Private Client

March update

31st March 2021


Succession planning
Inheritance planning
Personal tax compliance and planning
Financial planning

Private Client

Oliver O'Connor

Current environment

Economy

Where have we come from?

Where are we going?

What are we seeing now?

Individuals

Taking stock – means different things to different people

Managing your deferred benefits

Debbie Fry

An industry of confusion

Executive Pension Plan

Occupational Pension Scheme

Guaranteed With Profit

Buy Out Bond

Personal Retirement Bond

Annuity

Personal Pension

Approved Retirement Fund

Group PRSA

Personal Retirement Savings Account

Fusion Scheme

Approved Minimum Retirement Fund

Non-standard PRSA

Pension Transfer Plan

Self-Administered Pension

Unclaimed pension benefits

€500 million of unclaimed pension benefits

No centralised tracking service of deferred pension benefits

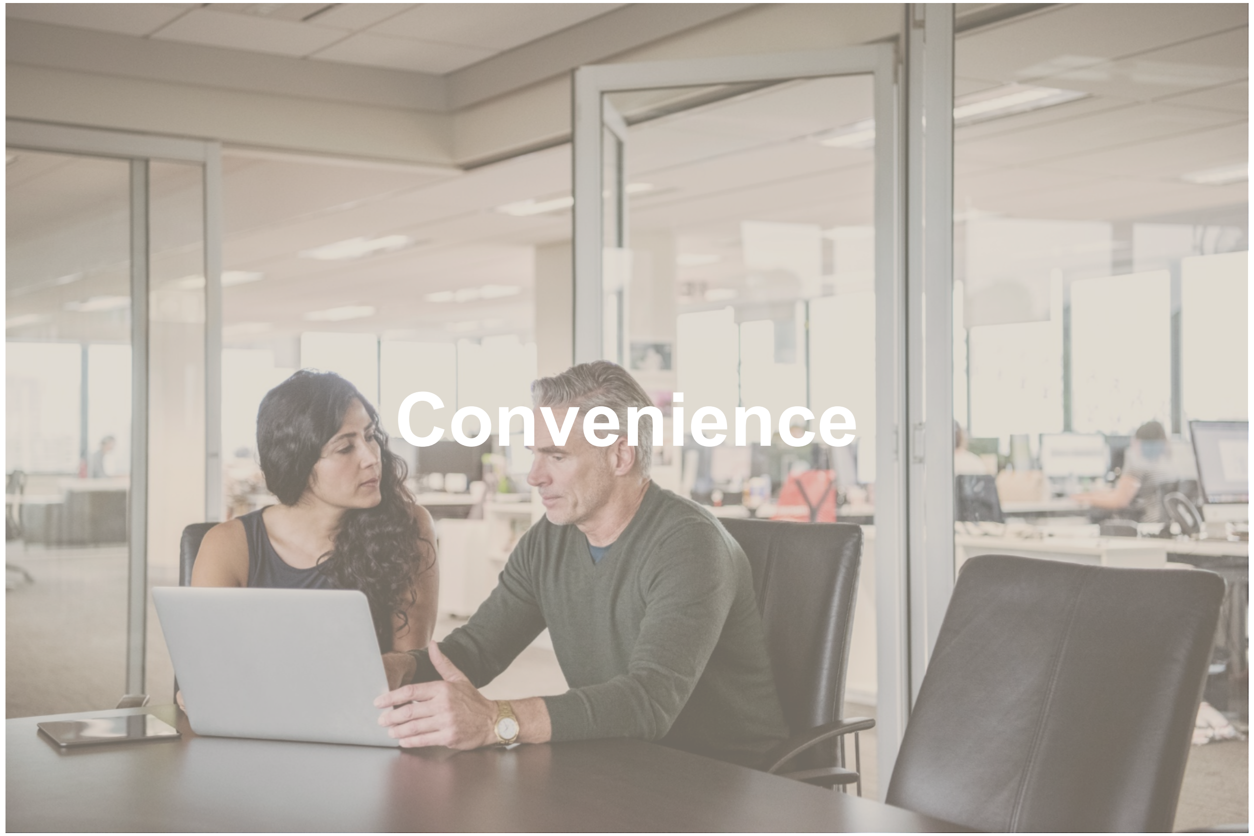
National Treasury Management Agency (NTMA) manage the funds on behalf of the state

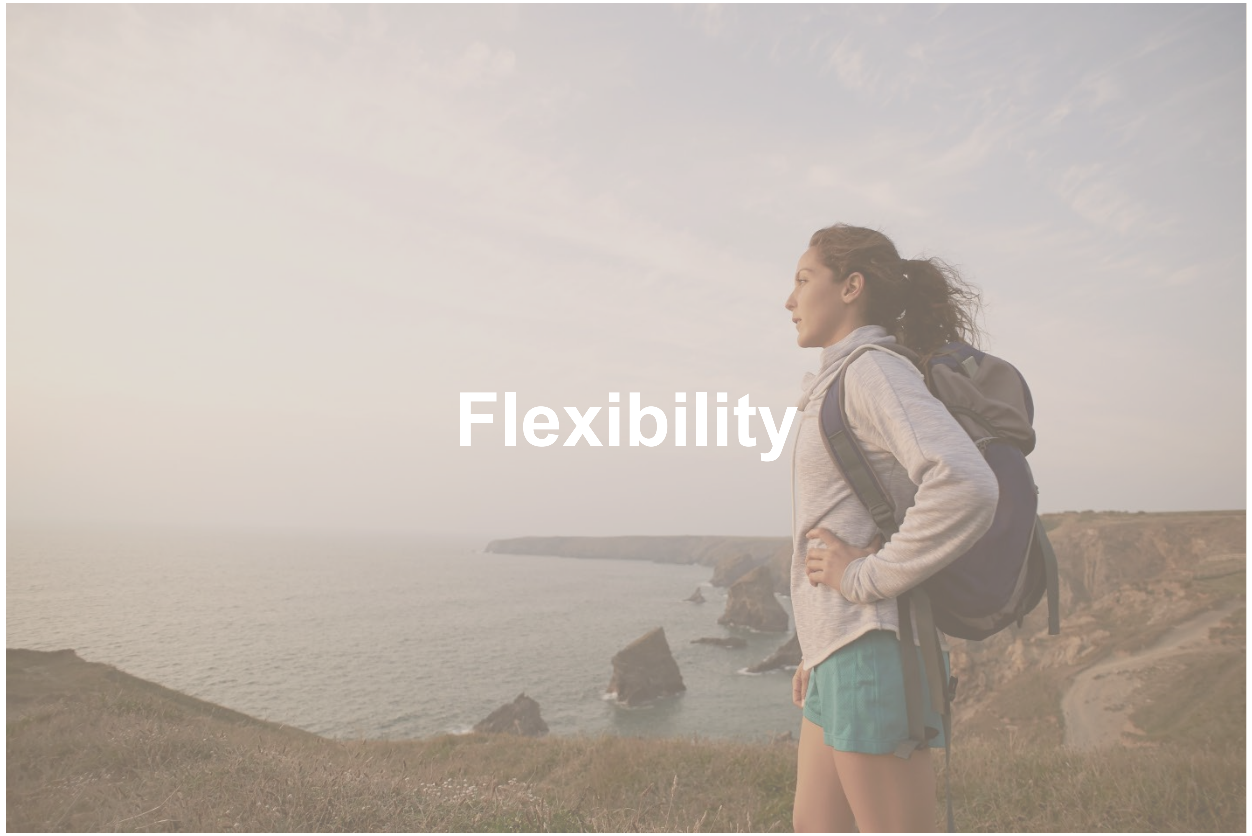
It is important to consider the impact of compound interest, €20,000 in deferred plan from an employment at age 30 would be circa of €110k by age 65 if we assume a 5% return p.a.

