Beyond Age and Income: Encouraging saving behaviours

A report written by Toynbee Hall
with support from the Building Societies Association

Toynbee Hall

Toynbee Hall, founded in 1884, is a community organisation that pioneers ways to reduce poverty and disadvantage. Based in the East End of London, it has been a catalyst for social reform in the UK for almost 135 years. It gives some of the country's most deprived communities a voice, providing access to free advice and support services and working with them to tackle social injustice.

At Toynbee Hall, we provide expertise on good policy and practice for professionals and organisations working on issues around financial health and inclusion. We work to identify the root causes of financial difficulty and work in partnership with multiple sectors to tackle them effectively.

Building Societies Association

The Building Societies Association (BSA) was founded in 1869, and today represents all 43 UK building societies, as well as 5 credit unions. All are customer-owned mutuals operating in financial services, with a core role of providing a safe place for people's savings. Building societies have total assets of over £400 billion. They hold over £280 billion of retail savings deposits, accounting for 19% of all such deposits in the UK.

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Research Team
Xia Lin, David John Baker, Sidona Assefa, Nino Tarkhnishvili
Supervisor
Sian Williams

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Last but not least, our thanks goes to Carl Packman for initially conceiving the idea for this research during his role as Research and Good Practice Manager at Toynbee Hall and for his subsequent support on this project.

Foreword

Since their inception, building societies have always tried to help people to build security and improve their lives through saving.

Almost 250 years ago, the first known building society was established by people deciding to club together to put aside some money each month until they had funded each member into homeownership. Today, retail savings are still at the centre of the building society model and growing a savings culture remains key to building societies' core purpose.

We know that having a pot of savings not only gives people the means to take advantage of opportunities that present themselves, it also engenders a sense of wellbeing by granting the confidence to deal with many of life's knocks and surprises. It can reduce reliance on credit and support the development of knowledge and skills to help manage financial affairs. Yet many in the UK have lost, or never acquired, the savings habit: a quarter of adults currently aren't saving.

Building societies want to help people to start to save, or to save more, where they are able. I therefore welcomed the opportunity for the Building Societies Association (BSA) to work with Toynbee Hall to explore further the ideas that they developed in their previous report, *Savings for the Future*.

This Toynbee Hall report builds on those findings to challenge the common assumptions that all people on low incomes don't have effective ways of saving, and conversely, that those with high incomes are all putting money away.

It is only by developing a deep understanding of the complex range of factors that get in the way of people saving – beyond simply the level of their income and debts – together with the various concurrent motivations for saving, that we can develop approaches that help people to get a savings habit. To change behaviour, we need to make sure that potential savers have appropriate opportunities to save, in combination with the capability and motivation to do so.

Building societies will consider these findings as we explore what more we can do individually and together as a sector, as well as with other likeminded partners, to help to get the UK saving.

Mike Regnier

Chief Executive, Yorkshire Building Society and Chairman, the Building Societies Association

Executive Summary

This research challenges the common assumption that people naturally save more as they get older and earn more. Building on our qualitative study (Packman 2017), we use our previously identified typologies of saving behaviours to better understand people's actual savings patterns and explore how to help people save.

Specifically this research aims to:

- Quantify our previous typology of savers
- Understand better saving behaviours and motivations, and
- Explore how people can be better supported to save.

We used a combination of quantitative and qualitative methods in this study, including surveys and interviews with individuals, as well as feedback from financial institutions. We co-produced our recommendations with individual interviewees and representatives of financial institutions.

Below, we list our key findings and recommendations:

A large amount of people (67%) surveyed are in a position to start saving – or increase their saving by - a very small amount.

Recommendation: *We suggest encouraging people to begin saving a very small amount of money regularly in a way they do not have to consciously think about it. We see starting small as a chance to encourage people to change their saving behaviour, as well as enabling more people to have some emergency savings, however small.*

Although one of the most reported reasons for people to save is for unexpected emergencies or life events, this was usually accompanied by another motivation from our savings typology. The majority of people had at least two reasons for saving, and thus there will be a relationship between these multiple motivations, either mutually reinforcing or potentially competing for limited money available for savings.

Recommendation: *Savings product design should factor in that individuals often have multiple motivations to save. Through developing products which simultaneously support different types of access to savings for different needs, financial institutions can help savers manage their multiple motivations. Additionally, saving for unexpected life events could provide the path of least resistance to encourage non-savers to begin saving.*

Contrary to our hypothesis that people would just save more as they get older and earn more, an individual's age and income alone are poor indicators of the amount of someone's savings. In fact, an individual's attitudes and behaviours are the most important factors in predicting their savings.

Recommendation: *Future campaigns for savings advocacy should focus on encouraging savings attitudes and behaviours of individuals from all age and income brands, taking a nuanced, holistic approach.*

While people on higher incomes who do save tend to have higher absolute sums in savings, once adjusted for income, there are no clear patterns of people with higher incomes saving a higher percentage of their income. This finding also suggests that people with lower incomes can be equally active in saving,once their essential needs have been met.

Recommendation: *Savings campaigns need to tackle directly narratives that might lead people to believe that saving is only something you do once you have attained a certain level of income. People with lower incomes should be encouraged to save where possible, and appropriate savings products and services should be made available for them.*

Using a quantification of our previously established saver typology, we were able to predict more accurately how much someone has in savings above and beyond age and income using typologies related to Spend saving, Safety Net saving, and Life Goal saving behaviours.

Recommendation: *We recommend developing campaigns and products that encourage people to save for a safety net, increase saving at the point of spending, and link spend-save tools to a big purchase rather than a short term reward. Financial institutions might consider taking advantage of technology by either using smart phone technology to help remind people of their goals, or developing applications to support saving, such as those which round up purchases to the nearest pound, allowing people to save with minimal conscious thought.*

Saving behaviour can be reframed as "having fun".

Recommendation: *Family or community competitions can be developed so people think about their savings more often by having someone to help keep them accountable. Financial institutions can implement this recommendation through working with community organizations, where financial education can be developed widely and social support is strong.*

Context and Rationale

For many people, the idea of saving money conjures images of starting saving, and saving more, once income increases and as we get older. But is this really how most people save?

Our findings suggest not exactly.

Building on our qualitative study (Packman 2017), this research uses our previously identified typologies of saving behaviours to better understand people's savings patterns.

Specifically we aim to:

- Quantify our previous typology of savers
- Understand better saving behaviours and motivations, and
- Explore how people can be better supported to save.

In our previous research, we gathered evidence from a series of interviews that sought to understand the behaviours that motivated people to save among three different distinct demographics. We explored what motived single parent families, pension aged individuals, and young people to save. In the previous study, we focused on these groups as they represent different demographics which are of significant interest at the policy level, and which all have very different financial needs. In this present study, we use this framework to investigate the extent to which our typology can be applied to the entire demographic population of Great Britain.

It is important to note that the goal of our previous research was to understand how saving happens as a behaviour and move away from the idea of savings as just a "pot of money". This previous report identified six distinct behaviours and classified them into the following typology (Packman 2017, pp. 10-13).

Typology of Savers

The Spend Saver: This type of saver will be budgeting and spending in such a way that means in practice they have more money available at short notice if any surprise costs should hit them.

The Reward Treat Saver: This type of saver has specific short term goals that help them put money aside. The goal helps this process because it will be something that is rewarding for the individual, for example a holiday or shopping trip. The Reward-Treat, however, does not have to be directly for the individual, but might be for their family or children.

Safety Net Saver: This type of saver doesn't necessarily need a reward for saving, but is more acutely aware of the need to save money in case something negative should happen, for example, the washing machine or car breaks down.

Life Goal Saver: This type of saver is motivated to save for a big purchase, such as a car, house deposit/mortgage, pension, to start a family or to get out of a debt cycle. This type of saver, in keeping with the savings initiatives most likely found at a government policy level, could be well served with an existing savings product or initiative (such as workplace schemes and ISA products).

Savings Goal Saver: The goal for this type of saver is saving simply for the sake of saving. They are rewarded by knowing the amount of money they have saved up. They might be a savings goal saver because they were not able to save money before and now they can (which motivates them), or because they were taught from an early age that savings is equal to financial prudence which they feel proud to achieve.

Passive Saver: This type of saver is someone who has a sum of savings, which has been acquired through a windfall rather than through their own actions: property sale, inheritance, or a lottery win, for example.

Research Questions

Following on from the previous research, we wanted to explore further the following questions using our typology:

- What are people's saving patterns?
- Is there a "hierarchy" of savers or saving behaviour? Do savers exhibit different behaviours throughout their life or in response to events?
- How do we help people save?
- What tools do we have at our disposal to help people to save, and in what way can those tools be used?

Using both quantitative and qualitative data, our report investigates these questions. We found evidence that people universally recognised saving as a behaviour they see as good, yet sometimes found it difficult to actually save. As noted by the then Money Advice Service (2016), the vast majority of people across the income spectrum recognise the benefits of having savings, although a much smaller proportion of people actually save regularly. Our report corroborates this finding and explores how to encourage people to save.

Our Mixed Methods

To address the above research questions, we used a combination of quantitative and qualitative research methods:

Individual Survey

We put our typology to the test and used it to understand both subjective and objective measures of people's saving behaviour. A survey was conducted by YouGov with 2,010 people in Great Britain in July 2018. The survey had subjective questions about people's opinions on their saving behaviours that allowed us to quantify our previously established typology, as well as objective questions measuring self-reported amounts of people's savings and comprehensive demographic information. Collecting both subjective and objective measures allowed us to model how differences in behaviours and beliefs can be mapped onto individuals' actual savings patterns. An example of subjective information would be a belief that someone holds, such as how much they value having a good time, whereas objective information would be their age or how much they actually have in their savings account.

