Balancing your goals: 3 options for short-term savings

It's common to be juggling different goals with various time frames, which can be difficult to balance.

Over the next few months, you can read tips on managing short-, medium-, and long-term financial goals, and how a financial plan could help you bring them together on our blog. This month, read on to find out why short-term goals are just as important as your long-term ones, and how you might make the most of your money.

Short-term goals are an important part of your financial plan

Typically, short-term goals are defined as those occurring within the next two years. They might include going on holiday, buying a car, or paying for a wedding.

Alongside saving for retirement or paying off your mortgage, your short-term goals might feel less important. However, they're just as valuable for your overall wellbeing and play an important role in your financial plan.

When you're working towards a short-term goal, holding the money in cash is often appropriate. This is because if you invest your money, it could be exposed to short-term market volatility, which could affect your ability to reach your goals.

While the value of your savings in real terms is lower if the interest paid is lower than the rate of inflation, the effect of this over the short term is less severe than if you were saving for a long-term goal.

As well as goals you're working towards in the next two years, you might also want to include an emergency fund to cover unexpected expenses as part of your cash savings. This fund could provide you with peace of mind and financial security should something happen, such as your roof leaking or an inability to work due to illness.

As you want to be able to access the money quickly in the event of an emergency, a cash account often makes sense.

3 ways to hold your cash that could be more effective than a piggy bank

Even when you're working towards short-term goals, there may be ways you can make your money work harder. Here are three options you might want to consider when holding cash.

1. *Savings account*

A savings account is a common place to hold cash for short-term goals.

The money you deposit will earn interest. It's worth looking at different accounts as the interest offered can vary significantly, and some may offer higher introductory rates or attractive incentives, such as a one-off bonus. Even a small difference in the interest rate could boost your savings.

It could be useful to automate payments to your savings account, so it's part of your regular budget. Viewing savings as essential may help you stay on track and mean you're less likely to spend the money on something else.

2. *Cash ISA*

A Cash ISA is similar to a traditional savings account – your deposited money earns interest. However, ISAs offer a tax-efficient way to save and could be valuable if you might otherwise pay tax on the interest earned.

The Personal Savings Allowance (PSA) is the amount you could earn in interest before tax may be due. The allowance depends on the rate of Income Tax you pay. In 2026/27, the PSA is:

- £1,000 for basic-rate taxpayers
- £500 for higher-rate taxpayers
- £0 for additional-rate taxpayers

You might be surprised by how easy it is to exceed the PSA. For example, if your savings account paid interest of 4.5%, you'd only need to deposit £11,111 before you could start paying tax on the interest if you were a higher-rate taxpayer.

The good news is that interest earned from money held in a Cash ISA is not liable for Income Tax.

So, if you might pay tax on your savings, a Cash ISA may provide a way to reduce or eliminate the potential bill.

In 2026/27, you can deposit up to £20,000 into ISAs, and you may place the full amount into a Cash ISA if you choose. From 6 April 2027, if you are under the age of 65, your total ISA allowance will remain at £20,000; however, the Cash ISA limit will fall to £12,000.

3. *Premium Bonds*

Finally, Premium Bonds might be an option for your cash savings.

Premium Bonds are issued by NS&I, so they're backed and guaranteed by the Treasury. Rather than paying interest on savings, bonds are entered into a monthly prize draw. As of April 2026, each bond has a roughly 23,000-to-1 chance of winning, with prizes ranging from £25 to £1 million.

While the opportunity to win big is exciting, keep in mind that Premium Bonds do not pay interest, so the value of your savings could fall due to the effects of inflation if you don't win.

The maximum you can hold in Premium Bonds is £50,000.

Transfers from a Premium Bonds account can take several days, so this option might not be suitable as your emergency fund.

Contact us

If you'd like to talk to us about your goals and how you might use your money to reach them, please get in touch.

Next month, read our blog to discover how you might manage your money when you're working towards medium-term goals.

Please note: This article is for general information only and does not constitute advice. The information is aimed at individuals only.

All information is correct at the time of writing and is subject to change in the future.

HM Revenue and Customs' practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

An ISA is a medium- to long-term investment, which aims to increase the value of the money you invest for growth or income or both. The value of your investments and any income from them can fall as well as rise. You may not get back the amount you invested.

Approved by The Openwork Partnership on 13/04/2026.