With the National Savings 4% rate on guaranteed growth bonds finishing between now and mid May, I read with some alarm that Billions of pounds are being ploughed into Bond Funds. Why Alarm? Well it's virtually guaranteed that Bond Funds will lose capital value as interest rates rise.

What is a "bond"? To raise money, companies can either offer investors new shares with the prospect of paying larger dividends (income) in future as the company grows, or it can borrow money.

When Companies borrow money they issue certificates called Corporate Bonds and they pay, and this is crucial, a FIXED rate of interest. This interest must be paid every year and takes preference over paying dividends on the company accounts, so Bonds are deemed to be lower "risk" than shares.

Like shares, Bonds are bought and sold on the stockmarket. The rate of interest the company pays is affected by many things, prevailing interest rates for example but most importantly how safe is the company? The higher the potential risk that the company cannot repay the loan the higher the rate of interest it must pay to borrow money. These are sometimes known as "high yield" bonds.

The key word above is FIXED interest. Most bank and building society accounts pay variable interest rates. Deposit £1,000 in a bank at 2% and you would receive £20 interest. If rates rise to say 3% you would receive £30 and still have your original £1,000.

Corporate Bonds do the opposite! Your interest is fixed and the capital goes up and down. Buy a bond for £1,000 paying 2% and you would receive £20, but if interest rates rose to 3% you would still only receive £20, so is your bond still worth £1,000?

Clearly no because at 3% you only need £667 in the bank to earn £20 interest, so when interest rates rise the capital value of "bonds" normally falls and hence my concern.

It's more complicated than that but with the shares here and in the US at record highs and interest rates rising where do you put your savings today?

You really do need to know what it is you are trying to achieve and with 32,000 financial products to choose from start 2018 by seeing an Independent Financial Adviser. They can't stop markets going up and down but their advice could save you losing money unnecessarily.