Tom McDermott: Hello everyone and welcome to episode three of the 'Life and Money' podcast brought to you by Skipton Building Society. My name is Tom McDermott, and I'm joined by a panel of investment experts to talk about building up your money for the future and posing that all important question. Is it better to save or invest it?

Now, we understand that your most valuable asset is your time. And so what this episode aims to offer you is a quick guide to the different ways you might be able to grow your money, so you can consider your next steps and ultimately free up more of your time for doing the things that matter to you. Later in this episode, we'll be joined by our special guests, Jasmine Birtles to provide her own views.

Jasmine is a financial expert, the bestselling author of 38 books and the founder of the Money Magpie website. Jasmine regularly features in the national media to give her expert take on money matters, and the chances are you've seen her on BBC News, Good Morning Britain, Sky News, Channel Four, or a host of other TV and radio outlets where she has appeared.

Before we speak to Jasmine, I am absolutely delighted to be joined by a pair of experts from Skipton Building Society. First of all, hello to Allana Edmondson who is the savings, products and pricing specialist. Welcome Allana and I understand that your role includes building and looking after the wide range of savings products that Skipton offers.

Allana Edmondson: Hi, Tom. Yeah, that's correct. So I'm part of the team at Skipton that looks after all our savings products. And my role within the team involves monitoring the performance of our products on a daily basis and also keeping an eye on what's going on in the savings market to make sure our products suit the needs of our customers in order to help them save for the future.

Tom: Brilliant, and second up is Mark Butterworth, who is the Head of Financial Advice, Planning and Research. Mark - welcome to you too. And I gather you and your teams help to build suitable investment portfolios for customers.

Mark Butterworth: Hi Tom. Yeah, that's correct. So I'm head of the fund research team and, similar to Allana on the savings side of things, we continually look at the marketplace to see what the best funds are and find the best products to meet our customer's needs. And so once we've chosen them it's all about monitoring them, reviewing them to make sure that they remain suitable. We also meet on a regular basis with the fund managers to understand their challenges and seek answers or reassurance to any queries we have.

So, it's quite a laborious process, we'll say, but it's all about ensuring that we give our customers the most appropriate solutions.

Tom: Good to know, Mark. Thank you for that. Now, before we go any further, the opinions and information provided in this podcast are not to be taken as advice. If you're looking for advice, it's recommended that you speak to a financial advisor as with all investing your capital is at risk and past performance is no guarantee of future results.

Okay, let's get into this then. So the first question I want to ask is to you Allana, and it is what are the basic mechanics of saving your money and why might it be a good idea to have a savings account?

Allana: Yeah, no problem. So essentially savings is about putting your money away to one side and being able to keep it safe while you earn interest on it.

The idea is that the interest you earn by putting your money into the savings account will kind of add up over time. So you may want to use the savings account for holidays, home improvements, to prepare for emergencies, or even right now with rates across the market being relatively low, like I just mentioned it's somewhere to keep your money safe.

Tom: And Mark, how is investing different?

Mark: In theory, when you think of investing obviously, naturally you'll think of ups and downs of the stock market, sort of your values moving in conjunction with that. But there's a little bit more than that. What we do is, we typically recommend you invest in a fund that's run by a fund manager and that fund itself invests in a wide range of assets. So it's not all about just investing in shares, for example. Yes, we will allocate some money to shares, but typically we'll also look at things like corporate bonds, government bonds, maybe even property, maybe even a little bit of cash. It's all about basically giving you that diversified approach to investing.

And what that will give you is almost a spread of risk on your money. And therefore you're not susceptible to any sort of high swings or high, high lows within the stock market. But ultimately the overall mix of assets that we would put our customer's money into is very much dependent upon their level of risk. And again, I said, we'll touch on that a little bit later.

Tom: Allana, is it fair to say that the amount of time you have to achieve your goal is important?

