

19 May 2009

Low savings rates but real returns continue to climb

Savings rates look to have ended their freefall, with the average no notice rate hovering around 0.65%, marginally above bank base rate.

Today's published inflation figures shows that the real return after basic tax and inflation on an average no notice savings account is 1.73 per cent for Retail Price Index (RPI) for Consumer Price Index (CPI) is still in the negative at minus 1.77 per cent.

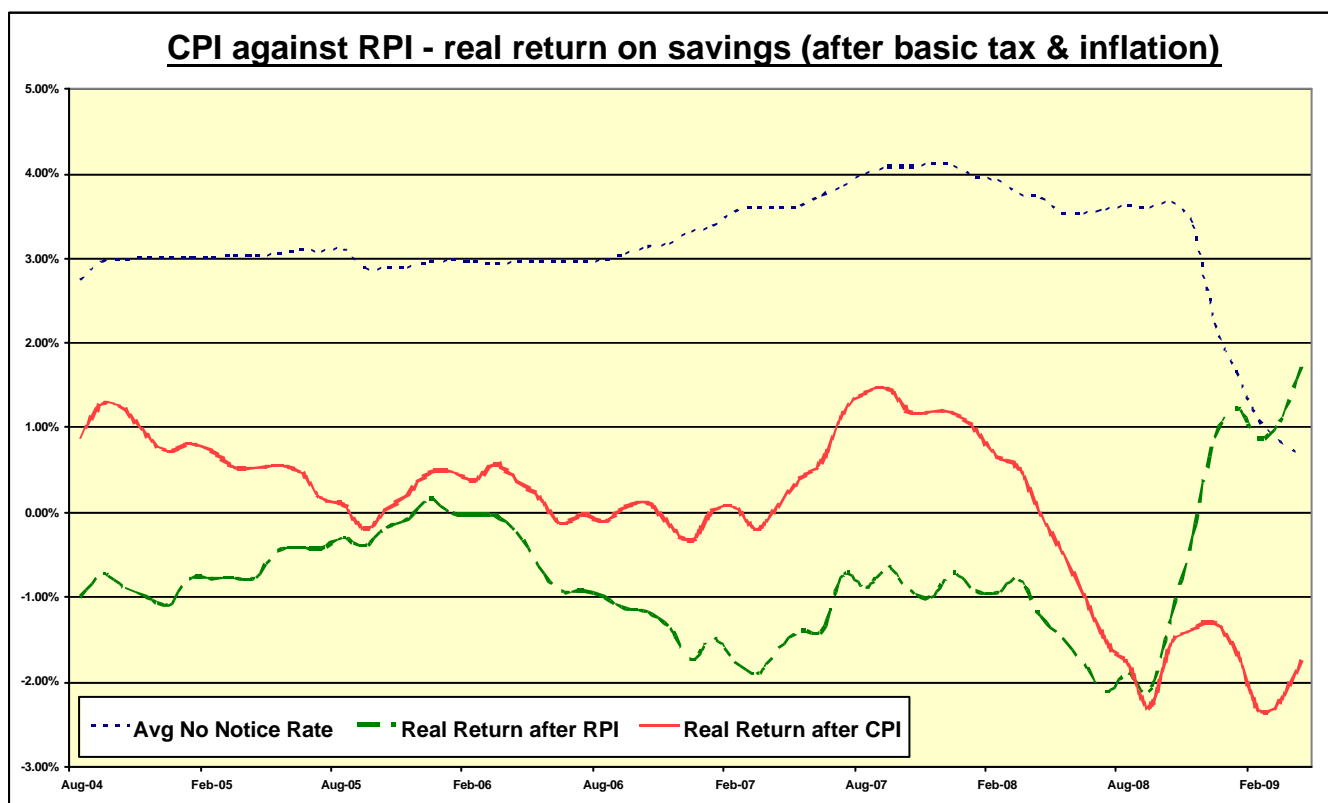
Darren Cook, Analyst at **Moneyfacts.co.uk**, commented:

“Unfortunately low interest rates are geared to encourage savers to plough their savings back into the economy, but this serves little or no benefit to those who rely on interest from their hard earned wealth to subsidise their pension.

“Using both inflationary indices, the real return on savings interest is showing a pleasing upward trend for RPI, up 0.67 per cent on last month.

“Due to the make up of RPI, the only beneficiaries of this positive real return are those that have recently benefited from cheap monthly mortgage repayments.

“Mortgage-free pensioners who are relying on savings interest to subsidise their income are seeing their expenses rise by CPI at 2.30 per cent and their savings fall by 1.77 per cent in real terms”.



Note to Editors:

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