

Alternative methods of investing £50,000

There are many different ways of investing £50,000. It is a very large amount of money and therefore opens many options. I could put the money into a savings account or current account, as the money would earn interest. The advantage of investing the money into a bank is that nothing more needs to be done. Different banks offer different interest rates on the different accounts. Internet banks usually offer higher interest rates as they have lower **overhead costs**, as they do not require large premises or many employees. This gives them a **competitive advantage**.

Current Account- HSBC has an interest rate of 4.03% AER where as Lloyds TSB has an interest rate of 3.99% AER. This is not a significant difference.

Savings Account- Lloyds TSB has an interest rate of 3.27%. HSBC has a higher interest rate of 3.75%, which would mean I would receive £52375 instead of £51860. That means that I would earn an extra £515 with HSBC.

Internet Account- HSBC has a rate of 4.75%. The rate is so high as Internet accounts can be maintained from a computer and do not require many staff or big premises. Lloyds TSB has an interest rate of 4.30%.

Investing the money in the stock market by buying shares is very risky. However with the risk comes the possibility of big profits. £50,000 is a very large sum of money so the returns would also be large. It is therefore important to select the right companies to invest into.

Setting up my own business is another way of investing the money. It is a very expensive and risky option but in the long term it could possibly make more profits than the stock market. On the other hand it could lose all the money if it were not successful. Setting up an independent business is a very risky method of investment and should be thought through carefully.

When setting up a business there are four factors, which you must consider. These four factors are the factors of production. **Land, capital, labour and enterprise.**

Land: The premises, which are used by the business. This can be for production such as a factory, or where the products/ services are sold.

Capital: The money which I invest into the business. This money could be used to by the premises or to buy machinery.

Labour: This is the business's work force, the people that work for the business. This includes managers and directors at the top right down to the factory workers at the bottom.

Enterprise: The chance taken to make the business a success. This could make a person a lot of money or do exactly the opposite and loose them everything.

Each factor of production stands to gain something from the business becoming a success.

The owners of the land get their rent.

The employees get wages.

Investors/ banks get money via interest or a share of the company.

The entrepreneurs make profit for the risk they have taken.

When setting up a business it is important to concentrate equally on each factor. The combination of these factors is a successful business. The business that I would set up would be Fish & Chip Shop. There is a very big market for fast food. The business would be tapping into the market. The initial premises would be situated in Hounslow. The business would be run by 4-5 employees