

Highlights

Hardcore non-savers refuse to budge

Almost half of the British population (45%) are hardcore non-savers. This distinct group of people who find regular saving unattainable or unattractive has emerged over the last nine months. At the same time, a similar proportion of Brits do not think they have anything to save for, suggesting a correlation between the two findings. [Page 2](#)

Women fall further behind men

Women continue to fare worse in the financial battle of the sexes. In winter their savings level dropped to their second lowest on record. In contrast, men continue to save more than the British average. [Page 3](#)

35-44s surprise with new records

The 35-44s bounced back from last quarter's poor performance with record savings and an increase in the number of regular savers. [Page 3](#)

Savings outlook

Brits are positive about saving more, predicting a small increase in contributions over the coming months. [Page 5](#)

A fine line between debit and debt

'Plastic' payments are growing in popularity among Brits who enjoy the convenience of the cashless lifestyle, yet many find this means they lose track of their spending and become less financially aware as a result. [Page 6](#)

Best value savings product

ISA rates rise as providers pre-empt ISA season. [Page 8](#)

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NS&I 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 savings targets, savings objectives and whether average savings per head are increasing or decreasing.

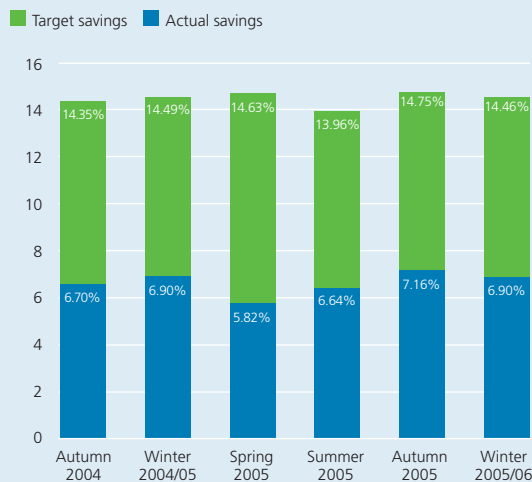
The results of the sixth Quarterly Savings Tracker, covering the winter months of December, January and February, show overall savings levels have dipped slightly across Britain. However, despite this dip, winter 2005/06 still has one of the highest levels recorded since the survey was launched in December 2004.

Worryingly, the survey highlights that almost half of Brits (45%) are not saving on a regular basis. This figure has been constant for the last three quarters, suggesting that there is a group of hardcore non-savers for whom regular saving is consistently unattainable or unattractive.

Winter – a relatively strong savings season

Following a record breaking autumn quarter in 2005, Britain as a whole saved less over the winter. However, it was still a relatively strong savings season. The amount saved as a percentage of income dropped from a record 7.16% in autumn to 6.90%. Although this is down on autumn, it matches the level recorded in winter 2004/05 and both winter quarters jointly hold the second highest record for the amount of income saved. This suggests savings habits are seasonal, with people saving more in autumn and winter.

Figure 1: Actual versus Target savings as a percentage of income (all)



Data from NS&I Survey conducted winter 2005/06

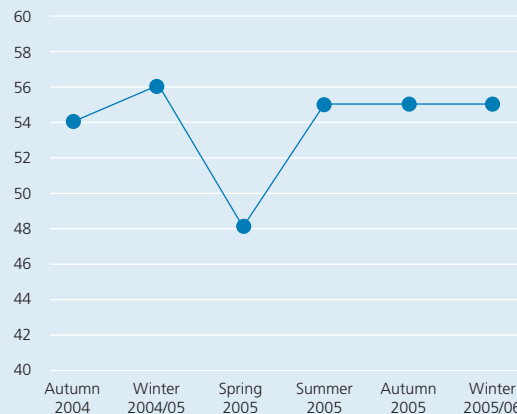
The average savings target dropped from 14.75% of income last autumn to 14.46%, this is also slightly below last winter's level (14.49%).

Why are Brits not saving?

Despite media focus on financial matters over the year, a distinct group of hardcore non-savers has emerged. Almost half (45%) the British population is still not saving regularly – a slight increase on a year ago (44%). This figure has crystallised over the past three quarters, suggesting that regular saving is consistently unattainable or unattractive for this group of Brits.

