



# Self Employed Finance Guide



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# PHASE ONE:

## The Hop

Dealing with Short term Cash flow problems  
The athlete starts by sprinting in a straight line, and then jumps off the ground with one foot and lands on it again.

### CASH BUFFER

There is no such thing as risk free investment growth. This is a sum of money set aside with no immediate use or spending plan. Having a cash buffer can ensure you stay in business in case of any cash flow problems or unexpected expenses.

"Cash ... is to a business as oxygen is to an individual: never thought about when it is present, the only thing in mind when it is absent" – Warren Buffett.



## COMPANY FORMATION DOC

Company formation documents are the key pieces of documentation issues after a successful registration of a limited company. You will be issued a certificate of incorporation; this is an extremely important date also determines your new company's accounting reference date.

“Documentation is a love letter that you write to your future self”

## TAX PLANNING

You always need more money for tax than you think and tax planning has an important role to play when considering your financial future. Careful consideration of tax implications for financial plans can reduce the amount you need to pay leaving more disposable income.

“The hardest thing in the world to understand is the income tax”



## DEBT

Paying off debt can reduce the amount of interest paid overtime. Furthermore, once debt is paid you can focus fully on savings and other financial goals, as well as removing an emotional and mental burden.

“Every time you borrow more money, you’re robbing your future self”  
– Nathan Morris.

## INSURANCE

This is important to protect both yourself and your loved ones financially in case of an accident, helping to prevent the financial impact of the worst-case scenario. PI and Life cover, what if you are ill and what if you need surgery quickly.

“In case you can’t be there to catch them, make sure you have a safety net that can” – Francis Gill.

- CIC, IP and PMI
- Why we use an adviser, often the Premiums are the same but

Instead of being sold a product by Big Provider, the adviser represents you.

## COMMON PITFALLS

Not setting up life correctly and instead of the business paying, you paying net of tax. Pay a £40 premium personally and it will actually cost you £53 as it’s paid post-tax. Make a payment to a relevant life insurance policy from your company, and the actual cost of your £40 premium would only be £32.66, saving you over £20.30 a month!



