

NS&I Savings Tracker Examining savings behaviour across Britain

Savings levels and targets continue downturn

NS&I's Quarterly Savings Survey examines savings behaviour across Britain, reporting quarterly on who is saving, how much is being saved, savings targets, and whether average savings per head are increasing or decreasing.

The results of the eleventh Quarterly Savings Survey, covering the spring months of March, April and May 2007 are detailed below, along with key annual trends.

Seasonal trend

More than two and-a-half years of savings data has been collected since the first NS&I Quarterly Savings Survey was carried out in autumn 2004. By analysing results collected over this time, seasonal savings patterns have been identified. The data shows spring is not a popular time to save money, 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. In fact, savings appear to peak in autumn, possibly due to individuals setting themselves more immediate and achievable savings targets in the run up to Christmas. The analysis below focuses primarily on key annual trends, examining savings patterns recorded this spring with those of the equivalent quarters over the previous two years.

Savings levels slip

Savings levels have generally fallen this spring 2007.

The number of people who save regularly is the lowest level recorded for spring in two years. The average monthly amount saved per head across the population and the average saved by the population as a percentage of monthly income have also fallen in the last year, although they remain marginally above spring 2005 levels.

Percentage of people who regularly save: 46%
(2006: 55%, 2005: 48%)

Average monthly amount saved per head: £77.55
(2006: £84.20, 2005: £68.85)

Amount saved as a percentage of income: 6.0%
(2006: 6.5%, 2005: 5.8%)

Figure 1: Regular savers



Figure 2a: Average amount saved per head

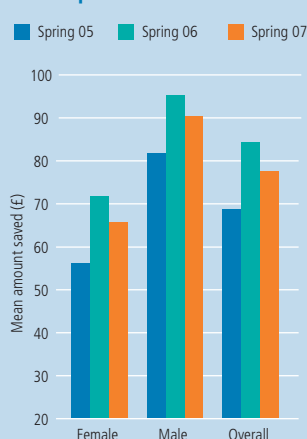
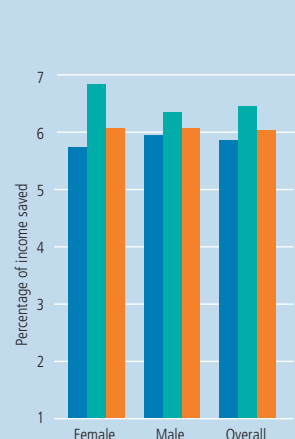


Figure 2b: Amount saved as % of income



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Regular savers remain committed

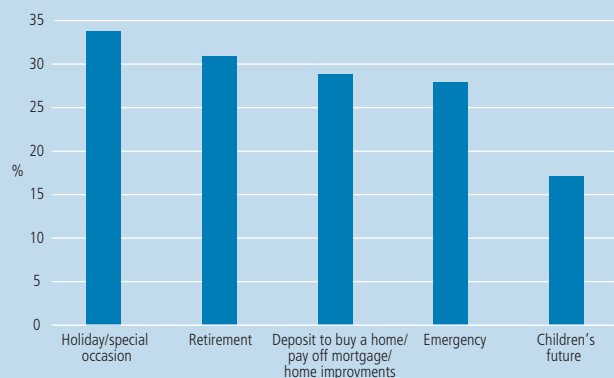
On a positive note, the average amount put aside each month by those saving regularly has increased year-on-year to reach £173.63 this spring. This hard core of savers continues to set money aside. This is possibly because they are less affected by external pressures and recognise that with inflation and rising costs it is necessary to increase their savings levels on a yearly basis to ensure financial security. This is despite income levels among those surveyed falling marginally since last spring, from £1,297 to £1,288.