This figure could be linked to the high number of people who do not have a saving goal. Since the survey began, approximately two in five Brits have stated they do not have any saving goals (winter 2005/06: 41%, winter 2004/05: 42%). Without clear objectives people are less motivated to save. Groups such as the 16-24 year-olds who have specific goals, like a deposit on a first home, have traditionally saved a higher percentage of their income. This demonstrates the need for people to define their saving needs and objectives in order to encourage saving.

Figure 2: Regular savers



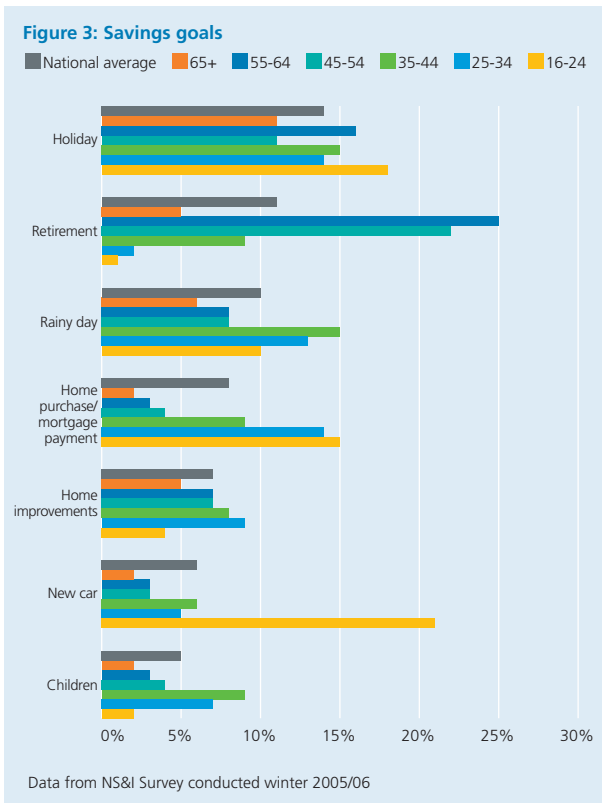
Data from NS&I Survey conducted winter 2005/06

A third of people (31%) claim the reason they do not save more is due to insufficient income, while almost a quarter (22%) blame it on having too many financial demands. One in 10 people (12%) would rather live for the moment than save and 9% think they save enough already.

Property is top of the list

The nation's preoccupation with property is reflected in its savings goals; it has consistently been one of the most popular reasons for putting money aside. In winter it was the top goal, with 15% saving to purchase a house, repay a mortgage or undertake home improvements this quarter.

Saving for a holiday (14%) and retirement (11%) are also popular goals. These figures have remained relatively stable since the survey began, implying that people's priorities are fairly ingrained.

