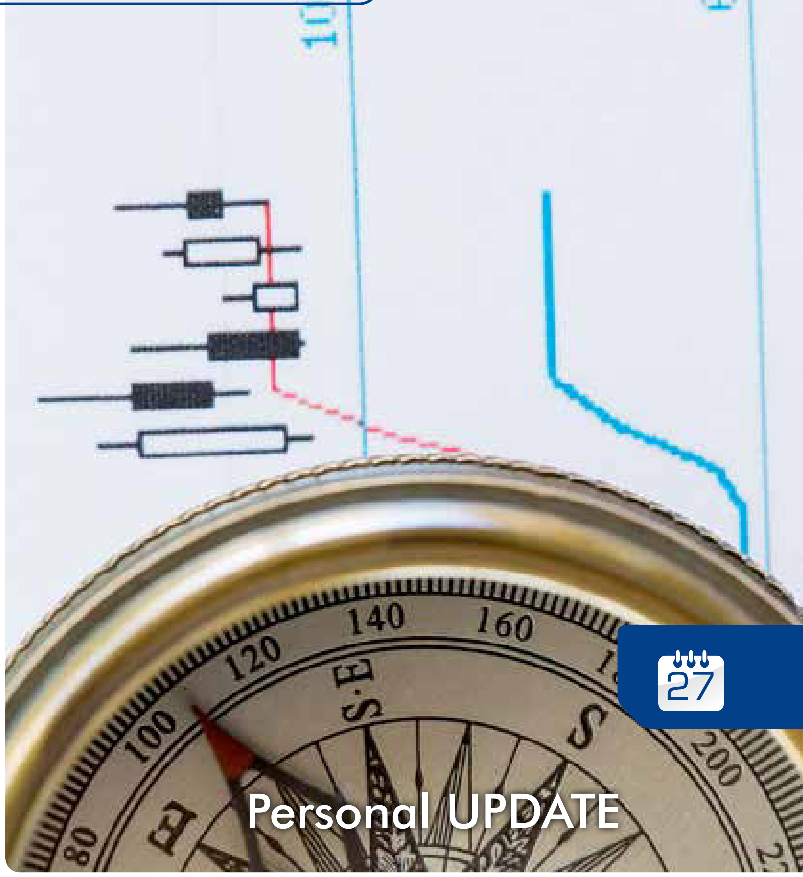

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Making the most of your savings

A guide on how to using your savings to improve your financial position.

People often have a slightly misjudged opinion of their savings as a sedentary block of assets that only creeps forward at a glacial pace due to the interest it generates.

The idea that an individual's savings can be turned into a productive asset is one that is far removed from the image of throwing your money into a dark vault until you need to make a major purchase.

Figures from National Savings & Investments shows that the amount people are putting away reached its highest level in a decade in 2014. The average monthly saving last year was £113, but only 26% of those surveyed were saving with a specific purpose in mind.

Whether you are thinking about maximising the amount of resources you will have for retirement, or you simply want to start making your money work a little harder, there are a range of strategies for getting more out of your savings.

What do you want from your savings?

What you want to achieve is the foundation of your savings strategy.

For example, some options are better suited to those who simply want to increase the amount of money they have as quickly as possible to achieve short-term goals. Others might want to minimise the amount of tax they pay on the money they earn.

Some of the most common reasons people have for saving are:

- having a 'rainy-day fund' in case you need to make essential household purchases or replacements
- holidays and other fairly large and one-off purchases
- financial protection
- future spending on property, weddings and things of a similar nature
- increasing retirement income.

While there are alternatives to saving to achieve some of these goals, such as insurance, loans or selling your possessions, building up a bank of savings is a less risky way to get to where you want to be.

We can help you with your savings strategy today.

Inflation and savings

Inflation is an important concept for anyone who is making plans based on their savings to understand. High inflation combined with low interest rates can create a situation where your hard-earned savings begin to lose value.

In order for your savings to be worth the same amount over time, it will need to grow (either through interest or be added to) by at least the rate of inflation.

Making the most of your savings

The golden rule of savings is therefore:

after tax, your savings must earn interest that is higher than the rate of inflation in order for the value to grow.

Contact us to talk about making your savings work for you.

Savings strategies

There are a large variety of strategies open to those who want to increase their savings, from finding a decent rate of interest to getting on the next plane to Las Vegas with a suitcase bulging with cash.

Here are some of the most popular options.

Tax on savings interest

You do not have to pay tax on savings interest for certain kinds of savings accounts and National Savings & Investment products. Most other savings accounts will incur income tax at 20%, which is automatically deducted from your account.

How much tax you have to pay also depends on your income. For those that earn less than £15,600 (with or without savings interest) a year, it is possible to get your savings interest tax-free. Basic rate taxpayers will have their tax automatically deducted by their bank or building society while higher and additional rate taxpayers will have to pay extra.

ISAs

You can currently save up to £15,240 tax-free into an individual ISA each tax year. The interest earned is treated differently across cash and stocks and shares ISA accounts, with the former being tax-free and the latter tax-efficient.

The 2 different types of ISA, cash and stock and shares, are slightly different, but an individual can choose to split their money between them if they wish.

While a stocks and shares ISA gives you a choice of how your money is invested, like all investments your total savings could fall.

A cash ISA does not give you a choice of how the money is used, it will keep growing with interest added every year or more frequently.

Cash ISAs can be a good option for those who are looking for a low risk way of growing their savings while usually maintaining easy access to your money. If you want the chance of a higher return, then a stocks and shares ISA might just be the ticket.

Fixed rate savings accounts

You can earn a higher rate of interest if you agree to lock up your money and not touch it for a set period of time. These fixed rate accounts are a good option if you have a portion of your savings that you are certain you will not need for a number of years.

However, as with any long-term fixed deal, once the ink is dry on the contract you are at the mercy of external market forces. If you agree not to touch your money for 3 years and over that time interest rates go down and inflation goes up, then your pot will not grow substantially.

Investing

Investing your savings is the riskiest option, but also the one that can bring a big return.

First, you need to decide what you are going to invest in, with stocks, shares, property and bonds being among your choices.

Diversifying the range of ways you invest your money can be a good strategy for minimising risk.

Second, you need to decide whether you are going to invest all of your savings or apply a more drip-feed approach based on the results of your initial investment.

Keeping active

One of the most important things to consider for people who are trying to make the most of their savings is the idea of keeping active.

While picking a savings strategy and sticking with it can bring around the desired results, regularly re-evaluating that strategy can maximise these results further.

It is an interesting quirk of the market that providers often offer great deals for the first 12 months or so in the hope that savers will continue to store their assets there once the initial period is over. It may be advantageous to think about switching accounts once the starting offer runs out, but this far from an iron-clad rule.

Some banks and savings institutions also offer savers the chance to earn higher rates of interest if they can commit to make regular deposits into the account.

Good saving takes planning, discipline and knowledge of the wider market environment. We can give you the expertise you need to make the most out of your money.

Talk to us today about your savings options.