- Average saved by those saving regularly: £173.63 (2006: £165.87, 2005: £159.26)
- Of those people who have savings, nearly three quarters (73%) are saving for no specific reason
- Only slightly more than a quarter (27%) of savers are putting money aside with a specific goal in mind
- Popular goals include saving for holidays or special occasions, retirement, a deposit to buy a home, paying off a mortgage or making home improvements, and providing for children's futures (see graph 4)
- Younger people (16-24 year-olds) are the most goal orientated (42%), with this figure slipping with age (25% and under for 45+ age group)
- While the 45+ age group is managing to set money aside, they may find it easier to reach their target savings levels if they set themselves specific goals
- Of those questioned with a higher monthly income (£3,000+) over a third (35%) stated that they had savings goals for which to aim.

Good savings intentions

Despite the overall fall in actual savings levels this spring compared to spring 2006, the population's savings aspirations appear to have increased slightly, with ideal monthly savings per head growing from £172.99 in 2005 to £178.71 in 2007. This could be a result of rising inflation and more attractive interest rates on savings products.

Figure 4: What are people saving for?

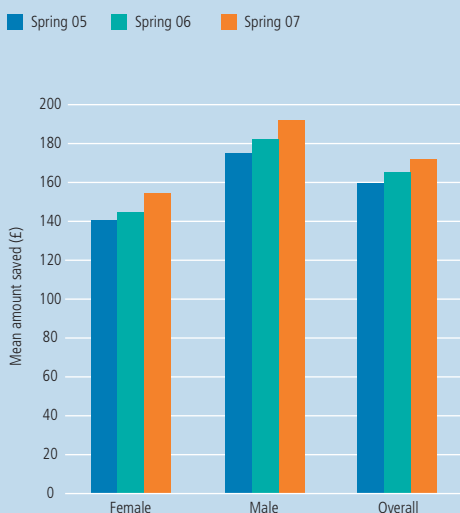


Data from NS&I Survey conducted Spring 2007
Top five options listed, respondents able to list more than one option.

Ideal savings per head continue to rise: £178.71 (2006: £177.38, 2005: £172.99).

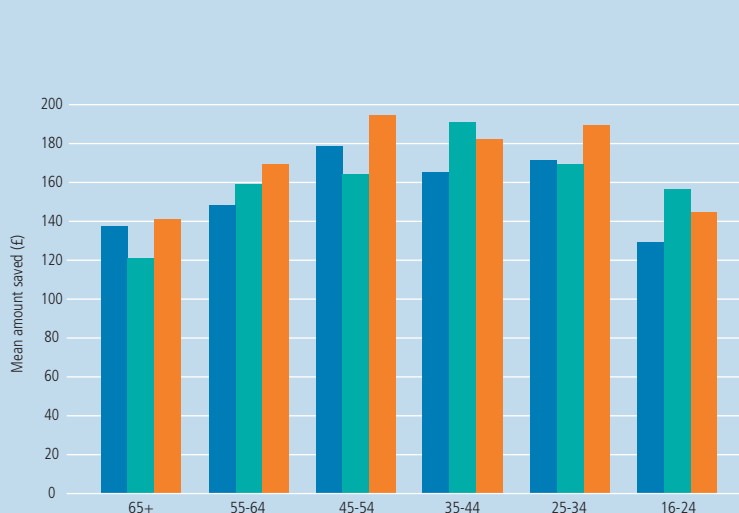
Ideal savings as a percentage of income have also grown marginally over the same period (from 13.7% to 13.9%), however it has fallen slightly from spring 2005 (14.6%). These changes could be attributed to savings targets in pounds not fluctuating in the same way as income levels. Average personal monthly take home income among those surveyed (excluding tax, national insurance deductions and other stoppages) was recorded at £1,288 this spring. This has grown considerably from spring 2005 (£1,183) however it is slightly lower than it was in spring 2006 (£1,297).

Figure 3a: Mean £ saved by regular savers



Data from NS&I Survey conducted Spring 2007

Figure 3b: Mean amount saved by those saving regularly



Targeted approach

Dax Harkins explains: "It is important that more people set financial goals to encourage themselves to save. Indeed, despite a slight increase in people's saving intentions this spring, actual savings levels remain consistently below those ideals. This has been the case for the past two and-a-half years. NS&I suggests that people set their saving sights to a level that meets aspirations. Ideally everyone should be aiming to save as much as a fifth of their income. Based on the average monthly take home income of spring 2007, this is approximately £258."

