



WESTCOTTS

CHARTERED ACCOUNTANTS
& BUSINESS ADVISERS

How business owners can set themselves up for life after work

As a general rule, when considering their retirement, our business owner (SME) clients tend to assume that they will either sell their business, or that they will devise a succession plan, whereby either the next generation will take over and carry on the good work, or there is a management buyout (MBO).

While both options can happen, anyone who has been through the process will vouch for how difficult it can be to achieve successfully and so neither should be relied upon. It is therefore vitally important to build personal wealth outside of your business, as tax-efficiently as possible, that can be relied upon to support you in your retirement if the 'pot of gold' at the end of the rainbow never materialises.

There are a number of key actions you can take to make it easier and far more likely that you'll be in a position to meet all of your key future financial objectives. Here are some of my thoughts.

Why should wealth planning start today?

Put simply, the sooner you start making provision for your eventual retirement, the lower the overall cost. As a guide, those starting in their early 20s need only save around 10%-15% of their net income to build enough investment assets to fund a comfortable retirement; whereas those in their early 30s need to save around 15%-20%; those in their early 40s around 20%-25%; and those in their early 50s typically need to save around 35%-40% of their net income. All to get the same outcome that their younger selves could achieve for 10%. So committing to start saving early, be it by clearing debt early or investing in pensions or ISAs, is far more cost-effective than delaying.

How much do I need when I retire?

This is one of the most common questions I get asked and the answer starts with what you expect to do and get out of retirement. There is a core income everyone will need to meet day to day living expenses but the income requirements for someone content to live a quiet life pottering around the garden are going to be very different to those planning a more lavish retirement of new cars and extensive foreign travel.

Using cash-flow forecasting we can help you quantify how much income you'll need in retirement to maintain your desired lifestyle and, from that, how much capital you'll need to end up with in order to achieve the required level of income.

We can then 'reverse engineer' a plan to quantify both how much you need to save each year and how much risk you'll need to take, in order to ensure that you reach retirement with sufficient investment assets and income.

Building a financial plan for the future

The main focus for Financial Planners is to help you devise a financial plan that is entirely bespoke to you, your business and your family, which perfectly matches your needs, identifies and addresses any risks that need to be mitigated along the way. We're looking for a strategy which will make it as likely as possible that you will attain your key financial and future income objectives and, importantly, that you are able to do this at the time of your choosing.

Protecting what you've built

The first thing a Financial Planner will help you to identify, understand and address are the key threats to you being able to achieve your key financial objectives. These include addressing the potentially significant financial impact of your untimely death, or more likely your suffering a critical illness or, more likely still, of being unable to work for a prolonged period (or even permanently), should you suffer a sudden serious illness or accident.

Putting in place suitable protection is the absolute foundation to any financial plan and without which you dramatically increase the risk of falling short of achieving your goals.

Avoiding common pitfalls

From years of experience we have seen the significant adverse impact in cases where business owners fail to plan and the following oversights can be especially problematic and costly:

- Dying intestate (i.e. without having a valid Will in place that considers the business)
- Failing to appoint Attorneys, to protect in case of illness or loss of mental capacity
- Operating your business without a partnership/shareholder agreement in place
- Failing to ensure that debts would be cleared if you or a key person dies or suffers a critical illness – life and critical illness protection
- Failing to ensure that your income can continue if you are unable to work due to accident or serious ill health – income protection
- Paying for protection policies personally when your business can pay them and get tax relief on the premiums

Planning for life after work

The ideal financial plan will not only differ from person to person but it will also contain numerous aspects which work to best effect when used together, for example:

- Utilising annual ISA subscription allowances in the 10 years leading up to retirement
- Devising the most tax-efficient remuneration strategy for yourself and your co-Directors
- Managing excess cash reserves by making tax-free company-funded pension contributions
- Building the structure of your business to make it as saleable and valuable as possible
- Taking fee-based professional advice (financial, tax planning and legal) as soon as possible and ideally at least 10 years before you plan to retire.
- Ensuring that you keep your key employee(s) and that you protect against the potentially huge impact on the business of their sudden death or serious illness.
- Make sure that your NICs record is complete, to ensure that you receive a full State Pension.
- Make sure that you don't enter retirement without ongoing protection

Further Support

For a free no-obligation initial consultation, or to request detailed advice in any of the areas referred to in this article, please contact Andrew Brown on 07811141848 or at andrew.brown@westcotts.uk, or get in touch with your local Westcotts office below.

Axminster 01297 33388
 Barnstaple 01271 374138
 Bideford 01237 472725
 Bridgwater 01278 458251
 Burnham-on-Sea 01278 783861
 Crediton 01363 775426

Exeter 01392 288555
 Holsworthy 01409 253297
 Honiton 01404 540054
 Okehampton 01837 52839
 Plymouth 01752 666601

Seaton 01297 21467
 Somerton 01458 272482
 Tiverton 01884 256688
 Torquay 01803 618910
 Weston-super-Mare 01934 620428



Written by
Andrew Brown

Partner and Certified Financial
 Planner