

15 December 2009

Further misery as inflation erodes our savings pot

Savings rates are still annoyingly low, with the average no notice rate currently at 0.81%, not far above bank base rate.

The recent published inflation figures shows that the real return after basic tax and inflation on an average no notice savings account is at a worrying minus 1.25 per cent, the lowest since May this year.

Darren Cook, Spokesman for **Moneyfacts.co.uk**, commented:

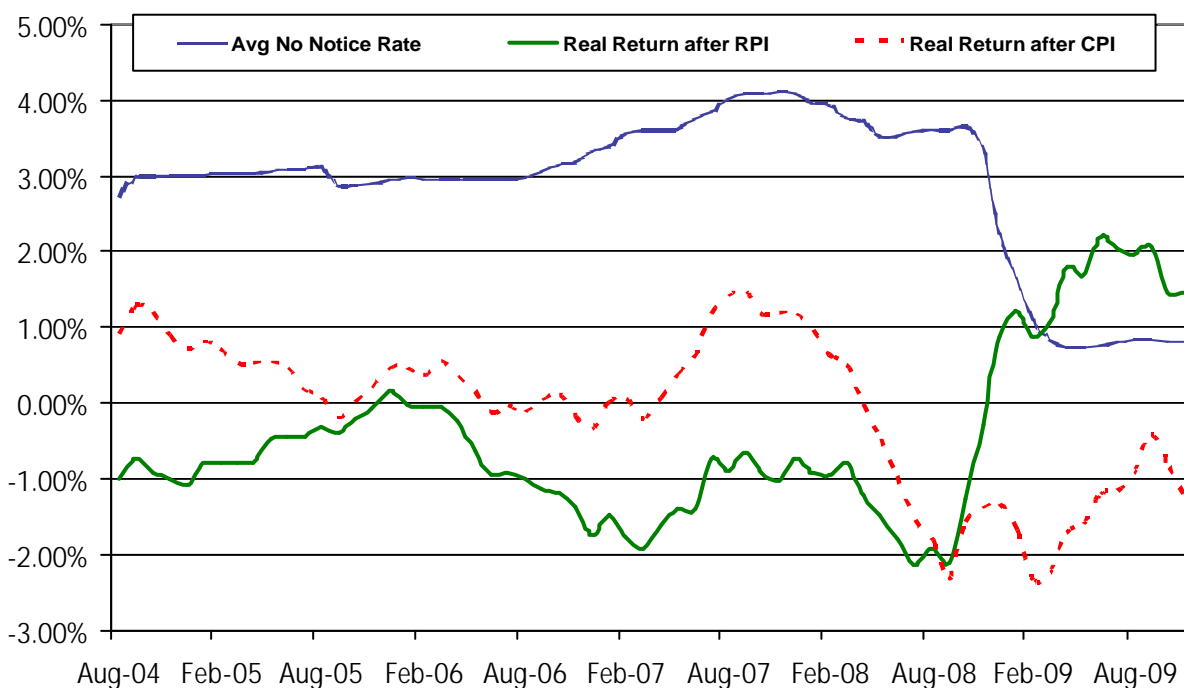
“Low bank base rates are designed to encourage savers to plough their savings back into the economy, but this serves little or no benefit to those who rely on interest from their hard earned wealth to subsidise their pension.

“Most pensioners who are likely not to have to make a mortgage repayment are seeing their savings being eroded on average by 1.25% per year for a basic rate taxpayer and 1.41% for a higher rate taxpayer.

“This is extremely unfair for those savers who have made prudent or astute decisions in the past and are being hit by low rates and rising inflation.

“Savers need to secure a gross return on their savings of at least 2.38% to break even. Higher tax payers need to achieve the near impossible, by trying to find savings rates that return at least 3.17%.

Real return on average savings rate



Note to Editors:

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Press Office	Darren Cook Head of Press & PR	01603 476207 dcook@moneyfacts.co.uk
	Michelle Slade Press Officer	01603 476454 megade@moneyfacts.co.uk
Out of hours	Darren Cook Head of Press & PR	07803 899935
An ISDN line is available for broadcast: 01603 230551		