

# **Workplace pensions & business protection**

Corporate work opens doors

**Craig Muir & Nathan Douse**





**By the end of this session, you'll be able to:**

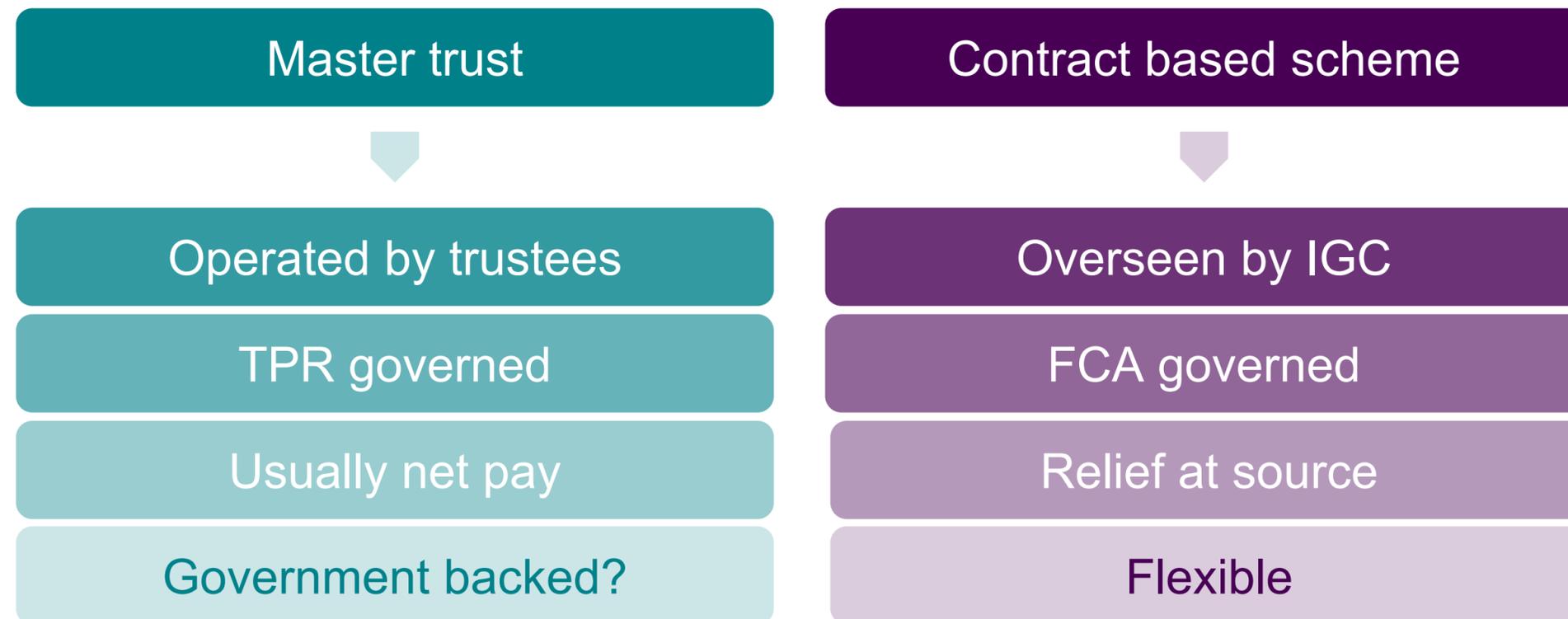
- Identify key questions to ask employers about their workplace pension scheme
- Demonstrate the benefit of salary sacrifice in workplace pensions
- Explain why SME clients should consider a financial safety net to protect against the effects of a critical illness or premature death.

