

## NS&I Savings Tracker Examining savings behaviour across Britain

# Savers struggle despite high hopes

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 fifteenth Quarterly Savings Survey, covering the spring months of March, April and May 2008, are detailed below, along with key annual trends.

### In this issue

#### Quarterly Savings Survey Tracker

- The ideal monthly amount that the population wants to save has risen to its highest ever level, £195.67, but these aspirations are not being reflected in the amounts that people are actually managing to put away.
- The number of people who are regularly saving money each month has fallen to below half of the population (47%), compared with 52% in winter 07/8.
- The average amount saved per head across the population has fallen to £82.87 from £89.84 in winter 07/8.
- Both genders are struggling to set money aside; however men are in a slightly stronger savings position than women, respectively setting aside 6.66% and 5.99% of their monthly take-home incomes.
- The population is becoming increasingly pessimistic about its ability to save, both in the coming quarter and looking forward to the year ahead. 32% of people said they were less likely to save in the coming year.

#### Lifestyle Research – financial planning for holidays

Britain's holiday makers are failing to budget properly for their holidays, both for the initial expenditure and for the amount of spending money needed to have a good time while they're away. In addition, over three-fifths (61%) of the population admit to overspending while they are away.

Examining the savings indicators in spring 2008, a significant discrepancy is revealed between how much people ideally want to save each month and how much they actually do save. In fact it seems that only people who have made saving money a regular habit are achieving levels close to their aspirations, while the rest of the population struggles.

#### People want to save more this spring

This spring 2008, the average ideal amount that the British population said they want to set aside each month has risen to its highest figure since the Quarterly Savings Survey began in autumn 2004 when people aspired to save £175.28, to £195.67 this quarter. This figure has increased considerably since last quarter (winter 07/08; £185.76) and from the level recorded this time last year when it was £178.71. In fact, ideal savings levels have grown year-on-year in all the spring quarters. See figure 1.

The average amount that the population ideally want to set aside each month, as a percentage of their take-home income (income after tax, National Insurance contributions and other expenses) is also at its highest level, 14.99%. This figure is up from 14.69% last quarter (winter 07/08) and from 13.88% during this quarter last year, spring 2007.

Figure 1: Spring year-on-year ideal savings growth

	Spring 05	Spring 06	Spring 07	Spring 08
Ideal savings levels per head (£)	172.99	177.38	178.71	195.67
Percentage increase (%)	N/A	2.54	0.75	9.49

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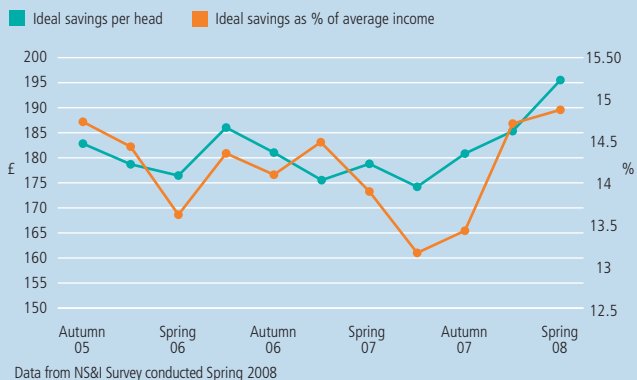
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**Figure 2: Ideal savings over time**



In view of the recent market uncertainty and significant accompanying media coverage, this increase in savings aspirations could reflect a desire to accumulate a more substantial savings 'pot', to ensure financial security during the coming months.

**Regular savers acting on their ideals**

People who regularly set money aside each month appear to be translating the higher savings aspirations, mentioned above, into action this spring through saving amounts not seen since the Quarterly Savings Survey began in autumn 2004 (on average £185.63 each per month). This figure has increased from winter 07/08 (£177.16) and from this quarter last year when it was (£173.63).

As with the average ideal amount (£) that the population wants to set aside each month, the average amount squirreled away by those saving regularly has also increased year-on-year during the spring months.

