

October 2018

## **LACK OF BUSINESS SAVINGS AND CASH FLOW PLACING STRAINS ON UK SELF-EMPLOYED**

- More than four-in-ten (46%) of self-employed people say they have less than £1,000 in cash savings. One-in-five (19%) have no business savings at all
- 45% of self-employed are unable to save and maintain day-to-day cash flow

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

The data shows almost one fifth (19%) of businesses have no cash savings, while almost half (46%) hold less than £1,000. According to the research, less than one quarter of sole traders have no cash savings (23%) in total, and one third (32%) have less than £1,000 in savings.

The lack of savings is also reflected in cash flow too. The research shows more than one-fifth (21%) of sole traders do not have any cash flow. This increases to more than three-fifths (63%) when considering businesses with less than £1,000.

The research also asked small businesses about their attitude towards saving. Despite a high number of businesses with little or no cash savings and cash flow, seven-in-ten (69%) sole traders recognise the importance of setting cash aside showing they recognise the need to be more resilient than they currently are.

Only 55% of the self-employed are able to deposit cash savings as well maintaining day to day cash flow. The main reasons for this are that one quarter (27%) do not see this as a priority, whereas another quarter (26%) would prefer to keep their spare money in their current account, just in case.

Understandably, most self-employed see the biggest benefit of setting cash aside is for peace of mind (42%) and better preparation for unforeseen events (38%). Just under three-in-ten (28%) said it would help to fund future growth in the business.

**Aldermore's Head of Savings, Ewan Edwards, says:** "It's clear that sole traders understand the need to improve their savings and cash flow, but this can often be easier said than done. Many businesses do not succeed because they fail to plan for unforeseen events or manage cash flow properly. Better business education and support could help many small businesses avoid trouble that often leads to difficulties.

"We want to work with the Government to look at means of backing Britain's entrepreneurs and helping them devise new policies and products that will encourage start-ups and protect growing small businesses from the shocks and uncertainties of self-employment. An Entrepreneur ISA or Small Business Savings Allowance could support many businesses that face the ups and downs throughout the year."

**ENDS**

### **Notes to editors**

The research was conducted by Toluna via an online panel during March 2017 and March 2018. The sample consisted of 1,799 UK residents, including 642 entrepreneurs, self-employed people and business owners.

Below: An outline to how the Entrepreneur ISA and The Small Business Saving Allowance could work

Entrepreneur ISA	The Small Business Savings Allowance
<p>The Entrepreneur ISA builds on the highly successful ISA wrapper by helping future business owners to build the capital they need.</p> <p>Under our proposal:</p> <ul style="list-style-type: none"> <li>• Ability to save into a tax-free wrapper of up to £20,000 per year in line with the current ISA limit.</li> <li>• Ability to benefit from a potential 25% matched government bonus.</li> <li>• The bonus would be limited at a maximum of around £3,000.</li> <li>• The bonus could be paid when the company is incorporated or files its first tax return.</li> </ul> <p><b>Purpose: To help those starting a business by overcoming the biggest single challenge: accessing the capital to get started.</b></p>	<p>The Small Business Savings Allowance (SBSA) would mirror the existing Personal Savings Allowance (PSA) – introduced in 2016 – and would help businesses to shelter more of their business earnings from the taxman. Under our proposal:</p> <ul style="list-style-type: none"> <li>• Up to £4,000 a year of income from Savings would be tax-free for all limited companies, Sole Traders and Partnerships with a turnover of less than £250,000.</li> <li>• Savings income includes account interest from bank and building society business accounts but also includes interest distributions (not dividends).</li> </ul> <p><b>Purpose: To strengthen the financial resilience of existing small businesses by allowing them to retain more of their earnings for cash flow or investments to support future business investment or growth.</b></p>

## 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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Aldermore has no branch network but serves customers and intermediary partners online, by phone and face to face through its network of regional offices located around the UK. Building on its core values of being reliable, expert, dynamic and straightforward, Aldermore aims to deliver banking as it should be.

Established in 2009, Aldermore has grown significantly. At the end of December 2017, lending to customers stood at £8.6 billion. In March 2018, Aldermore became part of FirstRand Group, one of South Africa's largest financial services institutions.

For more information, please visit [www.aldermore.co.uk](http://www.aldermore.co.uk).

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