



European Financial Planning Group

Paul Garner (Director) and Anthony Drew (Chartered Financial Planner),
part of the EFPG Business and Owner Manager Advice team

Financial Advice for Business Owners

European Financial Planning Group has recently launched a specialist financial advisory service aimed specifically at those who own and/or run businesses in Gibraltar.

"As owner-managers of a small to medium-sized company ourselves, we know that those who run their own business are always very busy. Nothing comes easy in a competitive world and you have to put in a lot of hours to make a business successful. Any spare time is reserved for the good things in life such as family, sport, or relaxing in front of the television," comments Paul Garner, Director of EFPG.

"Quite naturally, less interesting things such as your financial planning tend to slip down the list of priorities and don't get attended to until it becomes unavoidable. In many cases they do not get dealt with it at all resulting in the commonly heard phrase 'I wish I had... sorted out a pension/arranged some cover/saved a bit more/invested in something else/done that years ago/made arrangements for that... but I was too busy'."

The objective of what EFPG are calling their 'Gibraltar Business and Owner-Manager Financial Planning Service' is to provide simple, easy to understand and cost-effective solutions to this type of client's business and personal financial planning needs. Paul Garner continues, "we called the service Business and Owner-Manager as our experience is that their business and personal financial planning needs are inextricably linked.

"A good example of this arose recently. Our clients, three experts in their field, were trading as a Partnership. They became aware that if one of them were to pass away prematurely the deceased Partner's interest in the firm would pass to their respective spouse. None of their spouses are suitably qualified to, or indeed have any interest in becoming involved in, the day-to-

day running of the business. EFPG were asked to recommend and project manage a solution.

"EFPG asked the firm's Accountants to calculate a monetary value for each Partner's share in the firm. We then arranged Term Assurance policies with sums assured equal to the value of each partner's share, structuring them in such a way that: a) the Partners received tax relief on the premiums; and b) they would pay out quickly and easily should one of the Partner's die.

"Working together with the firm's Lawyers, we arranged for the firm's Partnership Agreement to be amended to provide that the payment from the insurance company will represent the value of the deceased's share in the Partnership, with the Partner's share in the business reverting in agreed proportions to the surviving Partners. This provides a 'clean-break' solution at a predictable cost from the firm's regular cash flow. As an aside, the solution would have been very similar had the clients been trading as shareholders in a limited company.

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"In addition to this we identified that two of the Partners had been under-funding their Personal Pension Plans for several years. We recommended that they each make a lump sum contribution under 'carry back' provisions. This enabled them to reclaim tax paid in previous years at the highest rate and to make a significant difference to the funds they would have available at retirement."

EFPG provide financial advice across the whole spectrum of financial needs. "We provide advice on all basic financial planning needs including mortgages and life insurance," Paul Garner continued, "indeed some of our advisers do little else, however in recent times we have developed a reputation as the financial advisers to consult in relation to business-related needs. In the last 12 months we have established a number of new pension schemes for local employers ranging from a small family business to a major financial institution. This is a highly technical area and requires a deep knowledge of scheme structures and tax rules if a pension scheme is going to be established correctly.

"Some clients will come to us with a specific need, e.g. they wish to insure a key employee or director or they require advice on setting up a pension scheme for themselves or their workforce. Other clients will ask us to take a more 'birds-eye' view of both their personal and business arrangements and to provide advice in various areas. Whatever the client's requirement our proposals will always be presented in the form of a written report providing recommendations and the reasons behind them."

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