Cash funds can provide investors with a lower-risk option than the equity markets where the value of your investment will rise and fall and you could get back less than you invest. This type of fund may typically be used to help protect the capital of a policy or pension for either a short period of time or by pension investors nearing retirement.

It is rare that the value of a cash investment will decrease; however, it is possible to get back less than you invest and the potential returns are not as great as those you would expect from investing in stocks and shares over the long term.

As returns can be lower, it is worth thinking a bit more about the effects of inflation on an investment in a cash fund. Inflation is an increase in the cost of living, which generally happens over time, and will reduce how much you can buy with the proceeds of your investments. If the growth on your investments is lower than the rate of inflation, the real value of your money will effectively be falling, as you will be able to buy less with your money than before.

Are cash funds similar to bank accounts?
No, unlike bank accounts, cash funds are managed by investment professionals.

Money is pooled together from many investors and can be invested in a range of different ways.

What do the OneFamily cash funds invest in?
The Family Safety First Fund and Family Freeway Safety First Fund both invest in fixed term deposits with banks and building societies. They may also invest in money market funds.

What are money market funds?
These are actively managed funds investing in short-term, high quality money markets such as bank deposits and treasury bills. They aim to provide capital protection with growth and to ensure its underlying assets can be easily bought and sold.

Will the return mirror interest rates on the high street?
If interest rates on the high street or the Bank of England base rate changes there will be no immediate effect on the fund until the existing fixed-term deposits mature.

Put another way, if interest rates are generally increasing or decreasing, the fund's value will not necessarily change at the same pace.

Is my capital 100% safe?
The Family Safety First Fund and Family Freeway Safety First Fund do carry the risk that a bank may default on a deposit placed with it.

To reduce this risk, we only place deposits with banks and building societies that are authorised to accept deposits in the UK.

Deposits are held with a number of different deposit takers, to reduce the risk of loss to the fund should one deposit fail. For information on the current maximum deposit with a single deposit taker please contact us.

What happens if a bank defaults?
In the unlikely event this did occur, the value of the fund and therefore the value of individual policies invested in the fund would reduce.

OneFamily does not provide advice on these products. If you have any doubt that your policy, or where it is invested, is suitable for your needs, you should seek independent financial advice.