Over 50s Savings **Guide**

While to some, age is only a number, there are instances in life where the amount of candles accumulated on a birthday cake opens new doors. Savings is one such instance.

In the same way that there are savings accounts available specifically for children, there are accounts aimed solely at the older generation too. As in the wider savings market, these so-called silver saver accounts are available with a range of terms, minimum and maximum investments, rates and notice periods.

In fact, usually there is little to distinguish these accounts from a normal savings account, besides the need to be a certain age. Although the majority of the accounts are limited to those aged 50 and over, there are some which require applicants to be at least 55, 60 or even 65.

Account considerations

Age restricted instant access accounts, fixed rate bonds, notice accounts and cash ISAs are all available on the market today. However, in line with normal savings accounts, these products often include facets and features of which it is advisable that the saver is aware and takes into consideration.

Some accounts carry a rate which includes an introductory bonus that only applies for a set period of time, typically a year. Once this bonus period expires, the rate paid by the account will fall, making it

continued overleaf

Key Facts

- **Certain savings accounts are aimed exclusively at the more mature saver. Over 50s accounts are the most common, although some require a minimum age of 55, 60 or 65.**
- **These so-called silver saver accounts come in similar forms and variations to those that are available in the wider savings market.**
- **Many older savers want an account which pays a monthly income to help supplement their other income.**
- **While the exclusivity of the accounts suggests the older saver is getting something extra, this is not necessarily the case – better deals are often available in the normal savings market.**

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essential that savers re-appraise the competitiveness of the account at this time and move their money elsewhere if necessary.

Other accounts require that funds effectively be locked away for a set period of time, typically between three months and five years, but pay a higher rate of interest in return. Withdrawals might be allowed to be made before the bond matures, but usually an interest penalty will be applied if money is taken out.

Think ahead

When choosing an account it is therefore vital the saver considers which features they want and also bear in mind that circumstances can change. For example, while a fixed rate bond might offer the best rate, such accounts are relatively inflexible, and almost certainly not the option to choose if there is a chance the money will need to be accessed prior to maturity.

In this respect, a reluctance to lock money away for too long is often apparent amongst the older generation. Therefore, anyone wanting to be able to get to their money easily will probably be best served by an easy access account or a notice account, on which a pre-determined period of time has to pass between when the provider is notified of the intention to take funds out and the money actually being returned to the saver.

Meanwhile, many older savers, particularly those that have retired, want an account which can make monthly interest payments, with this regular income helping to supplement their other income. Not all accounts offer this option, so checking with the provider as to its availability is a must.

For better...or worse

All the variations mentioned above are common to savings accounts whether they are available to the wider population or restricted solely to the more mature saver. So what is it that the silver saver accounts offer that is different or to the direct benefit of the saver? The answer is sometimes nothing.

Rightly or wrongly, the reasonable assumption to make is that a product aimed exclusively at a certain group of people will offer the said group something better than is on offer to those who do not meet the criteria. This might be in the form of an additional benefit or perhaps more typically a better rate than is available to other savers.

> **“... the important thing for older savers to remember is to consider the whole of the savings market, and not feel they must choose an account from the range being marketed directly at them.”**

Yet in the case of silver saver accounts, this does not always ring true. Indeed, in reality, such accounts rarely represent the best deal around and will, in fact, often pay a lower rate than the leading savings accounts available on a general basis.

While it is obviously essential to bear this in mind, it is unfair to tar all these accounts with the same brush. Some providers do offer accounts which stand up to comparison next to the standard savings market; the important thing for older savers to remember is to consider the whole of the savings market, and not feel they must choose an account from the range being marketed directly at them.

Mutual admiration

Anyone searching for a silver saver account will find that the vast majority of accounts are available through building societies. That the older generation seems more trusting of building societies is almost certainly a key reason behind this dominance. A preference towards conducting their business in branch and via more traditional methods, such as with a passbook, will also play a part, although there are also accounts available which can be opened and operated by telephone, post or online.

Personal savings allowance

One important aspect of savings that everyone should consider is tax. However, since the introduction of the tax-free Personal Savings Allowance in April 2016, basic rate taxpayers have been able to earn up to £1,000 savings interest a year without having to pay tax on it, while higher rate taxpayers have an allowance of £500. Additional rate taxpayers do not get an allowance.

As a result of the changes, 95% of people now do not pay tax on their savings. It seemed obvious, therefore, that at the same time, the banks and building societies should stop automatically taking 20% in income tax from interest earned; instead, interest is now paid gross. If the allowance is exceeded, and tax has to be paid, HM Revenue & Customs will collect this by changing an individual’s tax code, and lowering their personal allowance for income tax. Banks and building societies provide HMRC with the information that they need in order to do this. Anyone who fills in a Self Assessment tax return has been told they should carry on doing this as normal.

Savings income includes account interest from bank and building society accounts, and from providers such as credit unions and NS&I. It also includes interest distributions (but not dividend distributions) from authorised unit trusts, open-ended investment companies and investment trusts, income from Government or company bonds, and most types of purchased life annuity payments. However, interest from ISAs doesn’t count towards an individual’s Personal Savings Allowance because it’s already tax-free.