

Money saving strategies – an Article by J W Cross, Treasurer

The sales season is in full swing, many shops have "up to 70% off" sale signs in their windows but perhaps the greatest savings can be made at home. In the past year interest rates and the cost of many household items have risen substantially. Now seems a good time to see whether we are getting the best bargains in the marketplace.

Interest rate rises announced by the Bank of England are not necessarily passed on by all of the banks and other organisations that hold our savings accounts. Some banks offer new accounts with initial high interest rates and let interest on old accounts wither away. Rates vary from 0.1% to 5.45%. Shop around and if you have access to the Internet you might try the comparison web sites moneyfacts.co.uk and moneysupermarket.com. The highest headline rate might not necessarily be best for you as the account could be inconvenient to operate or have restrictions on access to your funds. These comments apply to "ISA" and "Follow on TESSA" accounts but, be warned, some organisations do not accept transfers.

For many the amount of interest received on savings pales into insignificance compared to the amount of interest paid on borrowings. As a result the benefits of a review are correspondingly greater. This is particularly true for people who use fixed term mortgage arrangements that are coming to an end or who still have mortgages with interest charged at the standard variable rate. A 1% reduction in rate will produce a saving of approximately £80 a month on a £100,000 mortgage.

As interest rates on secured borrowing are generally lower than those on unsecured debt it is wise to review all types of indebtedness together. I suggest that it is worth using an Independent Financial Adviser or Mortgage Broker because of the size and complexity of the transactions. If you borrow against the security of your house and do not make the repayments you could lose your house - a serious matter indeed.

The range of interest charges, fees, penalties and incentives on Credit Cards is extremely wide. For individuals who pay off the balance on their accounts by direct debit every month there is little to choose between any of the card providers who do not levy an annual charge. For the rest of us the potential savings are substantial, there are still cards that offer zero interest rates on balances transferred. Look carefully at transfer & other fees and penalties. When making use of a zero interest rate facility make sure that you understand the implications of using a credit card during the interest-free period and how any payments you make will be used to repay the outstanding balances. Measure the interest rates that you pay against that charged by District of Canterbury Credit Union Ltd (0845 25 75 012) which has no fees, no late penalty payments & charges and an interest rate of 1% per month (12.68% APR).

There is now real competition amongst the providers of telephone and broadband services. Of course, if you live in an area where broadband is not available through your telephone line your options are limited. Otherwise it is well worth reviewing the cost and service levels that broadband suppliers provide and checking whether you are on the best tariff rate from the most appropriate telephone supplier.

Gas and electricity suppliers have increased their prices by almost 50% in the past year. Some people who were wise enough to take out fixed-price arrangements with their suppliers have been protected against these price increases and some of these

arrangements are coming to an end. There are several price comparison web sites including energywatch.co.uk; uswitch.com; simplyswitch.com and energyhelpline.com. One point to look for are changes that energy suppliers are about to make to their price structure. Check carefully to see that you are not about to suffer a price rise imposed by your new supplier.