UK Adult Financial Wellbeing Survey 2021 Nation of Savers Report

September 2022

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1. Introduction

The Adult Financial Wellbeing Survey is a nationally representative survey of adults aged 18+ living in the UK. The survey was previously run in 2018 and 2015, when it was known as the Financial Capability Survey. This latest wave was conducted through online access panels and with posted invitations in order to represent both heavier and lighter users of the internet.

The questionnaire covers the building blocks of financial wellbeing:

- current and longer-term financial wellbeing
- day-to-day behaviours like managing credit, active saving and keeping track of spending
- planning behaviours like pension saving and building resilience against expected and unexpected life events
- enablers and inhibitors like confidence, sense of control, financial numeracy, and engagement with money information, advice and guidance.

The survey provides robust measures of UK Financial Wellbeing which help MaPS and other organisations working in Financial Wellbeing to design and target interventions more effectively.

For further details on the method, sampling and weighting processes, please see the accompanying technical report.

Reporting

The approach taken towards reporting for 2021, is to create a series of short reports, each focused on a specific topic or audience group of importance. The reports will cover the Agendas for Change and the cross-cutting themes of the UK Strategy for Financial Wellbeing and other topics of interest to MaPS.

This report looks at the links between **regular saving and financial wellbeing**, in particular for those measures which contribute to the national goals, which are the primary measures of financial wellbeing in the UK.

Financial wellbeing is more than just having a savings cushion, it is also about meaningful financial education, relying less on credit for everyday expenses, receiving better advice and guidance, and planning better for retirement. Nonetheless, building a habit of saving regularly is a major component of financial wellbeing by increasing financial security and confidence, and improving resilience for unexpected circumstances and life events.

2. The national goal group

To align with the Nation of Savers national goal, this section looks at adults who are in the 'struggling' and 'squeezed' segments who are of working age (18-66):

'***Struggling***' is the least financially resilient segment, characterised by low incomes, high rates of benefit dependency, poor provision for later life, little or no savings buffers in case of financial hardship, and high over-indebtedness.

'***Squeezed'*** is a high-risk segment, characterised by high rates of dependency on credit, absence of savings buffers to cope with income shocks, insufficient preparation for later life.

The UK strategy for financial wellbeing identified 11.1m adults who fall into this group who do not save regularly[1]. The goal is to encourage 2m more people into the habit of saving regularly by 2030.

This group in particular has been identified as susceptible to major life events or other types of income shock but are also in a position to make a change by creating a culture of saving behaviour.

56% (61% of all UK adults)

Proportion of working age UK adults in the 'struggling' or 'squeezed' segments who save money every or most months

Source: G3 – Which of these best describes how often you save money? ("every month" or "most months")

Base: All UK adults of working age (18-65) in the 'struggling' or 'squeezed' segments

Many of the links between saving behaviour and financial outcomes are the same as for all UK adults. Both income and life stage are linked with saving regularly, but as with all UK adults it is far less about having a negative relationship with short-term expensive debt, and it is much more to do with planning and looking to the future.

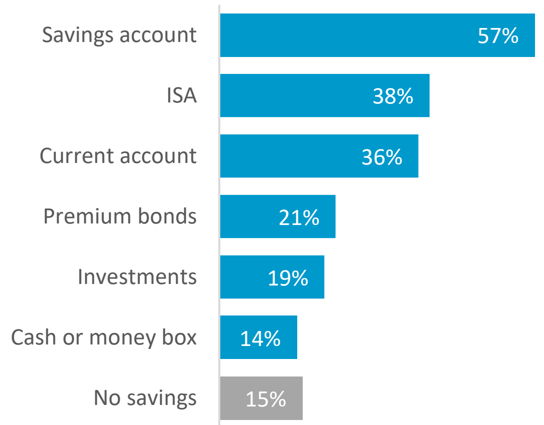
Promoting a culture of saving amongst those of working age, even if that is putting only small amount away each month will improve financial resilience, preparedness and overall financial wellbeing.

The rest of this report looks at the whole UK adult population.