We included both formal and informal ways of saving, so the term "savings" encompassed:

- Cash saved at home or in a safe place;
- Money saved in a cash saving account (including Cash ISAs);
- Money saved in other financial investments.

The results were weighted to be representative of the adult population of Great Britain as a whole (aged 18+). We analysed the data using both the supplied summary spreadsheet generated by YouGov and individual level response data with the R programming language.

Some limitations of this method were common problems that often come with using self-reported data. For example, a large proportion of our survey respondents did not chose to report their income, so we used qualitative research to explore the research questions further.

Individual Interviews

We interviewed ten individuals to explore their saving behaviours and motivations in depth. We interviewed people of different ages, financial backgrounds and saving behaviours. More participants on low incomes were involved in the interviews as we wanted to explore the saving behaviours and motivations of this income group. In addition to discussing their habits and views in the interviews, our interviewees were asked to complete a week-long spending diary to help us understand their spending patterns and facilitate our interviews. The research team at Toynbee Hall completed a thematic analysis of the interviews. The interview results have been integrated within the quantitative findings throughout the report.

Survey and Focus Group with Financial Institutions

We conducted a survey with 34 building societies and credit unions. Survey questions included products and services they offer and their views on the barriers that stop people from saving. We then conducted a roundtable discussion with ten building societies, in order to reflect on preliminary findings from the individual and institution research and to co-produce recommendations.

This report presents the findings and conclusions we developed using the above methods. We used the data from the individual surveys to guide our discussion, integrating the qualitative insights and input from financial institutions to illustrate our findings.

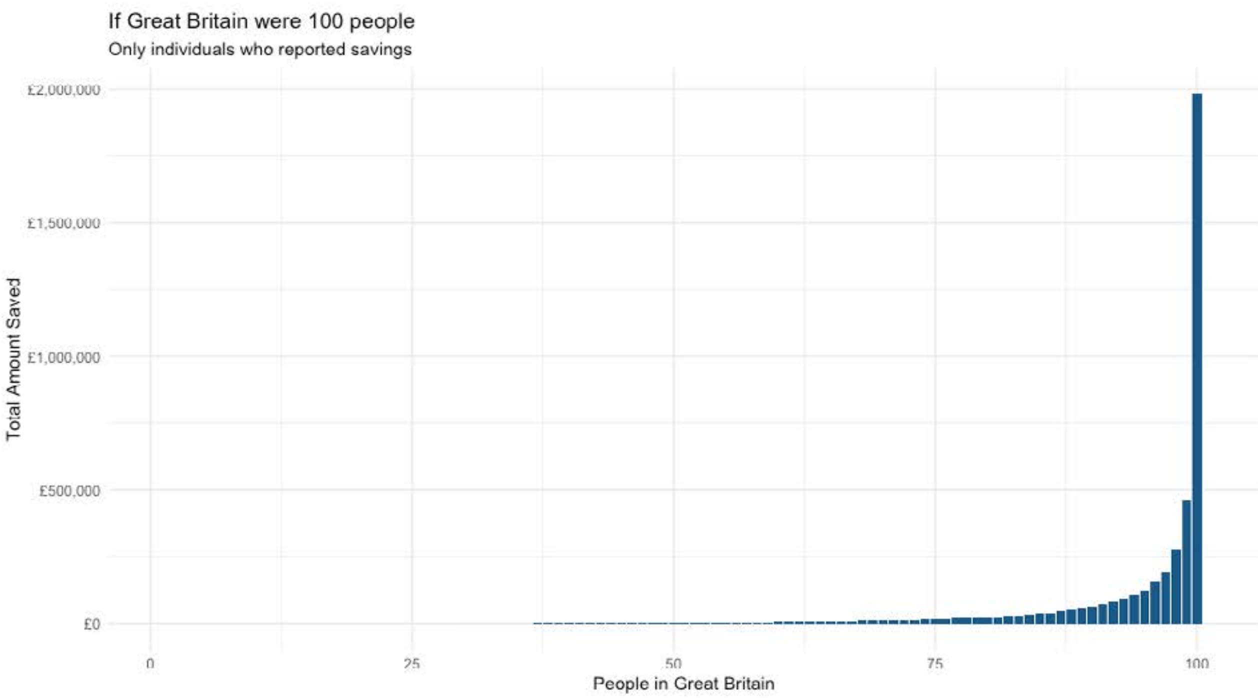
Savings Typology and Behaviours

Most of our research participants recognise saving money as something that is universally desirable to do. Throughout this report, when we use the term savings, we are referring to the ways in which someone sets money aside for some future need.

In order to have a clear picture of people's saving behaviours, we first explore in this section general findings of the research, including:

- To what extent people save;
- Where savers keep their savings;
- How people identify themselves in relation to savings typologies;
- How different savings typologies interact.

A key finding from our overview analysis is that the vast majority of people in Great Britain are engaging in saving behaviours, yet many do not have a large amount in savings. Our survey data shows that 75% of respondents are actively engaging in some sort of saving behaviour, which also means, of course, that 25% of adults do not actively save money. When we visualised the amount of savings of all survey participants, only about 1 in 2 people would have saving over £1000 (see chart below). In this half of the sample, the amount of money people have in savings increases at a drastic rate as their income increases. We have added this chart to reflect the clear polarisation of financial wealth in Great Britain.



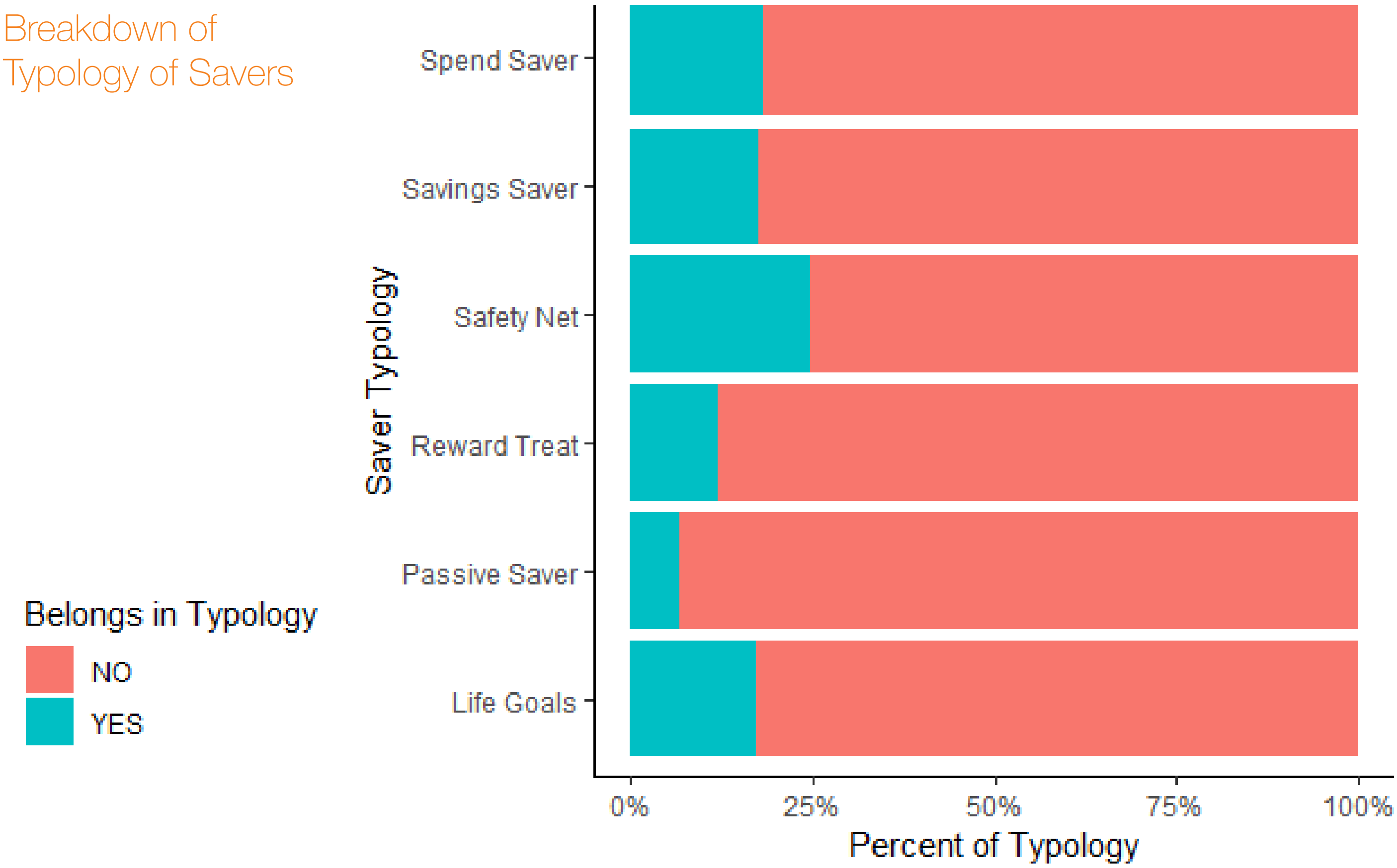
Many people tend to save a small amount of money at home and keep a larger amount of money in a savings account. From our survey, over one third (35%) of respondents said that they save by keeping cash at home and this statistic is consistent across many demographics ranging from age to income to gender.

1 In examining the amount of money that people have in savings, we found a clear polarization of wealth in every savings category (money at home, cashing saving and financial investments). To comprehend this, we visualised the savings data as if represented 100 individuals instead of the original 2,000 respondents, to make it easier to imagine this at scale.

Among all the saving methods, a cash savings account (including Cash ISAs) is most common, but about one in three survey respondents do not use this method to save. In terms of investment, whether people have investments is unsurprisingly linked to age and income; so older people and those with more income are more likely to have money in investments.