Allana: I'd say so. Yeah. So, savings is more ideal for your shorter term goals, so up to five years, whereas investing is more for your longer term goals. So, perhaps retirement. I guess different people have different needs or even perhaps multiple needs.

People kind of want that accessible pot for rainy days, which your savings account would be used for. But also wanting to invest for the longer term as well. So actually it may be more beneficial for a customer to have a combination of the two, so savings as well as investments. Just in order to make the most of the opportunities that they have.

Tom: And are all savings products easy access?

Allana: No. So there's different savings accounts designed to suit different customer needs. So starting with easy access products, they kind of allow customers to add and withdraw from their account as and when, which may be more ideal for that easy access emergency fund pot.

You've then got limited access accounts, where you may have to give notice in order to make a withdrawal, or you may be restricted on the amount of withdrawals you can make per year. So they may be more ideal for holidays, say. And then you've got fixed rate products too, which typically offer no access over usually a one to five year term. The advantage to these is that they usually offer a higher rate of interest, which is fixed throughout the term. And that's in exchange for locking away your money for the selected amount of time. So these may be ideal for something that you have, that might be a bit, maybe a bit more specific. So perhaps a child going off to university in three years' time say, so you kind of have that money now, but don't necessarily need access to it just yet.

Tom: Why might investing be more suitable for longer term goals, Mark?

Mark: It sort of it's all in one pot, really. I mean, from a savings perspective, you do need to look at the two together. So, whenever we're having conversations with customers about potentially exploring whether investing is suitable for them, we would always make sure they've got adequate moneys held on deposits, whether that's in easy access or some of the fixed rate bonds that that Allana has just covered.

When we look at why to invest, I think over the last decade we've been sat in a period of low interest rates. And what that means is people who don't need access to the money in the short-term aren't necessarily getting the returns that they would, they would like over the longer term. So when you look at potentially investing your money, and as I said earlier, it is different to savings because you would have some of your capital at risk, I guess, the carrot for that is that you've got the potential returns being greater as well than what you typically get from a savings account. So if you look historically at what stock markets have done over the longer term, it's fair to say that they have outperformed deposit accounts. That's why we always say investing is for the long-term. You need to be able to, um, have your money invested for a period of time that can smooth out any sort of ups and downs within the stock market. And make sure that over the longer term you're getting, hopefully higher returns than what you could get by leaving your money on a deposit. And just linking to Allana's point there, thats where you're looking at investing it is perhaps for,, sort of, is a retirement on the horizon, or are you looking to invest for retirement or if you're already retired, do you just want your money to work harder because you've got no immediate need for the money but actually you want to make sure its earning more than what you can get on deposit accounts. So there's lots of reasons to invest, it really comes down to what the customers' needs are.

Tom: What would you say to someone listening then who might think I don't want to take risks to my capital?

Mark: Yeah. A lot of customers initially feel this way, and I guess that's part of our advisor's role in this journey. It's really important to know that we don't have a one size fits all approach. As I said earlier, you've got different types of investments, different asset classes. They all work in different ways. They all take a different level of risk. And I guess from our perspective, the key for us is we'll help customers understand how investments typically behave and that will include sharing examples of what good looks like, what bad looks like, what average looks like, so that they can visualise if then when invested and if this were to happen to their money, how would that make them feel? Does it have an impact on their standard of living? And that's just part of the, that's the start of the journey, I guess. And through those conversations, we'll help a customer establish that sort of risk appetite.

And it's really important to know that if a customer, as part of that conversation, if it's very clear a customer's risk averse, and investing isn't right for them, then that's fine and we'd look to do something with perhaps more traditional savings based accounts. However, if as part of that conversation, is comfortable and our advisors are comfortable that they understand the concept of investing. Then, then absolutely we put together a recommendation to help them when you work harder over the longer run.