Know your entitlements

	Retirement age	Lump Sum	Balance fund
Defined Benefit	Usually 60 or 65	Based on pensionable salary and service	Guaranteed pension
Defined Contribution / Personal Retirement Bond	50-70	Based on final remuneration and service	Guaranteed pension (annuity)
			OR
		25% of fund value	Guaranteed pension (annuity) AMRF/ARF Optional taxable lump sum*
Corporate PRSA (Personal Retirement Savings Account)	50-75	25% of fund value	Guaranteed pension (annuity) AMRF/ARF Optional taxable lump sum*
Personal PRSA / Personal Pension	60-75	25% of fund value	Guaranteed pension (annuity) AMRF/ARF Optional taxable lump sum*

Consolidate or keep separate





Case study
Defined benefit

Male age 65, widow with two adult children and 5 grandchildren

Defined Benefit scheme offered a tax free lump sum of €42k & an annual pension of €10,100. Guaranteed period of 5 years with a 50% spouse's pension.

€256k built up in an employer scheme and he is still working. No immediate need for cash and plan is to step back to 3 day week from age 66 and then retire fully at age 67. Full state pension entitlement payable from age 66.

Transfer value confirmed as €387,000.

Key considerations:

- Importance of guaranteed income
- Transfer to a Personal Retirement Bond gave him option of a delayed draw down until age 70 though he can access it at any point prior
- On retirement he would get 25% as a tax free lump sum which is a higher sum than getting under the Defined Benefit retirement option
- Balance invested in an Approved Retirement Fund (ARF) with 4% imputed distribution
- Transfer meets his main requirement to ensure that in the event of death, the fund goes to his children

Transfer matrix

From \ To	Personal Retirement Bond	Personal Retirement Savings Account	Personal Pension	Company Pension	Overseas – Non UK	Overseas - UK
Personal Retirement Bond	Yes	No	No	Yes	No	Yes*
Personal Retirement Savings Account	No	Yes	No	Yes	Yes*	Yes*
Personal Pension	No	Yes	Yes	No	No	No
Company Pension	Yes	Yes*	No	Yes	Yes*	Yes*
Overseas – Non UK	No	Yes*	Yes*	Yes*		
Overseas UK	Yes*	No	No	No		

*restrictions apply

Summary

Get a summary collated of all your benefit

You pension provider can provide all relevant details.

Review your fund strategy/structure of each pension

Get advice on how to manage all in line with your overall financial circumstances and retirement plan.

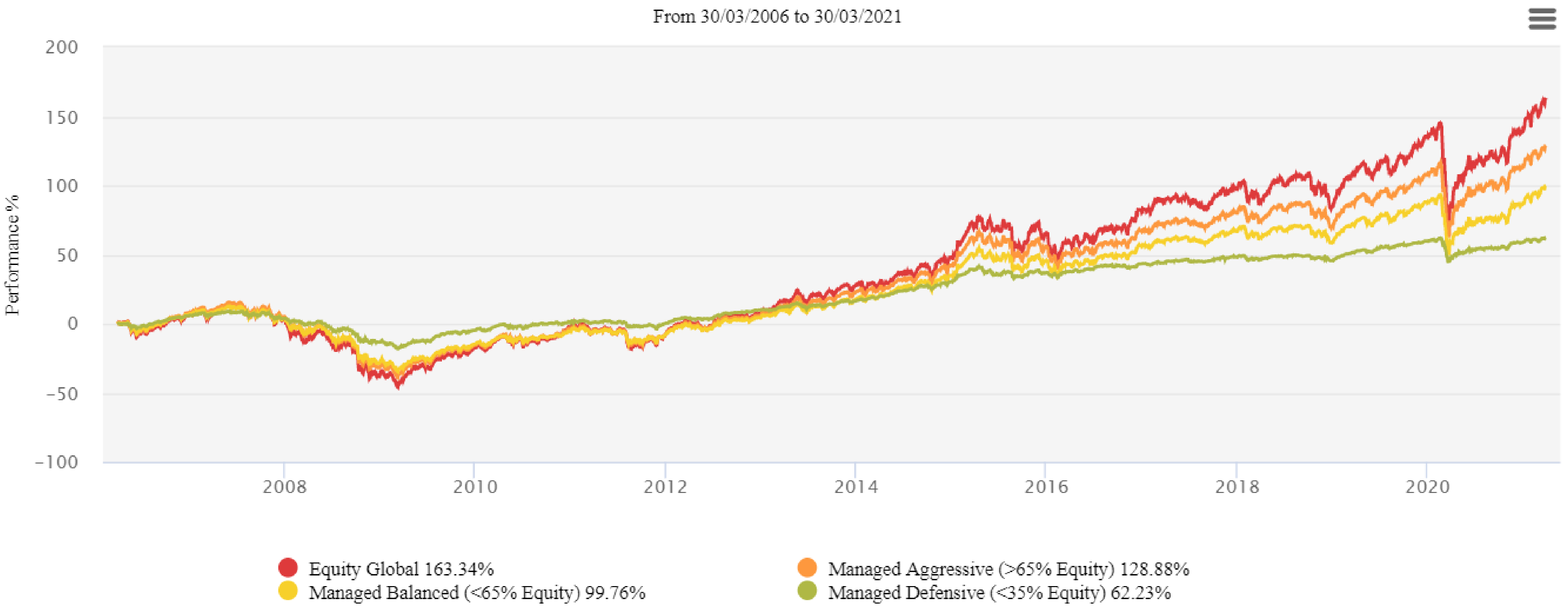
If you have a deferred benefit pension

Request an updated statement including what transfer value available.

