



Suffolk Life looks at Salary sacrifice arrangements in a recent Talking Points e-bulletin

19 March 2008

In a recent Talking Points e-bulletin for advisers, Suffolk Life, one of the UK's leading providers and administrators of SIPPs looks in broad terms at what is required to set up a salary sacrifice arrangement and the benefits to the employee and employer. With National Insurance (NI) contribution thresholds set to increase over the next few years, salary sacrifice is likely to gain in popularity. Indeed it is becoming a valuable benefit that forward-looking employers can offer to their key staff.

Put simply, salary sacrifice is where an individual gives up the right to some cash remuneration or bonus in exchange for a non-cash benefit. This can cover a variety of benefits, but in this instance relates to pension contributions.

In broad terms in order for a salary sacrifice arrangement to be successful the following rules must be followed.

1. The arrangement must be in place and the right to the cash must be given up before the employee would have become entitled to the benefit.
2. The result of the arrangement must be such that the employee is entitled to a non-cash benefit plus reduced cash remuneration.
3. Once the arrangement has commenced there must not be an option to revert to the original cash remuneration and give up the benefit, if this is the case then the benefit may be taxable as earnings.

The e-bulletin goes into further detail with regards to the benefits of this arrangement, and how for some the benefits of salary sacrifice will increase further when the National Insurance (NI) bandings change in April 2008 and 2009. The salary cannot be reduced below the minimum wage, and State benefits both present and future may be affected by a lower salary and lower NI contributions.

Commenting on the e-bulletin, John Moret, Director of Sales and Marketing at Suffolk Life, said: "In our view, salary sacrifice if set up correctly, should be a benefit to both employers and employees alike. Employers can use the option to increase staff benefits without increasing the overall cost. Employees can reduce their immediate tax bill whilst increasing their overall benefits. It should always be remembered that other salary related benefits (e.g. death in service) may be correspondingly affected."

Talking points and other marketing literature is available from the Suffolk Life website at www.suffolklife.co.uk/advisers

- Ends -

For further information, please contact:

John Moret, Director of Sales and Marketing
Suffolk Life
07711 492440

Louise Dolan / James Marshall
Financial Dynamics
020 7269 7192 / 7222

About Suffolk Life

Suffolk Life is one of the UK's leading providers and administrators of specialist pension products, primarily Self Invested Personal Pensions (SIPPs). It has established over 10,000 SIPPs and total assets now exceed £3bn billion. Suffolk Life has acquired properties for over 2,500 investors.

Established in 1971 and based in Ipswich, Suffolk Life employs over 170 people and has built an enviable reputation based on its expertise and knowledge of the SIPP market.

This has been recognised through numerous other awards including:-

Technology, Admin and Service award, SIPPs – Pensions Management 2007 & 2006

Best SIPP Provider - Professional Adviser 2006

Best SIPP Provider - Professional Pensions 2006 & 2005

Best SIPP Product - Moneyfacts 2005

Best Buy - Investors Chronicle 2005

Admin & Service awards, SIPPs – Pensions Management, wins in 2002, 2003 & 2004, commended in 2005

Further details are available by visiting the Suffolk Life website: www.suffolklife.co.uk