Tackling the Savings Gap

Consumer Savings and Debt Data Q4 2018

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Foreword

Our latest findings suggest that most people are at least trying to take control of their financial future by saving for retirement.

The data shows that 72 per cent of respondents put some funds into their pension in the last quarter.

A relatively modest £356 was added to the average pension pot in the period, although 15 per cent of respondents were able to set aside upwards of £500; with a third of them adding over £1000.

General savings pots grew by an average of £530 over the three months, while one in 10 respondents saved over £1000 for the future.

As we have long reported in our Savings Gap study, debt remains a major barrier to retirement fund saving.

This quarter we see that £979 worth of debt was taken on by the average respondent – possibly reflecting the spike in consumer spending in the run up to the festive period, when the survey was taken.

Encouragingly, however, four in 10 respondents took on no debt in the period.

During this ongoing study we have identified various influencing factors on the Savings Gap – the shortfall between what is needed to fund a comfortable retirement and the lower amount that many savers are on track to receive.

This quarter we look at the influence of unofficial borrowings and loans. As we report , loans to friends, loved ones and colleagues are often never repaid. Of the loans issued by the Bank of Mum and Dad, for example, half are never repaid in full.

Anything that dents household budgets, such as unpaid, unofficial loans, can detract from retirement fund saving.

Meanwhile, in the push to get more people saving for retirement, a common mantra is "the earlier, the better".

A person who starts saving into a pension at age 18 will statistically have a larger pot of funds at retirement than someone who waits until their mid-20s or 30s.

Of course, there are many other financial pressures on young people as they make their way in the world on top of pension fund saving.

Moving out of their parent's home, funding further and higher education, getting married and buying a first property are all cash-draining events that hinder retirement saving.

Having a healthy pot of general savings, therefore, is important to help fund these milestones, while leaving enough each month to save for retirement.

But our latest survey shows that, in many households, parents are unable to give their children this financial head-start in life.

In only a quarter of households with financially dependent children are parents able to regularly save money for their sons' and daughters' futures.

Clearly, when household budgets are stretched, such saving activity may not be possible; but parents must understand that even a small amount saved on a regular basis can have a big impact in the long term. This is an important message which needs to be embedded into the new wave of financial education currently sweeping through schools across the UK.

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 40,000 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.

2,006
PEOPLE SURVEYED*

866
MALES

1140
FEMALES

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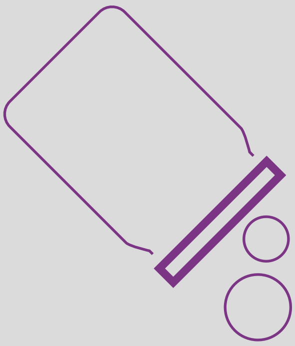
Headline Findings

£356: Average amount savers added to their pension pot in the last three months

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



£530: Average amount added to general saving and investments, not including pensions, in the quarter

£979: Average amount of debt taken on by UK consumers in the last three months

*Aged 18 and over. Responses given in November 2018.

Most parents struggling to save for their children

Three quarters of UK parents are unable to regularly save for their children's financial future, according to our research.

Responses from parents with financially-dependent children show that only one in four are regularly putting funds aside for their kids**.** A further 23 per cent save into their children's saving pots unregularly and "only when they can afford to", while 24 per cent are unable to save anything currently.

Parents were also asked when they began or planned to begin teaching their children about money. Almost a third said age five or younger was a suitable time for financial education to start in the home, with 54 per cent believing it should begin no later than age eight.

Meanwhile, parents of financially independent children were asked if they had ever loaned them money. Of those that had, only 51 per cent received the loan back in full.

Fourteen per cent said they hadn't expected the funds back and would still lend to their children again, despite being left out of pocket. David Harrison, managing partner at True Potential, said: "The earlier parents begin saving for a child's future, the more funds they are likely to have to cover major life events in later life, such as buying a house and going to university.

"This, in turn, leaves more funds spare to put towards pension pots, giving children a head start in terms of securing their financial future. Clearly, some parents face a tough choice between making ends meet, saving for their children and perhaps saving into their own retirement funds. Fortunately, the rise of financial technology has made saving little and often easy and accessible.

"Even the smallest amount is better than nothing, especially if put into a high interest savings account – or a pension pot, with the intention of passing on a lump sum to children once those funds can be accessed. Either way, the earlier the better is the best advice when it comes to saving."

23%

of parents save into their childrens saving pots unregularly and only when they can afford to.

24%

of parents are currently unable to save anything at all for their children.

54%

of parents pln on teaching their children the importance of money by the age of eight.

51%

of financially independant children have not paid a loan back in full to their parents.

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One in two IOUs are never paid back

Half of the loans issued by the Bank of Mum and Dad are never repaid in full, hampering parents' efforts to save for retirement.

