

Savings Survey

Issue 8 Summer 2006

NS&I Savings Tracker Examining savings behaviour across Britain

Savings rate increasing

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

The results of the seventh Quarterly Savings Tracker, covering the summer months of June, July and August 2006 are detailed below, along with key annual trends.

Total value of savings

During summer 2006, the average person had £17,271 in savings (excluding pension contributions), up £1,500 from the summer 2005 value of £15,660.

The amount people think they should have in savings is £30,217, nearly double the amount that they actually have.

Against the backdrop of an increase in the cost of living, seen by rising inflation, an increase in savings levels over the year seems due to the savings message getting through, helped by rising incomes. Average personal monthly take-home income is £1,292.70, or approximately £15,500 take-home pay per annum, after tax and national insurance. This is the second highest level recorded since the survey began.

Overall savings levels increasing

- Average monthly amount saved per person in Britain during the summer months of June, July and August 2006: £87.85
- This is higher than last quarter, spring 2006, (£84.20), and this time last year, summer 2005, (£81.36) showing savings messages are starting to bear fruit
- Highest level recorded: £89.11 in autumn 2005.

Brits still need to save more

- Mean monthly income for individuals in Britain was, this quarter, at its second highest level since the survey began, but not all of this additional income is going into savings
- Mean amount saved as a percentage of average income this quarter, summer 2006, was 6.80%
- Highest average level across the population was 7.16% in autumn 2005.

Those who save are committed to the task

This quarter sees regular savers – those who save every month – committing to the highest amount recorded in the last two years, at £174.50 per month, a substantial step up from the amounts saved both at this time last year £158.26, and in spring 2006, £165.87.

Also in this issue

Savings rate continues upward trend

Average amount saved monthly during summer 2006 was £87.85 or 6.8% of average income, up from £81.36 or 6.6% in summer 2005.

Women save less than men

Women save less of their income than men, 6.74% compared to 6.95%, in contrast to last quarter: 6.84% compared to 6.37%.

Savings outlook

Young people have the most positive outlook, with those under 35 showing the most optimism about saving more money over the coming months.

What women want

A healthy bank balance is more important to women (45%) than good looks (38%). 69% of men rated looks as important in a partner, while only 22% valued strong finances highly.

Can you buy happiness?

Financial security is important to the success of relationships for 64% of people, particularly those aged over 65.

Best value savings products

Instant access accounts and regular savings accounts top savings rates tables, with fixed rate bonds also in the top three this quarter.

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Too many people are still failing to save regularly

In summer 2006, 54% of the population regularly put aside savings each month, which compares to 55% in spring 2006 and summer 2005.

Of those people who do not save regularly, half save sporadically throughout the year and nearly a fifth save in the run-up to certain times of the year, such as Christmas. Worryingly, just under one quarter (24%) of the population does not save at all.

Disciplined monthly savers will see the rewards at the end of the year, as seen when comparing projected overall savings per year for regular, (£2,094), and the total population, (£1,054), which includes both regular and irregular/non-savers.

Recommendation from NS&I's savings strategy team

In order to manage finances in the best possible way it is important to take a disciplined approach, saving a manageable amount each month. One easy way to accomplish this is by setting up a monthly standing order from your bank account directly into a savings account.

Good savings intentions

People are gradually recognising again the importance of saving, and are adjusting their savings goals accordingly.

The ideal amount of income people believe they should be saving is at the highest level since the survey began in 2004, at £186.30 per month, increasing from £171.11 a month this time last year.

This equates to 14.41% of income, with the highest figure, 14.75% achieved in autumn 2005. Women continue to exceed these levels, aspiring to save over 15% of their income.

Recommendation from NS&I's savings strategy team

As a rule of thumb individuals should aim to have three times his/her monthly income as an emergency fund in an easily accessible place such as an instant access account.

Summer 2006: What are people saving for?

- Home (purchase, renovation, mortgage repayments): 24%
- Holiday: 22%
- Rainy day: 22%
- Retirement: 20%
- Children: 11%

Summer 2006: What stops people from saving?

