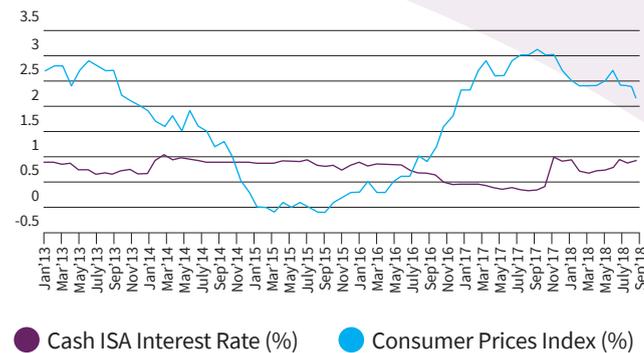


Many cash ISAs are losing value – is there an alternative?

Since their introduction in 1999 the Cash ISA has been a popular choice for many savers and its popularity has continued to grow. With the government continuously raising the ISA allowance from £3000 to the current £20,000, the amounts subscribed to these tax-efficient accounts has risen by over 57% in the past decade with over £39 billion added in 2017/18.

1. Paltry interest rates

For nearly a decade, savers in the UK, in particular those who traditionally looked towards Cash ISAs for tax efficiency, have had to contend with meager returns, with interest rates dropping as low as 0.27%. The graph below illustrates how Cash ISA interest rates have fared against inflation.



Source: Bank of England and Office of National Statistic

2. Rising Inflation

Low interest rates aren't the only reason why Cash ISA's have lost their appeal for many savers.

Inflation has also been rising steadily and over time this erodes the spending power of your cash significantly. If inflation is greater than the interest rate you can get on your savings, then in real terms, the spending power on every £1 you have saved is being constantly eroded by rising prices.

With the rate of inflation nearly four times higher than the average interest rate on an easy access Cash ISA (as at April 2018) the table (below) illustrates how damaging inflation can be on the value of £1,000 of cash savings in real terms.

	Inflation Rate	1%	2%	3%	4%
Value of £1000 after	5 years	£951	£906	£863	£822
	10 years	£905	£820	£744	£676
	20 years	£820	£673	£554	£456

Is there an alternative?

Cash savings should be an important part of anyone's financial arrangements as it's always wise to have access to some 'emergency funds' and although Cash ISA interest rates are currently poor they can still provide an easy access home for this.

If you've already got your emergency funds sorted and are comfortable with taking at least some risk, you could potentially obtain better returns by transferring some of your Cash ISA funds to a Stocks & Shares ISA.

What is a Stocks & Shares ISA?

Just like a Cash ISA a Stocks & Shares ISA is essentially just an account which shelters the money held within it from tax. However with a Stocks & Shares ISA, you can choose from a wide range of investment funds, offering the potential for greater growth than a cash savings ISA can offer.

We have access to a comprehensive range of investment portfolios and funds from which we can carefully select to match your attitude to risk and investment objectives. This opens the door to far greater scope to grow the value of your savings beyond what can typically be achieved with a Cash ISA and help counter the effects of inflation. But, it's important to remember that as with any investments, the value of a Stocks & Shares ISA can fall as well as rise and so you might get back less than you invest.

A stocks & shares ISA is a medium to long term investment, which aims to increase the value of the money you invest for growth or income or both.

The value of investments and any income from them can go down as well as up and you may not get back the original amount invested. Past performance is not a guide to future performance and should not be relied upon.