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LACK OF BUSINESS SAVINGS PLACING STRAINS ON UK SELF-EMPLOYED

- Poor business resilience puts freelancers and sole traders at risk of financial hardship
- More than one-in-five (22%) have no business savings at all whilst four-in-ten (40%) say their business has less than £1,000 in cash savings
- More than half (54%) of self-employed people were unable to earn money because of unforeseen events, 50 per cent of these were down to ill-health
- More than one-third (34%) experienced an annual business turnover of less than £10k before tax. Over half (53%) brought home an annual salary of less than £10k before tax while only 15 per cent earned a salary of more than £30k per year.

Research from Aldermore, the specialist bank, shows many self-employed and small businesses are holding inadequate amounts of cash savings, leaving them unprepared for unforeseen events.

The data shows more than one fifth (22%) of businesses have no cash savings, while four-in-ten (40%) hold less than £1,000. Worryingly, fewer than one in ten of those firms with a turnover of less than £10,000 held more than £1,000 in savings.

Business resilience is tested when the self-employed face unforeseen events, especially ill-health. More than half (54%) said they have periods where they have been unable to earn money because of ill-health. Of those businesses who had experienced a period when they were unable to work, almost half (48%) remained off work for more than one month. One fifth (22%) lost over a third of the working year. Typically, this costs businesses around £4,000 in lost revenues.

Lack of savings is not restricted to businesses with a low turnover. Almost one in ten (8%) businesses with a turnover of £50,000 holds nothing in cash. The research also shows that businesses in both the North and Midlands have, on average, £500 in cash holdings, compared to £3,000 in the South. The median average across the UK is £1,000 in cash savings.

Among the self-employed more than a third (34%) experienced a business turnover of less than £10,000 a year before tax. Less than a quarter (24%) generated a turnover of £50,000+. Over half (53%) brought home a salary of less than £10,000 before tax with only 15 per cent taking a salary of £30,000+.

With more than five million self-employed people in the UK and nearly five million more considering starting their own business in the next couple of years, Aldermore's analysis highlights a need to improve financial resilience among freelancers and small businesses.

Aldermore's Head of Savings, Ewan Edwards says: "Starting a new business is a significant life decision. While many self-employed people relish greater flexibility and control, the first few years can often bring long hours, additional stress and relatively small financial rewards. Quite often, issues that can affect the ability to earn, such as ill-health or childcare mean that many businesses are failing to prepare financially."

"We want to work with the Government to look at means of backing Britain's entrepreneurs and helping them devise new policies and financial products that will encourage start-ups and protect growing small businesses from the shocks and uncertainties of self-employment.

For example, an Entrepreneur ISA or Small Business Savings Allowance could support many businesses that face the ups and downs throughout the year.”

Aldermore’s research follows earlier insight from the Resolution Foundation showing almost half (48%) of would- be entrepreneurs were drawn by the prospect of earning more money. However, the reality was that employees were earning on average £21,000 compared to £13,000 for those self-employed.

ENDS

Notes to editors

The research was conducted by Toluna via an online panel between 28th March and 3rd April 2017. The sample consisted of 1,174 UK residents, including 317 entrepreneurs, self-employed people and business owners.

Campaign Links

Microsite: <https://www.supportmoreentrepreneurs.com/resources/#>

Petition: <https://www.change.org/p/philip-hammond-aldermore-call-on-the-government-to-do-more-for-britain-s-small-businesses>

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Aldermore

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Established in 2009, Aldermore has grown significantly. At the end of September 2017, lending to customers stood at £8.4 billion.

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