

Savings Survey

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national savings
& investments



Highlights

Savings Tracker shows savings are back on track after last quarter's low

The number of people saving regularly and the percentage of income put away have increased, suggesting spring's poor performance was a seasonal blip. [Page 2](#)

Single men leap ahead

Single men embrace the savings ethic but single women are lagging behind. [Page 2](#)

Young and determined savers save record amount

The under 25s remain the nation's best savers and saved the highest proportion of income of any group to date. [Page 3](#)

Propensity to Save Index

Savings levels are unlikely to rise further as people predict they will save less over the next three months. [Page 5](#)

Financial education falters despite parents' best intentions

Parents believe that children should be taught about money matters at a young age, but a quarter of children receive no education at all. [Page 6](#)

Best value savings products

The first cut in base rates in two years sparked a number of interest rate falls. However, regular savings accounts buck the trend. [Page 8](#)

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Savings Tracker

Examining savings behaviour across Britain

The NS&I Savings Tracker examines monthly savings behaviour across Britain, reporting quarterly on who is saving, how much they are saving, their ideal savings targets, savings objectives and whether average savings per head are increasing or decreasing.

The results of the fourth quarterly Savings Tracker, covering the summer months of June, July and August show that the number of people saving regularly has jumped back up to over half the population with 55% putting money away monthly compared to a low of 48% in the spring survey. The amount saved also rebounded from the spring's fall, with the percentage of income saved rising from 5.82% to 6.64%.

More people saving

Over the three months, Britain as a whole began to save more: 55% of people saved regularly. The amount saved as a percentage of income was up from 5.82% (spring) to 6.64% – closer to the high of 6.90% seen in winter 2004/05.

However, ideal savings as a percentage of income were at their lowest point, averaging just 13.96% in summer, down from 14.63% (spring), 14.49% (winter) and 14.35% (autumn) in previous surveys.

The average amount saved per month by regular savers was down to £158.26 compared to a high of £163.40 in autumn 2004.

However, both men and women saw a decrease in their ideal savings as percentage of income. Since the spring quarter male savers went from 13.83% to 13.45% and female savers from 15.74% to 14.88% – the lowest levels since the survey began for both men and women.

Singles get a grip on their savings

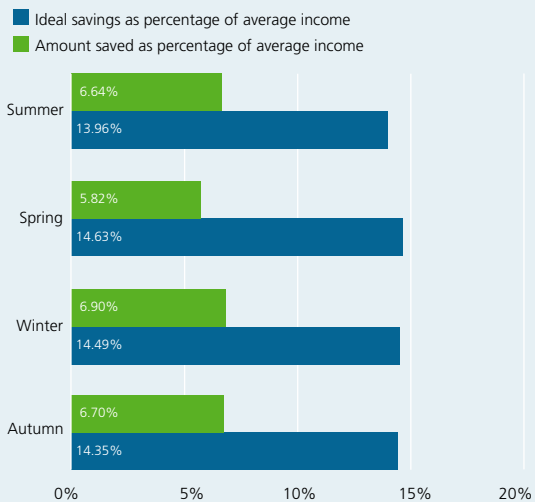
Spendthrift singletons appear to be getting into the savings habit. The number of singletons who regularly save has leapt from 43% in the spring to 53% – one of the biggest movements across any group.

Compared to other groups, singles also saved considerably more as a percentage of income, 8.07% (singles) compared to 6.24% (married or cohabiting). This is a leap from spring's figure of 6.02% for singles which was barely above married or cohabiting savers' 6.00%.

...but single females lag behind

However, single females are performing poorly on the savings front compared to their male counterparts and women as a whole. The number of single men saving regularly greatly outweighs the number of female singletons at 60% versus just 44%. However, almost the same number of single men are saving as regularly as men overall (60% vs 59%) whereas single women perform far worse than women overall (44% vs 51%).

Figure 1: Actual vs ideal savings as percentage of average income

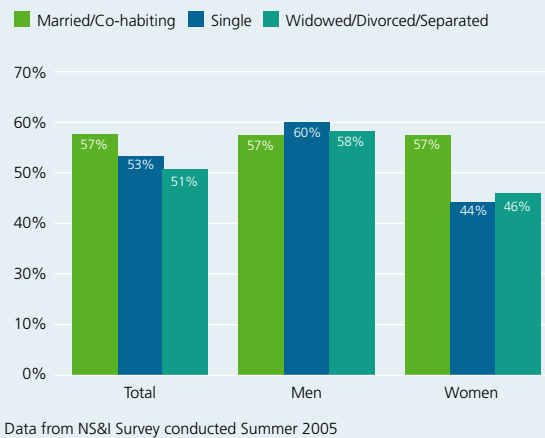


Women vs men

Summer saw a considerable increase in the percentage of both male and female regular savers but men are still ahead. The number of regular male savers has leapt from 50% to 59% and the number of female savers from 47% to 51%.

