

NS&I Savings Tracker Examining savings behaviour across Britain

Population falling short of its savings ideal

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 16th Quarterly Savings Survey, covering the summer months of June, July and August 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 (£213.37 per head, 15.67% of total income), but these aspirations are not being reflected in actual savings levels.
- Those who save regularly each month have saved the highest amounts since the Quarterly Savings Survey began. On average, they have saved £193.07 per month, an increase from spring 2008 when the figure was £185.63.
- The percentage of people that save regularly each month continues to be less than half of the population (47%), the same as spring 2008.
- The average amount saved per head across the population has increased slightly to £87.23, up from £82.87 in spring 2008.
- Older age groups appear to be struggling this quarter. On average 55-64 year-olds are saving less this summer, setting aside £70.63 compared to £74.53 in spring 2008. This is also a smaller percentage of this age group's average income, 5.07% compared to 6.14% last quarter.

- The population is becoming increasingly pessimistic about its ability to save. Two-fifths of the population (40%) said they are less likely to save over the next three months.

Lifestyle research

- Britons are prepared to go into debt in order to spend money on their children. Nearly a third (29%) of parents said that they would delve into their overdrafts to pay for their offspring's demands.
- Those parents with children at home are more prepared to make significant sacrifices in their own lives to save money compared to those without such a responsibility. Just over a quarter (26%) said that they had taken on an extra job compared to 11% of those without children at home, while over half (52%) said they had worked extra hours compared to 29%.
- Many of those parents with children at home feel that it is important for children to have the chance to learn outside the classroom, ranking cultural trips, sporting events and extra tuition as important.
- 39% of those with children at home don't feel that they appreciate such sacrifices and expenditures.

Ideal savings high

Examining the savings indicators in summer 2008, the inconsistency revealed between what people ideally want to save each month and the amounts they are saving is continuing to increase. It seems that only people who save regularly are achieving levels close to their aspirations, while the rest of the population struggles.

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Figure 1: Ideal savings growth over the past 12 months

	Summer 07	Autumn 07	Winter 07/08	Spring 08	Summer 08
Ideal savings levels per head (£)	174.91	180.91	185.76	195.67	213.37

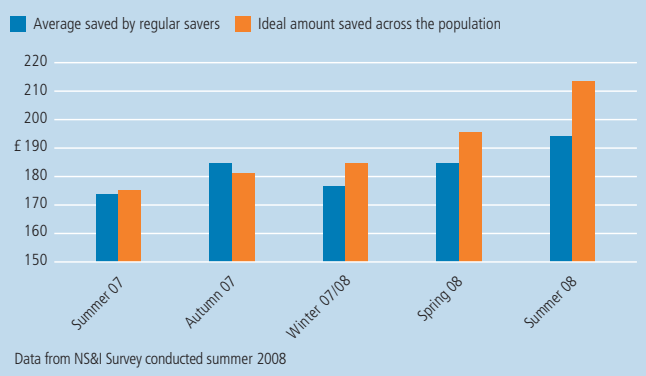
This summer 2008 average ideal savings levels have risen to their highest ever (£213.37), since the survey was launched in autumn 2004. This figure has grown every quarter over the past 12 months. See figure 1. Most recently it has recorded an increase of 9.04% from £195.67 in spring 2008. The growth in this index from last summer was 21.99% from £174.91; this is the biggest summer-on-summer increase since the survey began. It is also the first time that ideal savings as a percentage of income (income after tax, National Insurance contributions and other expenses) has exceeded 15%, up 4.55% from last quarter. Over the past 12 months, ideal savings levels, as a percentage of the average monthly income, has increased quarter-on-quarter.

Dax Harkins, NS&I's savings strategist, reports: 'In view of the current uncertain economic climate and accompanying media coverage, this increase in savings aspirations could be attributed to the desire to accumulate a more substantial savings "pot", to ensure financial security during the coming months.'

Regular savers committed

This summer, people who save regularly each month are continuing to translate their higher savings aspirations into action, through saving amounts not previously recorded by the Quarterly Savings Survey. See figure 2. On average they are setting aside £193.07 per month, an increase of 4.01% from spring 2008 when it was £185.63, and 11.13% from the summer quarter last year when regular savers set aside on average £173.73 each month.