**Figure 3: Spring year-on-year growth in average amount saved by regular savers**

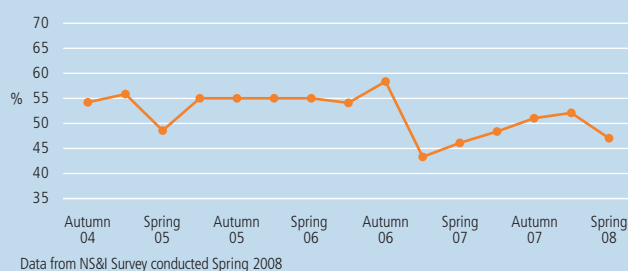
	Spring 05	Spring 06	Spring 07	Spring 08
Average monthly amount set aside by regular savers (£)	159.26	165.87	173.63	185.63
Percentage increase (%)	N/A	4.15	4.68	6.91

The most recent of these year-on-year increases has been the largest (see figure 3), recording a 6.91% growth. This suggests that regular savers consistently review the amount they set aside each month, increasing levels incrementally to counteract the cost of inflation. This spring it is possible that regular savers may have been further galvanised by economic events, giving greater weight to their focus on saving.

**Falling numbers of regular savers**

While regular savers are exhibiting positive savings behaviour, this quarter less than half (47%) of the population is setting money aside on a regular basis. This figure has fallen from 52% of the population last quarter, winter 07/08. As the chart shows, this is a declining trend. See figure 4.

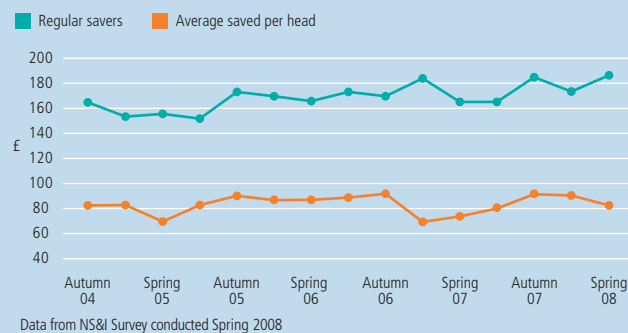
**Figure 4: Number of regular savers over time**



**The population is struggling to save**

As a consequence of the falling numbers of regular savers, the population as a whole is struggling to set money aside. Despite regular savers increasing the amounts they are setting aside each month, across the wider population the average saved per head has actually fallen this quarter to £82.87. This figure is lower than the £89.84 recorded in winter 07/08, despite the average monthly income increasing over the same period from £1,264.60 to £1,305.70.

**Figure 5: Average saved per head compared to regular savers**



In fact, the average amount saved across the population as a percentage of take-home income has decreased from 7.10% in winter 07/08 to 6.35% in spring 2008. This decrease puts an end to a period of sustained growth in the amount the British population was saving as a percentage of its monthly take-home income since winter 2006/07.

Figure 6: Amount saved as percentage of income

	Spring 07	Summer 07	Autumn 07	Winter 07/08	Spring 08
Amount saved as a % of the average income	6.02	6.22	6.81	7.10	6.35

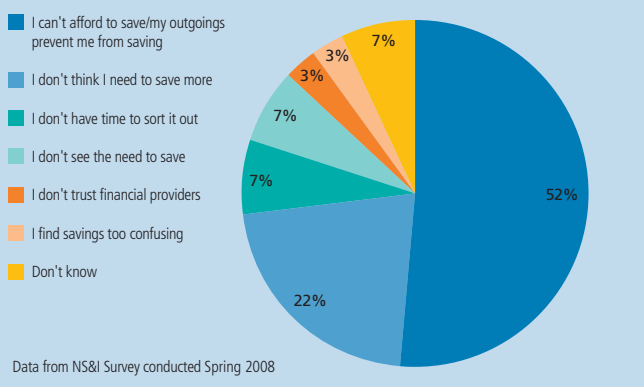
After reviewing each of the five key savings indicators, a conflicting set of results emerge. Despite the good intentions of the population as a whole, and the positive actions of regular savers, the wider population's actual savings behaviour demonstrates that, in general, people are struggling to set money aside.

**What's stopping people from saving more?**

So what is preventing people from reaching their ideal savings levels and from setting more money aside?

- Over half of the population (52%) stated that they can't afford to save, as their outgoings prevent them from setting more money aside. Given rising inflation rates (see economic snapshot – figure 10) and the associated increase in the cost of living, this may become even more of a barrier over the coming months.
- Just over a fifth (22%) of the population stated that they did not need to save more money. While this may be the case for a lucky few, for the majority the research indicates that this is a false belief, and one that could endanger their future financial security.