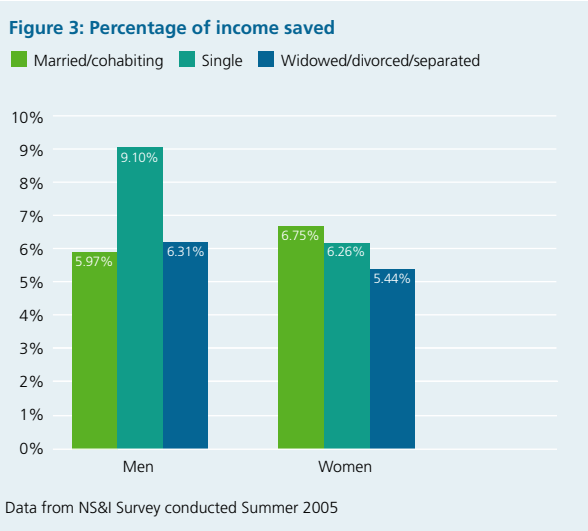
Men saved a higher amount, on average £172.98 a month compared to £140.06 for women. As a percentage of income saved, women are only slightly behind at 6.43% versus 6.84% for men – a rise for both sexes since the spring quarter.

Figure 2: Regular Savers



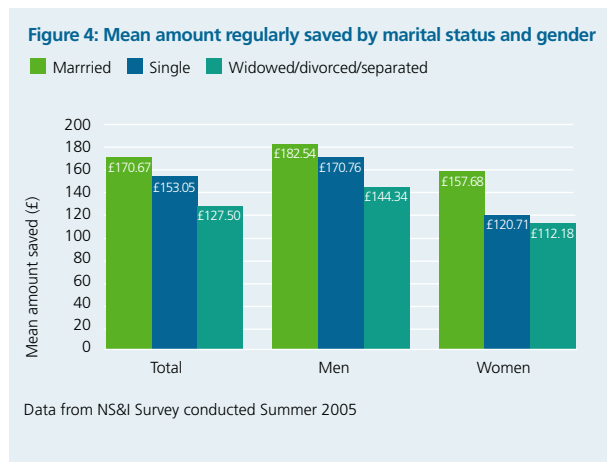
Single men are saving on average 9.10% of their income compared to just 6.26% for single women. Single men are also ahead of the pack compared to men in general, who are only saving 6.84% of their income. Single women, as well as saving less than their male counterparts, also fall short of the average for women as a whole – saving 6.26% of their income versus 6.43% for all women.

In addition, the average single man thought he should ideally be saving £177.09 a month whilst single women are aiming for a lower £135.13. 12% of single women have no savings at all compared to just 9% of single men and 9% of women in general. 7% of men overall have no savings.



Despite the increase in the number of singles saving, they still have a way to go. Married or cohabiting savers continue to outnumber their single counterparts: 57% of married or cohabiting people are regular savers compared to 53% of singletons. Just over half (51%) of widowers or divorcees saved each month.

Of the three groups, widowed, divorced or separated people hold the highest average savings with £18,619.10, closely followed by married or co-habiting people with £18,212.00 and then singles with £9,742.40.

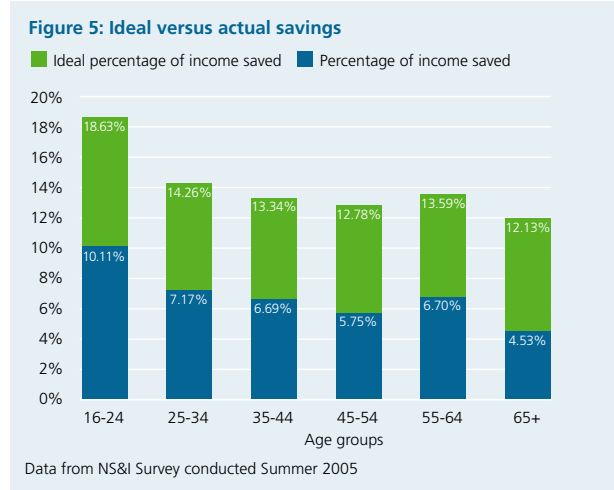


Young continue to lead the way on savings

16-24s or Young and Determined Savers (YADS) maintained their position as the UK's most serious savers for the fourth quarter in a row, saving the highest percentage of their income seen across any category in all NS&I Savings Surveys to date – 10.11%. This age group also showed a huge jump in the number of regular savers – from 42% in spring to 58% and saved the highest amount to date: £156.24, up significantly from £132.09 recorded in the spring.