Men in the driving seat

Once again men are saving more on average in pounds than women (see table A). This is probably a result of the income gap between the two sexes (£1,486 and £1,080 mean monthly income for men and women respectively). Men continue to have a much larger amount in savings, an average of £20,174, compared to £14,981 for women. This has been the case consistently since the Quarterly Saving Survey was first published in December 2004.

This spring, for the first time, men and women are both saving the same amount as a percentage of their income. This figure is one of the lowest results observed since the Quarterly Savings Survey was first published.

Ideal savings: bucking the trend

The Quarterly Savings Survey shows that in pounds men have consistently had higher ideal savings levels than women. In part this may be due to salary differences, although looking at the spring figures over time men also seem to be becoming more committed to setting money aside. Ideal savings per head across the male British population has increased every spring since the survey began. Despite an initial increase in female ideal savings from spring 2005 (£156.18) to spring 2006 (£162.28), this quarter saw levels drop to £158.80.

Ideal savings per head:

Men: £199.15 (2006: £191.20, 2005: £189.37)

Women: £158.80 (2006: £162.28, 2005: £156.18)

While an imbalance in income is reflected in the actual amounts (£) that men and women want to save, it is interesting that women have consistently aspired to contribute more of their income to savings, with their ideal amount as a percentage of income generally around 15%. This quarter men are beginning to close this 'aspiration' gap, with ideal savings as a percentage of income increasing from spring 2006 (12.7% to 13.4%) while for women aspirations have declined in the past year (15.5% to 14.7%).

In terms of both ideal savings per head and ideal savings as a percentage of income, men are currently driving forward the positive savings intentions of the British population.

Savings trouble for '30-somethings'

The 35-44 year-olds seem to be struggling with saving across the board. This is the only age group where all of the savings indicators have decreased from the levels recorded in spring 2006, with most at a similar level or lower than those recorded in spring 2005. Over half (52%) of this age group do not regularly save money from their monthly income, and 15% do not save at all. These figures are both higher than those recorded for the adjoining age groups. In addition, two fifths (40%) of this group who have savings believe they do not have enough to cope in an emergency.

Nearly two thirds (64%) of 30-somethings state that they cannot afford to save as a result of too many outgoings. This figure is lower for 25-34 year-olds (57%) and for 45-54 year-olds (51%); the average across the population is 52%. Part of this may be due to those in their 30s over-extending themselves, with 39% admitting to overspending. This is higher than the population average of 33%. Another reason may be the increasing responsibilities that many in this age group have, including house purchase and children. It may be that the demands on their finances are putting so much pressure on income that they feel unable to save.

This drop in savings was predicted by this age group in the winter 06/07 savings outlook. People in the 35-44 age group were the least optimistic about their ability to save, with more than a third (38%) stating that they were less likely to save in the coming months.

Younger people also seem to be struggling with the 16-24 age group being the only group other than 30-somethings to record a drop in all six savings indicators since last spring, 2006.

While those in their 40s thrive

One age group that appears to have remained particularly healthy in its savings behaviour (apart from experiencing a slight decline in the number of regular savers) is the 45-54 year-olds, who have recorded the most positive spring savings behaviour across the last two years, with increases in levels in five of the six savings indicators.

The effect of age on ideals

The age breakdown of ideal savings levels is also very interesting to explore in more detail.

As with actual savings, the 35-44 year-olds appear to be struggling with their savings intentions. This spring is the first time, according to the ideal savings per head figures, that this age group does not have the most positive savings intentions.