We asked survey participants a set of questions that mapped on to our six savings typologies. Based on their responses, we were able to create a way to quantify our typologies. Below, we show the breakdown of our six typologies.

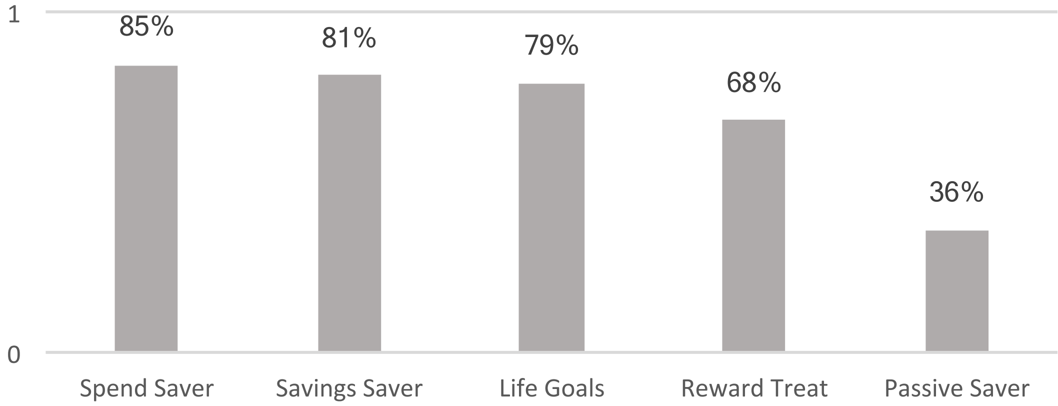
Breakdown of Typology of Savers



From the visualisation, we showcase the percentage of people who strongly identified themselves in relation to a savings typology. We see that the largest number of people in the survey say they save in case of an unforeseeable emergency: they would qualify as Safety Net Savers according to our typology. The next three categories of Life Goals Savers, Savings Savers, and Spend Savers appear to be the joint second most common behaviours. Reward Treat Savers and Passive Savers are the least reported.

Although the most reported reasons for people to save are for unexpected emergencies or life events, these were usually accompanied by another motivation from our savings typology (see chart). The majority of people had at least two reasons for saving, and thus there will be a relationship between these multiple motivations, either mutually reinforcing or potentially competing for limited money available for savings.

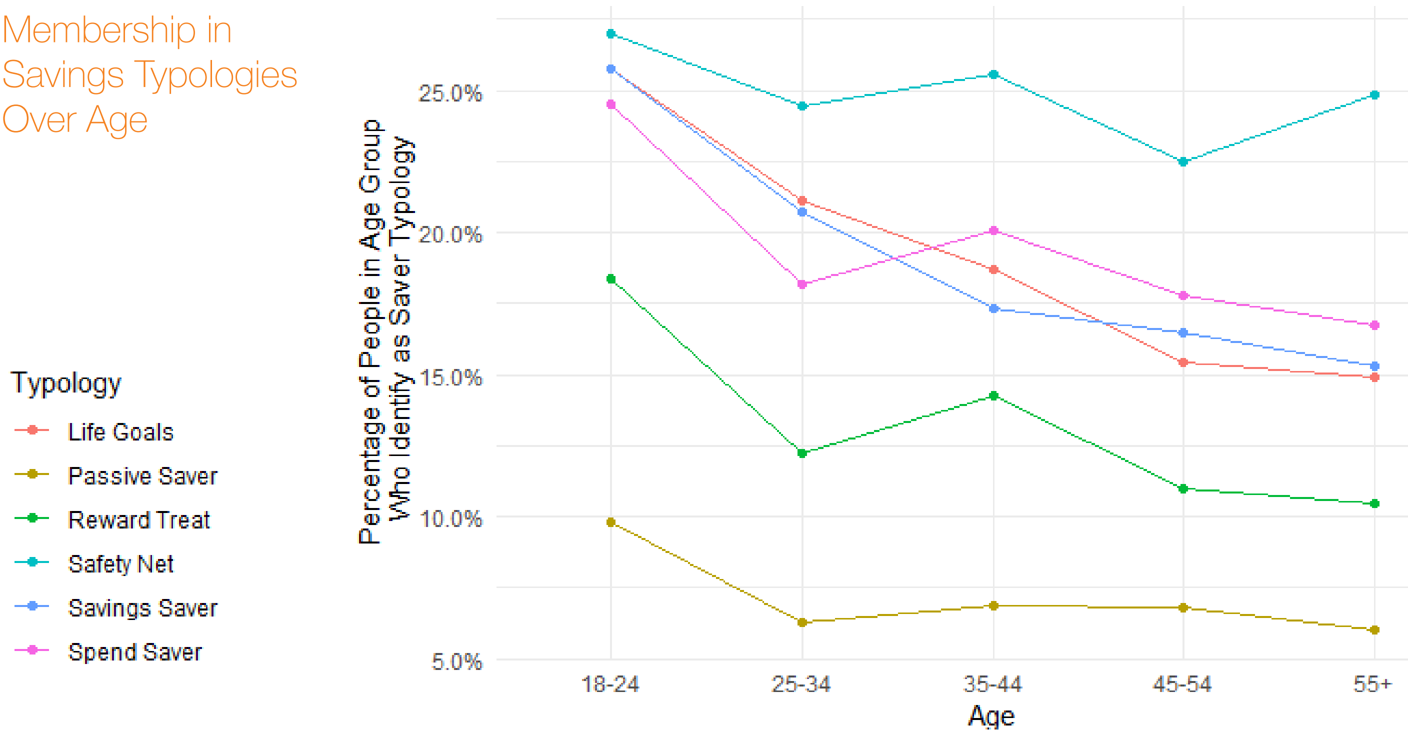
Saving for emergency co-exists with



Our data also highlights that those who watch their spending carefully are more likely to save for a big purchase and define "having savings" as their goal. For example, almost two thirds (62%) of people who watch their spending carefully also save for a big purchase; and over half (62%) of people who watch their spending carefully also consider saving as a reward in itself. So methods to increase saving at the point of spending could help non-savers and Spend Savers build up a savings habit. Our finding confirms the beneficial impact of financial providers conveniently making the act of "saving" a part of a spending habit. It also suggests that spend-save tools could be more attractive to people if linked to a big purchase or individual goal of "having savings" rather than just presented as a short term reward.

In order to explore whether people have a strong identification with a savings typology as they age, we break down the saver typologies by age (see chart). There is a general trend that the identification with every saver typology decreases with age, so people feel less strongly related to a saving behaviour as they grow older, although slightly less so in the case of Safety Net Savers. It would be worth exploring the reasons for this general trend through future qualitative research.

Membership in Savings Typologies Over Age



The other trend worth noting from this chart is how, over a lifetime, Savings Savers and Life Goals Savers seem to match each other's behaviours and how another type of trend appears with Spend Savers, Reward Treat Savers, and Emergency Savers. When looked at over time, this might actually reflect two separate meta-typologies: Conscientious Savers (Spend Savers, Reward Treat Savers, and Safety Net Savers) and Wealth Savers (Savings Savers and Life Goals Savers). While we do not have sufficient survey data to explore this meta-typology further, financial institutions might consider these two sets of behaviours and values in future campaigns as a way of making saving messages resonate more with people. For example, marketing campaigns might focus on appealing either to savers who do so by being more conscientious or to those who save with accruing wealth in mind.

Comparing people with a higher income to those with a lower income, we found that both groups are equally likely to spend-save, although people with a lower income are less likely to save for life goals. This is most likely to be due to having, or perceiving to have, very little available money to save for very large sums required for life goals. When designing products and financial education programmes, it is therefore important to understand that people on low incomes are often skilled budgeters, but to also recognise the practical and perception barriers people on low incomes experience about saving towards a big purchase. Big and long-term savings are important for low income groups, but this type of savings seems to only emerge once other financial goals are met.

Given that many people are engaging in some kind of saving behaviour, yet many are not amassing that much money in their savings, what is preventing them from saving or saving more? In the next section we explore possible causes why people are unable to build savings over time.

Barriers to Saving

Limited income inevitably stops people from setting money aside for the future. Feedback from financial institutions also suggests that low costs and high incentives associated with borrowing seem to encourage people to buy rather than save. Last but not least, our survey data highlights that the extent to which people have a strong desire to spend has a big impact on their ability to save. Based on this finding, we look at which demographics are less likely than others to save. We found that people who are unemployed, parents of more than three children, and young people are least likely to be saving.

Limited Income

Beginning first with our survey and interview data, we present a few quotes of how people responded when they were asked about whether they can save an extra £10 a month. Answers ranged from saying they do not have any money, to noting the only way to have more money for saving is to work more, to having generally no net income.

> *"I simply don't have another £10 to spare."* (Survey participant, Female, 40s)
>
> *"More hours to work, that's the way to make money (and to save)".* (Individual participant, Male, 40s)
>
> *"When you're working you know the amount of money you are getting. And then you divide what you use, what you have left over. When you don't have nothing what can you lose? Nothing."* (Individual participant, Male, 80s)

Just like these individuals, over a quarter (28%) of survey respondents do not have savings simply because they say they do not have any spare money to save. Our data suggests that people on lower incomes feel less likely to be able to save, so their low income directly impacts on their capacity to save. This echoes findings in a Money Advice Service (2015) report, which state that households with the lowest incomes (below £13,500/year) have the highest proportion of people who rarely or never save; whereas households with the highest incomes (above £35,000/year) contain the highest proportion of people who save every month.

Spending Culture

A common theme that financial institutions highlighted as a barrier was a system and culture in wider society that encourages people to spend rather than save. Low interest rates, low costs of borrowing, and incentives to spend rather than save, seem to help create the "buy now, save later" culture. Our youngest interviewee, for instance, would prefer taking out a credit card to opening a savings account after having a new job. As our quote illustrates here, spending would improve his credit rating while saving would not, so saving became less important for this young man. People like our interviewee are therefore consciously and subconsciously encouraged to spend rather than save.