Despite this good performance YADS' ideal savings as a percentage of income are at their lowest levels to date, just 18.63% compared to 21.95% in the spring. However, this is still the highest ideal across all groups.

25-34s continued the trend towards younger people being more responsible about savings. This age range boasts the highest number of regular savers: 62%. All other age groups also recorded small rises in the percentage of people saving on a regular basis.



Pre retirees boost savings:

55-64s show a significant improvement on last quarter with the percentage of regular savers up 8% to 55%. The mean amount saved by this age range is also up from £149.02 to £179.43 – the highest of all the groups. The amount saved as a percentage of income is up to 6.70% from 5.46%.

Part time workers retain good habits

All working groups show an increase in the number of regular savers but full time workers recorded the highest jump – from 58% to 66%. Full time workers and people who do not work saw an increase in the percentage of income saved to 7.05% and 5.51% respectively whilst part time workers recorded a slight decrease from 8.45% to 8.22% – although this is still the highest percentage from all the groups.

Ideal savings as a percentage of income fell across all three groups but only fractionally for part time workers from 17.91% to 17.08%.

ABs lead the way on saving across socio-economic groups

ABs saved the highest percentage of income at 7.49%, a leap of 1.18% from 6.31% in spring. However, all groups saw a rise in the percentage of income saved and DEs average savings also rose by almost 1% from 4.82% to 5.81%.

The number of regular savers also increased across the board with the ABs once again leading the way with a 10% increase from the spring (68% summer, 58% spring). Ideal savings as a percentage of income fell in all groups apart from C2s where it rose to 15.32%.

Regional variations

The North East has soared to the top of the class with the number of regular savers leaping from 45% in the spring to 66%. The mean amount saved also rose significantly from £106.94 to £154.09 and the amount saved as a percentage of income saw a dramatic increase from 4.50% to 8.12%.

The percentage of regular savers increased in all regions apart from in Wales and Yorkshire and Humberside. The biggest increases were in the North East, South East, West Midlands and East Midlands which all rose by 10% or more. The number of savers in Wales and Yorkshire and Humberside fell 5% from spring.

However, Wales and Yorkshire and Humberside were the only two regions to see a rise in ideal savings, increasing from 14.55% to 16.70% and 14.37% to 16.00% respectively. All other regions saw a drop in ideals.

East of England saw a substantial fall in the amount saved as percentage of income, almost halving their average from 7.63% to just 4.76%. Greater London was the next lowest at 5.36% a second consecutive fall (5.99% spring, 8.30% winter) and the East Midlands was also down, with an average 5.88% from 6.76%.

Small savers and super savers

There has been an increase in savers at both ends of the scale this quarter:

- Small Savers: 19% put aside £99 or less each month (spring: 16%)
- Super Savers: 9% of savers put aside £300 or more each month (spring: 7%)

What are people saving for?

Summer (spring)

- 40% (41%) nothing in particular
- 14% (12%) retirement
- 11% (13%) holiday
- 10% (10%) rainy day

Savings goals varied this quarter depending on socio-economic group. While all the groups mention retirement in their top three, ABs seem the most concerned about it with almost twice as many as any other group citing it as their main reason for saving (22% compared to 12% for C1s and C2s and 9% for DEs).

ABs were also the only group to mention home purchase/ mortgage payment (14%) as one of their top three saving goals.

Current total savings

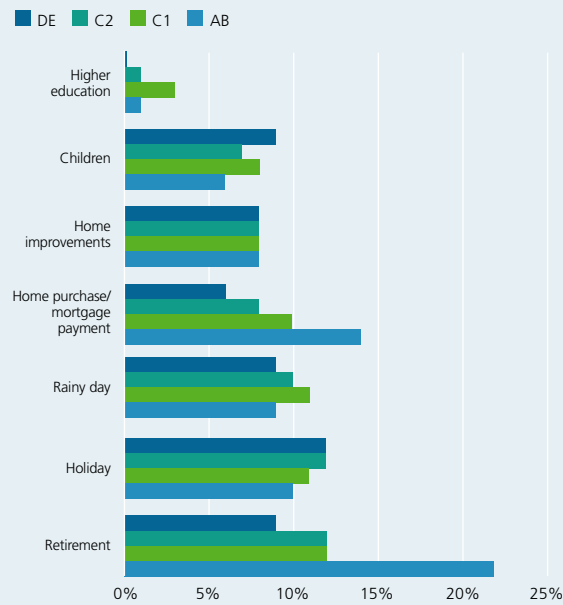
Savings under £1,000

- 23% of the population
- 21% of men
- 26% of women
- 39% of 16-24s
- 17% of married or cohabiting
- 34% of singles
- 23% of widowed, divorced or separated

