

SMALL BUSINESS FOCUS

Eric started career with family firm at age of 12

Each week, we ask small firms in the area some key questions. This time, we speak to Eric Rae, partner in electrical contractor E. Rae and Son, of Turriff



Eric Rae: I was raised to always do my best

How and why did you start in business?

I started working with my father, mother and sister when my father started a lighting business (Rae's of Turriff) in 1976, when I was 12. I loved it and have been doing it ever since.

How did you get to where you are today?

I sat my highers at Turriff Academy, undertook an electrical apprenticeship with my father through Fraserburgh College, and then did my best to contribute to the family firm.

Who helped you?

My father was my main help.

What has been your biggest mistake?

We all can make mistakes and hindsight is a wonderful thing.

My biggest mistake would probably be being too cautious, however, I do endeavour to change with the times and to move into new fields.

What was your greatest achievement?

The achievement that makes me most proud is to have my son, David, working alongside me in a successful, local, family business.

If you were in power in government, what would you change?

If I was in government I would stimulate business by levelling out and reducing fuel prices.

Fuel is becoming a major issue for many businesses, penalising them by increasing the cost of their raw materials and by making it

ever more expensive for them to keep their own vehicles on the road. The inevitable result is increased prices and reduced customer demand. What do you still hope to achieve?

In these austere times, I hope to keep the business growing and to keep up with the changing

needs and expectations of customers.

“Fuel is becoming a major issue for many businesses”

What do you do to relax? I like to keep busy and, apart from the business,

which I run with my sister, and my family (wife Frances and sons David and Christopher), I am the vice-chairman of the Aberdeen branch of Select (Scottish Electrical Contractors Association) and a member of its central board.

I am also chairman of the Banff and Buchan branch

of the Federation of Small Business, and chairman of the north-east Scotland region.

I have been an officer of the 2nd Turriff Boys' Brigade Company for the past six or seven years and I am now a member of the 41 Club for past members of the Round Table. Life is never dull.

What are you currently reading, listening to or glued to on the TV?

Time for reading and TV is always short but, when time permits, I enjoy reading thrillers and mysteries and watching thrillers and investigation and action programmes.

What do you waste your money on?

My main vice has to be clothes. I am a sucker for shopping. I also love going to events and functions and meeting new people from throughout the country.

How would your friends describe you? My friends would probably describe me as normal, because most of them are just like me: busy people juggling family with work and involvement in local groups.

What would your enemies say about you?

My enemies would probably say I am too busy to give full attention to what I do, however, I was raised to always do my best and to give back to the community which supports me and in which I live and work.

What do you drive and dream of driving?

As a self-employed person, my money is tied up in my business so I drive a second-hand Renault Scenic Rx4 (4X4) as this gets me where I want to be even during bad weather. I do not really have a dream car, as when I do change cars I go with what I can get with the budget I have.

Forum chief executive Phil Orford said: “Small firms simply do not have internal resources dedicated to complying with regulations, so either the business owner or a key senior manager is forced to devote a large amount of time to this task – an average of almost 40 hours each month – or they have to pay for an outside consultant.

Firms fork out £415m to pay advisers

BY IAN FORSYTH

NEW research shows small firms in Scotland pay £415million a year to outside consultants for support on complying with regulations; more than a third of their £1.2billion annual red tape bill.

The Forum of Private Business said that, on average, each small employer in Scotland handed over £4,950 a year to firms offering legal guidance, including advice on employment, health and safety and tax and more than double the UK's 2009 average annual bill of £2,100.

Its latest referendum research showed the combined annual amount paid by Scottish small firms to consultants for tax advice was in excess of £240million, external health and safety support cost almost £70million and employment-law consultancy services came to £52million.



Phil Orford: resources

The main annual internal costs for small firms in Scotland were employment law, at £451million, health and safety at £203million and tax compliance at £129million.

Forum chief executive Phil Orford said: “Small firms simply do not have internal resources dedicated to complying with regulations, so either the business owner or a key senior manager is forced to devote a large amount of time to this task – an average of almost 40 hours each month – or they have to pay for an outside consultant.

“There are also steep legal costs incurred when businesses are charged with breaching regulations. The answer is that prevention is better than cure; it is so important to put in place internal processes geared towards complying with the law in the first place.”

MONEY

Looking to get your foot on the property ladder?

BY IAN FORSYTH

BUYING a home for the first time can be both expensive and daunting, with many young people struggling to get a foot on the housing ladder.

Andy Graham, a 29-year-old sales manager from Aberdeen, asked for any tips that would make buying a house for the first time easier.

He said: “I am keen to buy a property in Aberdeen in the near future, but really don't know where to start when it comes to financing the purchase.

“I was just wondering if there were any special initiatives available to me as a first-time buyer that would make the purchasing process both easier and more affordable.

