Make your company's surplus cash work harder today

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part of M&G plc

A company's surplus cash is money that exceeds what's needed for short to medium-term expenses

Many businesses keep surplus 'rainy day' cash in a bank account for emergencies. But with today's low interest rates and rising inflation, keeping money in the bank comes at a price. And as inflation climbs even higher and bank interest rates remain very low, the spending power of cash kept in the bank falls further and further. For this reason, many businesses seek to preserve the value of their surplus cash by investing it. Here are the facts:

The aim of investing surplus cash is to:

- Help your surplus cash to grow
- Help your surplus cash to potentially meet or exceed the rate of inflation

Companies invest surplus cash to support their individual business goals.

For example:

- The business has a surplus but no specific spending plans and wants to see the surplus grow – not let it languish in a bank account
- The business knows it has large expenses ahead, like new staff, machinery, or technology, and could want to preserve future purchasing power
- The business operates in an industry with predictable ups and downs, and seeks returns to prepare for dry spells ahead

Working with a financial adviser, companies can invest on a schedule to suit their needs, for example:

- Companies new to investing may choose to invest a small amount at first
- Some prefer to invest a lump sum of their surplus cash in one transaction
- Others invest annually, with top-up contributions over time

Working with a financial adviser helps to ensure the business considers potential risks and complexities such as:

- Which investing approach provides the most suitable solution for the business
- Know what's surplus and not needed for bonuses, dividends, pensions or reinvestment.
- How the company's size affects accounting methods and whether the company is subject to historic cost accounting or fair value rules
- Potential impacts on future Business Relief for Inheritance tax (IHT) and Business Asset Disposal Relief for Capital Gains tax (CGT)

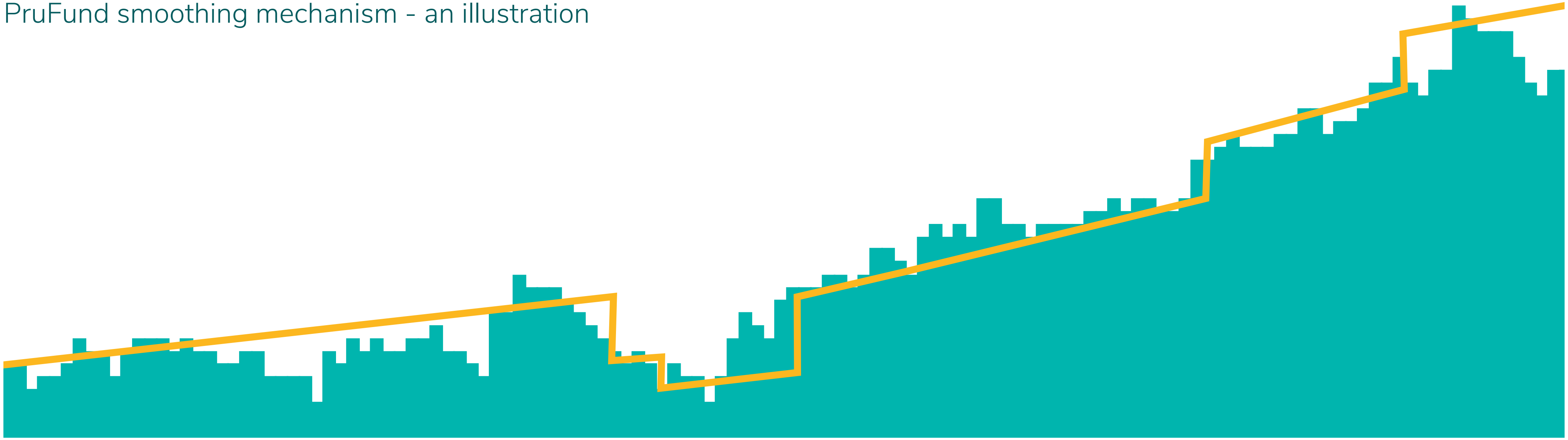
Please remember that investments rise as well as fall and you may get back less than you invest. Investing may not be suitable if you need instant access to cash as investing is for the medium to long term (5 - 10 years). Investing surplus corporate cash can be complex, a financial adviser is best placed to help to decide if it is right for your business.

One solution for surplus cash: PruFund

Some companies worry about investing their surplus cash due to the risk that comes with investment. That's why many invest in PruFund.

PruFunds offer an established smoothing mechanism which aims to smooth some of the short term ups and downs of investment markets. Your company can access PruFunds through a range of products, including our onshore and offshore investment bonds. When investing in PruFund, it's important to remember it's a medium to long term investment (at least 5-10 years). Please remember that the value of any investment may go up as well as down and you may not get back the same amount as what you put in.

PruFund smoothing mechanism - an illustration



Unsmoothed fund   Smoothed fund

This chart aims to illustrate the concept of a smoothed fund, but it is not representative of any particular time period or investment performance.

The **green** area of the chart represents the ups and downs of the market that could occur in an unsmoothed fund.

The **yellow** line represents the activity of a smoothed fund, which is designed to reduce the ups and downs of the market.

Please speak to your adviser to learn more.

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