

## BEST BUY TABLES & INFORMATION GUIDE – April/May 2010

### Fixed Rate Remortgages

Example based on estimated property Value £150,000, borrowing £75,000 over 25 Years on a repayment basis. No extended tie-in periods.

Provider	Rate Type	Initial Rate	Monthly Cost	Until/for	Tie-in-period	Standard Rate	Monthly Cost	25 Year APR
Halifax	Fixed (stepped)	2.79%	£347	30/06/2012	30/06/2012	3.50%	£376	3.80%
Alliance & Leicester	Fixed	2.89%	£351	31/05/2012	31/05/2012	4.99%	£431	5.00%
Alliance & Leicester	Fixed	2.99%	£355	31/05/2012	31/05/2012	4.99%	£432	5.00%
Cheltenham & Gloucester	Fixed	2.99%	£355	31/05/2012	31/05/2012	2.50%	£337	2.90%
Halifax	Fixed	2.99%	£355	30/06/2012	30/06/2012	3.50%	£376	3.8%
HSBC	Fixed	2.99%	£355	31/07/2012	31/07/2012	3.94%	£390	4.00%
Yorkshire Building Society	Fixed	2.99%	£355	31/05/2012	31/05/2012	4.99%	£432	5.00%
Yorkshire Building Society	Fixed	2.99%	£355	31/05/2011	31/05/2011	4.99%	£435	5.00%
ING Direct	Fixed	3.04%	£357	31/05/2012	31/05/2012	3.50%	£374	3.60%
Leeds Building Society	Fixed	2.99%	£358	30/04/2011	30/04/2011	5.49%	£459	5.40%
First Direct	Fixed	3.09%	£359	24 months	24 months	3.69%	£381	3.80%
Yorkshire Building Society	Fixed	3.09%	£359	31/05/2011	31/05/2011	4.99%	£435	5.00%
Yorkshire Building Society	Fixed	3.09%	£359	31/05/2012	31/05/2012	4.99%	£432	5.00%
Post Office Mortgage	Fixed	3.15%	£361	30/06/2012	30/06/2012	3.49%	£374	3.70%
Britannia	Fixed	3.19%	£363	30/06/2012	30/06/2012	4.24%	£402	4.30%
The Co-operative Bank	Fixed	3.19%	£363	30/06/2012	30/06/2012	4.24%	£402	4.30%
ING Direct	Fixed	3.24%	£365	31/05/2012	31/05/2012	3.50%	£374	3.60%
Accord Mortgages	Fixed	3.24%	£365	30/04/2012	30/04/2012	5.99%	£474	6.00%
Melton Mowbray Building Society	Fixed	3.25%	£365	31/05/2012	31/05/2012	4.99%	£432	5.00%
Market Harborough Building Society	Fixed	3.25%	£365	30/04/2012	30/04/2012	5.49%	£453	5.40%

Your home may be repossessed if you do not keep up repayments on your mortgage.

## Variable Rate Remortgages

Example based on estimated property Value £150,000, borrowing £75,000 over 25 Years on a repayment basis. No extended tie-in-periods.

