

MILLIONS OF SAVERS THINK INFLATION WILL LEAVE THEM BETTER OFF

More than half of all cash savers (52%) don't know what impact inflation will have on the real value of their cash savings over time, while 13% believe inflation will leave them better off

New research from Legal & General¹ has found that despite inflation reaching record levels many people in the UK are not aware of its impact on their finances.

The findings reveal:

- More than half of all cash savers (52%) don't know what impact inflation will have on the real value of their cash savings over time:
 - One in 10 (13%) incorrectly believe inflation will leave them better off
 - 13% think the real value of their savings would stay the same
 - More than a quarter (26%) say they don't know what impact inflation could have on their cash
- Millions of savers (64%, the equivalent of 10.3 million) have taken no action on their savings, despite cash earning next to nothing in interest and inflation rising steeply. In fact, half of all savers (54%) currently keep their money in cash over the long-term.
- The total cost of "saver inaction" in such an environment (6% inflation) could amount to £18 billion if this trend continues over the next five years².
- Savers currently have £136 billion sitting in cash ISA accounts on average interest rates of 0.26% per year³.
- Legal & General analysis shows the impact of inflation for every £1,000 stashed away:

Inflation rate	Average £ lost over five years	Time for savings to halve	National cost of saver inaction over five years
6%	£243	13 years	£18 bn
7%	£278	11 years	£21 bn
8%	£311	Under 10 years	£23 bn

Source: Legal & General, 2022

"Inflation is at its highest rate for three decades and it's worrying that savers don't realise its eating away at millions of pounds sitting in low-interest paying accounts. Understanding the impact of inflation is crucial to understand how much money you have in real terms. Whilst it is essential to keep some cash in the bank for an emergency fund, savers might want to consider other options to make their money work harder."

Emma Byron, Managing Director, Legal & General Retirement Solutions

Three ways of protecting your savings from inflation

Tip 1: Work out how much to put aside as an easy-access emergency fund

The Money Helper⁴ service suggests that you should save for emergencies. As a rule of thumb, you'll need

enough to cover your essential expenses for three months. You should be ready cover bills like energy, your mortgage, travel and food costs, so should the unexpected happen, you'll be prepared. And you'll know exactly how much money you need to keep in cash (which can be hit by inflation), so you can start saving any extra income in more inflation-proof ways.

Tip 2: Get best the interest rate you can on your savings

Make sure that any cash savings you have are getting the highest interest rate possible. These days you can switch savings accounts and ISAs relatively easily. But if you do find a higher rate, remember that they can quickly go down. For example, it's common for Cash ISAs to offer high rates for the first year. Those rates can drop dramatically after the first year. So always set a reminder to keep an eye on any new savings rates you find. You can find more information on most bank websites and compare interest rates on comparison websites.

Tip 3: Think about investing your money or topping up your pension to beat inflation

It's important that consumers are aware of the long-term impact of their pension contributions, alongside the compound effects of investing. So if you can stash your savings away for the long term, think about topping up your pension, or investing in a stocks and shares ISA.

People will understandably be feeling unsure about the future at this moment in time, but the key thing to remember is that investing is for the long term. With time on your side, you can balance out the ups and downs of market volatility. And if you have an emergency fund, you might well be able to ride out any storms and leave your investments untouched. That'll give them a chance to go back up in value again.

-ENDS-

Notes to editors

¹ Opinium survey of 2001 UK adults in the UK conducted between 4th and 8th February. The 10.3 million savers refers specifically to cash ISA savers

² This is based on 10,303,247 cash ISA savers with median savings of £7,231 stalling their investment decision. The total savings amount is projected over 5 years at a cash ISA rate of 0.26%, allowing for a 6%, 7% and 8% rate of inflation per annum. This results in an erosion of value of £18 billion, £21 billion and £23 billion over a five year period.

³ Average interest rate for instant access cash ISAs: <https://www.which.co.uk/news/2022/01/a-month-on-from-the-base-rate-rise-have-savings-rates-improved/>

⁴ <https://www.moneyhelper.org.uk/en/savings/types-of-savings/emergency-savings-how-much-is-enough>

About Legal & General

Established in 1836, Legal & General is one of the UK's leading financial services groups and a major global investor, with over £1.4 trillion in total assets under management* of which a third is international. L&G also provides powerful asset origination capabilities. Together, these underpin our leading retirement and protection solutions: we are a leading international player in pension risk transfer, in UK and US life insurance, and in UK workplace pensions and retirement income. Through inclusive capitalism, we aim to build a better society by investing in long-term assets that benefit everyone.

* at 31 December 2021

About Legal & General Retail

As of 1st January 2022, Legal & General Retail Retirement and Legal & General Insurance (our two retail businesses) have been combined into one division, Legal & General Retail to enable us to better serve the needs of our retail customers.

Legal & General Retail helps protect lives and futures of our customers; the division covers the savings, protection and retirement needs of our c12 million retail policyholders and workplace members. In 2021, we wrote £957 million of annuity premiums, and issued £848 million of Lifetime Mortgages and Retirement Interest Only Mortgages. Our Workplace pension platform served 4.4 million members, while in the UK we paid out a total of £1,133.8 million in insurance claims.

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