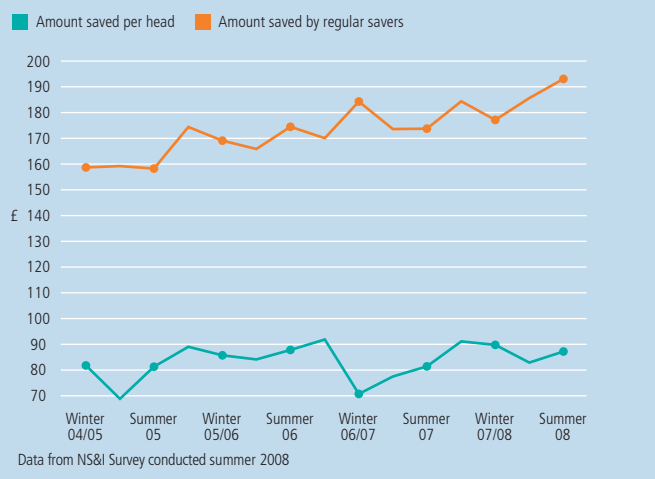
Figure 2: Regular savers versus ideal amount saved per head across the population



Savings aspirations gap

For the population as a whole, while savings levels have increased slightly, outstripping inflation, they have not increased as much as people's ideal savings targets have, creating a savings aspirations gap. See figure 3. The monthly amount saved this summer per head across the British population has grown by 7.12% to £87.23 up from £81.43 in summer 2007.

Figure 3: Comparison between regular savers and the wider population



The amount the British population has saved as a percentage of income has increased from 6.22% in summer 2007 to 6.35% in spring 2008 and to 6.41% this summer. Although this remains positive, it is the smallest quarter-on-quarter growth for the spring-summer period since the Quarterly Saving Survey began, with only a 0.94% increase. In spring-summer 2005 the same quarterly growth was more than 14% (14.09%). See figure 4.

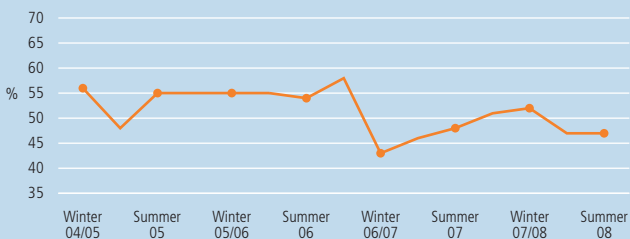
Figure 4: Amount saved as a percentage of the average income for the summer period

	Summer 05	Summer 06	Summer 07	Summer 08
Average saved as a % of the average income	6.64	6.80	6.22	6.41
Percentage increase from spring of the same year (%)	14.09	4.77	3.32	0.94

Low levels of regular savers

The number of people across the population managing to set money aside on a regular basis remains less than half of the population (47%), the same percentage as last quarter, spring 2008 and marginally lower than in summer 2007. This figure is disappointing when compared to previous high levels, such as 58% in autumn 2006. See figure 5.

Figure 5: Percentage of regular savers



Data from NS&I Survey conducted summer 2008

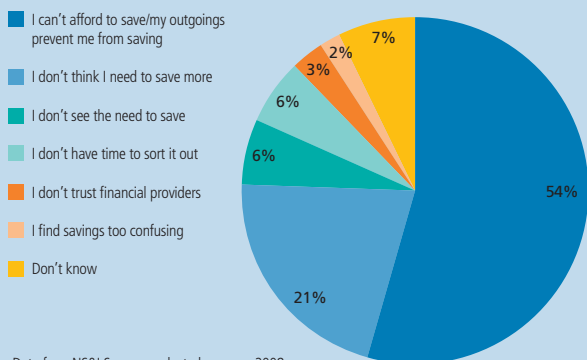
After reviewing each of the five key savings indicators, a complex picture emerges. Despite the good intentions of the population as a whole, and the positive actions of regular savers, the wider population's actual savings behaviour reveals that, in general, people are struggling to sufficiently adjust their savings levels in line with their aspirations and that economic factors are likely to have impacted on these. Any increases observed have been marginal compared to previous yearly and quarterly growth.

What stops people from saving?

The August 2008 announcement by the Bank of England that inflation (CPI) had risen to 4.4% 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. The largest upward cost pressure came from food and non-alcoholic beverages where prices rose sharply. Transport costs, housing and household services and clothing also had a significant impact¹. These growing day-to-day living costs will stretch people's disposable incomes even further. See figure 6. 54% of the British population states that they can not afford to save, up from 52% in summer 2007.