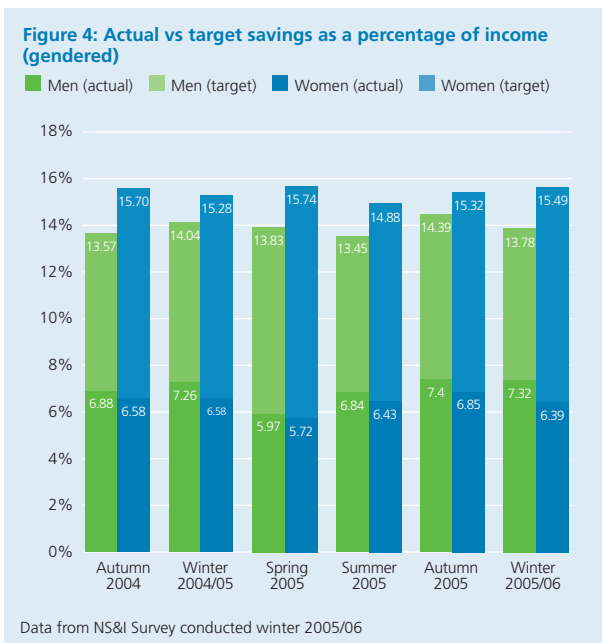


Women fall further behind men

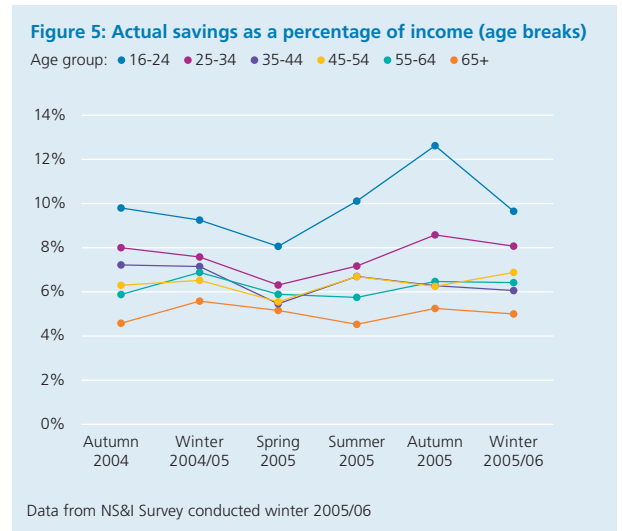
More men are saving regularly and they continue to save more than the British average, putting away an average 7.32% of income in winter. This is a small increase on last winter when men saved an average of 7.26% of their income.

In contrast, women's savings levels dropped to their second lowest on record from 6.58% last winter to 6.39%. Women's savings hit their lowest at 5.72% in spring 2005.

The number of regular savers fell slightly from a year ago for both men and women: only 51% of women saved regularly this winter (52% in winter 2004/05) compared to 59% of men (60% in winter 2004/05).



The savings gap widened for women as their savings target continued to rise (from 15.32% in autumn 2005 to 15.49%), which shows that they retain a desire to save despite diminishing savings levels. The savings target for men, however, dropped from 14.39% in autumn to 13.78%, reducing the gap between their actions and targets.



The 35-44s surprises with new records

The 35-44s broke two records this season, bouncing back from last quarter's low levels. The amount saved as a percentage of income rose to an all time high of 6.88% and the amount of regular savers also rose to a record 64% - the highest of all age groups and an increase of 8% from autumn. The savings target for this age group is their second highest since the survey began, at 13.28%. Overall, this is the best savings season for the 35-44s since the survey began.

Older savers continue to cut savings

The older savers continue to reduce their saving levels, showing a big drop from the same quarter last year.

Despite a 4% increase on last quarter, only 52% of 55-64s saved regularly this winter. This figure is significantly down on winter 2004/05 (61%). The amount they save also continues to decline and at 6.06% of income, this is its second lowest level recorded. The lowest level of 5.46% was recorded in spring 2005.

The number of regular savers over 65 also dropped to 39% from 49% last winter, matching the record low of spring 2005. The amount saved also dropped from 5.58% in winter 2004/05 to 5.00%, which is one of the lowest levels recorded for them.

YADS slip

There was a mixed performance from the young and determined savers (YADS), who seem more vulnerable to seasonal fluctuations. Those aged 16-24 saw the largest drop in savings levels, falling from 12.62% of income in autumn to 9.65%.

However, this is higher than last winter (9.25%) and still the highest percentage of income saved by any age group during this quarter. The 16-24s also retained a high percentage of regular savers at 60%.

Single people continue to lead on savings

Single people remain the strongest savers – saving 7.60% of their income, as compared to 6.95% by married or cohabiting couples and 5.60% by widowed, divorced or separated people. However, this is below levels recorded last winter when singles put away 8.35% of income.

Married and cohabiting couples continue to have the highest number of regular savers, with 59% putting money aside monthly compared to 55% of single people and 45% of widowed, divorced or separated people.

Wales remains unbeaten as region of savers

Wales still has the highest percentage of regular savers at 59%, despite a significant drop from the 67% recorded last quarter. West Midlands boasted the second highest number of regular savers at 58%, followed closely by Scotland and Yorkshire and Humberside at 56%.

The East of England fared the worst, with the lowest percentage of regular savers (50%), the lowest percentage of income saved (5.47%) and the lowest savings target (12.97%).