> *"Borrowing is cheap, enabling customers to borrow for most lawful purposes without feeling the debt burden."* (Building society representative)
>
> *"Culturally over the years there's been a shift towards a 'buy now, save later' mentality which has been exacerbated by the low returns/rewards for savings in the low interest rate environment over the last 10 years."* (Building society representative)
>
> *"A credit card has a lot of benefits to it. A credit card rating, that's one of the main things for the future if I would want to buy a house."* (Individual participant, Male, 20s)

Individual Desires to Spend

Although not reflected in feedback from financial institutions, individual survey and interview results strongly suggest that another barrier for people to save is the strong desire to spend money. One in three (35%) survey respondents are not confident in their ability to save because of these behavioural factors. Unsurprisingly we found a correlation between such behavioural factors and saving for a long-term goal: those who experience strong desires and temptations to spend money are less likely to save for a long-term goal.

Having a strong desire to spend could be due to a lower level of self-control as well as the need to spend based on individual circumstances. Our survey data analysis suggest that these people are less likely to watch their spending:

- Unemployed
- Parents of three (or more) dependent children
- Younger people

Perhaps surprisingly, people who are unemployed are least likely to watch their spending compared with people from other socio-economic backgrounds (such as those employed and retired). Our data shows that about one in four (29%) of those who are unemployed do not watch their spending carefully. Although this means 71% of our sample do watch their spending carefully, this contrasts with full-time students who also have limited incomes but almost all (90%) report carefully watching their spending. Taken together, this data suggests that financial training and support on budgeting, as well as user-friendly budgeting and saving tools, for the unemployed could be a target area of action for helping people save.

For parents of three or more dependent children, they may have self-reported to find it difficult to control their spending because of their parental duties and peer pressure from their young children. Our interviewee's experiences explain it:

> *"I think when you have children it [trying to save] is different … Trainers and tracksuits… I'd say things like 'what about a pretty shawl' and they ask 'what planet are you on, we don't wear these types of things'. I would happily go and buy trainers for 20 pounds, and they'll say 'no, it has to be a brand'."* (Individual participant, Female, 50s)

Finally, younger people tend to self-report that their savings habits are based on more emotional reasons. They report higher temptations to spend and tend to believe it is important to have a good time. They save to reward themselves and to feel a sense of pride. Because of that, peer pressure also plays a key part; it is more difficult to resist temptations from a group. The quote below from our young interviewee illustrates the temptations from a group, and we recommend that in order to encourage younger people to save, peer competition or support can be built into saving campaigns, educations and schemes.

> *"I guess the temptation moments are with a lot of my friends. If I am alone I really don't spend that much but if I am with a group of people I will spend quite a bit on drinks and that kind of stuff … Friday like after 2PM … definitely the danger zone, like when you're with a group of friends."* (Individual participant, Male, 20s)

Encouraged to Save

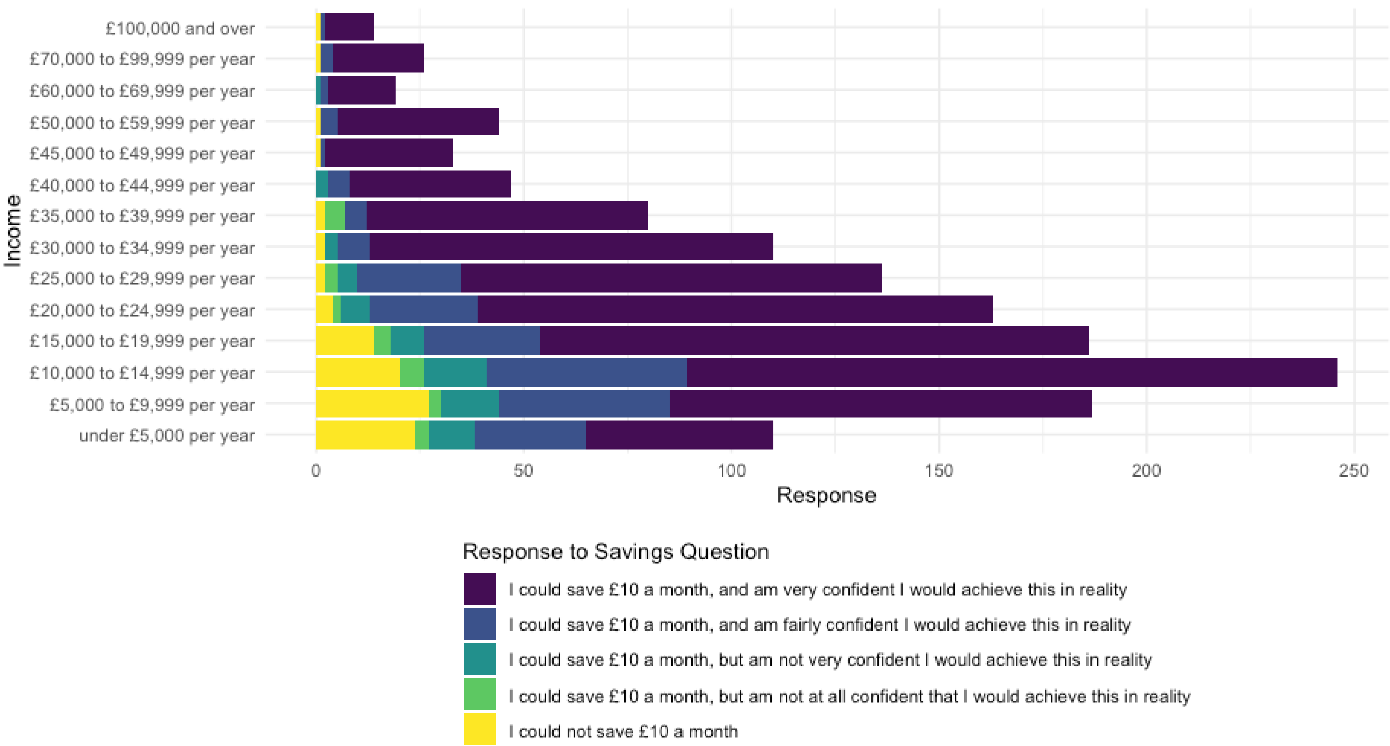
Following on our understanding of what prevents people from setting aside some money for the future, we explore in this final findings section what could encourage people to save. We first test to what extent people can start saving, even if it is a small amount. We then develop our hypothesis based on findings from the previous section, which illustrate that younger people have stronger desires to spend, and people will find it very difficult, or even impossible, to save if they have very limited income. Using statistical modelling, we examine whether age and income are strong indicators of the amount of someone's savings; so whether people would save more as they age and as they have higher incomes.

Starting Small

Would more people be able to save, if they began by only saving a small amount? In our survey, we investigate to what extent people felt that they were able to save an extra £10 a month. Below we plot the entire dataset based on their income grouped by their response to this question. This chart shows that most people regardless of their income believe that they can save an extra £10 a month. In fact, a large majority (67%) of our entire sample believes that they are in a position to start saving this extra amount. So saving can be encouraged – we can start small.

Ten Pound Question Broken Down By Income

Only Respondents who elected to share income



About Age, Income and Behaviour

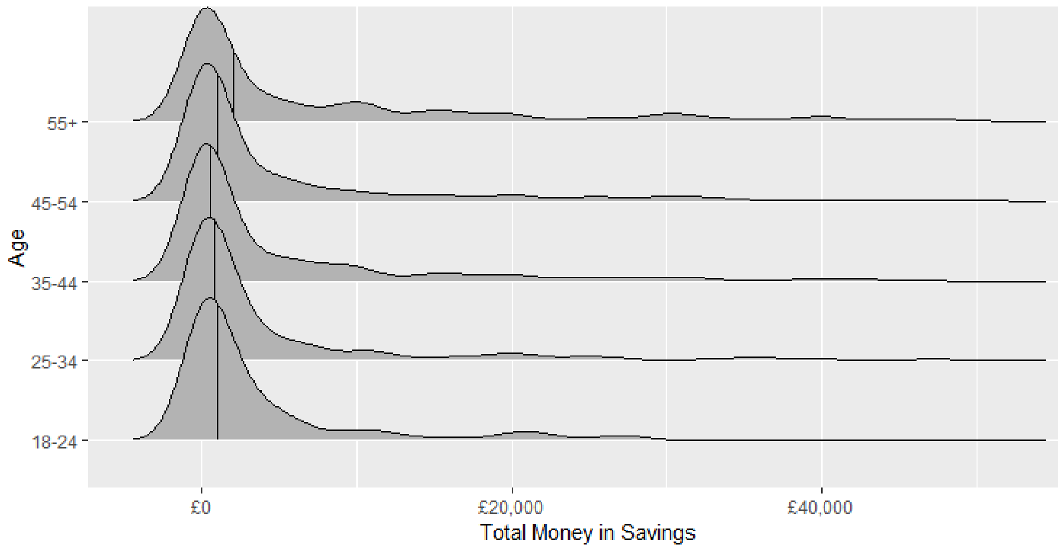
So would people just save more as they get older and earn more? In order to answer this question, we first plotted the actual amount of money that people had in savings across both age and income. We chose to represent the data using density plots which show a probability density of where the savings are distributed. Here, we plot our data excluding participants with over £50,000 in savings to show more clearly the distribution. The line in the distribution reflects the median savings value for that category.

With our age plot, we see that the median value in savings does not increase much over the course of age. The right tails of the plots appear to get longer, reflecting more people are saving in older categories.

Our next plot shows more variability. Every income category under £60,000 has a median savings of less than £10,000. The highest earners seem to have much more in savings (as reflected in the top distribution) and in general, as people have more income, they also have more amount of money in savings.

