Tackling the Savings Gap

Consumer Savings and Debt Data Q1 2019

true potential LLP

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Foreword

True Potential established the Savings Gap study to examine the root causes of Britain's retirement fund shortage.

And, six years on from our first survey, we continue to uncover new challenges preventing savers from securing a comfortable retirement.

As ever, debt is a major hindrance to pension pot growth; this quarter we see almost 60 per cent of savers taking on some debt.

Unsurprisingly young people are the most susceptible, with around a third of 18 to 34-year-olds going into the red at some point during the period.

But another barrier to retirement fund saving identified in our latest report relates to gender-based disparity.

Our data shows that the average woman in the UK is 30 per cent worse off than the average man; while one in three has less than £10,000 in assets to their name. The reasons for this are multifaceted and complex, but the long-term outcome for many women is a depressed retirement fund pot compared to male counterparts.

Hopefully growing awareness of the gender pay gap and the need to start saving early will help to address this imbalance.

An encouraging trend noted in this quarter's survey, meanwhile, is the increasingly diverse methods savers are employing to secure their financial future.

Previously we have reported on savers expanding their horizons in pursuit of financial stability in retirement; including through ISAs, investments and dabbling in the so-called gig economy.

Similarly, this quarter we chart the rise of the impact investments – those designed to deliver healthy returns AND a positive social and environmental impact on the world.

This trend, and our new findings on growing numbers of young people with stock market interests, are further signs that more people are taking control of their long-term finances by engaging in an array of options.

All of which can only be positive in the push to close the UK Savings Gap.

David

David Harrison
Managing partner, True Potential LLP

The opinions expressed are those of True Potential and the information contained herein should not be taken as financial advice and should not be relied upon by any other persons.

The Savings Gap Campaign

It is a fact that only a minority of UK savers will have enough funds for a comfortable retirement, by their own definition.

Our polling shows that an income of £23,000 is needed annually in retirement to live comfortably. Based on actual savings behaviour however, people in the UK are on course to receive an income of just £6,000 per year from their retirement fund.

The result is the Savings Gap.

Since we launched this campaign in 2013, we have polled more than 42,000 people. True Potential represents over 20 per cent of the UK financial adviser market and we have empowered over two million clients to log in to their personalised True Potential client site to manage their finances.

We have vast amounts of data and an excellent understanding of consumer attitudes and behaviour. Our research helps us to develop the tools that will tackle the Savings Gap.

Campaign Update

True Potential is leading one of the largest campaigns into the Savings Gap in the UK. We believe radical ideas and innovative solutions are needed to in three areas to close the gap:

BETTER FINANCIAL KNOWLEDGE

AGILE REGULATION

TECHNOLOGY

Survey credentials and breakdown

The True Potential Savings Gap survey was commissioned by True Potential LLP and conducted by an independent market research specialist with a nationally representative panel.

2,027
PEOPLE SURVEYED*

1,067
MALES

960
FEMALES

*Aged 18 and over. Responses given in February 2019.

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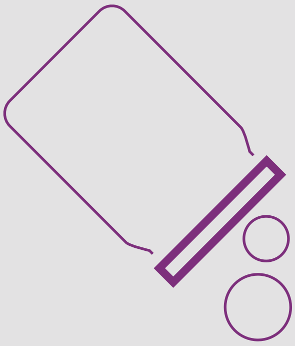
Headline Findings

£358: Average amount savers added to their pension pot in the last three months

28 per cent of people saved nothing for retirement in the period



£500: Average amount added to general saving and investments, not including pensions, in the quarter

£1016: Average amount of debt taken on by UK consumers in the last three months

UK women a third less wealthy than men – study

The average woman in the UK is 30 per cent worse off than the average man; while a third have less than £10,000 in assets to their name.

Our data suggests that the gender pay gap and other factors such as maternity leave and career breaks to raise children are having a serious impact on long-term wealth accumulation for woman.

The average female adult in the UK has total assets – including property, investments, savings and pensions - worth £137,000. This is far surpassed by the average male figure of £192,000.

The study also shows that almost a third of women (30%) have less than £10,000 worth of assets, compared to just 19 per cent of men.

