

20 April 2010

## Jump in inflation punishes savers

Inflation figures released today show that the Consumer Price Index (CPI) has increased by more than expected to 3.40%.

To stop their savings pot effectively eroding away, a basic rate tax payer needs to find an account paying 4.25%, while a higher rate tax payer needs to find an account paying 5.64%.

Basic rate tax payers have a choice of 44 accounts to break even, while only 4 accounts are available to higher rate tax payers.

Inflation continues to lessen the real return savers can achieve. The real return after basic tax and inflation on an average no notice account today stands at minus 2.82%.

**Michelle Slade**, spokesperson for **Moneyfacts.co.uk** commented:

“The rise in inflation is another bitter blow to savers who were already struggling to achieve a competitive rate of return on their money.

“Prudent savers continue to be neglected and are finding it virtually impossible to combat the effects of tax and inflation.

“Basic rate tax payers need to earn 4.25% just to break even, while higher rate tax payers need to earn 5.64%, a level that is only available on a handful of products in the cash savings market at present.

“The majority of products that do beat tax and inflation also require you to open a more riskier investment product or hold a current account with the provider.

“Savers are more inclined to invest their money in fixed rate bonds in order to achieve a more competitive rate of return, but to beat tax and inflation you will need to commit funds for at least three years.

“As base rate is likely to rise in the next few years, most savers are looking for a shorter commitment.

“Many savers, particularly pensioners, use the interest on their savings to supplement their income. Record low interest rates have already greatly reduced the income they receive on their money and rising inflation just exacerbates the problem.

“In normal circumstances such a high level of inflation would likely see the Bank of England raise base rate, but these are not normal economic conditions.

“For savers a rise in bank rate can't come soon enough.”

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Our increasingly popular consumer website [www.moneyfacts.co.uk](http://www.moneyfacts.co.uk) **helps customers make better financial decisions** and gives them the ability to check the latest best buy products and to search the **whole market** for products that suit their individual circumstances.

Moneyfacts.co.uk also supplies best buy charts to many of the UK national and regional newspapers, with a total weekly readership in excess of 22,000,000. Moneyfacts.co.uk also provides the personal finance data that powers many UK online comparison websites.

Our dedicated research experts produce three monthly publications as well as providing real time news and data services to the majority of banks and building societies. Additional information can be found at [www.moneyfactsgroup.co.uk](http://www.moneyfactsgroup.co.uk).

## Contact us...

Looking for extra comment, a chart or more information, then please give us a call. We are always more than happy to help.

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