Is your money working hard enough?

Cash is king, or so the old saying goes. But are your cash savings letting you down?

Our research points to a reluctance among the UK population to make their wealth work harder, with potentially worrying consequences for their long-term plans...

The average person in the UK holds nearly a third of their financial assets in cash, according to our latest research, conducted via an independent research company. For nearly one in ten people, the picture is even more extreme: they hold all their financial assets in cash.

People gave us plenty of reasons for this, from a fear of market volatility to a lack of financial knowledge. However, almost four in ten people told us that they simply prefer to hold onto their money as cash.

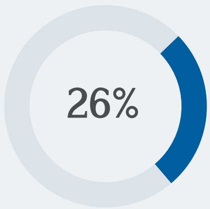
Why are people holding assets in cash?

28%	Fear of market volatility
28%	Attractive interest rates
26%	Saving for short-term goals
15%	Lack of financial knowledge

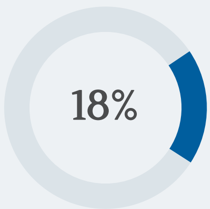
Source: Handelsbanken Wealth & Asset Management commissioned research, conducted by Opinium

What would tempt people to invest?

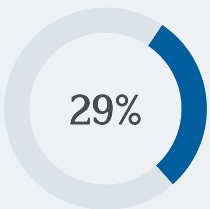
Higher market confidence:



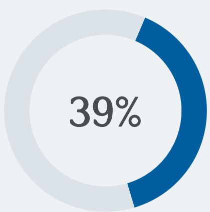
Guidance from financial advisers:



Improved personal finances:



Would not invest for any reason:



Source: Handelsbanken Wealth & Asset Management commissioned research, conducted by Opinium

Is it safer to keep money in cash?

Keeping some of your assets as readily available cash – whether that's in your wallet, your current account, or a savings account – makes sense. Cash is an ideal tool to help protect against upcoming or unexpected expenses.

But, like everything you can do with your money, holding on to cash comes with its own risks. Our Head of Wealth, Stephen Cowling, explains:

"The problem with cash savings is that inflation is always picking your pocket, making the value of your cash lower than it was before. Today, as the interest rates paid on cash savings are starting to come down, that risk is picking up.

"This can be problematic for your long-term financial goals. Nevertheless, people are often reluctant to take the plunge and invest in financial markets, where the risks are more well-publicised, but the potential for gains over the long term is often overlooked."

What would tempt people to invest?

According to our research, one in four people would need more confidence in financial markets before they could consider investing. Others told us that they were waiting for improvements in their own personal finances, or for interest rates on savings to fall further. However, we were alarmed to hear that four in ten people believed nothing at all could persuade them to leave cash behind.

Perhaps this shouldn't have surprised us. We've all seen the disclaimers: 'you may not get back what you invested'. This is certainly true, particularly for very short-term investors, who might invest one day at a high point and withdraw the next after markets drop. But while there's no such thing as a risk-free investment, taking a long-term position in financial markets, in combination with good diversity among the assets you invest in, can help to smooth the course.

Graham Bishop, our Chief Investment Officer, highlights the importance of thinking long-term:

"As a general rule of thumb, we tend to advise that it's better to invest whenever you are able to do so, and to stay invested for a period of at least five years. By waiting for financial markets to reach the 'perfect conditions', it's just as easy to miss out on gains as it is to avoid losses. We really encourage our clients to look beyond the everyday ups and downs of the market and stay the course - however hard it may feel in practice.

"There may be prolonged periods when an investment strategy does not appear to be working, but it should ultimately emerge stronger as investments capture positive returns across long-term market fluctuations. It's our job to ensure that our clients feel comfortable when markets are choppy: we're only ever an email or a phone call away when volatility is high or nerves are frayed."

If you choose to invest, it's worth noting that your investment manager is likely to keep some of the money you invest as cash within your chosen investment fund. This works as a tool to keep diversity among the assets they hold for you, and keeps their funds nimble. It shouldn't be confused with the cash savings you might have in your own accounts. Indeed, you should expect most of the money you invest with a manager to be hard at work in financial markets, divided between a mixture of assets – from bonds and shares to gold and specialist hedge funds – depending on your preferences for risk-taking and your goals for financial returns.

How do I work out what's right for me?

There's no 'one size fits all' solution to anyone's investment choices. We'd suggest starting with your long-term financial and lifestyle goals, and working backwards to find out how hard you need your money to work for you. Be realistic about your comfort levels when it comes to short-term rises and falls in market prices: will you be able to remain focused on your long-term goals, or would volatile markets make you panic? Different investment options can offer you a balance of asset types to suit your tastes, with varying levels of risk to choose from.

Most importantly, your wealth manager should be able to explain both the risks and opportunities of your available options, make sure your money is working hard for you, and help your wealth plan to stay on track over the long term. Our team of expert wealth advisers would be happy to help you.

If you have questions about our wealth planning services, please contact the Client Support team: clientsupport.hwam@handelsbanken.co.uk