Allana: I think it's also important to kind of reiterate the point that investing shouldn't be viewed as an alternative to saving, but more of an addition to saving. I think it's also always a good idea to kind of have that, some money set aside for emergencies and those shorter term goals, but I guess it's important a customer kind of doesn't put all their eggs in one basket. So to not put all the money into savings or we can put it all into investments. It's good to have a blend of the two, as even savings accounts have that bit of risk with inflation. So as inflation rises, essentially, that can reduce the volume of your savings over time.

Tom: This feels like a great point to bring in our special guest, Jasmine Birtles. Jasmine is a financial expert who runs the excellent Money Magpie website, a prolific author, and who regularly appears in the media to talk about money matters. Jasmine, thank you for joining us. We've been chatting about the differences between savings and investing and the best approach for your needs. I imagine it's a topic that you are asked about quite a lot.

Jasmine: Although I've had a decent education, nobody had taught me how to manage money. So, you know, surprise, surprise I ended up in debt. So I thought to myself, well, if I'm having problems, other people certainly are. And so I'll make it my thing to make money understandable, to make it accessible, to make it funny where possible, so that people like me, I have a degree in English, you know, nothing clever or mathematical or economic or anything like that. So people like me will actually listen and learn and understand. So that's what I've been doing in television and radio, with my website MoneyMagpie.com, in books, newspaper, magazine articles, workshops, you name it. My aim, always, is to explain all aspects of money from insurance and saving and debt through to cryptocurrencies and, um, stock market investing in an understandable, easy to follow, non-threatening, sometimes actually entertaining, way.

Tom: What, for you, are the key benefits of having money in savings accounts?

Jasmine: It's so, so important to have some money set aside in a savings account. I call it your savings safety net. So I'm constantly banging on about the importance of having a savings safety net. It's your self-insurance. And what I say to people is firstly, you need to get into budgeting, even if it's sort of on the back of an envelope, a vague idea of what money has to go out each month to keep body and soul together and keep the roof over your head. If you have at least a vague sense of that, then, not only does that mean that you're, you're more able to control your spending, etcetera, but it also means that you have an idea of how much money you should set aside in your savings safety net.

Ideally it should be six months' worth of money to cover your expenses. I'm talking survival. I'm not thinking about having a wonderful time, but survival budget. So say for example, it costs you a thousand pounds a month to keep everything going. Well, ideally you should have six grand set aside in an easy access account that you do not touch unless everything goes pear shaped.

I know stuff comes out of nowhere and suddenly you need the money. That is the most important reason, I think, why we need cash in the bank, just in case.

Tom: What about some of the key traps to avoid then, when keeping a lot of money in savings?

Jasmine: We really do all need to have a saving safety net. We need that cash cushion, that self-insurance, we have to have it. And frankly, you know, if you're happy putting it in a safe in your home or, you know, under the mattress, I'm not a big fan of that, but something you know, whatever. Just put it aside. But although, you know, it's much better to put it into a savings account and ideally you go for the best rate, you can find you go onto one of the comparison sites and go, okay this one seems to be the highest. Inflation at the moment is so much higher than even the very best rates. And as we all know, the best rates are not anything to write home about. But in real terms, we are losing money. So what I say to people is absolutely have savings accounts. If you're saving for a house and you think that you could do it in the next two, three years, that needs to be in savings accounts. If you're saving for Christmas, that's the end of the year, that needs to be in a savings account, saving for a car, these sort of short term savings and your savings safety net, they need to be in something safe and secure, which is savings accounts.

Tom: If we move on to investing, you write on your own website this is a topic you get asked about frequently. What are the typical reasons why someone might want to invest?

Jasmine: The sort of thing that people tend to say to me is, look, I know I need to invest. I need to do it, but I don't know where to start. I just literally don't know where to start. And this is people I, you know, certainly in their thirties, forties, fifties, and t's this sort of worry that's been in the back of their minds.

They know that what I've just said is true. They know that they shouldn't have all their money in savings accounts, but that's all that they do know. That and property. You know, in this country we know, or we think we know properties. So we're sort of quite happy with putting money in property.

