

Savings Survey

Issue 7 Published quarterly Spring 2006

national savings
& investments



Highlights

Savings levels up year on year

Overall savings levels remain on an upward trend over the year from Spring 2005, with a greater portion of monthly income being committed to savings (up to 6.49%). However, 45% of the population continue to resist saving regularly. [Page 2](#)

Women aiming high

A record number of women (54%) are saving regularly, and the average monthly amount being saved by women is at a high of over £70. Women are also setting their savings targets higher than the national average, while men's aspirations dipped to an all-time low. [Page 2](#)

Younger savers outpace old

Those aged 16-24 continue to put their older counterparts to shame, saving almost 10% on average of their monthly income. Those aged 35-44 have maintained their upward savings trend. [Page 3](#)

Savings outlook

The savings pattern looks set to follow last year's seasonal trend, with a drop in savings predicted over the summer months. [Page 5](#)

Brits scared to take action

Nearly half the population are worried about their finances, but almost 60% of those who are worried have done nothing to improve the situation. [Page 6](#)

Best value savings products

Rates continue to stabilise, allowing savers to be cautiously optimistic. [Page 8](#)

Published by National Savings and Investments, June 2006

National Savings and Investments, Charles House, 375 Kensington High Street, London W14 8SD.

24-hour media hotline 020 7348 9654. www.nsandi.com

NS&I Savings Tracker

Examining savings behaviour across Britain

The NS&I Savings Tracker examines savings behaviour across Britain, reporting quarterly on who is saving, how much is being saved, savings targets, and the increase or decrease in average savings per head.

The results of the seventh Quarterly Savings Tracker, covering the spring months of March, April and May 2006 are detailed below, along with key annual trends:

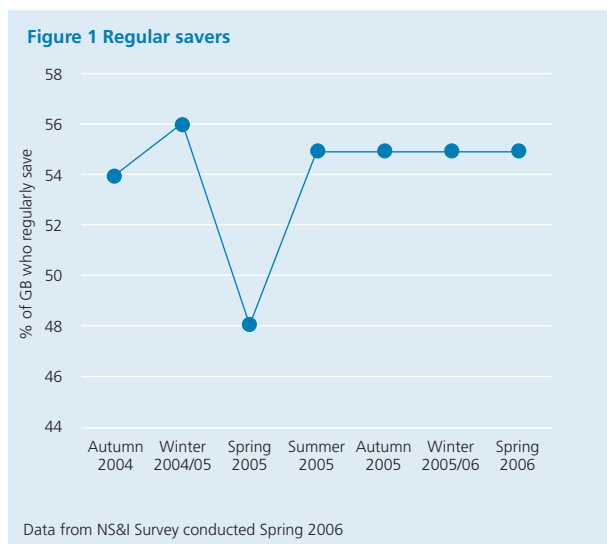
Overall savings increased:

Overall there has been a year-on-year increase in British saving levels.

- The number of regular savers increased in summer 2005 from 48% to 55% and has remained constant for the last three quarters.
- 45% of the population do not save regularly, making little effort to secure their financial future. This figure has remained static since summer 2005.
- The average saved each month by regular savers has increased, from £159.26 in Spring 2005 to £165.87.
- People are committing a greater portion of their monthly income to saving with the figure rising from 5.82% (Spring 2005) to 6.49%.

Although all the figures have dipped slightly from their peak in autumn 2005, this is largely due to the seasonal nature of saving, and evidence shows that the savings trend remains firmly upwards.

Other findings support this view. In April the British Bankers Association¹ reported the strongest quarter for personal deposits for six years and the Building Societies Association² said inflows in the first three months of this year were the highest in five years.



What are people saving for in Spring 2006 versus Spring 2005?

2006	2005
15% holidays	13% holidays
11% retirement	12% retirement
9% buying a home, or paying the mortgage	7% buying a home/mortgage
9% for a rainy day	10% rainy day
39% for nothing in particular	41% for nothing in particular

What is stopping saving in Spring 2006?

- 30% do not feel they have enough income to save more
- 23% cannot afford to save more due to financial demands
- 14% would rather live for the moment than save
- 10% do not think that they need to save
- 8% don't know why they don't save more

Savings drop in spring

Surprisingly, the data suggests that spring is not a popular savings time, despite encouragement from the media to 'spring clean your savings' and the attention that ISA products attract during the traditional ISA season in March and April.