Table A	Mean saved by those saving regularly	% of people who regularly save	Average saved per head	Amount saved as a % of income	Ideal savings per head	Ideal savings as a % of income
Men	£191.57	49%	£90.23	6.0%	£199.15	13.4%
Women	£154.81	43%	£65.59	6.0%	£158.80	14.7%

This is the first spring that the 25-34 and 45-54 age groups are recording higher levels of savings ideals (£) than the 35-44 year-olds. In fact the latter age group has lowered its savings sights since last year, recording an even lower target than that seen in 2005. Conversely, the 25-34 and 45-54 year olds have recorded their highest spring savings intentions since the survey began. Ideal savings as a percentage of income has also dropped marginally for the 35-44 year-olds (12.6%), and is the lowest for any age group recorded in spring 2007.

In addition to the 30-somethings group, the ideal savings per head for the 16-24 and 65+ year-olds have also declined since spring 2006.

Ideal savings per head (£) as a percentage of average income (%) by age group

	Spring 2007	Spring 2006	Spring 2005
16-24	158.30/17.8	168.44/20.2	147.11/22.0
25-34	212.33/13.8	189.05/13.2	188.11/14.3
35-44	191.57/12.6	205.03/12.7	193.67/12.9
45-54	192.69/13.4	176.07/12.4	186.53/13.4
55-64	167.33/14.1	162.59/12.2	170.59/15.5
65+	121.08/12.7	127.36/15.2	115.33/14.1

What stops people saving?

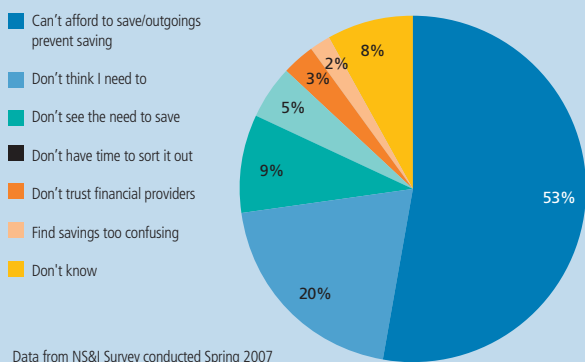
It is worrying that over half (53%) of the population do not save regularly from their monthly income.

Overall, of these:

- Over half (58%) save sporadically throughout the year, whenever they have some spare cash
- Nearly a fifth (17%) only save in the run up to certain times of the year, e.g. Christmas
- Nearly one in 10 (8%) put money aside every other month
- Nearly a fifth (17%) do not save at all

The most common reasons people give for not saving more are the strain outgoings place on disposable income, people feeling that they do not need to save more and not seeing the point of saving, the latter being a statement made in spring 2007 by one in 10 people (see graph 5, below).

Figure 5: What stops people saving more?



In addition, a third (33%) of Brits state that on a monthly basis they spend more than they ideally would, with nearly one in 10 (9%) confessing that they overspend by a lot. In addition, nearly one in 10 (7%) state that they do not know how much they would ideally be spending, revealing a lack of awareness about their financial limitations.

Financial mistakes and “therapy spending” are some of the main contributors to the large amounts of overspending. According to CreditExpert.co.uk:

- Over a quarter (26%) of the population overspend to cheer themselves up when they are feeling low
- Almost one in six (14%) overspend by treating themselves after a stressful day at work
- One in 20 (5%) overspend after an argument with their partner
- A quarter (25%) overspend by indulging in a passion or hobby

This spring, consumer spending has soared 9% to £1.9 trillion, including £23.8 billion on foreign holidays, £17.7 billion spent on restaurants and £400 billion spent on homes (including mortgage payments)¹, while total UK personal debt at the end of March 2007 stood at £1,318 billion².

With the increasing interest rates impacting on mortgage repayments and inflation resulting in higher costs (see: Economic Snapshot of Britain) many family budgets are being squeezed even tighter. With a further base rate increase predicted in the summer months, there are no short-term prospects of costs going down. As a result it is important that people take a good hard look at their finances and draw up a proper budget for the future. Many seem not to be planning for their financial future (see Research, page 7).