Figure 7: What stops people saving?



**Low savings offer little financial security**

As a consequence of the low savings levels noted this quarter, people are at risk of jeopardizing their financial security, especially in these times of financial uncertainty. The Quarterly Savings Survey reveals in spring 2008 that almost a quarter (23%) of all people have less than £1000 in their savings – of whom more than one in ten (12%) confessed to having no savings at all. Many of these people will almost certainly struggle to weather a financial storm. Indeed, when asked if they had sufficient savings to cope in an emergency, 31% of savers said they could not manage.

**Save more, save regularly, save for something...**

Given the findings of the Quarterly Savings Survey outlined, it seems that much of the population need to make changes to its savings behaviour in order to ensure financial security. In the current financial climate, as the squeeze on people's disposable income heightens, it is important that everyone takes a closer look at their incomings and outgoings. Paying attention to savings barriers will help people overcome problems and set more money aside on a regular basis.

It is apparent that a relatively large percentage of the population continue to overspend, with almost a third of people (30%) saying that they spend more each month than they ideally would like. Further, this has increased since winter 07/08 when only 27% said they were spending too much. The savings tips overleaf could help people to curb this habit.

**Figure 8: Making your money work harder**

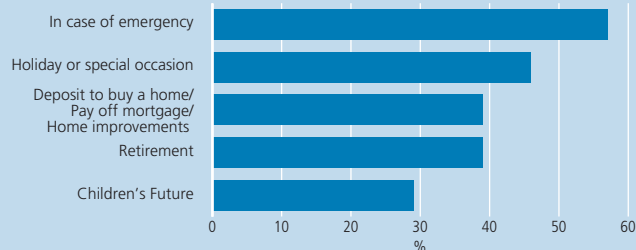
- 1) Cost of food** – Food costs are set to continue increasing over the course of the year. Consider growing your own vegetables and fruit as a cheap alternative to shopping at the supermarket. It is also a low-cost leisure activity for people of all ages.
- 2) Fun for free** – Make the most of free entertainment or days out when the weather is good. Why not consider a trip to the beach, visit your local park or enjoy one of the many council-funded activities or free concerts in your area?
- 3) Walk or bike to work** – With temperatures rising; consider walking or cycling to and from work and leave the car at home. Not only will this save you transport costs, it is also a great way to stay fit during the summer months.
- 4) Shop around** – take a break from the high street chain or designer store – head down to one of Oxfam’s new boutiques stores to bag a bargain from top designers. You’ll save money and help a good cause.
- 5) Holiday spending** – Keep an eye out for unexpected costs that will see your holiday spending spiral out of control. Set a fixed budget to keep spending in check (see the lifestyle section for more analysis of holiday money management).

Once finances have been examined thoroughly to reduce overspending and minimise waste, the easiest way to save is to commit to setting aside a realistic amount on a regular basis. As we have seen, at present only 47% of the population set money aside on a monthly basis. Closer examination of British savings habits reveals that of those not saving regularly:

- More than half (58%) save sporadically.
- Nearly a fifth (17%) only save at certain times of the year.

Another important practice to help achieve ideal savings levels is to set goals. It may be worth the 73% of savers who currently do not save for any specific reason, taking the time to set themselves more explicit goals and objectives. As an example, aspiring home owners are beginning to realise the real cost of putting down a deposit on a home. Setting aside a manageable regular sum would help prevent people getting into debt by having to come up with a deposit all at once.

**Figure 9: What are people saving for?**



Data from NS&I Survey conducted Spring 2008  
Top five options listed, respondents able to record more than one option

**Increasing focus on finances needed as economic forecasts are gloomy**

The April 2008 announcement by the Bank of England that inflation (CPI) had risen to 3% has important implications for Britain’s savers. This, the highest monthly increase since 2002, is further reason for the British to keep a tight rein on their finances. Over the past year, the combined increase in household bills was 12%<sup>1</sup>, while overall food costs witnessed a 7.2% increase. These growing expenses are likely to play a large part in straining people’s disposable incomes even further.

