Significant opportunity for Company Directors to move COMPANY WEALTH to PERSONAL & FAMILY WEALTH in a very tax efficient manner.

Background:

If you're the company owner, director or senior employee of a profitable business, then this significant change in pension legislation is very relevant to you. The Finance Act 2022, enacted on 15th December and effective from 01st January 2023 has certainly opened up a significant and attractive wealth extraction opportunity for many business owners.

Wealth Extraction Opportunity:

In essence, owners of profitable businesses can now move COMPANY WEALTH to PERSONAL & FAMILY WEALTH by extracting money from their company (*assuming the company has the funds to do so*) via large scale contributions to a PRSA. This very significant opportunity also applies to your spouse and/or any adult children over age 18, employed in the business regardless of how small their salary or length of service. This should also prove very attractive to company directors drawing low salaries with little scope to fund under an occupational scheme.

Full Corporation Tax Relief in Accounting Year:

Even more significant is the scope of pension funding for business owners who are no longer restricted to the salary/service limits of occupational pensions as the PRSA legislation does not have maximum funding limits. The only threshold being the €2,000,000 SFT lifetime limit, with full tax relief on the total contributions being claimed in the accounting year.

No Benefit in Kind:

Another big change is the BIK which previously applied on employer contributions to PRSA's has now been removed, leaving employees with their full personal age-related tax relief limits, without having to account for any employer contributions made.

Death in Service:

Another factor many company directors will find attractive with this PRSA route is the more simplistic approach to benefits payable on death in service, where funds can be paid in full to the deceased's estate unlike the maximum allowable lump sum restrictions placed on occupational pension schemes.

Phased Drawdown:

With PRSA's, you can not only access your benefits from age 50, but the option at that time to split your fund into multiple PRSA's allows you to phase into retirement over your preferred timescale, maturing different PRSA's along the way and access to future tax-free cash lump sums when it suits you best.

If you would like to discuss how we can help you in this matter, then please get in touch. Email me paul@lifestylefinancialplanners.ie or call 096-75951 for your free Discovery Meeting.