managing your savings.

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managing your savings.

You may be just starting to put money aside for the future or you may have already built up a savings fund. In either case, it is important that you find the most suitable home for your savings.

There is a lot to consider, including the safety of your money in the event your bank or building society goes bust, which savings account is right for you and the potential tax you will pay on any returns you receive.

In addition to making cash savings, you may also be considering the idea of taking some risk with your savings to target a greater return in the long-term. Whilst we will concentrate on cash savings, there is also information here that you will find useful if you are considering making a long-term investment.

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savings.

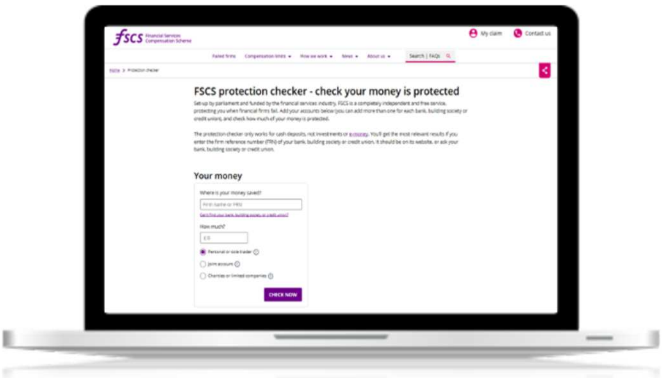
Are my savings safe?

Holding savings in an account is not just about receiving interest, your savings are also normally protected.

If you hold your savings with a UK-authorised bank, building society or credit union that goes bust you are automatically protected by a compensation scheme. This is referred to as the Financial Service Compensation Scheme (FSCS) and covers savings up to £85,000. This is the limit per person for each bank, building society or credit union. For most people this limit of £85,000 is more than enough to cover all their savings. In the event you are ever in a position where your savings exceed this amount, it may be worth considering spreading your savings across different banks, building societies or credit unions.

If the organisation that holds your savings goes bust and is covered by the FSCS you do not need to do anything. The FSCS will automatically compensate you.

You can easily check how much of your savings are protected by the FSCS by using their 'protection checker'.
Visit: **www.fscs.org.uk/check-your-money-is-protected**



Which savings account is right for me?

There are a huge range of options when it comes to savings accounts. It is useful to begin by looking at the different ways you may be offered a return on your savings.

Interest Rates and Annual Equivalent Rate (AERs)

Savings accounts will display the return you will receive on your savings in the form of interest as a percentage. This percentage is normally shown as an annual rate and will therefore tell you how much will be added to your savings if you leave them in the account for a full year.

Clearly the more interest you can receive on your savings the better, however making this comparison can become complicated. For example, some accounts may add interest part way through the year or may provide a bonus that is paid on top of the annual interest. Thankfully, all savings accounts are required to show an Annual Equivalent Rate (AER). The purpose of this is to provide a rate of interest that can be used to fairly compare the interest offered from one account to another. It is therefore important to look out for the AER when shopping around for the account that will provide you with the best interest rate.

account types.

The type of account you choose is important as it can influence how quickly you can access your money, the way returns are given to you and the amount of interest or returns you will receive.

Fixed rate accounts

Interest rates across the UK are influenced by the rates set by the Bank of England. The Bank of England periodically change interest rates and as they do, the returns offered by savings account usefully move in the same direction. It is impossible to accurately predict how interest rates will change in the future, which means you cannot be certain how the interest you receive on your savings may change.

Fixed rate accounts help to provide certainty on the interest rate you will receive as the interest rate that is stated on the account will stay unchanged for an agreed period. The period that rates are fixed for vary, however, fixed rates for 1, 2 or 3 years are fairly typical.

It is often the case that you either can't access your savings during the fixed rate period, or that a penalty charge is applied if you do. You should therefore think carefully about whether you may need your savings back quickly if you are thinking about saving into one of these types of accounts.