One possible reason for this apathy is highlighted by the latest figures from the Bank of England, which show the traditional spring house hunting season firmly under way, with lending picking up in March after the lull in house buying activity during the winter months. The number of new loans approved for house purchases in March was 27% higher than a year ago and higher than the average for the last six months. As the cost of moving – with the often unexpected extra expenses such as furniture – kicks in along with repayments so saving capacities will be reduced.

Savings appear to peak in autumn and winter possibly due to individuals setting themselves more immediate and achievable savings targets in the run up to Christmas.

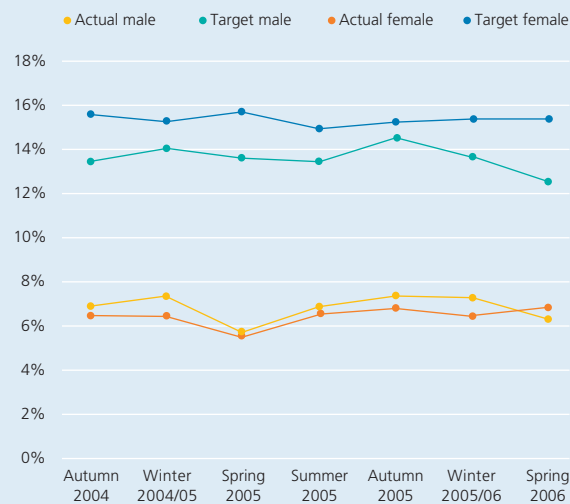
Record breaking saving by women

Women increasingly seem to have recognised the importance of saving, with associated changes in behaviour.

- A record 54% of women are saving regularly
- Women are putting away a larger slice of their monthly income than men for the first time, 6.84% compared to men's 6.37%
- The average monthly amount being saved by women is at an all time high (£71.64)
- As women are more consistent in their savings habits, the expectation would be for this trend to continue

¹ BBA; 2006 ² BSA; 2006

Figure 2: Actual savings as a percentage of income and ideal savings as a percentage of income by gender



Data from NS&I Survey conducted Spring 2006

The effect of the earnings gap

While women are now saving more as a percentage of income, the amount men save in absolute terms remains higher than women. This can partly be explained by the earnings gap.

- The average monthly income for men this quarter is £1508.10
- For women it is £1047.50
- Since last spring, on average men have experienced an increase in monthly income of £138.40
- This is almost twice that for women, £55.20
- Over a third of women (35%) state that they cannot save more due to income constraints, this figure is 10% lower for men
- A further 26% of women state that financial demands limit saving, as opposed to 20% of men

The Women and Equality Unit calculates the gender pay gap as 13%. This is the difference between men and women's full time hourly rate of pay. The gap is widened as 42% of women in employment work part time and 60% of women work in just 10, often poorly paid occupations.

Savings goals dip

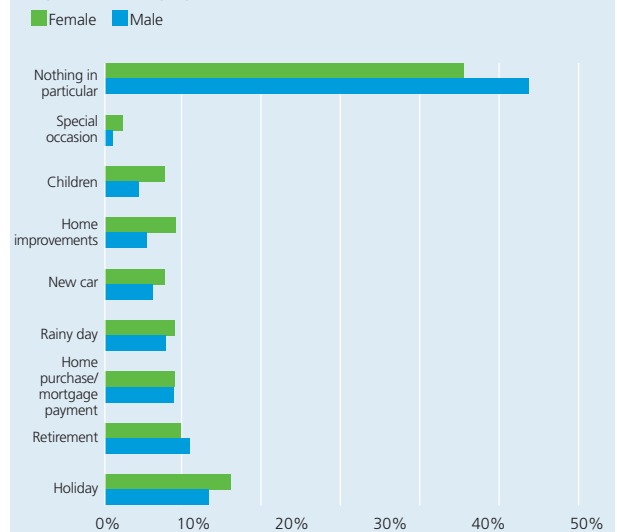
Although saving levels have increased since Spring 2005, what people think they should be saving as a percentage of income has reached the lowest point since the survey began.