Savings over £50,000

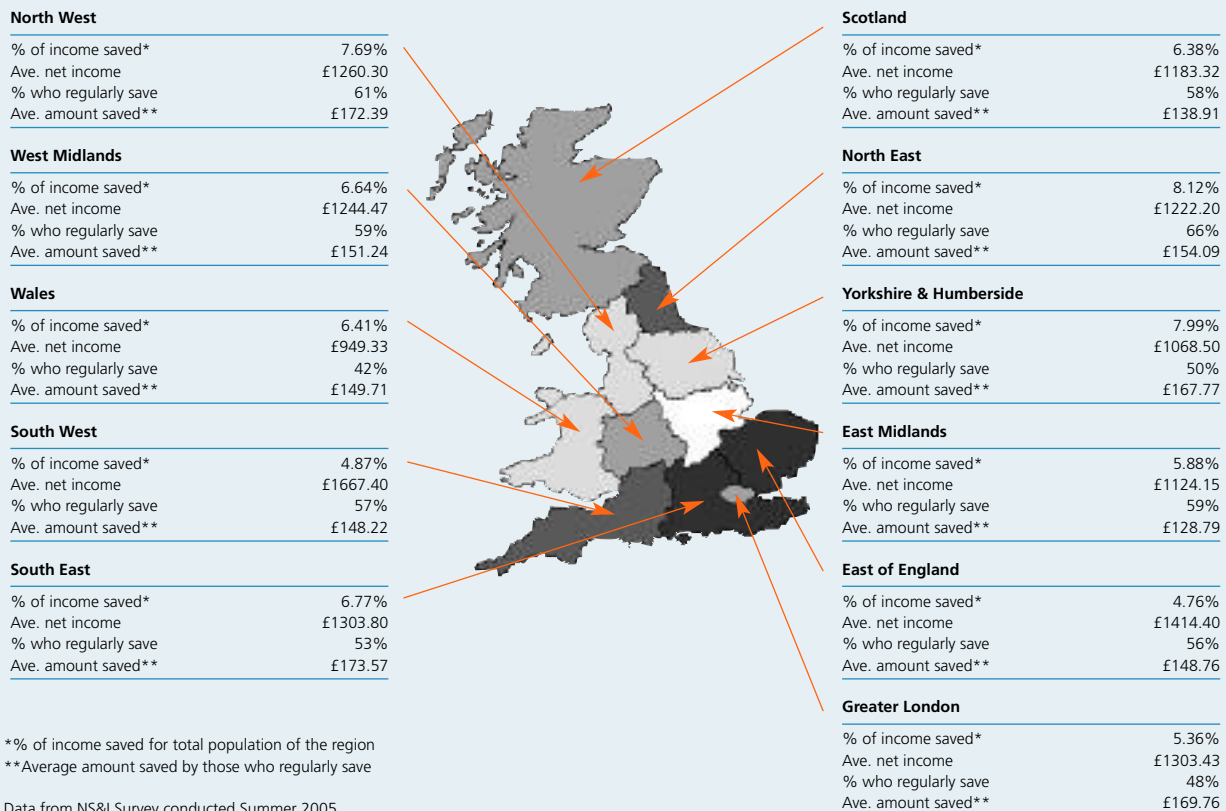
- 7% of the population
- 8% of men
- 5% of women
- 1% of 16-24s
- 8% of married or cohabiting
- 4% of singles
- 8% of widowed, divorced or separated

Figure 6: Savings goals



Data from NS&I Survey conducted Summer 2005

Figure 7: Consumer savings pattern across GB regions: Summer 2005



Propensity to Save

Will people save more or less in the next three months?

Propensity to save is measured as an index showing the likelihood of saving more or less in the next three months. This is defined as the difference between 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.

The Summer Savings Survey shows that net balance of propensity to save over the next three months remains negative. The index records an overall balance of -1%, indicating people thought they would be a little less likely to save over the next three months. This is unchanged from last quarter's survey.

The low propensity to save has been reflected over the quarter in the fall in ideal savings as a percentage of income. If savers follow this prediction savings levels this autumn will be below those in 2004. Last year the autumn quarter was the second strongest period for saving after winter.

Age

The young again have the highest propensity to save. In fact, only 16-24 and 25-34 year-olds have a positive propensity to save (+14% and +11% respectively) suggesting their status as the best savers will continue to be unchallenged.

However, this is the lowest propensity to save figure for 16-24 year-olds since the start of the quarterly surveys last autumn. Their propensity to save has dropped by 14 points since spring. In contrast, 25-34 year-olds have increased their plans to save.

Although older groups showed that on balance they would be less likely to save over the next three months, most had improved since the Spring Survey. Only 45-54 year-olds had a lower propensity to save, now at -10%.