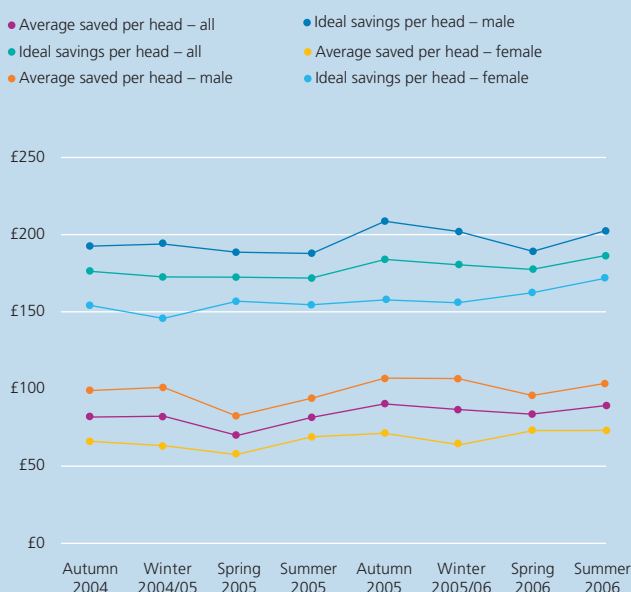
- Not enough income: 27%
- Too many demands on finances: 20%
- Live for the moment, rather than save: 12%
- Don't think they need to save more: 10%
- Don't know why they don't save any more: 9%

Data from NS&I Survey conducted Summer 2006. Top five of 10 options listed.

Women still lagging behind despite best intentions

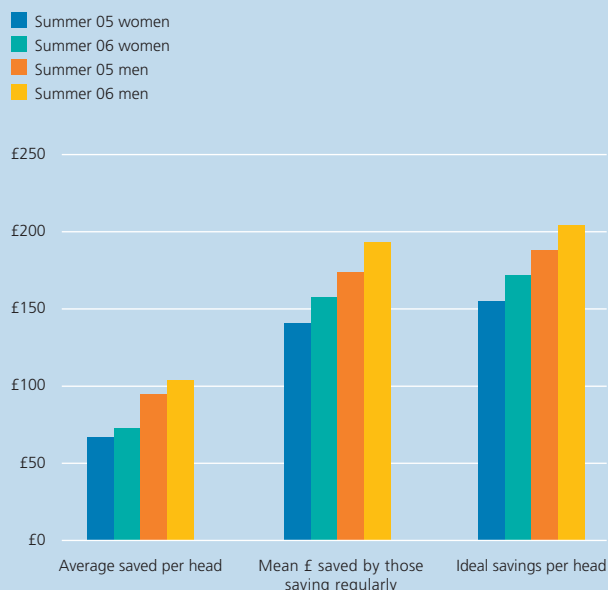
Women trailed behind men in every savings category this quarter, compared to last quarter when they were saving more than men as a percentage of income. However, this is the result of men increasing their savings rather than women cutting back. The following are some of the highest figures recorded for women since the survey began.

Figure 1: Actual versus ideal savings (£) by gender



Data from NS&I Survey conducted Summer 2006

Figure 2a: Savings level by gender



Data from NS&I Survey conducted Summer 2006

- Monthly average saved by women: £72.74 (6.74% of income) *spring 2006 (£71.64), summer 2005 (£66.75)*
- Monthly average saved by those women who save regularly: £155.89 *spring 2006 (£147.29), summer 2005 (£140.06)*
- Number of women regular savers: 51% *spring 2006 (54%), summer 2005 (51%)*
- Individual ideal savings for women: £170.46 per month *spring 2006 (£162.28), summer 2005 (£154.45)*
- Ideal savings amount for women, as a percentage of income: 15.80%, *spring 2006 (15.49%), summer 2005 (14.88%)*
- Average amount saved by the female population as a percentage of income: 6.74%, *spring 2006 (6.84%), summer 2005 (6.43%)*
- Monthly average income for British women: £1,078.80

While the average monthly income for women is at its highest level and is over £40 higher than the same period last year, this remains significantly less than the figure for British men (£1,490.80). This may help to explain the continued savings gap between the genders.

Men back on track

Men’s savings behaviour is back on track after a poor performance in the last quarter.