Superficially the savings gap, the difference between the actual amount that people are saving and the amount they feel they should save, is decreasing. However, this is because people are lowering their savings aspirations, rather than increasing the amounts they should be saving to an appropriate level. Many economists believe Britain has not been saving enough, particularly over the past decade and when the ageing population is taken into account.

Women are more aspirational savers.

Men and women have significantly different saving aspirations. Research reveals that women consistently aspire to contribute more of their income to savings than men, with the figure only once dropping below 15%. This may be because women set more detailed goals. The survey shows more women are saving for specific goals such as home improvements, children and planning for an emergency. Men, however, are more likely than women to save for

Figure 3: Savings goals



Data from NS&I Survey conducted Spring 2006

nothing in particular (43% and 35% respectively). This lack of focus could be pulling down their savings ambitions.

While the targets that men set themselves have traditionally fluctuated, this spring they have hit an all time low of 12.68%. It is this figure that is pulling the average level for the total population's savings aspirations down (13.68%). Women's aspirations in contrast hit 15.49%.

Ignorance about savings

A lack of financial planning may well be compounded by an overall lack of financial awareness. The number of people who admitted to not knowing how much they should have in their savings is alarming. This is true for:

- 26% of Britain's population
- 30% of all women
- 40% of over 65 year olds
- 42% of women aged over 55

Many sources of financial advice state that not implementing and closely monitoring a proper savings strategy is one of the key reasons why people fail to save sufficiently, therefore failing to secure their financial future.

Youngsters outpace the old

Younger age groups continue to be most committed to saving and planning for the future, while older generations demonstrate a worrying lack of engagement. The 16-24 year-olds once again are Britain's most determined savers, with 53% saving regularly, and putting away 9.90% of their income (£82.66). The number in this age group that regularly save has increased 11% since Spring 2005 (from 42% to 53%), considerably more than the 8% average increase across all ages.

Affluent professionals saving more

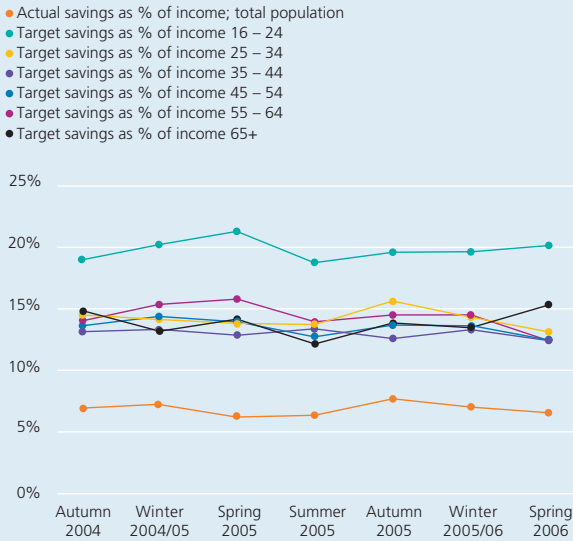
The 35-44 age group has increased savings levels for the second quarter running. Within this demographic:

- The amount saved as a percentage of income rose to all time high of 7.07%
- 64% save regularly
- The amount put away by regular savers was an average of £191.05, the highest figure ever recorded
- The amount this age group ideally wanted to save was also a record breaking £205.03

Older peoples' targets slipping

While the number of people regularly saving has increased across all age groups since Spring 2005, those aged up to 45 are on average putting away a greater percentage of their income than those aged 45 and above. Indeed for the latter, savings as a percentage of income has decreased, for example the 45-54 age group save 5.70% of income, as opposed to 6.42% in Spring 2005.

Figure 4: Target savings as a percentage of income



Data from NS&I Survey conducted Spring 2006

Targets have decreased, both in absolute terms and as a percentage of income for those aged 45 to 64. Those aged 55 to 64 have reduced their targets from 14.26% of income to 12.21%.

Regional trends

Highest numbers of regular savers

The East Midlands has the most regular savers (65%), a huge leap from the 47% recorded last spring. The South East, East Anglia, Yorkshire and Humberside and the North East come in second with 57%. Meanwhile, the South West fared worst, with only 48% of those interviewed being regular savers, the West Midlands followed close behind (49%).

