

# Main types of savings and investments products

If you have money that you don't need for everyday use, you can 'save' or 'invest' it. Saving is putting your money aside, without risk, to spend later. Investing means looking for the value of your investment to grow more, but taking a chance that it might also fall.

## Savings schemes

### **Bank and building society accounts**

Keeping your money in a bank or building society account means that you can get hold of it quite easily if you need it. But many 'current accounts' intended for you to look after your day-to-day money pay very little interest or none at all.

Bank and building society 'deposit accounts' or 'savings accounts' will pay more interest – usually offering higher rates in return for leaving your money in for longer periods or for larger amounts.

Often this interest only makes up for inflation - keeping the 'buying power' of your money the same.

How does a current account help me manage my money?

Key features of current accounts on the FSA website:

[http://www.fsa.gov.uk/consumer/09\\_SAVINGS/savings\\_accounts/mn\\_current\\_account\\_help.html](http://www.fsa.gov.uk/consumer/09_SAVINGS/savings_accounts/mn_current_account_help.html)

What sorts of savings accounts are available?

An overview of savings accounts on the FSA website:

[http://www.fsa.gov.uk/consumer/09\\_SAVINGS/savings\\_accounts/mn\\_saving\\_account.html](http://www.fsa.gov.uk/consumer/09_SAVINGS/savings_accounts/mn_saving_account.html)

Savings accounts – What to check out?

FSA advice on choosing a savings account

[http://www.fsa.gov.uk/consumer/09\\_SAVINGS/shop\\_around/mn\\_savings\\_accounts.html](http://www.fsa.gov.uk/consumer/09_SAVINGS/shop_around/mn_savings_accounts.html)

### **Government-backed savings schemes**

There are several savings schemes backed by the government and are therefore a very safe place to keep your money. These are run by National Savings & Investments (NS&I).

A few of these schemes do have tax advantages, but most are like any other savings scheme and tax has to be paid on the interest received.

The tax-free savings schemes include:

- Cash Individual Savings Account (ISA)  
A simple and flexible way of getting tax-free interest for an investment up to a maximum of £3,000 in any one tax year. These are also available from other providers.
- Premium Bonds  
Instead of interest, you get the chance to win cash prizes from £50 to £1 million – and if you do win, there's no tax to pay.
- Savings Certificates  
These can be bought for a fixed length of time and give index-linked or fixed-rate interest – all tax-free.

[National Savings and Premium Bonds \(internal link\)](#)

[Tax-free savings with National Savings & Investments:  
http://www.nsandi.com/savingneeds/taxfreeinvestments.jsp](http://www.nsandi.com/savingneeds/taxfreeinvestments.jsp)

[Other savings and investments from National Savings & Investments:  
http://www.nsandi.com/products/index.jsp](http://www.nsandi.com/products/index.jsp)

[A summary of the savings schemes offered by National Savings & Investments can be found on the Financial Services Authority \(FSA\) consumer website:  
http://www.fsa.gov.uk/consumer/09\\_SAVINGS/national\\_savings/mn\\_fixed\\_rate.html](http://www.fsa.gov.uk/consumer/09_SAVINGS/national_savings/mn_fixed_rate.html)

## Investments

The value of investments, unlike savings, can go down as well as up – so there is a chance that you might not get as much money back as you put in.

But in exchange for this risk there is also an opportunity for your money to grow more quickly than it would in a savings account.

Investments are usually considered better for money that can be put aside for five years or more.

### **Individual Savings Accounts (ISAs)**

A non-cash ISA is actually made up of a mixture of savings accounts plus investments such as unit trusts, shares, or bonds.

You do not pay income tax on any interest, dividends or bonuses from your ISA investments, and if your ISA increases in value there is no Capital Gains Tax on this increase. But ISAs are still subject to Inheritance Tax.

There are strict limits on the amount you can invest in an ISA in any one tax year.

[Tax-free savings with ISAs \(internal link\)](#)

More details about ISAs can be found on the Financial Services Authority (FSA) consumer website:

[http://www.fsa.gov.uk/consumer/08\\_INVESTMENTS/ISAs/mn\\_isas.html](http://www.fsa.gov.uk/consumer/08_INVESTMENTS/ISAs/mn_isas.html)

## **Stocks and shares**

Shares give you part ownership of a company. The value of this investment will change depending on how well your chosen company actually performs, and also on how well other people in the market think it is performing.

The Stock Market is also affected by many other factors - such as how the UK and global economies are doing – so care and advice needs to be taken if you decide to invest in stocks and shares.