Managing your investments in a challenging environment

Liam Naughton

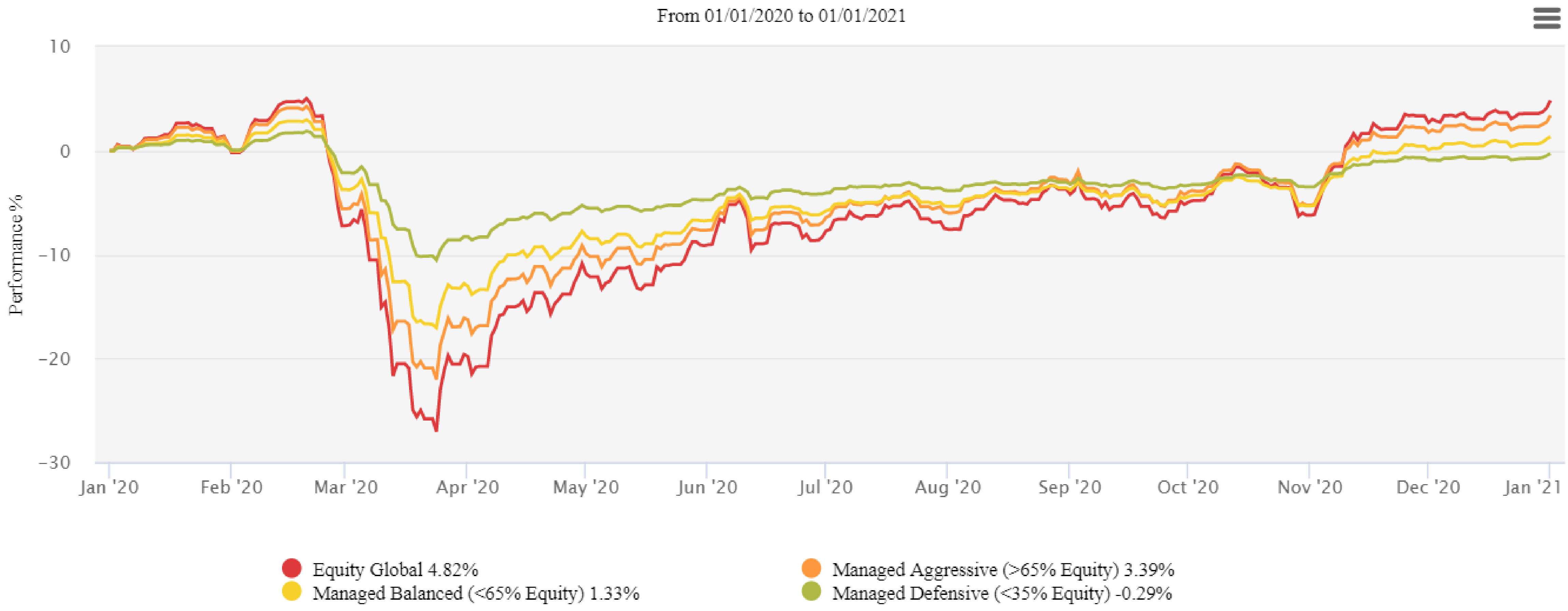
Long term performance



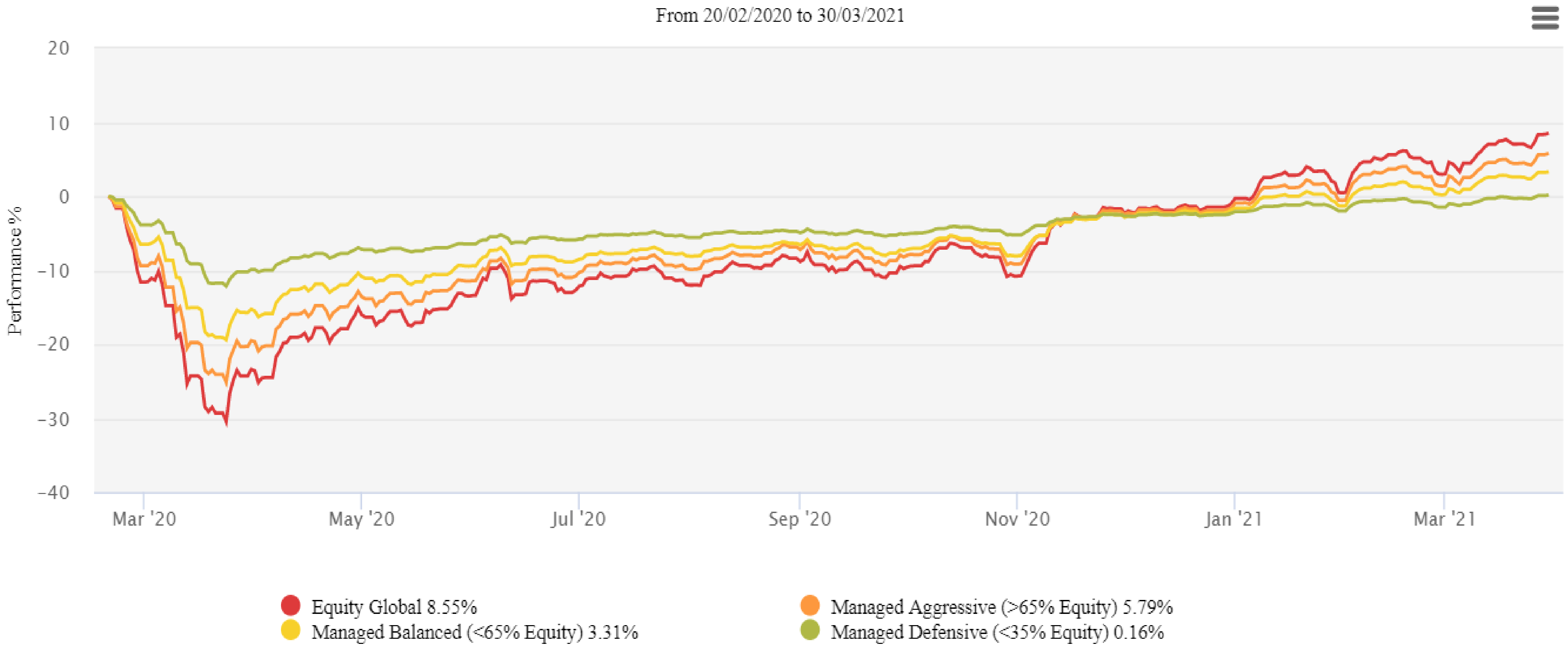
Annualised figures as follows:

Equity Global – 6.67% | Managed Aggressive 5.68% | Managed Balanced 4.72% | Managed Defensive 3.28%

What happened last year



Investing at the top of the market



Investment planning

Eight steps to successful investing

1. Objectives

Before making an investment decision it is vital you identify what you are trying to achieve. Having objectives will give you the confidence and discipline to manage your emotions at times of uncertainty.