But in this country, we just assume that the stock market does nothing but crash because that's all we hear. So those that think, 'I know I need to grow my money, I know I need to put it into something risky. I keep being told that I can make better money in the stock market, but I don't know where to start. I'm afraid. I don't trust the people who tell me about it. I don't trust people in the city. I don't trust banks. I need to know something, but I can't find anywhere that will explain it to me in a way that I can listen to and understand it's all said in these difficult, long words.' I mean, even the word portfolio, you know, whenever I use it, I explained, you know portfolio means a mix of investments. That's all it is. If you've got a property and a savings account and an ISA, you've got a portfolio. There you go, there's a portfolio.

Tom: What about some of the downsides to investing?

Jasmine: The obvious downside is the uncertainty. One of the big things that I always say to people like, most people, is that with investing, it's a long term project. Saving is short term. And this is one of the key things, I think that we, as a nation need to get our heads around. This is something that I explain over and over when I do my webinars, etcetera. I explain the difference - the key difference between saving and investing. So saving is short term.

And I tell everybody for short term saving, you need to put your money into products that are safe, secure. They're not going to go up and down all over the place. But with that safety, you get a lower return and you have to accept that because in the short term, it's generally not so important that you keep up with inflation. I mean, you know, inflation is rampant at the moment, as I say, but generally it's not so important. But for the long term, you need to put your money, I consider, into what are considered to be riskier products and in the short term they certainly are riskier. I don't think in terms of stock market investments, personally, as short-term things they need to be thought of as long-term and in the long-term those risks, those ups and downs, that volatility tends to get smoothed out, not always, and you know, again, a big thing that I drum into people is that with everything, but certainly with investing, you need to spread your bets. You must not put all your eggs in one basket.

You have to spread it over different asset classes, different products, where you can, because you never, never know. One of them could completely tank, or more than one. So if you've got your money in various different property projects, products, then you've got a fighting chance of having some of them do well. While one or two others might not do so well.

Mark: Hi Jasmine, it's Mark Butterworth here. What would you say to people who've unexpectedly built pots of money and perhaps aren't sure of what to do with it?

Jasmine: So, I would say to people who have amassed a bit of a pot of money, obviously first off, pay off your debts. And I know a lot of people have, they paid off their credit card debts.

They're expensive debts. I think that there's an argument currently to say, pay off some of your mortgage, even though mortgages are cheap at the moment, it's likely that interest rates will go up. So I would consider possibly paying off some of your mortgage. But, another thing I think to very much consider is putting extra into your pension.

The great thing about pensions is that you get extra money as soon as you put your money in because the government adds in the tax that you would have paid on that cash. And if you're putting it into a company pension, it's likely that your employer will match that or put some extra in as well. So, you know, it's free money.

I would also put some into a stocks and shares ISA. I tend to promote equities stocks and shares ISAs because as I've said before, you know, long term stocks and shares. These riskier products tend to do better and I personally see ISAs as a long-term investment as something as an adjunct, if you like, to my pension.

So I personally have never opened a cash ISA. I've always put my money into equities ISAs. So again, spread your cash. If you've got a nice little lump, pay off your debts, put some more into your pension. Add some into an ISA and you'll feel very smug about things later on.

Tom: Jasmine, that's fantastic and thank you very much for your time. That was Jasmine Birtles, a financial expert and founder of the website Money Magpie, and it's worth just pointing out here that the views Jasmine expresses are her own personal views and must not be treated as advice. Back to you then Mark, how closely entwined are savings and investments at Skipton?

Mark: Yeah, so our advisors work very closely with the savings team. So we've typically got our branch network, the telephony teams and our advisors, and our whole functions work very closely together. As we said, we'd always recommend you have some money on deposit, on instant access to cover things like emergencies and any short-term purchases. That's something that our advisors will always do, and they'll be constantly working together to make sure that we can, we can build a full plan for a customer.

