WOODRUFF FINANCIAL PLANNING

What you need to know about...

Regular Savings

Most people at some point decide to save their excess cash, whether this is for an emergency fund, or for a specific purpose such as a special event in the future. This leaflet aims to give you a brief introduction into why you should save, plus the various options on the market, so that you can start to work out which would be best for you.

Reasons to save

Many people in the UK have little or no savings put aside. Here are some reasons as to why it would be good to have some money put aside:

Emergency fund

Most financial planners will recommend that you put aside enough money to fund your lifestyle for 3-6 months. Imagine if you are made redundant or get sick and are unable to work; how would you survive in this situation? Savings would be a good buffer for you to pay your bills until you can recover from your situation

Saving for a special event

Many people want to pay out money in the future for a special occasion such as a wedding, a holiday, or for their child's future. Without savings you will be left to fund that future event out of your income, or worse you will need to borrow to pay for it.

Income

The most common form of saving is a pension plan. Most people realise that they will need to stop working at some point and start living off an accumulated pot of money

Cheaper than borrowing

It seems obvious, but usually loans cost more than can be obtained in savings, unless more risk is taken with your money. Ultimately, your money will go further if you buy from savings rather than borrowing to fund your purchases.

Other considerations

There are many factors to consider, but these are particularly important:

Access

If you need access to the money (say for an emergency fund) you should ensure that there are no penalties to cash in your savings.

Amount

Some products are only designed for larger amounts as their charges would be too high for smaller figures.

Risk

You can afford to take more risk, depending on your circumstances and general outlook. For example, if you are about to retire you should take less risk with your pension funds than someone who has 30 years to go until retirement.

Investment period

The length of time before you need the money has a further bearing on the type of savings you choose.

Inflation

Don't forget that over time inflation will eat into your savings pot. Thus, you should factor this into your calculations.

Continued overleaf...

Tax
Don't forget that most savings plans have an element of tax, and this will vary according to your personal circumstances. Often companies quote headline rates, but you might not achieve this.

Types of savings plan
It is important to remember that each of these examples is basically a different wrapper into which you can save on a regular basis. Thus, each has its benefits. The most important thing to do is to consider the amount that you save, rather than secondary considerations such as tax.

Bank or building society deposit accounts
This is the simplest and safest form of saving, but will yield a relatively low return. However, for convenience it certainly makes sense to have at least some of your money put aside into an easily accessible pot such as this.

Notice accounts
Some banks offer accounts which offer higher savings rates, but at a cost of giving notice (say 90 days) before you can ever access your savings.

National savings
The Government offers many regular savings products, which can be tax-efficient and safe.

ISAs
You can wrap a bank account into a cash ISA to make it tax-free. Equally, you can choose to save in shares through a shares ISA, making this tax-free.

Unit trusts/OEICs/Investment trusts
These are flexible contracts which allow you to access shares and other types of investments. The risk and charges are higher, but so are the potential rewards.

Endowments
These are older style contracts which combine an element of savings with life assurance. Thus, they are typically used in relation to a mortgage, as the 2 elements are vital to an interest only loan.

Friendly society plans
These plans allow you tax-free savings within certain limits.

Pensions
These allow the most tax-efficient long-term growth of your savings. However, this comes at a cost as you are unable to decide exactly how your money should be spent.

How can we help?
We have access to research tools which can analyse all of the available savings plans. We can help you to work out how much you should save, and then where would be the best place for you to save your money.

Why use us?
1. **Free** initial consultation
2. **Guaranteed** satisfaction with our advice
3. **Fee-based** - no commission hungry salesmen
4. **Fully independent** from insurance companies
5. State of the art **research tools**
6. Regular contact & **services to suit you**

Call today for independent financial advice on this or any other issue on

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