# Workplace pension schemes

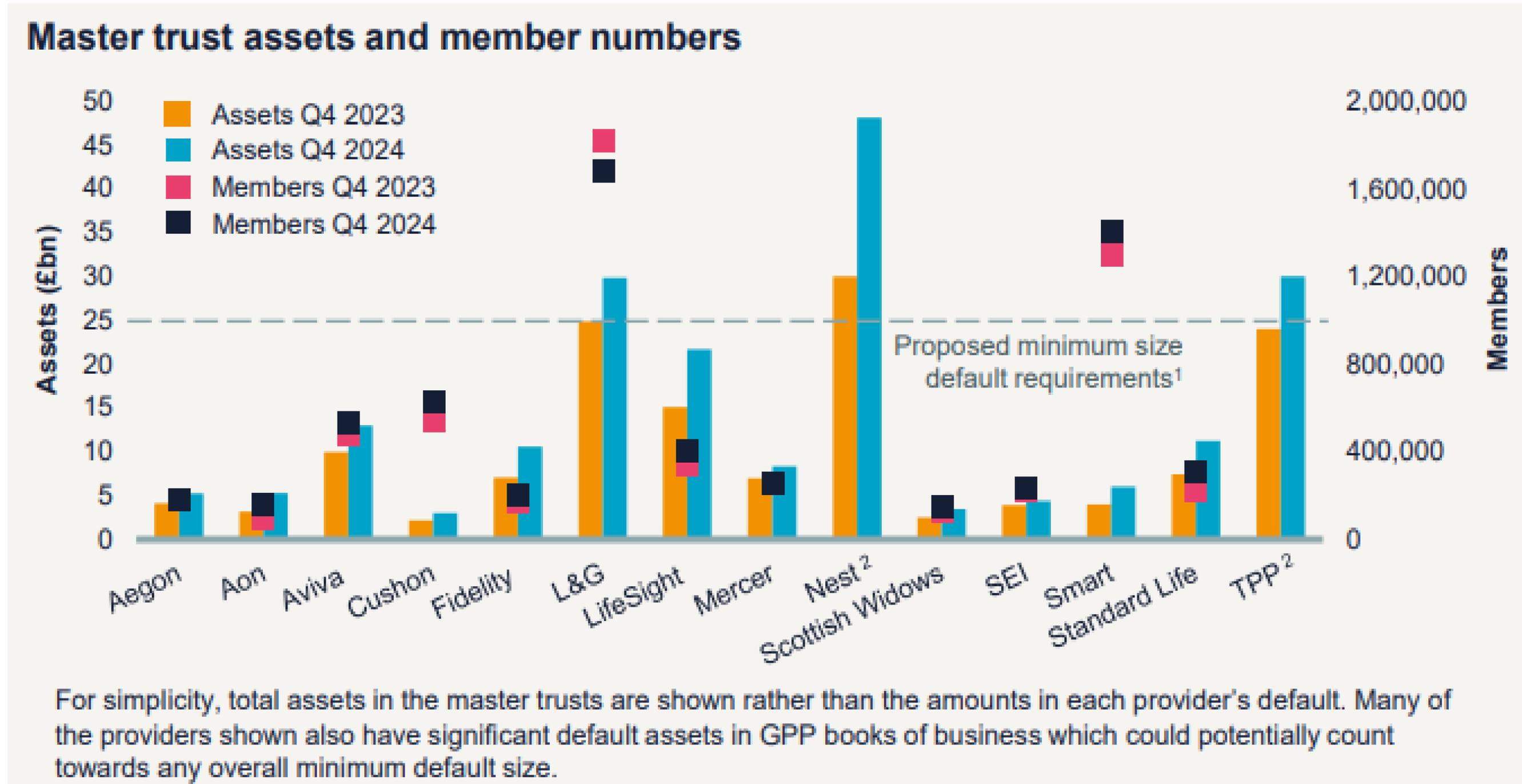


# Scheme structures

## Defined contribution



# Consolidation of master trusts



Source: LCP "Master Trusts Unpacked" – February 2025.

# Key considerations

## Defined contribution

Is the default investment option suitable for the employer's workforce?

What retirement options are available?



Is the employer spending too much time dealing with problems in the scheme?

Are member communications clear, simple & jargon free?

Is the scheme as cost effective as possible?

Could you add value in this market with the right support?

