THE GOOD GUIDE TO SELF-EMPLOYED AND SMALL BUSINESS FINANCES

GOOD WITH MONEY

MORE MONEY, FEWER PROBLEMS

In partnership with

eQ investors

Contents

Running a business gives you freedom and control - but it also means managing your own financial safety net. From pensions and protection to ethical banking and long-term investing, this guide explains how to build financial stability while keeping your values intact.

Introduction

Running your own business can be one of the most rewarding things you'll ever do. It can also be one of the most financially complicated.

When you're self-employed or running a small business, you're not just doing the work you care about. You're also the payroll department, the finance team, the HR manager and the long-term pension planner.

And you're doing all of that in an economy that has become increasingly uncertain, with a growing number of financial pressures on SME owners.

This guide is designed to help freelancers, sole traders and small business owners feel more confident about their finances. Not by turning you into an accountant, but by helping you understand the decisions that matter most.

You may also be building something rooted in purpose and values - not just a way to earn a living, but a business that contributes positively to people, communities or the planet. If that's the case, it makes sense for the way you manage your money to reflect those same principles too.

The good news is that with the right structure, habits and support, your business can support your livelihood today while strengthening your long-term financial security.

Start here: Three financial habits that make the biggest difference

If you're running a business and don't know where to begin with your finances, start with these three foundations.

1. Keep your business and personal money separate

A dedicated business current account makes it much easier to track income, manage tax and understand how your business is really performing.

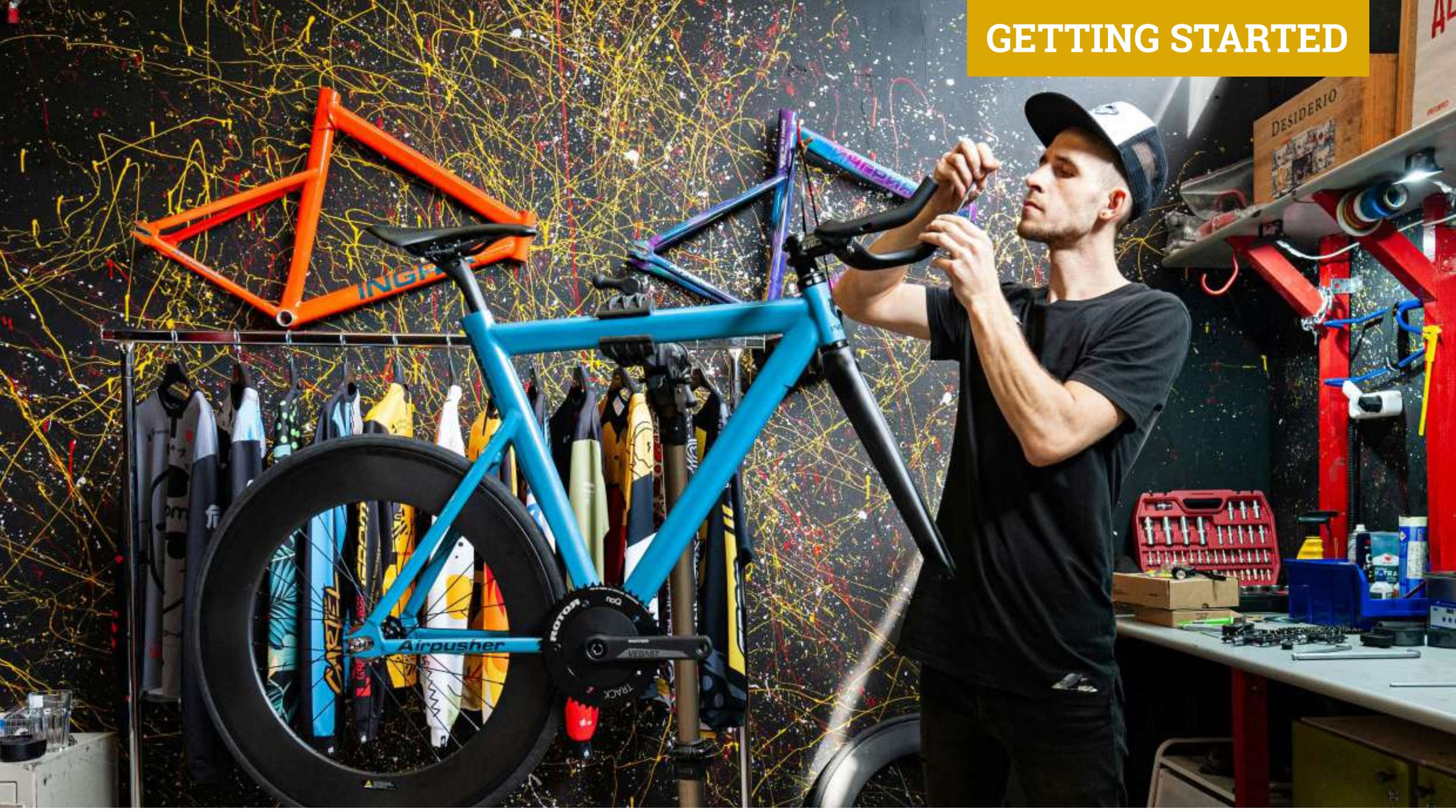
2. Build a financial buffer

Irregular income is one of the biggest challenges of self-employment, so having several months of expenses set aside can make quieter periods far less stressful.

