Pink
Financial
Consultancy

VIEWPOINT

PINK FINANCIAL CONSULTANCY

Please enjoy reading our newsletter. If you would like to discuss any of the articles further, please do not hesitate to contact us.

PART OF THE Openwork PARTNERSHIP

3, Mitchell Point, Ensign Way, Hamble-Le-Rice, Hampshire, SO31 4RF
info.pfc@theopenworkpartnership.com | https://www.pink-financial-consultancy.co.uk/ | 02380 016533

How to protect your business

What is business protection insurance and how does it work? Find out why it could be right for your business.

If you own or run a small business, protecting it is always a priority, especially if something were to happen to a key member, which could affect the financial health of the company. In this situation, business protection insurance could provide some peace of mind.

What is business protection?

Business protection provides coverage in the event that a director, business partner or other key employee of your business suffers a critical illness or long-term disability, or passes away. It's a way of protecting the business and ensuring continuity. Business protection can help support forward planning in terms of succession and gives you ways to provide stability during what could be an uncertain time, especially if the company is small.

What are the types of business protection?

Business protection insurance usually offers cover in three ways:

Key person protection
This protection provides cover to replace key staff and cover income lost by their absence that could affect the business. It can cover any key employee from a head of department to the CEO.

Business loan protection
This protects the business by helping to repay business debts like a loan or bank overdraft if the owner or a key member (like a partner) dies or suffers a critical illness.

Shareholder protection
This cover is also known as 'ownership' or 'partnership' protection. It specifically covers the business owners if a shareholder dies, or suffers a critical illness, by ensuring that funds will be available to buy shares from the deceased shareholder's estate.

These three forms of business protection also come with the option to add critical illness cover if you think it necessary. You could also get coverage for more than one person within the business. It's always important to speak to an adviser who can help you figure out the the right type of business protection for your business and any extra coverage (like critical illness) your business and employees could benefit from.

What are cross-option agreements?*

Cross-option agreements are usually required with shareholder protection insurance. The agreement is set up with the directors or partners of the business, and means that if one of these members dies, the remaining directors or partners have the option to *buy back* the shares from the deceased shareholder's estate. It also gives representatives of the deceased's estate the option to *sell* the shares to the remaining shareholders (which could be the preferred option for both sides).

**Before setting an agreement up legal advice should be sought.*

What are the benefits of business protection?

One of the benefits of business protection is the knowledge that should anything happen to a crucial member of the business – or someone with a financial commitment within the company – there would be some protection financially. It also gives other members of the business some peace of mind knowing this. Business protection can protect any loans or mortgages tied to your business, too, meaning lenders (knowing that you have *business loan protection* in place) are less likely to refuse a future loan, and will not approach the guarantor of a loan or their estate to recoup any existing loans.

In a small business that relies on a few key employees, the risk to the business from a financial point of view might increase if one of the team were unable to contribute because they die or are critically ill. In that situation, business protection is a wise plan to have in place.

An adviser can help you find out which type of business protection plan works for you and your company.

OW3822 Exp. 17/01/2023

Online trading - what you need to know

Although online trading has become more accessible, is it best to leave things to the experts?

Not so long ago, if you wanted to invest you'd have to go through a stockbroker or a financial adviser. Now, investors can use a DIY investing platform to trade from the comfort of their own homes with a laptop or a mobile phone. But is it worth the risk?

What is online share dealing?

An online dealing platform allows you to buy and sell shares from companies that are listed on the stock exchange. Many platforms also include readymade portfolios tailored to your risk appetite and some services offer different types of investments in addition to shares, including bonds and funds. It's worth noting that a ready-made portfolio may not always give you the best returns compared to using the expertise of a financial adviser.

Once you've set up an account you can start searching for companies and funds that you wish to invest in. You can then select the quantity or value of the shares you want to buy. You can hold any shares you purchase within the platform, so you do not need to retain any sales certificates.

Is online share dealing right for me?

Online trading is easy and convenient for experienced investors who can manage their expectations and the risks involved in going it alone. Of course, with a DIY investing platform, you won't have to pay any charges to a broker, but for investors that are new or less experienced there are a host of pitfalls:

- Online trading platforms don't provide advice or assess your attitude to risk, so you have to make your own decisions. Some people enjoy the flexibility and speed of this, but it can lead to problems if you don't fully understand how markets operate.
- Don't forget, the value of investment can go down as well as up, and you could lose most of if not all your money when you invest. Knowing the potential risk and return is an essential step before you start, along with what the worst-case scenario might be for your finances.
- Buying and selling online can be dangerous if you're an undisciplined investor because it's easy to act on emotion. A DIY investor might sell at the wrong time or start investing with a portfolio that is poorly suited to them.

Investors should also be aware of how much they are paying when choosing online share platforms and think about the combination of price and service. Avoid just looking at the admin fee or dealing charges, but instead think about how much they are combined. A low admin fee might look good, but costs could soar if you buy and sell a lot.

How much does it cost?

While you'll be saving money by not paying a broker, if you use an online platform, you'll still have to pay charges when buying, holding, and selling shares. Some charge a flat fee and others charge a percentage of your holdings. There will also be trading charges when you buy and sell shares. When purchasing UK shares you should expect to pay 0.5% stamp duty and an extra £1 on transactions above £10,000. You may also be charged an exit fee if you want to transfer to a different provider.

Benefits of financial advice

If you're uncomfortable going it alone, you might want to think about speaking to an adviser who can recommend which investments are appropriate for you.

- A financial adviser can assess your attitude towards risk and help you select a portfolio that is compatible.
- Advisers know the importance of staying invested for the long run to take advantage of upward trends in the markets.
- While some investment platforms offer ready-made portfolios, an adviser can build a more tailored investment approach.

It's always a good idea to make sure your portfolio is diversified so when one investment goes through a bad patch, there should be others that are doing well. A typical portfolio might consist of a mix of different assets, including shares, bonds and cash. A financial adviser is best placed to help you manage the risks associated with investing by building a welldiversified portfolio so your investments are always working hard for you.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

Due to the high risk nature of these product will not be suitable for everyone

OW3815 Exp. 04/01/2023