

## Record confidence among small businesses

### **Confidence among small businesses has reached record levels, research by the Federation of Small Businesses (FSB) has found.**

The FSB survey revealed that small firms in all sectors improved their outlook for the fourth quarter of 2014. Personal services experienced the biggest increase in confidence during Q3, while the financial services sector remains the most confident overall.

The poll of more than 2,000 small businesses found that all UK regions have gained confidence during 2014. The north east saw the most improved outlook in Q3 but the south east remained the most confident region overall.

Many small firms are forecasting **increased turnover and profits** following a strong third quarter:

- 20% said turnover increased over the last 3 months
- 8% reported an increase in profits
- 61% expect to grow over the next 12 months; 11% are predicting rapid growth
- 33% expect their turnover to increase in Q4
- 17% are predicting profit growth in Q4.

The survey also found:

- 5% of firms hired more staff in Q3
- 7% plan to recruit staff in Q4
- 23% expect exports to increase over the next 3 months
- 25% plan to increase capital investment over the next 12 months.

**Barriers to growth** remain despite increased financial stability and an upturn in confidence:

- 46% said the domestic economy is presenting an obstacle to growth
- 37% cited weak consumer demand as a problem
- 29% said a lack of skilled staff remains a barrier.

John Allan, national chairman of the FSB, said:

"We want policy makers to lock in this optimism and continue to back the self-employed and small businesses. As we head in to party conference season, we'll be looking to all the political parties to spell out what they will do to encourage job creation, investment and reward entrepreneurs in the next Parliament."



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## Fewer SMEs using bank finance

**The proportion of SMEs using traditional forms of finance fell in the second quarter of 2014, according to research by BDRC Continental.**

BDRC's latest figures revealed that 30% of SMEs used 'core' finance – overdrafts, loans and credit cards – in Q2 2014 compared to 36% in the same period in 2012.

The research found that:

- the percentage of SMEs considering core products for future finance applications fell to 63%
- 64% of medium-sized employers used external finance
- 42% of firms had credit balances of £5,000 or more in the first half of this year.

Shiona Davies, director of BDRC Continental, said:

"SMEs continue to be in a more positive mood, with the economy now far less likely to be seen as a barrier to running their business. Use of, and appetite for, external finance remains broadly stable, but we are seeing declining use of, and appetite for 'traditional' core lending products like loans and overdrafts."

 **Contact us for help raising business finance.**

## RTI penalty delay for small businesses

**Small businesses will be exempt from real-time information (RTI) late filing penalties until March 2015, HMRC has announced.**

HMRC will phase in quarterly penalties for late RTI returns by business size, starting with those who employ 50 or more staff on 6 October 2014.

Businesses with 49 or fewer employees will have until 6 March 2015 before penalties are issued.

HMRC said it will notify all employers about when penalties for late filing will be introduced.

Colin Ben-Nathan of the Chartered Institute of Taxation said:

"Smaller employers, in particular, need a longer period of time to adjust to PAYE and other administrative changes because they have very limited resources which are primary [sic] geared to servicing their clients and customers."

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## YOUR MONEY

### Annuities special feature

#### Sales fall more than a third

**The number of annuities sold fell by more than a third between the first and second quarters of 2014, according to the Association of British Insurers (ABI).**

The figures reveal that 27,902 fewer annuities were sold in Q2 than in Q1 - a 37.5% fall.

The statistics show:

- the total value of annuities sold fell from £2.5 billion in Q1 to £1.8 billion in Q2
- 55% of people who bought an annuity purchased from their existing insurer rather than from a different provider
- more people with pots under £5,000 bought annuities from a different insurer
- the number of people buying income drawdown contracts increased by 55% on the quarter.

Yvonne Braun, head of savings, retirement and social care at the ABI, said:

"Although it is too early to determine how customer behaviour will continue to evolve between now and when the Budget reforms come fully into effect in April 2015, there are still a significant number of savers who will want the regular income provided by an annuity. We would expect that many will choose to annuitise later as a result of the new measures."

#### Rates fall 2.6% in August

Annual income from standard annuities dropped 2.6% in August 2014, according to Investment Life and Pensions Moneyfacts.

Figures show that average annual income fell from £2,847 to £2,797 in August, equating to £1,540 less income over a 20 year retirement (based on a £50,000 pot for a 65-year-old).

This is the biggest monthly fall since August 2011 and it means standard annuity income is down by 3.2% in 2014.

Richard Eagling, head of pensions at Investment Life and Pensions Moneyfacts, attributed the "unusual" fall to a drop in gilt yields and a slump in consumer demand.

 **Talk to us about your retirement income options.**