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HOW THE GOVERNMENT WANTS YOU TO BE AN INVESTOR

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It's no secret that the government is not a fan of the Cash ISA, or of cash savings in general. The government sees them as a wasted opportunity.

They have other plans for your money.

It looks like Chancellor Rachel Reeves wants you to become an investor. This means instead of staying as cash your money would go to helping businesses grow by buying shares in them.

The details are still to be worked out, but it looks as though savers will soon be nudged towards investment products, with risk warnings watered down, and the benefits of investment over savings promoted at every opportunity by the government, your bank and the media. An advertising campaign to "highlight the opportunities of investing" is ready to roll, the Chancellor has said.

Why is the government pushing investment?

The government's push is part of Reeves's plan to channel cash into UK companies. The Chancellor hopes to boost the UK stock market, which is seeing fewer company launches, losing firms that are leaving to list in New York or Europe, and above all seeing a shortage of both investors and their cash.

> The UK has the lowest level of retail investment among G7 countries. We seem to prefer investments we can see and trust, like property or cash savings with guaranteed returns.

But over the long term you may get a better return from the stock market than you can in cash accounts. Over the past decade, the UK stock market returned 1.8% after taking inflation into account while cash lost 2.9% according to a study from Barclays.

It's a clear message. But should you listen?

Look at the figures

As part of the government's rationale for investment the Treasury has compared potential 1.5% returns on cash savings with potential stock market returns of 9%.

This might be a little exaggerated. High street banks pay between 1.05 and 1.6% on easy-access savings accounts but much higher rates – up to 5% – can currently be found.

The FTSE average over the last ten years was around 3.2%, but mainly a result of the Covid pandemic, lockdowns and a sluggish recovery. It has returned 9.55 % over the past 12 months. It is this figure that the government is focussing on.

It looks as though the Chancellor might have a point. A cash injection for businesses has the potential to provide a wealth boost for you.

How to get started

Investing does not need to be complicated. A stocks and shares ISA could be the best place to start. These have the powerful advantage of being tax efficient, ensuring that any income or growth is free of income or capital gains tax.

There are plenty to choose from. You can find ISAs that specialise in virtually any market sector, from start ups to blue chip businesses, and virtually every risk profile.

> The main thing to consider is diversification. Having all your eggs in one investment basket is a big mistake, and you can protect yourself from serious losses if you hold a range of different asset classes from different regions.

This can be difficult if you are building your own portfolio of stock picks, but it becomes very simple if you invest through a fund, where your money is pooled with others into a broadly diversified fund.

Careful who you listen to

If you want to start investing, you need to get advice from experts you can trust.

At Continuum we can work with you to understand your investment needs and objectives, and develop an investment strategy that will help you reach them,

And you can be sure that we have your interests at heart, not a list of investments to sell. If you're ready to become an investor, call us today for the help you need.

Sources

Barclays Research publishes 2025 Equity Gilt Study | Barclays IB
The cheap and easy way to invest (without the risk) | The Times