We polled male and female savers aged 18 to 55+, with those questioned spanning regions, employment statuses and wealth brackets. The findings highlight a gaping asset accumulation gender divide, with men seemingly growing their wealth significantly faster than women.

According to the Office for National Statistics, the gender pay gap among full time workers was 8.6 per cent in 2018. Across all employees, however, the gap is 17.9 per cent, with more women working in lower paid, part-time jobs.

The gender pay gap for full-time workers aged 18 to 39 is almost zero – but widens from age 40. Our research reflects this trend, with the asset accumulation gap between men and women also widening with age.

The average 25 to 34-year-old women has total assets worth £105,000, which is £24,000 less than their male peers in that age category. Yet by age 45 to 54, this gap hits £60,000 and, by 55+, stands at £83,000.

Overall, the average UK adult has £166,000 in assets, with people aged over 55 having an average of £244,000 in assets. However, a fifth of the over 55s have less than £10,000, suggesting that they could face an uncomfortable retirement without evasive action.

30%

of women have less than £10,000 worth of assets, compared to just 19 % of men.

20%

of over 55’s have less than £10,000 suggetsing that they could face an uncomfortable retirement.

17.9%

the size of the gender pay gap across all employees. With more women working in low paid jobs.

8.6%

the size of the gender pay gap amongst full time workers in 2018.

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One in two savers plot investment flurry in coming months

Almost half of UK savers with stock market interests plan to increase their portfolios this quarter, our study shows.

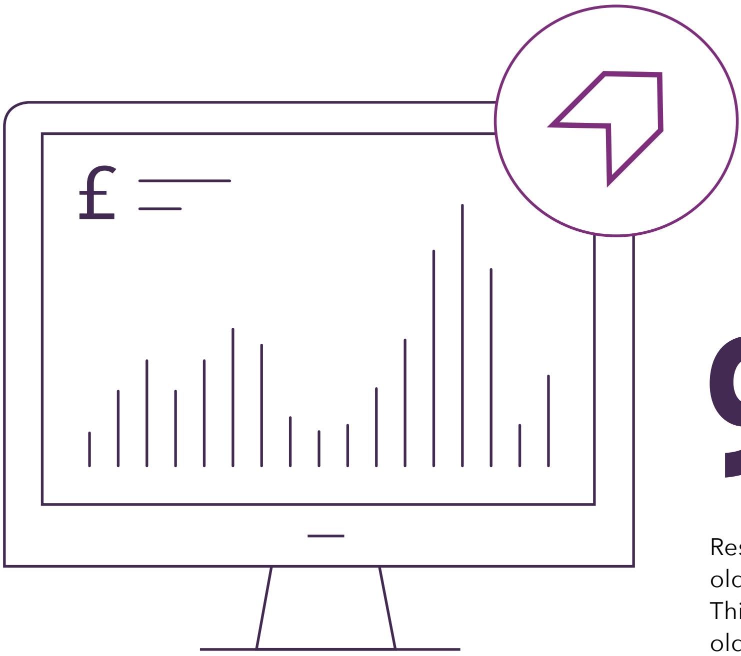
The research suggests that confidence in the markets among UK savers is strong despite talk of the chilling effect of the current Brexit impasse on the economy.

Most are either looking to invest more or sit tight with their investments, while our study finds little evidence of a market exodus.

The data shows that 44 per cent of UK savers with existing stock market interests are planning to put more into the markets in the next three months.

A further 17 per cent say they have done so in recent weeks. Meanwhile, 63 per cent of respondents say they have no plans to take their money out of the markets in the next three months.

The report also suggests that investing in stock markets is becoming an increasingly popular way for young people to secure their financial future.



90%

Researchers found that over 90 per cent of 18 to 24-year-olds currently in employment have stock market interests. This eclipses the 76 per cent recorded in the 25 to 34-year-olds category and the 75 per cent seen among 35 to 44s.