Another consideration to make is that interest rates on other accounts may rise during your agreed fixed rate period. This could result in your money being tied up in an account that you can't access whilst other savings accounts are paying a higher rate.

Of course, the real benefit to this type of account is the future certainty of the interest you will receive. If interest rates paid by other accounts fall, you have the security of knowing that your fixed rate will stay unchanged until the end of the agreed term.

One final consideration here is that fixed rates accounts that involve locking your money away for an agreed period will generally pay higher rates of interest than accounts you can access instantly. This is not always the case, so it is important to compare interest rates between accounts before committing.

Variable rate and instant access accounts

As the name suggests, these accounts have an interest rate that can change over time. This means the interest you are offered when you take out the account may increase or decrease in the future. Variable rate accounts are normally instant access, which means you can access your savings at any time without a penalty. This isn't always the case, with some accounts offering higher rates of interest on the condition that notice is provided to access your savings. Therefore, it is important to check this detail before depositing any money.

other types of savings accounts.

Help To Save

There is a special type of savings account if you are on a low income. This is referred to as a Help to Save account and is backed by the Government.

The account is available to certain people entitled to Working Tax Credit or receiving Universal Credit and, if you qualify, the key features are:

- You can save up to £50 each month
- A bonus of 50p for each £1 you've saved is added after 2 years and 4 years
- After 4 years this account is closed, you keep your money including the bonus, but you can't open another one However, if you take money out within the 4 year period you miss out on the next bonus

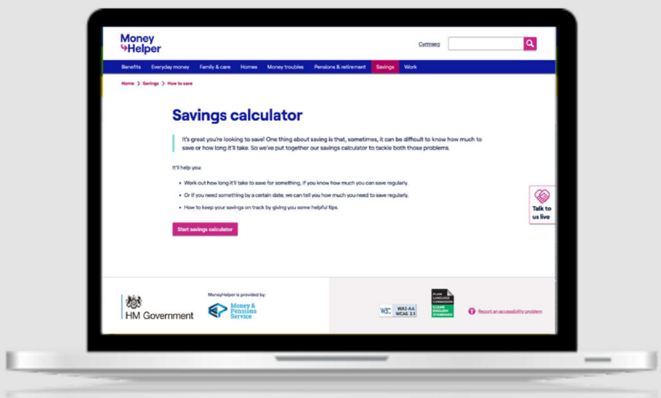
For further information visit:
www.gov.uk/get-help-savings-low-income

Saving for a particular purpose

It is useful to have a goal in mind when you are saving to help keep you on track. This should include not only what you are saving for, but also how long you will need to save for, how much you will save each month and the interest you expect to receive. Equipping yourself with all of this information can help you to create a plan to meet your objectives.

Money Helper has some savings calculators that will help you with this. You can use these by visiting: **https://www.moneyhelper.org.uk/en/savings/how-to-save/savings-calculator**

For further information visit: **www.gov.uk/get-help-savings-low-income**



National Savings & Investments (NS&I) – Premium Bonds

The NS&I are not a traditional bank and instead describe themselves as a "government savings bank". As any savings you have with the NS&I are backed by the UK Government, they are considered completely secure meaning your savings are guaranteed.

A unique way of saving offered by the NS&I is Premium Bonds. Unlike accounts offered on the high street, these 'bonds' do not pay any interest, instead, in return for depositing money into Premium Bonds you are entered into a prize draw each month. Each month you have the chance of winning a prize which is up to £1 million. The original money you deposit into Premium Bonds is completely safe, and therefore, the risk to you is simply that you do not win any prize money. As the prize money you win from Premium Bonds is in place of any interest and these prizes are likely to vary, the returns on Premium Bonds are effectively a form of variable interest.

The odds of winning are 24,000 to 1 for each £1 you hold in Premium Bonds. The more you deposit into Premium Bonds the higher your chance of winning a prize is and any prize money you receive is completely tax-free. The annual prize fund rate advertised by NS&I is currently quoted at 3.00%

In addition to Premium Bonds, NS&I also offer savings accounts that are similar to those you might find at banks and building societies on the high street. These accounts however have the unique feature of being backed by the UK Government.