2. Time horizon

Time horizon can have a significant influence on your investment decisions, as it helps to identify your ability to absorb short term risk for the benefit of long term returns. Generally, a shorter term investment should be taking below average risk, with longer term investments taking above average risk, relative to each investor.

3. Risk tolerance

We all have different emotions and biases which influence our behaviour with money. Acknowledging how you react to investing in positive and negative environments helps to identify the types of investments which are right for you. Combining your objectives with time horizon and risk tolerance should set the base for any investment decision you make now and in the future.

4. Diversify

Diversification of, and within, asset classes can help reduce risk and smooth investment returns. Diversification across the various asset classes is key to identifying the right level of risk for you and your investment. Diversification within each asset class reduces risk which is specific to an industry or region.

5. Avoid market timing

It is impossible to tell which asset class or sector will outperform in the years ahead. Global diversification within the right mix of asset classes will allow you to benefit from investment returns whenever and wherever they occur.

6. Manage your emotions

It can be difficult to separate your emotions from investing. Acting on these emotions can lead to irrational decisions which damage your investment's performance over the long term.

7. Filter through the noise

The constant stream of information through online platforms and 24-hour news can be overwhelming, and compel investors to be reactive with their investments. It is important to remember these sources are speaking to a general audience. They are not aware of your current objectives and long term goals, so do not let them influence either.

8. Focus on what you can control

As humans, we are drawn to chase returns and the next big winner. However, we have no control over the returns on offer in the future. What we can do is ensure we give our investments the best chance of success by focusing on what we can control; time, risk and behaviour. This usually requires the help of a professional, to ensure human behaviour does not impact your long term returns and objectives.

Reasons to invest

Why are you investing?	What are you investing for?
Negative interest rates Trying to generate a real return	**Goal based investing** Identifies time horizon and adds discipline to the investment process
Excess cash “Lock away” additional funds	**Long term growth** Provided you have sufficient funds put aside with no investment risk
Retirement planning Reduce income tax / benefit from company contributions	**Tax efficiency** Tax free gross roll up within pension and post-retirement funds
Pension lump sum Large windfall of unrequired cash	**Provide income** Make your money work for you and provide additional income in retirement

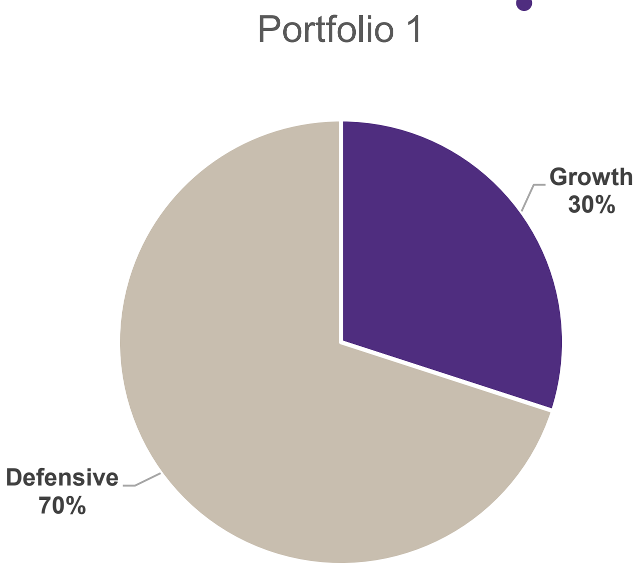
How to invest

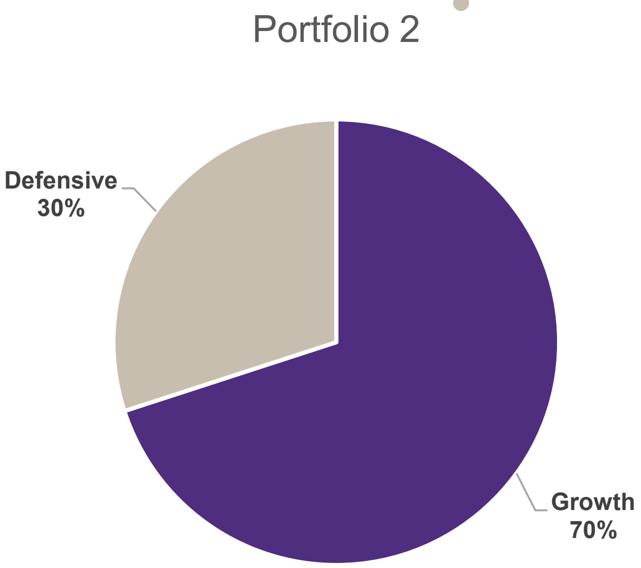
Lump sum investing	Averaging into the markets
Tends to offer higher long term returns Money is invested for longer	**Tends to offer more downside protection** Investing in changing market conditions
Single investment date Value is always based on one timeframe	**Potentially smoother investment journey** Value is not based on performance from a defined date
Easier to facilitate Less “work” involved and you can “forget about it”	**Requires discipline** If markets experience a difficult period, you must stay committed and continue to invest as planned
Split risk levels Possible to segment the investment based on income requirements	**Potential for higher returns** Where averaging occurs over 20+ years (e.g. pension), regular investing can allow for increased risk levels in the underlying investments

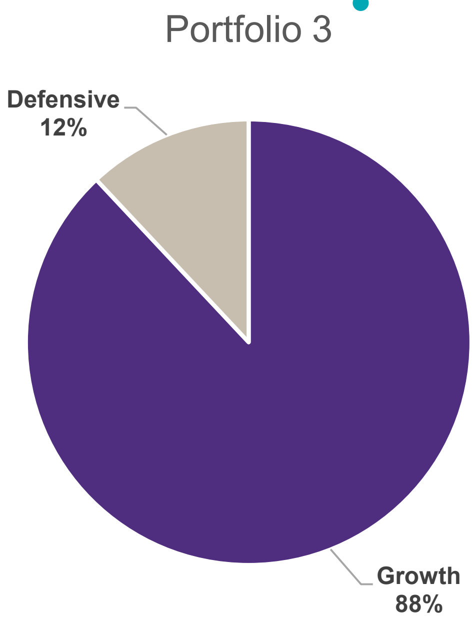
Post-retirement investing

As annual distributions are paid from your ARF, it is important to avoid consolidating losses during a market correction.