Families in particular may be struggling with their savings, as this spring 2008 over a third (34%) of British families had less than £1000 in their savings and nearly two-fifths (37%) did not think they had enough savings to cope in an emergency.

**Figure 10: Economic snapshot**

	Spring 06	Spring 07	Spring 08
Bank of England Base Rate (March figures) <a href="http://www.bankofengland.co.uk">http://www.bankofengland.co.uk</a>	4.50%	5.25%	5.00%
FTSE 100 (March figures)	6009	6249	5645
Consumer Price Index (April figures) <a href="http://www.statistics.gov.uk">http://www.statistics.gov.uk</a>	2.0%	2.8%	3.0%
Working age employment rate % (March figures – ONS) <a href="http://www.statistics.gov.uk">http://www.statistics.gov.uk</a>	74.5%	74.4%	74.9%
Gross Mortgage Lending £ – billion (April figures – CML) <a href="http://www.cml.org.uk">http://www.cml.org.uk</a>	£25.10bn	£27.42bn	£25.30bn

**For both men and women, savings levels lag far behind ideals**

Although men strive to set aside higher amounts in pounds, women want to save a higher percentage of their monthly take-home income. For the first time since the Quarterly Savings Survey began, women are aiming to save over 16% (16.13%) of their income, compared with 14.30% for men. It is encouraging that women's ideals are moving closer to the recommended saving level of 20% of monthly income. However, both sexes continue to struggle to turn these ideals into reality.

Women are consistently saving less each month (£66.51 compared with £100.22 for men) and, although this could be explained by differences in their income levels (average monthly income for women, £1093.30, for men, £1505.50), the data shows that women are saving a smaller percentage of their income than men. On average women are setting aside 5.99% of their income compared with 6.66% for men.

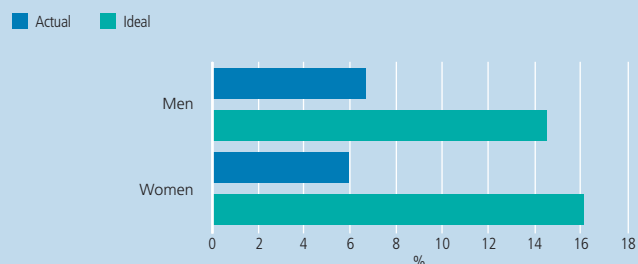
Male regular savers also seem to be in a stronger position than females in this group, having recorded the highest ever figure for the average amount saved per month- £206.06, up from £196.63 during winter 07/08. In comparison, female regular savers are only managing to save £162.70 per month (an increase from £154.25 during winter 07/08). However, both sexes have seen a drop in the number of people regularly setting money aside. The percentage of men saving regularly has decreased from 58% in winter 07/08 to 51% this spring. For women, this figure has declined from 47% to 43% over the same period.

Data shows that the value of current savings for both men and women is low. More than a fifth (21%) of men confessed to having less than £1000 in savings: this rises to a quarter (25%) of women. Furthermore, more than one in ten women (14%) and 10% of men said they didn't have any savings at all. When questioned as to whether they felt they had enough money to cope in an emergency, a third of women (33%) said they did not think they had enough, compared to 29% of men.

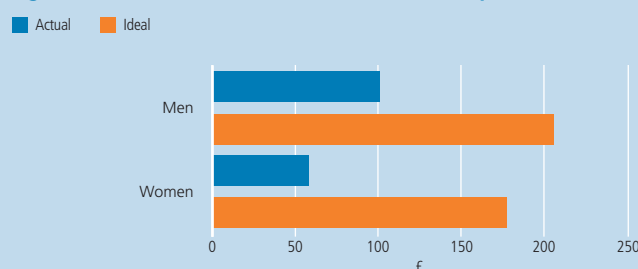
**Older people's targets slipping**

While both genders seem to be exhibiting similar savings behaviour this quarter- contributing equally to the wider picture- taking a closer look at the actions of different age groups reveals some interesting anomalies. This spring has seen a decline in savings levels for some of the older generations, suggesting that they may be struggling to cope or their spending priorities have changed.