It is apparent that a relatively large percentage of the population continues to overspend, with a third of people (33%) saying they spend more each month than they ideally would like. This has increased since spring 2008 when only 30% admitted they were spending too much.

Figure 6: What stops people from saving more?



Data from NS&I Survey conducted summer 2008

Need to battle apathy

For many a factor contributing to such overspending is savings apathy. More than a fifth (21%) of those surveyed said they don't think that they should be trying to save more money than they currently do, while 6% of the population blame the pace of life for not having enough time to sort out their savings.

Dax Harkins states 'With improved online banking technology and financial providers accessible late evenings or weekends, there is increasingly more opportunity for people to conveniently manage their income and savings.'

Saving habits and goals

Saving money can be easier to organise by making it a 'habit' and by setting achievable goals. However, at present, almost three-quarters (74%) of savers claimed not to be saving for any specific reason. Setting savings targets might help encourage those that do save a little, but not on a regular basis, to set more money aside. At present:

- More than half (56%) save sporadically
- Nearly a fifth (17%) only save at certain times of the year

Financial advisers often suggest that not implementing or closely monitoring a workable savings strategy is one of the key reasons that people fail to save sufficiently, therefore risking their future financial security.

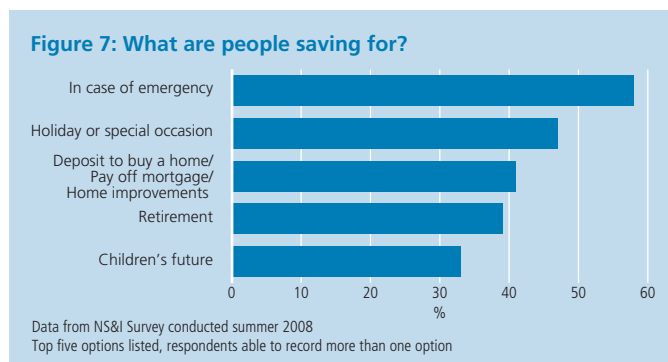
The number of savers who feel they have enough money to cope in an emergency has fallen from the last Quarterly Savings Survey. This summer, a third (33%) of savers surveyed said they do not feel they have enough savings to cope in an emergency, an increase from summer 2007 when the figure was just over a quarter (28%).

This is a concern as a significant percentage of the population has very little in savings. Almost one quarter (24%) admitted to having less than £1,000 in their savings. While a hard and fast rule is impossible given the myriad of personal circumstances, it is generally thought that people should have at least three months' salary on deposit², where they can easily get their hands on the money in an emergency. This will help to cover an unexpected job loss and will be useful if something is needed around the house. If people do dip into the money, NS&I recommends that savings are topped up as quickly as possible.

¹ <http://www.statistics.gov.uk/cci/nugget.asp?ID=19>
² www.youandyourmoney.info

What are people saving for?

Of those people who are saving for something specific, many recognise the importance of a savings 'safety cushion'. Putting money away in case of an emergency was the most common goal. Almost three-fifths of the population (58%) cited this as their main aim, compared to 57% in spring 2008. In summer 2007 this figure was just 42%, which could be illustrative of people's current concerns about the economic outlook. See figure 7.



Recommendation from NS&I's savings strategist, Dax Harkins, plan for the future:

A good benchmark to aid financial planning is to set an aim of living on less than your earnings – approximately 85% of your take-home pay is a good benchmark. People who would like more information on how to balance budgets, manage debts and realise goals can visit 'You and your money', a new website, brought to you by NS&I, that sheds light on complex financial issues: www.youandyourmoney.info

Economic snapshot

	Summer 06	Summer 07	Summer 08
Bank of England Base Rate (June figures) http://www.bankofengland.co.uk	4.50%	5.50%	5.00%
FTSE 100 (June figures) http://www.ftse.com	5749.69	6676.65	6007.60
Consumer Prices Index (June figures) http://www.statistics.gov.uk	102.5	105.0	109.0
Working age employment rate (quarter ending May – June figures – ONS) http://www.statistics.gov.uk	74.6%	74.5%	74.9%
Gross Mortgage Lending (June figures – CML) http://www.cml.org.uk	£32.5bn	£34.9bn	£23.6bn

Savings levels on the up for men and women

It seems that both men and women have been contributing equally to the increasing savings levels observed over the past year. While women continue to trail behind men with the amount that they save, both in actual figures and percentage of income, both genders have built on last quarter (spring 2008) and the previous summer's savings levels. See figure 8.



