# Be Your Own Boss

*Everything you need to know about becoming a self-employed financial or mortgage & protection adviser*

tenet | Financial Services

# Becoming self-employed is an attractive concept, but it’s also a big step.

On the one hand, being your own boss means you have more freedom to work when and where you want and allow you to keep more of the money you make from the business you write.

However, becoming a self-employed financial adviser is not for the faint hearted. In addition to the time and energy you need to dedicate to running a profitable business and, potentially, being an employer, you need to also contend with meeting regulatory requirements and maintaining competency.

You can’t decide what’s right for you if you’re not armed with all the facts. If you’re an employed mortgage or financial adviser, this guide gives you the information you need if considering becoming self-employed.

# 1 Is becoming a self-employed adviser right for you?

Setting up as a self-employed adviser is not right for everyone and if you're not committed to your goals, it may not work for you. Change can be scary. In order to work out if this route is right for you, think about:

- Why you want to become self-employed – what do you hope it will give you that you're not getting in an employed role?
- Are you able/willing to make the sacrifices required to make your business a success?

To get your thought juices flowing, here's some of the most common motivations and challenges we come across.

## Motivations:

1. **Greater control** – in employed roles, the company direction and targets are not within your control. Many advisers have their own ambitions and want to set their own targets.
2. **More freedom** – you can work when and where you want to as a self-employed adviser, with the choice to work around other commitments and achieve the work-life balance you deserve.
3. **More money** – earnings in employed roles don't always reflect the hard work you put into winning business. Becoming self-employed gives you access to uncapped earning potential.

## Challenges:

1. **Time** – from tax returns, to bookkeeping and business administration, running a business requires a fair investment of time. You'll need to set aside many hours above and beyond the time you put into acquiring and serving your clients.
2. **Responsibilities** – many employed roles provide you with the tools to maintain CPD and you never really have to worry about interpreting regulation. But if you go self-employed, you may find it's all on you. Add employing others into the mix and you suddenly have great responsibility on your shoulders.
3. **Business acumen** – a great adviser doesn't always make a successful business owner. You'll need to learn how to market your business, while keeping an eye on the market, and juggling mundane, sometimes arduous business tasks.

## Other considerations to think about include:

**Professional questions to ask yourself:**

*Are you aware of the costs, and can you meet them?*

*How will you attract clients, now and later?*

*What new legal & regulatory responsibilities will you have?*

*Do you have additional skills, such as managing cashflow and filing tax returns?*

**Personal questions to ask yourself:**

*Can you cope with periods of little/no income?*

*Are you prepared to work longer, more unsociable hours?*

*What will happen to your business & income when you are sick/on holiday?*

*How will losing employee benefits, such as holiday pay and employee pension contributions impact you?*

*Do you have the ability/space to work at home?*

# 2 Your options for going self-employed

The good news is there are essentially three routes to being a self-employed adviser:

## 1. Being a self-employed Registered Individual (RI) in an established brand

This route is the quickest and easiest jump for an employed adviser. You get a lot of support in the form of admin, marketing and compliance security, but you have the freedom to run on your own track and work when and where you want.

***This route is best for:***

Advisers wanting to make their first leap into self-employment and experienced advisers that want to relieve some of the pressures of running a business.

## 2. Becoming an Appointed Representative (AR) in a network

As an AR your network is responsible for your compliance with regulations and will monitor your quality and competency. This gives you greater security, but means you relinquish some autonomy - including higher turnover and income thresholds. Such restrictions often vary considerably between networks.

***This route is best for:***

Experienced advisers wanting compliance security, but also looking to build their own brands.

