Rising Inflation Erodes Savings Growth Amid Low Interest Rates

Inflation is eroding savings and traditional investments face hurdles. However, EIS & SEIS offer tax benefits and growth via early-stage business investments.

EIS and SEIS offer a powerful investment alternative.

CRAWLEY, WEST SUSSEX, UNITED KINGDOM, February 17, 2025 /EINPresswire.com/ -- The UK economy in 2025 will continue to pose significant challenges for savers, with inflation persistently outstripping interest rates and eroding the real value of cash savings. While banks have responded to market pressures by offering higher interest rates, these remain below inflation, meaning savers are losing money year after year.

Meanwhile, traditional investment routes such as property and bonds face hurdles, including high entry costs, tax burdens and interest rate sensitivity, with limited growth potential—leaving investors searching for better alternatives.

> EIS and SEIS offer a powerful alternative to traditional savings, allowing investors to benefit from substantial tax reliefs while directly supporting Britain's most promising companies."
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> *Tara Denholm-Smith*

For investors who want to preserve and grow their wealth, the government-backed Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS) present a compelling solution. These schemes offer significant tax incentives and provide investors with the opportunity to support Britain's most promising early-stage businesses, driving innovation, job creation and economic recovery.

The UK has long been recognised as a leader in fostering entrepreneurship, with small and growing companies at the heart of economic development. In line with this, the government has reinforced its commitment to supporting start-ups by extending the Enterprise Investment Scheme (EIS) for another ten years. Originally set to expire in April 2025, this scheme will now continue until at least 5 April 2035, ensuring long-term support for investment in high-potential UK businesses.

Praising this commitment, BVCA (British Private Equity & Venture Capital Association) Chief Executive Michael Moore said:

“It is excellent news that the government is moving so quickly. This means that investors can now focus on what they do best, investing, safe in the knowledge that these schemes now have the long-term security needed to drive investor confidence. The BVCA has long advocated for this move as these schemes play a vital role in supporting early-stage companies that have the highest growth potential and crowding in further investment through the growth cycle. It is vital that the UK retains its competitive edge in a competitive world and this move is a very positive step in that direction.”

Westbrooke Associates

Brokerage Westbrooke Associates backs British businesses

This extension is part of the government’s broader strategy to rebuild Britain by stimulating economic growth through investment. Over the past three decades, EIS and SEIS have facilitated over £41 billion of investment into British businesses and this latest extension will allow thousands more entrepreneurs to access the capital they need to expand.

For investors, this creates a unique opportunity to align their financial growth with the future success of UK enterprises, benefitting from tax reliefs while contributing to the country’s economic stability.

Exchequer Secretary to the Treasury, James Murray, said:

"Startups and entrepreneurs are a driving force for greater investment, more jobs and economic growth in the UK. By extending these schemes for 10 years, we are providing the stability and support they need to help us make every part of Britain better off."

Despite recent interest rate rises, traditional savings accounts remain an uncompetitive option for wealth growth. Even with banks offering rates as high as 4-5%, inflation continues to exceed these levels, reducing the actual purchasing power of savings over time. Meanwhile, property investment faces increasing regulatory and tax burdens and stock market volatility makes traditional equity investing more uncertain. In this climate, tax-efficient schemes such as EIS and SEIS provide an alternative to mitigate risk through government-backed incentives and offer substantial growth potential.

The Enterprise Investment Scheme (EIS) was introduced in 1994 to help small, innovative companies raise capital. EIS-qualifying businesses are typically early-stage companies, often in high-growth sectors. Investors can invest directly in a single EIS-eligible company.

Under EIS, investors can receive up to 30% income tax relief on investments up to £1 million per year, or £2 million if investing in knowledge-intensive businesses. Additionally, any gains made from EIS shares are tax-free if held for at least three years and investors can defer capital gains tax on other assets by reinvesting in EIS-qualifying companies.

Furthermore, EIS shares can be passed on free of inheritance tax after two years, offering a valuable estate planning advantage. In the event of an investment underperforming, investors can also offset losses against income tax, significantly reducing risk.

The Seed Enterprise Investment Scheme (SEIS), introduced in 2012, builds on the success of EIS by offering even greater tax incentives for those willing to back earlier-stage businesses. SEIS investments qualify for 50% income tax relief, meaning a £100,000 investment could provide an immediate £50,000 tax saving. SEIS investors also benefit from capital gains tax relief and loss relief, ensuring that even in the event of business failure, financial exposure is minimised. Inheritance tax relief is also available for SEIS investments, provided they are held for at least two years.

For high-net-worth individuals and those with the right risk profile, EIS and SEIS offer a unique opportunity to invest in early-stage British businesses while benefiting from an exceptionally tax-efficient structure. With the government extending these schemes for a further decade, there has never been a better time to consider shifting capital from underperforming savings accounts into investments that not only protect wealth but also drive future economic growth.

As the economic landscape shifts, individuals need to rethink their financial strategies. With savings accounts offering limited real-term gains and conventional investments facing increasing uncertainty, tax-efficient schemes such as EIS and SEIS stand out as a compelling alternative. Investors interested in exploring these opportunities should act now to take full advantage of the benefits available.

For more details on how EIS and SEIS investments could work for you, please visit www.westbrookeassociates.com or call 0203 745 0294 to request the latest brochure.

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