Younger generation outstripping mature savers this summer

This quarter's results have been particularly encouraging for 16-24 year-olds, while those in the 55-64 age category have struggled with savings levels:

- The 16-24 year-olds have recorded their second highest ever amount saved as a percentage of income this quarter, with figures up from 10.30% in spring 2008 to 11.66%. On average this age group is setting aside £95.43 the highest figure for the summer period since the Quarterly Savings Survey began. This figure has grown significantly from spring 2008 (£82.70) and summer 2007 (£86.43).

- The amount saved as a percentage of income for 55-64 year-olds has fallen between spring 2008 and this summer, down from 6.14% to 5.07%. This also represents a decline from summer 2007 when the figure was 5.80%. In actual figures, this is a decrease from £74.53 during spring 2008 to £70.63 this summer. The amount set aside by regular savers in this age group is also down from £197.02 in spring 2008 to £185.67.
- The 35-44 age bracket recorded highest ever figures for ideal savings as a percentage of income and in actual pounds. The amount they are looking to save has reached 14% for the first time, up from 13.76% in spring 2008 to 14.05% this quarter. Ideal savings per head rose from £214.76 during spring to £222.09 this summer.

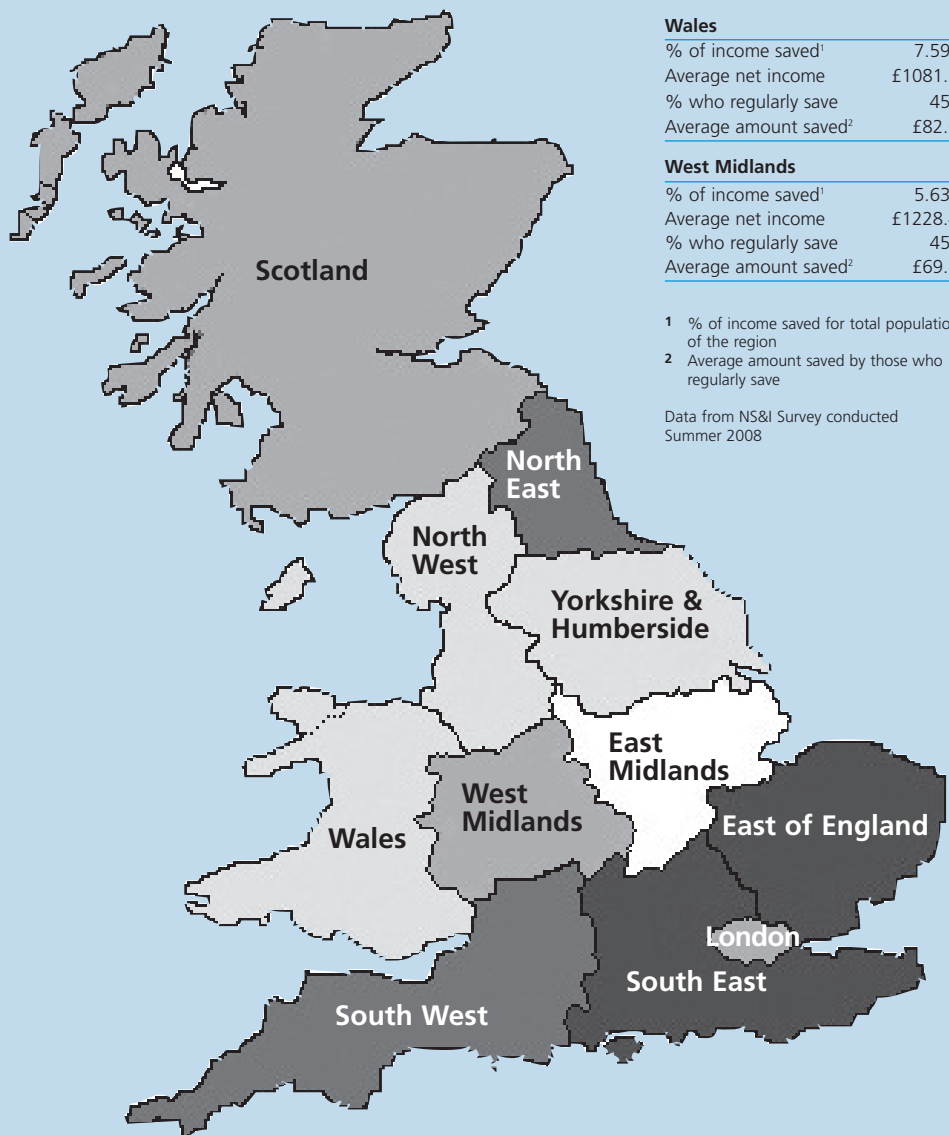
Figure 9: Consumer savings pattern across GB regions

