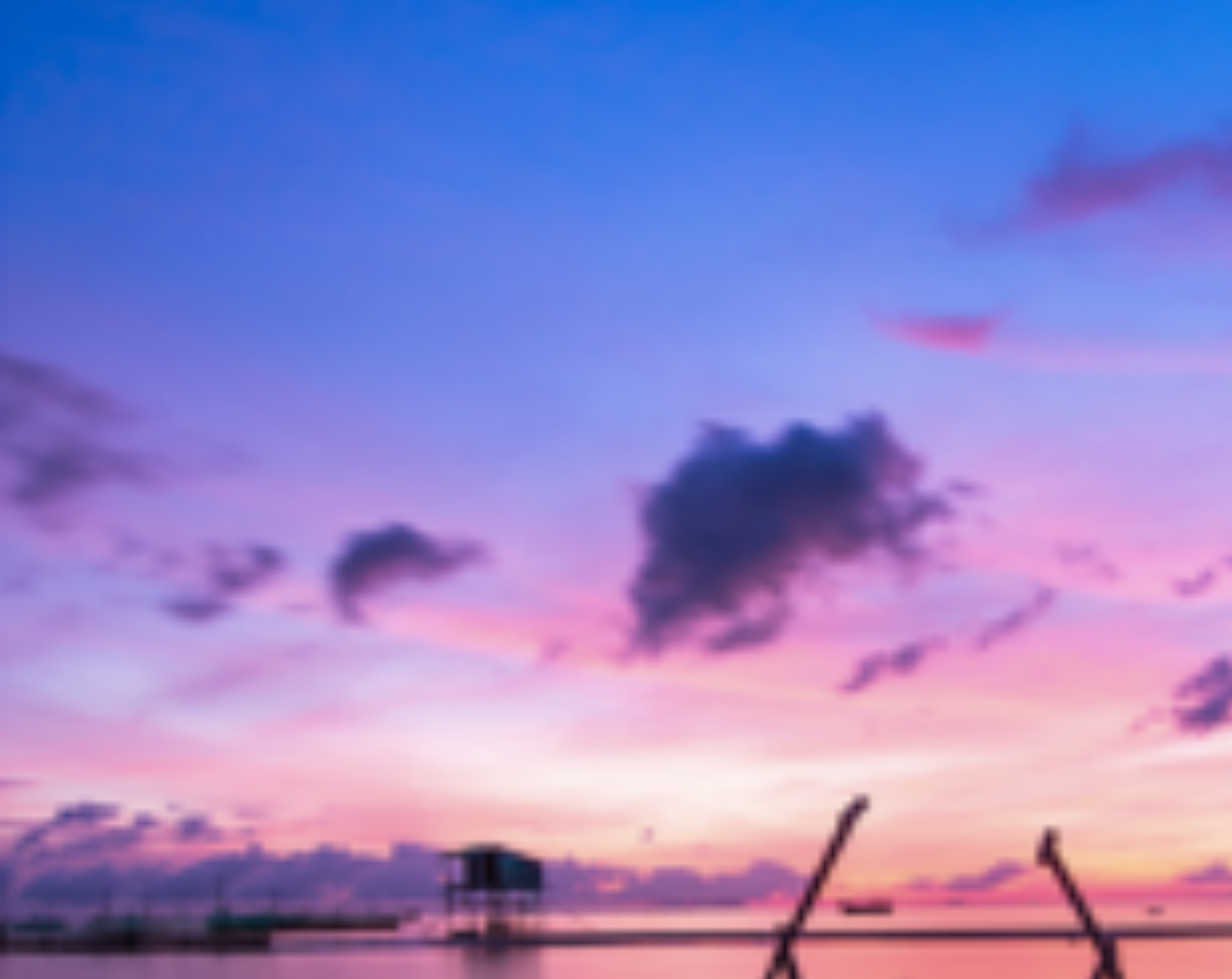
7 STEPS TO GET THE MOST INTEREST ON SAVINGS OVER £50K

MONEY TO THE MASSES

MoneytotheMasses.com



INTRODUCTION

Individuals usually hold large sums of cash in savings accounts for one of the following reasons:

- Recent inheritance
- Sale of a business or property
- Divorce
- Retirement
- Individual's attitude to risk (i.e. they prefer the safety of cash rather than investing their money)

For many individuals this will be the first time they have had such a large sum of money to manage and feel more secure by placing it in a savings account with one of the main banks. In fact, one of the best pieces of advice for someone who has recently acquired a large sum of money is to put it on deposit for a while. This gives them time to get used to having such a significant sum of money and reduces the chances of them making any rash investment decisions.

However it is still important to ensure that if you hold money on deposit that you are getting the best possible return. Selecting the right account(s) for your money can also be a minefield. This guide will show you how to get the best from your cash savings.

HOW SAVINGS ACCOUNTS WORK

If you deposit money into a savings account you will receive interest on this money on either a daily, monthly, quarterly or annual basis. This interest will be added to your original investment and your money will grow through the effects of compound interest. So you will not only receive interest on your initial deposit but also interest on the interest already paid. Although savings account interest rates are low by historical standards, money invested can still grow significantly if left untouched for a period of time.

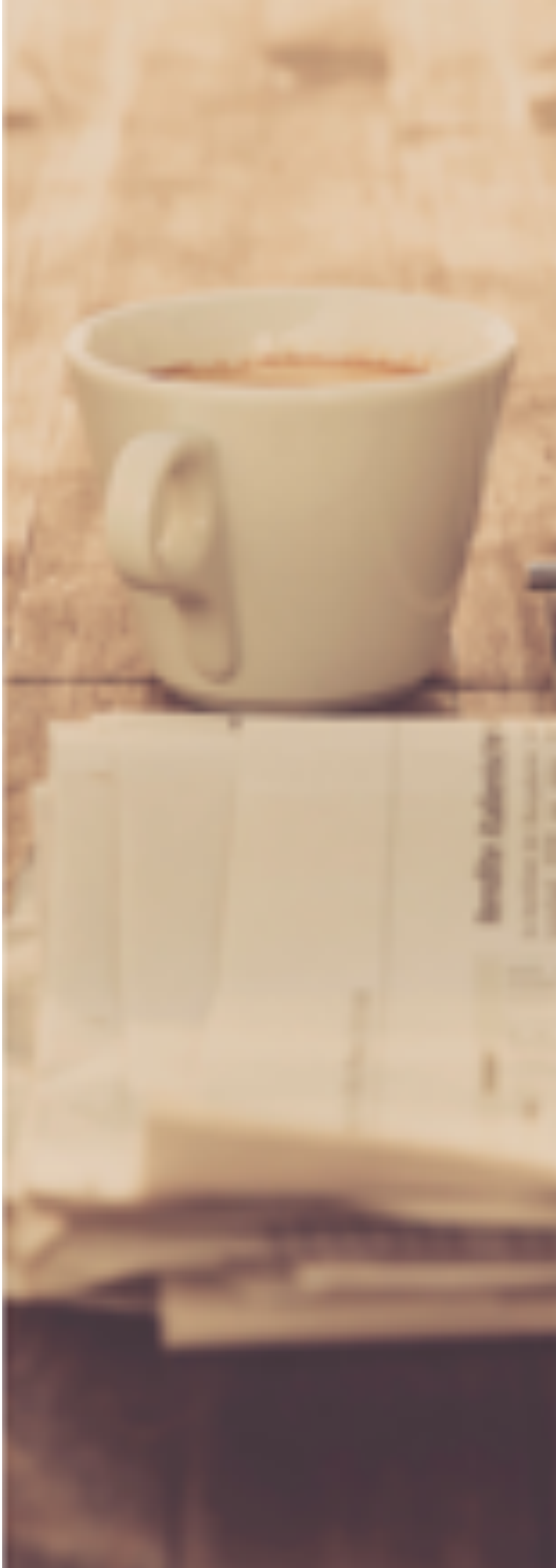
In the UK there are over 5,000 savings accounts with around 17,000 individual interest rates. That means it is a daunting task to find the best account(s) for the amount of money you have to deposit and your savings timeframe. You will notice that up to this point we've inferred the possibility of a need to hold more than one savings account. This is because the larger the sum of money you hold on deposit the greater the likelihood that your money should be spread across a number of savings accounts with different banking institutions in order to maximise your rate of interest and level of consumer protection.