# Discussion points

## Drivers to switch



Lack of support or poor service from existing scheme

Poor member comms

Charges too high

Paternal employer looking to provide better benefits for employees

## Blockers to switching



Don't want to pay another fee

Just want to tick the box and the existing scheme is doing that

Inertia / apathy – its more hassle than its worth

# Salary sacrifice



# Budget November 2025

Restricting National Insurance (NI) savings to the first £2,000 of salary sacrificed from April 2029



Will impact both employees and employers

# Salary sacrifice benefits will remain

- Still tax relief
- £2k will cover many
- No need to claim tax relief
- Still 3 years away.



# Using salary sacrifice

## Case study



### Employer

Sam is employed by RL Sockets Ltd



### Salary

His pensionable salary is £35,000 per year



### Contributions

Sam pays 5% of pensionable salary  
His employer pays 3% of pensionable salary



### Adviser support

RL Sockets Ltd have approached their adviser to review their pension scheme  
They have 100 employees



### Salary sacrifice?

RL Sockets Ltd don't currently use salary sacrifice

# Salary sacrifice

Sam's position

	Before salary sacrifice	After salary sacrifice	The difference
Salary	£35,000	£33,056	Sam's gross salary, tax, National insurance contribution and pension contribution have all decreased
Tax	£4,486	£4,097	
National Insurance	£1,794	£1,639	
Net pension contribution	£1,400	£0	
Sam's take home pay	£27,320	£27,320	

All figures are based on annual tax allowances and NIC thresholds/limits and are for illustration purposes only. Based on rates of income tax and NI for the 2025/26 tax year and a single person's tax allowance of £12,570. References to taxation are based on our understanding of the current law and practice and may be affected by future changes in tax, NI contributions, legislation or by an individual's particular circumstances. These are based on UK income tax rates and bands, excluding Scotland & Wales.

# Salary sacrifice

## Employer's position

	Before salary sacrifice	After salary sacrifice
Salary	£35,000	£33,056
Employer National Insurance	£4,500	£4,208
Cost of pension contribution	£1,050	£3,140
Total cost to employer	<b>£40,550</b>	<b>£40,404</b>
The difference	<ul style="list-style-type: none"><li>• RL Sockets Ltd now pay the whole pension contribution</li><li>• The total cost to the employer has reduced by £146 per year by redirecting only 50% of employer NI savings to Sam's pension</li></ul>	

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# Using salary sacrifice

## Outcomes



Sam has £3,140 per year going into his pension  
That's **£340** additional per year, for the same take home pay



RL Sockets Ltd total cost for Sam decreases by **£146** per year



For a **100** member scheme this equates to **£14,600** per year\*



Could result in employer **savings** or **extra** employee benefits

\* Based on if all employees were on average salary

# Using salary sacrifice

## Warnings



### Reduction in headline salary

May impact on Death in Service lump sum

May impact on borrowing



Watch out for  
minimum  
wage



Can't be used  
to reduce  
eligible  
jobholders



Would be a  
change of  
contract so  
please - seek  
legal advice

Have you discussed salary sacrifice  
with your employer clients?

# Workplace pension opportunities



# Opportunities

Why advisers value this market



Advice to business



At retirement advice



Advice to business owners



“Corporate work opens doors”

