCOME PROTECTION

The cost/impact of employees being on long term sick can have a detrimental effect on the company, meaning that it may become difficult for you to fund long term sick pay costs.

A group insurance policy would provide long term financial protection to the employee and until they are fit enough to return to work or reach retirement age. The premiums paid are fully deductible against corporation tax and provided these are structured properly, tax is only paid by the employee when a benefit is paid.

To implement any of the above group schemes, we will need to have a thorough understanding of the employer's intent. In addition, due diligence and research would be required in finding the best possible solutions.

Further services can include:

- Member induction meetings
- Group presentations to the workforce
- Day to day scheme administration
- Ongoing advice and support

All such services would be provided on a time cost basis to be agreed with the employer in advance.

Other Fee Based Services

SHAREHOLDER PROTECTION

Every company/partnership should specify the arrangements, which will apply in the event of a shareholder/partner suffering premature death, or is diagnosed with, and survives, a specified serious illness such as heart attack or cancer.

In the event of death or critical illness, the following considerations apply:

- The family of the affected shareholder will require a lump sum from the disposal of their shares, and
- The surviving shareholder will wish to have ready access to the capital to acquire those shares in order to retain control, rather than having to attract an outside investor.

Shareholder Protection makes use of Life Assurance or Critical Illness cover to provide a lump sum, in the event of death/diagnosis of a critical illness.

This cover should be calculated in accordance with the company memorandum (sometimes referred to as the company Will), and reviewed regularly to ensure this continues to adequately reflect the value of the company.

The policies should be written under an appropriate Trust so as to ensure the proceeds pass quickly to the appropriate person, and without giving rise to, particularly, IHT problems.

Premiums paid by the company do not attract corporation tax relief and will need to be reimbursed by the policyholder, or charged to income tax as part of their remuneration.

KEY PERSON COVER

In the event a key director or employee dies, or is unable to work owing to critical illness, this can give rise to both practical and moral difficulties for the company.

- Practical; because the company will have to either ask other staff to cover the position until a replacement is found, or face potential difficulties in maintaining the business, and
- Moral; since, in the event of Critical Illness, the individual may be able to return to work at some future time, and so the question is, should you continue payment of their salary, or keep open their position in the hope they return.

Key Person Cover is designed to provide a lump sum, or regular payment, to cover such events, and to provide funds to the company, which can then be used to cover the financial shortfall caused by the absence or need to employ new staff. It can also be used to cover loss of profits and loans.

Any such policy must be short term, i.e. not exceeding a 5 year term, and reflect the financial loss which might be incurred by the company. If these general conditions are met, the premiums will generally attract corporation tax relief but any payments received, will be taxed as income of the company.

EXECUTIVE INCOME PROTECTION

Income Protection is designed to provide a continuing income in the event of a director or key employee suffering long term illness or disability.

The policy is owned, and the premium paid, by the company. Tax relief is available on the premium but any proceeds from the policy are paid to the company and taxed as an addition to profit.

Since the objective of the policy is to enable the company to continue income payments to the absent employee, the proceeds of the policy are passed on as salary and the employee taxed accordingly, with the company receiving tax relief on the salary payment.

The income payment secured by the policy will be, typically, 75% of salary. Given that many shareholder directors now take dividends instead of salary, these can also be included in the calculation of remuneration.

Corporate Investments

Companies do not have access to tax efficient investment wrappers, such as ISAs, but have available to them the same range of investment styles, and more. However, generally all income and growth derived from such investments, is liable to corporation tax.

Business is encouraged to invest, however, by reliefs and allowances available through the corporation tax regime. It is not unusual, for a company to require advice on where to invest cash held in the business that is not needed for an immediate purpose and which could be invested for the medium to longer term.

INVESTMENT FEES

If we have provided you with a full corporate planning report; usually the initial review will deal with advice relating to the setting up and re-balancing of your investments where appropriate. Where a corporate client only requires investment advice at the outset or if this service follows separately, perhaps when circumstances change, then an initial fee will be quoted and agreed with you before proceeding.

Our initial investment advice will cover the time required to assess your risk profile and investment needs, research the market for appropriate investments, investment products and tax structures, to suit your needs.

Once set up, the portfolio should be reviewed regularly and up-to-date advice will be given, as needed. We provide a full administration service to all of our investment clients.

We offer a range of investment advice servicesand we will supply you with an appropriate schedule of fees and charges in addition to this document.

VAT will be charged on ongoing management fees.

