What does it mean to save?

To save is to put money aside instead of spending it right away. You might save money for weeks, months or years to buy something you really want. Some people save for no particular reason other than to feel financially secure – sometimes called saving for a rainy day.

Ways to save

There are many ways to save money for future use. For example, you could keep cash at home, put it into a bank account or invest it.

Saving cash

You could save cash at home. Some people save the small coins they receive in their change. However, it is probably not a good idea to keep large amounts of paper money (notes) at home.

Saving with a bank

Most people who want to save money have a bank account. Advantages are that your money is safe and that it will earn interest over time. The interest rate paid depends on which bank you have chosen, the type of account and the financial situation in the country as a whole.

You must be at least 16 years old to open your own bank account, but you can have an account from the age of 11 with your parents' permission. There are two types of bank account: **Current Accounts** and **Savings Accounts**. Many people have both types.

Current accounts

- are designed for day-to-day use, for example for receiving payments, such as salaries, for paying bills or withdrawing cash from a cash machine; and
- usually pay some interest, calculated daily as compound interest.

Savings accounts

- are designed to receive payments, but are not used for day-to-day transactions;
- usually have a higher interest rate than for a current account to encourage customers to keep money in the account rather than spend it; and
- can offer different types of savings to suit different types of savers.

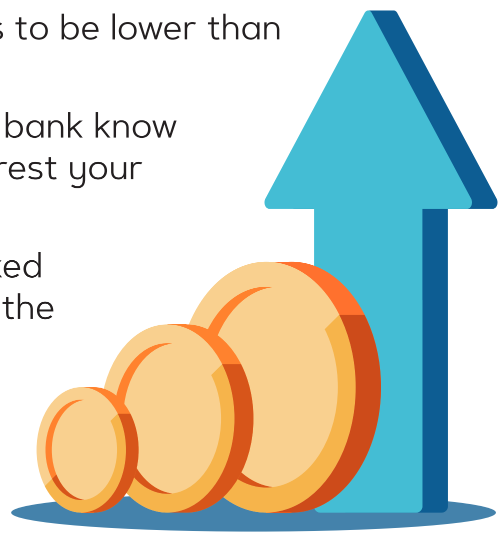
Types of saving accounts

Easy Access Account – You can make withdrawals at any time, but the interest rate tends to be lower than for other savings accounts.

Notice Account – The interest rate is higher for this type of account, but you must let the bank know in advance that you intend to withdraw money. If you do not, you will lose some of the interest your money has earned.

Regular Savings Account – For this type of account, the customer agrees to deposit a fixed amount of money every month. Although the interest rate is high, there is usually a limit to the amount of money you can deposit and therefore a limit to the interest it can earn.

Fixed-Term Savings Account – This type of account has the highest interest rate of all. Customers agree not to withdraw any money for a fixed period (known as the term) or they will have to pay a penalty. The fixed term is usually between 1 and 5 years.



Level 6

Apply Mathematical concepts to a range of financial situations.

Level 7

Make informed decisions involving money.

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Other ways to save

Autosaving apps

These help users to save automatically, working in the background without the user having to think about how and when to save.

Some of these apps work by rounding up electronic purchases to the next pound and saving the difference in a special account. For example, 1p is saved when you buy an item costing £2.99, £9.99 or £99.99

Others work out how much you can afford to save each week and automatically move that amount into a savings account. You can adjust the settings at any time if your financial situation changes.

These apps would probably suit younger people who are generally comfortable with technology and often find saving difficult. The disadvantage is that the apps pay very little interest or in some cases none.

Premium Bonds

This is a scheme offered by the government-backed NS&I (National Savings and Investments).
It is designed to encourage people to save.
Anyone, including children over 16 years old, can buy bonds by paying between £25 and £50 000
Over 21 million people in the UK currently have premium bonds.

The scheme does not earn interest for its users, but for every pound saved a unique number is entered into a monthly prize draw. For example, if you had saved £100, one hundred bond numbers would be entered into the draw every month.

The prize money is between £25 and £1 million, and the odds of your bond number being drawn is roughly currently 24 000 to 1, for every £1 bond, but these odds can change. You can cash in your bonds at any time.

Buying premium bonds keeps your money safe and has a fun element with the opportunity to win a cash prize but as you will not be earning interest, it does not suit anyone hoping to make money on their savings.

Investing

People who have already saved a large amount of money may consider **investing** some of it.

Investing means buying something that you expect to increase in value over time. You can invest in a new business that you expect to be successful or buy property to renovate and sell on at a profit. Many people invest by buying shares in companies and selling these when the price goes up. Buying works of art or jewellery, expecting a big increase in value is another way to invest – if you are super rich!

Any investment involves taking a risk – the expected increase in value may not happen and the investor will end up with less money than they started with.

When interest rates are very low because of economic conditions in the country, people with spare money might consider investing or buying premium bonds rather than keeping it in a savings account.

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