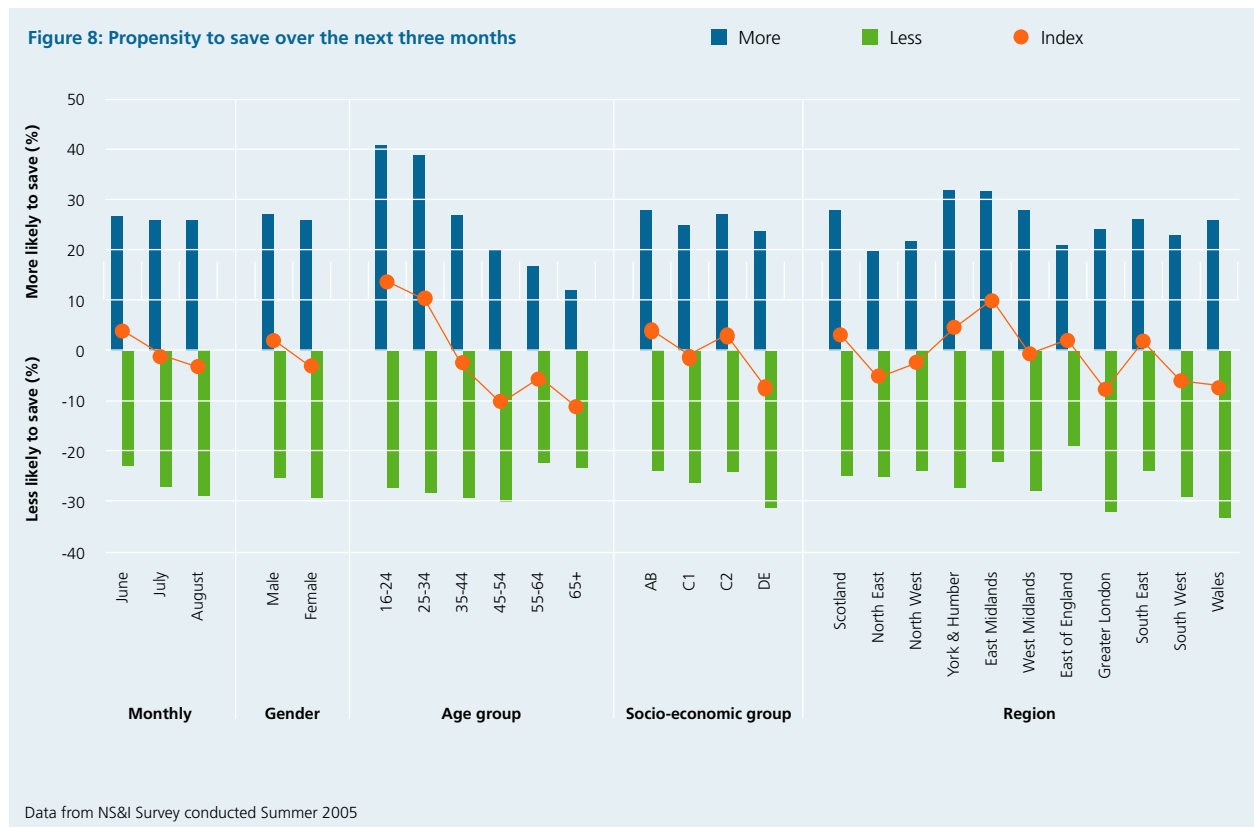
Gender

Men are still more likely to save over the next three months but their propensity to save has dropped to +2%. Women are closing the gap, at only five points below, with a -3% propensity to save, compared to a 12 point gap in spring.

The pattern of socio economic groups remains the same. ABs and C2s show a positive savings ethic (+4% and +3% respectively) while C1s and DEs are less likely to save (-1% and -7% respectively).

Regions

Britain is evenly split with five regions expecting a rise in savings over the next three months and five expecting a drop. The East Midlands (+10%), Yorkshire and Humberside (+5%), Scotland (+3%), East of England (+2%) and the South East (+2%) all show a positive propensity to save. However, the North East (-5%), North West (-2%), South West (-6%) and Wales (-7%) have a negative propensity to save. Londoners have the lowest propensity to save at -8% while the West Midlands predict no change in their saving levels.



Financial Education

Teaching children about money from a young age has never been more important

Personal debt, the cost of housing and long term savings have become major issues and will affect the entire population at some point in their lives. The majority of parents (74%) will prepare their children for the real world by teaching them financial matters at home and many favour starting young. In contrast to the common assumption that finance is a male domain, NS&I consumer research showed that mothers played the greatest role in providing their children with financial education.