You can find out more by visiting: **www.nsandi.com**

Or to see information about Premium Bonds visit:
www.nsandi.com/products/premium-bonds

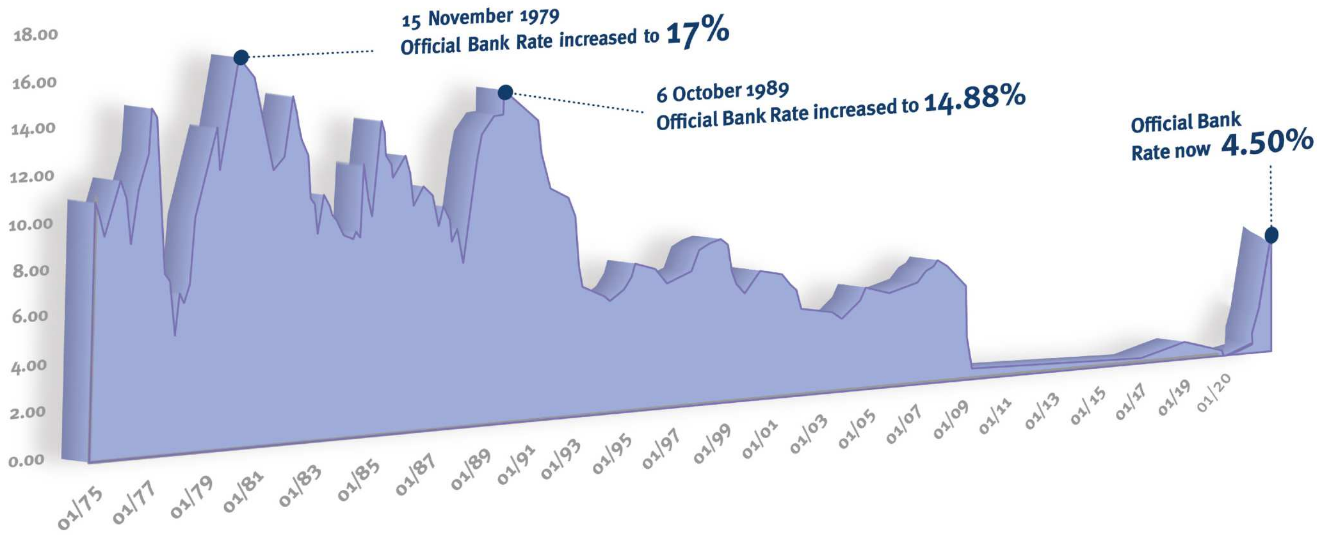
interest rates.

The Bank of England controls the official rate of interest in the UK and this heavily influences the interest rates paid on savings account across the UK. In other words, when the Official Bank Rate rises, the rates available on savings accounts usually rise, and likewise when the Official Bank Rate falls, interest on savings accounts will also usually fall.

Below is a chart showing how interest rates have changed since the January 1975. As you can see, rates at one point peaked at 17% but have since fallen to 4.5% today.

The reduction in rates is in part a response to the financial crisis in 2008 and the financial impact of the global pandemic that followed in 2020. As interest rates are now starting to rise again, it is still essential that you shop around for the best rate of interest you can.

Keep in mind that shopping around may result in a relatively small amount of interest however it is important to ensure your money is working as hard for you as possible.



www.bankofengland.co.uk/boeapps/database/Bank-Rate.asp

Inflation

Over time the cost of living generally rises. This can be seen in everyday life, for example, the cost of a first class postage stamp when sending a letter in the year 2000 was 27p. Today the same stamp costs more than three times this figure.

As the different things we spend our money on change in cost by different amounts, an inflation rate is published that provides a guide of how much the cost of living is increasing from one year to the next.

