PRESS RELEASE

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'Scottish Friendly's research shows 'stepping stone' investment approach could bag investors a pot worth £108k in 20 years

- New figures show investors who increase the amount they invest by 10% a year could give a huge boost to their savings

- Stepping stone approach helps to dispel the myth that you need a lot of money to invest, to achieve growth potential

Investors who adopt the 'stepping stone' approach to investing could build up a pot worth as much as £108,000 in 20 years, new figures from Scottish Friendly reveal.

Someone who started investing £100 a month 20 years ago into a fund tracking the growth potential of the UK stock market and who increased their monthly contributions by 10% every year (£110 a month in year two; £121 a month in year three etc) would have invested £68,730 in 20 years and would be sitting on £108,020[1] in total returns after fees* - £39,290 more than they had put in.

By comparison, someone who invested in the same fund but kept their monthly contributions at £100 a month would have saved £24,000 and would be sitting on £43,375[2] in total after fees – £19,375 more than they had put in.

One of the key aspects of the 'stepping stone' approach is that the monthly increases are gradual and therefore often people may not miss the extra money they set aside. Of course, with all investments capital is at risk and people may get back less than they paid in.

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[1] *Source: CEBR; Based on annual returns of FTSE All-Share Index over the past 20 years, inclusive of equity returns, dividends and typical account fees. Calculation assumes a 10% increase in contributions each year – reaching £612 per month by FY 2018/19.*

[2] *Source: CEBR; Based on annual returns of FTSE All-Share Index over the past 20 years, inclusive of equity returns, dividends and typical account fees. Calculation assumes amount saved stays at £100 a month throughout the period.*

Figures calculated by the Centre for Economic and Business Research on behalf of Scottish Friendly reveal the Stepping Stone investment approach could work for those who save and invest smaller amounts each month.

Therefore, this approach could be ideal for those new to investing or on lower salaries, particularly those who are young and new to the workplace.

For example, someone who invested £10 a month into the FTSE All Share 20 years ago and kept their monthly contribution the same for the whole period would be left with £4,338[3] today after fees. They would have invested £2,400 in that time.

However, someone with the same investment but who increased their monthly contribution by 10% every year would be sitting on £10,802[4] now, from £6,873 of investments.

Kevin Brown, savings specialist at Scottish Friendly, said: "Many people think you need to invest lots of money to generate good returns but these figures challenge that myth. Even if you start small and gradually increase the amount you save or invest over time, you could be left with a sizeable pot in the future.

"A key characteristic of increasing your contributions over time is that you could boost your potential returns, and also the increases can be relatively small to start with so that many people may not miss the extra money they're setting aside.

"For novice and experienced investors alike, the Stepping Stone approach could be an effective way to help contribute towards their financial future."

Of course the value of investments can go down as well as up and you could get back less than you paid in.

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[3] *Source: CEBR; Based on annual returns of FTSE All-Share Index over the past 20 years, inclusive of equity returns, dividends and typical account fees. Calculation assumes amount saved and invested stays at £10 a month throughout the period.*

[4] *Source: CEBR; Based on annual returns of FTSE All-Share Index over the past 20 years, inclusive of equity returns, dividends and typical account fees. Calculation assumes a 10% increase in contributions each year – reaching £61 per month by FY 2018/19.*

*Total annual investment fee of 1.4% assumed in calculations. Source: CEBR

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Editors notes:

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Scottish Friendly is a leading UK mutual life and investments organisation. It provides investors and their families with a wide range of investment and protection solutions and provides life and investment products and services to other financial organisations.

Scottish Friendly has roots stretching back to 1862. Established as the City of Glasgow Friendly Society, its name changed in October 1992 when it took over Scottish Friendly Assurance.

Scottish Friendly's overall strategy is well-established and is based on a three-part growth plan composed of organic growth, business process outsourcing, and mergers and acquisitions.

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