Portfolio therapy Our experts advise a student on how to maximise his savings to achieve his goals

The reader

As a full-time, postgraduate student in the second year of his course, Kian Cheng needs to be careful with his money, but is still dreaming of travelling somewhere exotic before saving for a house.

Kian, 22, comes from Jinan, the capital of Shandong province in eastern China, but now lives in southeast London. He says: "I'd like to save enough so I can travel to a long-haul destination with my partner, Oscar, at least once a year. South America has always appealed.

"This is my main aim, but I'd also like to be a homeowner. Before I get a permanent job it's probably not possible to save a deposit for a property. I'd like to be able to," he says.

Kian budgets carefully: "I spend about £150 a month on groceries, and £100 a month on commuting. I rarely eat out, spending a maximum of £20 on an evening.

"I also collect Disney films and merchandise, and how much I spend depends on the release dates, but the average is about £100 a month. I also use sites such as Topcashback to make a little more money."

Kian has less than two years left on his PhD course at University College London, and once he has his doctorate in mathematics, he plans to remain in academia. He gets a scholarship from UCL of about £16,000 tax-free a year, and is able to earn between £1,000 and £2,000 a year tutoring first-year students, although this depends on his study workload.

He has just over £4,000 in Santander accounts, £2,000 earning 3 per cent interest in its Postgraduate current account and the rest in its one-year regular saver, earning 4 per cent.

In addition, Kian has just over £4,000 with TSB, with £1,500 in its Classic Plus current account, earning 3 per cent and the rest in its one-year regular saver, paying 5 per cent interest.

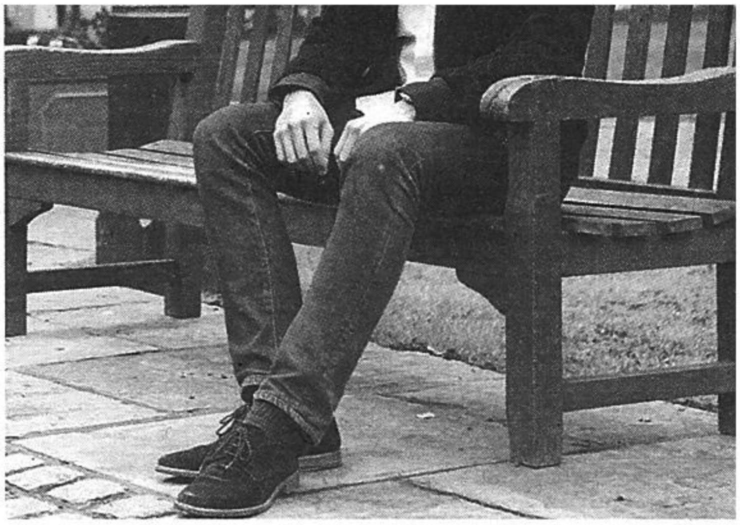
Kian also has £4,000 split between a Nationwide current account earning 5 per cent and a one-year regular saver, which earns 5 per cent, and almost £10,000 banked with Lloyds. This money is split between a joint account with his partner, which pays 2 per cent on balances up to £5,000, and the rest is in its regular saver, which pays 4 per cent interest.

Kian has sound reasons for having so many accounts: "The main reason is that there is always a cap on the amount that generates [the higher] interest rate. I may transfer TSB to another bank for example, after the regular saver ends, since the current account rate is not attractive. My parents gave me £10,000 at the start of my PhD and asked me to invest it, but I don't like taking risks. Therefore, earning interest is the only way I can think of generating more money."

Kian and Oscar are renting a two-bedroom flat near Norwood Junction, where they have been living since May 2015, for £1,300 a month.

He has no pension or debts, and only uses credit cards to earn airline frequent-flyer points and benefit from Amex retail offers. Different cards are used to take advantage of specific offers and he always pays the cards off in full.