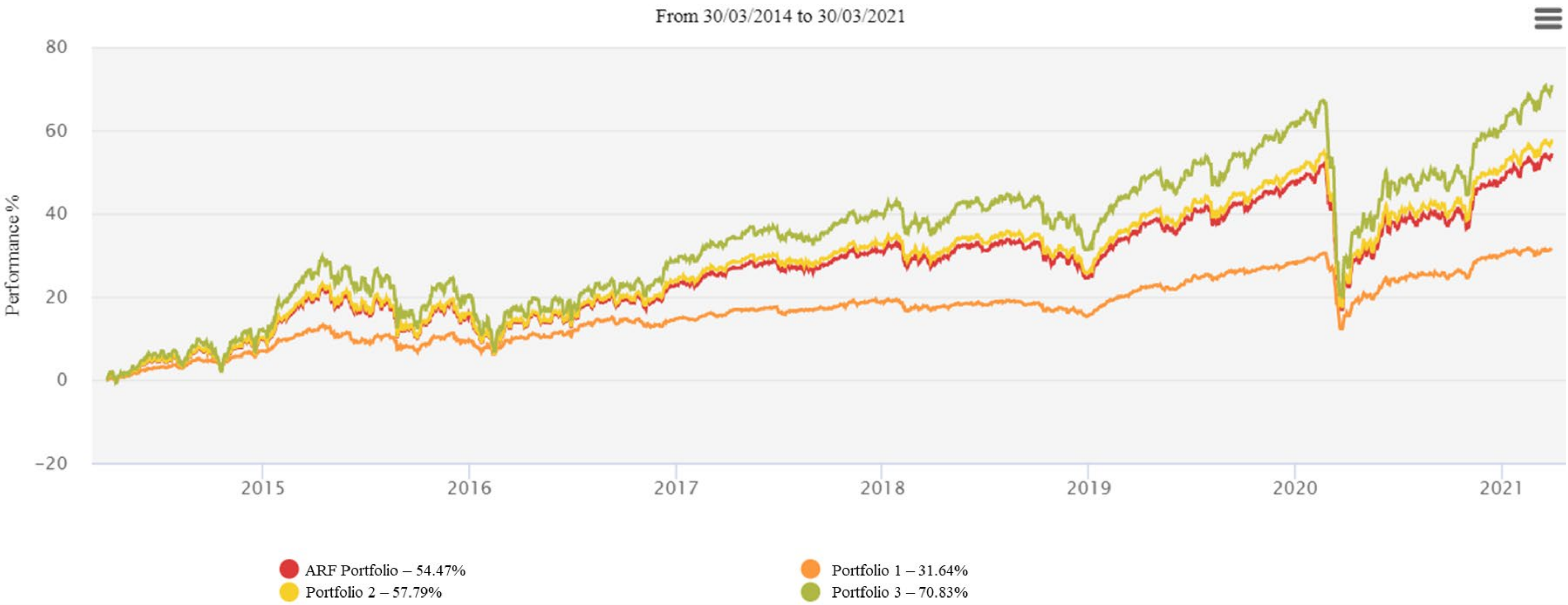
25% lower risk | **50% benchmark risk** | **25% higher risk**







Performance of combined portfolios



Annualised performance as follows:

ARF Portfolio 6.41% Portfolio 1 4.01% Portfolio 2 6.73% Portfolio 3 7.95%

Focus on what you can control

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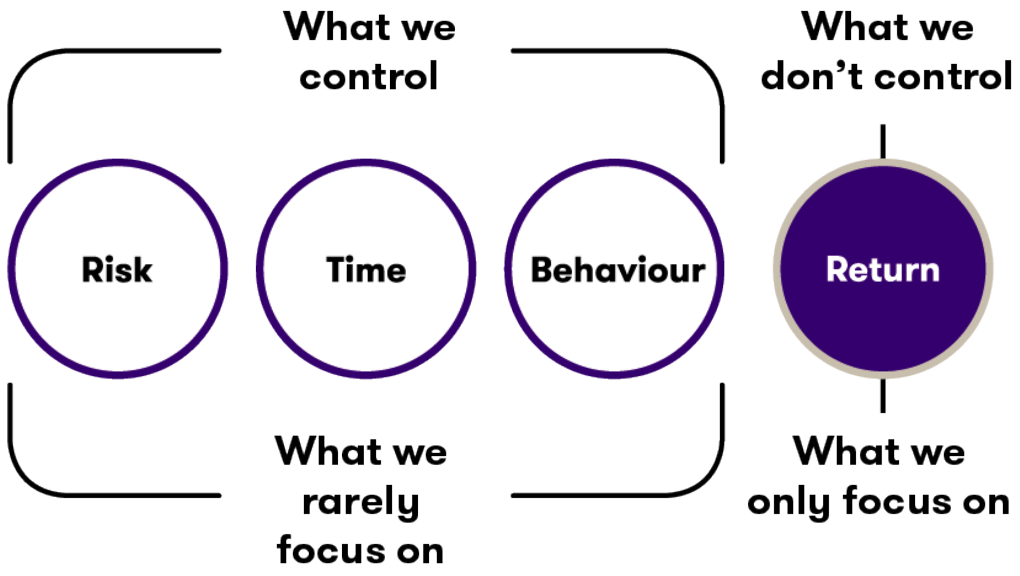


Tax planning for sale / retirement

Úna Ryan

Importance of planning for sale / retirement

Tax issues that need to be considered:

How will an exit be funded?

Share buyback

MBO

Third party purchaser

Succession planning – identification of children who will run the business?

Plan ahead in order to identify exposures on either sale or passing onto children?

Maximise access to available reliefs – can any restructuring be completed in advance?

Understand the nature of assets on the balance sheet & whether will impact on reliefs?

Can excess cash be used to fund pension payments / termination payments?

Valuations – how are they to be determined particularly where succession planning?