East of England	
% of income saved ¹	8.04%
Average net income	£1330.30
% who regularly save	53%
Average amount saved ²	£106.92
East Midlands	
% of income saved ¹	6.51%
Average net income	£1389.99
% who regularly save	56%
Average amount saved ²	£90.44
London	
% of income saved ¹	6.76%
Average net income	£1549.33
% who regularly save	49%
Average amount saved ²	£104.80
North East	
% of income saved ¹	5.09%
Average net income	£1302.70
% who regularly save	36%
Average amount saved ²	£66.28
North West	
% of income saved ¹	5.54%
Average net income	£1270.80
% who regularly save	44%
Average amount saved ²	£70.44
Scotland	
% of income saved ¹	7.78%
Average net income	£1348.08
% who regularly save	54%
Average amount saved ²	£104.92
South East	
% of income saved ¹	6.06%
Average net income	£1559.90
% who regularly save	48%
Average amount saved ²	£94.47
South West	
% of income saved ¹	6.35%
Average net income	£1343.50
% who regularly save	46%
Average amount saved ²	£85.33
Yorkshire & Humberside	
% of income saved ¹	6.71%
Average net income	£1123.10
% who regularly save	45%
Average amount saved ²	£75.32

Wales	
% of income saved ¹	7.59%
Average net income	£1081.10
% who regularly save	45%
Average amount saved ²	£82.04
West Midlands	
% of income saved ¹	5.63%
Average net income	£1228.47
% who regularly save	45%
Average amount saved ²	£69.19

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

Data from NS&I Survey conducted Summer 2008



Green – Highest % of savers

Orange – Lowest % of savers

Blue – Highest % of income saved

Pink – 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

This summer, people continued to feel less positive about their ability to save in the coming months and over the next year.

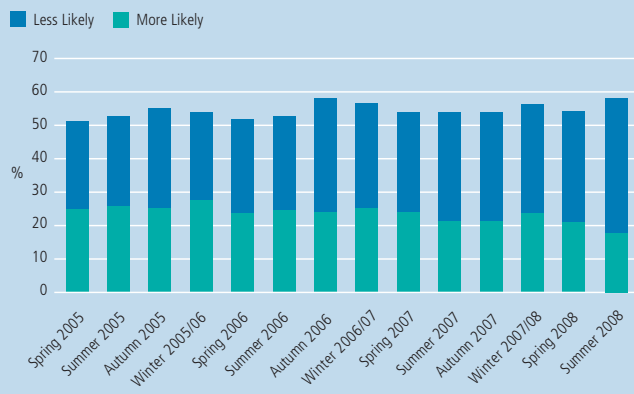
When people were asked if they were more or less likely to save money in the next three months than previously, two-fifths (40%) said 'less', compared to less than a fifth (18%) stating more. Only 5% of the population thought that they would be much more likely to save in the next three months.

The percentage less likely to save is higher than recorded for previous summers. Further, people seem to be becoming more pessimistic over time, with 40% less likely to save this quarter compared to 33% in summer 2007, 29% in summer 2006 and 27% in summer 2005. At the same time the number of people believing that they will be able to save more has dropped year-on-year, (26%, 2005; 24%, 2006; 21%, 2007; 18% 2008).

Men are more pessimistic than they have ever been before, with almost two-fifths (38%) believing that they will not be able to set as much money aside in the coming months as this quarter.

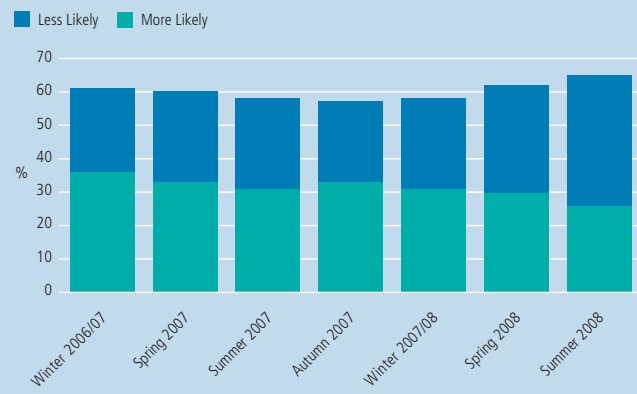
Pessimism increases with age, with a larger percentage of the older age groups saying that they will be unable to save more in the coming months. The over 65 age group are more pessimistic than ever before according to the Quarterly Savings Survey with almost half (49%) saying they are less likely to save in the next three months. This figure has increased from last year which was the previous summer high (36%).

