

# Savings Basics

solace

The UK government defines saving as putting money aside without risk. Usually, you'll be putting money aside, bit by bit into cash products, such as a savings account with a bank or building society. This guide will help you get used to the idea of saving, giving you tips to help you on your saving journey. Saving is a habit, and it's never a bad time to get started. Have a look at our 6 ideas on the next page to get you saving.



## **Sometimes Smaller is Better**

Saving is all about little and often – even tiny amounts add up if you can save. Think about your savings balance as a plant and watch it grow as you add to it. As little as 50p a week, it will grow into a healthy amount over time.

## **Keep it Regular**

Getting into a regular savings habit can be more important than the amount you're saving. Set yourself a day each month to look at your savings and it'll soon become a positive habit, and you'll be more likely to keep with it. Once you've hit your first savings goal you should try to build up to bigger amounts.

## **Take Care of the Pennies**

Go old-fashioned and collect your loose change at home. Put all your loose coins into a jar and you'll see the money add up. You might choose to save just one type of coin, for example, you could save 50ps, and every-time you receive a 50p you could put it in the jar, allowing you to accumulate your savings as time passes.

## **If you have it, you will spend it**

If you leave the money in your purse or bank account, it is much more likely that you'll spend it. We recommended that you separate your savings from your current account to reduce the temptation. You can spread your money across other accounts, or put your cash savings in a secure envelope, whatever works for you.

## **Get Motivated**

Having a savings goal is always a good way to get started and keep you motivated. Write down what you're saving for and work out how much you need to save weekly to reach that target. Make sure your goal is achievable and celebrate when you achieve it.

## **Make your money work for you**

If you decide to open an account with a bank or building society, you could earn interest on your savings. The interest means that your money can grow faster. Remember if you're setting up an emergency fund, make sure the account lets you access your money when you need it.

## More saving tips

If you've already started saving and want suggestions to make your saving more effective, then have a look at some of our suggestions below. None of these suggestions should be taken as financial advice, make sure you do your research, read the terms and conditions of any agreements before you sign them and are aware of the benefits and disadvantages before you make any financial commitments.

### Money Makes Money

Whilst it isn't a guaranteed way of saving money, investing can help you meet your long-term goals if you are willing to take the risk. If you think investing could be for you, check out our guide on investments. Remember – you may not get back all the money you put in. You should seek financial advice before looking at any investments.

### Get 'Appy

There are lots of different, free-to-use apps which will help you meet your goals. A simple online search will highlight a range of apps, try them out and find what works for you. Some apps will help you track your savings, whilst others use 'chatbot digital assistants' to encourage you to meet your saving goals, others even track your bank balances and encourage you to save more when you have it.

### Automate it

It's so easy to forget to save each month but automating your savings will stop you forgetting. A standing order is an instruction to your bank to pay money from one account to another at a regular interval. You won't have to think about your savings as your fund continues to grow.

### Know your Budget

To unlock your saving potential, you first need to get to grips with what's coming in and going out. If you've got left over money at the end of each week, then you're in a great position to start saving. If there's usually nothing left, you can still start saving. Whilst it's not easy to change how much money comes in, most people can change how much goes out. Check out our budgeting guide to find out how to kickstart your savings.

### Different Pots

If you're saving for more than one goal it can be helpful to have separate virtual 'pots' for these goals. Many banks encourage you to have different accounts, but you don't need have to have an online account. You could even use separate sweets tins! Another tip is to have a separate bank account. Put your weekly budget into that account and live from that, while your savings stay on another card.

## Challenge Yourself

Make your savings fun and set yourself a challenge, you could even invite a friend to keep each other motivated. Search for 'Saving Challenges' or take a look at this article to find a challenge which suits you. You could otherwise set yourself a 'no-spend' challenge, challenging yourself to only buy things that you need. You can choose how long this challenge lasts. This is a good way to re-evaluate your budget and increase your savings at the same time!

## Why Should I Save?

Whilst everyone's reasons for savings could be different and unique to their living situation, there are some key themes behind people's savings goals. These key themes have been summarised below to help you decide what your savings goal might be. Savings are useful as they can give you security for the future.

For example, they can help you save enough money to buy something expensive in the future, or if you want to have an emergency fund, as a 'just in case'. The important thing to remember is that saving is for everyone, no matter what your situation or income is.

Many people save to build up an emergency fund, which would act as a savings cushion in case anything ever went wrong. The Money Advice Service suggest this fund should eventually have enough in it to cover 3 months' worth of essential living costs.

A 'rainy day fund' can help you cover unexpected bills, like when the washing machine breaks, without you having to turn to forms of debt (Credit Cards, or loans). Whilst not all debt is bad, having access to savings means that you have more choice in how you fund any unexpected costs.

Some people choose to create a savings pot for their holidays. Saving up for your holidays across a longer time period can make your holidays seem more affordable by saving little and often.

Having savings can increase your wellbeing, from the sense of control they can give you, knowing you have money for any financial emergencies that may occur, to the pride and happiness you'll feel when you meet your financial goals.

## Want to know more?

For more suggestions on setting a savings goal, have a look at resources provided by the Money Advice Service and The Money Charity.

## Types of Savings

In addition to there being lots of different motivations behind why you might want to save, there are also lots of different types of savings. To make sure you choose the right type of savings account for you, it's useful for you to have an idea about what your savings goal(s) might be.

Below we outline some of the different types of savings accounts, but it is important that you consider your options and read the terms and conditions before choosing what is right for you. There are lots of free advice you can access, for example [www.themoneycharity.org.uk](http://www.themoneycharity.org.uk) and [www.themoneyadviceservice.org.uk](http://www.themoneyadviceservice.org.uk) and many banks will also provide help and guidance for their clients.

### Regular Savings

Savings where you're committed to making regular payments into your savings account.

Some products aimed at this type of savings are conditional on your regular payments, and there may be penalties (i.e. lost interest) if you don't keep your commitments.

### Lump Sum

When you already have a 'lump' of money which you want to leave in a savings account.

Some products for this type of saving prevent you from adding to the pot once you deposit the lump.

### Instant Access

This type of savings allows you to take your money out whenever you need.

These accounts are a good place for your emergency savings as your money remains accessible.

### Long Term

When you plan on not accessing your savings for many years [typically 10 years or longer].

The products offered for this type of savings will have little value if you try to access them early.

### Tax-Free

There are special accounts that let interest be paid, without tax being deducted (within a limit).

These accounts are normally called ISAs and can involve either cash or investments.

### Investments

A risky way of saving money which can be less accessible than other forms of saving.

Please read our guides on Pensions and Investments to find out more.