- Monthly average saved by men: £103.60 (6.95% of income) *spring 2006 (£96.04), summer 2005 (£94.96)*

- Monthly average saved by those men who save regularly: £191.21 *spring 2006 (£182.03), summer 2005 (£172.98)*
- Number of men who are regular savers summer 2006: 57% *spring 2006 (56%), summer 2005 (59%)*
- Individual ideal savings for men: £202.60 per month *spring 2006 (£191.20), summer 2005 (£186.58)*
- Ideal savings amount for men across the population, as a percentage of income: 13.59%, *spring 2006 (12.68%), summer 2005 (13.45%)*
- Average amount saved by the male population as a percentage of income: 6.95%, *spring 2006 (6.37%), summer 2005 (6.84%)*

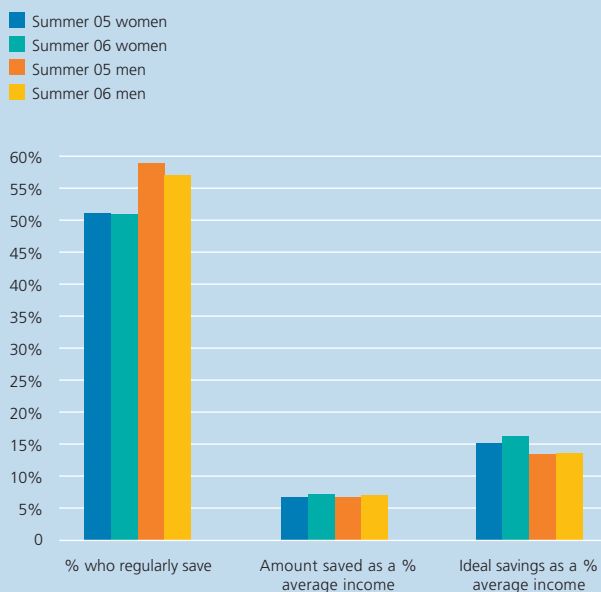
Men increased their savings levels in every category since spring 2006, and all categories except ‘the percentage of people who regularly save’ have increased since summer 2005.

Early savings essential to get on the savings ladder

Savings levels among young adults (16-24 year-olds) appear to be among the healthiest of any age group, and an examination of the different levels of savings across age groups suggests that these savings at an early age are critical for seeing young people through their early years in the “real world”.

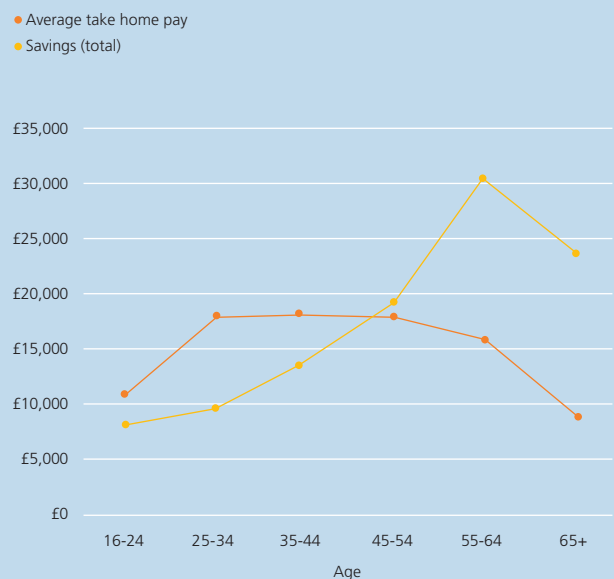
16-24 year-olds, who rely to a large extent on childhood savings, have an average annual take-home pay of just £10,793, but typically have £8,177 in savings, possibly built up over the years from contributions made by parents, grandparents or other relatives and family friends.

Figure 2b: Savings level by gender



Data from NS&I Survey conducted Summer 2006

Figure 3: Relationship between annual take home pay and total value of savings by age



Data from NS&I Survey conducted Summer 2006

Analysis of the 25-34 age group, which takes home significantly more (£17,942), total savings come to an average of £9,748 which shows only a marginal increase over their younger peers.