3. Think about the long term

Without employer pensions or benefits, self-employed workers need to actively plan for retirement and protection.

None of these steps needs to happen overnight. But putting these foundations in place early can make running your business feel much more manageable.



Running a business in uncertain times

Running a small business has never been simple, but in recent years the financial landscape has shifted quickly.

Inflation has pushed up everyday costs, interest rates have risen sharply, and access to borrowing has become tougher. Add in higher wage bills, increased National Insurance contributions, business rates and other rising overheads, and many business owners are finding the margin for error has narrowed.

For some, it can feel as though the goalposts keep moving. Just as you get on top of one cost or compliance change, another appears around the corner.

At the same time, administrative responsibilities have increased. Tax reporting is becoming more digital, compliance requirements continue to evolve and keeping track of everything can sometimes feel like a second job.

On top of that, the financial safety nets available to employees often don't exist when you work for yourself. There's no employer pension contribution building in the background. No guaranteed sick pay. No redundancy package if work suddenly dries up.

That can feel daunting - but it also highlights why financial planning matters so much.

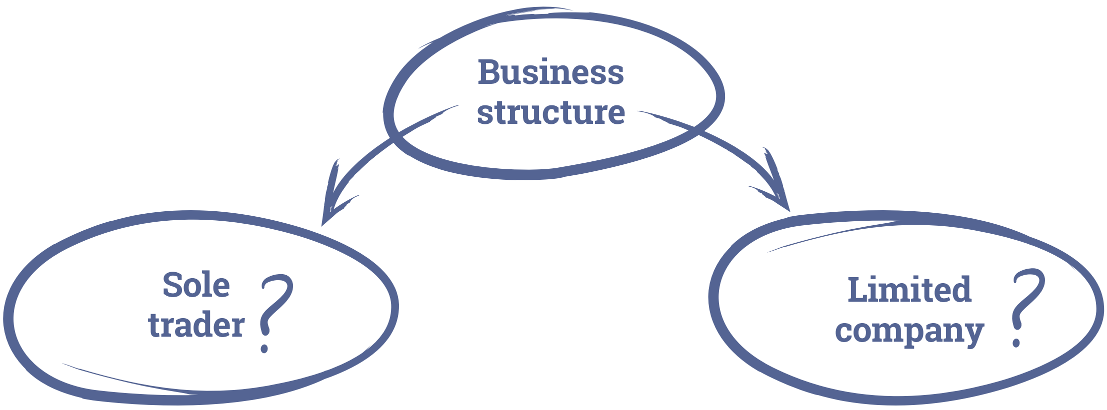
When you understand how your money works, you can create stability even when income fluctuates. You can plan for tax rather than panic when the bill arrives. You can build savings that carry you through slower periods. And you can invest in a future that gives you real freedom.

Financial planning isn't about spreadsheets for the sake of it, it's about peace of mind.

Sole trader or limited company? Getting your structure right

One of the first decisions you'll make is how to structure your business. It affects the records you keep, the tax you pay, how you take money out and what happens if the business owes money.

Many people begin as sole traders because the administration is relatively simple. As income and complexity grow, some move to a limited company. But a company is not automatically the more tax-efficient option. The right structure depends on your profits, costs, plans and personal circumstances.



	Sole trader	Limited company
Legal status	You and the business are legally the same.	The company is a separate legal entity.
Liability	You are personally responsible for business debts.	Liability is generally limited to the company. However, directors may still be personally liable in certain circumstances, including where they have given a personal guarantee.
Tax	You pay Income Tax and National Insurance on taxable business profits.	Money must usually be taken as salary, dividends, expenses or a director's loan, each with its own rules.
Taking money out	You can withdraw money from the business. These are not a business expense.	You can have multiple IFISAs but all new contributions in a single tax year must go in the same IFISA
Administration	You must keep records and submit a Self Assessment tax return.	More reporting is required, including annual accounts and a confirmation statement. Payroll and dividend records may also be needed.
Privacy	Your business accounts are generally private.	Some company and director information is published by Companies House.
Often suitable for	Freelancers and smaller businesses seeking a straightforward structure.	Businesses with employees, higher or more complex profits, outside investment or plans to grow and sell.

You don't have to make the decision alone. An accountant can compare the likely costs and tax treatment of both structures using your actual figures. You can also begin as a sole trader and incorporate later if your needs change.

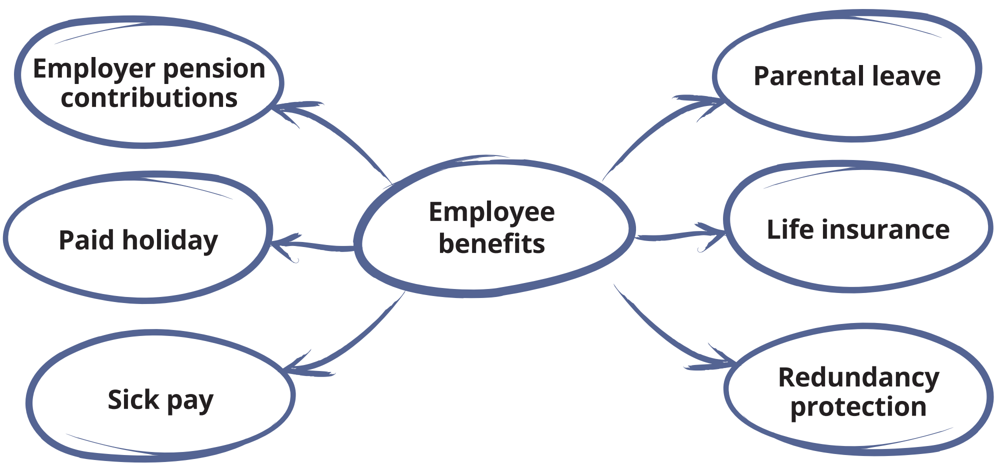
The real cost of working for yourself

Freedom is one of the great joys of self-employment. But freedom comes with trade-offs - and one of the biggest is that nobody else is filling in the financial gaps for you.