NS&I comments:

Many Britons seem to be adopting a very short-term approach to their finances, in many cases overspending in their everyday lives, building up debt, and failing to appreciate the importance of building up a savings cushion to provide financial security. At present nearly a third (30%) of people with savings do not think that they have enough to cope in an emergency. With over half of the population (55%) not planning for their financial future people are taking a serious risk with their financial health. NS&I urges people to think carefully about the lifestyle they would like to be living in the future. By making small changes in their current everyday spending habits, and thinking about the consequences of their financial decisions, such as the impact of high interest rates on repayments on borrowing, people will have more income available to save. When looking at finances, it is worth remembering that now is a good time to save through taking advantage of the higher interest rates available following the increase in the Bank of England base rate. People who are uncertain of how to go about making these changes can visit NS&I's Health Check service online at www.nsandi.com/savingneeds/healthcheck.jsp

¹ Mintel, May 2007
² Credit Action, April 2007

Regional

The figures provide an overall picture of how savings vary across different parts of the Great Britain.

For the first time, Greater London does not dominate the regions. In fact this quarter Wales is the most successful region for saving, with the highest number of regular savers, the highest average saved each month per head, and the highest monthly amount saved as a percentage of average income. The region also recorded the highest ideal level of savings as a percentage of income.

- Average monthly amount saved per head is highest in Wales: £97.46
- Highest number of regular savers is in Wales: 53%
- Highest average monthly amount saved by regular savers is in the South East: £200.98
- Highest amount saved as a percentage of income is in Wales: 8.1%
- Mean monthly income is highest for the South East: £1,587
- Highest ideal monthly amount of savings per head is in Greater London: £214.28
- Highest ideal savings as a percentage of average income is in Wales: 16.0%

Both East Anglia and the West Midlands are struggling with savings, lower incomes in the West Midlands are driving down amounts saved, while in East Anglia the number of regular savers is down.

- Average monthly amount saved per head is lowest in the West Midlands: £59.87
- Lowest number of regular savers is in East Anglia: 42%
- Lowest average monthly amount saved, by regular savers, is in the West Midlands: £124.24
- Mean income is lowest across the West Midlands: £1,103
- Lowest amount saved as a percentage of income is in East Anglia: 5.0%
- Lowest ideal monthly amount of savings per head is in the North East: £141.68
- Lowest ideal savings as a percentage of average income is in the South East: 12.5%

Economic snapshot of Britain in spring 2005/06/07

	Spring 2005	Spring 2006	Spring 2007
Bank of England Base Rate	4.75	4.50	5.50
FTSE	4964	5723	6621
Retail Prices Index - All items (ONS)	2.9	3.0	4.8
Gross mortgage lending £ billion (BBA)	13.7	17.7	18.6

Figures as at end of May in each year

Figure 6: Consumer savings pattern across GB regions: spring 2007

East of England

% of income saved*	5.01%
Average net income	£1245.50
% who regularly save	42%
Average amount saved**	£152.84

East Midlands

% of income saved*	6.71%
Average net income	£1260.10
% who regularly save	46%
Average amount saved**	£191.56

London

% of income saved*	6.12%
Average net income	£1386.18
% who regularly save	44%
Average amount saved**	£196.99

North East

% of income saved	7.09%
Average net income	£1107.30
% who regularly save	48%
Average amount saved**	£167.63

North West

% of income saved*	6.24%
Average net income	£1195.70
% who regularly save	45%
Average amount saved**	£167.94

Scotland

% of income saved*	5.52%
Average net income	£1194.29
% who regularly save	43%
Average amount saved**	£157.38



South East

% of income saved*	5.67%
Average net income	£1587.20
% who regularly save	47%
Average amount saved**	£200.98

South West

% of income saved*	6.54%
Average net income	£1207.20
% who regularly save	44%
Average amount saved**	£180.70

Yorkshire & Humberside

% of income saved*	5.59%
Average net income	£1143.10
% who regularly save	47%
Average amount saved**	£139.88

Wales

% of income saved*	8.07%
Average net income	£1207.80
% who regularly save	53%
Average amount saved**	£194.26

West Midlands

% of income saved*	5.43%
Average net income	£1103.22
% who regularly save	49%
Average amount saved**	£124.24

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

Data from NS&I Survey conducted Spring 2007

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

Will people save more or less in the coming months?