Provider	Rate Type	Initial Rate	Monthly Cost	Until/for	Tie-in-period	Standard Rate	Monthly Cost	25 Year APR
Alliance & Leicester	Tracker	1.84%	£312	24 months	24 months	4.99%	£428	4.80%
Alliance & Leicester	Tracker	1.99%	£317	24 months	24 months	4.99%	£428	4.70%
Cheltenham & Gloucester	Tracker	1.99%	£317	31/05/2012	31/05/2012	2.50%	£335	2.70%
HSBC	Discounted	1.99%	£317	24 months	24 months	3.94%	£387	3.80%
Chorley & District	Discount (stepped)	2.00%	£320	36 months	36 months	5.49%	£454	5.20%
Cheltenham & Gloucester	Tracker	2.29%	£328	31/05/2012	31/05/2012	2.50%	£336	2.80%
First Direct	Tracker	2.39%	£332	n/a	n/a	n/a	n/a	2.50%
Accord Mortgages	Tracker	2.39%	£332	30/04/2012	30/04/2012	5.99%	£472	5.90%
Abbey	Tracker	2.45%	£334	24 months	24 months	4.24%	£400	4.20%
Abbey	Tracker	2.49%	£336	24 months	24 months	4.24%	£400	4.20%
Accord Mortgages	Tracker	2.49%	£336	30/04/2012	30/04/2012	5.99%	£472	5.90%
Britannia	Tracker	2.49%	£336	31/07/2013	31/07/2013	4.24%	£397	4.00%
HSBC	Tracker	2.49%	£336	Term	None	n/a	n/a	2.70%
HSBC	Tracker	2.49%	£336	Term	None	n/a	n/a	2.60%
ING Direct	Tracker	2.49%	£336	Term	None	n/a	n/a	2.60%
ING Direct	Tracker	2.49%	£336	24 months	24 months	3.50%	£372	3.50%
The Co-operative Bank	Tracker	2.49%	£336	31/07/2013	31/07/2013	4.24%	£397	4.00%
Yorkshire Bank	Tracker	2.49%	£336	31/05/2012	31/05/2012	4.99%	£430	4.80%
Yorkshire Bank	Tracker	2.49%	£336	31/05/2012	31/05/2012	4.99%	£430	4.80%
Earl Shilton Building Society	Discounted	2.45%	£337	30 months	30 months	4.95%	£431	4.70%

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## Life Insurance

Example based on Level Term Life Assurance of £100,000 over 20 years

Male, aged 35. Non smoker		Male, aged 35. Smoker		Female, aged 35. Non smoker		Female, aged 35. Smoker	
Company	Mth Premium	Company	Mth Premium	Company	Mth Premium	Company	Mth Premium
Aviva	£5.99	Aviva	£9.81	Aviva	£5.00	Aviva	£7.90
Aviva	£6.01	Aviva	£9.85	Aviva	£5.00	Aviva	£7.94
Bright Grey	£6.91	Aviva	£10.84	Aviva	£5.21	Aviva	£8.74
Legal & General	£7.02	Prudential Protect	£11.19	Bright Grey	£5.39	Prudential Protect	£9.08
Liverpool Victoria	£7.15	Legal & General	£11.55	Legal & General	£6.00	Legal & General	£9.15
Legal & General	£7.20	Aviva	£12.05	Aviva	£6.06	Aviva	£9.30
Aviva	£7.24	Legal & General	£12.32	Liverpool Victoria	£6.10	Aviva	£9.53
Axa	£7.34	Aviva	£12.70	Aviva	£6.16	Aviva	£9.70
Axa	£7.45	Legal & General	£13.00	Legal & General	£6.20	Legal & General	£9.76
Legal & General	£7.49	Marks & Spencers	£14.55	Aviva	£6.48	Legal & General	£10.30

## Accident, sickness and unemployment cover

Example based on 30 year old UK resident in permanent employment working 37.5 hours per week. Accident, sickness and unemployment cover with £1,000 of monthly benefit to cover mortgage payment plus 25% extra cover for bills etc. Protection runs for 1 - 2 years.