If you were employed, your salary would usually come with a range of additional benefits. Pension contributions, paid holiday, sick pay and sometimes life insurance or health cover all add value behind the scenes.

When you're self-employed, those benefits disappear. That doesn't mean you're worse off - but it does mean you need to recreate some of those protections yourself.

What your old benefits package may have included:



Self-employed workers often need to recreate many of these protections themselves.

Why separating your business finances matters

When you first start working for yourself, it's tempting to run everything through your personal bank account. But separating business and personal finances is one of the most helpful financial habits you can develop.

A separate account is legally necessary for a limited company, while it is generally optional but strongly advisable for a sole trader. Having a dedicated business current account makes it far easier to understand how your business is performing.

For busy business owners, digital banking tools such as automated expense tracking, tax estimates and accounting integrations can save hours every month.

And for values-led businesses, choosing a financial provider can be about more than convenience. Some organisations prefer to bank with institutions whose lending supports communities or environmental projects - such as Unity Trust Bank - while others may want mainstream functionality with a strong ethical policy, like The Co-operative Bank.

For businesses looking to hold surplus cash ethically, providers such as Triodos Bank offer business savings accounts, even though they do not currently provide business current accounts to new customers.

Managing your business money day to day

Good financial planning begins with the money moving through your business now. Pricing properly, getting invoices paid and preparing for tax can make the difference between a business that looks busy and one that actually supports you.

Work out what you really need to charge

Your rate needs to cover more than the hours you spend working directly for clients. When you work for yourself, nobody else pays for your holiday, pension, sick days, insurance, equipment or administration.

Begin with the annual income you want to take home, then add your expected business costs and the amount you want to contribute towards benefits such as a pension. Allow for tax and for the weeks or days when you will not be earning.

You should also include time spent finding clients, preparing proposals, managing accounts and chasing invoices. If you can only charge clients for three days of a five-day working week, your rate needs to reflect that.

Review your prices at least once a year and whenever your costs change significantly. A full diary does not necessarily mean that your prices are high enough.

Invoice promptly and make the terms clear

Send invoices as soon as work is completed, or at agreed stages for longer projects. Each invoice should include:

- A unique invoice number
- Your name or business name and contact details
- The customer's name and address
- A clear description of the work
- The date the work was supplied
- The amount due and any VAT charged
- Your payment details
- The payment deadline

Agree your terms before beginning the work. Depending on the client and project, this might mean payment within seven, 14 or 30 days. For larger pieces of work, consider asking for a deposit or arranging staged payments rather than waiting until the end.

Chase late payments consistently

Late payments can quickly create cashflow problems. Send a friendly reminder shortly before the due date, followed by a clear message as soon as an invoice becomes overdue.

Keep a record of every reminder and make chasing invoices part of your weekly routine. If payment remains outstanding, explain what will happen next under your terms. Businesses may have a statutory right to charge interest and recovery costs on late commercial payments, although many prefer to warn the client before applying them.

Claim the expenses you are entitled to

Allowable business expenses reduce the profit on which tax is calculated. Depending on your work and business structure, these could include:

- Equipment and software
- Professional fees and insurance
- Business travel
- Marketing and website costs
- Office or workspace costs
- Training related to your existing business
- An appropriate share of home-working costs

An expense must usually have a genuine business purpose. The rules differ for sole traders and limited companies, particularly where something has both personal and business use. Keep receipts and check uncertain costs with an accountant or HMRC.

Staying ahead of tax and cashflow

Set money aside as you earn it

Tax can feel much more manageable when the money has already been put aside. Consider transferring an agreed proportion of every payment into a separate savings account as soon as it arrives.

The right percentage will depend on your profits, business structure and other income. An accountant or tax calculator can help you choose a realistic figure. Remember that VAT collected from customers also belongs to HMRC, rather than to your business.

Prepare for payments on account

Some people paying tax through Self Assessment must make payments on account towards the following year's bill. These are normally due on 31 January and 31 July, with each payment generally based on half of the previous year's tax bill.

This can make the first substantial Self Assessment bill unexpectedly large because it may include both the tax owed for the previous year and an advance payment towards the next one.

Payments on account do not usually apply where the relevant tax bill is less than £1,000 or more than 80 per cent of the tax was collected outside Self Assessment. If your income has fallen, you may be able to ask HMRC to reduce the payments, but further tax and interest could become due if you reduce them too far.

Keep an eye on the VAT threshold

You must generally register for VAT if your taxable turnover exceeds £90,000 over any rolling 12-month period, or if you expect to exceed the threshold within the next 30 days. This is based on turnover, not profit.

Check the figure regularly because a particularly strong month could take you over the threshold. Some businesses register voluntarily below it, but this introduces additional administration and will not suit everyone.

