

SOMETIMES I WONDER, WHY?

IT'S MY TIME

I AM A GOOD PARENT

WHY DO I KEEP WORKING TO 2,3AM?

NO ONE CAN TELL WHAT THE FUTURE TIME

I WANT PEOPLE TO SEE ME

Love <> Money

The secret life of the business owner

DOING IT FOR CHILDREN

SCARED

SUCCESS

We know what business owners are worth, and whether their investment strategies will leave them fulfilled ... or high and dry.

What motivates business owners to keep going every day?

Do they do it for the love, or the money?

Are they investing their wealth wisely, or gambling it all away?



For Love Or Money? is a three-part series based on comprehensive research amongst UK business owners about their wealth, investments, spending habits, future plans and financial security.

The study explores the danger involved in relying solely on your company to provide for your future financial security and reveals some alarming statistics on the risks that business owners are taking by putting their finances at the mercy of their business.

We interviewed 500 UK business owners in companies with between £1 million and £50 million turnover, between 10 and 249 employees and that are at least two years old, across all UK regions and major industries.

Are you taking more risks than you should? Is your financial security in jeopardy? Visit www.hwca.com/for-love-or-money/benchmark-tool/ to benchmark yourself against your peers and find out how you can redress the imbalance between risk and financial security.

Is it all about the money?



As sure as night follows day, money and wealth accumulation will feature somewhere in your list of purpose and motivations for running a company.

But as our study reveals, money – and immediate financial reward – is not the only thing that keeps business owners going, day in and day out.

UK business owners are in fact living for tomorrow – not for today. They are eschewing high earnings and instant gratification in favour of investing back into their company, and many also have their sights set on early retirement.

Is this a sensible approach? Not unless you're an early-stage start-up aiming for three-figure percentage growth. Is it realistic? This research suggests it is extremely short sighted.

UK business owners are putting all of their eggs in one basket, placing ridiculous amounts of pressure on their business to

provide a reliable and substantial source of future wealth for them and their family, and to reward their efforts with a decent quality of life.

At the same time, business owners are leaving their company – and therefore their wealth – open to significant risks, many of which could be avoided. For example, our study reveals alarming degrees of reliance on key suppliers, customers and individuals.

Securing your future and protecting your wealth can, and has, all too easily fallen off the radar, but no business owner can afford to take this much risk when the stakes are so high.

We hope this report helps business owners to take stock of their own wealth and risk portfolio, and to regain control over their financial futures.

Darren Holdway,
Haines Watts

So, what are you really worth?

UK business owners see their company as their main source of future wealth and financial security, drawing relatively low earnings and admitting that they are reinvesting their wealth back into their company in the hope that this will pay off.

The average total estimated earnings of a UK business owner this year (including salary and dividends) is £95,006 – less than half the average salary of the CEO of an AIM-listed company*.

 **£95,006**
Average total earnings this year

The service sector, which grew at its slowest pace for three years in April 2016, is one of the lowest earning industries (£89,164) alongside hospitality and leisure (£86,739) and real estate (£86,060).

East of England business owners plan to take home the highest earnings this year (£102,952), while West Midlands business owners predict they will earn 14% less (£88,653).

UK business owners say a weak economic environment and low levels of confidence have

contributed to this unblinking focus on their company, resulting in significant investment in supporting the business and encouraging growth.

When looking at wealth as a whole, property debt is also considerably high. The average UK business owner has £222,811 combined residential and commercial property debt, which increases with age.

UK business owners are also opting for high-risk investments such as stocks and shares, with the average business owner recording £120,890 in financial investments.

 **£120,890**
Average total investments

Estimated total earnings this year. **Region**

East of England	£102,952
East Midlands	£100,538
North East	£98,324
Yorkshire & Humber	£97,663
Wales	£95,511
London & South East	£93,960
South West	£93,779
North West	£93,645
Scotland	£91,051
West Midlands	£88,653

Estimated total earnings this year. **Sector**

Construction	£112,640
Technology	£99,954
Manufacturing	£98,637
Professional, Scientific & Technical	£98,448
Transport & Storage	£95,136
Wholesale & Retail	£92,473
Creative Industries	£88,221
Service Industries	£89,164
Hospitality & Leisure	£86,739
Real Estate	£86,060

Can you afford to gamble on your company's future?