It appears that the cost of education, kicking in at the same time as the loss of parental subsidy and higher living costs, makes savings something of a short-term proposition for young people.

It is clear that without the initial savings cushion to get them on the savings ladder, many younger people would have very small margins for financial error or misfortune.

The ratio of total savings to salary doesn't recover until people reach the more affluent 35-44 age group.

Beyond this, savers seem to raid savings pots less often and the nation's nest-eggs gain momentum, peaking among the older generation (55-64) who have a savings:salary ratio of almost 2:1.

It pays to be married

When it comes to putting money aside, married couples are still in the lead, sharing the day to day financial burdens, and well exceeding British averages. Singletons are second with all regular financial demands falling on just one pair of shoulders. Divorced, widowed or separated individuals still appear to be struggling with their financial burdens.

	Married	Single	Divorced etc
Average savings levels across group (per month)	£103.37	£83.26	£55.91
% regular savers	58%	52%	48%
Amount saved by regular savers	£191.32	£167.58	£132.68
Ideal amount this group would save (per month)	£207.76	£177.24	£141.55

The more you earn, the more you overspend

Keeping control of spending as well as saving appears difficult across the board, with the major hurdle being overspending.

Even people with savings suffer, with 40% on average spending more each month than they would like to. On average £180.99 a month. 11% say they substantially overspend.

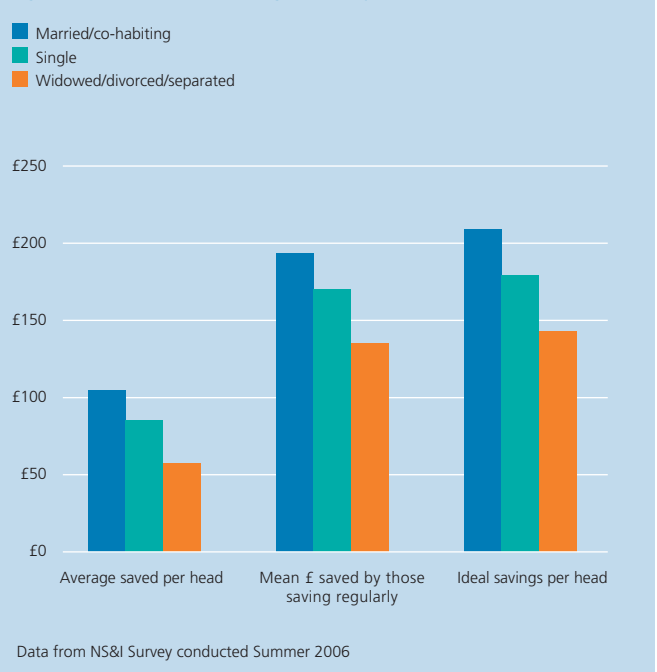
People who earn more are not necessarily in greater control of their finances, with over half (52%) of people earning between £2,500 and £2,999 per month spending more than they intended, by an average of £232.14. Of those earning £500-£599 per month just 39% overspend by an average of £147.17.

Not curbing spending also appears to affect more women, with 42% overspending (compared to 38% of men), while men have a tendency to blow bigger sums, £208.29 (compared to £156.59 for women).

Recommendation from NS&I's savings strategy team

Budgeting properly is essential for successful financial management. This should include determining exactly what you have as discretionary income. Deciding how much you would like to save and spend each month is an integral part of this.

Figure 4: Comparison of savings levels by marital status



Regional

Greater London is renowned for being an expensive place, and having higher incomes accordingly. It seems that these increases also apply to the savings behaviour of this region, with Greater London topping the regions in many of the savings categories.