WHAT TO LOOK FOR IN BEST BUY TABLES

Often investors will consult the various 'Best Buy' tables on price comparison sites when searching for the best savings account. Unfortunately many of these tables do not cover the whole of the market but instead only offer accounts that pay the comparison site commission.

Also, the headline interest rates shown may not give the whole picture for the following reasons:

- An introductory bonus may be included in the headline interest rate which subsequently drops off after only a few of months
- Limits may be placed on the amount that can be deposited into some accounts
- A notice period may be required for accessing your money for those accounts offering the highest interest rates
- You may need to deposit your money for fixed a period without access (typically 1,3 or 5 years) to get the best available rates
- Some accounts have restrictions on how the account is operated - via internet, phone or in a branch



FINANCIAL SERVICES COMPENSATION SCHEME EXPLAINED

If you are depositing money in a savings account you will need to understand how secure these deposits are if the chosen bank or building society should fail.
Under the Financial Services Compensation Scheme the following protection is provided:

- Should a bank or building society fail then a maximum of £75,000 per person per FSFC licence will be covered and payable within 7 days. That protection doubles to £150,000 on joint savings accounts
- Savers with large cash deposits should be aware that some banks and building societies are covered under the same FSCS licence further details can be found here. That means that if you hold savings accounts with two institutions under the same banking licence (i.e. Bank of Scotland and Halifax) and the group goes bust you would only be covered for one amount of £75,000

Therefore it is important to ensure that not only are you getting the best rate but that your money is fully protected from a bank or building society going bust, as happened in the credit crisis in 2008.

ACCESS TO YOUR MONEY

It is important that you understand the rules regarding access to your funds as this will vary from account to account.

Access rules may include the following:

- A limit on the number of withdrawals made within a year
- Fixed rate bonds will require the deposit to remain invested for a set period, typically 1, 3 or 5 years
- Withdrawals may be allowed in the restricted period but a penalty may be imposed

RATE CHANGES AND BONUS OFFERS

Other than fixed rate accounts all savings accounts are subject to an interest change without having to give notice to investors. In a typical year in excess of 1,200 interest rate changes will be made and many more if there are changes to the Bank of England base rate. Keeping abreast of these changes is a difficult task resulting in investors failing to move their

7 RULES OF SAVING LARGE SUMS OVER £50,000

In summary the 7 rules to boost the amount of interest you receive on your cash and ensure it is 100% protected from a banking default are:

1. Do shop around for the best savings rates but..

2. Don't fall for savings account best-buy table traps

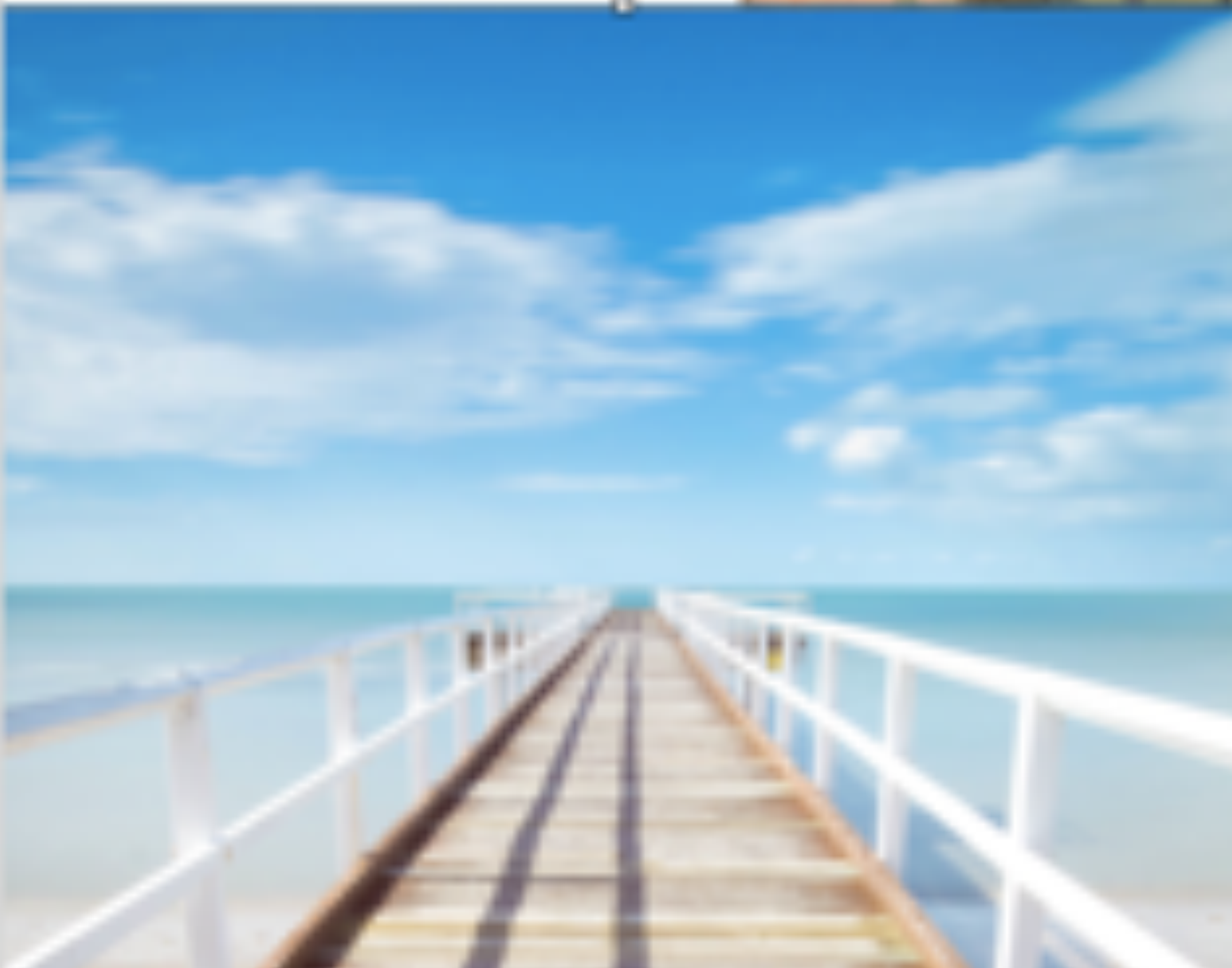
3. Do ensure the level of access an account provides matches your needs

4. Do ensure that your money is spread across banking institutions so that you are 100% protected by the Financial Services Compensation Scheme

5. Do use joint accounts where possible as long as you are comfortable with the second party having complete access to the funds

6. Do review your savings regularly to ensure that you don't fall foul of any interest rate or bonus changes

7. Make sure you switch accounts when introductory or bonus rates expire



My recommended way to get the best savings rate on £100,000 (and an additional £915 interest a year!)

If you follow the above advice it will ensure you get the best savings account for over £50,000 (or indeed accounts) but it requires time and effort. Readers and national newspaper journalists often tell me that they wish there was a simpler way. So I set out to find the best solution currently available in the market.

