GEN X STASH THE CASH: IS CAUTION HOLDING YOUR WEALTH BACK?

Why too much cash could be costing you

Gen X — those born between 1965 and 1980 — are often described as the “forgotten generation” when it comes to financial planning. Sandwiched between baby boomers and millennials, many are working hard, raising families and edging closer to retirement. And according to new research from Just Group[1], nearly two in three Gen Xers hold significant savings in cash.

On the surface, this might seem like a responsible choice. But dig a little deeper, and it becomes clear that for some, caution is turning into missed opportunity.

Strong savers, cautious investors

Gen Xers are saving a lot. The average cash savings held by people in this generation now stands at £34,114. For individuals in their late 40s and 50s, this reflects years of careful planning, steady earnings and a commitment to financial security.

But here’s the issue: less than one in three Gen X cash savers also invest in stocks, shares or mutual funds. That means the majority of their money is sitting in low-interest accounts, struggling to keep up with inflation and missing out on the potential for long-term growth.

Why holding too much cash can backfire

A solid cash buffer is sensible. It provides quick access in emergencies, avoids the need to sell investments in a downturn, and gives peace of mind in uncertain times.

But relying too heavily on cash as a long-term wealth strategy can be risky in a different way. Over time, the real value of money kept in savings accounts tends to fall behind inflation, especially in years when interest rates are low or stagnant. This can slowly erode your purchasing power and limit your ability to meet future financial goals.

The case for balance

Holding some cash is essential. But investing has many potential benefits. Over the long term, investments in diversified portfolios have historically delivered better returns than cash even with short-term ups and downs along the way.

Many Gen Xers are now at a life stage where a more structured financial plan is needed. Retirement may be 10 to 20 years away, but without growth, cash savings alone may not be enough. It's also worth considering the opportunity cost; what could that cash be doing for you if it were working harder?

By finding the right mix of cash and investments, you can aim for stronger returns while still maintaining the security that a rainy-day fund provides.

What's holding Gen X back?

One reason for the preference for cash could be a lingering fear of risk. The 2008 financial crisis hit just as many Gen Xers who were building wealth or taking on mortgages. Some may associate investing with volatility, uncertainty or a sense of losing control.

Others may simply be unsure where to start. With busy careers and family commitments, it's easy to deprioritise financial planning, or assume it's something to look at "closer to retirement".

But this caution can work against you. With retirement approaching, now is the time to ensure your money is working efficiently, not sitting idle.

Building a strategy that works for you

Everyone's financial situation is different. That's why there's no one-size-fits-all answer to how much you should hold in cash versus how much to invest.

What's important is to have a plan that reflects your goals, your time horizon and your appetite for risk. That could mean:

- Keeping 3 to 6 months' expenses in cash for emergencies
- Using ISAs or pensions to grow wealth tax-efficiently
- Diversifying across investments to manage risk
- Reviewing your approach regularly as retirement gets closer

If you're wondering whether your money is working hard enough for your future, speak to a financial adviser. We can help you find the right balance for your needs.

References:
1 Just Group, 2025

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