CONTINUUM

YOUR FINANCIAL FUTURE MADE REAL

BEING BUSINESS CASH SMART: WAYS TO HELP MAKE MONEY WORK FOR YOU

ANDREAS VAZANIAS Independent Financial Adviser

As a small business owner, you know that cash is the lifeblood of your operations.

When there is not enough, business survival can be in doubt. But having too much cash can be a problem too. You may have built up a large cash reserve because drawing cash out of the business can mean a bigger payday for the taxman than for you. Worse, you may be leaving that cash in a business current account earning no interest, or even paying the bank to hold your money.

You can do much more than avoid bank charges. You can become business cash smart - and help make that cash work for you and your business, rather than the taxman.

Of course, you need some cash to avoid expensive overdrafts and short-term borrowing. Effective cash management means enough liquidity to cover day-to-day expenses, emergencies, and opportunities, and to give you a competitive edge in negotiations. But if you need cash, you also need ways to help make it generate a return.

Cash Savings: Traditional cash management involves business current accounts. While this provides immediate access to funds, it may yield minimal returns. But if you shop around, rates of just over 4% are currently available with instant access. Your bank can set up automatic transfers into savings as soon as your balance reaches an agreed level.

Investing in your business: Could you use spare cash to boost your business? Plant, vehicles or marketing could all help build your profitability. Investing in assets would eat into your capital, but an asset finance solution may help you fund capital acquisitions from cash revenue.

Business relief investments: if yours is a family business which you want to pass on to the next generation, your plans could be undone by inheritance tax with up to 40% of the value of your business going to the taxman, rather than your loved ones.

Investing business cash under Business relief can help you pass on more, and you don't need to die to take advantage of it. Shares listed on a recognised stock exchange qualify for business relief and are free of inheritance tax after two years. For example, if you invest £100,000 in a business relief qualifying company, £100,000 would be deducted from the value of your estate after your death as long as you have held the shares for two years. This compares to giving money away, which would be IHT free only after seven years – and you hold the investment in your name, meaning you can withdraw money or have dividends paid to you. Please be aware that following the Autumn 2024 Budget, shares in companies not listed on recognised stock exchanges (such as AIM) will be reduced from 100% to 50% from April 2026.

Business relief is part of a succession planning strategy – and expert advice is essential

Making more of your pension: Your pension is not only vital for the future, it might also help you make better use of your cash now and pay less tax. It represents a tax-efficient way to take cash out of your business, and potentially out of reach of creditors if things go wrong. Please note that as announced in the Autumn 2024 Budget, from 6 April 2027, unused pension savings may be included in your estate for IHT purposes.

The lifetime allowance, which limited the total you could amass in your pension pot has been abolished – which means that making the most of your pension might be more rewarding than ever.

But if you run a business, your pension could work even harder. Make your contributions out of your profits, and you have less corporation tax to pay. If you are on the threshold of a higher tax bracket, making the appropriate pension contribution in the most suitable way way could help you stay below the threshold.

You can save on NI contributions too.

The possibilities don't stop there. With Small Self-Administered Schemes or SSAS pensions you decide how to invest your pension contributions – and you can invest up to 50% of the total to your business. This must be a real investment, rather than an interest-free loan and must be paid back by the company with a reasonable rate of interest. However, it may be at a rate substantially below that offered by a commercial lender.

So, with a SSAS, you could use your pension fund to buy your business premises or major capital equipment or fund any other business initiative that can bring an identifiable return. Fees and charges may be higher for smaller SSAS funds.

Remember, using your pension in this way carries some risk. Expert advice is essential.

Becoming business cash smart

You need to discuss your business cash needs, and the level of cash you need to maintain in your business with your accountant. But you may need advice on pensions and business relief investment from an independent financial adviser.

A call to Continuum could provide the answers you need to start becoming business cash smart.

Compare Our Best Easy Access Savings Account and Instant Access Savings Account April 2025 | money.co.uk

MORTGAGES | LIFE INSURANCE | SAVINGS | INVESTMENTS | PENSIONS | ESTATE PLANNING

Professional Adviser PA AWARDS 2024

WINNER

Adviser Firm of the Year - South West & Wales

FOR A FREE INITIAL CONSULTATION CONTACT

ANDREAS VAZANIAS Independent Financial Adviser

T: 0345 643 0770 **E:** wealth@mycontinuum.co.uk

www.mycontinuum.co.uk

In association with

ACE

ACCOUNTS | TAX | ADVISORY

Continuum (Financial Services) LLP, Falcon House, Eagle Road, Langage, Plymouth, PL7 5JY T: +44 (0)345 643 0770 E: info@mycontinuum.co.uk www.mycontinuum.co.uk
Continuum (Financial) Services LLP is a Limited Liability Partnership. Company registration number OC393363. Registered in England & Wales.
Registered address: As above. Continuum is a trading name of Continuum (Financial Services) LLP Falcon House, Eagle Road, Langage, Plymouth, PL7 5JY which is authorised and regulated by the Financial Conduct Authority