## Company

Group life for 100 members

Relevant life for directors

Key man / business protection  
for directors

## Individuals

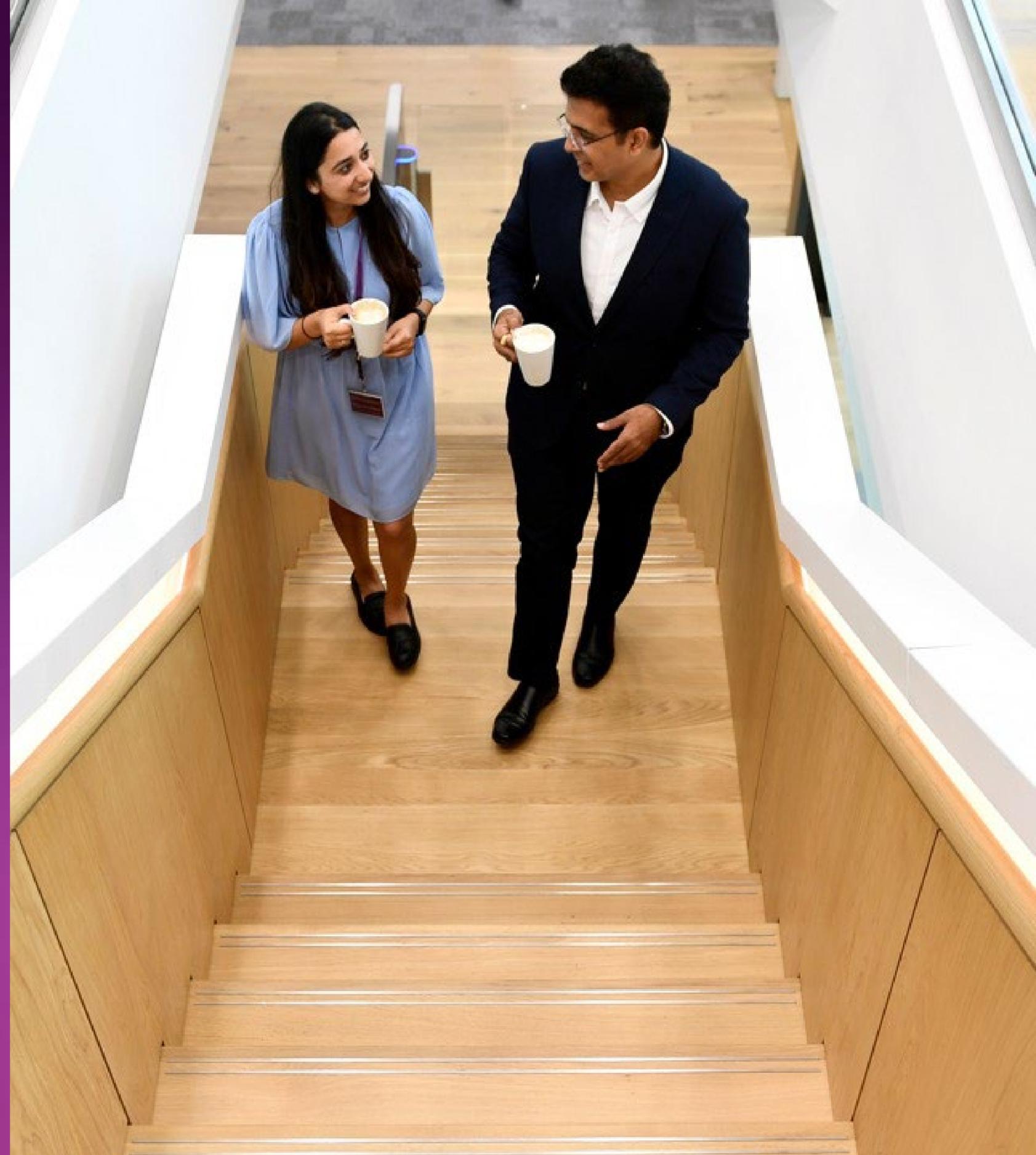
Directors' individual financial  
arrangements

Other employees as individual clients

Mortgage, protection, ISA etc.



**Let's get down to  
business protection**



# **Why do businesses need protection?**

# Why do businesses need it?

Death-in-service

Supporting employees' family's tax efficiently

Debt

Clearing loans and debts on the death of a key person

Profit

Key person with a big influence on revenue

Control

Death or diagnosis of a critical illness of a partner or shareholder

# Let's meet

RL Sockets Ltd.