Tax thresholds and rules can change, so check the latest position on GOV.UK.

Build a simple cashflow forecast

A cashflow forecast shows when money is expected to enter and leave the business. It doesn't need to be complicated. For each of the next six or 12 months, record:

- Expected customer payments
- Regular business costs
- Tax and VAT deadlines
- Annual or occasional bills
- The amount you plan to pay yourself

Update it using the dates when money is likely to reach or leave your account, rather than when you send an invoice or receive a bill. This can reveal a potential shortfall early enough to chase payments, reduce spending or arrange support.

A simple weekly money routine

Set aside 20 minutes each week to send invoices, chase overdue payments, record expenses, transfer money for tax and update your cashflow forecast. Small, regular checks are usually easier than trying to reconstruct everything months later.

Making your money match your business values

For business owners investing personally, whether through an ISA or pension, there are now far more sustainable options than there were even a decade ago.

Some providers focus mainly on excluding harmful sectors, while others actively invest in companies working to solve environmental or social challenges. The key is understanding what different products actually do, and how they fit into your wider financial plan.

Your business money doesn't sit in a vacuum. The bank account you use, the pension you pay into, the savings account holding your tax reserve, and the investments building your future can all be linked to wider social and environmental outcomes.

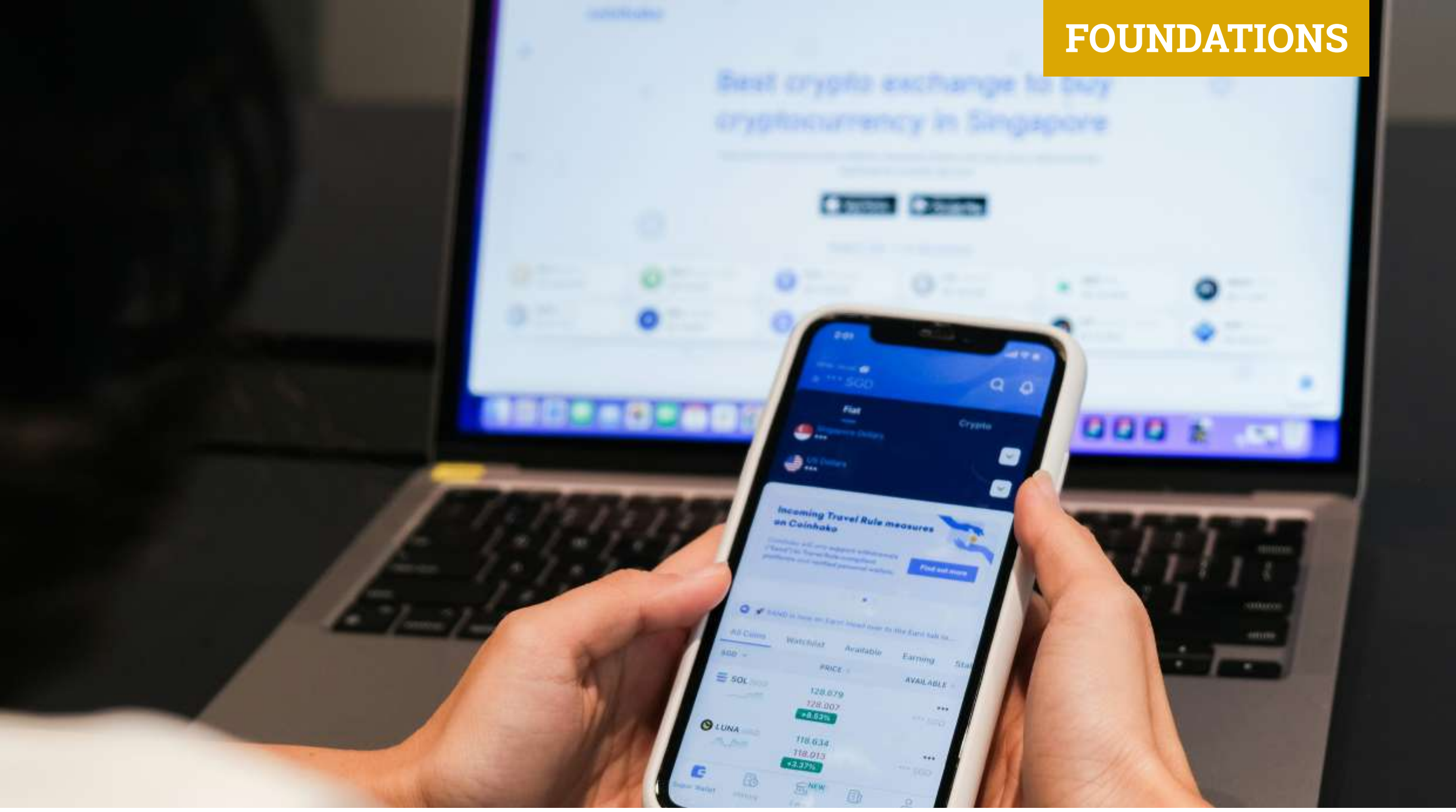
For a values-led business, this is often where a gap appears. You may be careful about your suppliers, packaging, energy use, clients or community impact, while your cash or pension is (even without your knowledge) supporting sectors you would never choose to work with directly.

