

Self-employed vulnerable to financial shocks

New research highlights that 81% aren't seeking financial advice

As more and more people reject the traditional working structure in favour of becoming self-employed, some people could be at risk of financial insecurity as they lose out on employee benefits that offer protection in the present, and financial planning for the future.

New research highlights this group's vulnerability to financial shocks and the importance of expert financial advice to open up conversations to ensure that all aspects of protection are discussed, and that the right solutions are in place to help create financial peace of mind.

FACING FINANCIAL HARDSHIP

If you are self-employed, you may not have the same safety net as those who are employed by someone else. If you become sick or injured and are unable to work, you could face financial hardship without income protection insurance.

Income protection insurance could help replace your lost income if you are unable to work due to an illness or injury. It can give you peace of mind knowing that you will still be able to meet your financial obligations even if you are unable to work.

SEEKING FINANCIAL ADVICE

Over half (57%) of self-employed workers in the UK rely on personal savings when they are not working, yet a massive 81% aren't seeking financial advice according to new research^[1]. Nearly two-thirds (64%) of those who are self-employed in the UK revealed they are without a regular income, with just one in five (23%) receiving a monthly pay packet.

The research also found that almost half (48%) of self-employed people see their income fluctuate as a result of owning their own business, with a similar proportion (49%) putting this down to being a freelancer, contractor or consultant.

VULNERABILITY TO FINANCIAL SHOCKS

As the cost of living rises and private rents and mortgages in the UK increase at the fastest rate in five years, a quarter (24%) of those surveyed said they only had enough money to cover such costs for three months if they were unable to work.

With the research highlighting the group's vulnerability to financial shocks and the importance of expert financial advice, worryingly one-quarter (24%) say they hadn't thought about seeking professional advice.

SECURE FINANCIAL PROTECTION

Not being eligible for Statutory Sick Pay (SSP) can prove a real problem for the self-employed and their financial resilience – during the pandemic, a fifth (21%) of all applications to the Test and Trace Support Payment scheme were from this group, according to a Freedom of Information request by The Community Union.

And while many have taken steps to secure financial protection for themselves and their families, 13% of self-employed workers in the UK still don't have critical illness cover or life insurance. ■

NOT SURE WHAT YOU NEED?

When you're self-employed or a contractor, you get the perk of being your own boss, but you wave goodbye to traditional employee benefits like company sick pay. To discuss how we can help protect your future financial wellbeing and to discuss the options available to you, please contact us for more

Source data:

[1] The research was carried out online by Opinium Research across a total of 2,002 UK adults (booster sample of 502 self-employed workers and 1,015 renters). Fieldwork was carried out between 21–27 October 2021.