Saving and investment definition cards

Print one copy for yourself and one copy to be cut up into cards for the group.

Easy-access savings accounts

These accounts allow you to withdraw your money quickly and easily.

Some accounts come with a plastic card that can be used to take out money from a cashpoint, some offer over-the-counter withdrawals, and many allow you to transfer money out of your account using online banking.

You can withdraw your money immediately, with no delay.

Notice savings accounts

Instead of having quick access to your money when it suits you, you'll have to tell your provider in advance that you want to make a withdrawal.

You may be required to give 30, 60 or 90 days' notice when you want to withdraw money. Some accounts restrict the number of withdrawals you can make each year.

However, they may pay a higher rate of interest than an ordinary savings account, so your savings will earn more money.

You will have to wait to withdraw your money.

Regular-savers accounts

These accounts require customers to deposit money each month. They require disciplined saving.

The interest rate on offer can be fixed or variable, which means it may change. These accounts typically last for one year and only allow you to save a certain amount (e.g. maximum £250 per month).

Some providers also limit the number of withdrawals you can make each year, so you might have to wait to get to your money.

You may need to open a current account with the provider first, as they can be available to existing customers only.

Fixed-rate savings accounts (Bonds)

This is a method of saving a lump sum of money. It offers a fixed interest rate on your money for a set time, which means the rate will not change. They often come with the highest interest rates.

Opening one will mean giving up access to your money for the agreed period. This could be from one year up to five years.

Generally, the longer you're prepared to lock your money away for, the higher your return will be.

You will not be able to access your savings until the end of the fixed term.

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Lifetime ISA (LISA)

This account lets you save towards a first home or your retirement.

Currently, you can save up to £4,000 every tax year and the government adds a 25% bonus on top of what you save (2024-2025). That means you could get up to £1,000 of extra cash annually. Plus, you earn interest on whatever you save, and the interest is tax-free. It will make your savings grow faster.

You can take some or all the cash out of the account before you reach the age of 60, even if you're not buying a property. However, you'll probably lose the bonus payments. So this account is designed to be used for two specific purposes: buying your first home or retirement.

Information correct as of November 2024.

ISA (Individual Savings Account)

An ISA is an account that means you'll never pay tax on any interest* or profits.

There's a limit to how much can be put into ISAs each tax year. (In the tax year 2024-2025, it's £20,000) and annual personal savings allowance (£1000 in 2024-2025).

There are different types of ISA that let you save with cash and/or invest into Stocks and Shares.

You can hold a combination of different types of ISA, but you can't exceed the total amount allowed each year.

* For other accounts that pay interest, if you exceed your annual personal savings allowance (£1000 in 2022-2023), you might have to pay tax on the interest you earn from the savings.

Information correct as of November 2024.

Tax-free 'help to save accounts'

These accounts offer low-paid workers a tax-free government bonus of up to £1,200 over four years. They are designed to encourage working people on low incomes to build up their savings.

The scheme is open to workers receiving universal credit and/or working tax credit. You can save a maximum of £50 a month and receive a 50% tax-free bonus after two years, worth up to £600.

You can then choose to save for another two years, with a further £600 bonus available. In total, account holders can build a pot of £3,600 over four years, with a £1,200 contribution from the government (as of 2024-2025).

There are no restrictions on withdrawing money or how savings can be used at the end of the term.

Information correct as of November 2024.

Endowment plan, with profit

You pay fixed monthly premiums for a pre-agreed fixed term, e.g. 15 years. Part of your monthly payment is used to buy life cover, which provides financial protection in the event of your death. If you were to die, your relatives could claim against the policy.

The rest of the premium is invested in stocks and shares.

You pay into the scheme for the fixed period of the term unless you die.

Depending on market performance, you could end up with a pay-out which is more than or less than the total amount you've paid in.

Your money is not easily accessible until the policy runs out.

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Personal Pension Plan (Stakeholder Pension)

An option designed to save for your long-term financial security (retirement). This can be made up of contributions from your employer as well as yourself.

If you don't have the option of a workplace pension (e.g. if you're self-employed), you can still take out a pension in addition to the state pension through a personal pension.

You pay in a set amount each month to your chosen provider. The fund will grow according to your contributions and how the invested funds perform.

You'll receive a fixed pension pot when you retire.

Property

This is an investment option and is one of the most common types of investments.

If you own property as an investment, you may earn an income by letting out the property (rent). Or you may buy a property and improve it, then sell for a higher price (profit).

Even if you don't want to buy a property yourself, you can get these potential benefits indirectly by investing in a fund which in turn invests directly in property.

The value of property can go up and down, so you may end up with less money than you started with.

It can take time to sell a property, so you might not be able to access the money you've invested quickly if you need to.

You may also pay tax on any income or profits, depending on the amount you earn from rent the property out.

Stocks and shares

Shares are like tiny pieces of a company. If you own one, you own a little bit of the company and a part of the company's value. They carry risk, but they can offer the highest returns. When you own shares directly, you become a shareholder. This usually means you have the right to vote on some company decisions.

You can invest in stocks through funds. Funds are a way to spread out the risks associated with investing into one firm, and are often done across different types of companies and different countries. Shares/Funds are bought and sold on the stock exchange.

If the company grows and becomes more valuable, the share is worth more – so your investment is worth more too. Some shares pay you part of the company's profits each year, called a dividend. The price of a share will go up or down depending on how well the company is performing, or as economic conditions change. If a share price reduces, then the value of your investment reduces as well.