3. Types of saving

About 1 in 7 (15%) of UK adults do not have savings of any kind, and a similar proportion (14%) simply use cash or a money box to save. About 1 in 3 (36%) use their current account to accrue savings.

Chart 1. Types of saving and investment



Source: G1 - Do you currently have savings or investments in any of the following?
Base: All Adults

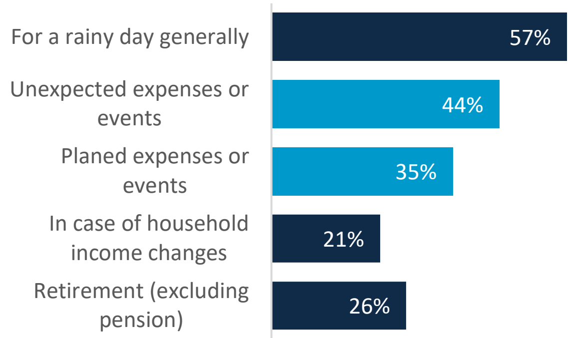
There are some interesting differences by ethnic background, with those from an ethnic minority slightly more likely to avoid traditional banking products and instead use cash or money box (16% vs 14%), and much more likely to use credit union savings accounts (11% vs 5%), and savings clubs (8% vs 3%).

Saving for a planned purchase or event and saving to cover unexpected expenses are

[1] This is based on data from the 2018 Adult Financial Capability Survey and published in the UK Strategy for Financial Wellbeing

considered positive financial behaviours associated with strong financial resilience.

Chart 2. Reasons why people save



Source: G1 - Do you currently have savings or investments in any of the following?
Base: All Adults

Most UK adults save simply for a rainy day (57%), but others have specific goals they are trying to achieve.

4. Regular saving

What do we mean by regular saving?

"G3 - Which of these best describes how often you save money?"

Stating every month or most months in response to this question, correlates highly with other measures of financial wellbeing. Or to put it another way, responding rarely or never is a strong indicator of poor financial resilience.

61%

Proportion of UK adults who save money every or most months

Source: G3 – Which of these best describes how often you save money? ("every month" or "most months")

Taken in isolation, being a 'regular saver' is an important stepping stone to improving financial wellbeing. In conjunction with other attitudes and behaviours with money, being a regular saver can make a big difference to people's lives.

The link between regular saving and financial wellbeing

Those who are not in the habit of saving regularly are much more likely to experience negative financial outcomes in other areas.

- People who are unable to save are far more susceptible to an income shock, such as losing the main household source of income. About a third (37%) of those without savings expect to be able to last 3 months or more without borrowing if this happened, compared to nearly two thirds (65%) of those with savings.
- Keeping up with bills and other credit commitments is a struggle for the vast majority of those without regular savings (70%) compared to those who are able to save (37%) and keeping up with bills is much more likely to feel like somewhat or a heavy burden (69% vs 42%).
- Those unable to save most months or every month are far less likely be satisfied with their life nowadays (25% vs 44%) and less likely to be satisfied with their financial situation (18% vs 44%).
- They are also more likely to feel anxious when it comes to thinking about finances (46% vs 29%) and feel unconfident about managing money in general (61% vs 35%).
- Income is more likely to have decreased a lot since the pandemic started (22% vs 10%) indicating this group are more precarious and susceptible to change.

5. Regular savers

Regular saving provides good financial resilience regardless of your income or personal situation. Inevitably, those adults who are on higher incomes or at a different life stage are more likely to be regular savers.

