

What is the difference between a 'saver' and an 'investor'?

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If you're not sure whether you should be investing, or if you should focus on saving, the answer depends on your goals, risk tolerance, and financial situation.

Interest rates are at record low levels for money being held on deposit, with little prospect that they will rise for the next year or so. So your money isn't making money. But prices keep going up – which means that, over time, your savings buy less of the products and services you need. Did you know that the European Central Bank (they control interest rates) actually wants inflation to get closer to 2%. Think what impact that will have on your spending power!

Do you want to make your money work harder for you? If you do, there are other options to simply holding money in a demand deposit account, and not all involve taking big risks – particularly if you can be a bit flexible, and have time on your side.

THE DIFFERENCE BETWEEN SAVING AND INVESTING

Saving:

- Putting money aside gradually, typically into a bank deposit account.
- People generally save for a particular goal, like paying for a car, a deposit on a house, or building up a rainy day fund to cover any emergencies that might come up.
- For the short term. Typically people save for smaller, shorter-term goals that will arise in the near future.

Investing:

- Using some of your money with the aim of making it grow, by buying assets that might increase in value, such as shares, property or units in an investment fund.

WHEN SHOULD YOU CONSIDER INVESTING?

You may want to consider starting to invest once you have:

- **Built-up your emergency savings pot.** Savings should come first. Before investing, try to make sure you have a separate account you can use to cover expenses during an unforeseen event - typically at least 3 to 6 months' worth of living expenses.
- **Paid off high-interest debt.** By paying off high-interest debt in full, you'll reduce the total amount you owe faster, and free up money to put toward savings or investing.
- **Made your pension contributions.** If one of your long-term goals is to have a comfortable lifestyle in retirement, make sure you're making the maximum contribution to your pension fund.



SAVING AND INVESTING COMPARED

Saving	Investing
<p>Ready access to cash. A savings/deposit account gives you access to your cash when you need it. Some deposit accounts have restrictions on the amount, frequency or notice required to make withdrawals.</p>	<p>Usually used for long-term goals. Investing can help you reach long-term goals, such as paying for a child's education or planning for retirement.</p>
<p>Involves minimal risk. Your funds are covered, subject to limits, by the government-backed deposit guarantee scheme.</p>	<p>Longer to access invested funds. When you invest your money, it can take a few more days or weeks to access your money compared to a savings account.</p>
<p>Earn interest. You can earn interest by putting money in a savings account, but savings accounts generally earn a lower return than investments.</p>	<p>Always involves risk. Investing does not guarantee a return, and it is possible to lose some or all of the funds invested. However, you can pick the investment that suits your approach to risk.</p>
<p>Low returns. Interest rates are particularly low at present. But even over long periods of time, the returns from deposits are lower than other investment options.</p>	<p>Earnings potential. Investments have the potential for higher return than a savings account.</p>



Warning: The value of your investment can go down as well as up.

Warning: These funds may be affected by changes in currency exchange rates.

Warning: If you invest in these funds you may lose some or all of the money you invest.

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