- Average monthly amount saved per head is highest in Greater London: £111.28
- Highest number of regular savers is in Greater London: 58%
- Highest average monthly amount saved by regular savers is in Greater London: £208.01
- Mean take home income is highest for Greater London: £1,572.65 per month
- Highest ideal monthly amount of savings per head is in Greater London: £224.89
- Average monthly overspend in Greater London: £229.29 per month

Figure 5: Regional trends: Summer 2006

North West

% of income saved*	6.66%
Average net income	£1119.10
% who regularly save	55%
Average amount saved**	£148.90

West Midlands

% of income saved*	6.66%
Average net income	£1140.01
% who regularly save	52%
Average amount saved**	£160.69

Wales

% of income saved*	6.98%
Average net income	£1223.70
% who regularly save	53%
Average amount saved**	£174.94

South West

% of income saved*	5.68%
Average net income	£1290.80
% who regularly save	52%
Average amount saved**	£146.63

South East

% of income saved*	6.98%
Average net income	£1434.50
% who regularly save	55%
Average amount saved**	£196.72

Scotland

% of income saved*	6.77%
Average net income	£1271.04
% who regularly save	53%
Average amount saved**	£173.59

North East

% of income saved*	6.97%
Average net income	£1023.90
% who regularly save	53%
Average amount saved**	£145.24

Yorkshire & Humberside

% of income saved*	7.62%
Average net income	£1101.00
% who regularly save	54%
Average amount saved**	£164.79

East Midlands

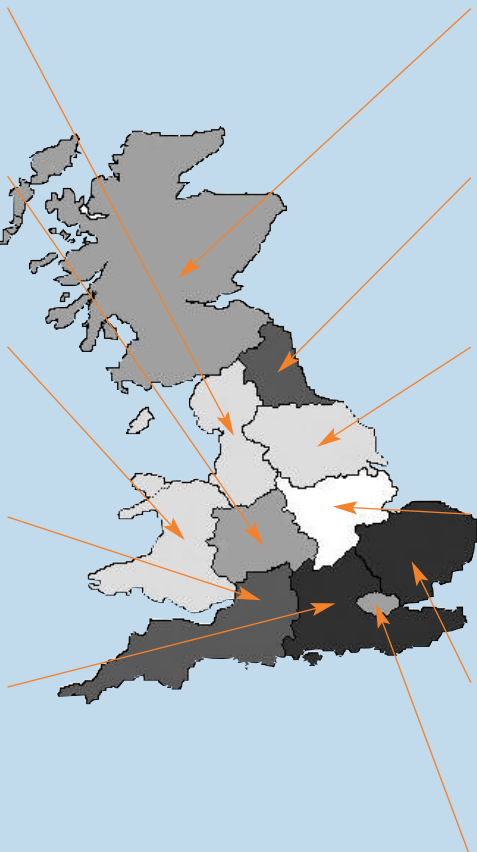
% of income saved*	5.84%
Average net income	£1457.53
% who regularly save	54%
Average amount saved**	£170.50

East of England

% of income saved*	7.80%
Average net income	£1265.00
% who regularly save	55%
Average amount saved**	£192.67

London

% of income saved*	7.08%
Average net income	£1572.65
% who regularly save	58%
Average amount saved**	£208.01



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

*% of income saved for total population of the region

**Average amount saved by those who regularly save

Data from NS&I Survey conducted Summer 2006

Only two counties exceed Greater London in any categories, and these are:

- Highest amount saved as a percentage of income is in East Anglia: 7.80%
- Highest ideal savings as a percentage of average income is in Yorkshire and Humberside: 15.38%

Lowest levels vary from one region to another depending on the savings category, however the North East is the region that appears to be struggling the most.

- Average monthly amount saved per head is lowest in the North East: £71.40 (British national average: £87.85)
- Lowest regional number of regular savers are in the South West and the West Midlands: 52% (British national average: 54%)

- Lowest average monthly amount saved by regular savers is in the North East: £145.24 (British national average: £174.50)
- Mean take home monthly income is lowest for the North East: £1,023.90 (British national average: £1,292.70)
- Lowest amount saved as a percentage of income is in the South West: 5.68% (British national average: 6.8%)
- Lowest ideal monthly amount of savings per head is in the North West: £164.22 (British national average: £186.30)
- Lowest ideal savings as a percentage of average income is in the East Midlands: 12.33% (British national average: 14.4%)

Will people save more or less in the coming months?

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

Looking back, looking forward

Savings levels in Britain increased significantly from the last quarter and over the last year (summer 2005 – summer 2006). The outlook for autumn is not so positive, predicting a drop in savings in the next three months (-5%). This predicted decrease goes against past data which suggests that savings levels will increase in the autumn.