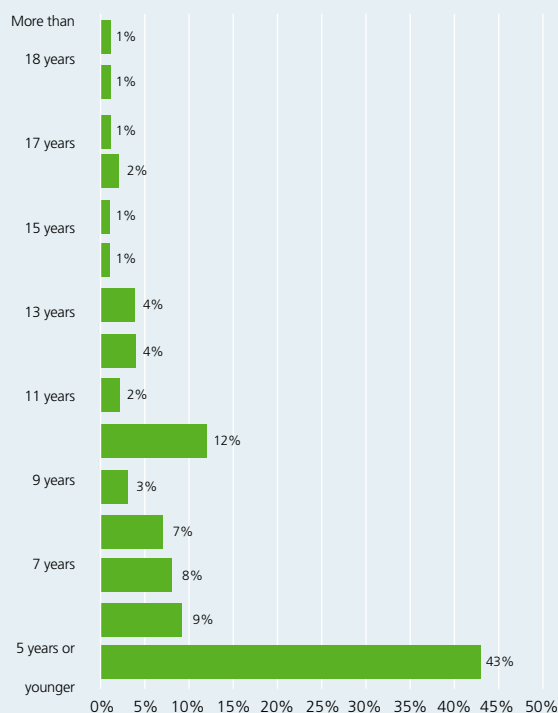
Good intentions

Most parents see it as their responsibility to teach money matters to their children – the research shows 94% believe one or both parents should do the teaching. In contrast, only 2% expect teachers to educate their children on financial matters.

In addition, almost half (43%) of the parents surveyed believe that they should start talking to their children about money matters at the age of five or younger. Parents are particularly proactive when it comes to the idea of saving. Half of parents (51%) with children five years old or younger have already introduced the idea of saving to them. This early start could be a result of increasing publicity around spiralling debt and the high cost of university and house prices.

Women are more in favour of this early start than men, with 46% opting for financial education beginning at five

Figure 9: At what age do you think you should first start talking to your children about money?



Data from NS&I Survey conducted Summer 2005

or younger compared to 39% of men.

Despite this early emphasis on personal finance, money is a subject which parents still find hard to talk about. Although most view financial education as a parent's duty, only 74% of parents have actually talked to their children about money. In fact parents of children at a very young age would be happier discussing sex than money. 51% of parents with children under the age of two have broached sex education with their children, while only 42% have discussed money matters at this age.

Keeping quiet

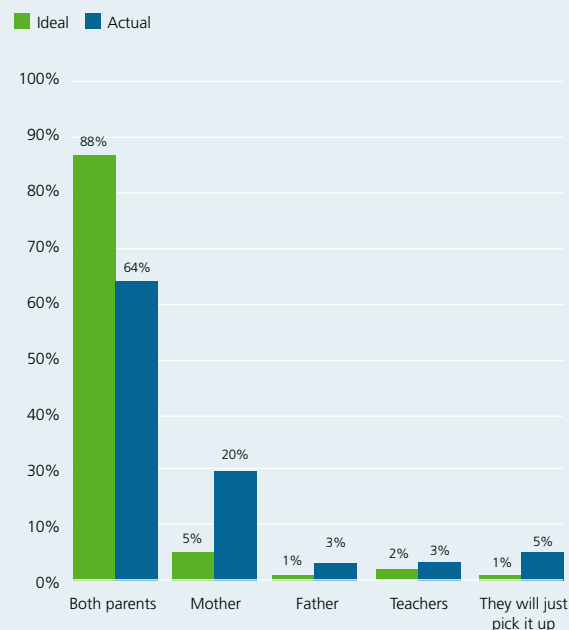
Over a quarter (26%) of all parents have not discussed any financial issues with their children, including the value of money and how to earn it. This suggests that one in four children could be set to enter adulthood with no financial education at all.

Certain demographic groups are particularly reticent about discussing finances with their children. A third (32%) of DEs and 35% of unemployed parents say they have not discussed any financial issues with their children. 37% of single parents also admitted they had not spoken with their children about any money matters.

Mothers take the lead

Women play a key role in financial education. While 88% of parents think that both parents should be responsible for teaching their children about money, only 64% of parents believe that this was actually the case. In reality, parents believe the task often falls to mothers alone. A fifth (20%) thought it was mothers who actually taught children about money compared to 3% who put financial education down to fathers.

