DG FINANCIAL SERVICES LIMITED

IS YOUR CASH LIMITING YOUR FINANCIAL FUTURE?

Giving your money purpose, protection and room to grow



Diss Business Hub
(DBH 29), Hopper Way,
Diss, Norfolk, IP22 4GT

Tel: 01379 454508
Email: info@dgfs.biz
Web: www.dgfs.biz

Financial Planners
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Imagine checking your bank account on a quiet Sunday evening. Your savings balance looks reassuring, your emergency fund is intact, and you know the money is there should an unexpected bill arrive. Yet as the cost of living continues to affect household budgets and longer-term financial priorities, a question deserves consideration: could keeping too much money in cash be limiting your financial future?

For many UK households, cash offers security, flexibility and peace of mind. It provides a buffer against redundancy, unexpected repairs and changes in family circumstances. However, while cash is essential to a healthy financial plan, holding more than you genuinely need in low-interest accounts can erode your savings over time through inflation and may limit their growth.

The challenge is not choosing between cash and investments, but recognising that each can serve a different purpose. That's why it's important to take a considered approach to financial planning, treating immediate security and future ambitions as complementary priorities.

WHY CASH FEELS REASSURING

Cash plays an important role in everyday financial life. Money held in an accessible savings account can cover an emergency without requiring you to sell investments at an inconvenient time. It can also provide certainty when saving for a house deposit, a wedding, a new car or another significant expense expected within the next few years.

Unlike investments, which can fluctuate in value, the balance in a conventional savings account does not rise and fall with stock market movements.

That certainty is valuable, particularly during periods of economic uncertainty. However, the comfort of a substantial cash balance should not automatically mean that every pound is in the right place.

If you have accumulated savings well beyond your foreseeable spending needs, it may be worth reviewing whether some of that money could work harder elsewhere. At DG Financial Services, we can help you assess your savings in the context of your wider financial circumstances, ensuring that the desire for security does not unintentionally overshadow longer-term objectives.

HIDDEN COST OF INFLATION

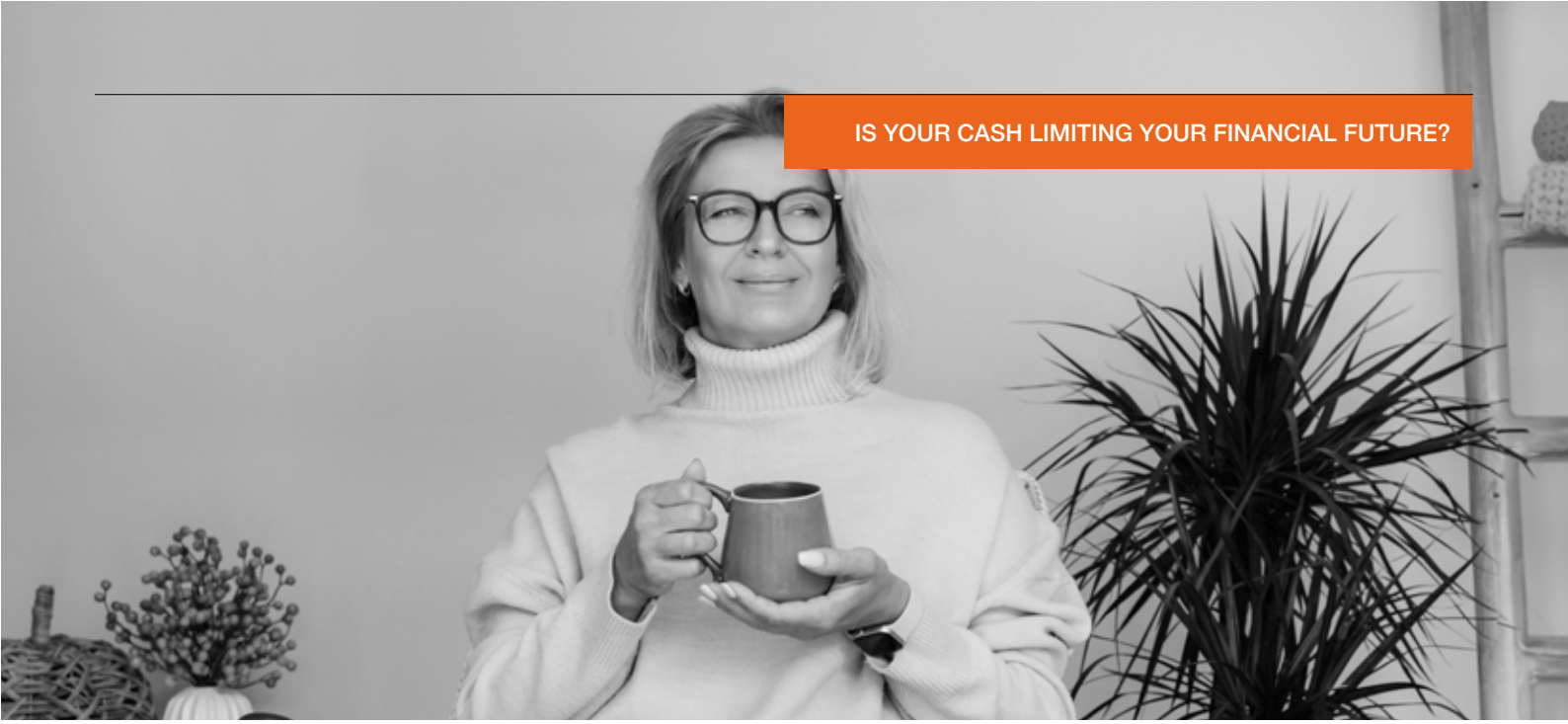
Inflation is one of the most important considerations when deciding how much money to keep in cash. Even when your savings earn interest, rising prices can gradually erode what that money will buy. If your savings account pays 2% interest over a year while prices rise by 3%, your money grows in nominal terms but loses purchasing power in real terms, before any tax on interest is taken into account.