The increase in the Bank of England base rate on 3 August 2006 made many savings products more attractive, but savings levels may be affected as the base rate rise also resulted in an increase in the cost of repaying debt (i.e. mortgages).

This is a more negative outlook than was registered at this time last year, decreasing from -1 in summer 2005. The figure for this quarter is slightly more positive than for spring 2006, which was recorded at -6.

Men more positive

Neither men nor women are particularly positive about meeting their savings targets, however, the trends suggest that men are

always more positive than women, and this quarter is no exception, with men registering a likelihood to save of -4, compared to women's -7.

Young look on the bright side

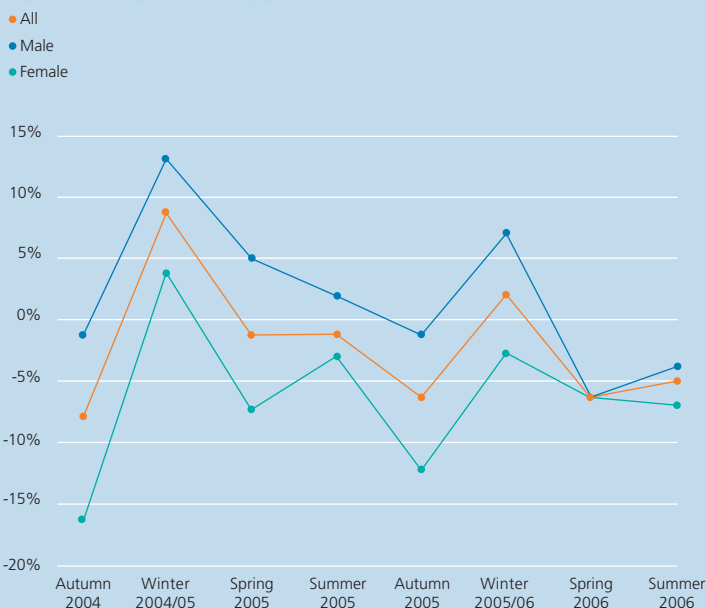
The young once again have the most positive savings outlook, with those aged under 35 registering an optimism about saving more money in the coming months. This mirrors their optimistic savings aspirations and their determination, despite lower incomes to save a higher proportion than the norm. The 16-24 age group has increased in optimism from summer 2005 from +14 to +24.

All those over 35 have a negative outlook on savings and it gets progressively worse with age. Additionally they seem to be becoming more negative over time. All of the over 35s have decreased their likelihood to save since this time last year. With the exception of those 55-64, where there has been no change.

Regional overview

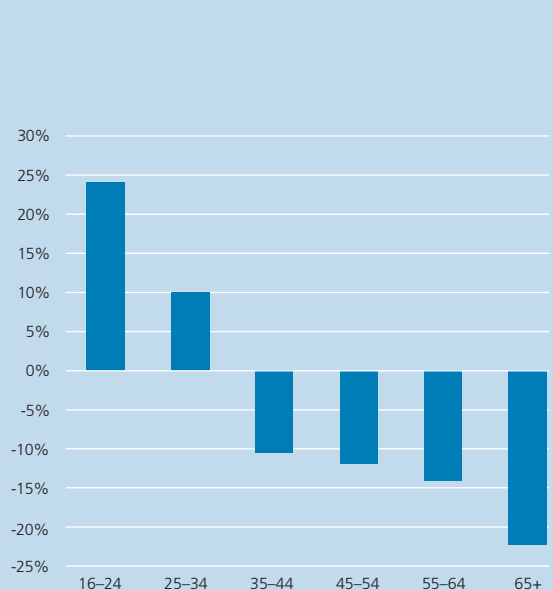
- Scotland has the worst savings outlook (-13).
- The West Midlands are the most optimistic (+1). This is the only region to show a positive savings outlook for summer 2006.

Figure 6: Savings outlook by gender



Data from NS&I Survey conducted Summer 2006

Figure 7: Savings outlook by age



Financial prowess tops women's relationship agenda

45% of women but just 22% of men rate healthy bank balance as important in a partner

Finances have significant influence on attitudes towards relationships among both sexes, both in terms of what people are looking for in a partner, but also their aspirations in terms of salary and savings. The research also suggests that the security money can bring is key to successful relationships.