Without doubt the best service for those looking for the best savings rate for £100,000 or more, but with little effort, is this concierge service. I have personally met the business owners at their London offices and vetted their services. The concierge service is very simple:

- you arrange a brief telephone chat
- they will search the entire savings account market and find the best combination of accounts for you to ensure you get the best interest on your £100,000+ and that you are fully protected under the FSCS
- they will even complete all the paperwork to open the accounts for you
- plus they will monitor the market for you and tell you when you can get a better rate.
- They charge only a small fee for the service and the average client with over £100,000 has made an additional £915 a year interest by using them even once the fee is deducted.

The call is FREE and the service is excellent and you have nothing to lose by having a chat. Such is the quality of the service that I have championed it in the national press and BBC Moneybox's Paul Lewis regularly promotes their cause.

The alternative for those looking for an even greater return

Those looking for a better return than what is on offer from the top paying savings accounts will need to be comfortable with accepting a certain amount of investment risk to achieve their goal. Savings accounts pay relatively low interest because there is no risk that your money will fall in value. However, it is possible for some low risk investments to boost your returns in excess of that available on deposit accounts.

This doesn't mean having to invest all the money you currently have on deposit. Instead you could invest just a portion of this money, while keeping most of your money in a savings account, in order to increase your potential return.

The key to success is to keep any investment costs and associated risks as low as possible. Now thanks to competition in the investment management industry it is possible to achieve both and have your money professionally managed at the same time.

A simple actively managed ETF solution

The simplest solution when investing part (or all of) of your savings is to outsource the investment management to a company which has the benefit of its own in-house analysts and investment committees to make strategic allocation decisions. Moneyfarm is an interesting proposition for those trying to find the best investment ISA or pension to invest in. After successfully running money for investors in Italy since 2011, Moneyfarm launched in the UK back in 2016 following the rise in demand for investment ISAs, robo-advice, cheap stocks and shares ISAs and pensions for beginners.

Moneyfarm uses a proprietary behavioural questionnaire to place investors in one of seven portfolios ranging from the more cautious to the more adventurous. If you are attracted to low risk assets (as you probably are) then you will end up in their cautious portfolio.

The good news is that you can build a bespoke portfolio for free using Moneyfarm's portfolio tool without committing to the service. Registering is free and there is no obligation to contribute any money. The tool suggests a portfolio with an asset mix dependent on how long you want to invest for as well as your risk profile (as determined by Moneyfarm's risk questionnaire).

Moneyfarm asset allocates based on volatility and regularly rebalance each portfolio. They run the portfolios on a discretionary basis, so investors can sit back and relax, using a wide range of Exchange Traded Funds (known as ETFs). I am particularly impressed by the fact they don't constrain their asset allocation. Many investment managers say that they make tactical asset allocation decisions yet in reality don't deviate much from their initial selection. Moneyfarm doesn't do this.

Moneyfarm's minimum investment is £500. If you decide to invest £500 or more with Moneyfarm, you can do so via our fee-free offer* meaning Moneyfarm will waive its management fee for the first year. This offer is only available until the 30th March 2022.
If you have at least £500 to invest you could consider Nutmeg as an alternative. It will also waive its management fees for the first 12 months (see our Nutmeg review for full details). If you want to invest less than £500 have a look at our Wealthify review, which lets you invest from as little as £1 in an ISA, Junior ISA, general investment account or pension.

Moneyfarm is well suited for:
- Those who want a designated human investment consultant (not offered by other robo-advice services) and the possibility of an initial investment review
- People who also want a discretionary investment service at a low cost
- Those who want to invest at least £500, the same minimum investment amount as Nutmeg. Those looking to invest smaller amounts may wish to look at Wealthify which has a minimum investment amount of £1
- Those who want flexibility. Moneyfarm has no exit fees and so is good for those wanting to keep their future options open by avoiding any lock-ins
- Those looking to invest via a managed Stocks and Shares ISA, pension or general investment account Important Investment Notes

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