The inflation rate is an important figure when saving money for the future as it provides an indication as to whether the cost of living is rising faster than our savings are. In simple terms, if the cost of living (the inflation rate) is greater than the interest we receive on our savings, our money will buy less in the future that it can today.

This is unlikely to be a major concern if you are saving for a relatively short period of time, such as a few years. If you are looking to put money away for much later in life, inflation should be a careful consideration.
You can find out more about what inflation rates and what the current inflation rate is by visiting the below website:

For more information about inflation and how it may impact you, visit:
https://www.moneyhelper.org.uk/en/savings/how-to-save/inflation-what-the-saver-needs-to-know

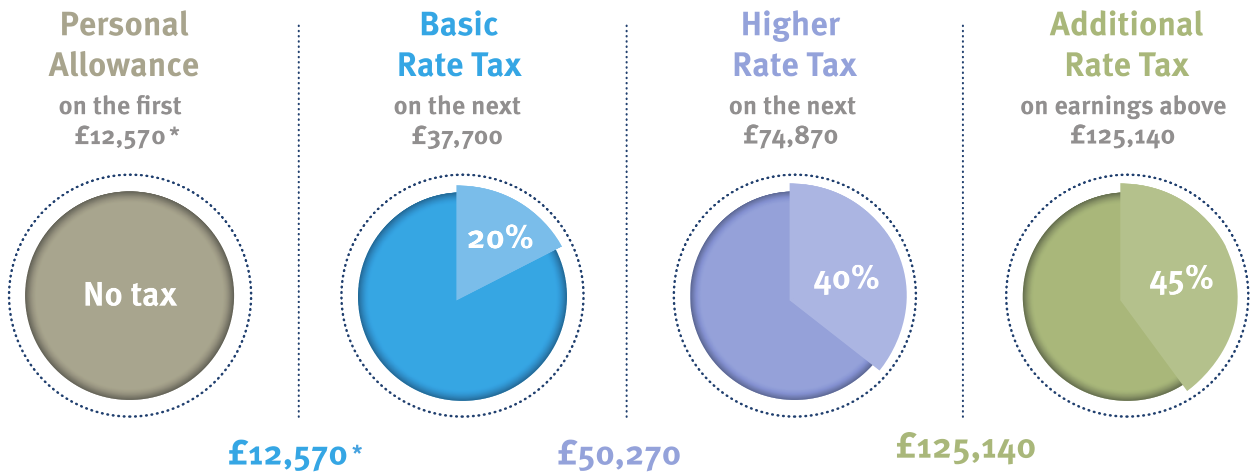
For the current and past inflation rates in the UK, visit: **www.ons.gov.uk/economy/inflationandpriceindices**

making the most of tax allowances.

Understanding tax

Any interest you receive from savings held in a regular savings accounts is potentially liable to tax. The amount of tax you pay will be determined by your total taxable income in a tax year (running from 6 April to 5 April) but for most people in the UK the tax rate is 20%, referred to as the basic rate of tax.

Those who have total taxable income in a tax year that exceeds £50,270 but is less than £125,140 may have to pay tax on interest they receive at a rate of 40%. For those who have total taxable income in excess of £125,140, the highest rate of tax is applied which is 45%.