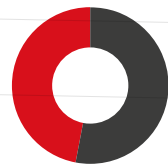
Many business owners have their sights set on early retirement, raising even more questions about whether they are doing enough to provide for their future.

Alarming, business owners are leaving their equity open to significant risks.

The research reveals a huge degree of reliance on a single customer or supplier or a key individual to keep the business running and maintain optimum service levels.

As many as half (50%) of business owners have a main supplier that they could not survive without. Half (50%) also rely on a key member of staff, while two fifths (43%) have a major customer that they rely on. In fact, an alarming 78% say their main customer contributes a third (30%) or more of their monthly revenue.

A quarter (23%) of business owners feel their



54% of business owners feel their company could only survive for a week or less without them

company could not survive for more than three days without them, while more than half (54%) say it could only manage for up to a week. Family emergencies, health issues and other reasons for sudden absence present a real and worrying threat to business owners' wealth and financial security.



78% of business owners say their main customer contributes 30%+ of total revenue

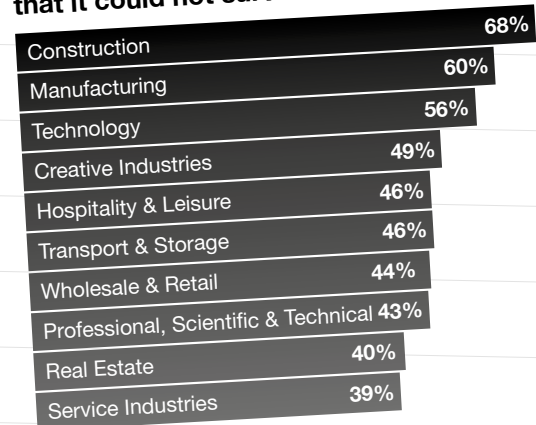
Are You Joking?

'With this level of dependency on the company to perform, when business is good, the future will look good, but when trading is tough, or if something happens to disrupt or even threaten the business, your wealth could shrink in the blink of an eye.'

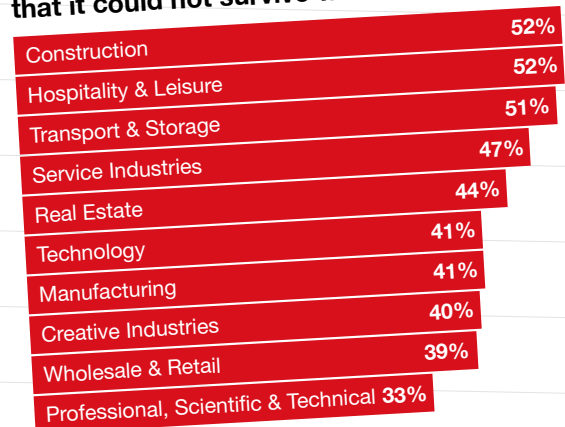
'In the current economic climate, I would say that very few business owners are in a position to gamble their wealth on their company in this way.'

Darren Holdway, Haines Watts

My business has a **main supplier** that it could not survive without



My business has a **major customer** that it could not survive without



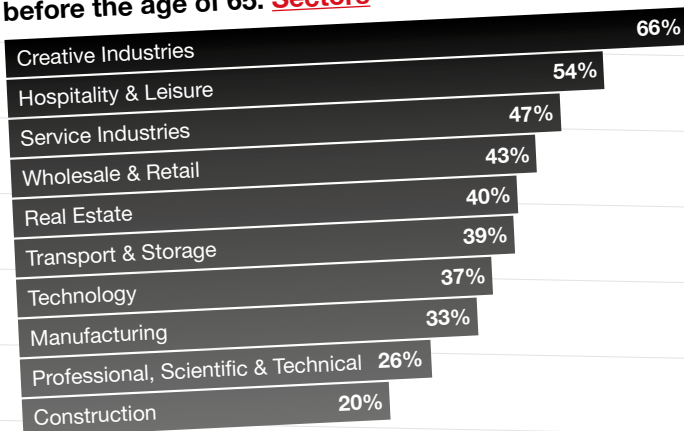
The great retirement swindle.