That doesn't mean every financial decision has to be perfect. Most small business owners are balancing cost, convenience, risk and time. But it is worth asking better questions about where your money is going.

Does your bank have clear policies on fossil fuel lending, weapons, human rights and political transparency? Does your pension offer credible sustainable or impact-focused funds? Are your savings simply parked with the easiest provider, or with one whose lending supports people, communities or environmental projects?

The aim is not to add guilt to an already long to-do list. It's to make sure your financial set-up is pulling in the same direction as the business you are building. Over time, even small changes can make your money feel more consistent with your values, while still supporting the practical job it needs to do.

For business owners with more complex finances, professional advice can help connect these choices with long-term goals, tax planning and personal values, so sustainability becomes part of the plan rather than an afterthought.



Managing irregular income

Perhaps the biggest financial challenge for freelancers and small businesses is unpredictability. One month might bring several large payments while the next could be unexpectedly quiet.

Many business owners find it helpful to treat their business finances almost like a company payroll system. Money comes into the business account, but you transfer yourself a regular, fixed amount each month.

Building a financial buffer is equally important. Ideally, this should cover both personal living costs and essential business expenses for several months. This buffer acts as a shock absorber when income fluctuates.

Understanding tax and Making Tax Digital

Tax is often one of the most stressful parts of running a small business, and the rules are changing.

Since April 2026, sole traders and landlords with qualifying income of more than £50,000 must follow [Making Tax Digital] for Income Tax rules. This means keeping digital financial records and using compatible software to send quarterly updates to HMRC, rather than leaving everything until the annual tax return deadline.

The rules will then be extended to those with qualifying income of more than £30,000 from April 2027, and more than £20,000 from April 2028.

For some business owners, working with an accountant will remain the simplest option. Others may prefer to use accounting software themselves. Either way, the important thing is to choose a system that helps you stay organised throughout the year, rather than creating a last-minute scramble when tax deadlines arrive.

Saving and investing when you run a business

When income fluctuates, long-term investing can sometimes fall down the priority list. But building financial security still matters - particularly when you don't have the safety net of employer benefits.

One way to think about your finances is in layers.

Why pensions matter even more when you're self-employed

One of the biggest financial challenges for self-employed workers is the pension gap.

Without automatic enrolment into workplace schemes, many self-employed workers simply don't save enough for retirement.

The full UK State Pension currently provides £241.30 a week, or around £12,548 a year, for those who qualify for the full amount. For most people, that alone is unlikely to support the lifestyle they want later in life.

Personal pensions, SIPPs and stakeholder pensions offer different ways to build retirement savings. Many providers now offer funds that consider environmental and social factors, allowing investors to align retirement savings with their values.

For example, PensionBee offers a Climate Plan designed to avoid fossil fuel producers and invest in companies positioned for a low-carbon economy. Providers such as NEST and Penfold also offer options with environmental or sustainability screening.

For those who want more control, platforms such as Aviva and Zurich allow savers to choose from a range of sustainable investment funds within a personal pension or SIPP.

If you want to explore these options in more detail, see our **Top ethical pension funds**, highlighting some of the most credible providers available to UK savers today.

If you have larger or more complex pension needs, advice can help bring different pots together and ensure investments are aligned with both financial goals and values.

Integrating sustainability into financial planning

By Zoe Brett
Financial Planner at EQ Investors

For many business owners, sustainability is not a separate issue from financial planning. It is part of how they think about risk, growth, purpose and the kind of future they want their money to support.

You may already make values-led decisions in your business, from the suppliers you choose to the clients you work with and the way you manage your environmental impact. But the money you build outside the business is important too.

Your pension, ISA and investment portfolio can all play a role in funding your future. They can also influence the companies, sectors and solutions your money supports along the way.

Start with the plan, not the product

Sustainable investing works best when it is built into a wider financial plan. That means starting with the same questions you would ask of any investment decision.

What are you investing for? When will you need the money? How much risk can you afford to take? How much flexibility do you need? What tax wrappers, such as pensions and ISAs, make sense for you?

Only then does the sustainability question come in: how do you want your money to be invested?

Some people want to avoid particular sectors, such as fossil fuels, tobacco or weapons. Others want their money to go further by supporting companies providing solutions to environmental or social challenges, such as renewable energy, healthcare, education, clean water, sustainable transport or financial inclusion.

Both approaches can have a role, but the important thing is understanding the difference between avoiding harm and actively backing positive change.

Think about impact as well as ethics

The sustainable investment market has grown quickly, but not all “green” or “responsible” funds work in the same way.

Some funds mainly use exclusions. Others focus on companies with stronger environmental, social and governance standards. Impact-focused portfolios go a step further by seeking investments that contribute to measurable social or environmental outcomes alongside financial returns.

EQ Investors’ Positive Impact portfolios are one example of this approach. They are designed to invest in companies and funds contributing to positive outcomes linked to global sustainability themes, while still aiming to deliver long-term investment growth.

For business owners, this can be particularly powerful. It means the money you are building for your own long-term security can also be aligned with the values that may already shape the way you run your business.

Keep your financial goals at the centre

Sustainability should not mean ignoring the basics of good financial planning.

Your investments still need to be diversified, match your risk profile, and sit within a plan that considers tax, pensions, cashflow, protection and your long-term income needs.

This matters even more when you are self-employed or running a business, because your financial life is often more complex. Your income may fluctuate and your business may hold surplus cash. You may also be deciding whether to invest personally, contribute into a pension through a limited company, or retain money in the business for future growth.