As well as the changes in the value of your shares when they are sold, companies also pay out 'dividends'. These are based on the company's profits and are worked out on a per share basis.

[Stocks and shares, unit trusts, investment trusts \(internal link\)](#)

More details about Shares can be found on the Financial Services Authority (FSA) consumer website:

[http://www.fsa.gov.uk/consumer/08\\_INVESTMENTS/shares/mn\\_shares.html](http://www.fsa.gov.uk/consumer/08_INVESTMENTS/shares/mn_shares.html)

## **Bonds**

Bonds are also known as 'fixed interest securities' and sometimes simply called 'stock'. They are loans to organisations such as companies, local authorities or the government. Interest is usually at fixed rate of interest and paid at regular intervals.

Bonds are bought and sold every day, so their price varies with the market.

High-yield bonds aim to make a higher income by taking a higher risk. Bonds issued by the UK government are known as 'gilts'.

[Corporate bonds and government bonds \(internal link\)](#)

More details about Bonds can be found on the Financial Services Authority (FSA) consumer website:

[http://www.fsa.gov.uk/consumer/11\\_Learn/financial\\_products/investment/b1.html](http://www.fsa.gov.uk/consumer/11_Learn/financial_products/investment/b1.html)

## **Investment Funds**

One way of being able to invest in shares and bonds, which does reduce the risk you run as an individual, is to invest in a collective fund which has professional managers who choose where to place the fund's money.

You share in the returns of the performance of the fund as a whole.

These collective funds have different names (unit trusts, investment trusts, etc.) and many concentrate on different types of investment (shares, bonds, property, money market, etc.) or even different geographical areas (Far East, emerging economies, etc.).

[Stocks and shares, unit trusts, investment trusts \(internal link\)](#)

More details about Investment Funds can be found on the Financial Services Authority (FSA) consumer website:  
[http://www.fsa.gov.uk/consumer/08\\_INVESTMENTS/collective/mn\\_investment\\_funds.html](http://www.fsa.gov.uk/consumer/08_INVESTMENTS/collective/mn_investment_funds.html)

## **Pensions**

The government wants to encourage you to invest for your old age, so personal pensions are available with less tax to pay on payments made into them plus government assistance.

There are restrictions on how much you can pay into a pension scheme, but these are set to increase and are higher the older you are.

The money in a personal pension fund can be put in a wide range of investments - provided the method has been approved by the government.

[Tax advantages of personal pensions \(internal link\)](#)

More details about Pensions can be found on the Financial Services Authority (FSA) consumer website:  
[http://www.fsa.gov.uk/consumer/06\\_PENSIONS/index.html](http://www.fsa.gov.uk/consumer/06_PENSIONS/index.html)

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## **More useful links**

Bank and building society interest information, from the Inland Revenue website:  
<http://www.inlandrevenue.gov.uk/families/babsi.htm>

Compare savings accounts:  
[http://www.yourmoney.com/savings/compare\\_saving\\_accounts](http://www.yourmoney.com/savings/compare_saving_accounts)

Compare ISAs:

[http://www.yourmoney.com/isa\\_s/compare\\_isa\\_s/](http://www.yourmoney.com/isa_s/compare_isa_s/)

Compare account features at the high street banks and building societies:

<http://www.moneysupermarket.com/Savings/Default.asp>

The London Stock Exchange investors' centre for shares and bonds:

<http://www.londonstockexchange.com/en-gb/pricesnews/investorcentre/>

A Guide for Members of a Personal Pension Scheme from the Inland Revenue (Leaflet IR3 – available for download as a PDF or from a local tax office)

<http://www.inlandrevenue.gov.uk/pensionschemes/ir3.pdf>

See how different markets are performing on a daily basis:

<http://news.ft.com/markets>

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<b>Wild keywords*</b>	savings schemes, current accounts, savings accounts, save, saving, cash ISA, Cash ISAs, national savings, national savings & investments, premium bonds, index-linked savings schemes, tax-free interest, investing, investment, investments, individual savings accounts, ISAs, stocks, shares, stocks and shares, bond, bonds, corporate bonds, gilts, investment trusts, unit trusts, investment funds, pensions, personal pensions,

\*Focus on narrow terms, rather than wider ones. Think of any singular and plural versions, synonyms, acronyms, abbreviations, misspellings, alternative spellings (e.g. use "Special Needs Education", "Special Educational Needs" and "SEN" but do not include "Education").

<b>Page summary</b>	An introduction to the main different types of savings and investment with links to more detailed information.
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