Despite a drop from last quarter's 7.91%, the North West recorded the highest percentage of income saved across all the regions with a high of 7.73%. The North West also had the most ambitious savings target at 16.09% of income.

The East Midlands put in its best savings performance since the survey was launched in December 2004, with a record 6.95% of income saved. Over half the population is saving regularly, with 55% putting money away – the second highest figure recorded.

Current total savings

The average amount held in savings, excluding pensions was £17,342, this is slightly down on the figure recorded in winter last year (£17,623). The amount people think they should have deposited was 68% higher than this, at £29,305. One in 10 (10%) have no savings at all.

Savings under £1,000

- 22% of the population
- 24% of women
- 19% of men
- 42% of 16-24s
- 14% of 65+
- 32% of DEs
- 11% of ABs

Savings over £50,000

- 8% of the population
- 6% of women
- 11% of men
- 19% of 55-64s
- 11% 65+
- 4% of DEs
- 15% of ABs

Figure 6: Consumer savings pattern across GB regions: winter 2005/06

North West

% of income saved*	7.73%
Average net income	£1058.10
% who regularly save	53%
Average amount saved**	£167.27

West Midlands

% of income saved*	7.37%
Average net income	£1152.14
% who regularly save	58%
Average amount saved**	£158.82

Wales

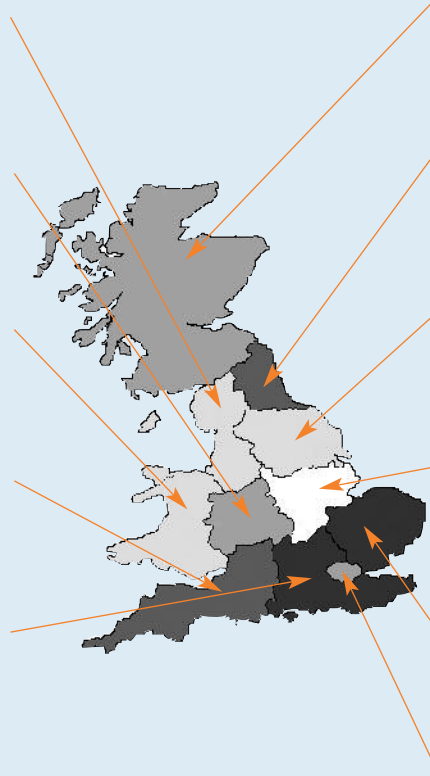
% of income saved*	7.11%
Average net income	£1243.30
% who regularly save	59%
Average amount saved**	£161.01

South West

% of income saved*	6.42%
Average net income	£1325.80
% who regularly save	52%
Average amount saved**	£178.55

South East

% of income saved*	6.80%
Average net income	£1317.90
% who regularly save	55%
Average amount saved**	£171.68



Scotland

% of income saved*	6.95%
Average net income	£1179.65
% who regularly save	56%
Average amount saved**	£155.49

North East

% of income saved*	7.57%
Average net income	£1152.00
% who regularly save	52%
Average amount saved**	£182.10

Yorkshire & Humberside

% of income saved*	6.29%
Average net income	£1199.90
% who regularly save	56%
Average amount saved**	£147.20

East Midlands

% of income saved*	6.95%
Average net income	£1178.14
% who regularly save	55%
Average amount saved**	£159.75

East of England

% of income saved*	5.47%
Average net income	£1243.70
% who regularly save	50%
Average amount saved**	£159.85

Greater London

% of income saved*	6.77%
Average net income	£1442.90
% who regularly save	53%
Average amount saved**	£197.72

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

Data from NS&I Survey conducted winter 2005/06

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.

Savings levels in Britain dipped slightly over the winter as predicted by the savings outlook published in December. However, people are more upbeat about the spring months, predicting an overall increase in savings over the next three months, albeit a small increase (+2%).

Seasonal patterns emerge

This mirrors last winter, which was the only other quarter to record a positive savings outlook (+9). This reflects Brits' seasonal attitudes towards saving. People consistently predict they will save more in spring, perhaps following high Christmas spending.

However, actual savings behaviour follows a slightly different seasonal pattern. Savers may be most positive about saving in the spring months but they are actually more likely to increase their savings levels in the autumn.

