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From idle cash to strategic capital: Rethinking surplus cash for Irish business owners

April 2026

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Executive summary

For many owner managed businesses in Ireland, success quietly creates a new problem: excess cash on the balance sheet. What once felt like security can quickly become inefficiency. With inflation eroding value and deposit rates still structurally weak, idle cash is no longer neutral, it is a drag on long term wealth.

There is now a clear policy shift underway. With over €170 billion sitting idle in low-yield deposits, the Irish Government is moving to incentivise a transition from saving to investing, with a new state-backed savings and investment scheme expected from 2027.

This signals a broader shift from saving to investing as a national priority.

At Fordel, we are already seeing this transition take hold. The most effective business owners are no longer asking “Where should we park cash?” but rather “How should this capital work harder for the business and for me?”

The hidden cost of holding cash

Why “safe” isn’t safe

Irish SMEs have traditionally taken a conservative approach to liquidity. In uncertain environments, this has been entirely rational. However, in today’s landscape, the risks of holding excess cash are more subtle, but no less significant.

Cash may feel safe, but in real terms it is steadily losing value. With deposit rates remaining modest relative to inflation, this gap compounds over time. In contrast, long-term data shows that diversified portfolios across equities and bonds have consistently delivered stronger outcomes.

The result is a reframing of risk.

What feels safe in nominal terms is often risky in real terms.

At a national level, policymakers have recognised this imbalance. With over €170 billion sitting in low-yield deposits, the proposed state-backed savings and investment scheme is designed to shift behaviour, encouraging capital to move away from idle cash and into more productive uses.

Put simply, Ireland does not have a savings problem. It has a deployment problem.

A policy shift: Why this matters now

The new state-backed savings and investment account marks a meaningful change in direction. The aim is to simplify access to investing, improve tax efficiency, and encourage capital to move towards higher return opportunities. However, for business owners, this development should be viewed in context.

These schemes are primarily designed for individuals rather than corporate balance sheets. They are unlikely to address retained earnings within companies or the tax implications of close company structures. Policy initiatives can only go so far - tax wrappers and incentives may encourage participation, but they do not replace strategy.

The implication is straightforward: while the environment is evolving, responsibility still rests with business owners to take a more deliberate and structured approach to capital.

From idle to intentional: A better framework for surplus cash

One of the most effective ways to approach surplus capital is through segmentation - distinguishing between cash that is genuinely required and capital that is simply sitting idle.

Every business needs liquidity for working capital, tax obligations, and short-term commitments. Beyond this, many will hold reserves for strategic flexibility - acquisitions, expansion, or resilience during downturns. But beyond these layers lies a third category: surplus capital. This is where the real opportunity exists.

Too often, businesses stop at building comfort. Few move to optimisation. Yet it is this final tranche of capital, unrequired in the short to medium term, that can be transformed into a long-term wealth engine when approached correctly.

This is where the role of a financial adviser becomes critical - not in selecting products, but in helping to define what "surplus" truly means, structuring capital appropriately, and aligning investment decisions with both business and personal financial objectives.

A familiar scenario: The profitable but passive business

Consider a typical Irish SME with €2 million in retained earnings, of which €1.2 million sits in deposit accounts. On the surface, this reflects prudence. In reality, it often represents missed opportunity.

Over a ten-year period, such capital may deliver only modest nominal returns while inflation steadily erodes its real value. The opportunity cost, relative to a structured and invested approach, can be substantial.

Contrast this with a scenario where surplus capital is clearly identified, invested in a diversified portfolio, and aligned with the owner's broader financial plan. The difference is not incremental. It is transformational.

The tax dimension: Where structure drives outcomes

For Irish close companies, surplus cash introduces a familiar tension. Extracting profits can trigger personal taxation at rates exceeding 50 percent, while retaining earnings can lead to additional tax exposure through the close company surcharge.

Left unmanaged, this creates inefficiency on both sides.

This is where structured corporate investment becomes particularly powerful. Certain approaches allow capital to be invested within the company in a tax efficient manner, with gains typically taxed at lower rates and the benefit of compounding without annual tax drag.

The key point is not simply that investment is beneficial, but that the structure through which it is implemented fundamentally shapes the outcome.

In this context, tax is not just a constraint. It is a design consideration.

Connecting corporate capital to personal wealth

A recurring issue among business owners is the separation of corporate and personal wealth.

On paper, this distinction is logical. In practice, it often leads to fragmentation.

Surplus cash held within a business does not exist in isolation. It ultimately serves a purpose, whether that is funding retirement, supporting an eventual exit, or facilitating intergenerational wealth transfer.

Without a clear link between company capital and personal objectives, even well performing investments can fall short of delivering meaningful outcomes.

The most effective strategies start with alignment. They treat the business not as an endpoint, but as part of a broader financial ecosystem.

Diversification and resilience

Diversification is often described as the only free lunch in investing. Yet within corporate balance sheets, it is frequently overlooked.

Holding large cash balances represents a form of concentration risk, just as much as holding a single asset or relying on a single income stream.

By contrast, a diversified portfolio spanning global equities, fixed income, and other asset classes introduces balance. It reduces reliance on any one outcome and improves resilience across market cycles.

The benefit is not just higher expected returns over time, but a smoother journey in getting there.

For business owners already heavily exposed to their own company, this diversification becomes even more critical.

What good looks like

The most effective business owners take a structured approach.

They define liquidity needs with precision rather than caution. They segment capital deliberately, distinguishing between what is required and what can be deployed. They implement investment strategies that are both tax aware and aligned with long term objectives.

Just as importantly, they ensure that company capital is not managed in isolation, but as part of an integrated personal wealth plan.

This is not about chasing short term returns or reacting to market movements. It is about building a system where capital works consistently across different environments over time.

What next?

Ireland is changing. Policy is evolving. The conversation around savings and investment is shifting.

The question is whether individual strategies are keeping pace.

Most business owners do not have a cash problem. They have a strategy problem.

The real question is simple. Is your capital working as hard as you are?

At Fordel, we work with owner managed businesses to bring structure, clarity, and long-term direction to their financial decisions.

If you are holding significant surplus cash, now is the time to rethink its role, not as idle security, but as strategic capital.

Because your capital and your future should be worth more.

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