

# Best Buys

## MONEY MADE EASY YOUR FIVE-MINUTE GUIDE TO... GOVERNMENT-BACKED SAVINGS



SAVERS with Northern Rock, the nationalised bank, lost their 100% government guarantee last week — prompting questions about what customers should do with their cash. Those with variable-rate accounts are now protected only up to the £50,000 limit of the Financial Services Compensation Scheme (FSCS). Others with fixed-rate deposits will continue to benefit from the unlimited guarantee until their product matures, provided they invested before February 24, when plans to remove the safeguard were announced.

### WHAT IS THE GUARANTEE?

The FSCS protects the first £50,000 of savings per person, per institution — but only where the firm is regulated by the Financial Services Authority.

Alliance & Leicester last week ceased to have a separate banking licence from its parent company, Santander. This means savers with accounts at A&L as well as Abbey or Bradford & Bingley, which are also owned by Santander, will see their compensation limit fall to just £50,000 from double that at present. Two building societies, Chesham and Skipton, are set to merge on Tuesday — if you have accounts at both, you will have dual coverage until December 31.

### IS IT WORTH STAYING WITH NORTHERN ROCK?

Although Northern Rock would not be drawn on whether it had seen large-scale withdrawals ahead of the removal of its guarantee, it has launched several savings products recently to encourage consumers to stick with it. These include a regular savings account paying 5% interest a year, just 0.4 percentage points shy of the top-paying account from Nottingham building society, as well as a children's saver paying 3% and a stepped fixed-rate bond offering up to 5.5%.

### WHERE ELSE CAN I GET A 100% GUARANTEE?

National Savings & Investments is the government's savings arm, so customers enjoy 100% backing. Of its nine savings products, five are tax free, including premium bonds, which allow a maximum £30,000 deposit. They yield

1.5% a year but offer the chance to win up to £1m each month. NS&I allows savers to deposit up to £15,000 in each issue of its three- and five-year index-linked savings certificates, paying one percentage point above the retail prices index a year, tax free. With RPI at a 19-year high of 5.3%, NS&I said savers in the 50% tax band would need an account paying 10.6% to beat these returns. Those paying 40% tax would need one paying 8.8%, while basic-rate taxpayers would have to earn 6.6%.

### WHAT ABOUT THE POST OFFICE?

Savings with the Post Office are provided by Bank of Ireland. The Irish government has promised that 100% of deposits will be covered, but only until September 28, after which cover will be capped at €100,000 (£84,900). Those who take out a fixed-rate account before that date will have full protection until the account matures.

This guarantee is only as good as Ireland's financial strength but Gavin Haynes of Whitechurch Securities, an adviser, said: "It is unlikely any government is going to let a bank fail so for savers with balances in excess of the FSCS limit, Post Office growth bonds, paying up to 4.1%, are an attractive option."

### WHICH ACCOUNTS SHOULD I GO FOR IF I SPLIT MY CASH?

The average of the top five easy-access savings rates is 2.75%, said Moneysupermarket, the comparison site, with the best available from West Bromwich building society, which offers 2.83% on internet accounts, though this includes a 12-month bonus of 1%. The top-paying fixed-rate account is ICICI Bank's five-year deal at 5% a year.

### TOP TIP

The Dynamic Cash Management service from Jonathan Fry, the adviser, identifies and monitors homes for clients' cash in return for an annual fee of 0.3%. Selections are made from accounts from 125 providers.

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