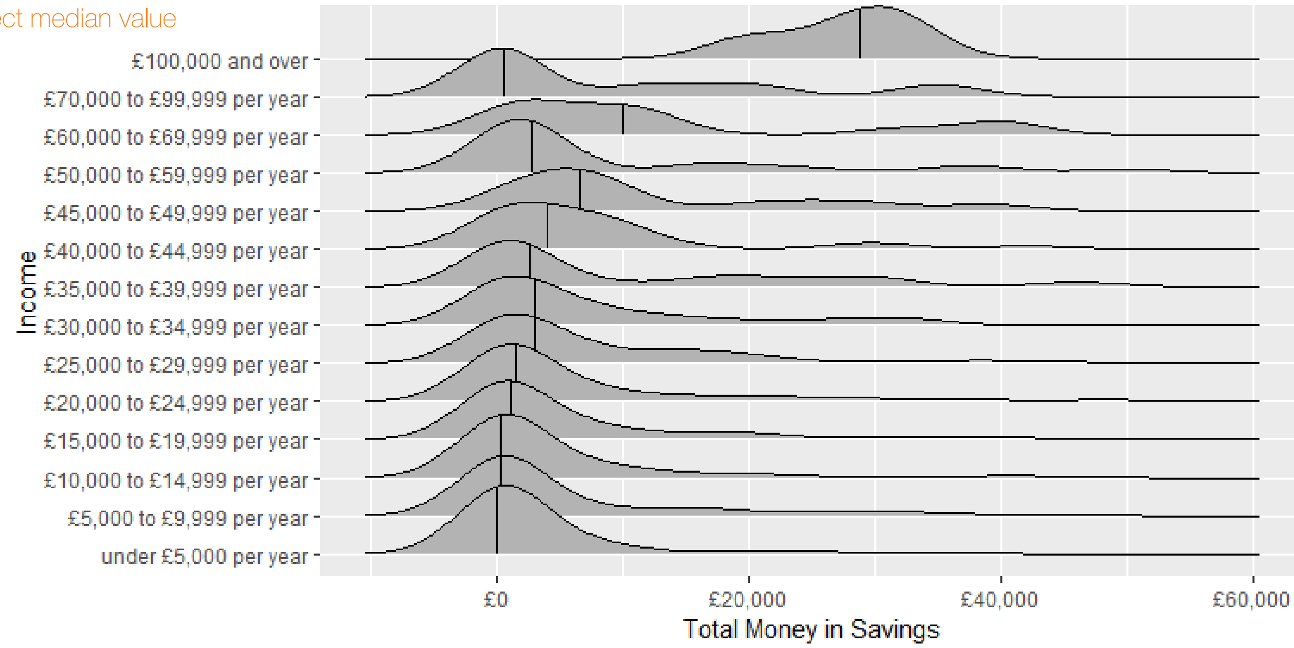
Estimating Savings Across Age

Lines reflect median value



Estimating Savings Across Income

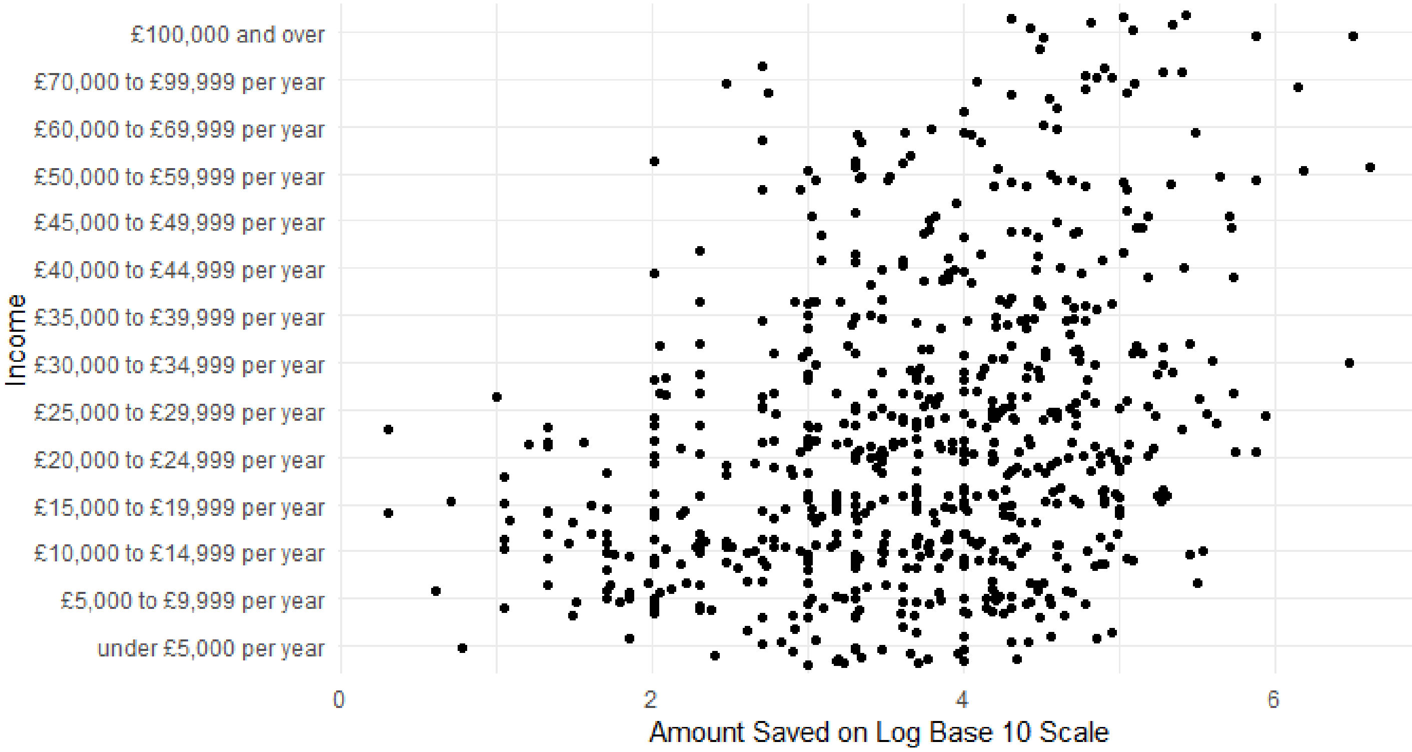
Lines reflect median value



In order to formalise this relationship, we built two regression models. One predicted savings via age and the other predicted savings via income. According to our regression analysis both models were able to significantly predict how much individuals had in savings, but the predictive ability of each model was rather low. The age model could only predict 2% of the data and our income model could only predict 5% of the data.

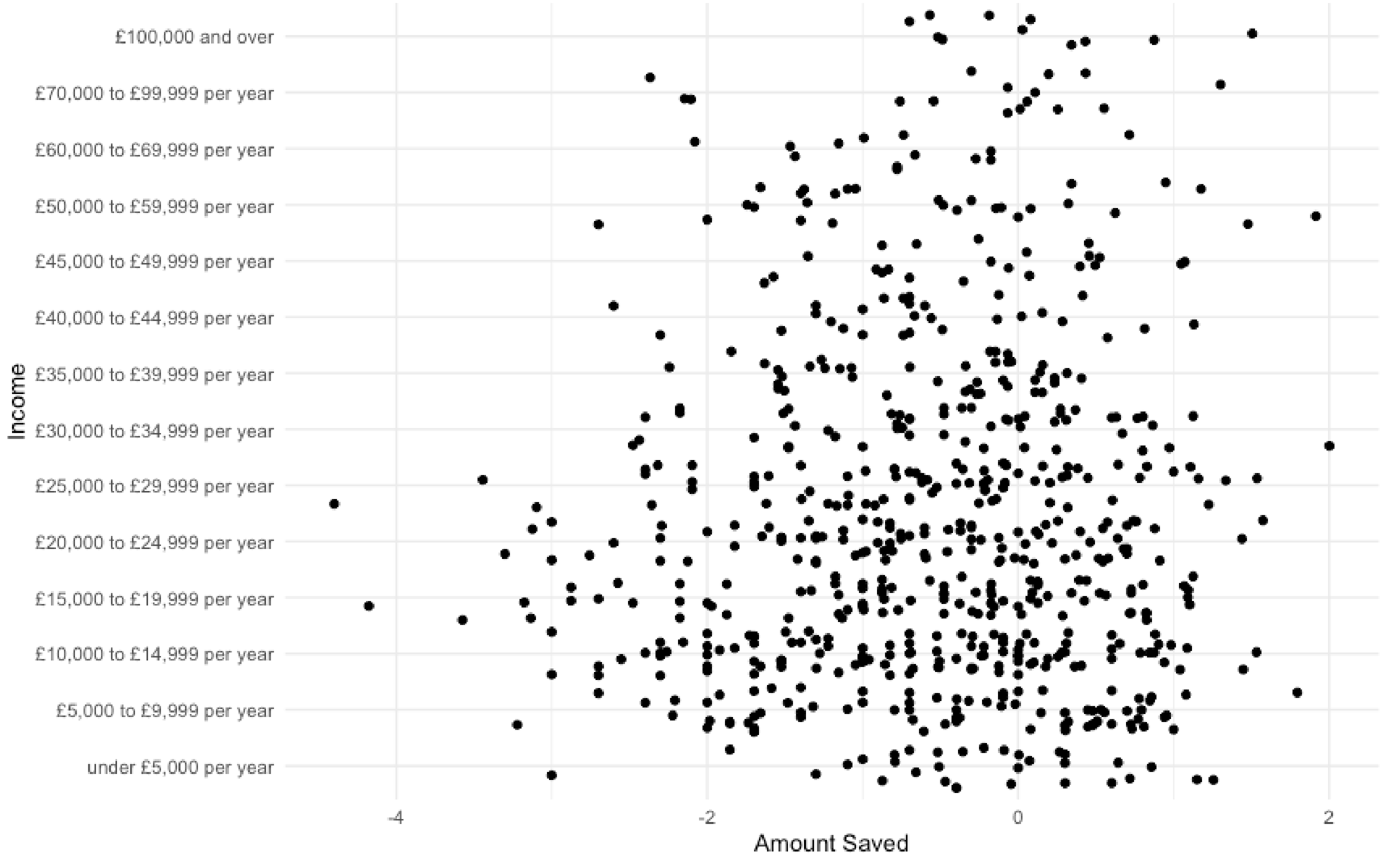
As we found that age and income were not as powerful predictors as someone might intuitively expect, we decided to explore this data further. We did this first by visualising the amount of money that someone had in savings plotted against their income using a logarithmic scale. From this visualisation, we see that there is a general trend that, as people's income increases, they have more in savings.