## 3. Becoming Directly Authorised (DA)

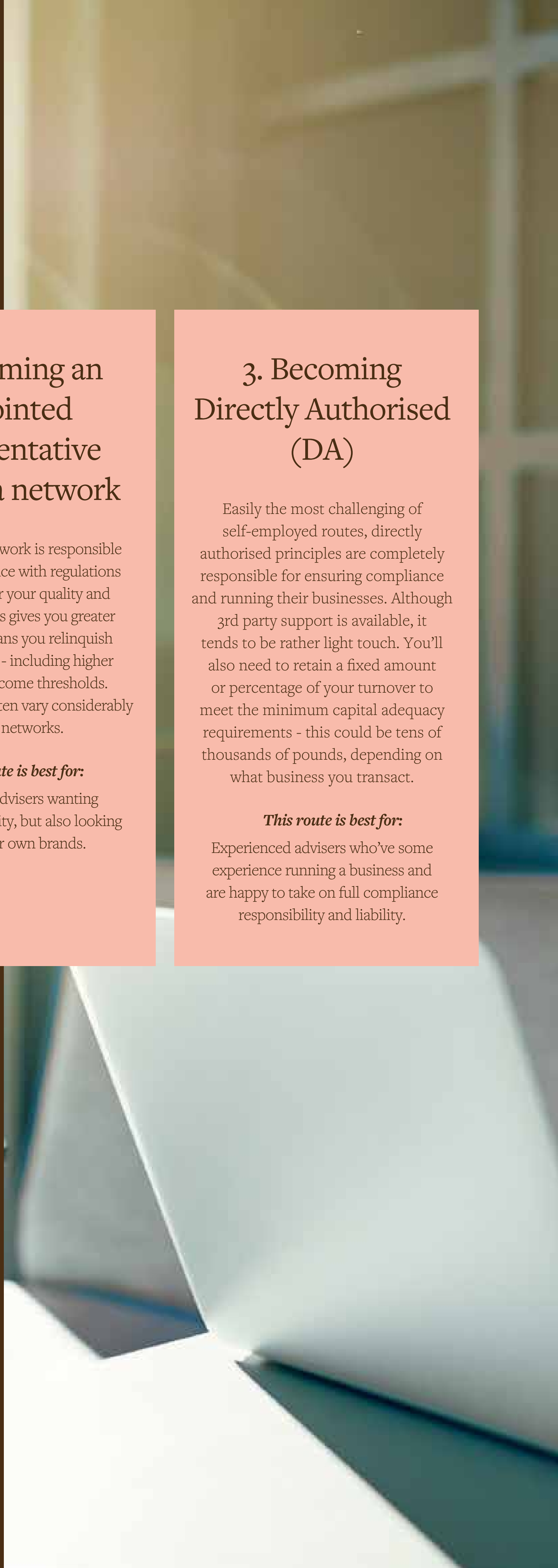
Easily the most challenging of self-employed routes, directly authorised principles are completely responsible for ensuring compliance and running their businesses. Although 3rd party support is available, it tends to be rather light touch. You'll also need to retain a fixed amount or percentage of your turnover to meet the minimum capital adequacy requirements - this could be tens of thousands of pounds, depending on what business you transact.