*Only those earning less than £100,000 get full tax-free personal allowance

Tax allowances

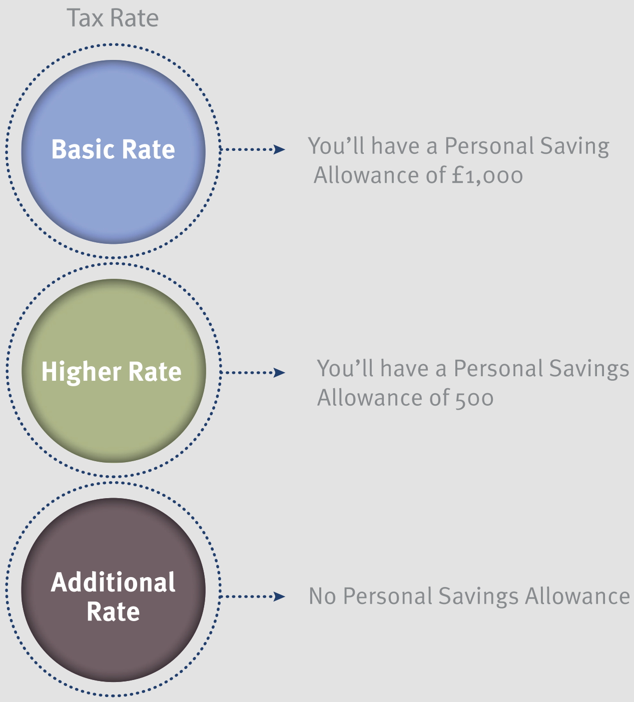
The good news is that the majority of people in the UK have tax allowances that mean they will not have to pay any tax on the interest they receive from savings accounts.

Personal Savings Allowance

Those with a total taxable income in a tax year that is no greater than £50,270 can receive at least £1,000 in interest each tax year, tax free. To put this in perspective, an account paying interest of 3.3% each year would need to have a balance of over £33,000 to generate £990 of interest.

This Personal Savings Allowance is lower for anyone who has total taxable income in a tax year between £50,270 and £125,140. If you are in this position you will have a Personal Savings Allowance of £500. This still means you would need £16,500 in a savings account that pays interest of 3% each year before exceeding the Personal Savings Allowance of £495.

Finally, those with a total taxable income that exceed £125,140 will not have Personal Savings Allowance and will therefore have to pay tax on all interest they receive at a rate of 45%.



If you receive interest which exceeds your allowance, you will pay tax at your marjinal rate

Individual Savings Accounts (ISAs)

Whilst the Personal Savings Allowance will result in many savers not having to pay tax on the savings interest they receive, there are a number of Individual Savings Accounts (ISAs) that will also protect savings from tax.

An ISA is a tax efficient way of holding savings as any interest received within an ISA is completely free of tax. An ISA itself is sometimes referred to as a 'tax wrapper' due to the special tax status of savings held within them. The returns you can receive from an ISA vary between providers and accounts with fixed rate or variable rate are offered by banks and building societies in just the same way as they are for savings held in standard savings account. It is therefore important to keep in mind that an ISA refers to the tax efficiency offered by the account, with interest rates and the terms attached to these rates varying in similar ways to standard savings accounts

Even if you feel protected from tax due to the Personal Savings Allowance, you should think carefully about the potential benefits of using an ISA for your savings. These include:

- Any interest generated from savings held in an ISA is tax-free
- There is a limit on the amount that can be saved each year into an ISA but no limit on the tax savings you can make once money is in the ISA
- ISAs are not restricted based on your rate of tax or the amount you earn
- There is the possibility that the Personal Savings Allowance could change or be abolished in the future, meaning interest on savings that are currently tax-free becomes liable to tax
- Certain ISAs allow you to move money into investments and later sell these investments, all within the ISA
- These ISAs referred to as Lifetime ISAs that can benefit from a Government contribution