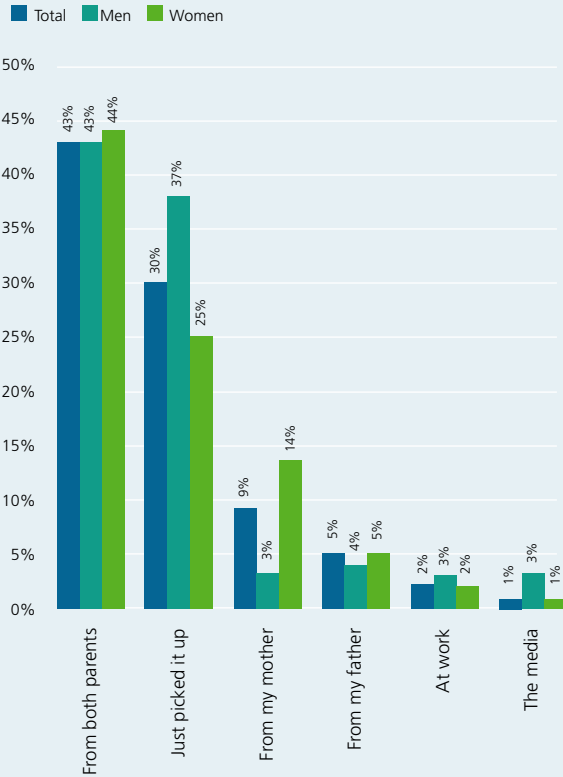
Figure 10: Who teaches children about money matters?



Data from NS&I Survey conducted Summer 2005

The importance of women's role in teaching children appears to have grown significantly, with the number of mothers educating their children about finance more than doubling in a generation. Only 9% of parents questioned were taught about money by their mothers whereas today 20% of mothers are the primary financial educators.

Figure 11: Where did the parents learn about financial concepts?



Data from NS&I Survey conducted Summer 2005

In addition, women are more likely to discuss general financial concepts with children than men: 71% discuss the value of money/affordability (compared to 54% of men); 66% discuss saving (50% men); and 54% discuss budgeting (38% men). The only subjects which more men than women had discussed with their children were technical issues such as tax (21% men/20% women) and interest rates (23% men/19% women).

Women are also more likely to encourage their children to save than men, with 64% putting money in children's savings accounts (58% men), 60% making them save for things they want (52% men), 60% using piggy banks (44% men), 57% talking about saving (47% men) and 53% setting an example to their children (43% men).

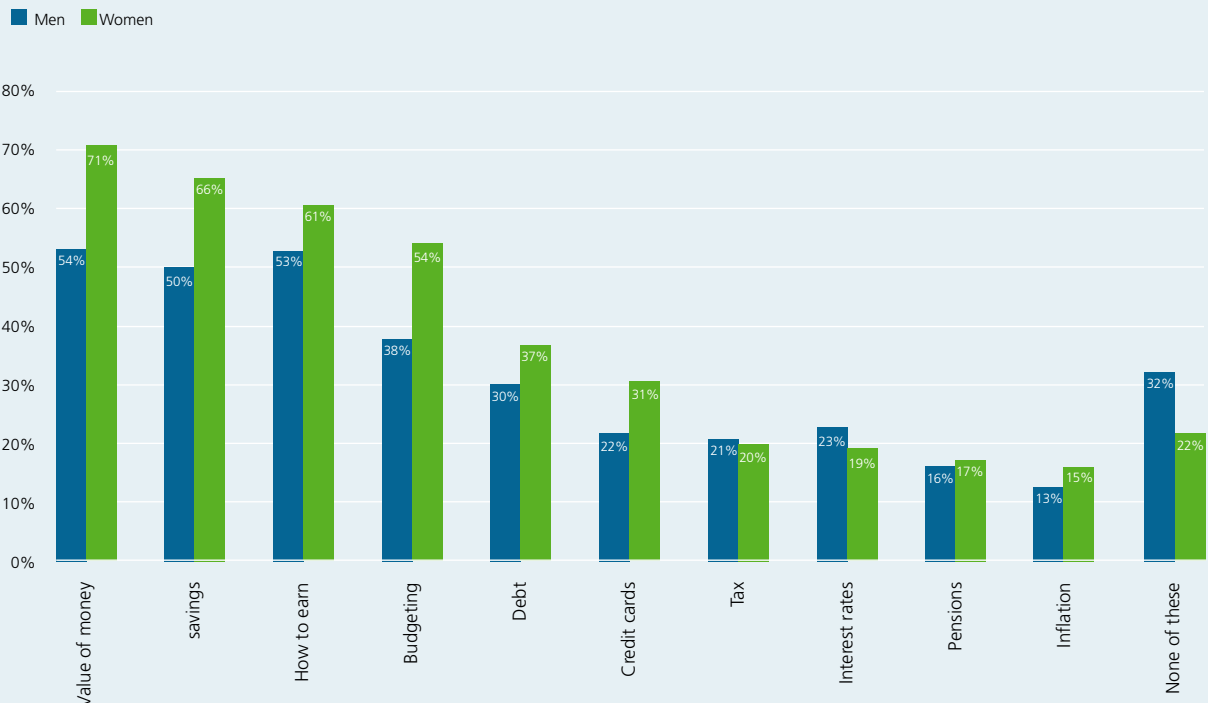
Subject matters

While some financial concepts are being introduced to most children at a young age, the depth of education appears to be limited. Parents are confident in talking about topics such as saving and budgeting, but are less likely to discuss more complicated areas such as interest rates, credit cards and inflation.

