

Interest rates: There is a direct relationship between interest rates and the opportunity cost of holding cash. Payment technology: Developments such as credit cards, mobile payments and online banking may reduce the need for cash. Even if cash is a small proportion of their total portfolio, as their wealth increases they may diversify into other assets such as stocks and bonds, increasing the amount of cash they have available for safety and liquidity. Higher interest rates make people less likely to hoard cash, since investing in alternative assets (such as bonds) can increase returns. Wealth: The wealthy typically have a broader portfolio of assets. Instead, they will invest in commodities such as real estate and inflation-linked bonds, which can provide protection against inflation. 3.4