

Steve Dodge writes on Interest Rates.

Many people seem not to understand percentages. A short while ago I had a week of meeting folk who seemed to suffer from this form of Financial Dyslexia as I call it.

I met a wonderful couple in their mid fifties, the husband had been made redundant and felt the need to get organised for the future. They were apologising to me for not looking after their money very well in the past.

“No need to apologise to me,” I said, “many people neglect their money, it’s far more common than you might think”.

It transpired they had around £160,000 primarily in one bank account, and most of that money had been there for a few years.

“I see what you mean,” I said, “are you aware that you are only receiving a tenth of a percent interest gross on that account”? “Oh yes” he replied, quite calmly, which set my alarm bells ringing; I had expected more shock, outrage or surprise so I wondered if he really understood what he was really getting.

“Err that’s £128.00 a year net interest,” I informed him. “Never” he replied, “it must be more than that!” That was more like the reaction I expected & it was clear to me that percentages were not his strongest point.

It also gave him quite a shock when I pointed out that his Wife’s 60 BP shares, worth just over £3,000, were paying them a higher income than their entire cash accounts, 4.34% historically or £132.80 on just 60 shares.

He’s moved the money to several accounts earning overall 2.4% net of tax, (or £3,840 a year instead of £128,) until he has a job and we can develop a proper portfolio for the future.

It’s the same with Cash ISA’s, so many institutions have reduced their rates to such an extent it is vital to check and transfer (most important to transfer otherwise they become taxable) to someone paying a decent rate.

Don’t be tempted by one year and two “fixed” rates. Interest rates are set to rise and you could easily be worse off in future besides not having access to your money.

One lady I saw that same week had £17,888 in her cash ISA accounts and was receiving £17.88 interest a year. I made one phone call from her home and she is now earning £475 a year.

That’s serious money, a holiday perhaps or Christmas spending and all it takes is a phone call or two to increase your interest rates dramatically.

Don’t be worried if figures don’t make sense to you, you are not alone I assure you but if that is the case find an IFA you can Trust and do as they tell you. If you don’t have an IFA you are always welcome to contact us.