PRESS RELEASE – FOR IMMEDIATE RELEASE

5 December 2018

Savers left hundreds of pounds out of pocket from two years of economic uncertainty following Brexit

- *Rising inflation and low interest rates mean that since the Brexit vote in 2016, the value of savings deposited in cash has fallen by up to 4% in real terms*

- *By contrast, those who put their money in a stocks and shares ISA tracking the FTSE All-Share are sitting on a real return of 9%*

The spike in inflation following Britain's decision to leave the European Union has contributed to cash savers being left hundreds of pounds out of pocket, according to latest research from Scottish Friendly in conjunction with the Centre for Economics and Business Research.

A combination of rising inflation and the Bank of England's decision to keep interest rates low to stave off a Brexit-induced recession have caused the value of cash savings to dwindle over the past two years.

Calculations carried out for Scottish Friendly show savers who deposited their full allowance of £15,240 into a cash ISA in September 2016 - three months after the Brexit vote - have seen their pot grow by just £225 to £15,465 (see Figure 1).

However, due to the rising cost of living, the real value of that money has actually diminished by 4% to £14,620 over the past two years. After accounting for inflation, this equates to a real annual interest rate of -2.1% over the period, equivalent to a total loss of £620.

By contrast, had the same amount been invested in a stocks and shares ISA-tracking the FTSE All-Share Index instead, the saver would have gained £2,344.

Even adjusting for inflation, an individual who invested in a stocks and shares ISA would be sitting on a savings pot worth £16,623 in September 2016 prices – a real return of 9%, equating to an annual interest rate of 4.4%.

While the returns from cash savings over the past two years have been meagre, they are slightly higher than those yielded by instant-access savings accounts.

A sum of £15,240 deposited in an average instant-access savings account in September 2016 will have accrued just £64 in interest over the following two years, leading to a real term decline of 5%.

In a survey of 2,000 people carried out on behalf of Scottish Friendly, almost half (49%) of respondents said they were worried about what effect Brexit might have on their finances. Only 26% of respondents said they were not worried.

More than a third (37%) are worried about their debts, while more than a quarter (26%) feel they have less money at the end of the month after paying for essentials than they did a year ago. This reflects the squeeze in living standards being felt by many households in a climate of weak wage growth and high inflation.

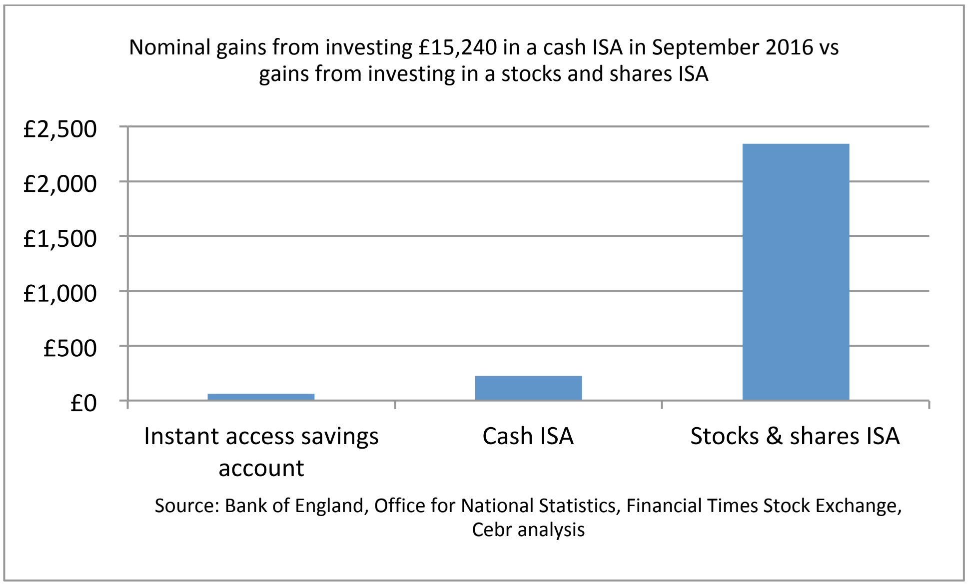
Calum Bennie, savings specialist at Scottish Friendly, said: "Just when savers thought things couldn't get any worse, the Brexit vote happened. This contributed to rising inflation – the silent killer of savings – and meant that the value of any money in poor-paying cash accounts was gradually eroding. What's worse, most people will have been unaware that their savings were slowly becoming less valuable.

"While it's a good idea to keep a healthy sum of money in an accessible cash account to cover emergencies and planned expenditure, more needs to be done to educate savers the stock market offers potential for greater returns. Of course, there is risk associated with investing, but if you're willing to keep your money in the stock market for the long-term, your investment will have the opportunity to ride out the ups and downs of the stock market. Naturally, many people are nervous about investing but it needn't be scary if you start by investing a modest amount on a regular basis."

Past performance is not a guide to future performance. The value of shares can fall as well as rise and investors may not get back the value of their original investment. Cash savings with a bank or building society are generally secure and accessible. Tax treatment depends on individual circumstances and can change in the future.

-ENDS-

Figure 1: Comparison of returns from a stocks and shares ISA, cash ISA and instant access savings account based on a deposit of £15,240 (the full allowance for a cash ISA) in September 2016



Methodology

To calculate the savings returns Cebr has used data from September 2016 to October 2018. Data on average annual interest rates on cash savings is published by the Bank of England. Data on total returns from the FTSE All-Share Index is published by the Financial Times Stock Exchange.

Contacts:
Chris Tuite, Director and Head of Consumer Finance, MRM
020 3326 9925 / 07471 350 810

Tom Briffitt, Senior Consultant, MRM
020 3326 9902 / 07471 351 576

Editors notes:
About the research

About Scottish Friendly
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.

In recent years Scottish Friendly has significantly restructured its business. The Group has flourished through a three-part growth strategy of organic growth, mergers and acquisitions, and business process outsourcing.

www.scottishfriendly.co.uk

Scottish Friendly, Scottish Friendly House, 16 Blythswood Square, Glasgow, G2 4HJ

Scottish Friendly Assurance Society Limited. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Scottish Friendly Asset Managers Limited. Authorised and regulated by the Financial Conduct Authority.