**Ruth**  
Managing Director



**Lee**  
Finance Director



**Anita**  
Sales Director



**Mona**  
Operations Director



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**customers**

**employees**

**How do their...**

**competitors**

**feel today?**

**bank**

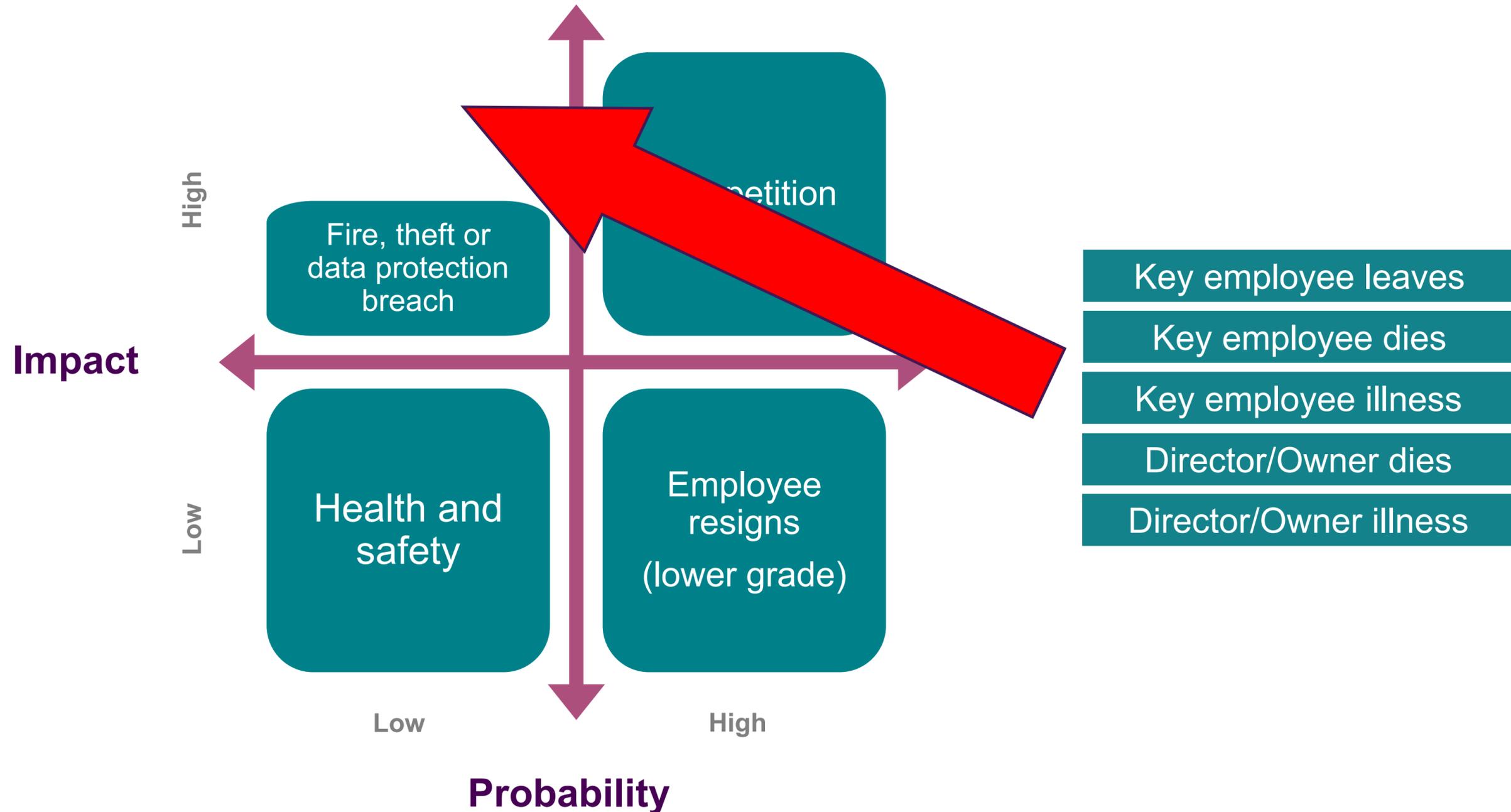
**trade creditors**

# Let's talk risk



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## Assessing the risks



# Let's meet

RL Sockets Ltd.