**Figure 11a: Actual and ideal amounts saved as a % of take home income**



**Figure 11b: Actual and ideal amounts saved in pounds**



Data from NS&I Survey conducted Spring 2008

- Amount saved as a percentage of income is at its lowest ever figure for the 65+ age category, down from 4.73% in spring 2007 to 3.84% this quarter. This decline is in contrast to the youngest age group, the 16-24 year-olds where the same index has risen from 8.16% in spring 2007 to 10.30% in spring 2008- possibly the younger groups are less affected by inflationary pressures.
- The 45-54 year-olds also appear to be struggling to make regular contributions to their savings. The amount of regular savers in this category has declined from 55% during winter 07/08 to 45% this quarter. This figure had previously reached a high of 63% in autumn 2006. This age group is also experiencing a drop in their ideal savings, down from 14.71% of their monthly take-home income during winter 07/08 to 12.93% this spring. This figure contrasts with the national data which shows that people are increasingly aspiring to save more.
- Despite the poor overall savings performance of the 45-54 age group, the regular savers are very committed to their task. The amount saved by 45-54 year-olds who save regularly has witnessed its highest ever level this spring, up to £211.29, an increase from £193.97 during spring 2007 and £203.57 during winter 07/08.

Figure 12: Consumer savings pattern across GB regions

**East of England**

% of income saved <sup>1</sup>	7.55%
Average net income	£1298.40
% who regularly save	54%
Average amount saved <sup>2</sup>	£189.28

**East Midlands**

% of income saved <sup>1</sup>	4.97%
Average net income	£1268.41
% who regularly save	40%
Average amount saved <sup>2</sup>	£166.57

**London**

% of income saved <sup>1</sup>	6.86%
Average net income	£1427.61
% who regularly save	46%
Average amount saved <sup>2</sup>	£222.01

**North East**

% of income saved <sup>1</sup>	7.80%
Average net income	£1089.00
% who regularly save	47%
Average amount saved <sup>2</sup>	£187.14

**North West**

% of income saved <sup>1</sup>	5.64%
Average net income	£1183.00
% who regularly save	45%
Average amount saved <sup>2</sup>	£161.67

**Scotland**

% of income saved <sup>1</sup>	7.56%
Average net income	£1231.52
% who regularly save	55%
Average amount saved <sup>2</sup>	£176.14

**South East**

% of income saved <sup>1</sup>	5.71%
Average net income	£1442.80
% who regularly save	46%
Average amount saved <sup>2</sup>	£189.22

**South West**

% of income saved <sup>1</sup>	6.42%
Average net income	£1283.00
% who regularly save	52%
Average amount saved <sup>2</sup>	£165.96

**Yorkshire & Humberside**

% of income saved <sup>1</sup>	7.20%
Average net income	£1246.40
% who regularly save	50%
Average amount saved <sup>2</sup>	£194.06

**Wales**

% of income saved <sup>1</sup>	5.37%
Average net income	£1505.30
% who regularly save	43%
Average amount saved <sup>2</sup>	£191.94

**West Midlands**

% of income saved <sup>1</sup>	6.32%
Average net income	£1194.14
% who regularly save	44%
Average amount saved <sup>2</sup>	£180.12



Green – Highest %

Orange – Lowest %

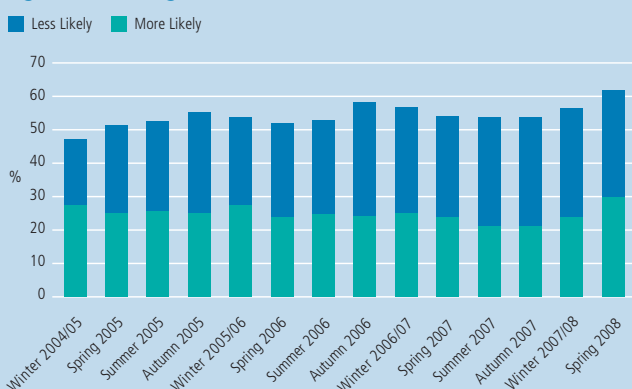
<sup>1</sup> % of income saved for total population of the region  
<sup>2</sup> Average amount saved by those who regularly save

Data from NS&I Survey conducted Spring 2008

# 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

Figure 13: Savings outlook



Data from NS&I Survey conducted Spring 2008

When people were asked if they were more or less likely to save money in the next three months than previously, a third (33%) said 'less', compared to just over a fifth (21%) stating more.

