



# VIEWPOINT

ST BARTS FINANCE

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Please enjoy reading our newsletter. If you would like to discuss any of the articles further, please do not hesitate to contact us.



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# Investing or saving?



## Investing can beat inflation

Investing is a better option if you've got longer-term goals because inflation can erode the value of cash savings over the medium to short term, and your money may not have the same spending power as when you first put it away.

### For example

If you have £2,000 in savings and the bank offers a 1% interest rate, each year you will get back £20. However, if the inflation rate is 6% the cash in your savings account will fall in value. After one year your cash would be worth £1,887. After five years it would be worth only £1,495.

## Saving money is a great way to prepare for unexpected expenses and investing your money can have the potential for higher growth than saving.

A lot of people put their money in a savings account and leave it there to accumulate interest. While this is a good strategy in the short term, you potentially risk losing out on higher returns in the long run, while also struggling to keep up with inflation. However, investing is a good approach if you have long-term financial goals and want to earn more money than you could by saving it.

### What's the difference between saving and investing?

With saving you are setting aside cash for future use, while investing means using cash to buy assets that you expect to produce a profit or income. The biggest difference between saving and investing is the level of risk. With saving you will always get back at the very least what you have put in, as well as any interest on your deposits. You won't lose any money, making it a less risky option.

Investing your money means it will rise and fall over time and there is a chance you could lose some of your initial investment. Your financial adviser will be able to help you make sure you're aware of the risks and the minimum time you should consider investing for. A longer timeframe (at least five years) will give your investment more time to recover if there are any sudden market swings.

**Speak to your financial adviser to find out about a range of investment opportunities to help you meet your financial goals.**

**The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.**

## Types of investments

The main types of asset classes that investors could choose from – which your adviser can go into detail with you – are equities, bonds, and property. Different asset classes have different levels of risk and return. Usually, the safer an asset is the lower the returns will be, while the riskier an asset is, the higher the returns.



**Property** this could be investing in commercial property through investment funds, including retail, office, and industrial property. It makes a good long-term investment and is effective at beating inflation. Property can add diversification to your portfolio as it tends to perform differently to other assets in response to different market conditions. However, property does come with its risks, including a risk of a fall in value as well as the maintenance costs.



**Bonds** sometimes called fixed-term investments, bonds are issued by governments and companies looking to raise money. A bond is essentially a loan made to a company or a government by an investor for a set period – usually several years. In return they pay you a regular income in the form of interest over the life of the bond, after which they must repay your loan. Bonds typically offer stable returns and are a lower risk than equities, although they tend to offer lower returns in the long term.



**Equities** also known as stocks and shares, equities are issued by a public limited company and can be bought and sold on stock exchanges. When you buy an equity, you are basically buying a piece of that company and become a shareholder. Equities can make you money through increases in share price or you can receive income in the form of dividend payments. The disadvantage is that returns are not guaranteed, and the share price could fall below the level that you invested.

# Making the most of your pension as retirement comes into view



**Retirement starts to feel more real when you reach your 40s or 50s. Taking time to review your pension during these years can make a big difference to the income you'll have later on. Here are some of the key steps to consider.**

As retirement moves to something you can picture more clearly, it's a good time to pause and check how your pension is shaping up. Many people reach this stage with a higher annual income than earlier in their career and still have enough years ahead for their investments to grow. Small decisions now can make a meaningful difference to the lifestyle you'll enjoy in retirement.

## Check what you've already built up

A helpful starting point is understanding what your pension savings are likely to provide. Most schemes allow you to check your current value online and project the income your pot might produce at different retirement ages. You may also have pension plans from previous jobs, so tracking these down is essential for building a full picture. This review can reveal whether you're likely to have enough income in retirement, or if you need to take further action to achieve your goals.

## Top up your contributions

Increasing contributions, when you're able to afford it, can be especially effective. Even a small rise in the amount you save can help, particularly with tax relief boosting what goes into your pension. If you're employed, your workplace scheme may also offer employer matching. These top-ups compound over time and can make a noticeable difference as retirement gets closer.

## Review your investment approach

Your pension may be invested across a range of assets, and it's important to check whether that mix still suits your goals. Reviewing where you're invested will help strike the right balance between seeking growth and managing risk.

## Avoid common pitfalls

Several habits can hold people back at this stage of life. If you've previously paused making pension contributions, now could be the time to think about starting them again. Another is assuming your pension will automatically be enough without checking the numbers. Some people also overlook old pensions or fail to review where these schemes are invested. Are there other investment options that better match your objectives and attitude to risk. Being aware of these pitfalls can help you stay on track.

## Think about what retirement means to you

These are also good years to picture how you'd like to spend your time in later life. Whether you imagine travelling, reducing your working hours or supporting family, having a sense of your future lifestyle helps you understand how much income you'll need. A comprehensive review makes it easier to judge whether your current plans are aligned with the retirement you want.

## How an adviser can help

Retirement planning can feel complicated, especially when managing several pension pots and trying to estimate future income. A financial adviser can help you understand where you stand today, what steps could strengthen your position and how to build a plan that adapts as life changes. They can also recommend an investment approach that matches your goals and help you avoid costly mistakes.

### Pension priorities as retirement approaches

- Check the value of your pension and trace plans from previous jobs
- Make the most of employer matching if available
- Revisit your investment approach as retirement nears
- Clarify the lifestyle you want later on

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