So it's never in isolation. It's always our adviser who would perhaps be the start of the conversation and introduce the customer to either the branch or the telephony team to talk about savings accounts or vice versa. They might be talking about savings accounts and introduce the customer to our advisor to perhaps look at things if the customer's wanting to consider investing.

Tom: If someone was to come to Skipton for investment advice, Mark, what would that entail?

Mark: So firstly, they would arrange a meeting with one of our financial advisors and that's just a sort of initial introduction meeting where our advisor will initially spend time to get to know the customer better and what their financial needs are, their motivations, their aspirations. Just trying to look at the picture really of what's important to this customer and what can we do to help? As part of that, obviously we will look at any sort of, short-term needs such as have they got adequate emergency funds, have they got a new car purchase on the horizon, a big holiday, perhaps?

So we'd look at any short-term objectives and then we would also, and then where appropriate, look at what the longer term objectives are and whether there's, you know, whether there is any scope to consider investing for this customer. And as I said earlier, that can typically be things from retirement planning, whether that's leading up to retirement or within retirement, or, you know, if we're sort of deep within retirement and it's just a case of customers not quite happy with this amount of money they've got, that's not delivering the returns they want from a savings perspective. Then we might consider whether we think investment is right for that customer. The key bit is for us from a customer's perspective, you'll hear clear plain English, explanations will be thorough and tailored to you.

If you've got any questions, then that's the opportunity to ask. It's all about us trying to get across to you that if we believe investing is right for you, what does that involve, how will your money behave? What can you expect? Throughout the journey with us in terms of setting up the investments and then on an ongoing basis.

But as I said earlier, you know, it's really important to know that investing isn’t for everyone. And if partway through this conversation it becomes clear that the customer is not happy or that the advisor doesn't feel investing is right for that customer, then there's no problem, that advice won't go ahead and it will just be an informative chat. It might be that we go back into the savings world and see what, see what deposits come available. The key for us is that they have got the balance, you know, have you got enough money in your sort of short-term instant access, one to five years spending patterns and anything that's not allocated into that? Have you gotten enough money that you perhaps want to consider investing money and sort of trying to deliver potentially greater returns, but understanding that there's some risk on the table as well? Assuming you were to invest, then obviously it's understanding what that post-sale service looks like.

And again, in that space, we've got different service options for different customer needs and that's something that our advisor will, go through with the customer. So it's a very robust thorough journey and the key for the customer is, and the key for us is that they get something at the end of it that helps towards their objectives, that they fully understand, and that we're comfortable is appropriate for them.

Tom: And Allana, what would you suggest to anyone who is listening and perhaps unsure what to do about planning for their future?

Allana: So anyone unsure about planning for the future can speak to our telephone team, talk to us via online web chat service or visit any one of our branches. We can just have a friendly chat talking through what it is you want to do and explain how we might be able to help. So whether that's savings, financial advice, or potentially both.

Tom: And Mark, if they did want to get financial advice from Skipton, how much would they need to invest?

Mark: Yeah. So typically what we'd expect from a customer we'd expect them to already have sufficient amounts in the contingency fund and make sure they've got, you know, an adequate emergency fund.

And then in addition to that, what we'd be looking at is a minimum of £20,000, investing from a lump sum perspective. Or £500 a month, if they're looking to contribute on a monthly basis.

Tom: That's really helpful. Thank you very much, indeed. And that's just about all we have time for, this edition. My thanks go to Allana, Mark and Jasmine. I hope you found this podcast useful as well. And if you wanted to hear more about how investing works and haven't already listened, it's worth checking out episode one of our 'Life and Money' podcast series. We really hope this has helped you think about how planning your future with Skipton could ultimately free up your time to get on with the things that matter to you the most. If you have any feedback or questions, we'd love to hear from you. Simply subscribe to our 'Life and Money' email updates at skipton.co.uk/insights or call 03452667724. Bye for now.

Our recommendations are likely to include stock market-based investments. These are not like bank and building society savings accounts as your capital is at risk and you may get back less than you invested. The value of your investments and any income from them may fall as well as rise