Good looks versus money

- When it comes to what people are looking for in a partner, a healthy bank balance (including savings) is more important (45%) than good looks (38%) among women
- Surprisingly, a healthy bank balance comes above home ownership, with only 28% of women rating it as important
- Men, on the other hand, put good looks above financial criteria, perhaps reflecting their traditional role as the primary breadwinner
- Nearly half of women (45%) think that a healthy bank balance is important compared to only a fifth of men (22%)
- Nearly twice as many men rate good looks as important in a partner (69% compared to 38% of women)
- More men than women rate affectionate behaviour as important in a partner (84% compared to 79%)
- 28% of women would much rather their partner was a home owner, compared to just 17% of men

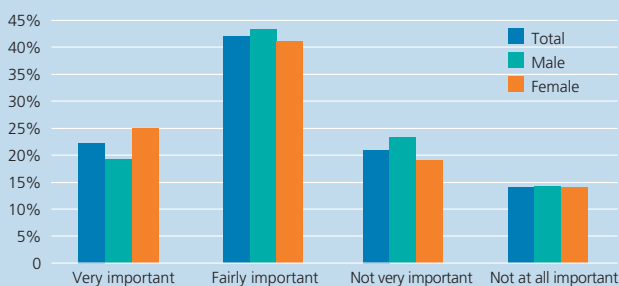
This is in line with the findings of the Savings Tracker which shows that, in general, women have the greatest aspirations in terms of their own savings levels, although the reality is somewhat different. It may be that men are traditionally regarded as breadwinners and that women realise and accept that their average incomes and savings are lower than men.

The North South divide

There is a clear divide when it comes to attitudes around the UK. In the South, £52,270 is the salary that means 'successful and wealthy', compared to £41,744 in the North.

In terms of regional variations, the Welsh have the lowest expectations at just £33,667. No doubt mindful of high house prices and cost of living, those living in Greater London expect almost £25,000 more than the Welsh, with £58,925 the salary level for someone to be regarded as 'successful and wealthy'. Although people tend to expect a lot when it comes to bank balances, few have used their salary as a way of impressing a potential partner. Just 7% of men have used this tactic to impress, compared to only 2% of women. However, 6% of people admitted that they would use their salary to impress if they could.

Figure 8: The importance of financial security in the success of relationships



Data from NS&I Survey conducted Summer 2006

Women's high expectations

When putting a figure to the annual salary which would mean that a partner is considered "successful and wealthy", expectations are high:

- For women, a salary of £49,247 is the sum that puts a partner in the "successful and wealthy" category
- This compares to men who have lower expectations of £42,147
- And nearly one in ten females (8%) would consider a successful and wealthy partner to be earning over £100,000, compared to just 5% for men

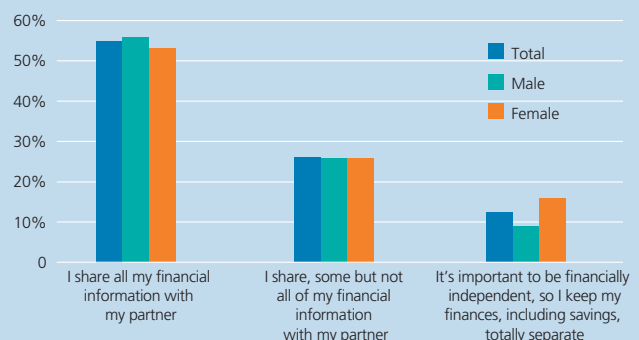
There are similarly high expectations when it comes to the level of savings a partner or potential partner should have if they are to impress. On average, women want a partner with more savings than men do at £24,281, compared to £15,143.

Financial security for a happy relationship?

For the majority of respondents (64%), financial security is important to the success of their relationship. For women, financial security is a higher priority than for men; with 66% saying that it is important, with one quarter thinking it is very important. Just 14% of all respondents think that it isn't important at all.

The importance of financial security in relationships is relatively constant across all ages, except the 65 plus age group, where it leaps to 77% of respondents. Clearly, having no money worries is key to having a happy and secure retirement.