Men more positive

Men have always been far more positive than women in their outlook and this quarter is no exception. Men predict a further rise in saving (+7%) while women see themselves saving less (-3%).

Older groups more negative

All those over 45 years old have a negative outlook which gets progressively worse with age (45-54s: -8%, 55-64s: -9% and 65+s: -16%).

The younger age groups on the other hand are confident they will be saving more in the next three months. The 16-24 year olds are the most positive (+29%), but the 25-34s also have a strong outlook for spring (+12%).

However, these outlooks are considerably more modest than last year (16-24s: +44%, 25-34s: +22%).

Yorkshire and Humberside on top

In the regions, Yorkshire and Humberside has the best savings outlook over the next three months (+17%), while the East Midlands has the worst (-10%).

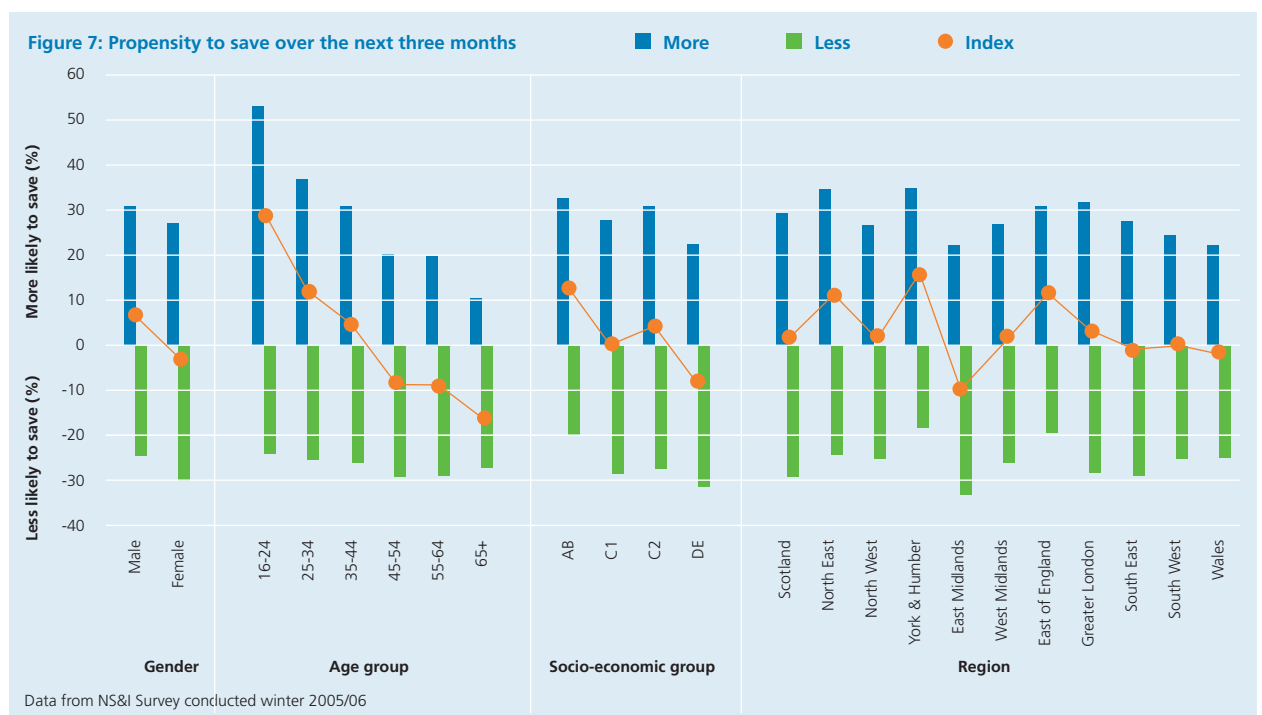
Annual outlook

The savings outlook for the year ahead is extremely positive (+24%).

The only group not envisaging saving more over the next year is the over 65s (-13%). After years of saving towards retirement, this age group is now planning on spending their savings.

The most positive groups are male (+30%), single (+37%) and 16-24 years old (+66%).

The North East is the most positive area (+35%) and even the lowest outlook which was recorded in the East Midlands is still very positive (+16%) for the coming year.