Individuals with Higher Income Tend to Have More Money in Savings



Though this is a trend that we would expect, we decided to go further in our analyses and attempt to control for someone's income. In order to do this, we divided the amount an individual reported in savings by the bottom of their reported income bin. For example, if someone had £350 in savings and was in the £10,000 to £14,000 income category, this would result in having saved 3.5% of their annual total income of the bottom income level. If we then plot the percentage of their savings again on a logarithmic scale compared to their income, we see this trend of higher income people having more money in savings disappear.

Savings Divided By Income

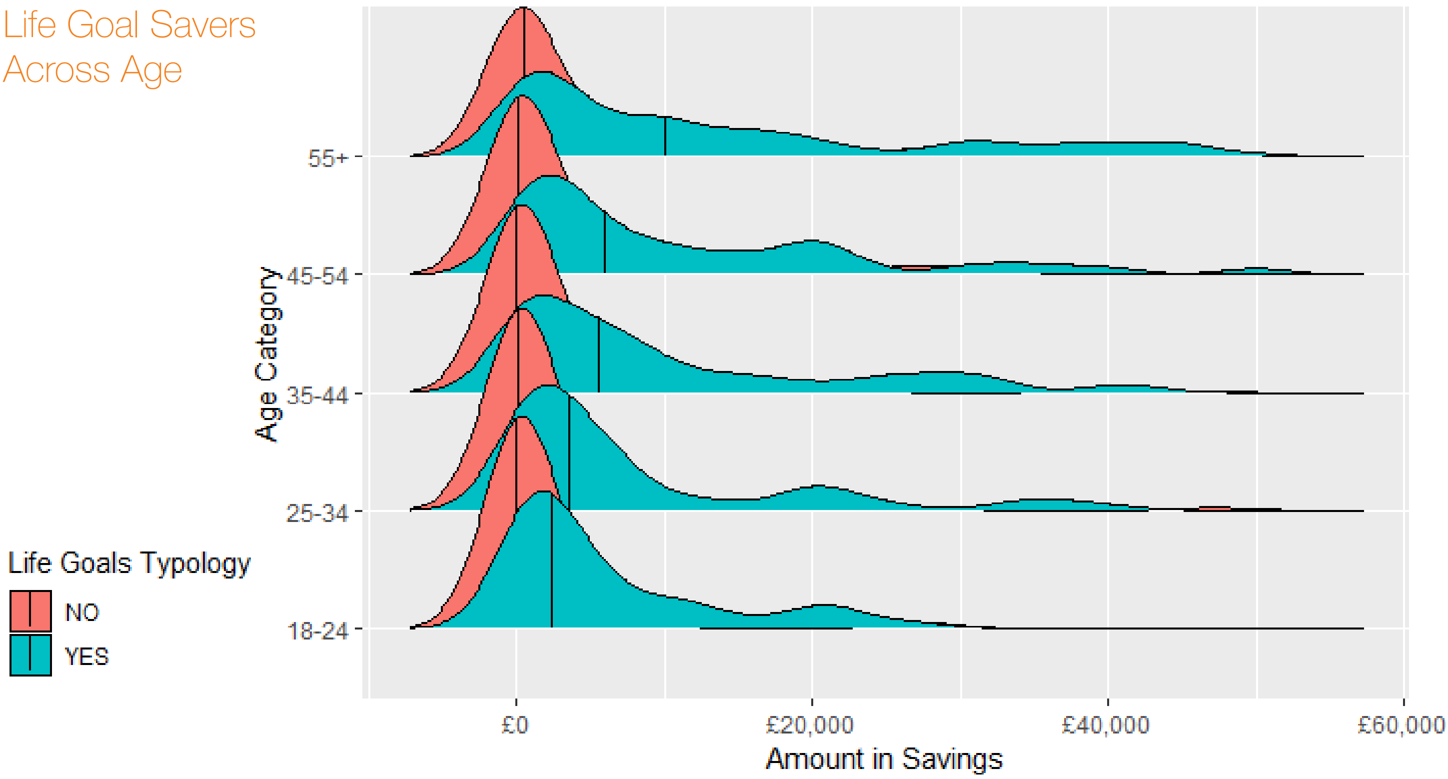


For a point of reference, scores above 0 on the plot above indicates that people have saved more than their annual income and values below 0 indicate they have saved less than their annual income as calculated by the bottom category. This finding provides evidence to suggest that of all people who save money, people on higher incomes do not tend to have more money saved when you adjust for their income. We believe this is an important point to highlight as this analysis demonstrates that those with higher incomes do not save a larger proportion of their income. Intuition might have predicted that as people find themselves in higher income brackets, they have extra disposable income, which would allow them to invest more into their savings, thus being more likely to have saved a larger proportion of their income. This finding also suggests that people with lower incomes are equally active in setting money aside. Although having lower incomes, they are able to save the same proportion of their income compared with people with higher income. This showcases the relative resilience of people in lower incomes.

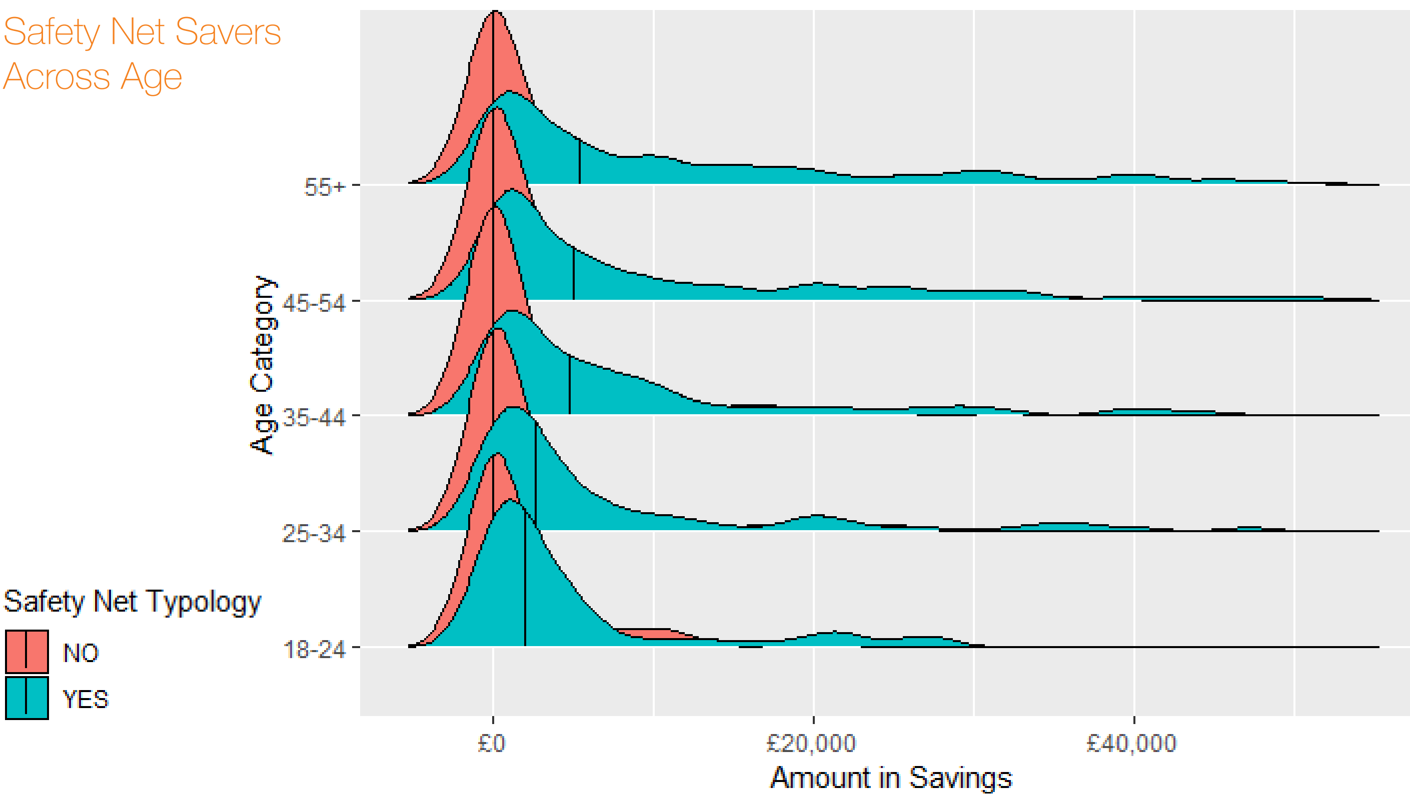
So, if people do not just save proportionally more as they grow old and have more income, what could encourage people to save? Next we add our savings typologies into the analysis. Below we recreated our two plots from above and additionally split the groups by some of our saver typologies. Specifically we looked at Spend Savers, Safety Net Savers, and Life Goal savers. These were three types of interest identified in our earlier analysis.

