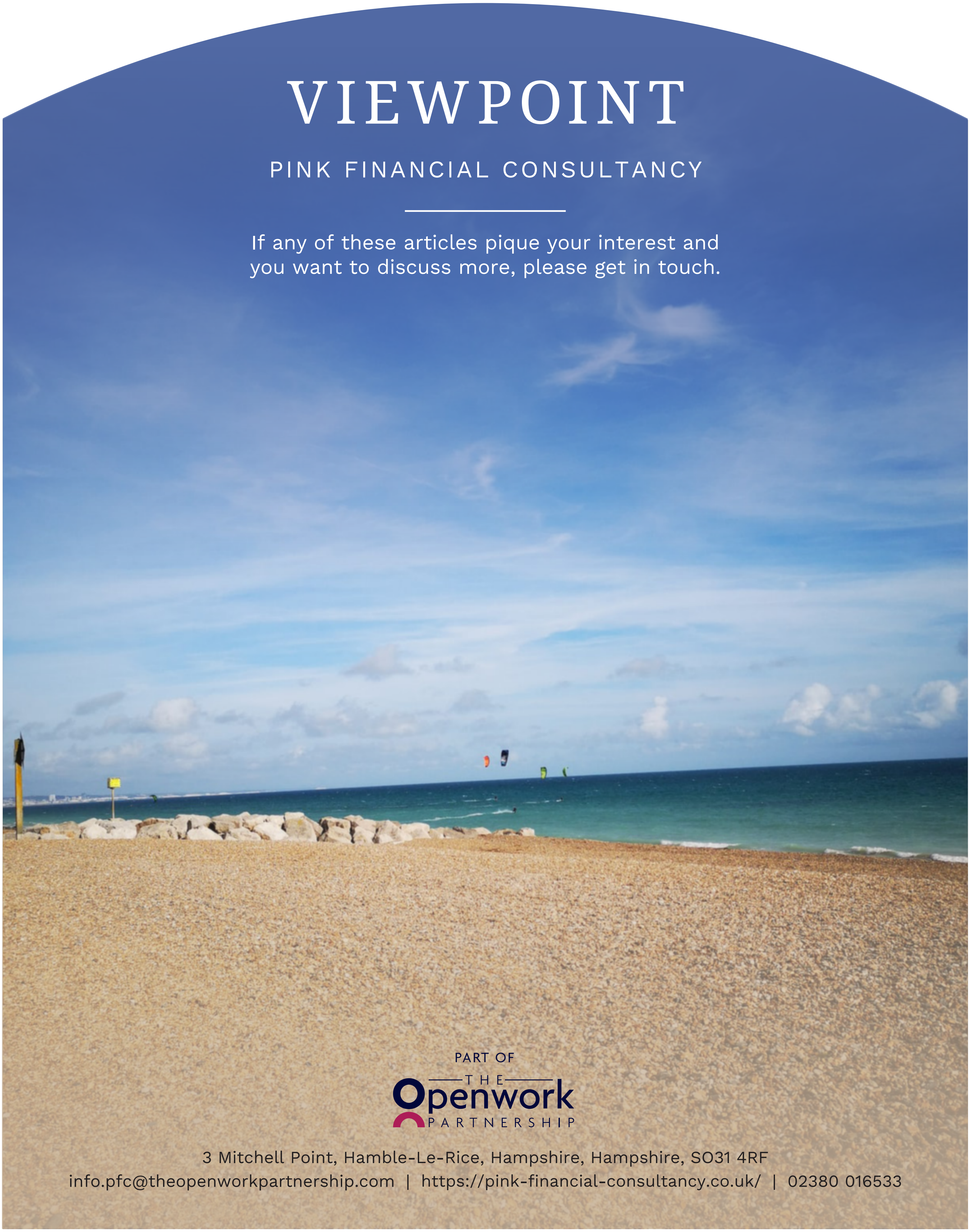

VIEWPOINT

PINK FINANCIAL CONSULTANCY

If any of these articles pique your interest and you want to discuss more, please get in touch.

PART OF THE Openwork PARTNERSHIP

3 Mitchell Point, Hamble-Le-Rice, Hampshire, Hampshire, SO31 4RF
info.pfc@theopenworkpartnership.com | https://pink-financial-consultancy.co.uk/ | 02380 016533

How to make the most of your lockdown savings

The pandemic has reportedly created 6 million accidental savers, but what's the best way to use this extra cash?