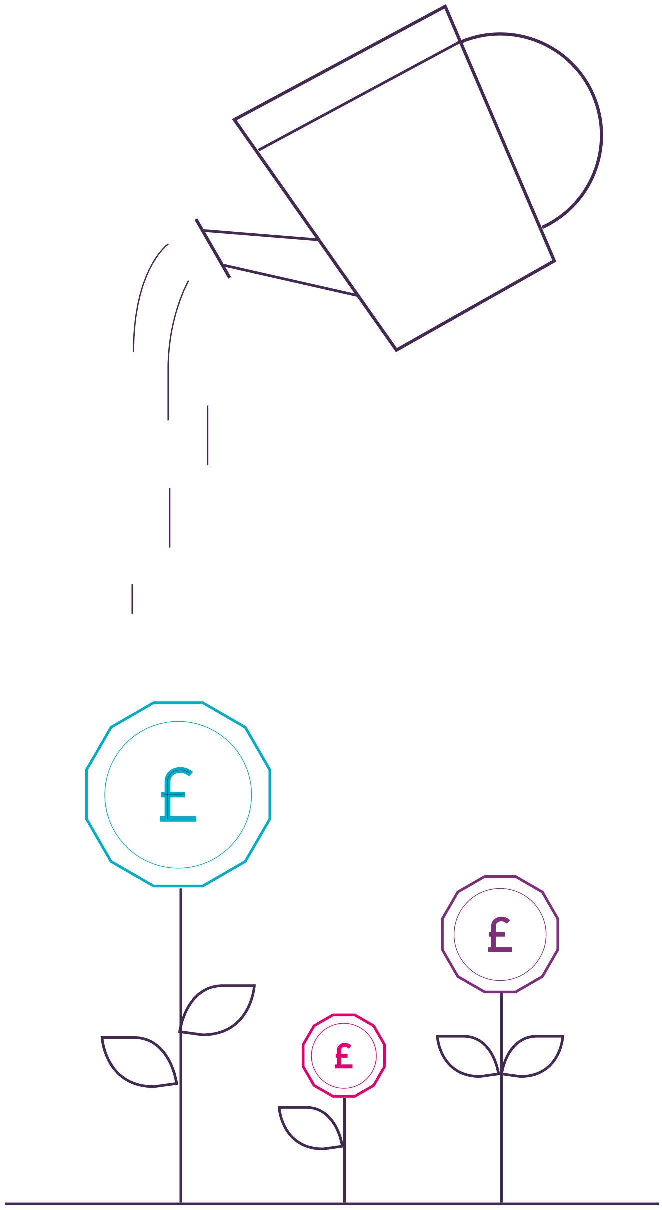
Baby boomers drive impact investment bandwagon

More than half of the over 55s are investing on ethical and environmental grounds, as they seek to use their wealth to make a positive impact on the world.

Impact investing – investing with the aim of delivering social or environmental impact as well as a return – is a trend that is typically associated with millennials.

In recent years, younger investors are widely reported to have driven the global growth of an investment field that is tipped to be worth over £232bn by 2020*.

But our latest research suggests that people on or approaching retirement age in the UK are also playing their part.



These 'baby boomers' make up the wealthiest generation in history and one which is often blamed for many of the environment issues which exist today.

A survey of UK savers aged 55+, however, shows that more than one in two is motivated by environmental and ethical causes in their investments.

More than half (50.1 per cent) said "green issues" were an important consideration in choosing investment and saving options. Meanwhile, 63 per cent of respondents cited "ethical issues" as important as investors.

Of course the challenge is to ensure that performance can be maintained and we will continue to monitor this trend closely.

* According to figures cited by McKinsey & Company

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Regional Savings and Debt

Approximately, how much new debt have you taken on in the past three months, including traditional loans, credit cards, store cards and payday loans?

	Over £5000	Between £1001 and £5000	Between £501 and £1000	Between £301 and £500	Between £1 and £300	Nothing
Total	7%	16%	12%	10%	15%	40%
East Midlands	5%	12%	12%	11%	15%	45%
East / East Anglia	9%	16%	11%	9%	12%	43%
London	8%	17%	13%	14%	15%	45%
North East	5%	11%	16%	11%	18%	39%
North West	7%	18%	16%	8%	10%	41%
Northern Ireland	6%	29%	4%	14%	10%	37%
Scotland	6%	16%	6%	12%	10%	50%
South East	8%	18%	12%	9%	11%	42%
South West	5%	14%	14%	5%	18%	44%
Wales	7%	11%	17%	11%	16%	38%
West Midlands	10%	18%	12%	8%	14%	38%
Yorkshire & the Humber	8%	20%	14%	11%	13%	34%

Regional Savings and Debt

Approximately, how much have you managed to put towards your general savings in the past three months, not including pensions?