Provider	Product name	Max no of payments A&S/U	Waiting period A&S	Waiting period U	Monthly cost	Cost over term (1 year)
British Insurance	Accident & Sickness Cover	12	31	n/a	£22.50	£270
Keystone	Keystone Regular Commitment Cover	12	31	n/a	£28.13	£309.43
Keystone	Keystone Regular Commitment Cover	12	n/a	30	£35.50	£390.50
Easi Protect	Accident, Sickness & Mortgage Payment Protection	12	31	n/a	£37.38	£411.18
British Insurance	Un-Employment Cover	12	n/a	31	£42.50	£510
British Insurance	Accident, Sickness and Un-Employment Cover	12	31	31	£43.75	£525
Easi Protect	Un-Employment, Mortgage Payment Protection	12	n/a	31	£44.48	£533.76
Account Solutions	Mortgage Payment Protection	12	31	n/a	£46.87	£562.44
Coverwise	Repayment Protection Plan	12	31	n/a	£47.25	£567
Keystone	Keystone Regular Commitment Cover	12	31	31	£49.37	£543.07
Easi Protect	Accident, Sickness, Un-Employment, Mortgage Payment Protection	12	31	31	£49.88	£548.68
Sentinel	Mortgage Payment Protection Insurance	24	91	n/a	£61.25	£735
Sentinel	Mortgage Payment Protection Insurance	24	61	n/a	£64.50	£774
Sentinel	Mortgage Payment Protection Insurance	24	91	91	£67.87	£814.44
Sentinel	Mortgage Payment Protection Insurance	24	61	61	£68.50	£822
Sentinel	Mortgage Payment Protection Insurance	24	31	n/a	£71.38	£856.56
Coverwise	Repayment Protection Plan	12	31	31	£77.00	£924
Sentinel	Mortgage Payment Protection Insurance	24	31	31	£81.63	£979.56
Sentinel	Mortgage Payment Protection Insurance	24	31	31	£84.87	£1,018.44
Assurant Solutions	Mortgage Payment Protection	12	31	31	£85.25	£1,023

## Annuities

Example based on Male purchasing an annuity, aged 65. Smoker/all : All. Pension fund of £20,000. Joint life annuity, no guarantee. Age of spouse - 60. Level of income for spouse - 50%.

### Monthly Income

Provider	Smoker/All	Level	Increasing by 3%	Increasing by RPI
SAGA Provided by Legal & General	All	£100	£66	£55
Canada Life Ltd	All	£97	£66	£57
Legal & General	All	£97	£66	£53
B & C E Insurance Ltd	All	£92	n/a	n/a
Standard Life	All	£92	£61	£55

Male purchasing an annuity, aged 65. Smoker/all : All. Pension fund of £20,000. Joint life annuity, 5 year guarantee. Age of spouse - 60. Level of income for spouse - 50%.

SAGA Provided by Legal & General	All	£100	£66	£55
Canada Life Ltd	All	£97	£66	£57
Legal & General	All	£97	£66	£53
B & C E Insurance Ltd	All	£92	n/a	n/a
Standard Life	All	£92	£61	£55

Male purchasing an annuity, aged 65. Smoker/all : All. Pension fund of £20,000. Joint life annuity, 10 year guarantee. Age of spouse - 60. Level of income for spouse - 50%.

SAGA Provided by Legal & General	All	£100	£66	£55
Canada Life Ltd	All	£96	£66	£57
Legal & General	All	£96	£66	£52
Standard Life	All	£91	£61	£54
Friends Provident	All	£87	£58	n/a

## Stakeholder & Personal Pensions

Example based on 30 year old planning to retire aged 65 making a £100 regular monthly payment.

