

Help to Save

The introduction of Universal Credit has been anything but smooth, but for those claimants who manage both to receive the benefit and save some of it, there is extra cash to be had.

Help to Save accounts are aimed at people on a low income and are designed to help those falling in this income bracket to build up their savings.

Eligibility

Help to Save accounts will be available to adults in receipt of Universal Credit who have minimum weekly household earnings equivalent to 16 hours at the National Living Wage (currently set at £7.50 per hour), or those in receipt of Working Tax Credit.

Government bonus

A Government bonus is available under the scheme as an incentive to save. The Government bonus is payable at a rate of 50% on savings up to £50 per month, saved in a Help to Save account. To encourage people to leave the money saved in the account, the bonus will not be paid for two years. Savers will then have the option of continuing to save for a further two years; receiving a further Government bonus at the end of the second two-year period.

Building up a rainy-day fund

A person who saves £50 per month into a Help-to-Save account will have saved £1,200 at the end of the first two-year period. At this point, they will receive a Government bonus of 50% of the amount saved – taking the balance on the account to £1800. The saver will then have the option of saving for a further two years. Assuming they continue to save £50 per month, they will add a further £1200 to their savings during this period. At the four-year point, they will receive a second bonus of 50% of the amount saved in years 3 and 4 – a further £600 (50% of £1200). At this point, the balance on the account will be £3600 (plus any interest saved), of which the saver will have saved £2400 and the Government will have contributed £1200.

Only one account

An individual opening a Help to Save account will only be allowed to have one Help to Save account open at any one time. Eligibility will be checked when the account is opened.

Change in circumstance

If the individual is eligible for a Help to Save account at the time it is opened, any subsequent change in circumstance (for example, ceasing to be eligible for Universal Credit or Working Tax Credit) will not affect their entitlement to continue to save under the scheme for the full four-year period.

Withdrawals

Individuals can withdraw any money that they save at any point (although this may affect the bonus paid). The Government bonus can only be accessed when the account matures – either after two years or if the saver opts to save for a further two years, at the end of that period.

Accounts will be open to new applicants for five years from the 2018 launch date.