Treading a fine line between debit and debt!

Brits lose control of their money as they move to 'plastic'

Virtual payments are growing in popularity among Brits who enjoy the convenience of the cashless lifestyle, yet many find this means they lose track of their spending and become less financially aware as a result.

'Plastic' fast catching up with cash

Almost half of British consumers (45%) use cash for day-to-day spending but an equal number of Brits make their daily purchases using their debit cards (33%) and credit cards (12%).

Card users fall prey to overspending

Nearly two in five (39%) debit card users overspend on their cards. More than a third (37%) who overspend do so because psychologically, it feels like they are not spending any money, suggesting these 'cavalier cardholders' are deluding themselves.

Furthermore, 16% of those who admitted they were in the dark about their financial matters claimed it was due to using cards, which make it difficult to keep track of their finances.

Women are more likely to overspend

When using debit cards, women (41%) are more likely to overspend than men (35%), suggesting they have less control over spending.

Women are also less aware of their spending habits than men, with every two in five women (41%) going over budget on their debit cards because they do not feel like they are spending anything.

While men are more switched on to their levels of spending, they are more likely to see debt as an automatic part of their money management. One in five men (20%) who overspend on their debit cards do so because they do not feel the need to budget as credit and overdraft facilities are easily available. This could lead to a future problem of mounting debts.

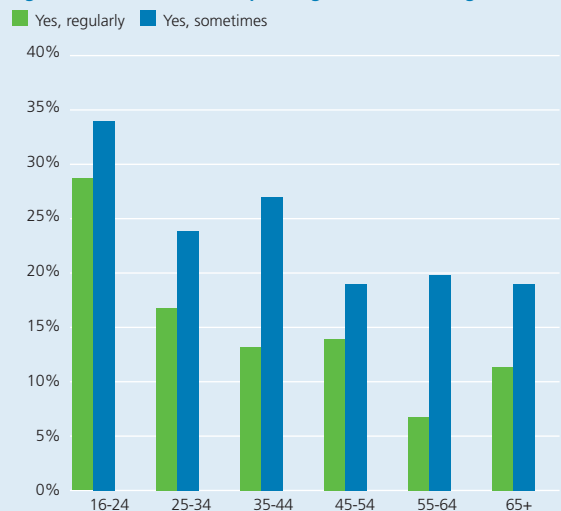
The youngest are the worst card abusers

The youngest, like the oldest Brits, prefer cash, with 58% of the 16-24s and 51% of the over 65s using cash for most of their everyday purchases. However, the 16-24s apparently find it difficult to budget with cards and are the worst card users, with more than half (59%) admitting they go over budget when using a debit card. Almost a third of those over 65 who have a debit card (31%) overspend on their cards.

Older, but not wiser

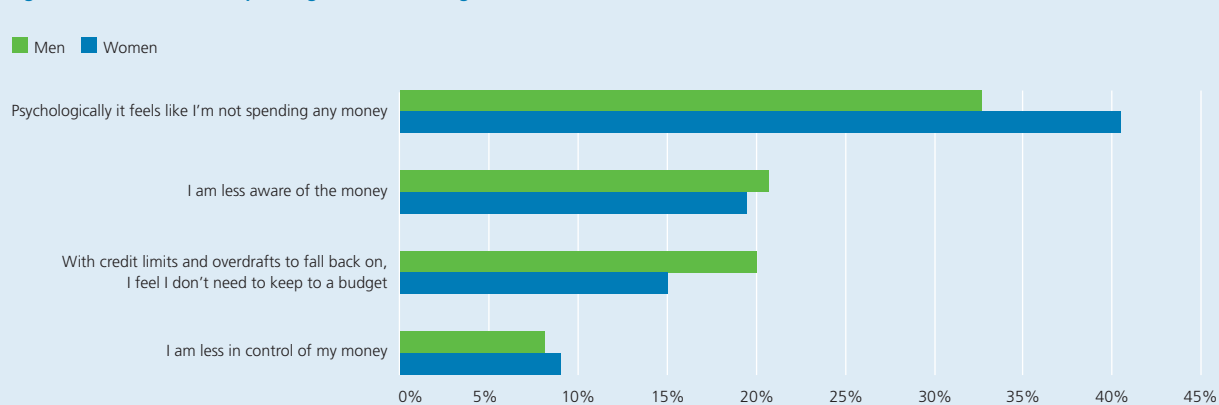
The young adults aged 25-34 are the highest users of debit cards (45%) across the age groups, showing how effortlessly they have adopted the cashless lifestyle. Unfortunately, they are not as savvy in managing their card expenditure, with 41% overspending with their debit cards. Only the younger 16-24s are worse in terms of overspending but fortunately, they still favour cash.