This does not mean cash is a poor choice. Rather, it highlights the importance of comparing the interest you receive with inflation and considering how long you expect to hold the money. Competitive savings accounts, fixed-rate deposits and tax-efficient cash savings products may help improve returns without exposing your capital to investment market fluctuations.

The Financial Conduct Authority (FCA) warns that inflation can erode the purchasing power of cash over time. For longer-term goals, DG Financial Services can help you assess whether your current balance between accessible savings and potential growth remains appropriate.

HOW MUCH CASH DO YOU REALLY NEED?

There is no universal cash target that suits every household. A commonly used starting point is an emergency fund covering three to six months of essential expenditure. This may include mortgage or rent payments, household bills, food, insurance, transport and debt



repayments. Someone with a secure salary, limited financial commitments and strong employment prospects may need a different reserve from a self-employed individual whose income varies considerably from month to month.

Your personal circumstances should determine the size of your financial cushion. Homeowners may need additional reserves for repairs, while parents may face fluctuating childcare costs or education expenses. People approaching retirement may also value readily accessible funds to cover spending without having to sell investments during a market downturn.

The objective is to establish a reserve that gives you confidence without leaving an unnecessarily large proportion of your wealth unproductive. We can help you organise your financial priorities, taking into account expected expenditure, income stability and your plans for the years ahead.

SEPARATE SHORT-TERM NEEDS FROM LONG-TERM AMBITIONS

Once your emergency fund is in place, consider dividing your savings based on when you expect to need them. Money earmarked for a holiday next summer, an imminent property purchase or an upcoming tax bill will generally serve a different purpose from money intended to support retirement in 15 or 20 years.

Keeping these objectives separate can make financial decisions clearer and reduce the temptation to take unnecessary risks with money you cannot afford to lose. For short-term goals, cash is often the more suitable option because preserving the available funds may be more important than seeking higher returns.

For longer-term goals, investing may be worth considering, provided you understand the risks and can leave the money invested through periods of market volatility. The FCA generally encourages prospective investors to get their immediate finances in order before investing and to consider a longer investment horizon. We can help you assess how different time horizons should shape your financial strategy.

UNDERSTAND THE DIFFERENCE BETWEEN SAVING AND INVESTING

Saving and investing are often discussed together, but they serve different purposes. Saving typically involves putting money into interest-bearing accounts, with an emphasis on protecting capital and maintaining access. Investing involves buying assets such as shares, bonds or investment funds in the expectation of generating returns over time. These returns may come from income, capital growth, or a combination of both, but they are not guaranteed.

The main distinction is the level and nature of risk. A savings account can offer greater certainty over the balance held, subject to the account terms and the protection arrangements that apply. Investments can lose value, sometimes significantly, and you may receive less than you originally invested.

However, a diversified investment portfolio held over an appropriate period may offer greater growth potential than cash alone. The right decision depends on your objectives, financial resilience, investment knowledge and attitude to risk. Together, we can help you explore the considerations involved in balancing security with the potential for long-term growth.

GIVE YOUR MONEY TIME TO GROW

Time can be a significant advantage when investing. Returns earned on investments may themselves generate further returns when reinvested, creating the potential for compound growth. The effect can become more noticeable over longer periods, although investment performance is uncertain and compounding does not guarantee a positive outcome.

Consider a hypothetical £10,000 investment compounding at an average annual rate of 5%. If that rate were achieved consistently and returns reinvested, the investment would grow to approximately £16,289 after ten years, before charges, tax and inflation. This is an illustration, not a forecast: actual returns vary, and investments can fall in value.

The example nevertheless demonstrates why time horizons matter when planning for distant goals. Starting early, investing regularly where appropriate, and resisting the urge to react to every market movement can help investors maintain a disciplined approach. We'll help you consider how your investment horizon aligns with your objectives and the level of risk you are able and willing to accept.