Figure 9: People's attitude towards sharing financial information within relationships



Data from NS&I Survey conducted Summer 2006

The savings product comparator

Product		June	July	August
Instant access	Highest	6.05%	6.05%	5.25%
	Mean	2.60%	2.58%	2.56%
	Lowest	0.25%	0.25%	0.25%
Internet only	Highest	4.95%	4.95%	4.95%
	Mean	4.42%	4.42%	4.43%
	Lowest	3.00%	3.00%	3.00%
No notice	Highest	4.95%	4.95%	4.95%
	Mean	4.50%	4.57%	4.58%
	Lowest	3.97%	3.97%	3.97%
No notice without bonus	Highest	4.85%	4.85%	4.85%
	Mean	3.86%	3.87%	3.92%
	Lowest	0.50%	0.50%	1.30%
Notice	Highest	5.06%	5.06%	5.00%
	Mean	3.18%	3.16%	3.17%
	Lowest	0.50%	0.50%	1.00%
Children's	Highest	5.30%	5.25%	5.25%
	Mean	4.16%	4.14%	4.14%
	Lowest	1.51%	1.51%	1.51%
Mini cash ISAs	Highest	5.25%	5.20%	5.30%
	Mean	4.50%	4.49%	4.50%
	Lowest	3.35%	3.35%	3.35%
Current accounts	Highest	4.05%	4.05%	4.05%
	Mean	1.21%	1.21%	1.21%
	Lowest	0.10%	0.10%	0.10%
Monthly interest	Highest	5.25%	5.25%	5.25%
	Mean	3.23%	3.25%	3.24%
	Lowest	0.20%	0.20%	0.20%
Regular savings accounts	Highest	8.00%	8.00%	8.00%
	Mean	4.64%	4.64%	4.63%
	Lowest	2.25%	2.25%	2.25%
All fixed rate bonds	Highest	5.35%	5.50%	5.52%
	Mean	4.63%	4.67%	4.72%
	Lowest	3.01%	3.01%	3.01%
Fixed rate bonds 1 year	Highest	5.25%	5.27%	5.45%
	Mean	4.63%	4.66%	4.70%
	Lowest	3.70%	3.70%	3.70%
Fixed rate bonds 2 years	Highest	5.35%	5.31%	5.35%
	Mean	4.64%	4.69%	4.76%
	Lowest	3.15%	3.15%	3.15%
Fixed rate bonds 3 years	Highest	5.31%	5.41%	5.47%
	Mean	4.65%	4.73%	4.79%
	Lowest	3.76%	3.76%	3.80%
Fixed rate bonds 5 years	Highest	5.31%	5.50%	5.52%
	Mean	4.56%	4.59%	4.52%
	Lowest	3.01%	3.01%	3.01%

Rates for June, July and August correct at 1st of each month.
August's rates do not include the base rate rise.

All rates are for balances of £5,000, except mini cash ISAs: £3,000.

Rate rise yet to feed through

The Bank of England unexpectedly increased interest rates in August, to combat rising inflation. The quarter-point increase in the base rate to 4.75 per cent was its first for two years, and the third year in a row it has moved interest rates in the month of August.

The speed of reaction of banks and building societies will depend to an extent on how the wholesale money markets perform, but it is expected that a positive update on the impact of the rate change on the savings market will be reported in the autumn Quarterly Savings Survey.

Instant access accounts top the rate table again

Instant access accounts and regular savings accounts continue to offer the highest potential savings rates, with fixed rate bonds joining them in the top three this quarter. That said, mini cash ISAs, children's savings and monthly interest accounts follow closely behind, all offering rates above 5%.

Bonds on the up

Once again, the trend when investing in a bond is for better returns to come with longer commitment. For those who want the peace of mind bonds can offer, but don't want to tie up their money, the good news is that it is possible to find a one year bond that will out-do the best two year one available.

The average rate of return on the bonds listed here has generally been positive in the last three months, with the most marked growth in the three year bond market. However, while their average rate of return beats the regular savings market as a whole, those wanting the best rate and access to their money will do better with regular savings accounts.

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

Data and product descriptions: Moneyfacts 21 August 2006