Cash ISA

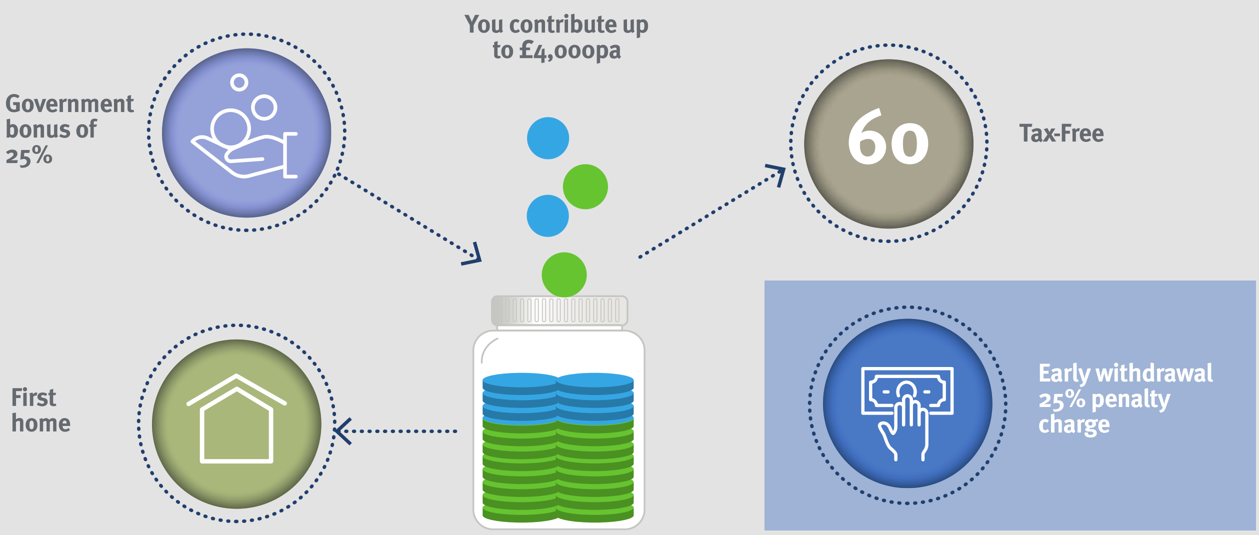
- ✓ For UK residents aged 16+
- ✓ Deposit up to £20,000 each tax year (from 6 April to 5 April)
- ✓ No tax on any interest received in the account
- ✓ Fixed rate and variable rates of return may be available
- ✓ Shop around for the best rate for you

Junior Cash ISA

- ✓ For UK residents aged under 18
- ✓ Save up to £9,000 tax year into your child's account
- ✓ Parents or guardians can open and manage the account but the money will belong to the child
- ✓ The child can take control of the money when they are 16 but cannot withdraw it until they are 18

Lifetime ISA (LISAs)

- ✓ Intended as a way of saving either towards a deposit for your first home or for retirement
- ✓ These account can be opened between the age of 18 and 39
- ✓ Money can be deposited in the account until you reach age 50
- ✓ Contribute up to £4,000 each tax year and the government will add a 25% bonus of up to £1,000 each year
- ✓ A 25% charge is applied to any withdrawals unless:
  - You are using the money to buy your first home
  - You are aged 60 or over
  - You are terminally ill, with less than 12 months to live



investing money for the long term.

What is an investment?

An investment can be anything that you buy with the expectation that it will increase in value in the future. A buy to let property or shares in a company are typical ways of investing, however, there are many other ways if investing that have the potential to generate profit.

Before considering any investment, it is important to be aware of the key features of typical investments that make them different to holding cash in a savings account. These include:

Investments	Savings Account
Will normally be made with the aim of making profit or gain	May receive interest but the original amount deposited does not grow
Investments carry the risk that you may receive back less than you originally deposit	Savings in an FSCS protected account are generally considered to be guaranteed
Investments are generally made with the aim of generating high long-term gains	Cash in savings accounts will generally receive modest amounts of interest that may be less than inflation

Deciding whether to invest money

Deciding whether to invest money is a decision that must be taken carefully and it is essential you fully understand the risks before making any investment. Investments are not right for everyone, and are typically only suitable if you are expecting to leave your money untouched for at least 5 years.

When the ‘risk’ of an investment is referred to, this is essentially referring to how much an investment is expected to rise and fall in value and can therefore indicate the potential for profit or loss.

Whilst you are likely to need to speak to someone to receive financial guidance or advice prior to making any investment decision, you may find the overview graphic on the next page of the risks to your money useful when deciding what is best for you.