Provider	Product Name	Illustrated Fund	Charges & Deductions	Charges in Early Years	Stakeholder
<b>AEGON Scottish Equitable</b>	FPP - Financial Adviser Charge Option	Mixed Fund	£25,748	£496	No
<b>AEGON Scottish Equitable</b>	FPP - Financial Adviser Charge Option	With Profits Growth Fund	£25,748	£496	No
<b>AEGON Scottish Equitable</b>	FPP - Establishment Charge Option	Mixed Fund	£28,896	£781	No
<b>AEGON Scottish Equitable</b>	FPP - Establishment Charge Option	With Profits Growth Fund	£28,896	£781	No
<b>Friends Provident</b>	Milestones Online Stakeholder Plan	Managed Fund	£29,745	£63	Yes
<b>Prudential</b>	Prudential Flexible Retirement Plan	Prudential Managed A Fund	£30,200	£78	No
<b>Scottish Life (Royal London)</b>	Pension Portfolio	Managed Fund	£30,239	£332	No
<b>Scottish Life (Royal London)</b>	Pension Portfolio	Unitised With Profits	£30,239	£332	No
<b>Scottish Widows</b>	Stakeholder Pension Plan	Consensus Fund	£34,000	£57	Yes
<b>Scottish Widows</b>	Stakeholder Pension Plan	Consensus Fund	£34,000	£57	Yes
<b>Scottish Widows</b>	Stakeholder PPP – Web Only	Consensus Fund	£36,900	£63	Yes
<b>B &amp; CE Ins Ltd</b>	Easy Build (non Restricted)	Easy Build Managed Fund	£37,100	£75	Yes
<b>Friends Provident</b>	The Personal Range Individual Personal Pension	Managed Fund	£38,244	£78	No
<b>Friends Provident</b>	The Personal Range Individual Personal Pension	Managed Fund	£38,244	£78	Yes
<b>Standard Life</b>	Stakeholder Pension Plan	Stakeholder Managed Fund	£39,000	£78	Yes
<b>Standard Life</b>	Stakeholder Pension Plan	Stakeholder With Profits 2006 Fund	£39,000	£78	Yes
<b>Legal &amp; General</b>	Legal & General Personal Pension Scheme	Managed Fund	£42,400	£94	Yes
<b>Legal &amp; General</b>	Legal & General Personal Pension Scheme	Managed Fund	£42,400	£94	Yes
<b>Legal &amp; General</b>	Legal & General (UTM) Stakeholder (Nationwide)	Tracker Pension Fund	£42,400	£94	Yes
<b>UT MRGS Ltd</b>	With Profits Retirement Plan	With Profits Fund	£43,000	£74	No

## Savings Accounts

Example based on initial deposit of £10,000 with option to make regular deposits. Notice period up to 1 year. Available only to adults. Taxable.

Provider	Product Name	Initial Rate	Notice Period	Min. Balance
<b>Stroud &amp; Swindon Building Society</b>	Regular Saver Plus Account 2	4.50%	None	£10
<b>Buckinghamshire Building Society</b>	Chiltern Gold Builder	4.12%	None	£25
<b>Cheshire Building Society</b>	Monthly Saver	4.00%	None	£10
<b>Derbyshire</b>	Monthly Saver	4.00%	None	£10
<b>Norwich &amp; Peterborough Building Society</b>	Regular Saver	4.00%	None	£1
<b>Scottish Building Society</b>	Regular Bonus Saver	4.00%	None	£25
<b>Ipswich Building Society</b>	Smart Save	3.50%	None	£10
<b>Akbank N.V.</b>	AK 12 Month Deposit Account	3.25%	Term	£1
<b>Nottingham Building Society</b>	First Home Saver	3.25%	None	£10
<b>United National Bank</b>	One Year Fixed Rate Deposit Account	3.25%	Term	£2,500
<b>Secure Trust Bank</b>	120 Day Notice Issue 1	3.21%	120 Days	£1,000
<b>Akbank N.V.</b>	AK 12 Month Deposit Account	3.20%	Term	£1
<b>Kent Reliance Building Society</b>	Direct 1 Year Fixed Rate Bond Issue 10	3.20%	Term	£100
<b>ICICI Bank UK Plc</b>	HiSave 1 Year Fixed rate Account (No Access)	3.15%	Term	£1,000
<b>Julian Hodge Bank</b>	1 Year Capital Millennium Bond	3.15%	Term	£1,000
<b>Kent Reliance Building Society</b>	Direct 1 year Fixed rate Bond Issue 10 Monthly	3.15%	Term	£10,000
<b>Turkish Bank (UK) Ltd</b>	One Year Fixed Term Deposit Account	3.15%	Term	£5,000
<b>ICICI Bank UK Plc</b>	HiSave 1 Year Fixed Rate Account (No Access) Monthly	3.11%	Term	£1,000
<b>Julian Hodge Bank</b>	1 year Capital Millennium Bond	3.11%	Term	£1,000
<b>Beverley</b>	Monthly Saver	3.10%	None	£10

## Endowments

Example based on 30 year old male, non-smoker making a £100 regular monthly payment.