A financial planner can help bring those moving parts together. They can help you understand what you need your money to do, how much risk is appropriate, and how sustainability can be integrated without losing sight of your wider financial security.

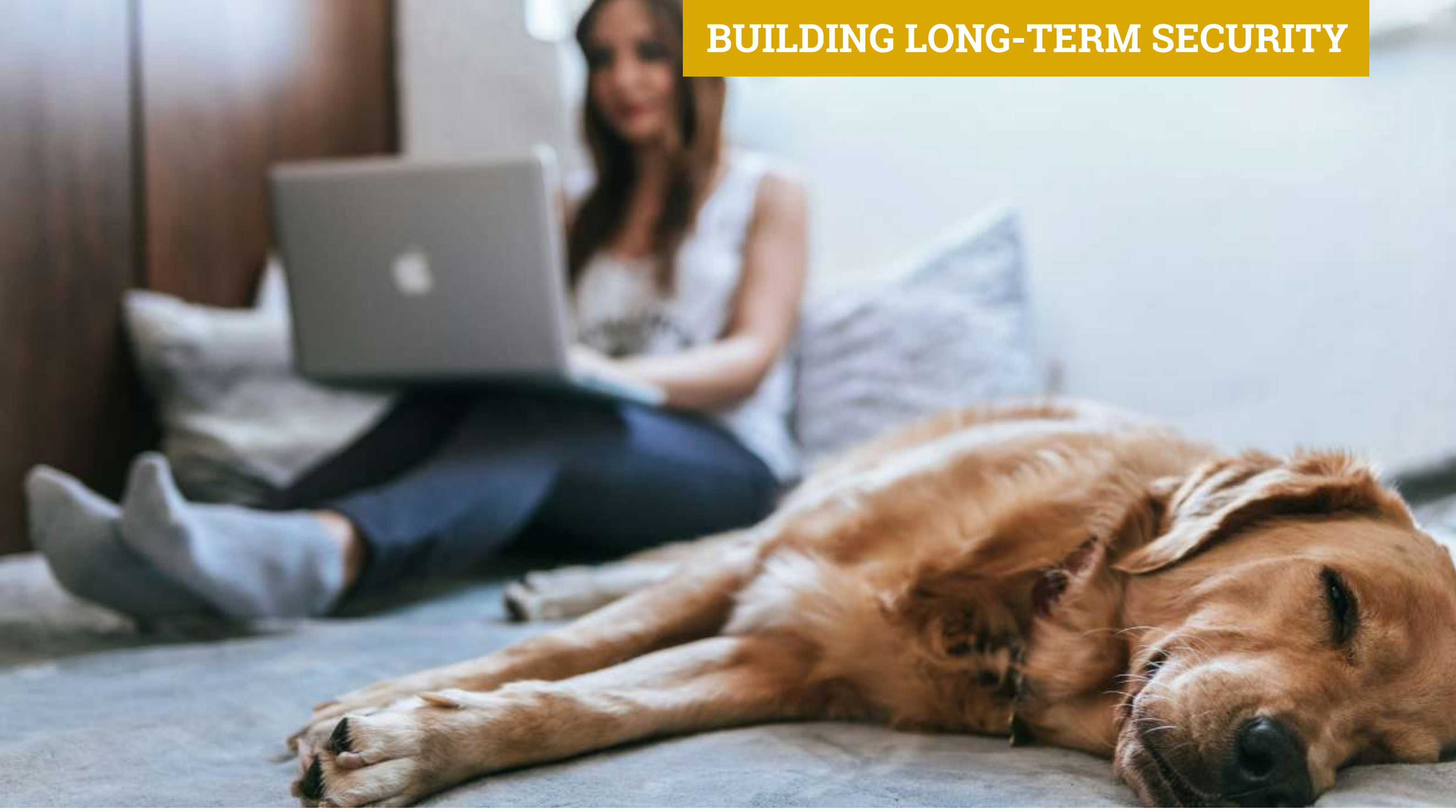
Ask better questions

If you want your financial plan to reflect your values, useful questions include:

- What does this investment avoid?
- What does it actively support?
- How is impact measured and reported?
- Are the sustainability claims clear and specific?
- Does the portfolio match my risk level and time horizon?
- How does this fit with my pension, ISA, tax position and long-term goals?

The best sustainable investment approach is not the one with the most impressive label. It is the one that is clear, credible and suitable for your life.

For business owners, that can be a reassuring way to think about money. Your financial plan does not have to choose between security and sustainability. With the right structure, it can support both.