Whilst cash held in savings accounts that are protected by the FSCS are often referred to as guaranteed, this does not mean they are completely risk free. The rising cost of living, referred to as inflation, can reduce what you are able to buy with your savings. If the cost of living rises by more than the interest you receive on your savings, you may find you are able to buy less with you savings in the future than you are today. It is impossible to predict any changes to inflation or interest rates and therefore this creates a degree of risk to you savings. It is important to highlight that FSCS protected savings accounts are generally considered the safest way of holding money and are normally the most suitable way of saving for short term needs.

Property

You may own your own home and consider this to be one of your investments. Additionally you may have also considered buying property as an investment that is let out.

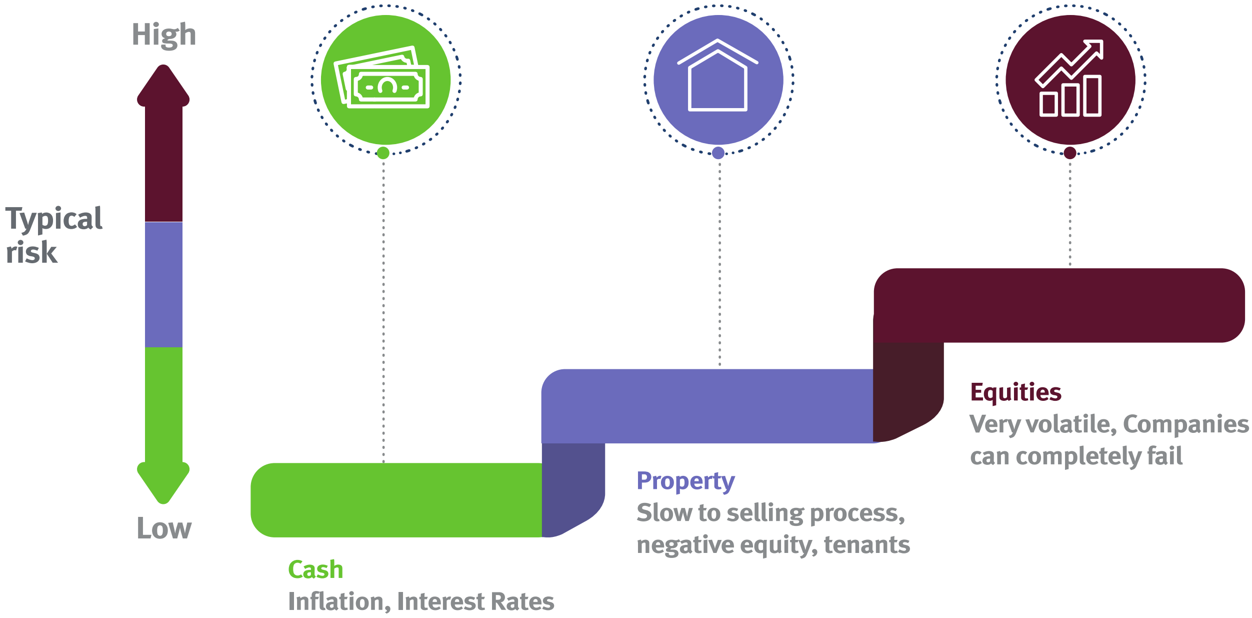
Property can create significant long term returns but can also fall in value, meaning you could receive back less than you invest. The slow process of selling property means it is difficult to get your hands on your money quickly. If you are forced to sell quickly and either can’t sell at all or need to accept a lower price, this is referred to as ‘liquidity risk’.

In situations where a mortgage has been used to buy the property, the outstanding debt could exceed the value of the property. This is referred to as negative equity.

If a property is rented out to tenants there is also the risk that the tenants may miss rent payments or damage the property creating unexpected costs.

Equities

Sometimes referred to as buying 'shares' in a company, equity investments involve buying a small holding in a company or collection of companies. Banks and building societies often provide services to allow their customers to make these type of investments and may offer products that help you invest in a wide range of different companies.
Equities are generally considered to be amongst the most risky type of investments, however, equities can potentially offer high long-term returns. The value of an investment in a company will change daily based on good or bad news about the company's future earning potential. In some cases companies can fail completely, potentially meaning investors lose all the money they have invested in the company.