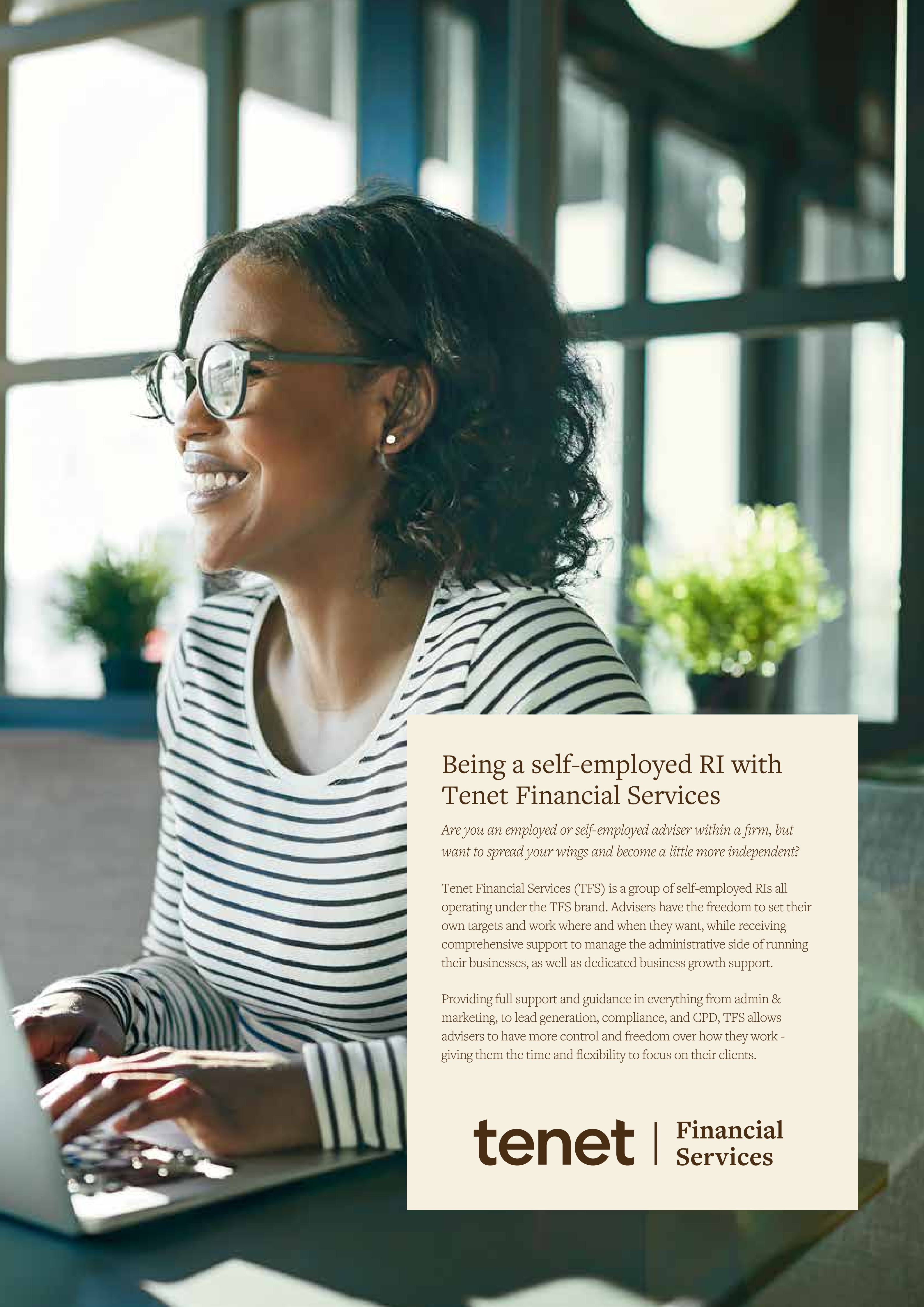
***This route is best for:***

Experienced advisers who've some experience running a business and are happy to take on full compliance responsibility and liability.

*Choosing the right route depends on how much time you have to dedicate to running a business and how much risk you're prepared to take on.*

*Here at Tenet, we offer all three routes, so we know who's best suited to each. Running a business is a huge learning curve, and in our experience, the most successful route for advisers new to self-employment or those just wishing to advise autonomously without running a business is to become an RI in an established brand.*





# Being a self-employed RI with Tenet Financial Services

*Are you an employed or self-employed adviser within a firm, but want to spread your wings and become a little more independent?*

Tenet Financial Services (TFS) is a group of self-employed RIs all operating under the TFS brand. Advisers have the freedom to set their own targets and work where and when they want, while receiving comprehensive support to manage the administrative side of running their businesses, as well as dedicated business growth support.

Providing full support and guidance in everything from admin & marketing, to lead generation, compliance, and CPD, TFS allows advisers to have more control and freedom over how they work - giving them the time and flexibility to focus on their clients.

