

# MONEY

## NS&I adding early cash-in penalties on investments

BY BARRY O'NEILL

National Savings and Investments (NS&I) left many investors disappointed last year when it announced the withdrawal from sale of its most attractive product, index-linked savings certificates.

It was not surprising that in times of economic uncertainty and persistently high inflation, savers had rushed to place their hard-earned

money in a tax-free inflation-proofed investment backed by the Treasury.

One year on, NS&I now feels the need to dampen savers' enthusiasm still further by making some products less attractive from next month.

Millions of us have entrusted billions of pounds with NS&I over the years.

Historically, much of the public love affair centred on Premium Bonds, with

holders dreaming of a life-changing cheque hitting their doormat following the monthly prize draws. Few remember that the odds of any single £1 bond winning are 24,000 to 1 and that, even if you enjoy average luck, your total annual prize winnings would amount to only 1.5%, albeit tax free.

From September 20, purchasers of new fixed-term investments and those re-

newing maturing investments on or after this date will face penalties for cashing in before the maturity date. The penalty across the board is 90 days loss of interest, with anyone cashing in index-linked savings certificates early also losing the index linking for the entire year in which they are cashed in.

NS&I is keen to point out that penalties for cashing in early are standard features of

most bank and building society fixed-term products.

Children's bonus bonds are also being renamed, with the word "bonus" being dropped in recognition that each issue will simply pay a flat annual rate of interest with no bonus.

These bonds can no longer be held until the child's 21st birthday, but will fully mature at the first five-year anniversary after the child attains age 16.

For those that have money maturing from NS&I's fixed-term investments from September 20, the decision to renew should take into account the new penalties for cashing in early plus the competitiveness of the return.

■ Barry O'Neill is investment director at Carbon Financial Partners and can be contacted on 01224 619215



Barry O'Neill: losing the index link