money marketing

Strong relat
strong re

Because working togethe

FIND OUT MO

Ros Altmann: Savers have been left high and dry by government

By **Ros Altmann** | 20th October 2020 9:45 am

Britain's once-strong savings culture is under threat. For more than a decade, savers have suffered successive interest-rate cuts, with returns on their hard-earned money failing to beat inflation.

In April, after the pandemic hit, the government withdrew previously announced cuts to interest rates paid on National Savings and Investments products. But now, NS&I will slash rates

Captured by FireShot Pro: 08 December 2020, 15:23:43
https://getfireshot.com

on its popular products to just 0.1 per cent.

Nevertheless, the UK must not ignore the value of the savings ethic. Just relying on ever-increasing debt levels to drive growth is not a sustainable economic strategy.

There could be other ways for government to boost the growth potential of our economy, while also helping savers. The Treasury could consider issuing special ‘corona’ bonds, or ‘British Growth’ accounts, which offer savers much-better-than-average returns. The money could be earmarked for national infrastructure projects, social-housing development and even retraining schemes that will be vital to UK regeneration.

Indeed, why not offer these special bonds to pension investors as well? With hundreds of billions of pounds already set aside to meet people’s long-term retirement income needs, the government could tap in to the pools of pension assets to help drive new growth projects.

Pension funds are encouraged to invest in gilts or other bonds but, as the central banks are also trying to buy this paper at the moment, additional pension fund purchases will drive further falls in long yields, which then inflate pension deficits and annuity costs.

Perhaps by offering separate paper specifically aimed at ordinary savers and

Captured by FireShot Pro: 08 December 2020, 15:23:43
https://getfireshot.com

pension investors the Treasury could improve the financial resilience of domestic long-term savings.

Using savers' and pension funds' money to finance growth initiatives directly could be more sustainable funding. Yes, central banks' bond purchases are currently allowing governments to keep spending and borrowing at ultra-low rates, but that is not a realistic long-term policy.

The Treasury could offer savers some stability to help them plan for the future, while long-term rates are artificially depressed by monetary policy. The artificial downward pressure could be alleviated, while offering domestic savers and investors the chance of attractive saving rates that also put their money to good use for the economy.

Financial advisers face a difficult task finding good long-term investment opportunities and judging investment risks for client portfolios. But all clients will normally need some savings balances that are shorter term.

The sooner the Treasury brings back measures to reward savers, the better.

Ros Altmann is a former pensions minister