Dan Moore



Kian Cheng, of Norwood Junction in southeast London, has £22,000 in savi

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The experts' advice

Charlotte Nelson, financial expert, Moneyfacts.co.uk

"Switching and operating multiple current accounts to receive the benefits is a great way to get high credit interest and other perks. While current accounts offer the best way of saving, they have been cut in recent months so now is the time to take stock of what's on offer.

"Nationwide's FlexDirect current account offers a 5 per cent credit interest rate for 12 months only, after which the rate drops to 1 per cent. It is important to switch to ensure you get the maximum interest. Tesco Bank offers 3 per cent up to £3,000 on its current account and has pledged that this rate will not drop for the next two years.

"If Kian and Oscar's joint account is the account from which the majority of the bills come out, it may be worthwhile considering an account that gives them cashback. For example, the NatWest Reward account offers 3 per cent on bills such as council tax, phone, gas and electricity bills, and more. It charges a £3 per month fee, so ensure that the cashback earned outweighs this.

"Saving in a Help to Buy Isa will give Kian some of the best rates, and the government will boost his savings by £50 for every £200, up to a maximum of £3,000. To be eligible, Kian must be a UK resident, have a valid national insurance number and be a first-time buyer."

Michael Fairweather, registered life planner, Real Life Financial Planning

"It sounds like Kian is managing to live on his grant of £16,000 a year by keeping to a fairly strict budget and has now accumulated a total of £22,000 in cash.

"Kian may want to consider investing £4,000 a year into a Lifetime Isa from April 6. The government will add 25 per cent making his £4,000 up to £5,000. He can keep this money in cash if he is truly risk averse. If Oscar can afford to do the same, they could accumulate a £40,000 deposit for a property within the next four years. This would still leave Kian with an emergency fund, some money available for his long-haul travels and satisfy his parents that he is putting the £10,000 they gave him to good use."

David Weliver, publisher, Money Under 30

"Not many 22-year-olds have much in the way of savings, let alone about £22,000 in the bank. From what I see, Kian is doing a great job of keeping his monthly expenses in check.

I don't see any reason why he can't fulfil his dream of travelling before taking a full-time position, but he'll want to plan accordingly. Depending on how long he wants to travel, and how luxuriously, an extended trip could significantly eat into his savings. That's all right. After all, it's what he is saving for. He obviously should set some of his savings aside for when he returns.

"If his monthly expenses are approximately £1,000, including his half of the rent, he should aim to keep at least £6,000 in savings to cover up to six months of living expenses. If he anticipates needing to relocate for a full-time position, he'll want to hang on to additional funds. The same is true if he will need to live on his savings for any additional months in between travelling and starting his career. Kian and Oscar might want to defer homeownership for a couple years until they get used to budgeting on Kian's new income and are able to save a bit more for a deposit."

Dennis Hall, chartered financial planner, Yellowtail

"Kian's strategy appears to be working, at least in the short term. Although he maximises the interest by switching to the highest paying accounts, the real value of his money will be eroded through inflation. I can see that short-term, deposit accounts may be in his best interests, particularly to build up a house deposit, but cash in the long term is unlikely to serve him well.

"If Kian's approach to his long-term plans remain the same he may well find things going backwards. A fund that pays for an annual exotic holiday needs some inflation-proofing built in, and cash accounts don't do that. For example, assuming he can get 4 per cent tax-free and assuming he needs interest of £1,000 a year, the fund needs to be worth £25,000 in year one. In year two, if inflation is 5 per cent, he will then need £1,050, but the capital won't have grown. Having a long-term vision, and understanding of market returns will remove some of the fear of market volatility. Start small with a simple, low-cost, global income fund, and then be patient."

Kian's response

"I think the advice about Isas is pertinent. Particularly the comments about lifetime Isas; I think the Help to Buy Isa is a little way off for us, given our travel plans. The information about investments is interesting. I understand where the expert is coming from, but given that we plan to travel I'm not so sure I'd like to tie up money in stocks and shares when we don't know how much, or how quickly, we'd need to get our hands on ready money."