The highest amounts saved

Despite a lack of regular savers, the South West and West Midlands are amongst the top five regions when it comes to the amount being put away by regular savers. In contrast, the East Midlands, Yorkshire and Humberside and East Anglia lounge at the bottom of this league table. These counties may therefore be the most disciplined but are not necessarily saving enough to secure their financial futures.

Current total savings

The average amount held in savings, excluding pensions was £15,100. This is slightly lower than the figure recorded in Spring 05. The amount people think they should have deposited was 62% higher, at £24,263. This amount has fallen from £29,305 in the last quarter. 8% of people have no savings at all, although this is an improvement on last spring's 11%.

Figure 5: Regional trends: Spring 2006

North West

% of income saved*	6.58%
Average net income	£1260.20
% who regularly save	56%
Average amount saved**	£160.82

West Midlands

% of income saved*	6.57%
Average net income	£1220.13
% who regularly save	49%
Average amount saved**	£175.17

Wales

% of income saved*	8.40%
Average net income	£1263.90
% who regularly save	54%
Average amount saved**	£206.10

South West

% of income saved*	5.17%
Average net income	£1269.70
% who regularly save	48%
Average amount saved**	£160.89

South East

% of income saved*	6.35%
Average net income	£1320.90
% who regularly save	57%
Average amount saved**	£160.80

Scotland

% of income saved*	6.76%
Average net income	£1254.38
% who regularly save	56%
Average amount saved**	£164.44

North East

% of income saved*	7.03%
Average net income	£1127.10
% who regularly save	57%
Average amount saved**	£156.53

Yorkshire & Humberside

% of income saved*	6.75%
Average net income	£1240.00
% who regularly save	57%
Average amount saved**	£152.71

East Midlands

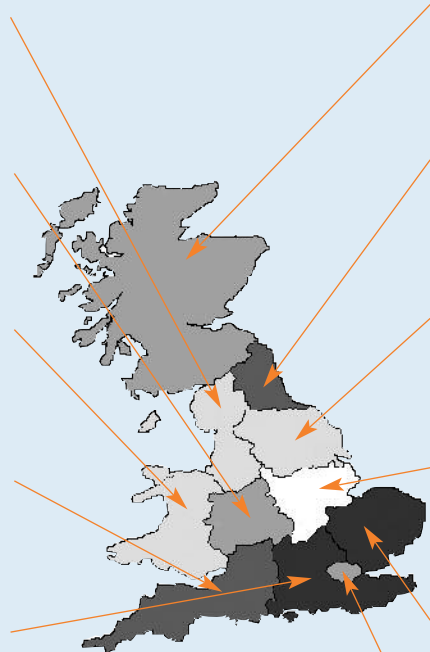
% of income saved*	6.27%
Average net income	£1376.73
% who regularly save	65%
Average amount saved**	£140.66

East of England

% of income saved*	5.57%
Average net income	£1302.30
% who regularly save	57%
Average amount saved**	£156.40

Greater London

% of income saved*	6.60%
Average net income	£1470.20
% who regularly save	52%
Average amount saved**	£199.95



*% of income saved for total population of the region
 **Average amount saved by those who regularly save

Blue highest % of savers
 Green lowest % of savers
 Orange highest % of income saved
 Light green lowest % of income saved

Data from NS&I Survey conducted Spring 2006

Savings Outlook

Will people save more or less in the coming months?

The Savings Outlook Index shows the likelihood of people saving more or less in the next three months. This is defined as the percentage of people saying they would be more likely to save over the next three months, minus those indicating they would be less likely.

Looking back, looking forward

Savings levels in Britain have increased significantly since Spring 2005, despite a slight decrease in the last quarter which can be attributable to seasonal variation. The outlook, however, for the summer months is not so positive, predicting a further drop in savings in the next three months (-6%). This outlook is gloomier than last spring's -1%

Predicted savings

People predict that they will save more in spring but in reality this is not a strong saving season. Failed targets may therefore result in people being more negative about their savings habits in the following quarter. Trend information suggests that people will also fail to save in the summer, before increasing their savings levels in the autumn months.

Men lose hope of saving

While men predicted that they would save well in the spring months this has turned out not to be the case, with the results from the savings tracker revealing their worst quarter ever. Men are also being much more negative about their propensity to save, and the Index has dropped considerably from +7% to -6%, the lowest figure ever. Women's propensity to save has also dropped from -3% to -6%.

