



CASH RECOMMENDATIONS - March 2017

If a provider fails the Financial Services Compensation Scheme (FSCS) will pay out an amount of £85,000 per person, or £170,000 for a joint account. The limit changed at the end of January 2017 from £75,000 to £85,000. This relates to new rules put in place by the Prudential Regulation Authority (PRA) due to the change in exchange rates since the last limit was set in 2016.

In this report, we have set out a description of the various types of personal deposit accounts available and the most up to date rates offered by banks and building societies. These are the rates that we recommend but there may be better rates available with lesser known providers. BFP has not conducted an in-depth review of the financial stability of each of these institutions but can confirm that they are all covered by the FSCS, as above. Whilst there may be other financial institutions offering higher rates of interest, their exclusion from the UK Financial Services Compensation Scheme means we choose not to recommend them at this point in time. The rates quoted were correct at the time of going to print but may be subject to change and should be checked with the relevant provider before applying for the account. In addition, many of the rates quoted include bonuses for fixed periods and so should be reviewed at regular intervals.

Bonds or Term Savings Accounts

Bonds or term savings accounts normally offer above average interest rates – with the added benefit of rates being fixed for the duration of the account. In return, you are required to tie your money up for a specific period of time – often between one to five years. Usually, once you have opened the account you are not allowed to add to your deposit nor are you allowed to access it to make a withdrawal (if allowed, there may well be a penalty). Bonds or term savings accounts could suit you if you have some spare money that you do not mind tying up for a set period.

Recommendations:-

<i>Aldermore 1 year bond</i>	<i>1.50% gross AER</i>
<i>Virgin Money 2 year fixed rate ISA</i>	<i>1.15% gross AER</i>
<i>Sainsbury's Bank 3 year bond</i>	<i>1.40% gross AER</i>

Notice Savings Accounts

The idea with notice savings accounts is that you get a good interest rate in return for giving the provider a pre-arranged period of notice – often 30 to 60 days' notice – when you wish to make a withdrawal. Interest rates are normally higher with a notice savings account than with an easy access account (see below), although with increased competition in the marketplace you can now get some easy access accounts with similar rates to notice savings accounts. So, again – it's about considering what suits you.

You may be able to gain instant access – at a cost. For example, you may find that you lose interest on the amount withdrawn depending on the amount of notice you were supposed to give – i.e. you lose 30 days' interest on the amount withdrawn if you were supposed to give 30 days' notice.

So if you wish to secure a competitive rate and don't mind having to give notice for withdrawals – which has the added benefit of preventing you from making impulsive withdrawals – then a notice savings account could be the best savings account for you.

Recommendation:-

<i>Hodge Bank 90 Day savings account</i>	<i>1.00% gross AER</i>
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Easy Access, Instant Access – no notice savings accounts

For many people, being able to instantly access their savings not only is the most convenient but is the most sensible option for them. And as said above, it's not necessarily the case any more that you will be penalised with a lower interest rate for the privilege of instant access. With easy or instant access accounts, you can tap into your funds without giving notice or paying a penalty. These accounts are accessed by either telephone or via a branch as we know not everyone is happy with internet banking.

Recommendations:-

AA Savings	0.91% gross AER
Saga	0.80% gross AER

E-Accounts

For those clients that use the internet as their main source of banking the following accounts may be of interest:-

Recommendations:-

Tesco Bank	0.96% gross AER
Post Office Money	1.01% gross AER

Help to Buy ISA

For someone saving to buy their first home, they can now save money into a Help to Buy ISA and the Government will boost their savings by 25%. So, for every £200 they save, they will receive a government bonus of £50. The maximum government bonus they can receive is £3,000.

Recommendations:-

Barclays	2.27% tax free/AER variable.
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Security Concerns

For those of you who have concerns over the security of your money being held in different bank accounts, NS&I offer a direct savings account in which you can deposit up to £2 million.

There is no withdrawal notice required and the account can be managed either by telephone and online. The interest rate is variable and, at the moment, stands at 0.80% gross AER. For more information on this account please visit www.nsandi.com

Tax Free Savings Accounts

Your NISA allowance for the 2016/17 tax year is £15,240 and the full amount can be invested in a Stocks & Shares ISA or a Cash ISA (or any combination of the two).

Recommendations:-

For New ISAs and Transfers:

NS&I	1.00% gross AER
Post Office	0.90% gross AER
Sainsbury's Bank	0.85% gross AER
AA Savings	0.86% gross AER
Skipton Building Society	0.90% gross AER
Nationwide	0.50% gross AER

Junior ISAs

Junior ISAs are tax-free savings accounts that under 18s can save or invest up to £4,080 in this tax year. They then remain tax-free until their 18th birthday, and often beyond.

All children under 18 who are UK residents and do not have a Child Trust Fund (CTF) are eligible for a Junior ISA.

Coventry Building Society	3.25% gross AER
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Flexible ISAs

The new Flexible ISA rules are now in effect. This means you can now withdraw and replace money into your ISA.

This flexibility is available in relation to both current year and earlier year ISA savings. Repayments made will not count towards your annual subscription but must be made within the same tax year as the withdrawal.

It is important to remember that not all providers will offer this facility so check your terms and conditions before you make any withdrawals. If you have any queries please do not hesitate to contact us,

What Next?

If you require any further information on any of the above please contact the appropriate bank or building society. If you would prefer not to receive this report in future then do let us know.

Sources: Moneyfacts, Moneysupermarket, Moneysavingexpert.com, nsandi.com, Post Office

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