



WHICH WAY TO TURN?

Coping with inflation, recession, and other financial challenges

2023-24



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This update sets out some of the business and personal financial challenges for 2023-24, and a few ideas for countering these challenges.

The challenges for business owners

The combination of rising energy bills, high inflation, recession and climbing interest rates sets a grim stage for 2023-24.

All of these factors place upward pressure on costs, downward pressures on sales, and for many businesses, no opportunity to increase their selling prices to maintain some measure of profitability.

These challenges, coming hot on the heels of the COVID disruptions, may be the final nail in the coffin for many entrepreneurs.

However, there are strategies that forward-thinking business owners could adopt that would help to protect their balance sheets from the worst effects of the present economic downturn.

PLEASE NOTE, some, or perhaps none of the following suggestions will be appropriate for your business. Every firm will have its own unique challenges that will require careful consideration. Please call if you are drawn to adopt any of the options in this update so we can help you make the most appropriate choices.

Which way to turn – business owners

Ideas to help you sustain your business 2023-24:

- Keep an eye on cashflow. This is not a good time to leave your hard-won sales in your customers' bank accounts. Create and enforce rigorous credit control.
- Postpone investments. If you are considering the purchase of significant equipment, ask the question, how will this expenditure help me survive the current downturn. If you can see no immediate benefits, then mothball the investment until more favourable times.
- Planning. Now is not the time to run your business by instinct. At the very least prepare a business forecast for the next year and keep updating the numbers such that you can always see at least 12-months ahead. Your forecasts should show profitability, financial net worth (solvency) and cashflow.
- Can you meet your obligations? Do the forecast rise in interest rates mean that you

will struggle to make repayments of loans or other finance agreements? If yes, contact lenders to see if you can organise repayment holidays or extend the term of borrowings to reduce repayments.

- Likewise, keep an eye on tax payments due and take advice to see if liabilities can be reduced if profits are falling or if you are forecast to make losses.

And finally, pick up the phone and call for advice. We can help you prepare to cope with coming challenges. Very often it's what you don't know – that we may know – that will help you through.

The challenges for individuals

Home-owners and those renting property will both see an increase in their mortgage repayments or rent in the coming year as fixed rate deals expire and mortgages will have to be renegotiated at higher rates. Landlords, in similar fashion, may be forced to increase rents to cover their additional finance charges.

These factors plus the exceptional increase in utility and food costs will place upward pressure on household budgets.

As a result, savings will reduce, and debt will increase as we struggle to make ends meet.

Yet again, these challenges, coming hot on the heels of the COVID disruptions, may nudge many of us into challenging financial circumstances.

Individuals – many of whom may have business interests – still have opportunities to organise their personal finances without driving themselves into bankruptcy.

PLEASE NOTE, some, or perhaps none of the following suggestions will be appropriate for your personal circumstances. Please call before adopting any of our ideas so we can help you make the most appropriate choices.

Which way to turn – individuals

Ideas to help you sustain your personal finances in 2023-24:

- If your fixed rate mortgage is up for renegotiation in the coming year, start your research now. Take advice on the likely direction of interest rate changes – up or down – and act accordingly. A competent

mortgage broker will help you decide your best option.

- Plan your financial commitments on a simple spreadsheet to see if your income can meet your obligations in the coming year. If there are shortfalls take advice to see how you could reduce any shortfall and/or fund any deficits. Call if you need help setting up a spreadsheet.
- See if you can transfer credit card balances on accounts with high interest rates with cards that offer an interest-free period. Plan repayments and seek to minimise use of cards.
- Speak to your bank if you are using overdrafts to see if they could offer a loan with a lower rate of interest that could be used to pay off overdrafts.
- Take a hard look at your use of gas and electricity. Are there ways you could reduce dependency on either supply?
- Do you have an opportunity to increase your family income by creating additional income streams. For example, renting a spare bedroom or converting a hobby into a small business. Having multiple income streams is a sound way to protect your finances.
- If you have existing cash reserves, resist the temptation to spend and keep these funds in reserve. Rainy days may be just around the corner.

Please call, we can help

Planning will be a key element in managing the difficulties of the next year. It is doubtful that any remedial action taken by government will result in immediate improvements in our financial circumstances. In which case it is up to us to figure out the best way to survive the current downturn.

Please call so we can help you identify the best strategies to adopt. 2023-24 is not a year to bury your head in the sand.