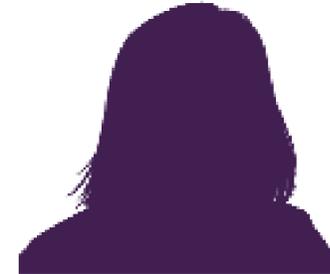
**Ruth**  
Managing Director



**Lee**  
Finance Director



**Anita**  
Sales Director



**Mona**  
Operations Director



# The profit and loss account

## RL Sockets Ltd.

Total sales (turnover)

Less cost of sales

= Gross profit

Less fixed expenses

= Operating profit

Less finance costs

= Net profit

Less tax

= Profit after tax

# The profit and loss account

## RL Sockets Ltd.

Turnover	£1,200,000
Cost of sales	(£400,000)
<b>Gross profit</b>	<b>£800,000</b>
Fixed operating costs	(£600,000)
Extraordinary costs	£0
<b>Operating profit</b>	<b>£200,000</b>
Finance costs	(£20,000)
<b>Net profit before tax</b>	<b>£180,000</b>

# The profit and loss account

## RL Sockets Ltd.

Reduce turnover and cost of sales by 20%

Turnover	£1,200,000	£960,000
Cost of sales	(£400,000)	(£320,000)
<b>Gross profit</b>	<b>£800,000</b>	<b>£640,000</b>
Fixed operating costs	(£600,000)	(£600,000)
Extraordinary costs	£0	£0
<b>Operating profit</b>	<b>£200,000</b>	<b>£40,000</b>
Finance costs	(£20,000)	(£20,000)
<b>Net profit before tax</b>	<b>£180,000</b>	<b>£20,000</b>

# The profit and loss account

## RL Sockets Ltd.

What if we added in extraordinary costs?

Turnover	£1,200,000	£960,000	£960,000
Cost of sales	(£400,000)	(£320,000)	(£320,000)
<b>Gross profit</b>	<b>£800,000</b>	<b>£640,000</b>	<b>£640,000</b>
Fixed operating costs	(£600,000)	(£600,000)	(£600,000)
Extraordinary costs	£0	£0	(£150,000)
<b>Operating profit</b>	<b>£200,000</b>	<b>£40,000</b>	<b>-£110,000</b>
Finance costs	(£20,000)	(£20,000)	(£20,000)
<b>Net profit before tax</b>	<b>£180,000</b>	<b>£20,000</b>	<b>-£130,000</b>
Capital costs (Directors Loan Account)			(£50,000)
			<b>Total cash loss £180,000</b>

£360,000 difference

# What if RL Sockets Ltd. say

“We can’t afford it”



If they can’t afford the premiums now...



How will they manage if they lose a significant proportion of profits? Do they have the money to cover recruitment and training costs?

# Let's talk risk

## Liability audit

	Ruth	Lee	Anita	Mona
Liabilities to third parties	£	£	£	£
+	+	+	+	+
Liabilities to owners	£	£	£	£
+	+	+	+	+
Loss of profit x term to recovery	£	£	£	£
+	+	+	+	+
One-off expenses	£	£	£	£
=	=	=	=	=
Total	£	£	£	£

# Growing the conversation



# Growing the conversation

- Existing client bank
  - SME owners?
  - Self-employed mortgage clients?
- Professional connections
  - Lawyers
  - Accountants
  - General Insurance Brokers
- Your website
- Social media
- Professional networking groups (e.g. BNI)
- Pension/Wealth clients
  - Cash flow modelling tools?



# Conclusion

## Key points

- Significant market
- Employer reviewing schemes
- Future of mass affluent advice
- Corporate business opens doors



**By the end of this session, you'll be able to:**

- Identify key questions to ask employers about their workplace pension scheme
- Demonstrate the benefit of salary sacrifice in workplace pensions
- Explain why SME clients should consider a financial safety net to protect against the effects of a critical illness or premature death.



# Thank you

To find out more:

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