Provider	Product Name	Illustrated Fund	Charges & Deductions	Charges in Early Years
<b>Police Mutual</b>	Regular Savings	With Profit	£1,502	£986
<b>Teachers</b>	Guaranteed Savings Plan	With Profit	£1,750	£1,060
<b>The Children's Mutual</b>	Friendly Bond – Taxable	With Profits Fund	£1,800	£1,190
<b>LV</b>	MAX (Initial Charge Version)	With Profits Fund	£1,810	£791
<b>Wesleyan</b>	Fixed Term Saving Plan	Wesleyan Life With Profit Fund	£1,833	£282
<b>MGM Advantage</b>	Flexible Savings Plan	Life Bonus Growth Fund	£2,070	£714
<b>MGM Advantage</b>	Flexible Savings Plan	Life Managed	£2,070	£714
<b>Scottish Friendly Assurance</b>	Prosperity Savings Plan	With Profits Fund	£2,120	£1,370
<b>Scottish Widows</b>	Regular Savings Plan (Adult)	Consensus	£2,180	£556
<b>Sheffield Mutual Friendly Society</b>	Regular Savings Plan	With Profit	£2,222	£918
<b>Red Rose Friendly Society</b>	Savings Endowment	Traditional Endowment With Profits	£2,240	£1,090
<b>Scottish Widows</b>	Regular Savings Plan (Adult)	Unitised With Profit	£2,720	£691

## Unit Trust and OEIC ISAs

Example based on IMA (Investment Management Association) fund sector of All UK Companies. £3,600 invested as a single lump-sum payment for minimum 10 years.

Provider	Product Name	Illustrated Fund	Charges & Decutions	Charges in Early Years	Transfers in	Transfers out	Stakeholder
Fidelity International	ISA £	MoneyBuilder UK Index Fund	£188	£35	Standard charges	Free	No
HSBC Trust Company (UK) Ltd	ISA £	FTSE 250 Index Fund – R	£188	£35	Standard charges	Free	No
HSBC Trust Company (UK) Ltd	ISA £	FTSE All Share Index Fund – R	£188	£35	Standard charges	Free	No
HSBC Trust Company (UK) Ltd	ISA £	FTSE 100 Index Fund – R	£229	£43	Standard charges	Free	No
F & C	Investment Funds ISA	FTSE All – Share Tracker	£296	£64	Standard charges	Free	No
Liontrust	ISA £	Top 100 Fund	£338	£82	Standard charges	Charged	No
Legal & General	ISA £	UK Index Trust (R)	£345	£70	Standard charges	Free	No
M&G	ISA £	Index Tracker Fund A	£346	£66	Standard charges	Free	No
Fidelity International	ISA £	MoneyBuilder Growth ISA Fund	£434	£114	Standard charges	Free	No
Gartmore Investment Mgmt Ltd	Gartmore Investment ISA £	UK Index Fund – R	£471	£97	Standard charges	Free	No
Aviva Investors	Investment ISA £	Blue Chip Tracking Fund 1	£488	£115	Standard charges	Free	No
Allianz Global Investors	ISA £	UK Index Fund – A	£493	£118	Standard charges	Free	No
Legal & General	ISA £	UK 100 Index	£507	£104	Standard charges	Free	No
Aviva Investors	Investment ISA £	UK Index Tracking Fund 1	£571	£117	Standard charges	Free	No

## Investment Bonds

Example based on £10,000 lump sum investment.