1. Preparing for sale - overview

Selling shares in your family business or passing to next generation –

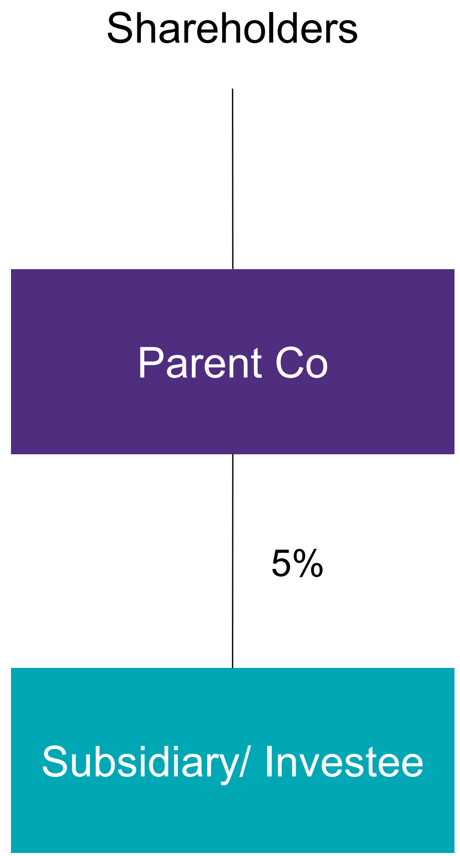
- May wish to retain certain assets
- Buyer may want to cherry pick assets
- Investment assets held by company may be undesirable
- Multiple trades
- Buyer may want clean vehicle / what do you want to retain – property that is not being sold etc?

What reliefs are available on either a sale or passing shares to the next generation?

A typical corporate transaction is the separation of trades within a group and/or from other investment assets in the group for an onward sale or gift.

2. Company Reliefs – Participation Exemption

Section 626B TCA 1997



Exemption from CT/CGT for a <u>company</u> where it disposes of a subsidiary.

If a loss was to arise on a disposal which would otherwise qualify for the exemption, no relief for the loss would be available.

Risks / Issues

Definition of "*Ordinary Share Capital*"

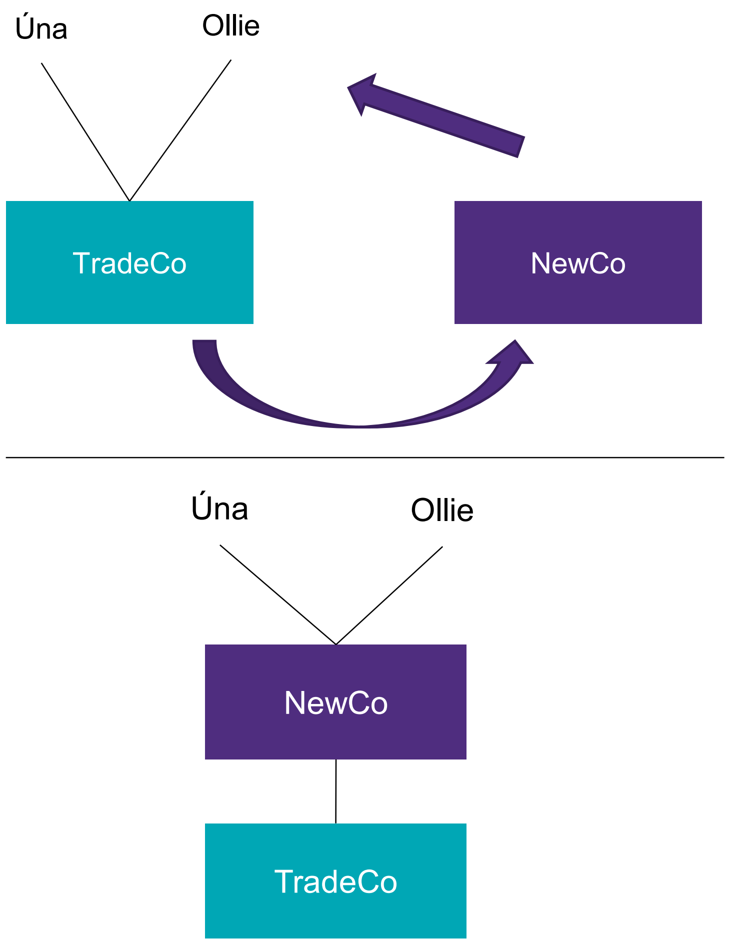
Irish buildings – wholly or mainly trading?

12 month holding period

Need to access cash in parent company – liquidate and pay CGT at 33% - no reliefs available as no longer a trading company

Could consider selling at shareholder level?

3. HoldCo Structure – Share for Share Transactions



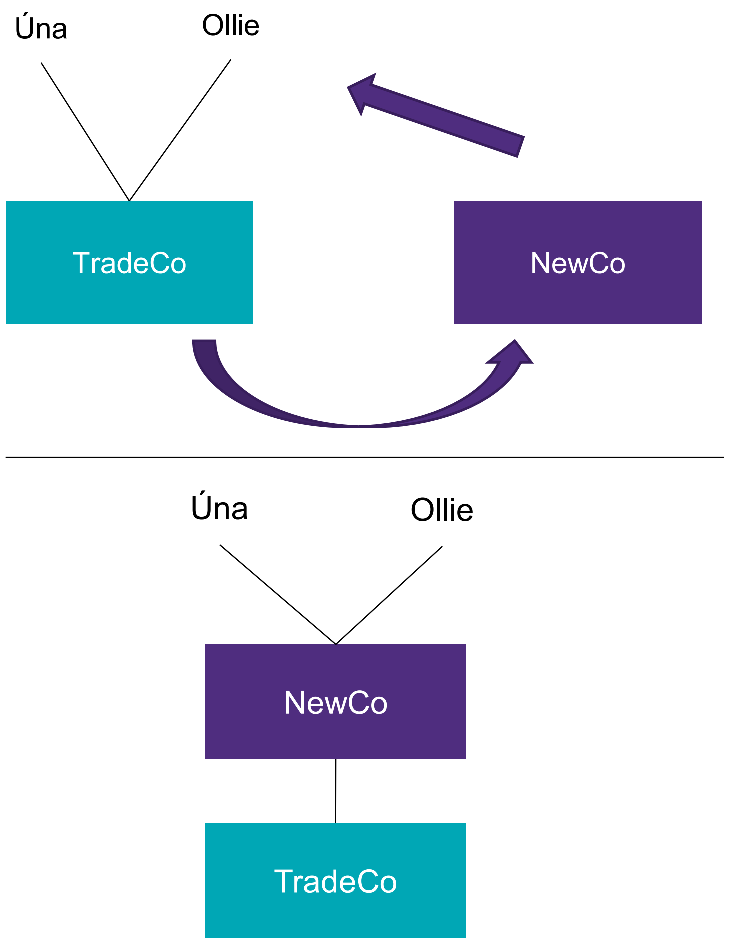
The shareholders of TradeCo (Úna & Ollie) transfer their shares in TradeCo to NewCo in return for NewCo issuing them with shares.

The parties to the transaction are;

- Úna & Ollie; and
- NewCo

Should be tax neutral if structured correctly and if certain regulations are complied with.

3. Benefits of HoldCo Insertion



Where Úna & Ollie sell TradeCo today – CGT at 33% on gains (unless RR/ER applies – note cost benefit)

Where NewCo sells TradeCo, NewCo subject to CT at 33% on gains – however, Participation Exemption brings to Nil

Ollie & Úna can onward invest with NewCo

Planning options around 12 month holding - however must be agreed in advance with purchaser.