Despite all the risks owners are taking in their business, many owners plan to retire early.

Two fifths (40%) of UK business owners plan to retire before the age of 65, and 97% plan to retire before the latest Government recommendation of 75 years old, with 14% planning to retire before the age of 60.

Despite these long-term plans, business owners are disregarding low risk investment options as a way to safeguard their wealth. A third (32%) admit they do not have a pension fund, while the average total pension fund for a UK business owner is just £109,594.

Business owners who plan to retire before the age of 65. **Sectors**



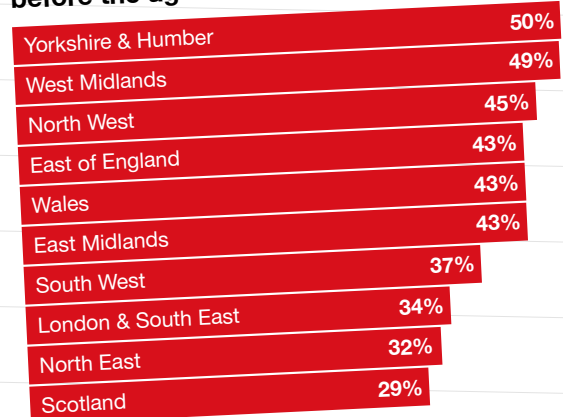
Why Risk It?

‘There are already so many external risks that business owners need to be prepared for, to place yet more risk on the business is ludicrous. It’s concerning to see personal wealth being exposed in this way. Why risk it?’

‘My advice would be to stop right now and consider the “what if” scenario: what if something happens to a supplier or you lose your biggest customer? Could you maintain normal levels of service? Are you prepared for these scenarios?’

Michael Davidson, Haines Watts

Business owners who plan to retire before the age of 65. **Regions**



How do you spend yours?

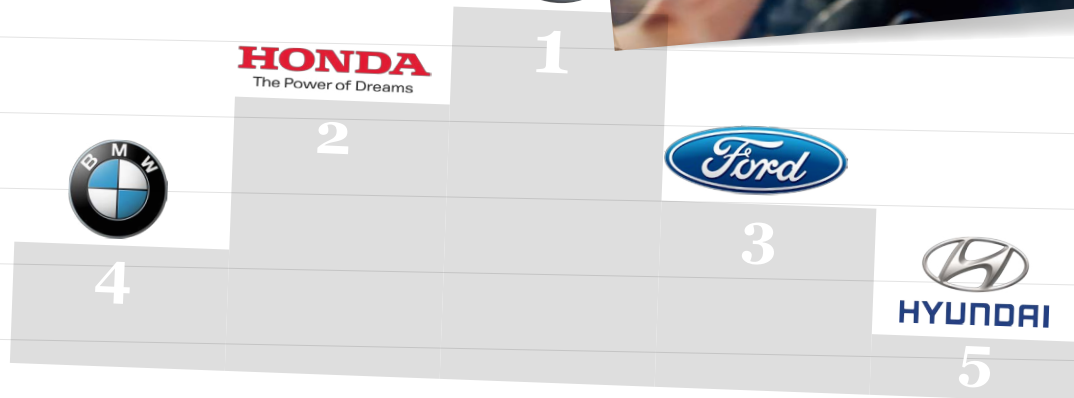
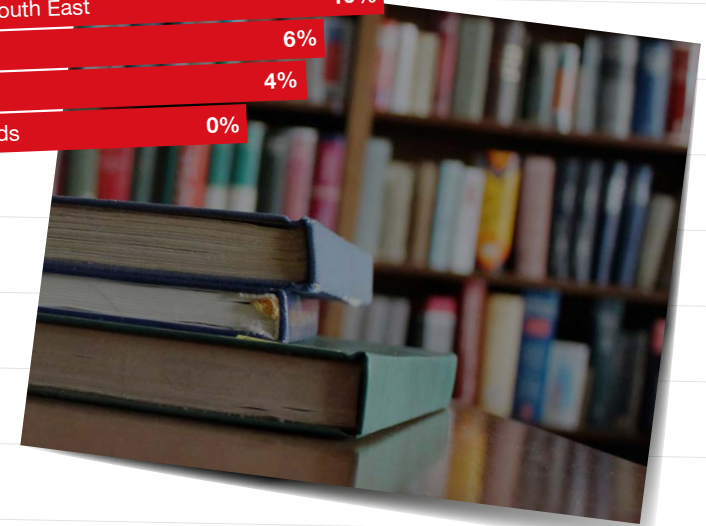
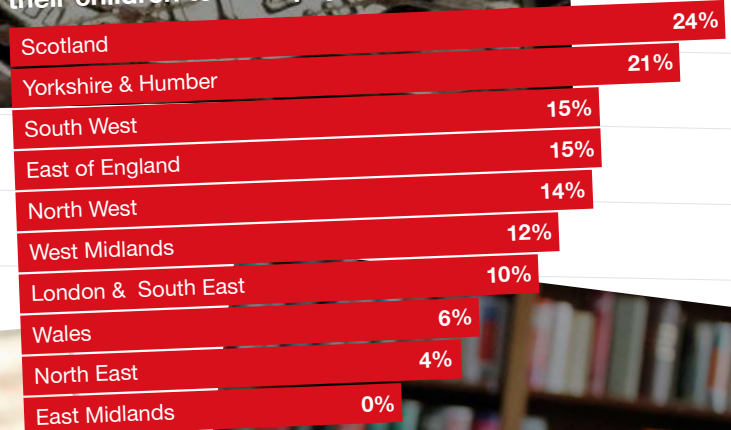
Despite working so hard to generate their wealth, and contrary to popular belief, UK business owners do not spend their money in extravagant ways. Instead, they are investing their money for the future.