Older people's hopes crumbling

Older age groups continue to be negative. As previously observed all those over 45 have a negative outlook that

gets steadily worse with age. The over 65s have dropped over 12 points since spring 2005 to -24%. All other groups have moved on average only 4 points in either direction.

All age groups are pessimistic about their savings potential, with the savings outlook index dropping considerably from the last quarter. Even the naturally optimistic 16-24 year-olds have curbed their enthusiasm, falling from +29% to +20%. The only exception is the 45-54 age group which experienced a marginal increase in their savings outlook, -8% to -7%.

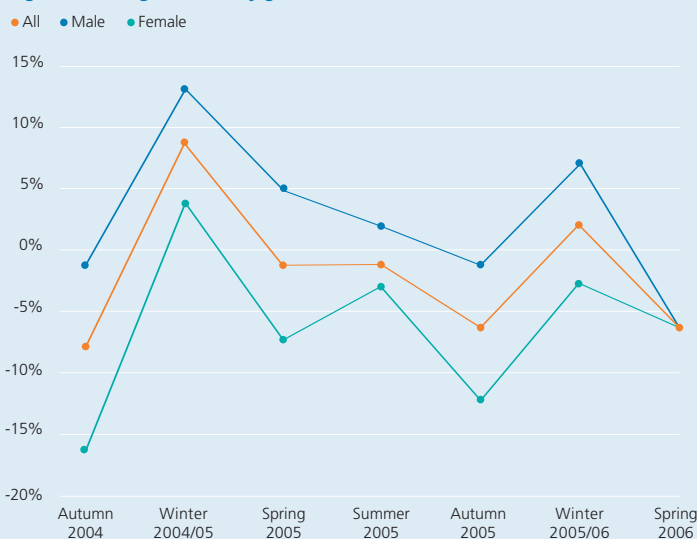
Regional overview

- West Midlands has the worst savings outlook (-16%)
- The North East is the most optimistic (+6%)
- Yorkshire and Humberside have seen the largest shift in attitude, dropping from +17% last quarter to -11%. This is the only the second quarter that the region has showed a negative propensity to save

Annual outlook

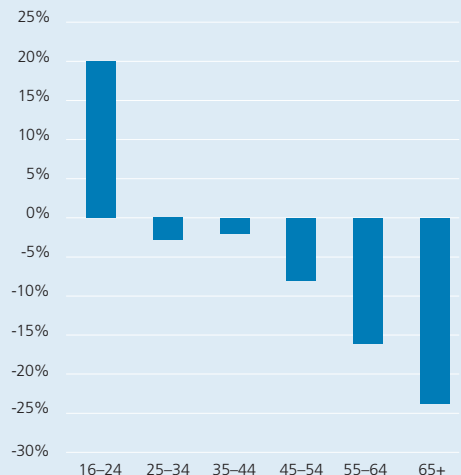
The savings outlook for the year ahead however is extremely positive (+13%). The British population appears to strongly believe that over the next 12 months they will readdress their savings profile, and will save more. Unfortunately it seems that whilst they recognise that this is desirable in the long term, few people will take immediate action, hence the negative savings outlook for the next three months. This could be an effect of seasonality or may well be symptomatic of a general attitude of 'putting things off'. 35% believe they will save more over the next year whereas 29% believe they are less likely to save in the next three months.