Figure 10: Change over time in percentage of people who believe they are more/less likely to save in the coming three months



Data from NS&I Survey conducted summer 2008

Figure 11: Change over time in percentage of people who believe they are more/less likely to save in the next year



Data from NS&I Survey conducted summer 2008

Parents say they are risking financial security so children don't miss out

British parents are going to extreme lengths to make sure their children have the best opportunities in life and don't 'miss out', according to the Quarterly Savings Survey. Many are going into debt to provide for their offspring. Others are making significant sacrifices in their own lives to secure the funds to support them, including spending less time with the children themselves, with parents having to work more to bear the financial burden. Providing young people with opportunities to learn outside the school environment seems to be a key cause of additional financial pressure. These outgoings are not just confined to parents of young children: increasing numbers are expecting to support their children well into adulthood, for some until they are financially stable and for others indefinitely. And it's not just parents who are feeling the financial pressure of supporting children; many people have contributed to an extended family member or friend's child's upkeep.

Going into debt

Parents are risking their financial security to ensure their children have the best opportunities available. Nearly a third (29%) of British parents are willing to dip into their overdrafts to fund their kids, while over a quarter (27%) said they would take out a loan or use their credit card. Furthermore, more than one in ten (12%) British parents said that they would borrow from friends and family to support their children.

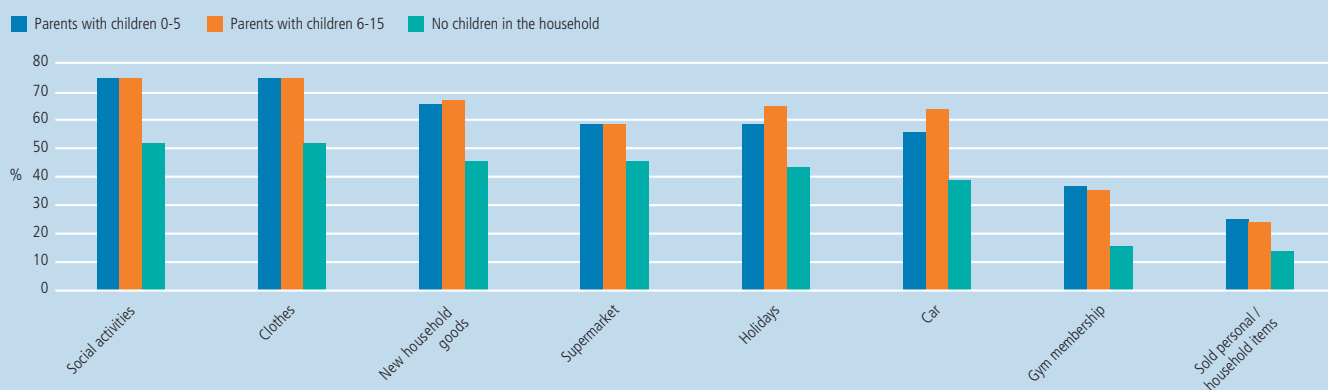
Making sacrifices

Other parents take on additional work in order to save – half (52%) of parents said they had worked extra hours in order to earn the necessary money, while just over a quarter (26%) of parents said that they had taken on an extra job. In many cases working more means that parents are sacrificing the time that they would usually spend with their children.

Parents are also foregoing social activities to save money. Going to the theatre, cinema or going out for dinner is a luxury that just over three-quarters of parents (76%) are prepared to forego to make sure their children don't miss out. Similarly, spending money on clothes (75%), holidays (63%), cars (61%), gym memberships (36%) and even food (59%) are all outgoings that parents would cut to save money. Further, nearly a quarter (24%) of parents are prepared to sell personal or household items to save a little extra money.

It is interesting to compare the percentage of parents that would make personal sacrifices to save money with the cutbacks that those without children would consider to reduce outgoings. See figure 12.