“Also, I would like to know if there are any particular mortgage schemes out there which specifically help first-time buyers and if so how I can find out more about them and any deposit requirements.”

Rory Taylor, a financial adviser with Aberdeen Conside, said: “There are various factors a first-time buyer must consider when looking to secure a mortgage, including their ability to amass a suitable deposit and ensuring they establish a good credit rating. Any buyer must have a deposit of between 5% and 15% of the property price or value.

“The most common ways of

obtaining a sufficient deposit include saving regularly and monetary gifts from family members.

“A first-time buyer must budget when saving for a deposit in order to ensure they will have a sufficient amount for the property they wish to buy.

“This budgeting will also stand them in good stead when they secure a house purchase, because they will have experience in saving and can budget for the new monthly outgoings when a property is bought.

“Any buyer must have a deposit of between 5% and 15% of the property price or value”

“There are two affordable housing schemes available to first-time buyers – shared equity and shared ownership – which are provided primarily through housing associations and housebuilding companies. Both schemes still involve the buyer contributing a deposit, although this is generally a much smaller sum than when buying on the open market.

“Shared-equity schemes operate where the housing association/builder provides a percentage of the price as a deposit for the buyer, allowing them to buy the whole property.

“The housing association/builder retains the per-



KEEN TO BUY: Andy Graham... looking for advice on securing his first home

centage share in the property until this is repaid to them by the buyer. If the property is sold, this share must be repaid in full.

“Shared-ownership schemes allow a buyer to own a certain percentage share of a property. The buyer pays a mortgage payment on that share, plus rent on the

remaining percentage share. It is possible to buy larger shares of the home over time until the purchaser fully owns the home.

“Although not necessarily incentive schemes for first-time buyers, other mortgage options include a guarantor application or a joint application with parents.

“It is always prudent to seek out the best independent advice when buying your first home, rather than restricting yourself to one lender's product range.”

● If you have a financial problem, then let our team of experts help you. Just e-mail your query to pj.your-money@ajl.co.uk

Q I have some premium bonds but never seem to win anything other than a very occasional £25. Should I keep them? – R.E., Aberdeen.

A Barry O'Neill, investment director at Carbon Financial Partners in Aberdeen, said: It largely depends on how much you have invested and what else you would consider doing with this money. If you hold bonds to the value of £1,000 and enjoy average luck, you stand to win £25 at some point over the next three years. This return is far lower than any competitive savings account. The difference is that with £1,000 in premium bonds, you have a chance, albeit a one-in-a-million chance, of winning the £1million top prize over the next three years. Ultimately, premium bonds, should not be seen as an investment but simply a bit of fun.

Q I'm disappointed with the returns from my pension. Should I continue to contribute? – W.J., Fraserburgh.

A Barry O'Neill said: It's important to highlight that there are very few tax wrappers that will provide 20%, 40% or 50% uplift simply for putting money in to them. This alone makes pensions very worthwhile. Investment returns are also crucial. Are you getting the level of return for the level of risk you are taking? You also need to consider the impact of charges on your pension and the costs of investing as these can rapidly erode returns if they're too high. Seek professional advice.

Q My pension fund has fallen in value. Should I still take my benefits or delay retirement? – H.W., Elgin.

A Barry O'Neill said: Could you defer taking benefits until stock markets improve? For larger funds, consider dripping out tax-free cash in the short term. As no tax is paid, less needs to be deducted from the fund, so capital erosion is reduced. For smaller funds don't accept annuity rates offered by your pension provider immediately; shop around for the best rate.

Fewer businesses in Scotland being granted time to pay

BY IAN FORSYTH

THE number of Scottish firms being allowed to defer payments to the taxman has fallen dramatically since 2009, according to analysis of latest official statistics by insolvency trade body R3.

It said that, in 2009, 15,300 payment deferral arrangements were made in Scotland under HM Revenue and Customs' Time to Pay scheme with a value of £260million. But, in the first six

months of 2011, the total was just 3,160 arrangements with a value of £68million.

About half of the deferrals are for VAT with corporation tax, PAYE and self-assessment almost equally divided among the other half.

John Hall, Scottish council member with R3, said: “The Time to Pay scheme has in many cases provided a valuable breathing space for struggling companies.

“The continued decline in the

number and value of arrangements shows that the taxman is now taking a much tougher stance.

“This is backed up by the recent sharp rise in company liquidations, which indicates that HMRC is now stepping in to wind up companies that have been granted time to pay and have not maintained their commitments, or late payers without agreement in place. Companies with cash-flow problems should be

aware they can no longer rely on deferring their tax bill as a survival strategy.”

R3 said HMRC had said the latest Time to Pay figures were the last ones that would be released. Mr Hall added: “We are concerned that HMRC will no longer publish these figures from now on as we believe it is in the public interest to do so.”



John Hall: tougher stance