The savings outlook shows the likelihood of people saving more or less over the next three months

Negative attitude to saving short term

This spring, people have been feeling less positive about their ability to save in the coming summer months than they have been in the spring months.

When people were asked if they were more or less likely to save money in the next three months than previously, just under a third (31%) said 'less', compared to just under a quarter (23%) stating 'more'.

This is more pessimistic than previous years. The percentage who predicted a drop in savings was 29% in spring 2006 and 26% in spring 2005. This is the worst population outlook on savings from spring to summer since the survey began, indicating that people are feeling particularly negative about their ability to save. Only 4% of the population thought that they would be much more likely to save in the next three months. Given that current savings levels may be insufficient to support the population adequately as it grows older this decline in savings expectations is worrying.

Optimism about saving seems to decrease with age, with a tenth (10%) of over 65 year-olds optimistic about their savings future, compared to the optimistic 16-24 year-olds, of whom nearly half (48%) stated that they are more likely to save in the coming three months.

People in the 55-64 age group seem least optimistic about their ability to save, with more than a third (36%) feeling that they are less likely to save in the coming months.

Despite this pessimism, historical trends suggest that savings levels will improve from the spring to the summer quarter. Both the average saved per head and the average amount saved as a percentage of income have increased every spring to summer since the survey began.

Spring – summer 2005: Average saved per head: £68.85 to £81.36
 Amount saved as a percentage of monthly income: 5.8% to 6.6%
 Spring – summer 2006: Average saved per head: £84.20 to £87.85
 Amount saved as a percentage of monthly income: 6.5% to 6.8%

Will people save more or less in the coming year?

The savings outlook also shows the likelihood of people saving more or less over the next year.

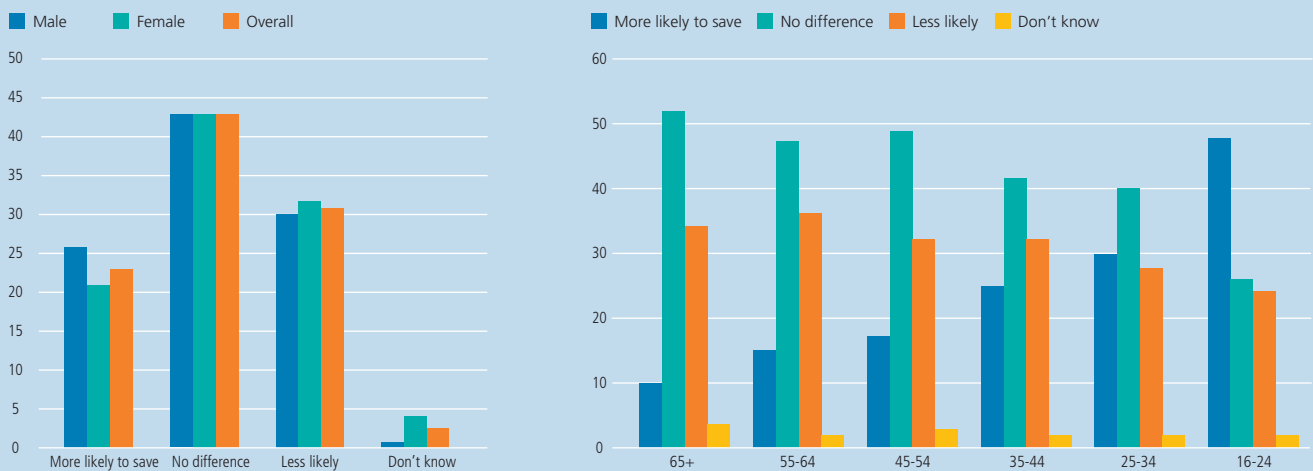
Longer term, people are positive...

Taking a long term view, people are consistently optimistic about their likelihood to save over the coming year with, this spring, a third of the population (32%) saying that they would save more in the next 12 months.

