

A little wind in the sails of the good ship Entrepreneur



Grim outlook, but a helping hand for companies: George Osborne's autumn statement

Amid all the gloom and doom in the UK economy, there is help at hand for businesses and those wanting to invest in them, says **David Semaya** of Barclays Wealth

On Tuesday, chancellor George Osborne delivered a sombre assessment of the prospects for the UK economy. The Office for Budget Responsibility scaled back growth assumptions and austerity measures look set to extend beyond the 2015 election.

The coalition is, however, sticking to its theme that entrepreneurship, such as demonstrated by this year's Past Track 100, is the rocket fuel that can help propel the UK economy.

Osborne announced the Seed Enterprise Investment Scheme, the latest confirmation of government support for small businesses, which offers tax relief on investments in start-ups, alongside a year-long capital-gains tax "holiday" on that investment.

While investment angels are one potential source of finance, the banks have also made strong commitments to lend to businesses across the UK, knowing that every spark of inspiration has the potential to crystallise into a celebrated company of the future.

For first-time entrepreneurs, nearly all their capital is likely to be tied up in their firm, and they will probably pay them-

selves a minimal salary, preferring to focus on building critical mass behind their original idea. They will at some point want to monetise their perspicacity, perseverance and perspiration and exit their business, whether through a sale or an initial public offering, fully supported by their financiers.

It is at this point that the newly wealthy entrepreneur will start to get phone calls from luxury-car dealerships, hard luck cases and, potentially, from private banks. However, amid the focus on reducing any outstanding debt and ensuring that the business

has a strong management structure in place before the exit, it is easy for the first-time entrepreneur to lose sight of the fact that, emotionally, he or she is about to go through a life-changing process, and that, financially, there are implications with any "wealth event" far beyond the transfer of what will in many cases be a large sum into the bank account.

Usually, corporate bankers and advisers will start to work with entrepreneurs 18 months or longer before the planned exit, to make sure the business is in the best possible shape for maximum return. At Barclays Wealth, we also like to take a long-term view and will want to start working with the entrepreneur to prepare him or her personally for the opportunities and challenges that come with an exit.

In many cases, we are able to work closely with Barclays Corporate, the bank's corporate-banking division, throughout the UK, to ensure that we are catering to the needs of the business as well as those of the individual. This connectivity can be a real benefit in keeping the numerous plates spinning throughout the move towards the door.

Broadly, there are two key areas for consideration: planning for managing the proceeds of the exit, and achieving the appropriate financial personal position for the entrepreneur (legacy planning, tax etc). Depending on his or her personal circumstances, there may be a requirement for advice on philanthropy as well.

Let us start with the first: planning for the management of the proceeds on the sale of the business. Through tailored financial personality assessments, it is now possible to judge how tolerant entrepreneurs are of taking risks, and also what strategies they find most useful for controlling the more volatile aspects of their financial personalities.

A global study conducted by Barclays Wealth earlier this year into behavioural finance found that entrepreneurs were more likely than other wealthy individuals to use strategies such as delegating financial decisions to others and employing a strict set of rules to make better financial decisions. Understanding how an entrepreneur is likely to react to relatively sudden wealth and how he or she will view it in the future will play an important part in determining how that wealth should be invested.

Another important consideration in the planning phase is the opportunity cost of leaving the funds from the exit to sit on deposit. In today's financial climate, with inflation at a high and deposit rates at a low, the impact of leaving a large sum in cash, even for a short

period, can be huge. We appreciate that market uncertainty can be enough to prevent first-time investors from looking outside deposit accounts and property, which is why we have developed a unique investment process to help us understand their profile and provide an investment solution that is tailored to their needs.

The second key consideration is this: while we do not give tax advice, we are often the first people to raise key issues and will work with the entrepreneur's advisers to ensure that every nuance of his or her own personal position before, at and after the exit has been considered (this is often overlooked at a time when all the focus is on the company) so that the incentives offered by the government, such as entrepreneurs' relief, have been exercised and any plans for the next generation realised.

The chancellor's projections for the coming years notwithstanding, we feel strongly that there are reasons for optimism. In a report published earlier this year, we estimated that the number of millionaires in the UK is set to grow by nearly a third by 2020. Confidence will return, investment conditions will improve and an increasing number of entrepreneurs will take the first steps to turning an exciting idea into a life-changing adventure.

Along the way, many of them will receive advice. The wise ones will profit from it. ■ *David Semaya is managing director and head of UK and Ireland Private Bank Barclays Wealth*

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