The percentage of people less likely to save is higher than recorded for previous springs. Further, people seem to be becoming more pessimistic over time, with 33% less likely to save this quarter compared to 31% in spring 2006, 29% in spring 2005 and 26% for the same quarter in 2004. At the same time the number of people believing that they will be able to save more has dropped year-on-year, (25%, 2005; 23%, 2006; 23%, 2007; 21%, 2008).

**Will people save more or less in the coming year?**

Looking toward the longer term, just under a third of the population (30%) state they are more likely to save in the next 12 months, dropping only from 35% to 30% in the last two years, despite the current financial uncertainty.

While people are remaining optimistic about the likelihood to save in the coming year, this optimism is not as high as it has been previously this time of year.

**Negative attitude to saving short-term**

This spring, people are feeling less positive about their ability to save in the coming months.

# Money management flies away as Britons go on holiday

With the average person spending well over £1,000 (£1131.30) per person a year on holidays and nearly one in ten (7%) splashing out more than £2,500, there can be no doubt that 'getting away' is a significant expenditure and one that deserves careful financial planning and attention. However, despite the amounts of money involved, the Quarterly Savings Survey reveals that many British holiday makers are failing to budget properly, both for the initial holiday expenditure and for the amount of spending money needed to have a good time while they're away. According to those surveyed overspending while abroad appears to be down to a lack of awareness of the value of foreign currency, as well as the head in the sand approach many take to money while on holiday. It seems this poor financial management can lead to some alarming outcomes as people come down to earth with a bump.

## Dream destinations

When booking a holiday, a fifth (20%) of holiday makers do not look at their financial situation and decide how much they can afford to spend; instead deciding where they want to go or what they want to do and then booking a holiday that fits with those requirements regardless of costs. Men are more likely to take this approach with just under a quarter (24%) booking a holiday with no thought to cost, compared to 17% of women. A further 38% take a cursory look at their finances although admit that they do not really stick to what they have decided they can afford, and may spend more if they see a holiday that they particularly like. Women seem to be particularly bad at this, with 41% tempted to set the budget aside, compared to just 35% of men.

## Spur of the moment, credit card splurges

Despite the amounts of money spent on booking holidays, worryingly, only a quarter (25%) of people save up specifically in advance. It seems that women are better savers than their male counterparts, with almost one in three (29%) saying they save up in advance compared to just over a fifth (22%) of men. Instead, when booking a holiday, over a fifth (21%) of Britons use their credit cards. Given the amounts involved, this tendency to pay by plastic to finance a break is worrying. A further third (33%) use money from their current account - which again is concerning as it may divert money from more essential financial commitments, forcing people to use overdrafts and to get into additional debt. With a fifth (21%) of the holiday makers tending to book holidays on the spur of the moment and less than one month in advance, it may be that people are not giving themselves enough time to save for these kinds of outgoings. Over a quarter (26%) of those with the lowest monthly personal take-home income (under £500) tend to book holidays on the spur of the moment.

<sup>2</sup> Total number of people between 16+ who go on holiday and spend money = 36,181,000  
12,914,000 (36%) claim that they don't overspend, therefore 23,267,000 do over spend.  
23,267,000 X average amount overspent on holidays per year is £133.38 = £3,103,352,460.

## Overspending while away

Once people are in the car, on the boat, or on the plane to their holiday destination it seems that their financial management often flies out of the window. With over three-fifths (61%) of holiday makers admitting to overspending while they are away, Brits' management of their holiday spending money seems to be worryingly uncontrolled. In fact, over a third (34%) do not set a budget for spending money and confess to not worrying what they will spend. Once again this is predominantly a male trait, with 38% of men adopting this attitude compared to 31% of women. Just over a quarter (26%) of the population actually sets a budget and sticks to it. And the extent of overspending is quite significant; on average, each person will overspend by over £133 on each holiday. Across the population just over £3 billion per year is overspent on holidays<sup>2</sup>. Men are more likely to overspend than women, with the former splashing out an extra £160.97, compared to £105.14 for the latter. Nearly one in ten men (8%) will overspend by over £500.