Figure 6: Savings outlook by gender



Data from NS&I Survey conducted Spring 2006

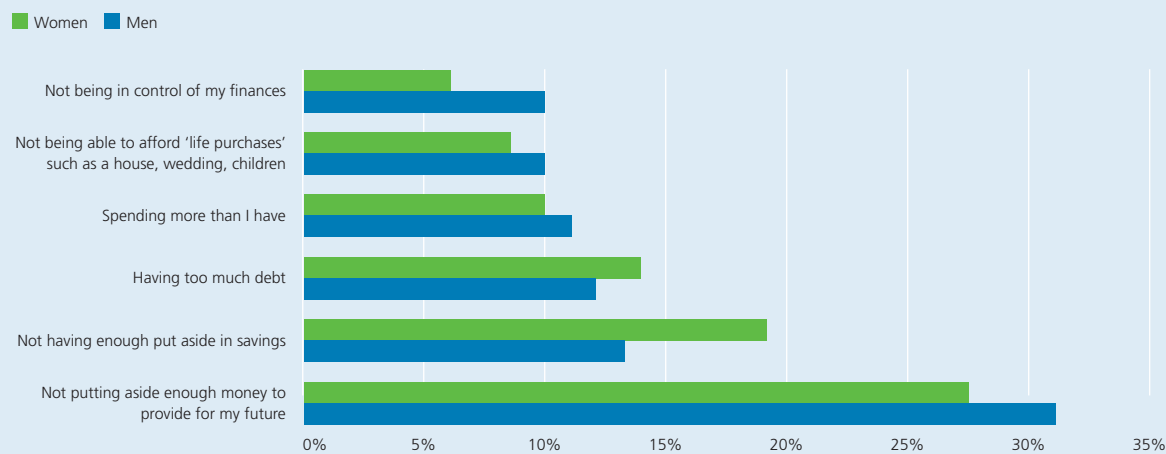
Figure 7: Savings outlook by age Spring 2006



Nearly half of the British population worry about their finances...

...but 58% of them have done nothing about it

Figure 8: Why people worry about their finances



Data from NS&I Survey conducted Spring 2006

Almost half the population (43%) are worried about their finances, with long term financial considerations, such as savings for retirement, keeping them awake at night.

Table of top worries

These worries are not unfounded, coming amid a climate of high consumer debt and mortgage lending and the need for more long-term financial provision in Britain.

Data from the main Savings Tracker shows that only 55% of Britain's population are regular savers and the average amount put away is only 6.49% of their monthly income, roughly half the amount they think they should be saving (13.68%). This suggests many consumers are aware of a gap between needs and behaviour.

Credit Action figures also show that:

- Britain's personal debt is increasing by approximately £1 million every four minutes
- The average owed by every UK adult is approximately £25,364 (including mortgages). This grew by around £200 last month

Yet, in spite of these worries two-thirds have done nothing about the situation.

Stumbling blocks

Lethargy and a short-term view are most to blame for a lack of action.

- 21% prefer to spend today and think about saving tomorrow
- 18% feel they are stuck in their ways and cannot change their behaviour

This is alarming as despite admitting worries people are burying their heads in the sand, rather than taking steps to improve their personal finances. However, there is also a large number who are either not sure how to tackle the

problem (16%), don't know who to talk to about it (14%) or find it confusing (8%). This is particularly common in 16-24 year-olds and demonstrates an increasing need for financial education.

The reason for a lack of action varies with age:

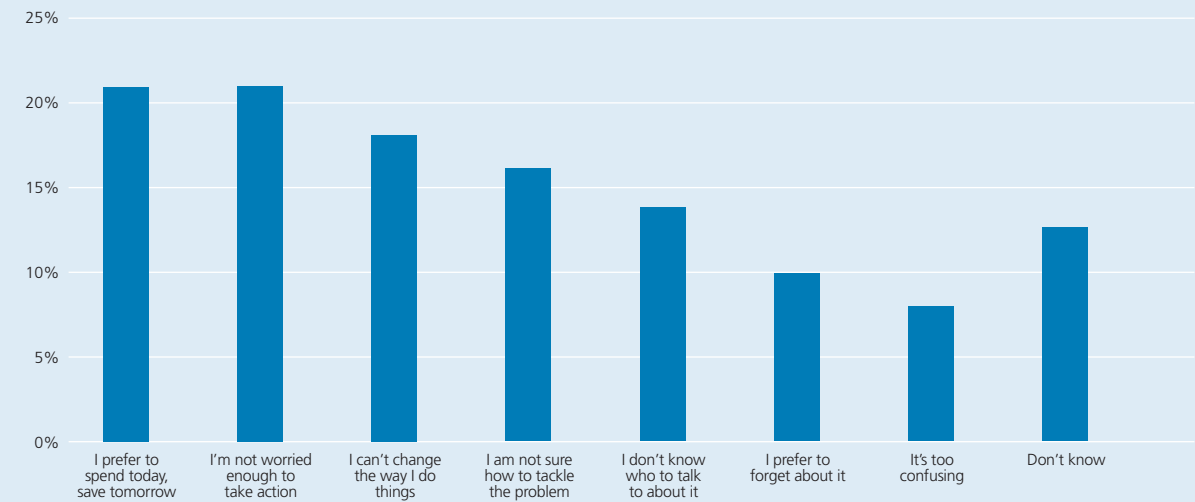
- Younger people (16-24s) are the most confused, with 15% stating that they find their finances confusing, and 35% not knowing who to talk to.
- A third of 55-64 year olds stated that they couldn't change the way they do things, suggesting that it is the middle generations that seem ingrained in their current financial habits.
- Nearly a quarter of 16-24 year olds (24%), and over one in ten 25-34 year olds (13%) stated that they would rather forget about their financial worries, despite these two groups having strong savings habits, as demonstrated in the Savings Tracker.