Over the next three plots you can see that, when including identification of saver typology, those who identify as one of these three saver typologies increase in their savings over a lifetime. We then plotted the same typologies over income. Over both income and age, people who identified as Spend Savers, Safety Net Savers, and Life Goal Savers exhibit a clear positive trend of having more in savings than their peers who do not self-identify as savers. This finding suggests that there is a relationship between how much people actually have in savings and their attitude towards savings. Importantly, we see this pattern in every age category and income category.

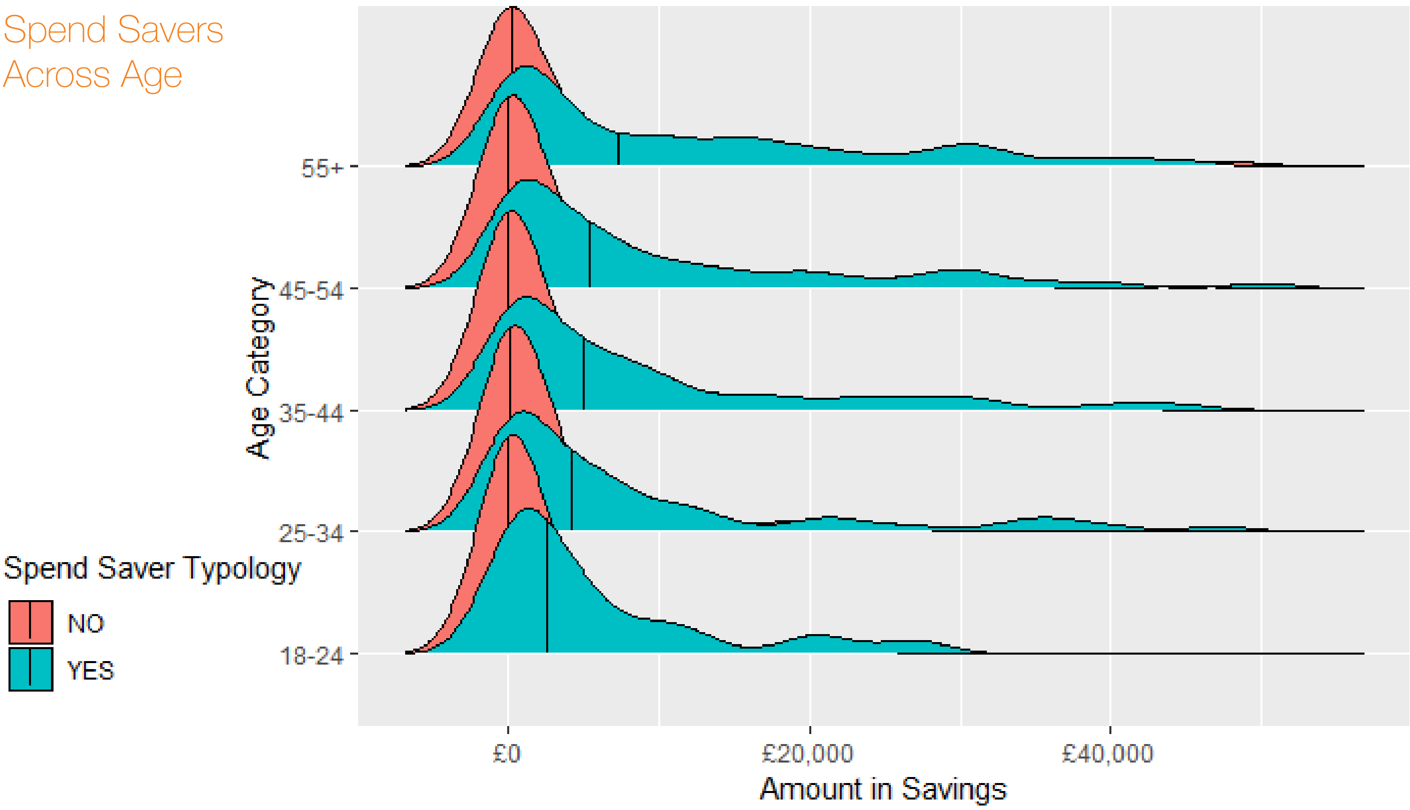
Life Goal Savers Across Age



Safety Net Savers Across Age

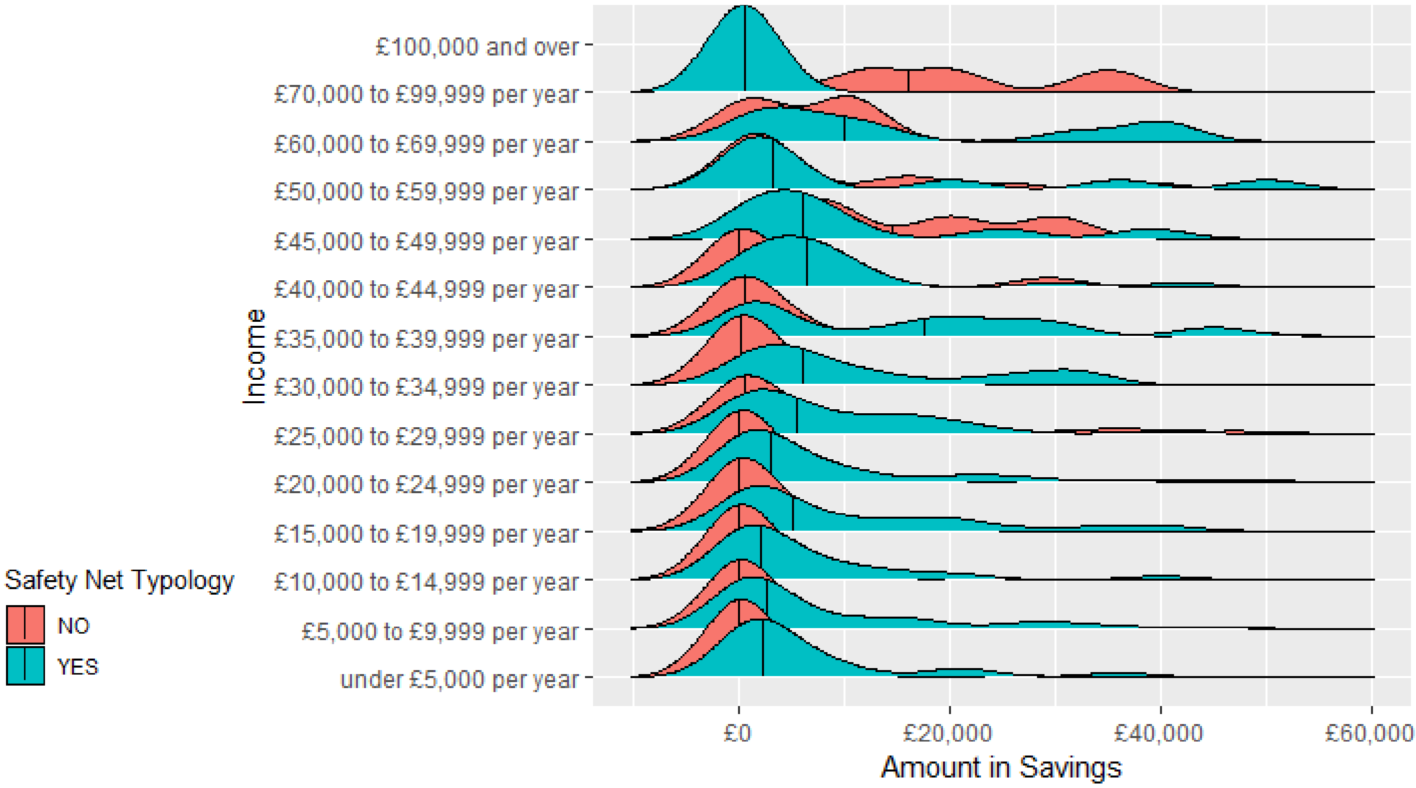


Spend Savers Across Age

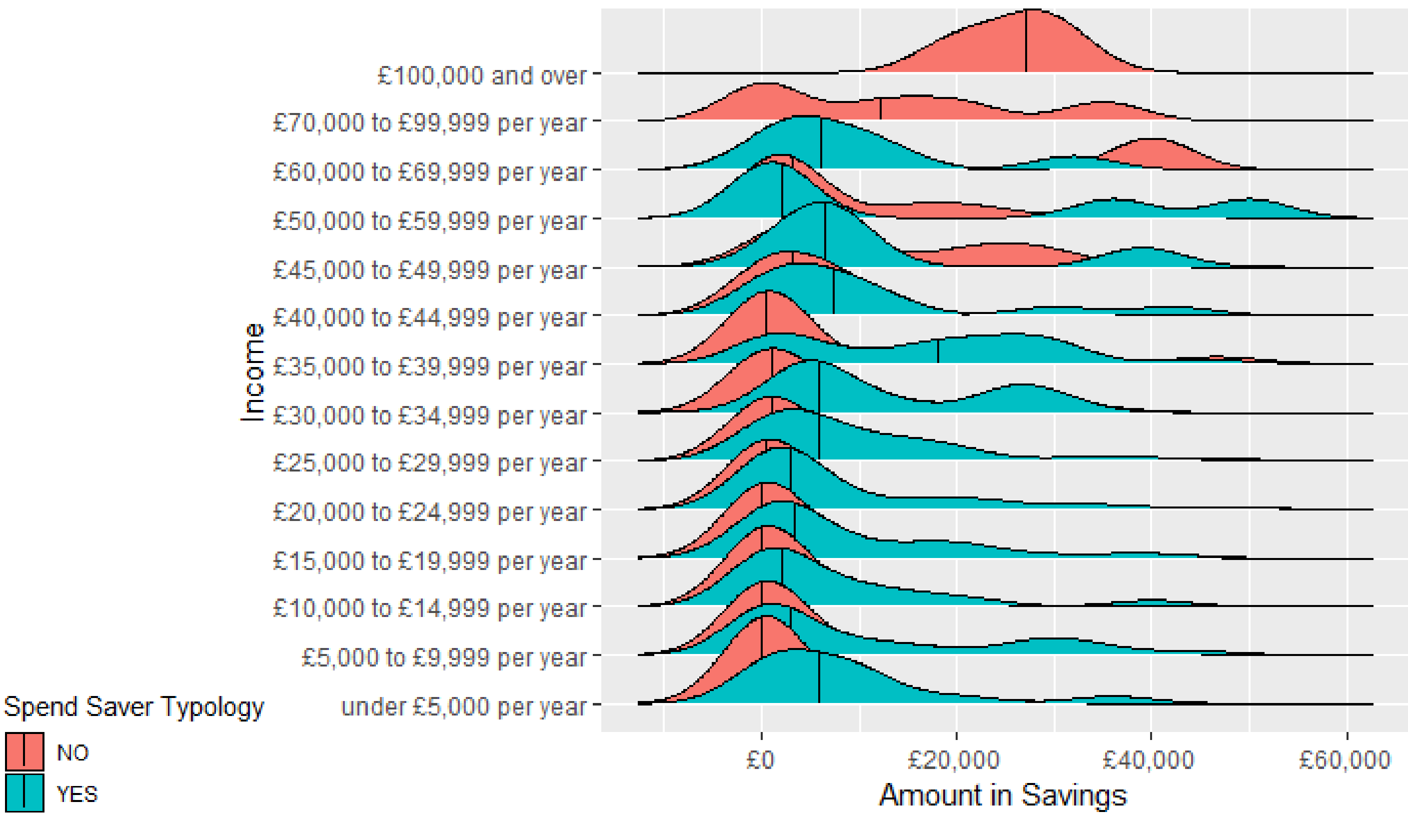


Life Goal Savers Across Income

Safety Net Savers Across Income



Spend Savers Across Income



Based on this finding, if we run two regression models predicting the actual amount in savings when adding our three typologies in the model, our models increase in their predictive ability between five- and nine-fold . While before, our age and income models predicted 2% and 5% of the data respectively (based on Adjusted R^2), when adding in our three typologies the age and income models rise to 18% and 13% respectively. Based on our further analysis, we can confidently say that income and age are not nearly as predictive of how much people save and that there is potential to help people work towards saving more by encouraging savings attitudes and behaviours.

Encouraging Saving Behaviours

We highlighted in the previous section that savings attitudes and behaviours play a key role in influencing people's savings. We want to explore how financial institutions and other stakeholders can encourage people to save through taking into account this learning.

Firstly, we recommend financial institutions understand that they have a role in helping people develop a habit of saving, given that some of the psychological and economic literature (i.e. Loibl, Kraybill, DeMay 2011) suggests that savings is developed by having repeated behaviour, restricting deliberation, and interfacing with personal goals – all themes that emerged from our data.

People should be encouraged to pay their future selves first; namely, to deposit a certain proportion of money into a savings account immediately after they get paid. In order to restrict the need for deliberation, people can commit to one choice per month that they will not think about. For example this could mean deciding to not purchase any lunches during the work day, but rather make them at home.

Secondly, our earlier section notes that people who identified as Safety Net Savers, Spend Savers and Life Goal Savers tend to have more in savings than their non-savings counterparts. Those who watch their spending carefully are more likely to save for a big purchase and make "having savings" as their goal. We recommend focusing on encouraging people to save for a safety net, increase saving at the point of spending, and link spend-save tools to a big purchase rather than a short term reward.

Financial institutions might consider taking advantage of technology by either using smart phone technology to help remind people of their goals, or offering other applications that support saving, such as rounding up purchases to the nearest pound, allowing people to save without needing active thought once the feature has been turned on. Nationwide's savings app, for example, allows savers to set savings goals, and the saver will get suggestions about how much they need to save daily, weekly or monthly in order to meet their goal.

Thirdly, people we talked to in our interviews suggested that saving products and initiatives need to adapt to different savings patterns – for some people, saving might be explicit and conscious behaviour, but for others, it can be implicit and unconscious. Take for example the experience of two of our interviewees. In our first example we have a young man who shared what might be considered the quintessential savings trope: putting money in a small container.

> *"I put some money aside in a small can … It's most likely for a holiday thing or something big like that. I have a computer and I want computer parts and they cost 120-200 pounds … If it is more of a want than a need, I would use the money for that."* (Individual participant, Male, 20s)

2 We also ran a second set of models with a stricter set of statistical assumptions in order to check the robustness of this finding. To do this we first log transformed the total money saved in the entire sample which then split our dataset into two distinct halves – those who have no money in savings, and those who have savings. This log transformed distribution is closer to a normal/Gaussian distribution, which will allow for better interpretation under the context of linear regression.

After acquiring some capital, the man makes a conscious choice to relocate the money in a specific location. He has a vague idea of what it might be used for—possibly a holiday or to fund one of his hobbies. While the purpose the money might be used for is not explicit, what is explicit is his active choice to put the money aside.

Contrasted with this explicit choice to save is an example from another individual who builds their savings using a more indirect route. This type of savings relegates savings to a more automatic, unconscious type of activity as opposed to having to make repeated decisions to save:

> *"I am with [REDACTED] (a financial institution) and … if you pay certain bills by direct debit on the monthly basis you get back an incentive. I have accumulated £90 … Because that is money that is there but I don't know about it so to speak, it's not something I have accounted for, in my income … That can go to be saved which is what I have been trying to do."* (Individual participant, Female, 50s)