Provider	Product Name	Illustrated Fund	Charges & Deductions	Charges in Early Years	Min. Withdrawal	Min. Balance
<b>AEGON Scottish Equitable</b>	Investment Control - Clean	Cash	830	147	250	250
<b>Zurich Assurance Ltd</b>	Investment Bond – Flexible	Sterling UK Fund	917	238	50	1,000
<b>Canada Life Ltd</b>	Select Investment Bond (Clean)	Canlife Defensive Managed	941	329	250	250
<b>Canada Life Ltd</b>	Flexible Investment Bond - Level Option (Clean)	Canlife Defensive Managed	1,120	387	250	250
<b>Canada Life Ltd</b>	Flexible Investment Bond - Deferred Option (Clean)	Canlife Defensive Managed	1,210	266	250	250
<b>Prudential</b>	Prudential Investment Plan (Nil Commission)	Prudential Managed Fund	1,210	247	50	500
<b>Police Mutual</b>	Guaranteed Investment Bond	With Profit	1,636	619	50	500
<b>Sheffield Mutual Friendly Society</b>	Income Bond	With Profit	1,657	779	5,000	10,000
<b>Sheffield Mutual Friendly Society</b>	Investment Bond	With Profit	1,723	762	0	1,000
<b>Alico Wealth Management</b>	Investment Bond	Alico Fidelity Moneybuilder Income Net	1,770	366	500	10,000
<b>Prudential</b>	Prudential Investment Plan (Nil Commission)	Prudential Optimum Return Fund	1,780	386	50	500
<b>Scottish Life (Royal London)</b>	Capital Investment Bond	Managed	1,800	847	50	250
<b>NFU Mutual</b>	Flexibond	With Profit	1,875	388	100	500
<b>AEGON Scottish Equitable</b>	Investment Control – Establishment Charge	Cash	1,930	843	250	250
<b>Prudential</b>	Flexible Inv Plan – Initial Charge Opt	Prudential Managed Fund	1,930	961	50	500
<b>Zurich Assurance Ltd</b>	Investment Bond – No Exit Penalty	Sterling UK Fund	1,930	754	50	1,000
<b>Friends Provident</b>	Friends Wealth Solutions Bond	Managed	1,950	1,080	40	3,000
<b>Scottish Widows</b>	Flexible Options Bond	Consensus	1,950	901	30	100
<b>Scottish Widows</b>	Flexible Options Bond	With Profits Growth Fund 2	1,950	900	30	100
<b>CIS – The Co-Operative Investments</b>	Platinum Bond Plus	With Profit	1,969	769	25	1

The figures and details shown are obtained from sources believed to be reliable. However, the accuracy and completeness of any information cannot be guaranteed and no warranty or representation is given and users must check all rates, conditions and details before finalising any arrangement. No liability can be accepted for any direct or consequential loss arising from the use or reliance upon this information.

## SAVINGS & INVESTMENTS INFORMATION GUIDE

**NOTE:** This is general information to help you make financial decisions. It is not advice, and cannot take account of your individual circumstances. When making decisions about your own circumstances you should consider whether to consult a financial or other professional adviser.

### Savings

Saving tends to be for short term goals or when you need to get at your money quickly. Investing is for the longer term, if you're willing to tie up your money and take some risk to get a better return – balancing the risk of a short term loss against the chance of a long-term gain.

### Getting to grips with your money

Take the time to review your financial position as a whole. Everybody's circumstances are different, but these are the general rules:

- Pay off any expensive debts – such as credit cards. This is because the interest you pay on borrowed money is usually higher than the interest you get on a savings account.
- Protect yourself and your family – think about taking out insurance to cover you for unforeseen events, for example a house fire, illness, redundancy or death.
- Have an 'emergency fund' of money that's easy to get hold of, which would last you for three to six months if you lost your income suddenly. You can hold it in an easily accessible savings account – earning some interest until it's needed. If you've met these priorities, you are in a good position to consider further savings and investments.

### Your Goals

Be clear about your financial goals; for example, how much money you'll need, and when. You are likely to have a range of different financial goals with different timescales. Think about how you can balance your short-term goals, for example buying a car, with longer term needs such as an income in retirement. Your financial goals and timescales will determine how much you need to save or invest. And remember, even small regular savings can add up in the long run.

### Saving for Tomorrow

Remember, £10 today does not buy you what £10 did ten years ago. You get less for the same money over time as a result of inflation – making it harder to reach your target. Savings and investments can help protect your money being eroded by inflation. There is also the possibility that your money may grow faster than inflation.