According to our study, loans given to partners are also leaving Brits out of pocket, with almost one in two of them never being fully paid off. Work colleagues, friends and relatives, meanwhile, are only marginally better at paying their dues.

Our findings on the unofficial borrowings of UK consumers made outside the banking system show that a huge proportion of such debts are never cleared.

The data suggests that funds otherwise destined for long-term savings pots – such as pension – are being loaned out, with almost half never being fully repaid.

Forty-nine per cent of loans given by parents to grown up children are not paid back in full, the findings suggest. Of the loans handed out to partners, 45 per cent are never settled, while 41 per cent of those arranged between work colleagues are not cleared.

Friends are also denting many people's finances – more than a third (38 per cent) are guilty of not paying their pals back.

This rises to 39 per cent for debts between relatives. Our findings also suggest that women are more ruthless than men when it comes to dealing with bad debtors. Forty per cent of women said they would not lend to a colleague again if they had not repaid a previous debt, compared to 34 per cent of men.

Women are slightly more lenient with friends than colleagues; 37 per cent would not lend again to a friend after an unpaid debt, versus 28 per cent among men.

Respondents were also asked where they would go first if they needed to borrow certain amounts of cash. For up to £50, 67 per cent of respondents would ask their family first, while 17 per cent would turn to friends, with eight per cent asking their bank.

Asking a friend to borrow more than £1000, however, is less appealing even that a payday loan, the survey suggests. While four per cent would take a payday loan of £1000+, just three per cent would ask their friends for that amount. Most (56 per cent) would visit their bank.

David Harrison, managing partner at True Potential, said:

"Borrowing from friends and loved ones is always more advisable than taking on expensive debt. For the lending party, meanwhile, it can be difficult to decline requests from close friends and relatives for funds."

"However, handouts which are never returned could significantly dent retirement funds in the long term, given that money put into a pension pot can grow exponentially over time. Savers must carefully consider whether they will see the funds being requested from friends and relatives again; and what impact that might have on their financial future."

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	6%	18%	11%	9%	14%	42%
East Midlands	7%	23%	12%	10%	14%	36%
East / East Anglia	8%	17%	8%	8%	15%	44%
London	6%	21%	13%	10%	11%	39%
North East	4%	11%	13%	9%	19%	44%
North West	4%	18%	14%	7%	15%	42%
Northern Ireland	8%	15%	3%	5%	13%	56%
Scotland	6%	18%	11%	11%	16%	38%
South East	4%	17%	12%	11%	12%	44%
South West	3%	14%	6%	9%	17%	51%
Wales	10%	16%	9%	10%	14%	41%
West Midlands	9%	18%	16%	7%	13%	37%
Yorkshire & the Humber	8%	18%	16%	7%	13%	37%

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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
Total	41%	18%	17%	13%	10%	1%
East Midlands	37%	22%	16%	14%	11%	0%
East / East Anglia	38%	16%	21%	15%	8%	2%
London	30%	15%	22%	17%	14%	2%
North East	47%	18%	16%	10%	7%	2%
North West	43%	20%	17%	13%	6%	1%
Northern Ireland	41%	23%	13%	18%	5%	0%
Scotland	45%	20%	10%	14%	10%	1%
South East	42%	17%	19%	11%	9%	2%
South West	46%	17%	13%	10%	12%	2%
Wales	43%	20%	16%	10%	8%	3%
West Midlands	43%	21%	16%	11%	6%	2%
Yorkshire & the Humber	46%	16%	14%	7%	14%	3%

Regional Savings and Debt

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
Total	32%	16%	16%	18%	11%	6%	1%
East Midlands	29%	27%	11%	17%	11%	5%	0%
East / East Anglia	31%	16%	19%	19%	7%	7%	1%
London	28%	10%	14%	20%	16%	11%	1%
North East	26%	23%	11%	20%	16%	4%	0%
North West	32%	19%	16%	18%	10%	5%	0%
Northern Ireland	31%	20%	24%	11%	11%	3%	0%
Scotland	35%	23%	21%	14%	10%	5%	1%
South East	32%	16%	17%	16%	12%	7%	0%
South West	35%	19%	16%	16%	11%	3%	0%
Wales	27%	19%	17%	26%	5%	6%	0%
West Midlands	30%	22%	22%	11%	9%	5%	1%
Yorkshire & the Humber	31%	21%	14%	19%	10%	4%	1%

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Gender Savings and Debt Q4 2018

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
Total	32%	16%	16%	18%	11%	6%	1%
Male	28%	15%	15%	21%	12%	8%	1%
Female	34%	22%	16%	15%	9%	4%	0%

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

Gender Savings and Debt Q4 2018

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
Total	41%	18%	17%	13%	10%	1%
Male	34%	17%	20%	15%	12%	2%
Female	47%	18%	14%	11%	8%	2%

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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	6%	18%	11%	9%	14%	42%
Male	6%	19%	12%	7%	11%	45%
Female	6%	17%	12%	10%	16%	39%

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