This example contrasts with the one above in two key ways. The first is that this type of savings occurs at a regular interval—every time the woman pays her bills. The second is that her choice to save does not have to be re-considered every time she gains more money. The continued accumulation of savings is not dependent on her having to make new choices when she has money; instead, it occurs automatically based on one single choice of signing up to the incentive.

Some people might save in both, either, or neither of these ways. For those who make conscious decisions to save, they can be encouraged to set up their long term savings goals, such as a big purchase or achieving their goal of "having savings". Being able to achieve these goals, such as computer parts in our first example, will motivate people to save. Meanwhile, there should be an option of making savings automatic to alleviate the need for people to constantly watch their spending.

Finally, saving behaviour can be reframed as "having fun", as our interviewee recommends:

> *"Saving should be fun … I can say 'kids let's have a little competition'. That way they won't be thinking to buy such expensive items, trainers, tracksuits whatever, they'll try to save more, and we can go for holiday together."* (Individual participant, Female, 50s)

Our participants suggested that people can be encouraged to find others with a similar financial goal. Family or community competitions can be developed so people think about their savings more often by having someone to help keep them accountable. Financial institutions can implement this gamification recommendation through a variety of approaches, including working with community organizations, where financial education can be developed widely and social support is strong. Principality Building Society has, for example, developed a Learner Earner savings account that is designed to help children and their families learn about saving together and reward savings goals. Progressive Building Society launched a Northern Ireland Savings Week in which they had a week of activities with stakeholder and consumer groups to talk about different ways to establish healthy savings habits.

Conclusion and Recommendations

Concluding our report, we summarise our conclusion and recommendations below:

A large amount of people (67%) surveyed are in a position to start saving – or increase their saving by - a very small amount.

Recommendation: *We suggest encouraging people to begin saving a very small amount of money regularly in a way they do not have to consciously think about it. We see starting small as a chance to encourage people to change their saving behaviour, as well as enabling more people to have some emergency savings, however small.*

Although one of the most reported reasons for people to save is for unexpected emergencies or life events, this was usually accompanied by another motivation from our savings typology. The majority of people had at least two reasons for saving, and thus there will be a relationship between these multiple motivations, either mutually reinforcing or potentially competing for limited money available for savings.

Recommendation: *Savings product design should factor in that individuals often have multiple motivations to save. Through developing products which simultaneously support different types of access to savings for different needs, financial institutions can help savers manage their multiple motivations. Additionally, saving for unexpected life events could provide the path of least resistance to encourage non-savers to begin saving.*

Contrary to our hypothesis that people would just save more as they get older and earn more, an individual's age and income alone are poor indicators of the amount of someone's savings. In fact, an individual's attitudes and behaviours are the most important factors in predicting their savings.

Recommendation: *Future campaigns for savings advocacy should focus on encouraging savings attitudes and behaviours of individuals from all age and income brands, taking a nuanced, holistic approach.*

While people on higher incomes who do save tend to have higher absolute sums in savings, once adjusted for income, there are no clear patterns of people with higher incomes saving a higher percentage of their income. This finding also suggests that people with lower incomes can be equally active in saving once their essential needs have been met.

Recommendation: *Savings campaigns need to tackle directly narratives that might lead people to believe that saving is only something you do once you have attained a certain level of income. People with lower incomes should be encouraged to save where possible, and appropriate savings products and services should be made available for them.*

Using a quantification of our previously established saver typology, we were able to predict more accurately how much someone has in savings above and beyond age and income using typologies related to Spend saving, Safety Net saving, and Life Goal saving behaviours.

Recommendation: *We recommend developing campaigns and products that encourage people to save for a safety net, increase saving at the point of spending, and link spend-save tools to a big purchase rather than a short term reward. Financial institutions might consider taking advantage of technology by either using smart phone technology to help remind people of their goals, or developing applications to support saving, such as those which round up purchases to the nearest pound, allowing people to save with minimal conscious thought.*

Saving behaviour can be reframed as “having fun”.

Recommendation: *Family or community competitions can be developed so people think about their savings more often by having someone to help keep them accountable. Financial institutions can implement this recommendation through working with community organizations, where financial education can be developed widely and social support is strong.*

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Toynbee Hall
28 Commerical Street
London E1 6LS
Tel: +44 (0)20 7247 6943
Email: info@toynbeehall.org.uk

www.toynbeehall.org.uk

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