### Short-term Savings,

For short-term savings, you usually put your money into an account where it earns interest without the risk of losing any of it (short of a bank, credit union or building society collapse). You can usually get your money out immediately or after a notice period, which could be 30, 60 or 90 days. Your money grows because interest is added monthly or yearly. However, this can be a slow process and it can take many years for your original deposit to grow much.

You also need to save regularly and not dip into the fund, if you can help it. Be aware of how inflation can affect your savings.

### Regulated Firms

Banks and building societies in the UK must be regulated by the FSA (Financial Services Authority) to be able to take your money and hold it. Always check that they're regulated by the FSA before you hand over your money.

If you have a complaint and can't resolve it with them directly, you may be able to take it to the Financial Ombudsman Service (FOS).

Savings accounts are deposit based. This means you'll usually get back the money you have put in plus interest, unless the bank or building society collapses. If this happens, and as long as the firm is regulated by the FSA, the Financial Services Compensation Scheme may be able to pay compensation, up to a set limit.

### Firms Not Based in the UK

By law, most financial services firms must be authorized by the FSA before they can do business in the UK. The FSA regulates firms from the EEA (European Economic Area) if they are operating in the UK. However, if you are considering or currently doing business with a firm authorised in another EEA state you should ask for further information from the firm or its UK branch about its complaints and compensation arrangements. This is because the position may differ compared to a UK authorised firm.

### Where You Can Save

You can save in a wide range of savings accounts available from banks, building societies, credit unions and National Savings and Investments (NS&I).

### Your Savings and Inflation

Inflation happens when prices go up throughout an economy. The effect of inflation on your money means that the money you save will buy less each year. To protect your savings against this, you should look for an after-tax interest rate that is more than the rate of inflation.

## Features

There are many savings accounts with many different features including:

- Interest rates – some accounts have a higher interest rate for an introductory period, and then it drops. Others have a rate that goes up the more money you have in the account;
- Notice periods for withdrawing your money without penalties – such as 30, 60 or 90 days;
- How long you have to keep the money in the account to get a high interest rate;
- The way interest is added – some accounts add it monthly and others once a year;
- Additional bonuses – but these are usually payable only in certain circumstances, and you should make sure you understand what these are.
- Tax-free savings – by using a cash ISA (Individual Savings Account) – see below.

## Cash ISAs (Individual Savings Accounts)

There are two types of ISA – cash or investment. You can invest in two separate ISAs in any one tax year: one cash ISA and one investment ISA. You can invest up to £3,600 (2008/09 tax year) in a cash ISA, and can only invest with one provider in any one tax year. Cash ISAs usually pay a higher interest rate than normal savings accounts and the interest earned is free of income tax.

## Tax

Interest paid on your savings is treated as ‘income’ and as such you may have to pay tax on it, just as you pay tax on your wages. You will usually receive your interest net of tax, with 20% tax already paid.

- If you don’t pay income tax, you can fill in form R85, and receive your interest gross (before tax is taken off).
- If you are a basic-rate income tax payer, you don’t get any tax back but you won’t pay any more.
- If you are a higher-rate income tax payer you will need to declare this income on your tax return, and pay a further 20% on the interest you have earned.

Cash ISAs Accounts let you receive your interest free of income tax. Some NS&I savings products, such as premium bonds, & saving certificates, are also free of tax.

## Longer Term – Investments

Putting money away for the longer term usually means investing your money in schemes or funds based on the stock market. When investing, you take calculated risks to increase your chance of getting higher returns on your money, especially over the longer term (money you can afford to tie up for five years or more).

There are different types of investments but, basically, you take a risk with your money by investing in assets (usually on the stock market) that could rise or fall in value. There is no guarantee you will make a return on your investment or even that you will get back the same amount you invested in the first place. The upside is that you often get a greater return than you would with savings, giving you better protection against inflation over the long term.