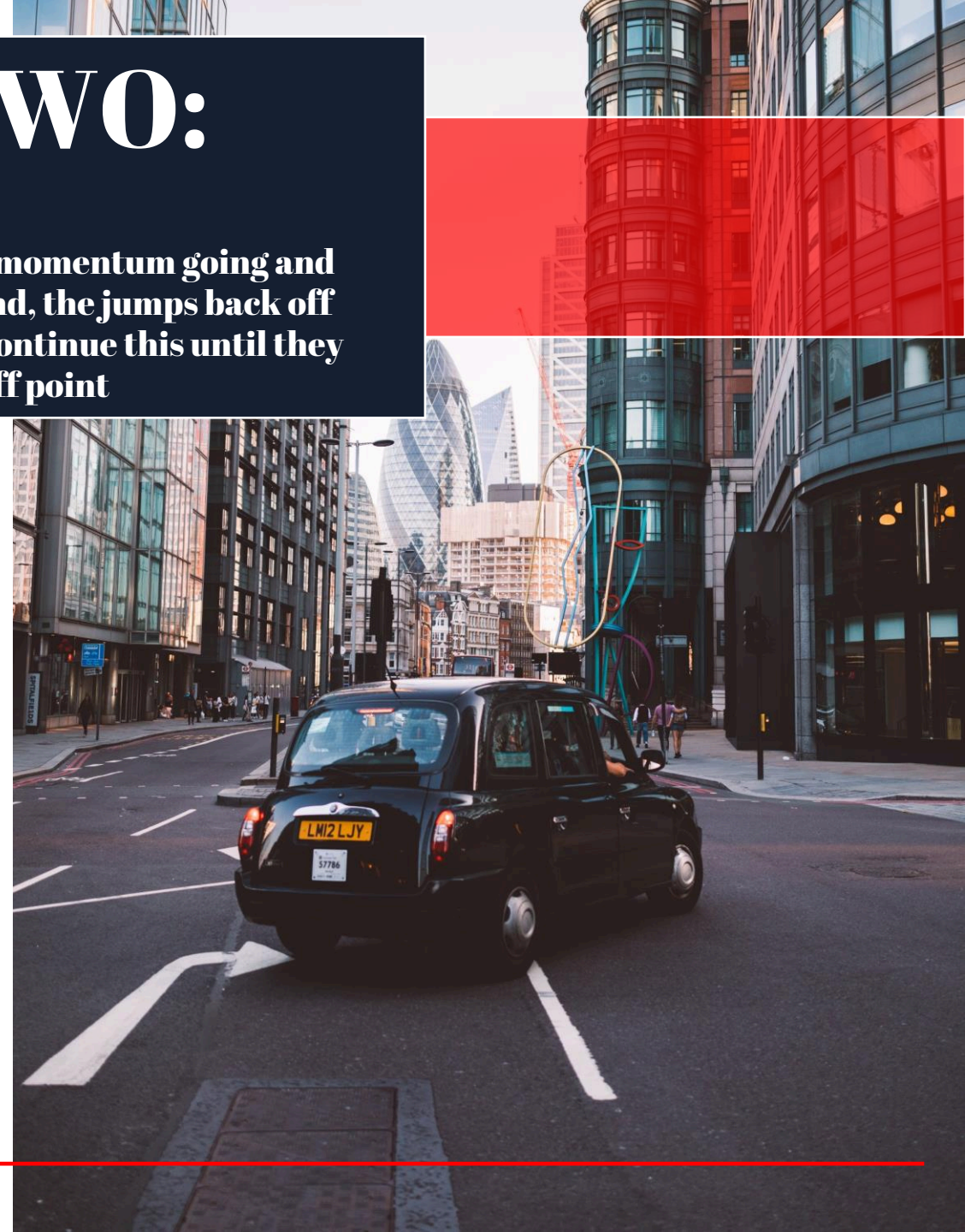
# PHASE TWO:

## The Skip

**After jumping, the athlete tries to get momentum going and runs in a straight line with their second, the jumps back off the ground again after landing. They continue this until they get to near their take-off point**

## INVESTMENT ACCOUNTS

Lots of clients are sat on cash in their current account earning absolutely nothing. A common question is “How can I get the money to grow”. Firstly, you should NEVER invest money that you will need in an emergency, money that you owe to HMRC or borrow money to invest. Investment accounts can be great ways to get low risk growth that will Outperform inflation. As financial advisers, Humboldt can help select the right investments for how long and where you want to invest and Ecommerce can help with the taxation on the growth and what needs to go on your return



## COMPANY MORTGAGES

It's no secret that all self employed business owners are all trying to extract money in the most tax-efficient way possible. One of the best underutilized techniques to do this is obtaining a company mortgage. Enabling you to growth your wealth and reduce the amount you pay in tax.