The effect of the lockdown on millions of bank accounts has been to boost savings for people whose incomes have remained the same but whose spending has dropped.

With the prospect of life returning to a new normal, it's a chance to think about how to make the most of these savings and build on them too.

Where were savings made?

Working from home meant the cost of commuting was put on hold. Holidays were not booked, and the closure of restaurants, bars and entertainment venues cut spending in those areas, resulting in slightly healthier current accounts.

All this, the Bank of England estimates, resulted in over £125 billion saved in 2020. Its survey does note that only a fraction of this is likely to be spent by households, suggesting a cautious approach.

This is understandable given the drop in income for furloughed employees, the loss of income for the unemployed and an unstable job market.

How to invest your lockdown savings

Leaving your savings in a high-street bank account won't build much interest. But there are options out there for those who want better returns on what they've saved:

- Invest in a stocks and shares ISA – not only will any dividends paid to you be tax-free, but any gains will also be exempt from capital gains tax.
- Contribute to your private pension – this comes with the benefit of tax relief status on your contribution if you're a taxpayer.

Other ways to make the most of your savings

Aside from investing, there are some useful ways to use any extra money saved during lockdown:

- Pay down debt – if you have lingering debts, whether they're credit cards or student loans, consider using your extra cash to help eliminate them for good.
- Mortgage overpayments – you could make regular overpayments on your mortgage, reducing its overall term length and the amount you owe on the loan. Check with your mortgage company about their terms and conditions relating to overpayments.
- Build an emergency fund – this fund should contain enough to cover the essentials for a month (like bills, food and your rent or mortgage payments) if anything were to happen affecting your income. Consider opening a separate bank account — easily accessible to you — to store your fund.

A great place to start with all of these options is to create a budget that tracks your income every month compared to your spending, allowing you to work out how much you can put aside.

Our trusted financial advisers are here to help you find the best ways to invest your money to make the most of your savings — whatever your situation.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

OW3317 Exp. 02/08/2021

Should we be concerned about rising inflation?

Most economists expect inflation to pick up over the next few months as lockdown restrictions ease and shops and restaurants reopen. But is this a cause for concern?

As lockdown measures begin to lift, financial markets are making their adjustments in anticipation of a rise in inflation, with bond yields picking up (meaning prices have fallen) and stock markets rotating from defensive sectors into cyclicals.

What is inflation?

Put simply, inflation measures the change in the prices of goods and services. If it rises then it takes more of our cash to buy things. We all experience inflation in our daily lives, from filling up our cars with fuel, buying groceries or using public transport.

In the UK, the official measure of inflation is the Consumer Prices Index. It's published by the Office for National Statistics (ONS), which monitors what people are spending their money on, using a basket of everyday goods and services.

The ONS adjusts the basket from time to time to reflect our changing spending habits. During lockdown, there was a shift with products like hand sanitiser and hand wipes being added, and items like white chocolate and ground coffee dropping off the list.

Inflation is all an illusion… or is it?

It's easy to ignore the impact of inflation on your finances. Most people's spending habits this month compared with the same time a year ago would probably stick to the same patterns – regardless of inflation at the time – because the differences seem small and therefore wouldn't affect the way they spend.

If you're trying to save money though, it's worth remembering that with interest rates currently lower than the rate of inflation, the real value of any cash savings is falling. In other words, the cost of living is increasing at a faster rate than your savings are growing, which means the spending power of your money is actually falling.

How will inflation affect investments?

Many people in the UK are preparing to spend the cash they've saved over the past year when the lockdown ends and shops, restaurants and entertainment venues reopen. Activity is likely to return to pre-pandemic levels and the expectation is that inflation is likely to pick up. Some economists are worried about inflationary pressures. In addition to this is the effect of government stimulus packages on the economy, which would provide another tailwind.

However, experts believe it's likely to be a short-lived phase and should not pose a longer-term challenge to fixed income or equity markets. The Bank of England does foresee inflation rising towards the 2% mark, but believes it will be a temporary phenomenon. Continuing deflationary forces like ageing demographics, technological innovation and global supply chains cast doubt over predictions of a new era of inflation.

Ultimately if you want to beat inflation in terms of finding some good returns on your savings, investing is the best option at the moment – due to cash savings rates being at such low levels.

One of the best ways to ensure your investments are given the strongest opportunity to navigate the effects of inflation on financial markets is through a global, multi-asset portfolio that's actively managed by a professional team of investors. Speak to a financial adviser to find out more.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

OW3380 Exp. 04/06/22