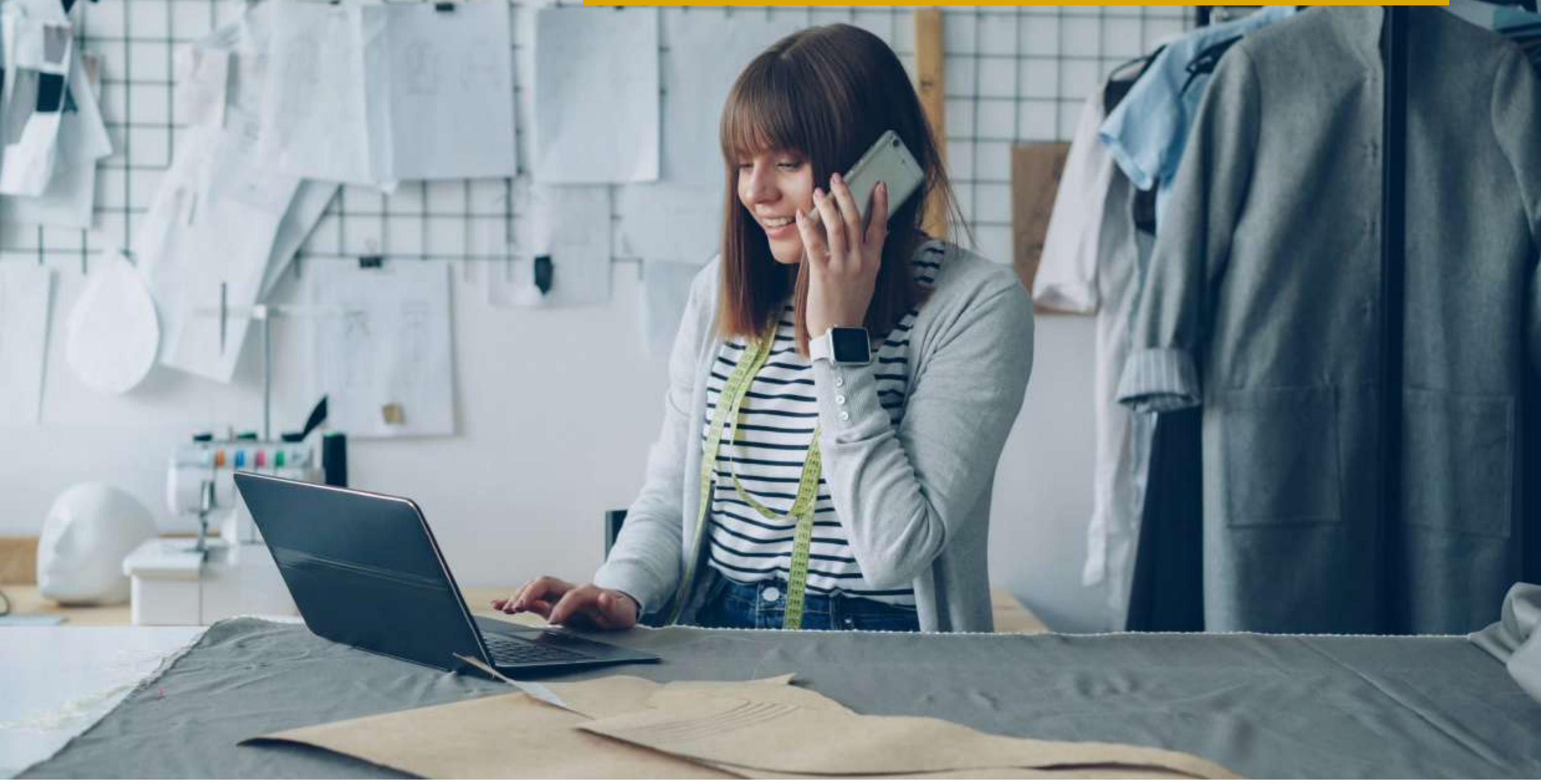


Protecting your income and your future

Running a business means taking risks, but those risks can be managed. Income protection insurance, critical illness cover and business insurance can help protect your income and finances if something goes wrong.

Keeping good records and maintaining a strong credit profile can also make borrowing easier when the time comes.

Key areas to consider include income protection, critical illness cover, life insurance, key person cover and business insurance. The right mix will depend on whether you are a sole trader, limited company director, employer or freelancer working alone.



Financial planning for business owners: Five key areas

By Jeannie Boyle
Chartered Financial Planner at EQ Investors

Being self-employed brings real freedom, but it also means taking full responsibility for your financial future.

Without the financial safety nets of traditional employment, it's crucial to take control of your finances. Here are five areas every business owner should have in order.

1 Define your financial goals

Everything starts here. Effective financial planning depends on knowing what you are working towards, whether that is managing tax efficiently in the short term, building wealth over time, or planning for an eventual exit. Clear goals give your financial decisions direction and make it much easier to measure progress.

2 The importance of a safety net

As a business owner, you have a responsibility to make sure that if disaster strikes, you're leaving those you leave behind with security and stability. There is no Statutory Sick Pay for the self-employed, which may mean a reduction or halt to your regular income. Have you considered the impact of this?

A limited company may be able to provide a qualifying relevant life policy for a director or employee. Premiums can sometimes be treated as an allowable business expense, subject to the policy and HMRC rules, so specialist advice is important.

It is also worth considering what would happen to the business itself if a key person were no longer there. Key person insurance protects against the loss of profits if a critical employee becomes seriously ill or dies, providing funds to help the business continue trading and find a replacement. For many business owners, this cover is as important as their own personal protection.

3 Make the most of pensions

Many business owners treat the business itself as their retirement plan. That is an understandable instinct, but a risky one, business values can fall, sales can fall through, and circumstances change in ways that are difficult to predict.

The good news is that pension contributions offer some of the most generous tax advantages available to business owners. As a higher-rate taxpayer, taking £100 out of the business as a dividend leaves you with around £54 after corporation and dividend tax. Contributing that same £100 directly into a pension means the full amount goes to work for your future.

