

Savings vs Investment Video transcript

Before you decide whether saving or investing is right for you, it's a good idea to ask yourself a few questions.

Do you have any debts?

If you do owe some money, you might be paying more interest on your debts than you could earn by saving or investing money. So consider paying any debts off first. It's also worth making sure you've thought about other aspects of your finances such as living costs, insurance needs, spending money and so on.

Have you got a rainy day fund?

'Rainy days' are a fact of life.

Sometimes, it'll be no more than a spot of drizzle – like a car breakdown or a boiler failure.

But if you're really out of luck, you could get a real downpour... maybe redundancy or a temporary loss of income.

That's why it's a good idea to keep some money in an easy access account.

How do you feel about risk?

If you can accept some risk to your capital, investing might be for you. But if you don't want to risk your original investment, you may be better to stick with saving. It's all down to what you feel comfortable with, whichever way you decide to go.

You also need to think about when you might need your money?

Maybe you've got a specific goal in mind that's quite a few years away.

If so, investing could be for you – provided you're relaxed about not needing to access your money for a number of years.

You also need to know that the value of your investment is bound to have its ups and downs along the way, and you may get back less than you invested.

But if access to your money is important – or you want to keep the risks down – a savings account may be more appropriate.

One last question...

How much will you need for your retirement?

When you're preparing for retirement, there's plenty to think about.

As well as savings or investments, you need to consider a pension if you don't have one already.

If you're not sure where to start, see My Retirement Planner – it's a simple online calculator to help give you an idea what your income might be when you retire.

It'll help you get your thoughts together.