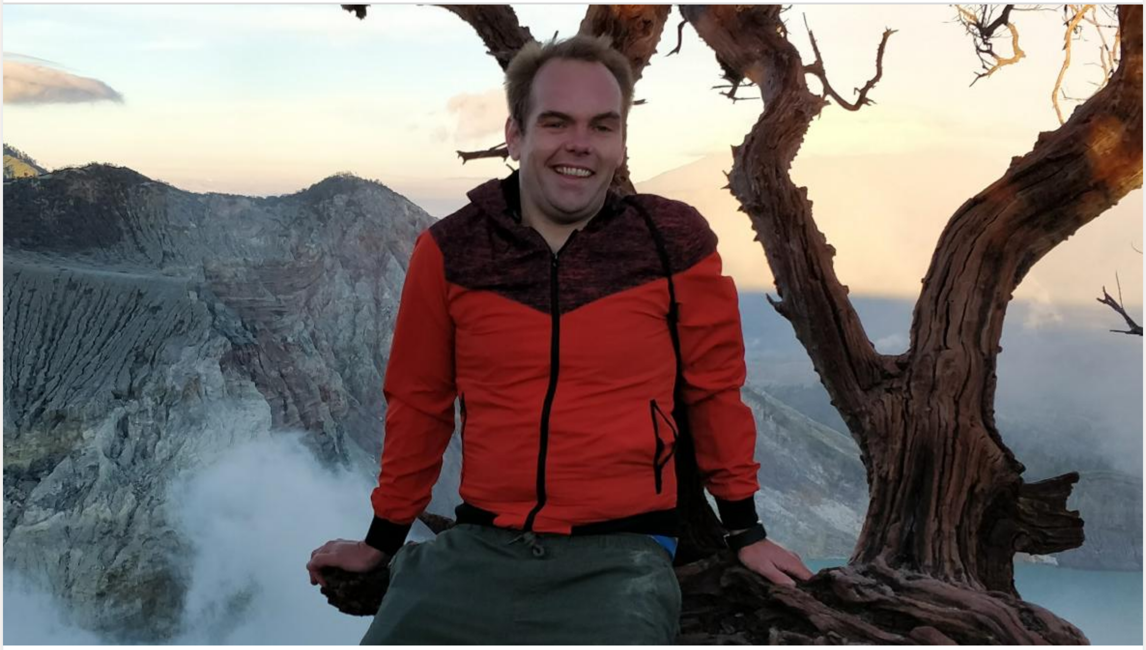

Adam Howard recently bought a house, and wants somewhere with high interest rates to invest his £1,000 savings

PORTFOLIO THERAPY

How should I invest £1,000?

Our experts advise a reader on how to make the most of his regular investment

David Byers

Saturday November 02 2019, 12.01am, The Times

Adam Howard, 36, has £1,000 to invest and is looking for innovative or unusual products with the highest possible interest rate.

The technical support worker recently bought a three-bedroom house in Reddish, near Stockport, Greater Manchester. He is paying an interest rate of 2.49 per cent on a £120,000 mortgage.

“If I can’t find an account paying higher than my mortgage interest rate then there is no point in saving. I may as well work to pay my mortgage off,” he says. “I want to find a high interest rate for any savings account I open and would like to know where to start."

Adam expects to pay a little into his savings regularly, but admits he is spending most of his disposable income on his new house.

"Outgoings relating to my house take up a lot of my salary," he says. We asked the experts about innovative rate-beating savings or investment products.

THE EXPERTS

Sarah Coles from Hargreaves Lansdown, a wealth manager

"Sadly there's no way to make more on risk-free savings. At the moment you can't beat 2.49 per cent on a savings account with your lump sum. The best savings rate is 2.42 per cent from Al Rayan bank and you have to lock your money away for three years.

"This doesn't mean you should go without savings, because life isn't always predictable, and you should always have an emergency cash safety net that's easily accessible.

"You could put your money into Premium Bonds. These don't offer interest, so if you don't win, you'll be losing money after inflation, but it at least offers the possibility of a prize of up to £1 million.

"If you're comfortable with risk and you're putting the money away for five to ten years or more, you could consider stock market investments. Over the short term these will rise and fall in value, but over long periods you have the opportunity to benefit from potential growth in the market. A common low-cost place to start is with a UK or global tracker fund.

"For future savings, regular saver accounts pay up to 5 per cent, although you need to have a linked current account and meet their criteria to get the very best rates."

Adam Bullock, UK director at Topcashback, a rewards site
"Online saving providers often offer better rates; if Adam invests his £1,000 with Nutmeg through Top Cashback, he could also bag an extra initial £105 to add to the pot.

"Peer-to-peer sites such as Rate Setter, Kuflink and Zopa also often offer bonuses. Adam could get a £100 bonus when investing £1,000 with Rate Setter, which is equivalent to a 10 per cent interest rate in the first year.

"If Adam goes down the peer-to-peer route, it's important to check that the provider is authorised and regulated. With up to 7.5 per cent returns on offer, it could be a way to earn more interest than a normal savings account."