Profile of a financial fretter

Almost two thirds (59%) of 25-34 year olds fret about money matters compared to 19% of over 65s. Women are also more likely to be worried about their bank balances than men, with 45% admit being kept awake at night compared to 41% of men.

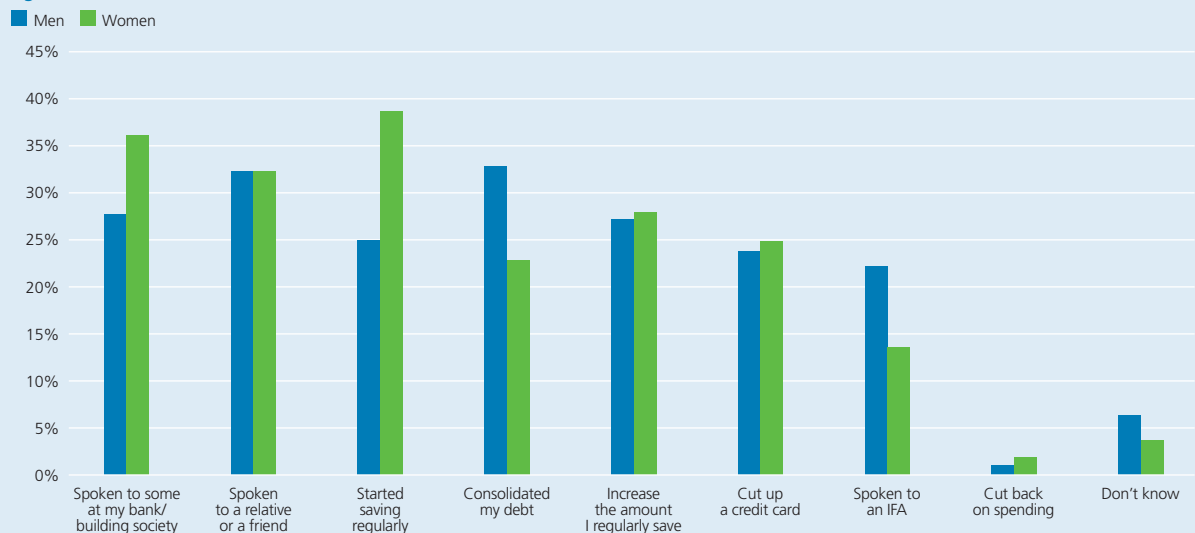
Despite the stereotypical image of the prudent Scot it is those based in Scotland and the North East of England that are most carefree in their financial outlook, with only 36% and 40% stating that they worry about their finances. Those in East Anglia and the South West display most concern, more than the national average, with 51% and 48% of those people interviewed in these regions expressing anxiety.

Figure 9: Why worriers do not take action



Data from NS&I Survey conducted Spring 2006

Figure 10: What action worriers have taken



Data from NS&I Survey conducted Spring 2006

Some people are taking affirmative action

Of those (42%) who are doing something about their worries, over a third (32%) of people have spoken to their bank or building society and an encouraging 32% have started saving regularly. A third (32%) have chosen a more informal route and turned to a relative or friend for advice, with much fewer turning to independent professional advice from an IFA (18%) or the Citizen's Advice Bureau (9%). A tiny 1% have cut back on spending to make a difference.