	Between £1 and £100	Between £101 and £250	Between £251 and £500	Between £501 and £1000	Between £1001 and £2000	Over £2000	Nothing
Total	18%	16%	18%	14%	11%	2%	21%
East Midlands	20%	13%	23%	14%	9%	2%	19%
East / East Anglia	23%	14%	16%	13%	11%	3%	19%
London	12%	17%	21%	18%	14%	1%	17%
North East	20%	17%	17%	10%	11%	1%	24%
North West	17%	18%	20%	13%	8%	2%	22%
Northern Ireland	17%	16%	19%	14%	14%	0%	20%
Scotland	18%	14%	15%	19%	7%	1%	27%
South East	16%	18%	16%	11%	11%	4%	24%
South West	21%	10%	22%	15%	11%	0	21%
Wales	6%	15%	10%	14%	10%	2%	33%
West Midlands	17%	13%	17%	16%	14%	3%	20%
Yorkshire & the Humber	27%	18%	15%	9%	10%	1%	20%

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Approximately, how much have you managed to put towards your pension pot (s) in the past three months, not including any employer contributions?

	Between £1 and £100	Between £101 and £250	Between £251 and £500	Between £501 and £1000	Between £1001 and £2000	Over £2000	Nothing	Don't Know
Total	13%	15%	16%	10%	5%	1%	28%	12%
East Midlands	15%	13%	16%	9%	4%	0%	24%	19%
East / East Anglia	17%	12%	16%	11%	4%	1%	26%	13%
London	13%	16%	18%	11%	11%	1%	20%	10%
North East	9%	16%	16%	7%	2%	1%	32%	16%
North West	12%	15%	16%	12%	4%	2%	28%	13%
Northern Ireland	16%	12%	14%	14%	6%	0%	27%	11%
Scotland	10%	15%	15%	10%	6%	0%	33%	11%
South East	13%	18%	13%	9%	4%	22%	31%	10%
South West	9%	18%	14%	8%	3%	0%	31%	17%
Wales	12%	19%	20%	3%	5%	0%	26%	15%
West Midlands	17%	15%	14%	10%	4%	0%	30%	10%
Yorkshire & the Humber	14%	17%	17%	9%	6%	1%	27%	8%

Gender Savings and Debt Q1 2019

Approximately, how much have you managed to put towards your pension pot(s) in the past three months, not including any employer contributions?

	Nothing	Between £1 and £100	Between £101 and £250	Between £251 and £500	Between £501 and £1000	Between £1001 and £2000	Over £2000	Don't Know
Total	28%	13%	15%	16%	10%	5%	1%	12%
Male	27%	16%	15%	19%	11%	8%	1%	10%
Female	30%	16%	16%	13%	8%	3%	1%	14%

More men than women paid into their pension during the quarter. Fewer women also made a contribution to their general savings in the period.

Approximately, how much have you managed to put towards your general savings in the past three months, not including pensions?

	Between £1 and £100	Between £101 and £250	Between £251 and £500	Between £501 and £1000	Between £1001 and £2000	Over £2000	Nothing
Total	18%	16%	18%	14%	11%	2%	21%
Male	16%	14%	19%	15%	12%	3%	21%
Female	21%	17%	16%	13%	9%	1%	23%

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Approximately, how much new debt have you taken on in the past three months, including traditional loans, credit cards, store cards and payday loans?

	Over £5000	Between £1001 and £5000	Between £501 and £1000	Between £301 and £500	Between £1 and £300	Nothing
Total	7%	16%	12%	10%	15%	40%
Male	7%	19%	13%	10%	12%	39%
Female	8%	14%	11%	11%	13%	43%

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