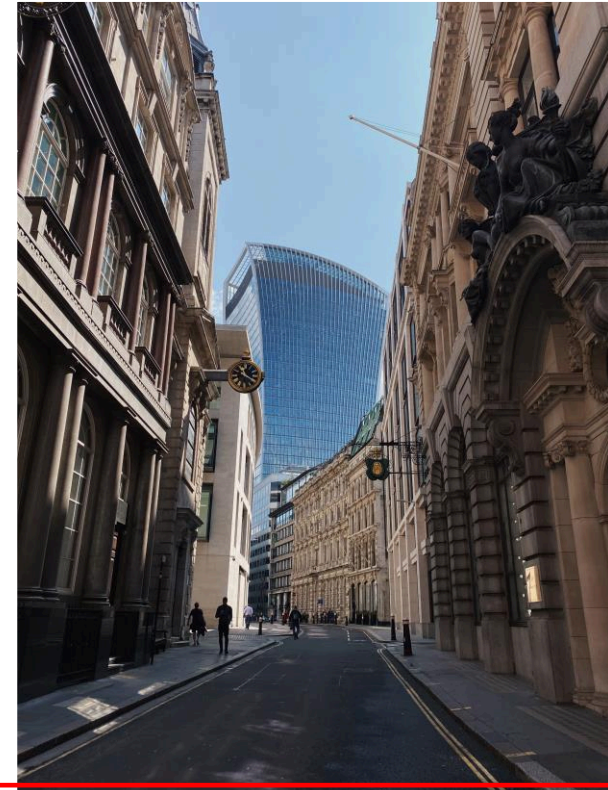
## COMPOUND INTEREST

“Compound interest is the eighth wonder of the world. He who understands it, earns it... he who doesn't pays it”- Albert Einstein.

At Humboldt we can't stress how enormous the effect of compound interest is stretched out over a period of a lifetime. Even a small investment can reap massive rewards over a long time. After all, every oak tree starts from a corn.

## PITFALLS

Often self-employed directors don't know the correct levels to withdrawal from companies, Aardvark Accounting can help. Clients also don't realise they may have exposure to sensitive information that may compromise investments they make, Humboldt count as a go between that make sure the risk is mitigated.







## FUNDING

Getting some tax back from HMRC from outside investments

“Next to being shot and missed, nothing is really quite as satisfying as an income tax refund”- F.J Raymond.

At Humboldt we can't tell you the feeling of what it is like to have someone shoot you but miss. However, we do know the feeling of a tax rebate. One of such is a tax incentive given to investors in small companies, so if you are looking for investors - be sure to push this point through.



## SELLING UP

“Growth is never by mere chance; it is the result of forces working together.” – James Cash Penney

“What you do today can improve all your tomorrows.” – Ralph Marston

Growing your business would have involved a lot of hard work, time and stress. However, when nearing your time to retire, you may want to consider selling up your business as an exit strategy when planning your retirement which is something. This would also be a way of raising money to use in your retirement, or pass onto your children. Selling up your business also gives you more spare time to spend with your family and take up a new hobby.



# PHASE THREE:

## The Jump

### Selling up and Retirement

**It is at this time that the athlete starts pushing down on their arms and legs (which should be extended out in front of them) which allows them to keep both legs while bringing up both arms at once**

## RETIREMENT

“Retire from work, but not from life.” – M. K. Soni

“Retirement is like a long vacation in Vegas. The goal is to enjoy it the fullest, but not so fully that you run out of money.” – Jonathon Clements

“Retired. Goodbye tension, hello pension.” – Anonymous

It is important to plan and prepare prior to your retirement. In UK, the State Pension age is 65 however you may decide to retire sooner than this. It is also important to stay active and social after you retire, and there are many ways in which you can do this. The lifestyle you live in retirement depends on the income provided from your pension, therefore it is vital to review your finances well in advance to this. Financial advisors such as Humboldt Financial, can find you the optimum solutions to plan your pension and allow you to live an enjoyable life after work.



## PASSING ON THE COMPANY TO FAMILY

“It’s something that’s really fun to do. It’s a family business.” – Ron White

“I think of my business and investments as an extension of my family.”  
– Barbara Corcoran

When planning ahead for life after work, considering how to transition the ownership of your company is extremely important. Passing on the company to family can involve an individual family member as well as passing on to multiple family members. It can be useful to consider seeking the opinion of a financial advisor when making a decision such as this. This is an important decision as it is crucial that you appoint someone who will dedicate their time to taking on your company.





## INHERITANCE


“The best inheritance a father can leave his children is a good example.” – John Walter Bratton

“Every parent will leave a personal legacy. What I give to my children or what I do for my children is not as important as what I leave in them.” – Reggie Joiner


For the welfare of your family, it is important to consider what you will leave to them after you pass away. In order to do this you will need to write a will which will contain the details of who you have decided to inherit parts of your estate. A will must be made professionally and we can organise this for you at Humboldt. This will avoid complications for your grieving family.



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