Figure 9: Incidence of overspending on debit card (age breaks)



Data from NS&I Survey conducted winter 2005/06

Figure 8: Reasons for overspending on debit cards (gendered)



Data from NS&I Survey conducted winter 2005/06

Lack of financial awareness

Such extravagant spending with 'plastic' corresponds with a general lack of financial awareness among Brits. A quarter of people (25%) have no idea at all how much they spend a week and a similar proportion of Brits (26%) have no idea of their monthly cash flow.

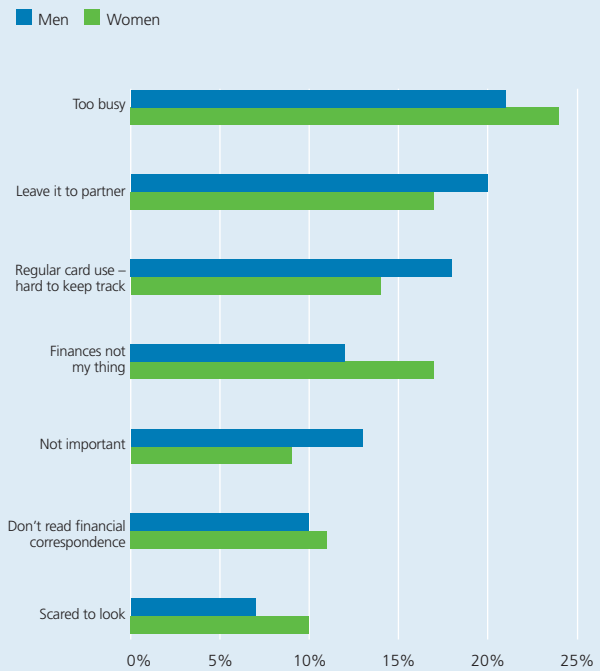
This ignorance extends into other financial aspects of life – one in five (21%) do not know the balance of their current account while only half (51%) know the balance on their credit cards. Nearly half of people (46%) have no idea what interest rates they are paid or paying on their accounts.

An effect of modern life

The pressures of modern life appear to have an impact on financial awareness. Nearly a quarter (23%) of those who admitted to being unaware of some aspect of their finances claimed they are too busy to keep on top of it while 16% attributed their ignorance to using cards, which make it difficult to keep track of their finances.

However, one in 10 (10%) admitted they do not bother to read financial correspondence, suggesting a real disassociation with financial matters. Leaving a partner to deal with money matters is another common reason for a lack of financial awareness, particularly amongst men. Men are more willing to leave it to their partner to deal with finances while women seem to prefer control of the purse strings – a fifth of men (20%) let their partner take financial control compared to 17% of women.