Other Entities

LIMITED LIABILITY PARTNERSHIPS (LLP)

A LLP is simply a partnership of two or more individuals trading together for common profit, but under the protection of limited liability for their assets. This is in contrast to a traditional partnership arrangement, where all personal and business assets are potentially at risk to settle liabilities.

In spite of the word 'Limited' in the title, the members of a limited liability partnership (unless they are themselves a company) will pay income tax on their share of the profit and not corporation tax.

It is essential that a formal agreement is in place, which includes clear direction as to the future of the business in the event of death or long term disability or illness. This agreement should include a clear formula for the valuation of a member's share. The issues facing the partners are essentially the same as for limited companies and in particular will be:

- Business Life Assurance and Critical Illness Cover to provide a lump sum for a surviving partner to acquire the other partner's interest on death or critical illness.

- Again, the appropriate Trust is required to ensure the proceeds are paid tax efficiently.
- Income Protection. The difficulty here is setting the level of the cover, since the income of the Partners for tax purposes, is a share of the net profit of the business and not a fixed salary. It is as important, therefore, not to over insure as it is not to under insure. In many cases, however, a sum insured linked to drawings (which tend to be analogous to salary) may provide a prudent measure. The premium will not be allowable for income tax, however, since the benefit relates to the individual. The benefit will therefore be received free of tax directly by the individual member.
- Key Person Cover will be required, particularly where staff contribute to the profitability and successful running of the business. The same issues are to be considered, and generally premiums paid under Key Person policies will be allowed as a deduction for tax purposes, with the proceeds being liable to tax as income.
- A SSAS can be established by a LLP, but only for its staff and not its principals. Members of a LLP will have available to them the standard pension choices available to individuals.

NON CORPORATE: PARTNERSHIPS & TRADERS

Partnerships are simply a collection of individuals operating together for common profit.

The issues faced are the same as for LLPs and the tax treatment is the same. Therefore, it may be desirable to have Business Protection Life Assurance/Critical Illness Cover in place for business continuation purposes.

Sole Traders share the same issues as with other companies when they have employees, but protection for their family is the most important consideration and must be linked to personal needs.

In neither the case of sole traders nor partnerships is personal protection allowable for tax purposes. However, premiums paid for key person cover for employees is tax deductible, provided the qualifying conditions are met.

Partnerships must ensure they have an appropriate agreement in place which provides direction for the valuation of the business, and the manner of dealing with the business should a partner be unable to continue.

Summary

We will review your affairs and agree the scope of work before proceeding. Initial interviews of around 1 hour in duration may be free of charge.

For those clients who prefer a fixed fee to be charged, this can be quoted and agreed at the point of initial instruction and based upon full disclosure by the client of the work required, and the information available from which to prepare our report.

Not all clients will want an annual review service and can choose to seek advice from time to time on request. Where the client declines an annual review service we must remind them that this may mean they do not receive advice at times when changes are needed and they may lose out as a result.

Important Notes

- It is important to understand, that fees can be paid, either directly from the individual client, by prior agreement from funds invested or premiums to be paid, or as part of a benefits package provided by an employer. Such matters will be discussed at the initial meeting.
- In respect of setting up and arranging Self-Administered Pension Schemes in conjunction with our sister company, McCarthy Taylor Consulting Limited *(which is not authorised or regulated by the Financial Conduct Authority),* additional fees may be required for administration purposes of the underlying scheme, which will be detailed as required by them in the initial review.
- Clients will be notified in writing should there be an amendment to charges which might affect them. Fees may be increased in line with the annual earnings index in any event.
- Clients will be entitled to a full rebate of any commissions received, either in error or where a provider does not allow for fees to be waived or rebated in the contract or used to reduce premiums payable, by way of treatment as payment on account of fees charged by us. Where commission rebates exceed fees payable the excess will be refundable in respect of all commissions, other than those relating to life assurance where cancellation may give rise to subsequent deduction or demand for repayment by the insurer. Where refunds do arise they will be made after the quarter ends and on issue of that quarter's valuation. In the case of amounts under £20 these may be carried forward. In the case of pension's refunds, these will be made into the pension arrangements wherever possible to avoid taxation issues.
- Fees of an annual nature may be increased in line with wage inflation.
- All fees are due and payable on presentation of our invoice.
- Payment of initial or 'one off' fees for life polices, pensions or investments, is due before submission of application.

The information within this guide is based on current information and legislation. This is liable to change.

Updated: December 2018