

FINANCIAL PLANNING GUIDE FOR CORPORATE SUPERSTARS IN THE UK

This guide is for information purposes and doesn't constitute financial advice, which should be based on your individual circumstances. Cover will stop on insurance products if premium payments are not maintained. Pension reliefs from taxation are subject to change and their value depends on your individual circumstances. Should you need financial advice you should speak to a trusted financial adviser (like us). Please be aware that investments can fall as well as rise in value, and past performance is not a guide to future performance.

- The Financial Conduct Authority does not regulate Cashflow Planning.
- The taxation of the investment is dependent on the individual circumstance of each investor, and may be subject to change in the future.
- An investment in a Stocks & Shares ISA will not provide the same security of capital associated with a Cash ISA.
- The Financial Conduct Authority does not regulate some aspects of tax and estate planning



You are a senior executive in your 40s. You are likely at a crucial stage in your career. Comprehensive financial planning is vital. This guide will help you navigate many parts of financial planning. It covers employee benefits. It sets goals and manages RSUs, pensions, and insurance. It also covers long-term wealth building. Good financial planning will help you live the life you want now and in the future.

1. Understanding and Maximising Employee Benefits

Types of Employee Benefits:

- » **Salary and Bonuses:** Regular compensation and performance-based bonuses.
- » **Equity Compensation:** RSUs, stock options, and share plans.
- » **Pension Schemes:** Employer-sponsored pension plans, including defined benefit and defined contribution schemes.
- » **Healthcare Benefits:** Private medical insurance, dental plans, and wellness programs.
- » **Other Perks:** Car allowances, travel allowances, and flexible working arrangements.

Types of Employee Benefits:

- » **Review Your Package.** Understand all your benefits and how they fit into your financial plan.
- » **Use Health Benefits.** They help reduce personal medical expenses.
- » **Use Pension Contributions.** Maximise employer contributions to your pension. This will boost your retirement savings.
- » **Manage equity compensation.** Develop a strategy to diversify it. This will avoid holding too much of your company's stock.



2. Managing RSUs (Restricted Stock Units)

What are RSUs?

- » RSUs are a type of equity compensation. An employer grants shares of company stock to an employee. But, the shares are subject to vesting conditions.

Vesting and Tax Implications

- » **Vesting Schedule:** Understand the timeline over which your RSUs vest.
- » **Taxation:** In the UK, RSUs are taxed as income at the time of vesting. Plan for this tax event to avoid surprises. Understand the options provided by the scheme to pay the tax.

Diversification and Risk Management

- » **Avoid overconcentration.** Sell vested RSUs to diversify your portfolio. This will reduce the risk of relying too much on your company's stock.
- » **Consider reinvesting the proceeds from sold RSUs.** Put them into a diversified portfolio using tax efficient vehicles like ISAs.

3. PENSION PLANNING

- » Understanding your Pension Schemes
- » In Defined Contribution (DC) Schemes, contributions are invested. The retirement benefit depends on the investment's performance.
- » DB Schemes provide a guaranteed retirement income. The income is based on salary and years of service. These are less prevalent in companies these days.

Maximising Pension Contributions

- » Annual Allowance: The standard annual allowance is £60,000, but it is reduced for high earners.
- » Carry forward unused allowances from the previous three tax years.
- » This can increase your current contributions.
- » Make sure you get the most from employer contributions available, often the more you put in the more they will. This will help build your pension.
- » The taper pension allowance affects those earning over £260,000. It reduces your pension annual allowance. If both you and your employer put in too much, report it and ensure pay any tax due.

Pension and Tax Efficiency

- » Tax Relief: Pension contributions receive tax relief, reducing your taxable income.
- » Consider other options when appropriate. For example, EIS or VCT if affected by the taper annual allowance. (Note these are high risk investments)
- » Make sure your investment strategy fits your financial goals. Ensure your portfolio maximises your potential returns. Also, understand the level of risk you are taking. You should also be clear on charges and the impact that this can have on your portfolio.



4. INSURANCE

Types of Essential Insurance

- » Life insurance provides financial security for your dependents. It does this in the event of your death.
- » Critical Illness Insurance pays a lump sum. It pays if you are diagnosed with a specified critical illness.
- » Income Protection Insurance replaces a part of your income. It does so if you are unable to work due to illness or injury. You could also potentially cover remuneration that includes RSUs.
- » Private Medical Insurance covers the cost of private healthcare. It ensures quick access to medical treatment.

Benefits of Adequate Insurance

- » Financial Security: Protects your family from financial hardship.
- » Peace of Mind: Knowing you have coverage provides reassurance and stability.
- » Ensures that your financial goals remain on track even if unexpected events occur.

5. BUILDING LONG-TERM WEALTH

Investment Strategies

- » Ensure you have a globally diversified portfolio to reduce the level of risk.
- » Make regular contributions to your investments.
- » Use tax efficient vehicles like ISAs to build your wealth.

6. ESTATE PLANNING

- » Make sure you have an appropriate Will in place which reflects your wishes.
- » Consider inheritance tax planning where appropriate.



7. CONSIDER PROFESSIONAL ADVICE

- » As a senior executive, you are likely to be short on time. Outsourcing this part of your life can let you focus on more important things to you. It can also let you benefit from expert advice.
- » One option is to work with a financial planner. They can help you make a plan that focuses on your life and what is important to you.
- » Review your plan often. Make sure it stays aligned with your goals and any changes in your life.



CONCLUSION

As a senior executive, you need to plan finances well. This is crucial to securing your future.

You can achieve financial security and peace of mind by:

- » Understanding and maximizing your employee benefits,
- » Managing RSUs,
- » Planning for retirement,
- » Having enough insurance, and
- » Building long-term wealth.

Remember a financial plan should help you live a great life now and in the future.

For personalised advice and help, consider working with a financial planner. They can tailor a plan to your needs and situation.