Figure 11: Reasons for lack of financial awareness – men vs women



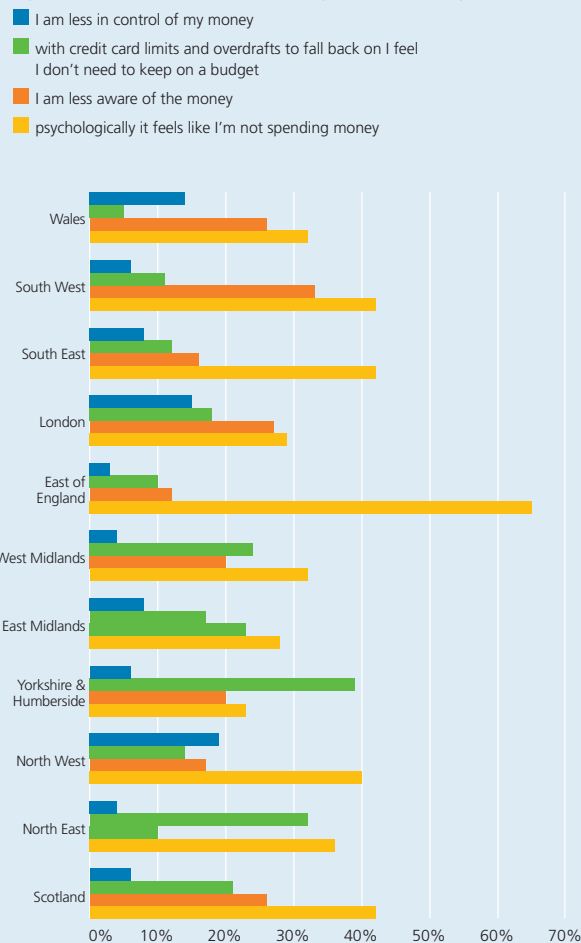
Data from NS&I Survey conducted winter 2005/06

Figure 12: Incidence of overspending on debit/credit cards – regional breaks



Data from NS&I Survey conducted winter 2005/06

Figure 10: Reasons for overspending on plastic – regional breaks



Data from NS&I Survey conducted winter 2005/06

The savings market

Our quick, comparative product review

The savings product comparator

Product		Dec	Jan	Feb
Instant Access	Highest	5.25	5.25	5.25
	Mean	2.54	2.56	2.56
	Lowest	0.25	0.25	0.25
Internet only	Highest	5.00	5.00	5.15
	Mean	4.47	4.47	4.49
	Lowest	3.05	3.05	3.00
No notice bonus	Highest	5.00	5.00	5.15
	Mean	4.55	4.56	4.56
	Lowest	3.94	3.94	3.97
No notice without bonus	Highest	5.00	5.00	5.00
	Mean	3.91	3.93	3.92
	Lowest	0.50	0.50	0.50
Notice	Highest	5.01	5.01	5.01
	Mean	3.16	3.17	3.17
	Lowest	0.50	0.50	0.50
Children's	Highest	5.22	5.22	5.22
	Mean	4.16	4.17	4.15
	Lowest	1.51	1.51	1.51
Mini cash ISA	Highest	5.05	5.05	5.20
	Mean	4.46	4.45	4.46
	Lowest	3.35	3.35	3.35
Current account	Highest	4.05	4.05	4.05
	Mean	1.28	1.24	1.23
	Lowest	0.10	0.10	0.10
Monthly interest	Highest	5.25	5.25	5.25
	Mean	3.26	3.29	3.26
	Lowest	0.20	0.20	0.20
Regular savings	Highest	6.00	6.00	6.00
	Mean	4.37	4.38	4.40
	Lowest	2.25	2.25	2.25
Fixed rate bond	Highest	5.16	5.20	5.01
	Mean	4.46	4.51	4.48
	Lowest	2.70	2.79	2.79

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

Rates halt their descent

Rates have stabilised over the winter months in contrast to the steep falls seen in autumn. Accounts such as regular savings, which suffered a hefty 0.75% cut in September, have remained steady this quarter, giving savers hope that rates have halted their descent.

ISA season pre-empted

A number of accounts have seen increases in their top rates and ISA rates in particular have shown a strong increase. This is perhaps a result of providers pre-empting ISA season in a bid to be first in attracting new customers ahead of the traditionally busy period in March and April.

Rates for no notice bonus accounts and internet only accounts have also risen by an encouraging 0.15% over the quarter.

In contrast, fixed rate bonds have seen a decrease in their top rates. They risk falling out of favour as instant access accounts now offer similar rates without having to lock your money away.

Regular savings remain top priority

Despite staying steady over the quarter, regular savings accounts still offer the best top rate of 6.00%. The consistently high rates offered for regular savings underlines the banks' efforts to target a new segment of customers through these accounts.

Monthly interest accounts offer the second highest rates at 5.25% but mini cash ISAs are not far behind and may overtake regular savings accounts as providers concentrate on the upcoming ISA season.

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