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## 3 Setting up your business with TFS

Becoming self-employed can give you everything you've ever wanted, from increased earnings and greater job satisfaction, to complete freedom over when, where, and how you operate.

But there's a lot to organise and think about when setting up for the first time. Here we highlight some of the key considerations.

### Legal structure

How you set up as self-employed will significantly affect how you grow, pay taxes, and deal with liabilities. The four main types of business structure are:

- **Sole trader** – this is the simplest option for going self-employed. You don't pay registration fees, keeping records and accounts is straightforward, and you keep all the profits. However, you are personally liable for any debts that your business runs up, which make this a risky option for businesses that need a lot of investment.
- **Partnerships** (**ordinary, limited and LLPs**) – you might choose a partnership if you're going into business with one or more people. There are different registration and liability responsibilities depending on which you choose.
- **Limited Company** – you'll need to register the business with companies house and the company's finances are separate from your own. There is more paperwork with this option.

You must decide which type is best for you before you become self-employed. However, you can change this later should you wish.

### Setting up as a sole trader

Most advisers taking the RI route will choose the easiest and cheapest option, which is to set up as a sole trader. Here's some of the things you'll need to do:

- Tell HMRC that you're self-employed so that they know you need to pay tax through Self Assessment and pay Class 2 and 4 National Insurance contributions
- Set up a business bank account
- Establish a bookkeeping process for recording and evidencing your income, expenses and profits
- Check your tenancy agreement or mortgage agreement to make sure you're not contravening any terms if you're working from home – you may need to notify your landlord or mortgage lender
- Sort out your insurance – you'll need public liability insurance

### Potential costs

It is estimated the average start-up cost for an advice firm is £25,000 (including office space, tech services and PII coverage). It can take a long time to save up that kind of money.

The actual costs you will incur depend on your business model, where you will be operating from, and the kind of legal structure you decide on. Below is a list of the most common expenses:

- Technology Hardware
- Software Research Tools
- Regulatory Fees (inc FCA and PII)
- Client Acquisition such as Lead Purchase
- Client Surveys
- New Home Packs for Clients
- Business Expenses
- Office (rent)
- Gas / Electricity
- Insurance
- Repairs & Maintenance
- Postage & Stationery (business cards etc)
- Advertising & Promotions
- Telephone
- Travelling & Motor Expenses§
- Finance Charges
- Professional Fees / Subscriptions
- Accounting & Legal

One of the benefits of joining Tenet Financial Services is that many of these initial expenses are already covered. This means you can take the leap into starting your own advice business sooner than you think.

## Creating a business plan

While your earning potential may increase, how much you will ultimately earn is dependent on how often and hard you want to work as well as the kind of business you write.

The success of any business is down to its ability to acquire new business and retain customers, which is why it is so important to have a business plan in place. For advisers choosing a DA or AR route, the business plan is probably the most important aspect of the business. Without a clear plan, the chances of actually achieving profitability are very slim. That's why most networks require a business plan as part of their onboarding process.

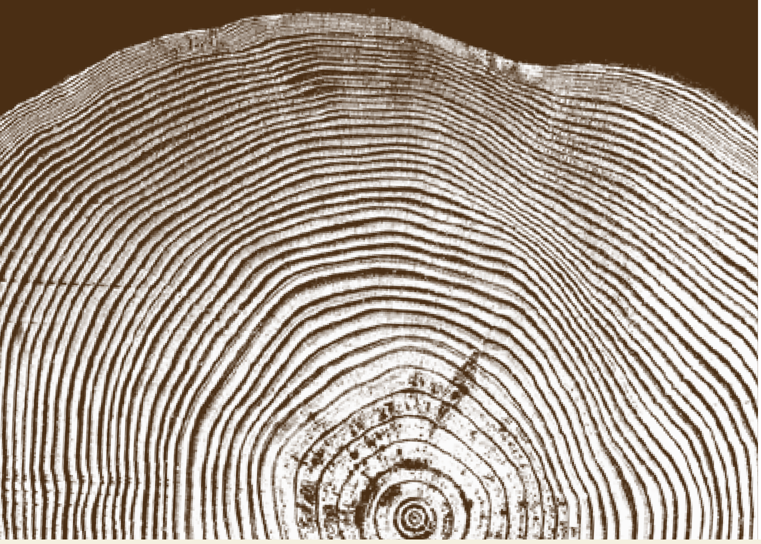
For advisers choosing to become an RI in an established brand however, the business plan is not an onerous task. Tenet Business Managers work with advisers to find out how much they want to earn and therefore how much business they will need to write in order to achieve that. The great thing about this route is that the vast majority of your time can be spent writing business, with the administrative burden taken care of by the support of the infrastructure.