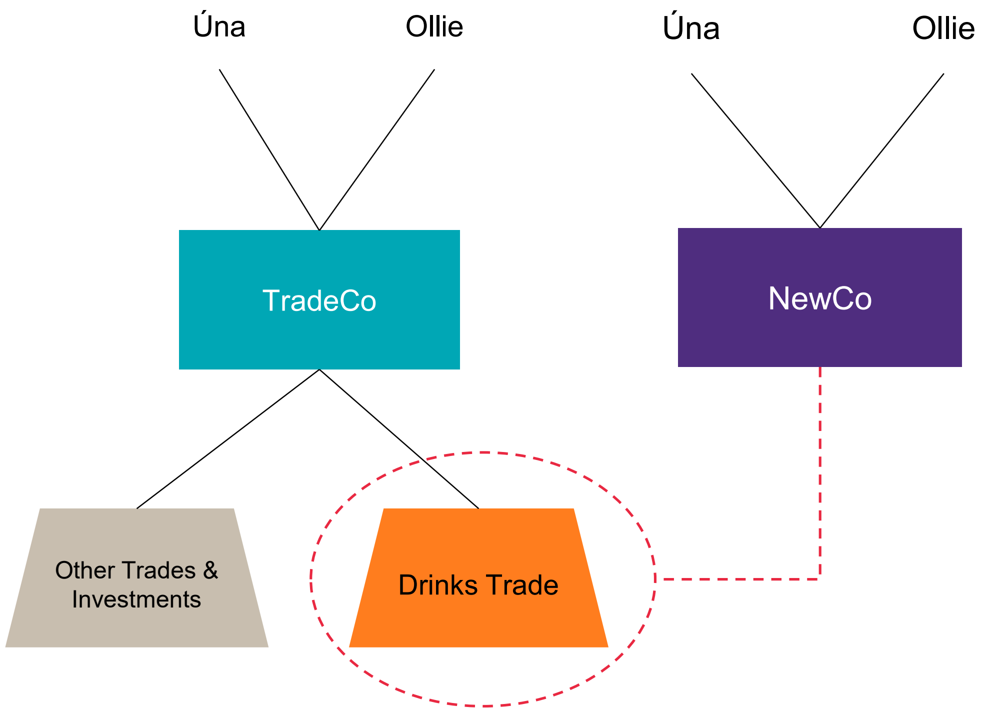
Risks / Issues

Not a one size fits all

CA14 Obligations

CG50A

4. Hive Outs & Trade Splitting - Three Party Swap



TradeCo transfers its business (i.e. Drinks Trade) to NewCo which issues shares to the existing shareholders.

Can also be done with a SubCo

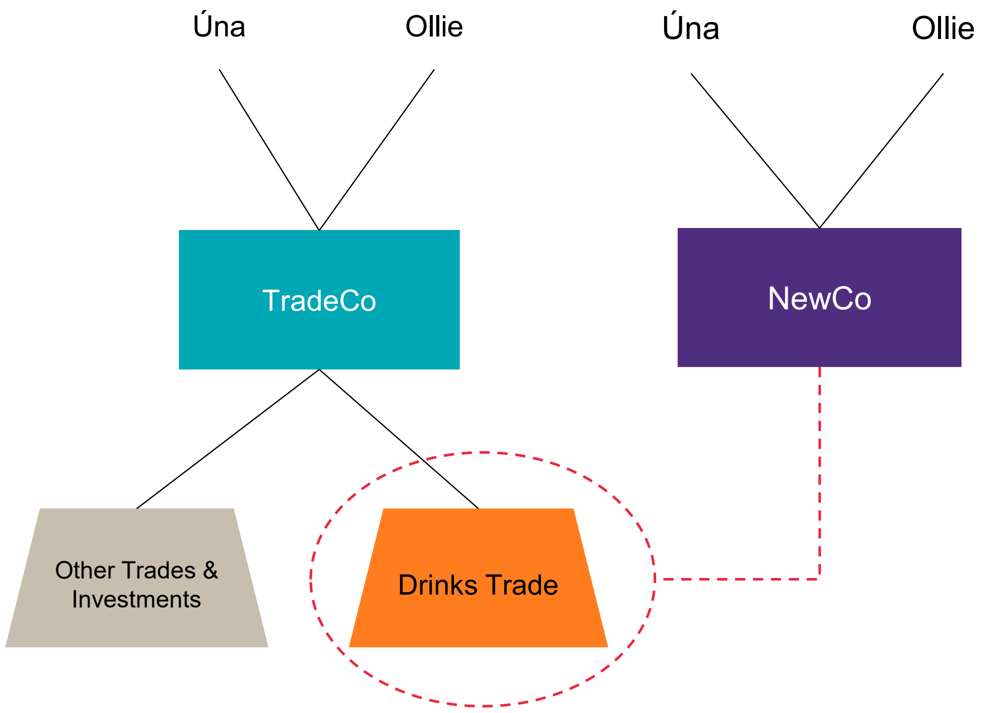
NewCo (clean vehicle) can then be onward sold to Purchaser.

Three parties to the transaction are;

- TradeCo
- NewCo
- Úna & Ollie

Should be tax neutral if structured correctly and if certain regulations are complied with.

4. Hive Outs & Trade Splitting - Three Party Swap



Considerations / Practical Issues

Tax clawbacks?