Over confidence masks reality

The remaining 57% of British consumers who are unconcerned about their financial circumstances could be over-confident when it comes to their ability to manage their money. Of those not worried, a surprising 91% believe that this is due to the fact that they are managing their spending and saving well.

This apparent confidence seems unfounded in the face of research carried out for NS&I in February 2006.

This showed:

- A quarter (26%) of Brits do not accurately know what their monthly cash flow is
- Almost half (46%) do not know accurately what interest rates they have paid or are paying on all their accounts
- Nearly a quarter (23%) do not know the balance of their savings accounts, or the total amounts they have in other investments (24%)

Even those people who are confident that their finances are in good shape should take the time to reassess their situation and review what they are actually saving and spending. It is essential to stay one step ahead in the planning and management of finances in order to plan adequately for an often unpredictable future.

The savings market

Our quick, comparative product review

The savings product comparator

Product		March	April	May
Instant access	Highest	6.05	6.05	6.05
	Mean	2.56	2.56	2.58
	Lowest	0.25	0.25	0.25
Internet only	Highest	5.15	5.00	4.65
	Mean	4.48	4.45	4.42
	Lowest	3.00	3.00	3.00
No notice bonus	Highest	4.80	4.90	4.95
	Mean	4.50	4.55	4.56
	Lowest	3.67	3.97	3.97
No notice without bonus	Highest	5.15	5.00	4.85
	Mean	3.92	3.91	3.90
	Lowest	0.50	0.50	0.50
Notice	Highest	5.01	5.01	5.00
	Mean	3.15	3.17	3.18
	Lowest	0.50	0.50	0.50
Children's	Highest	5.22	5.25	5.25
	Mean	4.13	4.15	4.15
	Lowest	1.15	1.15	1.15
Mini cash ISA	Highest	5.20	5.20	5.05
	Mean	4.46	4.52	4.49
	Lowest	3.35	3.35	3.35
Current account	Highest	4.05	4.05	4.05
	Mean	1.23	1.23	1.23
	Lowest	0.10	0.10	0.10
Monthly interest	Highest	5.25	5.25	5.25
	Mean	3.21	3.23	3.20
	Lowest	0.20	0.20	0.20
Regular savings	Highest	8.00	8.00	8.00
	Mean	4.56	4.55	4.59
	Lowest	2.25	2.50	2.50
Fixed rate bond	Highest	5.00	5.11	5.16
	Mean	4.43	4.50	4.15
	Lowest	2.79	2.79	2.88

Source: Moneyfacts. Rates correct on first Monday of each month. All rates are for balances of £5,000

Rates stabilise overall

Despite some noticeable rate drops over the last three months, the findings from this quarterly comparison show that savers can start to be cautiously optimistic. On the whole rates have stayed largely stable over the quarter, with some significant rises.

Regular savings top the table

Regular savings accounts continued to perform well, with top rates up 2% to their highest rate to date of 8%. They were closely followed by Instant Access accounts, whose top rate rose to just over 6% and remained steady throughout the quarter. The high rates offered on these two products show the market's attempts to encourage customers into using basic savings products and encourage a wider savings trend.

Internet rates continue to fall

Despite their popularity, internet only accounts saw top rates fall again this quarter to a low of 4.65%, marking a gradual decrease of 0.4% since the same point last year. This 'chipping away' of rates was also seen in mini cash ISAs, which dropped slightly to just over 5% following the peak season in March and April. No notice without bonus accounts also saw a steeper drop in top rates of 0.3% to 4.85%.

Some accounts showing cautious rise in rates

There was good news for younger savers, as children's accounts saw a small but significant rate rise over the quarter, following their stable winter period, and fixed rate bonds also followed suit with a small rise to 5.16% following last quarter's decline.

Instant access	Accounts where you can withdraw cash instantly, i.e. at a Branch or ATM.
Internet only	Only Internet Access
No notice bonus	No notice accounts paying an introductory bonus for a set period of time
No notice no bonus	Accounts operated by post, phone or internet with no notice required to withdraw funds.
Notice	Must give notice of intention to withdraw funds.

Children's	Available to children only
Mini cash ISA	Tax free
Current account	No notice accounts with overdraft facilities
Monthly interest	Interest paid monthly
Regular saving accounts	Regular deposits to be made.
Fixed rate bond	Investment Product for fixed term at a fixed rate