...but not as positive as last year

The figure recorded for the yearly outlook in spring 2006 was slightly higher than that recorded this year, with 35% predicting positive savings behaviour.

Figure 7: The population's savings outlook for the coming three months



Data from NS&I Survey conducted Spring 2007

False optimism; failure to plan

With over half (55%) of the population failing to plan for their financial future and a fifth of people (21%) stating that life is too short to worry about money, a large percentage of the population is seriously risking their financial security as they grow older.

As well as failing to plan, British people seem to be burying their heads in the sand about their finances, with many people expressing high levels of financial optimism that do not appear to be justified by their current situation. Tellingly, over a third (35%) of the population is 'a little worried' about its financial future, but is confident that it will all work out in the end.

This confidence does not seem to be founded in a certainty of future developments with many gambling on their earnings potential increasing. Even in the 35-44 age group a quarter (26%) believe that they will be earning more in the future, while a fifth (22%) of 45-54 year-olds believe this to be the case. Surprisingly, less than a fifth (17%) state they are confident that their property is a good investment which will continue to rise in value in the future.

Is the nation deceiving itself about its finances?

Lack of planning

Less than half (43%) of the population are planning for their financial future, with a tenth (11%) of these planners confessing that any plan they have is very vague. Only one in 10 (11%) state that they have a detailed plan. Of those people that do make a financial plan, well over a third (39%) are only planning for up to five years ahead.

Two thirds (66%) of people aged over 65 do not have a financial plan. With life expectancy in the UK currently 78.7

years, those in the 65 years and over age group should be cautious about neglecting to plan for the future. With income most likely to decline after retirement, it is essential that those over 65 continue to save and adjust spending habits, to ensure that they have funds available to support themselves for the remainder of their lives, often well over 10 years. This does not appear to be the case currently, with a quarter (25%) of people 65 years and over stating that they do not bother to think about their finances.

Those in the 45-54 age group appear most likely to have a plan of some description (54%), while the very young and very old are the least likely to plan, 39% of 16-24 year olds and 31% of people 65+ years have a plan of some description. While the younger age groups may not have taken the time to set this in place yet, a fifth (20%) state that their plan is a work in progress, it is important that they make time, as it is important to instill strong savings habits at an early age.

Women appear to find it particularly difficult to plan, with nearly two thirds (61%) having no financial roadmap for the future, compared to just 50% of men.

Nearly two thirds (63%) of people in the north of Britain do not have a financial plan, compared to half (52%) of those in the south.

Heads buried in the sand

More than one in seven people (15%) admit that they do not bother to think about their finances.

A fifth (21%) state that they do not worry about their future finances as life is too short. Once again the older age groups

Figure 8: Do you have a financial plan for the future?



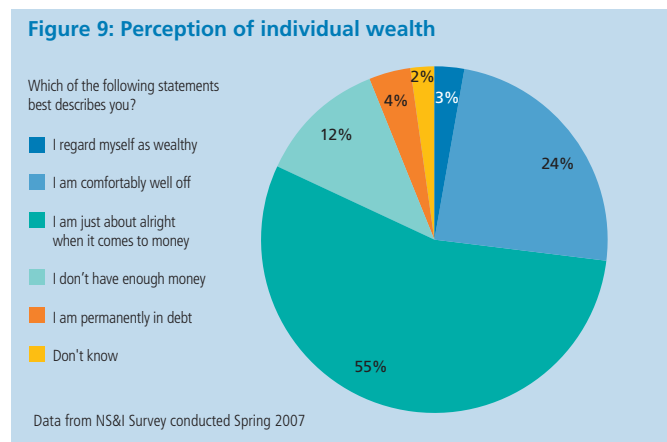
Data from NS&I Survey conducted Spring 2007

are the most blasé, with nearly a third (31%) of those 65+ years thinking that life is too short. This is also true for nearly a quarter of the 55-64 year-olds surveyed (24%) and almost a fifth (18%) of those aged 35 to 54.

More people in the north of England (24%) think that life is too short to worry about finances than in the south (18%).

