



TYPES OF SAVINGS ACCOUNTS BROCHURE

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A savings account is an account you put money into and in return the bank or building society will typically pay you interest.

Several factors will affect which kind of savings account suits you, including how likely you are to need access to your money, how long you are prepared to lock it away and whether or not you will pay tax on the interest.

Most people won't pay any tax on savings interest. Personal savings allowance (PSA) allows basic-rate taxpayers to earn up to £1,000 interest per year tax-free and higher-rate taxpayers up to £500.

Individual Savings Account (ISA)

An Individual Savings Account (ISA) is a tax-free saving or investment account. In the 2022/23 tax year you can the maximum you can save in ISAs is £20,000 which can be made up of cash, stocks and shares, or a combination of both. You can put money into one of each kind of ISA each tax year.

Types of ISAs include:

Cash ISAs – If you are 16 or over you can open an ISA tax-free savings account where you pay no tax on the interest you earn. Types include instant access, limited access and fixed rate.

Stocks and shares ISAs – A stocks & shares ISA is a tax-efficient investment account. This means you don't pay income tax or capital gains tax on money you earn from your investments made through the ISA. You must be 18 or over for a stocks and shares or innovative finance ISA. The value of your investments can go down as well as up, so you may get back less than you first put in.

Junior ISAs - Long-term, tax-free savings accounts for children. Your child must be under 18 and living in the UK to get one. You must be under 18 and living in the UK to open one. In the 2022/23 tax year, the savings limit for Junior ISAs is £9,000.

Lifetime ISAs - Designed for individuals between 18-39 helping them to save for their first home or retirement which gives a government bonus of 25% of the money you put in, up to a maximum of £1,000 a year. You can put in up to £4,000 each year, until you're 50. You must make your first payment into your ISA before you're 40. The Lifetime ISA limit of £4,000 counts also towards your annual ISA limit.

What are the benefits of an ISA?

- Your money will grow tax-free
- The annual allowance for the current tax year is £20,000 and starts afresh each new tax year
- You can transfer existing ISAs into a new ISA
- Children aged between 16 and 18 can hold both a Junior and a standard Cash ISA
- Lifetime ISA is a specific ISA available to help when saving towards your first home or retirement.

Saving Accounts

A savings account is an account you put money in and earn interest.

Savings interest is paid tax-free and most won't pay any tax on it at

all. Basic-rate taxpayers can earn £1,000/year tax-free and higher-rate taxpayers £500. If you exceed your annual personal savings allowance, you may have to pay tax on interest earned from your savings in line with your usual rate - 20% for basic tax rate payers or 40% for higher rate.

There are different types of saving accounts:

1. Easy-access savings

Easy-access savings accounts allow you to withdraw your money quickly and easily which is useful if you might need to dip into them.

'Emergency savings' should be kept in an easy-access account so you won't struggle to get at them in a crisis.

Interest rates are usually lower than on fixed savings accounts because you pay for the flexibility.

It is worth keeping an eye on the return your savings are earning. You could switch to a new better rate savings account if necessary. You should always check the terms of your account first as there still may be a limit to the amount of cash withdrawals that can be made in a given time period.

2. Notice accounts

Notice savings accounts require you to give notice before you can withdraw your cash.

They are good if you know you will need your money, but are not sure when i.e. if you have a deposit to

buy a home. You can keep earning interest and when you need the money tell your provider in advance that you want to make a withdrawal

Notice periods can vary from 30, 60 or 90 days. If you need to make an emergency withdrawal from a notice savings account, you're likely to lose some interest.

Generally, they offer better interest rates than an easy-access account but less than a fixed rate as this type of account still offers some degree of flexibility. It could be worth checking the interest rates available against easy-access accounts if you require quicker access to your funds as you may be subject to a fine and/or interest penalty or not be able to get access your money at all.

3. Regular savings account

With a regular savings account, also known as regular savers or monthly savers, you commit to paying in a certain amount each month. They are designed for people to save some of their income every month rather than depositing a lump sum.

In return, the bank or building society may offer you a higher interest rate than you would get

with a current account or ordinary savings account. The interest rate on offer can be fixed or variable and typically last for one year and restrict you from investing more than a certain sum (e.g. maximum £250 per month).

Despite offering higher interest rates, it is important to note that your money will build up gradually so the return may not be as much as you expect.

Fixed-rate bonds

Fixed-rate bonds are a type of fixed-rate savings account. They offer higher rates of interest compared to easy-access products, but you must be prepared to lock your money away for a fixed period of time.

Typically, the longer you commit to leaving your savings untouched, the higher your interest rate will be. You should only lock away money that you definitely won't need access to or you will incur penalties.

Putting money in a fixed-rate bond can protect your savings return should interest rates fall. However, if you lock your money away and rates rise, your cash won't benefit from the increase.

Many fixed-rate bonds also require a large initial deposit so if you are new to saving, you may struggle to find a suitable deal.

Help to Save accounts

The Help to Save account is a special savings account that you can only open with the Government-backed bank NS&I. They offer people on low incomes who are claiming certain benefits a tax-free government bonus of up to £1,200 over four years.

You can save between £1 and £50 into the account each month and have the account for up to four years.

The Help to Save account doesn't pay interest, but instead it pays a government bonus. If you keep paying into the savings account at the two year and four-year mark, the Government will pay a bonus of 50% of your highest balance throughout that time.

Help to Save is meant to encourage working people on low incomes to build up their savings. But, if you have expensive debts to clear, this should be a priority over saving.

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