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SME borrowing set to rise in 2017

SME borrowing is projected to rise 22% in 2017, according to Zurich.

The survey of 1,000 SME owners showed that firms are planning to borrow an average of £41,770.

This would see lending to SMEs rise to over £50 billion in 2017.

Anne Griffiths, head of SME proposition at Zurich, said:

"Borrowing can often be indicative of confidence, and increased investment in talent, equipment and business premises for growth may be one of the most encouraging indicators of all."

How are businesses borrowing?

38% plan to borrow £100,000 or more, while 25% plan to borrow more than £250,000.

Of the businesses that took out a loan in 2016:

- 12% took it out against their own commercial premises
- 9% took it out against their business equipment
- 12% secured the loan against their own residential property
- 5% used collateral belonging to friends and family
- 27% did not know the source of their security.

Many of the respondents did not plan to borrow at all:

- 65% did not borrow anything in 2016
- 64% do not plan to borrow anything in 2017
- 55% have not taken out a loan in the last decade.

Anne Griffiths said:

"The business landscape appears rife with uncertainty, but SMEs have long been the building blocks of this economy and as long as they are building themselves sensibly, sustainably, with contingencies in place, then the UK can be confident in the health of its economy."

We can help you construct an effective borrowing plan.

Retired household income up 13% since 2008

Median income for retired households rose by 3.1% between 2014/15 and 2015/16, according to the Office for National Statistics (ONS).

The latest disposable income and inequality statistics show that median income for retired households at the end of 2015/16 was £21,800. This is an increase of 13% (around £2,500) from 2007/08.

The median income for non-retired people decreased by 1.2% (around £300) in the same period.

Steven Cameron, pensions director at Aegon UK, said:

"While the figures suggest there has never been a better time financially to be retired, today's pensioner households are benefitting from 2 big factors. Firstly, many are receiving an income from generous defined benefit schemes.

"Secondly, pensioner benefits have been largely protected by recent government policy and the triple lock state pension in particular has come into focus for the high cost of providing such a generous uplift."

Composition of retired household income

The state pension was the second largest source of income for retired households in 2015/16.

The overall proportion of retired household income coming from cash benefits including the state pension has fallen from 64.7% in 1977 to the current level of 45.9%.

There has been a growth in the percentage of retired households receiving income from private pensions, up from 44.5% in 1977 to 78.8% in 2015/16.

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Average income received from private pensions in 1977 was £1,600 (18% of gross income). This has increased to £11,000, or 43.8% of gross income, in 2015/16.

Talk to our team about your retirement income today.

Financial concerns affect worker performance

A quarter of employees have financial problems that are affecting their performance at work.

A CIPD survey of over 1,800 UK employees found that 31% of those aged 18-24 are facing financial concerns that they feel are negatively impacting their ability to do their job effectively.

20% of those earning £45,000 - £59,999 say that financial problems have affected their ability to work. This is more likely among women (28%) compared to men (23%).

According to those surveyed, the most important aspects of financial well-being are:

- earning a significant wage (75%)
- being able to save more for the future (55%)
- being rewarded for hard work in a fair and consistent way (54%)
- being able to pay off debts (45%).

Charles Cotton, reward and performance adviser at the CIPD, said:

"With 1 in 4 admitting it negatively impacts their work, it's clear that organisations should be focussing on financial well-being as part of their workplace agenda."

The importance of the working environment

According to the CIPD, 41% of workers want to be rewarded and 26% want to be able to save through a pension to improve their financial well-being.

Employee recognition can demonstrate value to people and your business. Non-cash benefits such as social functions, company cars and in-house facilities can also boost morale and productivity.

Some benefits may require you to pay PAYE and national insurance contributions on them.

We can help you with your reward strategy.

Small firms pay above minimum pension contribution

37% of small businesses are paying above the 1% legal minimum contribution to an employee's workplace pension.

The People's Pension survey of 898 business owners that have already passed their staging date found that the majority (70%) said auto-enrolment was beneficial to their staff.

50% said it was good for their business.

Further findings:

- 60% said auto-enrolment should apply to all firms
- 51% support lower paid workers and self-employed people currently outside the process
- 46% say firms have a key role to play in minimising opt outs for employees
- 43% said there should be no opt outs for workers.

Darren Philip, director of policy and market engagement at The People's Pension, said:

"Those that have already staged are more positive, which might be because having been through the process they know it's not as hard as they expect – and can see how beneficial it is for their employees."

Managing contributions

Both your business and employees are required to pay money into a workplace pension scheme. The following contributions apply:

Date	Employer minimum contributions	Employee minimum contributions
Until 5 April 2018	1%	0.8%
Between April 2018 and April 2019	2%	2.4%
From April 2019	3%	4%

Some schemes may have additional charges or one-off set up costs which could affect your contributions. According to The Pensions Regulator some schemes have monthly fees ranging from £0 - £36.

How you manage your payroll may also lead to additional costs on top of your contributions.

Our team can help you with auto-enrolment.