

Adviser Friendly Commission Options

Much has been written about the virtue and benefits of Advisers moving to a non-indemnity or “drip” commission basis for their protection business, but as with many things in life it’s not as easy or as practical as it might seem at first. Some of the benefits often quoted include:

Non-indemnity commission earnings are higher than Indemnity commission earnings over the earnings period as a discount factor isn’t applied;

and

Advisers avoid commission clawback on cases lapsed during the earnings period.

However, in the real world, moving all of your earnings to a Non-indemnity basis is not as easy as it sounds, and the strain on cash flow in particular could be unrealistic or prohibitive.

So, what’s an adviser to do - continue with full Indemnity and earn a lower rate compared to the Non-indemnity option while carrying a significant clawback risk **OR** see a significant reduction in their income by moving to a Non-indemnity basis while building up value and cash flow over time?

At SFP we believe that intermediaries should have a range of attractive, flexible commission options to suit their business model, including a viable alternative to the polarised Indemnity and Non-indemnity positions, and therefore we offer the following commission options:

FULL INDEMNITY we pay 178% of the first years premium as an initial lump sum; OR

NON-INDEMNITY we pay 98% of each monthly premium as paid for the first two years. Because of the short earnings period, the monthly commission is much more meaningful than a plan with a four year earnings period; OR

THE 50/50 SOLUTION as the name suggests, we pay 50% of the commission on an Indemnity basis and 50% on a Non-Indemnity basis.

AND REMEMBER... you can choose whichever option on a case-by-case basis!

Important Note: A 2-year earnings period applies to all three options and the commission rates quoted are for Online Applications.

Benefits of the 50/50 option

Cash flow - a meaningful initial lump sum is still paid;

Grow the value of your business – through ongoing Non-indemnity commission earnings;

You’re in control – because you can choose which commission option to use on a case-by-case basis, you control the transition away from a reliance on Indemnity commission if this fits your business model.

Financial stability - you can reduce the impact of commission clawback on your business as only 50% of the commission is paid on an Indemnity basis at outset. **And don’t forget**, there is no commission clawback on your Non-indemnity income stream!

To see a worked example of how our 50/50 option could work for you please turn over. ►

EXAMPLE CASE

- Client details - Male & Female, both aged 34 next birthday, and non-smokers.
- Cover requirements - £125,000 Life + CI (1st event) on a Level Term basis, 25 year term.
- Dual cover basis.
- Monthly Premium year one £44.60



If the **Indemnity Commission** option is selected:

Commission paid to the adviser is **£852** in one lump sum with a two-year clawback period.



If the **Non-indemnity Commission** option is selected:

Commission paid to the adviser is **£43.70** per month over two years, **£1,048.80** in total. However, there is no clawback risk as all commission is paid as earned.



If the **50/50 Commission** option is selected:

50% of the commission is paid as a lump sum - **£476** with a two year clawback period;

PLUS

50% of the commission is paid on a drip basis - **£21.85** per month over two years, **£524.40** in total.

And remember, with this option:

- Total initial commission earned is £1,000.40, that's £148.40 more than the Indemnity Commission option; and
- Your clawback risk is significantly reduced.

In addition to all the flexible product features that are offered by Synergy Protect, we are pleased to offer our supporters flexibility in the way they take their commission. All of the options are available on a case-by-case basis – you do not need to commit to any single method.

If you would like further information on Synergy Protect commission options, or any of the benefits of the product, please contact any of the Team shown below.

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