SPREAD YOUR MONEY ACROSS DIFFERENT INVESTMENTS

If you decide to invest some of your surplus cash, diversification is an important consideration. Rather than relying on a single company, sector or asset class, a diversified portfolio spreads exposure across a range of investments. This can reduce the impact of poor performance in any single holding, although it cannot eliminate investment risk or guarantee that losses will be avoided.

The appropriate mix will depend on your circumstances. Shares may offer opportunities for long-term capital growth, while bonds can provide income and different risk profiles. Cash may continue to play a role in a portfolio, particularly where liquidity and stability are important. The balance between these assets can shift as your goals, income and time horizon evolve.

Avoid selecting investments simply because they have recently performed well or promise unusually high returns. The FCA advises investors to understand the risks involved, consider diversification, and be cautious of opportunities that appear too good to be true. It is important to consider your wider financial position before deciding whether investment risk is appropriate.

MAKE TAX EFFICIENCY PART OF THE PLAN

The way you hold your money can affect the returns you ultimately keep. Interest on savings accounts may be taxable once the relevant allowances have been exceeded, depending on your income and circumstances. The Personal Savings Allowance generally allows basic-rate taxpayers to receive up to £1,000 in savings interest tax-free and higher-rate taxpayers up to £500, while additional-rate taxpayers do not receive this allowance.

Individual Savings Accounts (ISAs) can offer another way to hold money in a tax-efficient manner. For 2026/27, the overall annual ISA allowance is £20,000 for eligible adults. A Cash ISA may suit accessible savings, while a Stocks & Shares ISA may be appropriate for longer-term investments. The right choice depends on your needs, eligibility and attitude to risk.

Remember that tax rules can change, and tax treatment depends on individual circumstances. We can help you consider tax efficiency alongside your savings strategy, rather than letting tax considerations alone dictate your decisions.

PROTECT YOUR FINANCIAL SAFETY NET

Before moving money out of cash, check that your emergency savings are genuinely accessible and that you understand the protection available to your accounts. From 1 December 2025, the Financial Services Compensation Scheme (FSCS) deposit protection limit increased to £120,000 per eligible person, per authorised bank, building society or credit union.

Joint accounts may qualify for protection of up to £240,000 in total, subject to the applicable rules. Different banking brands can share an authorised firm, so check the protection arrangements rather than assuming separate brands have separate limits.

It is equally important to recognise that deposit protection is not the same as investment protection. Eligible deposits may be covered if an authorised deposit-taking firm fails, whereas FSCS protection does not generally compensate investors simply because an investment declines in value.

Before investing, check that the provider is authorised, understand the charges and risks, and be alert to scams promising guaranteed high returns. Never invest money you may need urgently or take risks you cannot afford.

TURN YOUR FINANCIAL GOALS INTO PRACTICAL ACTION

Review your income, monthly expenditure, debts, savings accounts, pension arrangements and investments. Establish how much cash you need for emergencies and known expenses, then identify any surplus that could be allocated to longer-term goals. If you have expensive unsecured debts, such as credit card balances, compare the cost of those debts with the potential benefits of saving or investing more. Repaying costly debt may be a more effective priority than taking investment risk.

Next, consider what you want your money to achieve. Are you saving for a house deposit, preparing for retirement, supporting your family, or simply seeking greater financial independence? Set realistic timeframes and review your progress regularly.



Your strategy should remain flexible enough to accommodate changes in income, family circumstances and financial priorities. You do not need to make every decision at once. A structured review, followed by manageable steps, can be more effective than abrupt changes driven by short-term market movements.

FIND THE BALANCE THAT WORKS FOR YOU

Holding cash is not inherently a mistake, and investing is not automatically the right answer for everyone. The key is to understand what your money is for and to ensure that each part of your finances has a clear purpose.

Cash can provide the stability and accessibility you need today, while suitable long-term investments may help you pursue future goals. A well-considered balance can give you the confidence to manage unexpected expenses without overlooking opportunities to build wealth over time. ■

Ready to explore your financial planning needs?

If you are unsure whether your current cash holdings are appropriate, or would like to explore how savings, investments and retirement planning fit together, contact DG Financial Services to discuss your financial planning needs.

A review of your circumstances will help identify the questions to explore and the options that may be suitable for your objectives. Taking time to understand your choices today will help you make more confident decisions about your financial future.

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Registered office: 47 Butt Road, Colchester, Essex, CO3 3BZ.

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If you wish to register a complaint, please write to **russell.golledge@dgfs.biz** or telephone **01379 454508**

A summary of our internal complaints handling procedures for the reasonable and prompt handling of complaints is available on request and if you cannot settle your complaint with us, you may be entitled to refer it to the Financial Ombudsman Service at **www.financial-ombudsman.org.uk** or by contacting them on **0800 0234 567**.

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