Build a cash safety net that works

Set a realistic emergency fund target, choose the access you need and compare savings accounts after tax, rather than chasing a headline rate.

UK adults. ISA and savings tax rules for 6 April 2026 to 5 April 2027. | Checked 3 November 2026

Three things to know

01 Start with an affordable cash buffer, then work towards three to six months of essential costs.

02 Check access restrictions and the interest you keep after tax before choosing an account.

03 FSCS deposit protection is £120,000 per eligible person, per authorised firm; banking brands can share a licence.

1. Give your savings a job

An emergency fund covers an unexpected repair or loss of income. Known bills, such as annual insurance, need their own savings pot. Keeping these jobs separate helps you see whether your emergency cushion is growing.

MoneyHelper suggests three to six months of essential outgoings as a useful target. Include housing, food, energy, essential transport and minimum debt payments. Consider your income stability and dependants. Start smaller if necessary; a manageable habit matters.

2. Put access before an extra fraction of interest

Keep emergency money somewhere you can reach promptly without a withdrawal penalty. Check withdrawal limits, transfer times and whether taking money out reduces the rate.

Notice accounts require advance warning; fixed term deposits usually restrict access until maturity. Match these to a known later use while keeping emergency cash available. Compare annual equivalent rates (AER), minimum balances and when any introductory bonus ends.

3. Compare a cash ISA with an ordinary account

A cash ISA shelters its interest from UK tax. The overall adult ISA allowance is £20,000 in 2026-27, shared across your ISAs, including stocks and shares ISAs. It is an allowance for money paid in, not a limit on the value of existing ISA savings.

Outside an ISA, the Personal Savings Allowance generally covers £1,000 of interest for basic rate taxpayers, £500 for higher rate taxpayers and £0 for additional rate taxpayers. This is interest, not your savings balance, and applies across accounts together. Other allowances may help people with lower incomes. Compare what you would keep after tax; an ISA is not automatically the highest paying choice.

4. Check the protection behind the brand

Since 1 December 2025, FSCS deposit protection has covered up to £120,000 per eligible person, per authorised firm. Several bank brands can share that limit. Check the FSCS protection checker before spreading a large balance between names that look separate. This protection concerns a bank failing; it does not stop inflation reducing what cash can buy.

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Your example and next steps

Worked example: turn a target into a monthly plan

Suppose essential costs are £1,500 a month and £1,200 is already saved. A three month buffer is £1,500 × 3 = £4,500. The remaining gap is £3,300.

Saving £150 a month closes that gap in 22 months, ignoring interest and withdrawals. If that payment is unaffordable, choose a smaller amount and review it later. A six month buffer would be £9,000; it does not need to be your first milestone.

Monthly essential costs	**£1,500**
Three month target	**£4,500**
Already saved	**£1,200**
Gap ÷ monthly saving	**£3,300 ÷ £150 = 22 months**

Your action checklist

[ ] Write down your essential monthly costs and choose your first savings milestone.

[ ] Address priority arrears and expensive borrowing before stretching your savings payment.

[ ] Check your current account rate, access rules, banking licence and likely interest tax.

[ ] Set an affordable standing order and a reminder to review the account and target.

General UK information, not a product recommendation. Eligibility and account terms matter. Tax depends on your circumstances and rules can change. Check current terms before moving money.

Explore the growing Money Toolkit

Keep this plan as your starting point. See the tools currently available to members and how subscriber access works before deciding whether to join.

See how membership works at financewithafshin.co.uk

Sources and further reading

MoneyHelper: emergency savings targets (moneyhelper.org.uk)

MoneyHelper: choosing a savings account (moneyhelper.org.uk)

GOV.UK: how ISAs work (gov.uk)

GOV.UK: tax free savings interest allowances (gov.uk)

FSCS: the deposit protection limit (protected.fscs.org.uk)

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