The 20p coin is 40 years old today. It is now worth 5p…

I
t is 40 years since the 20p coin was introduced. What has inflation done to its value since then? Research suggests 20p back in 1982 now has the purchasing power of just 5p.

That's shocking, no?

Well it does show you what damage inflation does to cash over time.

Janus Henderson, the City fund manager, has done some research on just that.

Its Cost of Cash paper reveals the following:

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· Inflation burned through a record £98bn of savers' deposits in 2021 and will consume even more in 2022. Savers put an extra £106bn in cash deposits in 2021, taking total cash balances to a record £1.9 trillion

· Retirees own a third of the UK's cash savings and have seen interest income fall from £1,100 per year per person in 2000

to just £69 in 2021

· Since the pandemic began, UK savers have poured £283bn into savings accounts at banks, building societies and NS&I, an increase of more than one sixth (17.8%). This is equivalent to £10,012 per household, though of course it is not distributed evenly.

· Cash deposits are now worth 18 months of all the UK's consumer spending

· But interest income fell to a record low on all this cash – just £2.5 billion

Does Janus Henderson have a solution to this?

Well, it thinks you should put money into the stock market instead. Plainly, this is not a disinterested view.

James de Sausmarez, Head of Investment Trusts at Janus Henderson said: "Inflation burned through almost all the cash savers added to deposit accounts last year, and 2022 is going to hurt even more as prices spiral higher. The tragedy unfolding in Ukraine is only going to exacerbate the situation."

So it wants me to buy what it happens to be selling?

Shocking but true. The stock market isn't for everyone, but Janus does have a point. Global shares returned 23.5% last year and have beaten cash in nine of the last 10 years. Savers tend to see cash as "safer" than shares but that just depends on what sort of risk you are looking at.

James de Sausmarez again: "British people are quite simply neglecting their futures by leaving such vast amounts languishing in cash. People saving for the long term, for example for retirement, must look to asset classes that can protect their savings from inflation and provide real growth too."

Let’s repeat that his view is not disinterested. But look at what happened to the 20p piece.

So much cash are we sitting on?

Nearly £2 trillion. That’s about the size of UK GDP. Janus’s point is that people could keep a chunk of money on hand for disasters and invest the rest more cleverly. Clearly, there are many people for whom the idea of savings, never mind spare savings, is a fantasy.

James de Sausmarez: “Share prices fall as well as rise, especially in uncertain times like today, so investors have to be prepared to take some risk and hold their shares for the medium to long term. But if stock markets sometimes have a bad year, most companies still pay dividends to their shareholders. Yet even after you add interest income to the total, cash has lost value every year for 12 years in a row.”

So how have your stock market investments gone?

On individual shares, my track record is patchy. Some have flown, some crashed, some have stayed the same. The mutual funds I pay into have done very well.

There is a case for paying the professionals to do this for you. Or could just hoard 20p pieces under the bed…