

As Christmas bills drop on the mat, January is a good time to take a step back and look at finances and savings. I wrote in December about "Micawber" economics; basically spend less than your income, and getting good value for money, but what about savings?

On retirement courses I ask delegates to imagine they have to draw water from a well. Using a yolk and two buckets, it's half a mile to the well and funnily enough, half a mile back and the buckets leak. By the time you get home half of your water has dripped away. "What would you do"?

I get some funny answers but of course the real answer is to stop the leaks.

Now look at your savings, can you spot the "leaks"?

How much interest are you receiving on your deposit accounts? Unless they are bang up to date the chances are you may still only be receiving 1/10<sup>th</sup> of a per cent gross! On £10,000 instant access account that's £10. It could be £250 and that's a big leak!

With inflation at 5%, (it will fall shortly as last year's VAT increase ceases to have effect,) unless you do something about investing to beat inflation, it means the £10,000 is only worth £9,500 in just one year. That's a pretty big hole in your "bucket"!

Tax, at up to 50% on your income from interest and dividends, is another major leak.

It's hard enough to save with increasing bills and the threat of increasing mortgage costs, (I really do suggest investigating a fixed rate now, as rates are set to rise,) so it's really essential that when you do have savings that they are looked after properly.

If you work an 8 hour day plus say an hour commuting etc, that's a 45 hour week, say 48 weeks a year or 2,160 hours earning your money. Can you afford to simply neglect it after all that effort?

Another point from the course is an expression which for me sums up basically what one should do with money, "Don't put all your eggs in one basket". (Or bucket!) For safety money needs to be "spread" into different types of investment.

Remember what you need your savings to do: - Grow, by more than inflation, produce rising income, (even if you only save it again) avoid tax and minimise risks.

All investments, cash, gilts, property, shares etc run the risk of not achieving the above but put together a "spread" of investments, and over time you should achieve your objectives.

So spend a couple of hours this January, going through your budget in detail to ensure you are getting value for money and then stop the leaks in your "bucket".

IFA's can help you ensure you pay the least tax, secure the highest interest rates and invest properly in accordance with your attitude to risk, they are there to help you achieve your objectives, and will tell you in advance what their services will cost you, nothing is hidden, they work for you.