## Eat, drink, shop – a nation of holiday consumers

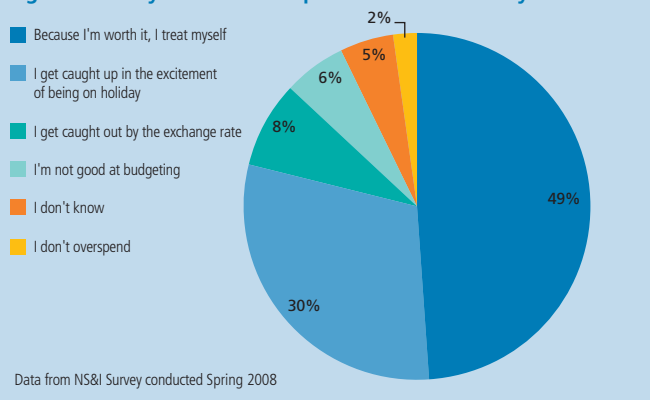
It seems that as a nation, we simply can't resist the urge to spend while on holiday. Well over half (57%) of people that overspend on holiday do so because they are buying items, whether that be clothes, accessories or things for the home. A similar number of people (56%) who spend more than they plan while they are away are splashing out on food and drink – it seems that it is more difficult to control our self indulgence when on holiday.

Another unexpected outgoing for just under a third (31%) of holiday makers is spending on 'extra activities' such as tennis, sailing and for the more daredevil of us, adventure sports such as bungee jumping. Also catching many of us (23%) out are those holiday costs that we know will or might arise, but always forget to budget for (for those that have a budget), such as transport costs to and from the hotel or airline fuel surcharges. Finally it seems that despite being away, we can't resist the gossip back home, with nearly one in ten (8%) holiday makers overspending on phoning home, keeping in touch with what's happening in their own back yard.

## Because I'm worth it?

Nearly half (49%) of Britons who overspend on holiday do so because they feel like they are worth it. A common argument is that people feel that they have worked hard all year and then, when they are away, they don't think about money. However, for nearly a third (30%) of people, overspending is a result of getting caught up in the excitement of being on holiday. It seems it is very hard to think about money when having fun.

**Figure 14: Why do Brits overspend when on holiday?**



Rather more worryingly, nearly one in ten (8%) attribute their overspending to a lack of understanding of exchange rates and being caught out as a result. While some (6%) declare that they are just no good at budgeting and are not realistic about costs.

**Few are saving to fund the fun**

The majority of people - two-fifths (40%) of holiday makers – simply draw money from their current account to fund their main holiday spending. A further 12% will predominantly use their credit cards. Men are more prone to do this than women, with 14% of the former putting it on the plastic, compared to 9% of women. The percentage of Britons who save up to accumulate some spending money while they are abroad is low; less than a third (29%) save up in advance, dropping to just 26% of men.

**Lack of understanding of cash in a foreign climate**

It seems that when Brits indulge in a foreign holiday their perceptions of money and budgeting changes. Over half (52%) of the population said they didn't pay as much attention to money when they were on holiday abroad as they would if they were in England. But even those who are paying attention may struggle as over two-fifths (43%) stated that foreign currency didn't feel as 'real' as English money. Confusion reigns as two-fifths (40%) said they were not always aware of the exchange rate when they were on holiday. Some people do try, but the effort of calculating the exchange rates soon puts them off. 43% of people claim that they try to mentally convert foreign currency into English pounds and pence at the start of their holidays but this rarely last the whole time that they are away.

**Alarming consequences**

When people return home from holiday, they can be in for a surprise. Over a quarter (26%) of holiday makers said they were alarmed at how much money they had spent. Given the amounts of overspending, this percentage could be higher. However nearly half (47%) of people admitted they did not look at how much money they had spent while they were away. Furthermore, a fifth (20%) of people said they were never surprised to find out how much they had spent on holiday because they didn't actually set themselves any limits on how much they could spend when away! This figure was higher among men, with almost a quarter (23%) admitting to not having any financial limits compared to just 18% of women. Knowing how reliant people are on their credit cards to pay for their holidays, and how much people are overspending, it is concerning that only a fifth (20%) said that they save up as much money as possible to pay off the debt when returning from holiday. Almost a third (31%) of Britain's holiday makers confessed that they were already thinking about their next holiday before they returned from the last.