Just 16% of UK business owners drive a brand new car – despite the many financing options available – while a mere 2% have a nanny and 3% have a home gym.

Fiat is by far the most popular car brand owned by business owners (24%), followed by Honda (14%), Ford (8%), BMW (8%), Hyundai (7%) and Audi (7%).

However, the majority (76%) of UK business owners do own designer goods, and 13% have or will send their children to a fee-paying school. This figure rises to 24% in Scotland and 21% in Yorkshire & Humber.

% Business owners who send their children to a fee paying school



Conclu- sion

Risk-taking is synonymous with running a business, but this shouldn't come at the expense of protecting and enjoying your hard earned wealth.

The extent to which business owners are relying on their company for future wealth generation and putting their equity at risk suggests that they are not aware of the extent to which their financial security could be in jeopardy.

An uncertain economic environment has seen business owners put their nose to the grindstone; now, it's time for the UK's business army to re-focus and hold the mirror up. Are you happy with your current wealth distribution and risk profile?

Business owners owe it to themselves to enjoy their wealth and make sure their hard work pays off. They should think about how their current and future plans contribute to their financial security and consider if they are doing enough.

Start by mapping out your total wealth and considering the risks, in consultation with a specialist adviser who can stress test your portfolio. Where the risk is high, consider how you can mitigate the threats to better protect your financial future.



About Haines Watts

Haines Watts is a Top 15 firm of chartered accountants with over 80 years of experience in advising business owners. It offers a broad range of accountancy and business advisory services with more than 60 offices across the UK and more than 35,000 business owner clients.

www.hwca.com

Commercial

We believe in translating our technical knowledge into sound commercial advice, so you understand the information and the impact it will have on you and your business.



Supportive

Because we support over 35,000 business owners around the UK, as a business owner you can rely on our experience to support your ideas and help you achieve your goals.



Challenging

We act as a sounding board and challenge your plans. It's our way of ensuring that you consider all the options and make the best decisions.



Practical

Our partners run their own businesses as well, meaning we live in the real world – we'll give you sensible, professional and practical advice.



Approachable

You'll have access to your Haines Watts partner whatever your issue, big or small, saving you time and ensuring top quality advice.



www.hwca.com/for-love-or-money/

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