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Entrepreneurs confident in the UK's outlook post-Covid-19 and Brexit – Lombard Odier research report

More than three-quarters of entrepreneurs in the UK are positive on the country's outlook as a centre for business and global finance, according to a report released today by Swiss private bank Lombard Odier.

The report: "Entrepreneurs' Views 2021: Business Lessons, Wealth and the UK Outlook," also explores what the UK should do to remain competitive; the changes made to entrepreneurs' business strategy, wealth and location as a result of Covid-19 and Brexit; lessons learnt from a business sale; what entrepreneurs want from their advisors; and attitudes to sustainable investing. It surveyed 250 UK-based entrepreneurs, with investable assets of at least £3 million.

Confidence in the UK's future

Despite the challenges of Covid-19 and Brexit, 83% of entrepreneurs think the country is currently well positioned as a centre for business and entrepreneurial activity, with 76% confident it will remain so over the next five years. A similar proportion also believe the UK is well positioned as a global financial centre, both now (80%) and in five years' time (76%).

Assets largely set to remain in the UK

This positive sentiment is reflected in the holding of assets. UK entrepreneurs currently hold the majority of their personal wealth (80%) in the UK and plan to hold a similar proportion (78%) here in the next three to five years. UK resident non-domiciled (RND) entrepreneurs have greater diversification in asset holdings (65% in the UK now, falling to 58% in the next three to five years). Similarly, younger entrepreneurs are slightly less likely to hold their assets in the UK both now (76% for Millennials) and in three to five years (74%).

Regulation is critical; concerns over taxes

The report also highlights the attributes the UK will need to retain if it is to remain attractive to this group. A business friendly regulatory environment and tax incentives for start-ups rank as the first and second most important factors respectively. Over a third (35%) of respondents also believe a national industrial policy with a focus on entrepreneurs and start-ups is key.

Almost three-quarters (72%) of the entrepreneurs sampled are concerned about possible future increases in personal tax rates, as the UK battles with the Covid-19 fallout. Sixty-eight percent are concerned about the introduction of a wealth tax, and 58% about a rise in inheritance tax.

Covid-19 and Brexit drive changes in business, wealth and location

Many entrepreneurs have implemented significant changes to their businesses in light of Covid-19 and Brexit. Half of all respondents say they have changed their business strategy, with a similar number (46%) having been through or currently undertaking an internal business reorganisation or restructuring, or a restructuring of their business supply chain (42%). Approximately a third of entrepreneurs (37%) have changed how their wealth is managed, accelerated plans to pass wealth on to their children (32%), or to move out of the UK (30%).

The survey also reveals a potential uptick in business sale activity, with more than a quarter of respondents planning to sell their businesses between now and 2026. As many as 90% of RND entrepreneurs would plan to, or have, changed their residency or location after a business sale.

Duncan MacIntyre, UK CEO at Lombard Odier*, comments: "The entrepreneurial community is known for its resilience and flexibility, and our report only reinforces that further. UK entrepreneurs have adapted their businesses, wealth structures and even their location in the face of recent challenges. The findings also point to an increased focus on planning for future needs and goals – including more time spent on succession issues and more exchanges with family members – something we have seen among our own clients throughout the pandemic. This further highlights the need to factor in both the practical and emotional considerations that come with the realisation of business wealth."*

Key lessons from a business sale

The entrepreneurs in our survey, and particularly the younger cohort (Generation Y, aged 25 to 40), cite emotional attachment as the single biggest challenge faced when selling a business. When giving advice to their pre-sale selves, several respondents signalled the importance of tackling the emotional dimension of the transaction. Despite the emotional challenges of selling, the realisation of business wealth after a sale left 75% of entrepreneurs happier.

More than half (56%) of our respondents identified lifestyle factors as the primary reason for a business sale. Ensuring family is taken care of was identified as the single most important outcome following a sale, ahead of improving entrepreneurs' own lifestyle.

Three quarters of respondents discuss issues around their wealth with their partners. Professional advisors are the next most important sounding board, followed by fellow entrepreneurs, identified by a third of respondents (32%), and 50% of Millennial entrepreneurs.

Demystifying sustainability is critical

Forty percent (40%) of entrepreneurs say their interest in sustainable investing has risen over the past year. Just under three-quarters (72%) think investors need to play their part in tackling global warming and 73% are willing to consider sustainability factors for future investments. However, just 55% take sustainability into account in current investment decisions, and only 25% of portfolios are allocated to sustainable investments. This mismatch may be driven by misconceptions. A third (33%) of the entrepreneurs in our survey believe sustainable investing means sacrificing returns. Interestingly, this view is more prevalent among younger entrepreneurs, (49% of Generation Y respondents).

"This report reinforces the view that there can be a lag of several years between investor education and decision-making[1]*. We believe it is our fiduciary duty to invest our clients' wealth sustainably, in order to generate the best returns for them, as our global economy transitions to a more sustainable economic model," adds* ***Dr Christopher Kaminker, Head of Sustainable Investment Research and Strategy at Lombard Odier.***

[1] Consumer Decision-Making in Retail Investment Services: A Behavioural Economics Perspective, Report published by the European Commission, November 2010

To read the full report "Entrepreneurs' Views 2021: Business Lessons, Wealth and the UK Outlook", please click here.

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About Lombard Odier

Lombard Odier is a leading global wealth and asset manager. For 225 years, and through more than 40 financial crises the Group has combined innovation and prudence to align itself with the long-term interests of private and institutional clients. The Group is solely owned by its Managing Partners, and has a strong, liquid and conservatively invested balance sheet, with a CET1 ratio of 29.7% and a Fitch rating of AA-.

Lombard Odier provides a complete offering of wealth services, including succession planning, discretionary and advisory portfolio management, and custody. Asset management services are offered through Lombard Odier Investment Managers (LOIM). The Group has also created cutting-edge banking technology, which is also leveraged by other Swiss and European based private banks and financial institutions.

The Group had total client assets of GBP 262 billion at 31 December 2020. Headquartered in Geneva since 1796, at end-December the Group had 30 offices in 24 jurisdictions and employed 2,560 people.

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