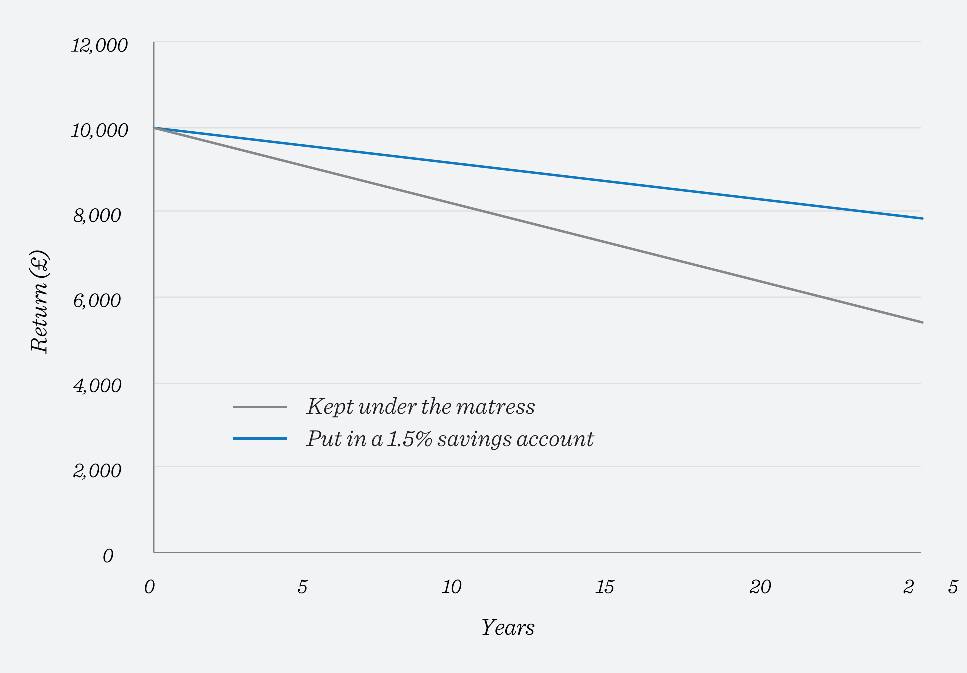
Don’t just invest in cash

The impact of inflation

It is often tempting to see cash as a safe haven against all market volatility. However, recent years have seen higher rates of inflation and lower rates of interest on your cash. The pressure that inflation can place on your cash can be very debilitating and in the long run not being invested in the markets can be inherently riskier than being invested.

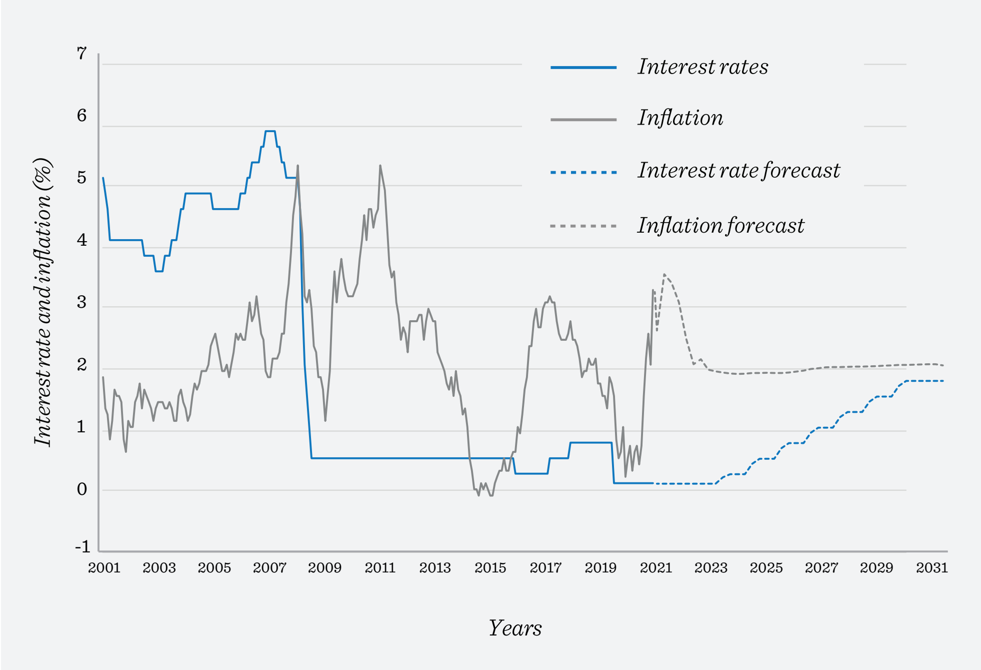
The eroding power of inflation

At just 2.5% inflation, you would lose nearly half your purchasing power over 25 years if your money was ‘kept under the mattress’. So, £10,000 today would only have the purchasing power of £5,394 in 25 years time.



Low future interest rates

Historically, interest rates have normally outstripped inflation. Investing in a standard interest bearing bank account would have provided you with some protection against the ravages of inflation. However, looking forward interest rates are expected to stay below inflation for the next 10 years.



Past performance is not a guide to the future. The value of units may fall as well as rise. The Above images are for information purposes only.

Source: Quilter Investors as at 30 September 2021. Interest rate is represented by the bank of England base rate sourced from Oxford Economics. Inflation is represented by the UK Consumer price Index (CPI) sourced from the Office of National Statistics over the period 31 August 2001 to 31 August 2021. Future interest rate and inflation forecasts are the FactSet median projections.

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