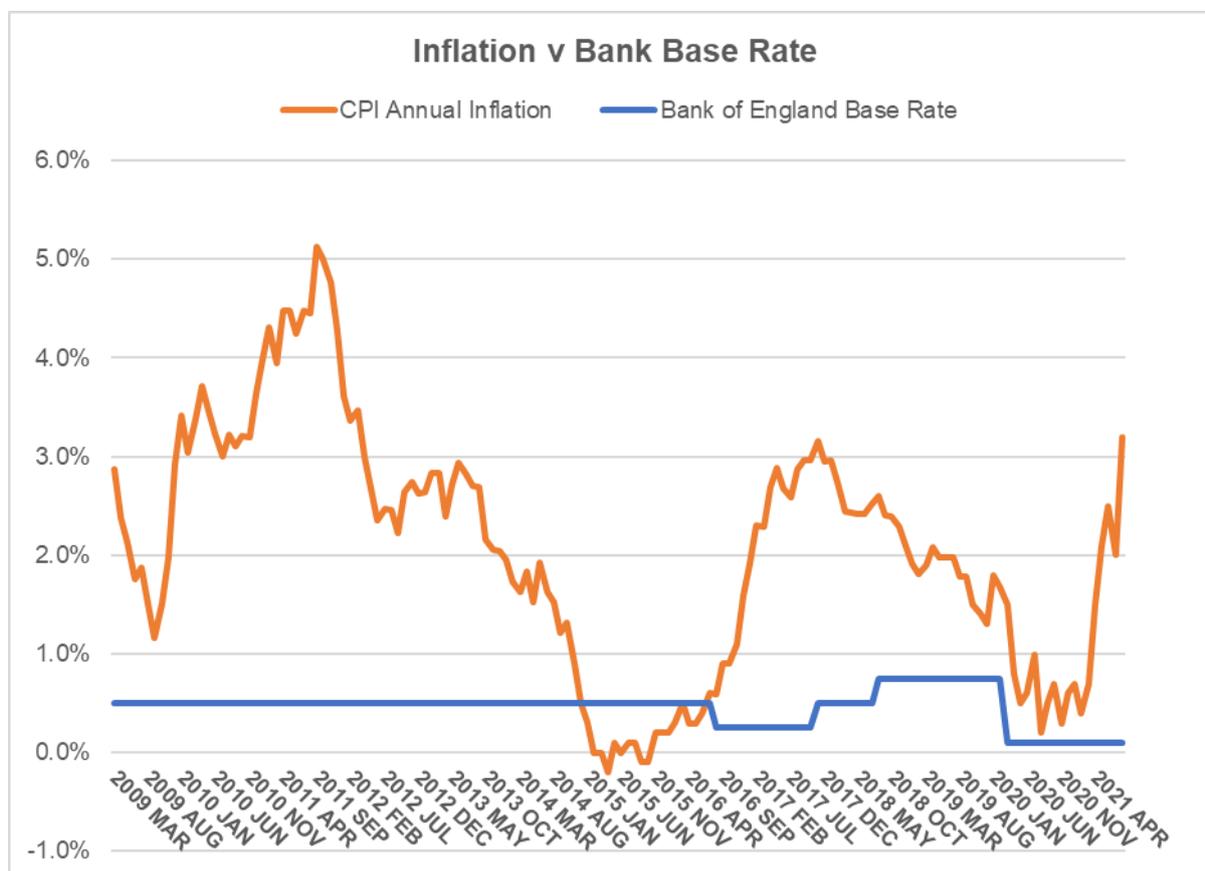


Are you holding too much cash?

The Financial Conduct Authority (FCA) says many savers may have too much cash and face the risk of wealth erosion.



As the regulator for personal financial products, the FCA is rightly concerned about financial scams and savers who are encouraged to choose inappropriate high-risk investments. Both are serious issues:

- The FCA says that 3,378 consumers reported an estimated loss of £569 million to investment fraud in the year to 31 March 2021 – an almost threefold increase since 2018. On average, the loss was over £24,000 each. The oldest truism stands at a great starting point to avoid scams: if it looks too good to be true, it probably is.
- Research undertaken for the FCA highlighted a lack of awareness of the risks associated with investing. Nearly half of investors who chose not to seek financial advice failed to recognise that ‘losing some money’ was a risk of investing. Younger investors are taking high risks – 44% of cryptocurrencies such as bitcoin are held by the under-34s. However, nearly two thirds of that age group also claim a significant investment loss would have a fundamental impact on their current or future lifestyle.

Against that background, it is perhaps surprising to see the FCA also warning individuals against holding too much cash: “Many consumers who might gain from investing currently hold their savings in cash”.

Other FCA research suggests that over a third of adults with ‘investible assets’ exceeding £10,000 hold that wealth entirely in cash. Lower the barrier to more than 75% in cash and the proportion rises over half. The FCA says – and the graph underlines – “Over time, these consumers are at risk of having the purchasing power of their money eroded by inflation”. At the time of writing, CPI inflation was 3.2% while the best fixed interest rate was 2.00% on a five-year bond.

We all need some cash as a rainy-day reserve to cope with the unexpected. Beyond that level, a different reason is required to hold cash in a world where interest rates are outpaced by inflation. For non-cash options that suit your risk profile, talk to us now. The longer you delay, the more inflation will erode the value of your cash.

The value of your investment and the income from it can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance.

Important information:

This document is marketing material. This document is provided by the author and may not necessarily represent views expressed in other Aspect8 communications, strategies or funds. The material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The material is not intended to provide and should not be relied on for accounting, legal or tax advice, or investment recommendations. Reliance should not be placed on the views and information in this document when taking individual investment and/or strategic decisions. Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of any overseas investments to rise or fall. The sectors, securities, regions and countries shown above are for illustrative purposes only and are not to be considered a recommendation to buy or sell. All investments involve risks including the risk of possible loss of principal. Information herein is believed to be reliable but Aspect8 does not warrant its completeness or accuracy. Reliance should not be placed on the views and information in this document when taking individual investment and/or strategic decisions. Some information quoted was obtained from external sources we consider to be reliable. No responsibility can be accepted for errors of fact obtained from third parties, and this data may change with market conditions. This does not exclude any duty or liability that Aspect8 has to its customers under any regulatory system. Regions/sectors shown for illustrative purposes only and should not be viewed as a recommendation to buy/sell. This content is issued by Aspect8 Limited, Holmwood House, Broadlands Business Campus, Langhurstwood Road, Horsham, West Sussex, RH12 4QP. Registered No. 07572431. Authorised and regulated by the Financial Conduct Authority, FCA no. 227247.