Laura Suter, personal finance expert, AJ Bell
"With interest rates so low many feel it's not worth saving, but there are still good deals out there. The Nationwide Flex Direct account pays 5 per cent on up to £2,500 a year. He would need to pay at least £1,000 a month into the account to qualify.

"The M&S Bank monthly saver, available to those with an M&S current account requires you to pay in between £25 and £250 a month and pays 5 per cent interest. You get a £100 bonus if you use the Current Account Switch Service.

"If he's happy taking a bit more risk he could open a stocks and shares Isa. He could save a set amount each month and filter his £1,000, and any future savings, into markets through low-cost tracker funds."

Rebecca O'Connor, personal finance specialist at Royal London, an insurer
"If Adam wants to go for the riskier innovative route he would be investing rather than saving, so he wouldn't get compensation if the investment fails. Innovative Finance Isas

allow you to make peer-to-peer lending investments of up to £20,000 a year tax-free.

“Quoted rates tend to be in the 4 to 6 per cent range, but are often variable, not guaranteed and may involve locking your money up for years, as well as being risky. The minimum deposit on most is £100.”

Adam says

“Thanks. It’s great to have this advice. It gives me options I didn’t realise I had.”

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Go to bit.ly/326MMFN to see this week’s best buys

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J

Jonathan Portch 2 NOVEMBER, 2019

While the saver accounts nominally pay 5%, one has to deposit regular sums each month rather than deposit a lump sum. Therefore, one gets 5% on the average balance-- roughly 2.5% per annum on the lump sum on maturity.

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G

Goalkeeper 2 NOVEMBER, 2019

If he doesn't want it back soon and can choose a time when the market is high to withdraw, Fundsmith. Why play around with bank deposit accounts at no better prospects than putting it under the matress.

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A

Alan Layng 2 NOVEMBER, 2019

I find it bizarre that the article covers bank deposits and P2P loans (the two extremes of the risk spectrum) and skips over pretty much everything in between. And asking for "innovative" products is asking to lose your money (*"here, let me juggle blindfold with chainsaws, even though I know nothing about it"*).

£1000 is not really enough to do anything complicated, so you have to choose if you are likely to want it back soon, or whether you can leave it for a good few years.

If the former - stick it in a bank account (the choice of account matters very little as the difference in interest rates in a year is barely an hour's salary). If the latter, stick it in a low cost tracker (like Vanguard) and forget about it.

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Another reminder that General Layng is our favourite investment and money commentator!

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This is the advice he should have got!

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Hirotani
2 NOVEMBER, 2019

If your employer provides AVCs or similar, start saving £100 pm into a steady equity fund. Every time you get a pay rise increase your contribution. Increase your contribution BEFORE the pay rise hits your account - you won't notice the increase in contributions. Do this consistently over your working life and dollar cost averaging over the long period will repay you hansomly.

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Scotch Egg a substantial meal 2 NOVEMBER, 2019

This man needs some spice in his life. Look at Crypto, CFDs and 3x short S&P 500 ETF for your 1000 smackers and ride the tiger baby!

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Helios 2 NOVEMBER, 2019 Scotch Egg a substantial meal

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Tom the gambler.

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Tony M 2 NOVEMBER, 2019

I'd suggest he feeds it into a regular saver to get around 5%. As a new homeowner, I wouldn't suggest he locks it away or ventures into the stock market, he might need it sooner

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Kenneth Hislop 2 NOVEMBER, 2019

"Looking for innovative or unusual products". Without the requisite experience which this guy clearly doesn't have, that's a recipe for losing money. If its money to invest, then a cheap ISA on a platform with a vanguard or similar fund. If its savings, then the best rate you can find depending on access requirements.

Reply 2 Recommend Report

Helios 2 NOVEMBER, 2019

Don't bother with Premium Bonds for £1000 since the distribution of prizes will be too sporadic. Consider Premium Bonds for large holding say over say £30k and you should get a regular tax free income c. 1.4% with the slim chance of a large win.

Reply 1 Recommend Report

Alan Layng 2 NOVEMBER, 2019 Helios

Yes, you have to have a good 5 figure sum for it to make sense (and are limited to £50k, I think). There is always the thrill of the £1million win, but I never won more than a succession of £50s, and closed out when the rate dropped from 3%-ish some years ago.

But that's a lot of cash to have for an emergency fund, I would have thought. That would pay for quite a lot of emergencies (unless you have a very expensive lifestyle)!

Obviously we all have different risk appetites, but unless there was a big payment on the horizon I would have though some of that could be set aside for a higher return (offsetting the higher risk).

G Silver 2 NOVEMBER, 2019

LendInvest well worth a look

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Cicero 2 NOVEMBER, 2019

£1000 and the return thereon is hardly worth bothering about.
What are you talking about. A cup of coffee and a cake.

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Fred B 2 NOVEMBER, 2019 ← Cicero

Whole article for £1000?
This can not be serious.

Reply | 3 Recommend | Report

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