## Self-employed put business before pensions

Research by the Office for National Statistics (ONS) suggests that self-employed people may be putting their businesses before their long-term personal finance plans. The ONS' Wealth and Assets Survey revealed that the average pension fund for a 35-44 year old self-employed person is £24,500, compared to £73,000 for an employed worker of similar age. What's more, half of the self-employed surveyed had pensions savings of less than £3,500.

If you're self-employed, the potential savings gap compared to a company employee is even worse. While you will receive the basic state pension, you won't be entitled to the additional state pension (sometimes called second state pension, or 'S2P') because of the way the National Insurance system works. This gap in NI payments will result in a pension fund that is on average £30,000 smaller than an employee who makes S2P contributions.

### The cons...

There may be several reasons why, as self-employed, you may not be funding your pension adequately:

- You may be counting on selling your business and using the proceeds of the sale as a pension fund. For many, this is a high-risk strategy, with no guarantees that it will produce sufficient capital to fund your retirement.
- Your income may vary from month to month, making it difficult to budget for a regular pension contribution.
- You may feel that you need to invest any spare cash you have in your business, rather than for your own personal needs.

### And the pros...

Your business and pension plans can go hand-in-hand. Pensions are much more flexible than they used to be. For example, many funds allow you to make a lump sum contribution, which means that you can easily top-up your pension at the end of each quarter or even at the end of your financial year when you have a better idea of your cash flow situation.

With a self-invested personal pension, you can even use your fund to buy commercial property to help your business. With this arrangement, you are not subject to capital gains tax when you come to sell the property.

And remember that paying money into your pension will almost certainly give you a tax-efficient way of saving for your future. People who pay the basic rate of tax currently get £125 from every £100 they contribute to their pensions. Higher rate earners can claim higher rate relief, although this will be restricted from April 2011 for those earning over £180,000. It's also worth remembering that your pension is fully protected from creditors should the worst happen and you need to file for bankruptcy in the event of your business failing.

You don't need to put your business before your pension. If you're self-employed or running a small business and you need pensions advice, call on 01635 551333 and speak to Neil Buckingham or Stuart Collings.

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