Over a third (35%) worry a little about their financial future, but are confident that it will all work out in the end. Women appear particularly laissez-faire with 38% confident despite the niggling doubts, compared to just 33% of men. This is also true of four out of 10 (42%) of those under 45.

Figure 9: Perception of individual wealth



Confident about their finances

- Over half of the population think they are ‘just about all right’ when it comes to money (55%)
- Nearly a quarter think they are comfortably well off (24%)
- Men appear slightly more at ease with their current financial situation, with 28% rating themselves as ‘comfortably well off’, compared to 21% of women
- Of those surveyed, 3% think of themselves as wealthy
- Only 12% state that they currently do not have enough money. 17% state that their debt levels are manageable.

And it appears confidence grows as people consider the future. Over half of the population (57%) rate themselves as confident about their future financial prospects. One in ten (10%) rate themselves as extremely confident. Only 3% state that they are not confident about their future financial situation.

What is the current savings situation?

One of the most important steps to future financial security is to have sufficient money set aside in savings, not least to cope in the event of a financial emergency.

Nearly a third of people with savings (30%) believe that they do not have enough money in savings to cope in an emergency. This rises to 41% for 25-44 year olds.

Only 23% currently feel wealthy enough and financially secure as a result of money they have in savings, while only 13% of people feel financially confident in the future because of their savings.

12% of people do not have any savings and a further 21% of people have less than £1,000 in savings. Of those people, over

half (55% and 52% respectively) consider themselves secure when it comes to money.

Looking at these measurements of savings levels it suggests that some of these responses about financial confidence may be founded in false optimism.

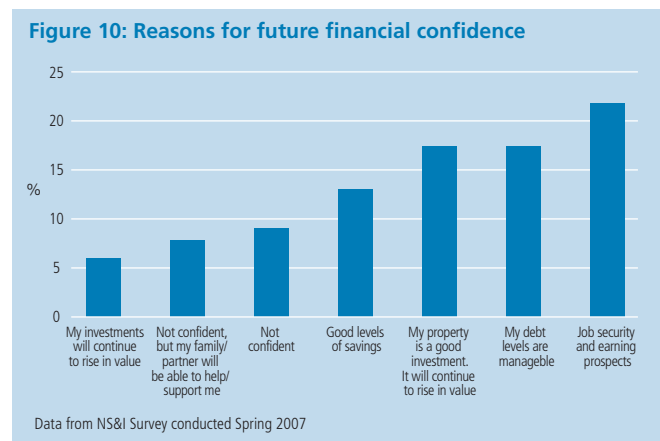
Where is this confidence founded?

To a large extent people appear to be gambling on their potential future earnings. Nearly a quarter of people (24%) are not worried about their current financial situation as they expect to be earning more in the future. While this could be an understandable statement from the 50% of 16-24 year-olds, it appears slightly optimistic for the 22% 45-54 year olds surveyed and even more so for the tenth (9%) of people over aged 55-64 years old who gave this response.

Despite the increasing value of property in Britain (average property prices have risen from £55,000 in April 1997 to £180,000 in April 2007), this confidence does not seem to be related to ownership of a house. Only 12% state that their current financial security comes from the money made on their houses and similarly just 17% state that looking to the future they are confident that their property is a good investment that will continue to rise in value.

Nor is confidence founded in people’s possessions and lifestyle making them feel wealthy, with only 4% of those questioned admitting this was the case. A similarly small number pinned their hopes on receiving a windfall in inheritance (4%). On a positive note, this confidence does not seem to be

Figure 10: Reasons for future financial confidence



founded in the idea of debt and borrowing – only 5% of those questioned said that they were confident in their financial security as they would always be able to borrow what they need.

Finally, it does not seem to be an over-reliance on friends and family. Just 8% state that while they are not confident about their future financial situation they are sure that their family or partner will be able to help them out and support them.

It seems that without much justification, either with regards to current finances or future developments, the population is extremely confident. This false optimism, combined with a worrying lack of planning could be setting the nation up for a financial fall.