If you want to read more about investment types and the various products that are available, you may find it useful to review the information from Money Helper. This can be found at:
https://www.moneyhelper.org.uk/en/savings/investing/popular-investments-at-a-glance

glossary.

Annual Equivalent Rate (AER)
All accounts are required to show an AER. This is a way of expressing the account's interest rate over a one year period and includes the impact of any compound interest and bonus that may be received. The AER is a useful way of comparing the interest rate of two different savings accounts.

Bonds
The word bond is often used to refer to either corporate bonds or government bonds. Both are a type of investment that involves lending money to either a large company or government for a defined period of time at a fixed interest rate. Returns are normally expected to exceed the interest from a savings accounts but this is not guaranteed. There is always the risk of default i.e. companies may not be able to meet their debt obligations.

Bonus account
A type of savings account that offers a bonus payment after a certain period of time. This is often in addition to an interest rate that may be paid. You will normally miss out on the bonus if you withdraw your savings before the end of the specified savings period.

Currency exposure
The extent to which an investment's value is influenced by currency exchange rates. This would normally apply when an investment is made in an overseas company or an investment into an overseas property.

Consumer Price Index (CPI)
A method of measuring how the prices of goods and service change over time. The Consumer Price Index is the most commonly quoted measure of inflation in the UK, however there are other indices that also measure changes in prices over time.

Easy access account
A type of savings account that provides immediate access to your savings without any penalty or loss of interest.

Emergency fund
An easily accessible sum of money, normally recommended to be equivalent to at least 3 months' worth of outgoings or salary.

Fixed rate account
A type of savings account that provides a guaranteed rate of interest for a specified term. Penalties often apply for withdrawing funds before the end of the agreed term.

FSCS
Stands for Financial Services Compensation Scheme. This is the scheme that protects your savings up to certain limits, in the event that your bank or building society goes bust.

Gross interest
The interest that is received on a savings account before deducting any tax that may be due.

Index linked
A product that is index linked has its value adjusted according to the value of an inflation index such as the CPI (see Consumer Price Index).

Inflation
The rising cost of goods and services over time. Where the cost of the things you buy increases, the amount you can buy with your savings reduces.

Interest rate (savings)
The return that will be paid on savings you hold in a bank or building society. Interest rates are always shown as a percentage.

Investment
The action or process of investing money for profit.

Investment growth
The term used to refer to how much an investment rises in value. As investments can also fall in value, the holder of an investment can experience an investment loss.

Investment risk
Sometimes referred to as market volatility, this is a term used to describe how much an investment is likely to rise and fall in value. High risk investments could make large rises and falls in value over a short space of time. They represent the greatest potential returns but also the greatest risk of loss.

ISA
ISA stands for Individual Savings Account. This is a type of account that shelters your savings from any tax that may ordinarily be due on your returns. There are a number of different types of ISAs with each having a limit on the amount that can be paid in each tax year.

Junior ISA
A Junior ISA is specifically intended for children under the age of 18 and can be opened by the parents on a child's behalf

Lifetime ISA
A specific type of Individual Savings Account (ISA) that benefits from a 25% bonus from the government. This type of ISA is intended for people who wish to save towards their first home or retirement, with penalties applying to those who use the savings for any other purpose. There are strict rules relating to the maximum age to qualify for this account and the amount that can be contributed each tax year.

Liquidity
Refers to how quickly and easily and investment can be sold. An investment that can be sold quickly is described as liquid. Personal Savings AllowanceThis is a tax-free allowance that can be used against any interest you receive from savings. This means that up to £1,000 of interest from savings will be tax-free for basic rate tax payers.

Variable rate account

A type of savings account that offers an interest rate that could increase or decrease in the future. These types of accounts do not normally apply penalties for early access to your savings, however you should always check the terms before opening an account (e.g. 90 day accounts).

Void periods (property)

A period of time that a buy to let property is vacant, meaning the landlord is not receiving a rental income

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