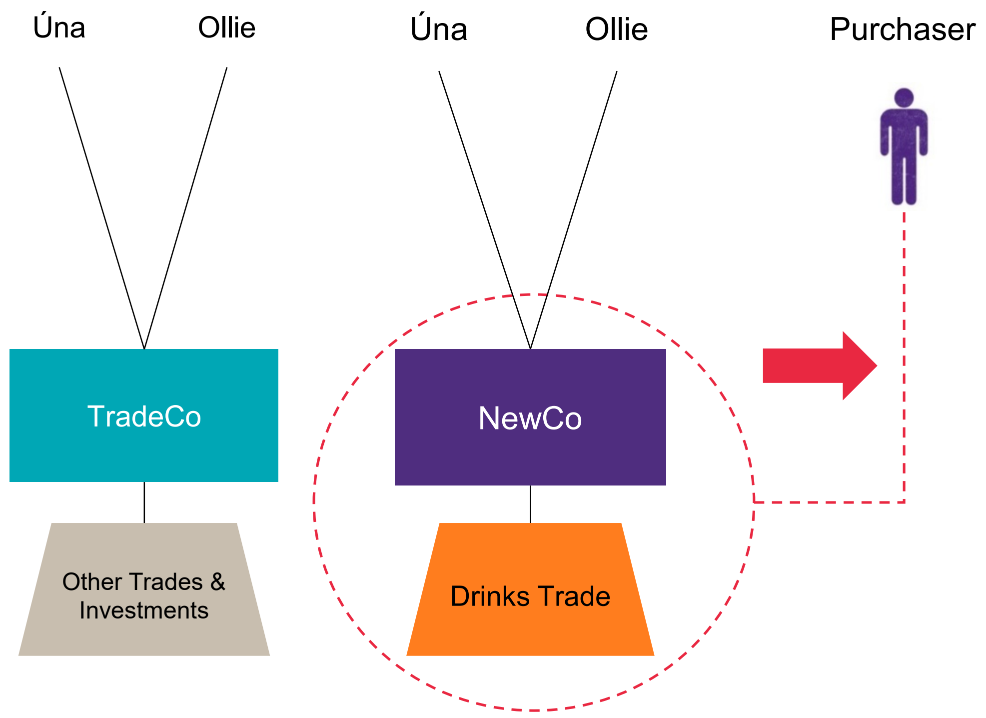
Distributable reserves required equal to NBV

Where start off? Within a group? Recent example.

Commercial Considerations;

- Clear identification assets transferred (including IP and goodwill). Asset transfer agreement – solicitor input.
- Market valuation of the trade.
- Employee TUPE notices 30 days in advance.
- Books and records - accounting systems to be transferred.
- Creditors notifications.
- Existing contracts, insurance policies, standing orders and lease agreements transferred.

5. Vendor Tax Reliefs – Sale of NewCo



NewCo is now a wholly trading company, with no investment assets or other trades held.

Úna & Ollie sell NewCo – CGT at 33%.

Two reliefs available

- Entrepreneur Relief
- Retirement Relief

5. Vendor Tax Reliefs – issues

- Interaction of both reliefs – ER/RR
- Interaction with Section 626B – Cost Benefit
- Spousal shareholding & involvement
- Beneficial Owners Register – holding in trust
- Definition of working full time
- 3 year holding period – options
- Termination payments/pension funding opportunities

6. Tax Warranties & Indemnities

- Heads of Terms and Letter of Offer
- Share Purchase Agreement
- Consideration Clause
- Tax Deed between Vendor and Purchaser
- Tax Warranties and Indemnities
- Tax Disclosure letter

7. Vendor & Purchaser Tax Due Diligence

Risk – Due diligence issues can end up affecting price or Revenue settlements

- ✓ VAT
- ✓ Corporation tax
  - Filings
  - R&D Claims
  - Form 46Gs
  - Foreign subsidiaries
- ✓ Employment taxes
  - BIKs
  - Travel & Subs
  - Employees vs Contractors
  - PAYE Modernization

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Experience

Oliver joined Grant Thornton in 1998 as a trainee and appointed director in the Audit and Assurance department of the practice in 2003, before moving to Grant Thornton Financial Counselling. He is a director of Grant Thornton Financial Counselling Limited, the financial advisory arm of the practice, providing financial advice to both corporate entities and individuals.

Oliver has significant experience in structuring the personal financial affairs of company directors and shareholders together with specialist sole traders in a tax efficient manner. He works closely with the tax planning department of the firm to ensure that client’s financial objectives are being met.

Oliver also provides corporate pension and financial advice to many single member and multi member entities. This advisory service encompasses all matters from initial recommendation and set-up to the eventual extraction of funds at retirement.

Sector experience

Oliver provides a complete financial advisory service to a wide range of clients, both personal and corporate, combining his significant commercial and business advisory experience.

Professional qualifications and memberships

Oliver is a member of the Chartered Accountants Ireland (CAI), is a qualified Chartered Tax Consultant and is a Qualified Financial Adviser. He holds a Bachelor degree (BA) in Accounting and Finance from Dublin City University (DCU).

Úna Ryan

Director – Tax

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Experience

Úna has vast experience on corporate and individual tax planning solutions in respect of debt restructuring, corporate restructuring including tax due diligences, hive-outs, hive-downs, rights issues, share buybacks, tax efficient pre-sale and post-sale restructuring.

She has extensive experience on estates and trusts for high net worth individuals including anti-avoidance provisions, estate planning and cross border estate tax issues and offshore trusts.

Úna regularly contributes to the Irish Tax Institute, Chartered Accountants’ House and STEP educational programmes and currently lectures Revenue Law on the LLB law programme with Griffith College

Professional qualifications and memberships

A degree in law (BCL) from University College Dublin (UCD), an LLM in Electronic Commerce Law from University College Cork (UCC) and is an Associate of the Irish Taxation Institute (AITI), an Associate of the Chartered Secretaries & Administrators (ACIS) and is a qualified Trust and Estate Practitioner (TEP).

Our dedicated team

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Experience

Debbie joined Grant Thornton in 2013. Prior to this she worked in a number of the leading Financial advisory brokerages in the Financial Services industry.

Debbie manages our corporate solutions team which offers corporate benefits advice as well as the management of both pension and risk benefit schemes for employees. In addition to this, she manages a portfolio of individual clients, including pensioneers, company executives, self employed and SME business owners.

Debbie also has experience in compliance, consumer protection and risk management therefore ensures our client services administration is in line with all regulatory guidelines.

Professional qualifications and memberships

Debbie has been working in wealth management since 2002 and is a Retirement Planning Adviser and Qualified Financial Adviser through the LIA.

She also holds a University Diploma in Financial Services through the LIA as well as a Professional Diploma in Compliance and a Professional Certificate in Consumer Protection Risk, Ethics and Culture in Financial Services through the Institute of Bankers.

She also holds a Bachelor's Degree (BA) in Sociology and Economics (Spec) from NUI Maynooth.

Liam Naughton

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Experience

Liam joined Grant Thornton in 2016. Prior to this he gained Big Four experience, focusing on personal wealth management for clients.

Liam specialises in financial planning and wealth management for individuals, and is responsible for a portfolio of clients, including high net worth individuals, company executives, and SME business owners.

Liam also has experience in overseeing the management and performance of large investment portfolios for high net worth clients and non-governmental organisations, regularly liaising with and reviewing the performance of fund and investment managers, to ensure managers act within each client's specified mandate.

Professional qualifications and membership

Liam has been working in wealth management since 2009 and is a Certified Financial Planner (CFP®), Retirement Planning Adviser and Qualified Financial Adviser through the LIA. He also holds an MSc. in Financial Services from UCD, and a Bachelor's Degree in Business Studies (Accounting and Finance) from the University of Limerick.

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