### What is a business plan?

A business plan is a document that defines in detail a company's objectives and how it plans to achieve its goals. A business plan lays out a written roadmap for the firm from marketing, financial, and operational standpoints.

# 4 How much can I earn?

Self-employed RIs tend to earn more than employed advisers as they keep more of the income generated from the sales they make and therefore have more power over their earnings. How much you earn is, ultimately, down to you as you can choose how much you work and set your own earning goals.



## Work out how much you could earn

The UK average mortgage debt is £138k (2021). Based on this average mortgage amount, an adviser can earn roughly:

| | |
|---|---|
| £483 | Mortgage procuration fee average .35% |
| £395 | Mortgage advice fee |
| £819 | Life insurance commission based on £35pm premium |
| **Total £1,697** | |

Clients with more complex requirements would take you into the specialist market, which includes second charge, Buy to let, bridging, commercial and development. These specialist lending solutions can attract higher income levels than standard residential mortgages.

So, if you completed 10 mortgages per month with £1697 in commission, you will have generated £17k.

**£30,000 - £45,000**
Average salary for a qualified, employed financial adviser. ***Indeed***

**£80,000**
Average income for a qualified self-employed financial adviser. ***MoneyMarketing***

# 5 Taking the leap

So, although there's lots to consider, with the autonomy and earning potential it's easy to see why so many advisers opt to be their own boss. For employed advisers taking that first leap into self-employment, we would highly recommend the RI in an established brand route first and foremost. This will ease you into the complex world of running a business, giving you all the support and expertise you need and steering you towards success.

## Sparked your interest?

Book an insight session with one of our business partners to talk in depth about your career aspirations.

***Call 0333 222 4483 or email: enquiries@tenetfs.co.uk***

# How Andrew tripled his earnings with TFS

CASE STUDY

**Background:**
Andrew was an experienced IFA with a financial advice firm. Wanting more control over his development, earnings, and work/life balance, but none of the hassle of starting a new business, he became a self-employed adviser with TFS in 2019.

**Concerns:**
Andrew had some initial concerns about becoming self-employed and learning new processes at such a "late age" (he was in his 40's). He also described himself as "a bit of a luddite" when it came to technology, as well as being worried about the depth of support he would get and initially having no clients of his own.

**The move:**
With the support of TFS, Andrew quickly overcame these concerns and now describes himself as "an advocate of new technology".

He believes the move has made him a better adviser, giving him more confidence in the advice he provides clients.

"When working on your own like this it's important to feel part of a bigger picture and I do at TFS. Despite starting from scratch in terms of clients, I have been pretty much busy since joining, and now generate approximately £100k+ annually."

**Would he recommend it?**
"Yes, I would. You are only as strong as your weakest link and being with TFS gives me the reassurance and peace of mind knowing I am supported by a dedicated team of professionals."

"There was an opportunity to switch to TFS, I took it and have never regretted it. I am provided with good contacts that enable me to meet my targets, given financial strength, and I know there are exit plans as and when I need them. I also have much more control over my work/life balance, and this flexibility has been huge for me."

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