### Investing With a Regulated Firm

Firms advising on or selling investments must be regulated by the FSA, or be the agent of a regulated firm. This means they have to meet certain standards. The FSA monitor standards and can take action if these are not met. This also means that if you have a complaint and can't resolve it with them directly, you may be able to take it to the Financial Ombudsman Service or if a firm is unable or likely to be unable to pay claims against it the Financial Services Compensation Scheme may be able to help.

### How Investments Pay Out

There are different ways you can 'make money' with an investment. Some investments provide:

- Capital growth – the original amount you invest grows.
- Income – a regular payment, for example dividends from shares.
- A combination of income and growth.

### Already Have Investments?

If you're saving in a pension, have a life insurance policy or are part of an employee share scheme, then you are already investing. All these invest your money in the stock market with a view to making it grow over a long period.

### What Are Investments?

A good way to understand investments is to think about investing in three layers. The first layer, common to all forms of investment, is the underlying investment itself. It will fall into one of four asset classes. These are:

- shares – a stake in a company.
- bonds – loans to a company or the government.
- property – either commercial or residential.
- cash.

You can invest in any one of these asset classes. However, it's usually a good idea to spread your investments over different classes and providers so that you reduce the risk of losing more of your investment if the value of those assets go down. The second layer is called pooled investments – and provides a relatively easy way of spreading the risk of your investment by investing in a range of assets. This is because your money is 'pooled' with that of other investors, and is invested in one or more of the above asset classes by a fund manager. The most common types of pooled investments are open ended investment funds, investment trusts and life assurance funds.

The third layer is what is sometimes known as a tax wrapper. This means that your investments are held in a 'wrapper' such as an investment ISA or a pension and you pay less – or no – tax. With a pension you get tax relief as well.

### Understanding the Risks

Risk and reward generally go hand in hand. The more risk you are prepared to take, the higher the potential reward. If you are not prepared to lose any of your money under any circumstances then you have to accept a lower level of return. If you see an investment promising a high return at little or no risk, be very wary. The important thing to remember is that, even if your investment goes down, you will have only made a loss if you cash it in at that time; it is not a real loss until you sell.

You can't eliminate risk with investments, but you can reduce it by diversifying your investments. What may be a small risk to one person may be huge to another. You must decide what level of risk you are personally willing to take.

### Investment ISAs (Individual Savings Accounts)

There are two types of ISA - cash or investment. You can invest in two separate ISAs in any one tax year: one cash ISA and one investment ISA. This can be with the same or different providers. You have an overall ISA allowance of up to £7,200 (2008/09 tax year) and up to £3,600 (2008/09) of that can be saved in a cash ISA and the rest in an investment ISA. Or you can invest the whole allowance in an investment ISA, but with one provider in any one tax year. By using an investment ISA you invest in longer-term investments such as:

- Individual shares or bonds.
- Pooled investments such as open-ended investment funds, life assurance investments or investment trusts.

You can transfer money from a cash ISA to an investment ISA – but not the other way. You do not have to pay any income tax or capital gains tax on the growth of the ISA investments. This helps anyone who pays tax. You can get an ISA from many different organisations, including banks and building societies, National Savings and Investments, and investment firms. A financial adviser can help you identify which investments are suitable for you, based on your own circumstances. Always check that the FSA regulate the firm to ensure you're protected.

### Compensation

If a regulated firm is unable or likely to be unable to pay claims against it, you may be able to get compensation from the Financial Services Compensation Scheme (FSCS). It can pay compensation for financial loss of up to £50,000 for deposit claims, (which is 100% of the first £50,000). If you hold multiple accounts in banks that are part of a larger group the amount of compensation depends on whether the bank is separately authorised or part of the parent group. For investments, the FSCS can pay compensation of up to £48,000 per person (100% of the first £30,000 and 90% of the next £20,000).

If you are considering or currently doing business with a firm authorised in another EEA state you should ask for further information from the firm or its UK branch about its complaints and compensation arrangements. This is because the position may differ compared to a UK authorised firm.

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