

FEE BUILDER SCOPE AND IMPLEMENTATION – FEBRUARY 2024

Time to revisit company profit extraction strategy

An approach to incorporated clients who may
benefit from revising their profit extraction
options

February 2024 – Time to revisit profit extraction strategy

The remorseless rise in the cost of living in recent times has meant that many owner/directors have been obliged to increase their overall earnings above the basic rate band, £50,270.

This has inadvertently led many into the zone where dividends are taxed at 33.75% and the High Income Child Benefit Charge starts to kick in.

In which case is it time to review your clients' profit extraction policy? For example:

- would it be cheaper to increase basic salary rather than dividends;
- involve family members; or
- look at other extraction options.

The Fee Builder focus this month is to offer your incorporated clients a planning session to review their options and help them maximise any tax or NIC reductions that may be possible.

Benefits for your practice

Boost your advisory sales by cross-selling this extraction review on an annual basis.

Resources to support this activity

We have written the following copy to support the process.

Resources to support this activity:

APPENDIX 1 – A draft email to clients.

APPENDIX 2 – A draft email to prospects.

ATTACHMENT – We have provided a copy of our Spotlight fact sheet “Extracting Company Profits” that you can attach to the email.

APPENDIX 3 - A draft email to your staff/partners/directors advising them of these approaches.

Implementation

In summary, consider undertaking the following:

1. Make a list of clients and prospects who you feel could benefit from a profit extraction review and send them the appropriate email and attachment.
2. Be sure to follow up the email with a phone call.
3. Create website information/blog/landing page with a link to request a free copy of the fact sheet in exchange for contact details; a lead generator spin-off.
4. Send email to partners and staff so they are aware of the marketing approach
5. Post a link to your landing page on social media, LinkedIn etc.

And don't forget to keep a note of the statistics; how many clients and prospects did you contact and what were the results?

APPENDIX 1
DRAFT EMAIL TO CLIENTS

SUBJECT LINE: Would you benefit from changing your company profit extraction strategy?

BODY TEXT:

[Client's first name],

The cost of living increases in the past year have obliged many business owners to increase the withdrawals from their company. As salaries tend to be fixed at a low rate to reduce NIC charges the temptation is to increase dividends.

Unfortunately, once your combined income (salary and dividends) exceeds £50,270 any dividends that fall to be taxed above this amount will be taxed at 33.75% rather than 8.75%.

There are various options we could consider and the time to do this – to reduce your tax liabilities for 2023-24 - is before 5 April 2024.

Please call so we can arrange a fact-find conversation and see if you could benefit from this planning opportunity. A copy of our fact sheet "Extracting Company Profits" is attached.

Best regards,

Contact name

APPENDIX 2

DRAFT EMAIL TO PROSPECTS

[Prospect's first name],

We are currently offering the directors of our company clients a planning session to see if they would benefit from changing the way they extract profits from their business. i.e., as salary, dividends, rent, benefits or loans.

We would like to offer you the same opportunity.

The cost of living increases in the past year have obliged many business owners to increase the withdrawals from their company. As salaries tend to be fixed at a low rate to reduce NIC charges the temptation is to increase dividends.

Unfortunately, once your combined income (salary and dividends) exceeds £50,270 any dividends that fall to be taxed above this amount will be taxed at 33.75% rather than 8.75%.

There are various options we could consider and the time to do this – to reduce your tax liabilities for 2023-24 - is before 5 April 2024. A copy of our fact sheet “Extracting Company Profits” is attached.

Please call so we can arrange a fact-find conversation and see if you could benefit from this planning opportunity.

Best regards,

Contact name

Contact name

APPENDIX 3
DRAFT EMAIL TO FEE EARNERS AND PARTNERS

SUBJECT LINE: Promoting a company profit extraction planning session with clients

BODY TEXT:

[Staff members first name],

We are about to promote the benefits of revisiting company profit extraction strategies with our corporate client and prospects.

We are sending the following email to clients:

[Client's first name],

The cost of living increases in the past year have obliged many business owners to increase the withdrawals from their company. As salaries tend to be fixed at a low rate to reduce NIC charges the temptation is to increase dividends.

Unfortunately, once your combined income (salary and dividends) exceeds £50,270 any dividends that fall to be taxed above this amount will be taxed at 33.75% rather than 8.75%.

There are various options we could consider and the time to do this – to reduce your tax liabilities for 2023-24 - is before 5 April 2024. A copy of our fact sheet "Extracting Company Profits" is attached.

Please call so we can arrange a fact-find conversation and see if you could benefit from this planning opportunity.

Best regards,

And this invitation to prospects that may be interested:

[Prospect's first name],

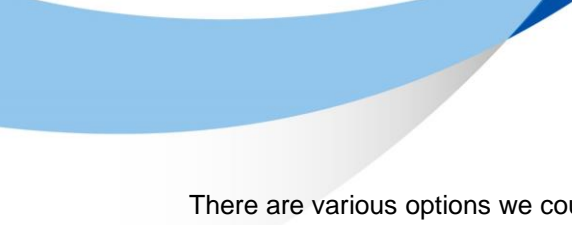
[Prospect's first name],

We are currently offering the directors of our company clients a planning session to see if they would benefit from changing the way they extract profits from their business. i.e., as salary, dividends, rent, benefits or loans.

We would like to offer you the same opportunity.

The cost of living increases in the past year have obliged many business owners to increase the withdrawals from their company. As salaries tend to be fixed at a low rate to reduce NIC charges the temptation is to increase dividends.

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There are various options we could consider and the time to do this – to reduce your tax liabilities for 2023-24 - is before 5 April 2024. A copy of our fact sheet “Extracting Company Profits” is attached.

Please call so we can arrange a fact-find conversation and see if you could benefit from this planning opportunity.

Could you please send me a list of any clients and prospects you feel may benefit from these approaches (contact name and email address) so that we can check they have been included in the campaign.

Best regards,

Contact name