Despite the increasing availability of credit cards and stories of unmanageable debt, less than a third (28%) of parents discuss credit cards with their children while a fifth (21%) discuss interest rates and only 14% have explained inflation to their children. Even once children reach 16-17, relatively few parents have discussed these issues (66%, 47% and 33% for credit cards, interest rates and inflation respectively). This suggests issues such as low awareness of inflation and its effects on savings are set to continue into the next generation of savers.

Almost a third (30%) of parents 'just picked up' their financial knowledge and despite parents' good intentions it seems their children will be forced to do the same.

Figure 12: Financial topics discussed by parents with their children



Data from NS&I Survey conducted Summer 2005

The savings market

Our quick, comparative product review

The savings product comparator

| Product | | June | July | August |
|-------------------------|---------|------|------|--------|
| Instant Access | Highest | 5.50 | 5.50 | 5.00 |
| | Mean | 2.77 | 2.77 | 2.74 |
| | Lowest | 0.10 | 0.10 | 0.10 |
| Internet only | Highest | 5.35 | 5.25 | 5.20 |
| | Mean | 4.73 | 4.35 | 4.66 |
| | Lowest | 3.30 | 3.30 | 3.30 |
| No notice bonus | Highest | 5.31 | 5.25 | 5.25 |
| | Mean | 4.84 | 4.79 | 4.84 |
| | Lowest | 4.32 | 4.32 | 4.32 |
| No notice without bonus | Highest | 5.35 | 5.25 | 5.20 |
| | Mean | 4.07 | 4.07 | 4.10 |
| | Lowest | 0.75 | 0.75 | 0.75 |
| Notice | Highest | 5.35 | 5.35 | 5.45 |
| | Mean | 3.40 | 3.40 | 3.41 |
| | Lowest | 0.75 | 0.75 | 0.75 |
| Children's | Highest | 5.35 | 5.35 | 5.35 |
| | Mean | 4.33 | 4.32 | 4.31 |
| | Lowest | 1.51 | 1.51 | 1.51 |
| Mini cash ISA | Highest | 5.40 | 5.50 | 5.32 |
| | Mean | 4.78 | 4.73 | 4.67 |
| | Lowest | 3.60 | 3.60 | 3.60 |
| Current account | Highest | 4.50 | 4.50 | 4.50 |
| | Mean | 1.46 | 1.46 | 1.47 |
| | Lowest | 0.10 | 0.10 | 0.10 |
| Monthly interest | Highest | 5.25 | 5.25 | 5.25 |
| | Mean | 3.33 | 3.33 | 3.40 |
| | Lowest | 0.10 | 0.10 | 0.10 |
| Regular | Highest | 6.75 | 6.75 | 6.75 |
| | Mean | 4.65 | 4.66 | 4.65 |
| | Lowest | 2.90 | 2.90 | 2.90 |
| Fixed rate bond | Highest | 5.27 | 5.05 | 5.10 |
| | Mean | 4.73 | 4.60 | 4.39 |
| | Lowest | 2.88 | 2.88 | 2.70 |

Rates for June and July correct at 1st of each month. August's rates correct at 15th August – after base rate cut.

All rates are for balances of £5,000.

Bank base rates were cut for the first time in two years this August. This cut was widely expected following months of speculation, and the downwards movement in savings rates across the product range began before the MPC's decision was announced as well as continuing after.

Falling rates

Several types of accounts have seen their top rates slide over the past three months as companies predicted the base rate cut and priced it into their products. Mean rates for mini cash ISAs and fixed rate bonds declined steadily over the period, and by August were well down on the last quarter. Internet only and no notice accounts with bonus also saw slight fluctuations in their mean rates reflecting varying rates across the period.

Bucking the trend

A top rate of 6.75% is available from regular savings accounts: over 1% higher than market-leading rates on other types of accounts and 0.9% higher than regular savings best rates last quarter. This is the only category where rates have risen since spring.

Regular savings accounts also offered an increased mean rate on last quarter, as did instant access, no notice accounts without bonus and monthly interest accounts.

More cuts ahead?

While savings rates remain fairly competitive at present, rate cuts from a few providers are still being announced and some industry commentators anticipate further drops in the base rate over the coming months.

| | |
|---------------------------|---|
| 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 | Regular deposits to be made. |
| Fixed rate bond | Investment Product for fixed term at a fixed rate |