Figure 12: Comparison of sacrifices made to help save by people without children in their household and parents of under 15's



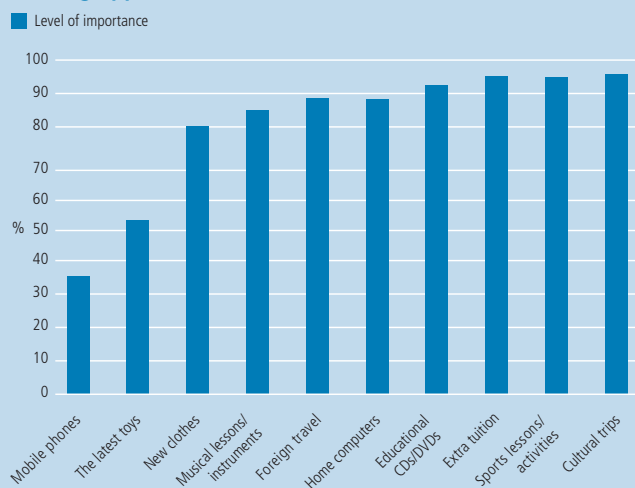
Data from NS&I Survey conducted summer 2008

Parents are also making the effort to cut costs when they shop, in an attempt to save a little more money that they can then spend on their kids. Nearly three-quarters (74%) of parents said they bought cheaper goods rather than the usual brands; while less than two-thirds (61%) of those with no children would do this to save some extra pennies. Over half (54%) of parents collect discount vouchers compared to two-fifths (42%) of those without children. Almost two-fifths (39%) of parents said they would buy second hand in order to save money, compared to just over a quarter (28%) for those without children.

Providing children with the best opportunities

The August 2008 CPI figures² suggest that the current economic climate is squeezing family finances even more, particularly with rising food and fuel costs. However, parents could be putting themselves under additional financial pressure to finance additional learning opportunities outside of the classroom for their children – cultural trips, extra tuition, sports and music lessons, educational CDs, DVDs and computer games are considered to be very important to a child’s success. See figure 13. These are all costly outgoings that can squeeze family finances. Despite the expense, over half (59%) of British parents will find extra money because they don’t want their children to miss out. Further, 15% of parents feel under pressure and unable to resist their children’s demands to spend money on them. And most (87%) people believe that parents buy children a lot more than when they were children themselves.

Figure 13: Population’s views on how important out of class learning opportunities are



Data from NS&I survey conducted summer 2008. Respondents able to record more than one option

Supporting for longer

Not only do parents appear to have more financial outgoings to deal with, it seems that many are supporting their children for much longer. While in the past children were often expected to leave home at age 18 and to get a job and set up their own homes, this no longer is the case. Many parents are finding themselves paying for their offspring well into their early adulthood. Only 6% of parents surveyed expect their children to stand on their own financial feet from the age of 18. Nearly a quarter (24%) said they would provide financial support until their kids were financially stable, and over a third (35%) said they would help their children until they had started work and were earning an income. 16% of parents said they think they would provide financial support for their children forever.

Support from the extended family

Given this willingness by parents to provide ongoing support to their children, it is not surprising then that some grandparents also find themselves contributing to the next generation’s financial upkeep. However, it seems that these are not the only members of the extended family that will provide financial assistance for a child. Over a third (34%) of the population said that they had helped pay for something for their nephew or niece, while a similar number (31%) had contributed to their brother or sister’s upkeep. A quarter of the population (25%) said they had provided funds for their friends’ children.

Lack of appreciation

Despite the costs associated with bringing up children, and the extent of the support given by parents and the extended family, most people in Britain do not feel that children appreciate the money that is being spent on them. Just over half of all parents (51%) think that while children may appreciate some of what’s spent on them, they are unaware of how much things cost. Nearly a third (32%) of the population think that young people take this support for granted. At least one in ten people think that children regard the money spent on them as their right.

Learning money management:

With many parents going into debt to fund non-essential items for their children, to make sure they don’t ‘miss out’, and bowing to their children’s demands, it could be suggested that children are not learning from best examples of financial management. Over a fifth of the population (21%) is not concerned by this and think that teaching children to save is not essential at their age. However, instilling good saving and budgeting habits in children from an early age will help them manage their money and encourage them to be debt-free and financially independent. NS&I’s independent financial information website ‘You and your money’ offers detailed information on helping to educate children on the value of money. For information log on to: www.youandyourmoney.info.