If you have been employed before, it is also worth reviewing any pensions from previous employers. Consolidating these into a single plan can simplify your finances and ensure your savings are invested in line with your current goals.

4 Invest with a clear strategy

Where should I put my money? What if I lose it? Which products are right for me? These are questions almost every business owner asks at some point, and understandably so.

The right investment approach depends on your goals, your attitude to risk, your sustainability preferences, and your time horizon. Working with an adviser who understands your broader financial picture means your investments can be aligned with everything else in your plan, rather than managed in isolation.

5 Plan your exit

Whether you intend to sell the business, pass it on, or simply step back one day, it is worth asking whether the outcome you are hoping for will actually fund the life you want.

Do you know what your business is likely to be worth at the point of sale? Will that figure support your income needs for the rest of your life? If you have a retirement income figure in mind, do you know how much capital is needed to sustain it?

These are not easy questions to answer when you are focused on running and growing a business, which is exactly why having a financial adviser in your corner matters. A good adviser will help you clarify your goals, build a plan to reach them, and keep that plan on track as your circumstances evolve, so you can focus on the things you do best.

Selling a business: What really matters from a financial planning perspective

By Joshua Pape
Financial Planner at EQ Investors

The financial planning steps to consider before, during and after a business sale.

In my experience working with those who have sold businesses, the focus is understandably on the deal itself. The stress of it all. But what happens the day after the money lands in your account?

Selling a business is often a once-in-a-lifetime event. It can change your finances overnight. And without careful planning, it can also create unnecessary tax, poor outcomes and long-term uncertainty.

Let's look at what really matters from a financial planning perspective.

Start with the tax

Before you agree to a deal, it is important to understand what tax you may have to pay. In the UK, selling shares in your company will usually trigger Capital Gains Tax. This is tax on the profit you make from the sale, rather than the full amount you receive.

Some business owners may qualify for Business Asset Disposal Relief, which gives a lower CGT rate when you sell all or part of a qualifying business. For disposals made on or after 6 April 2026, qualifying gains are taxed at 18 per cent under the relief, up to a lifetime limit of £1 million. Before that, the rate was 14 per cent for disposals made between 6 April 2025 and 5 April 2026.

This can still make a meaningful difference to the final amount you keep, but the rules are detailed, so it is worth taking tax advice before signing a sale agreement.

And once the deal completes, many options disappear. It is advisable to seek some quality tax advice as early as possible to maximise your position, even if this comes with an initial cost.

Understand what you need the money to do

After establishing what you will receive after tax, the important question becomes, what does this money need to achieve for me and/or my family?

A better work/life balance? Helping family? Funding the next venture?

This is where cashflow modelling becomes powerful. We map out your assets, spending and long-term plans. Then we test different scenarios. What if markets fall? What if you live longer than expected? What if your spending increases? Can your newly increased liquid assets provide you with the lifestyle you aspire to?

Small tweaks now can have a huge impact over the long term.

Prepare for the transition

Many exiting business owners underestimate the emotional shift this creates. One day you're running a company. The next, you're not. You go from being busy all the time to having time to fill.

Without clarity, it's easy to make rushed financial decisions. A plan gives you space and confidence.

One of my favourite metrics with clients is not simply the pounds and the pence, but how well they sleep at night. Are their resources working well for them and structured in a way they are comfortable with?

Invest with structure

When a large lump sum arrives, the temptation is to act quickly. But thoughtful investing is rarely rushed. It is important to spend time understanding your needs.

Your strategy should reflect:

- The income you need
- Your attitude to risk
- Your tax position
- Your time horizon
- Your wider objectives

You may use pensions, ISAs or other tax-efficient structures, but these only work well when they are part of a clear plan. You will also need to keep enough accessible cash to cover the tax bill and consider whether selling the business affects your Inheritance Tax position.

Use available allowances

The year of sale often creates planning opportunities. Pension contributions may reduce income tax. ISA allowances can be used. Assets can sometimes be shared between spouses to manage tax efficiently.

Missed allowances are gone for good. Timing matters.

How a financial planner helps

A financial planner brings structure and perspective. We work alongside your accountant and solicitor. We model outcomes before decisions are final. And we help you avoid costly mistakes.

Most importantly, we focus on your life after the sale.

Selling your business is a milestone. With the right planning, it can also be the start of long-lasting financial security and the freedom of choice.

Your small business financial action plan

- ✓ Get clear on what you want your business to support in your life
- ✓ Separate business and personal finances
- ✓ Build a cash buffer for quieter months
- ✓ Set aside money for tax as you earn it
- ✓ Protect your income with insurance if needed
- ✓ Invest regularly for the long term
- ✓ Review your financial plan each year

Conclusion: Building a business that supports your life

Running a business can feel like a constant balancing act. You're managing clients, delivering work, chasing invoices, planning growth and thinking about the future - often all at the same time.

But having clarity over your finances can transform that experience. When you understand how your business fits into your wider financial life, decisions become easier. You know what you're working towards. You have the resilience to weather difficult periods. And you can focus more energy on building something meaningful.

A successful business isn't just one that generates revenue, it's one that supports the life you want to live.

About Good With Money

Good With Money is a money website with a difference: it is all about how your money can do more good for people and planet, as well as line your pocket.

It created the Good Egg mark, an accreditation mark awarded to financial businesses that can prove they make a positive difference to people and the planet, as well as their customers and staff..

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