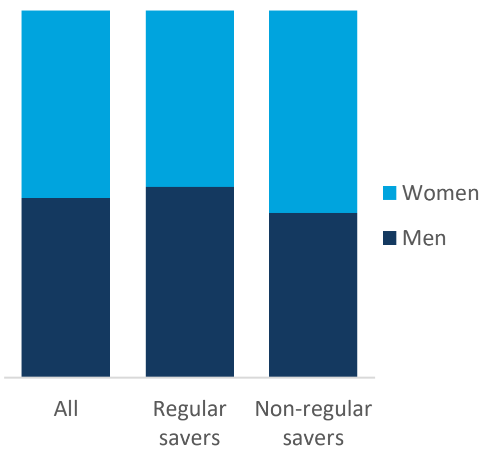
Regular savers are slightly older

Age is in fact not a strong predictor of the ability to save regularly, indicating that the habit of saving is far more to do with other circumstances than being linked to having an older, more mature attitude to money. In fact, it is only once retired that differences between regular savers and non-regular savers noticeable. Just over one in four (26%) of regular savers are aged 66+, whilst for non-regular savers, one in five (20%) are of retirement age.

Regular savers are found amongst men and women

There are some differences in regular saving between men and women. Non-regular savers are more likely to be women (55%) but regular savers are slightly more likely to be men (52%).

Chart 3. Regular versus non-regular savers



Source: G3 - Which of these best describes how often you save money?
Base: All Adults

And typically, men have a greater value of savings, with nearly two thirds (62%) having savings of more than £1,000 compared to about half of women (51%).

Regular savers are on higher incomes

One in three (35%) regular savers have a household income of £35k+ compared to one in six (17%) of those who rarely or never save. Even so, this indicates that household income is by no means the main indicator of savings behaviour.

Even a proportion of those on the lowest incomes are able to save regularly.

Similarly, being in receipt of benefits is not a main driver of saving regularly – over 4 in 10 (43%) of those who save regularly receive one or more government benefits.

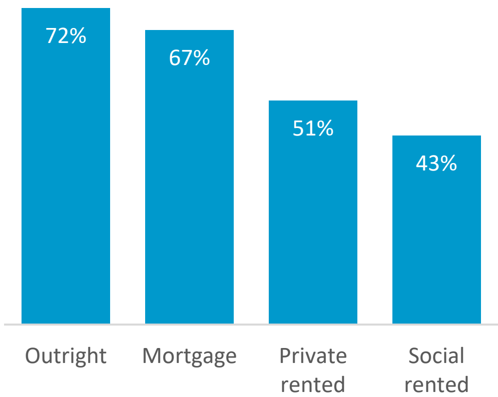
Regular savers are working full time

A part-time working arrangement is linked to being less likely to be a regular saver. Half of the regular savers group (50%) are working full time. Amongst non-regular savers this falls to just over 1 in 3 (35%), indicating that a full-time regular income is linked to saving every or most months.

Regular savers own their own home or are paying a mortgage

Living in rented property, particularly a council or housing association property, is strongly linked with being less able to save regularly.

Chart 4. Regular savers by housing tenure



Source: G3 - Which of these best describes how often you save money?
Base: All Adults

Those in a socially rented property are less likely to be regular savers (43%) compared to for example those who are living in a property owned with a mortgage (67%).

Regular savers have a support network

Approaching 8 in 10 regular savers (78%) live with a partner, a parent or another family member in the same household. If you are not in the habit of saving every month or most months you are more likely to live alone. Regular savers are more likely to be married or in a civil partnership (55% vs 41%)

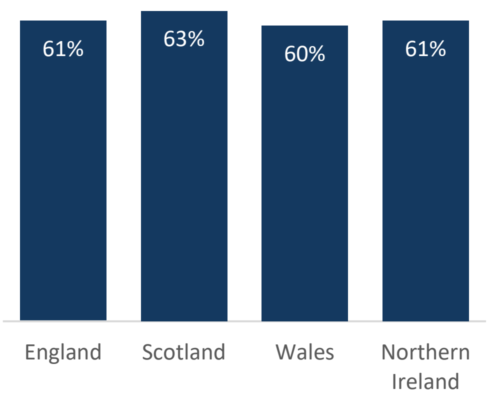
Conversely, having financially dependent children in the household makes no difference to the likelihood of being a regular saver.

Regular savers are also more likely to have sought formal support from guidance providers (61% vs 44%) or engaged with one or more financial providers about retirement planning for example to log on to their pension account online (37% vs 19%).

Regular savers are found in all nations and from all backgrounds

There are very little differences between the devolved nations, with approaching two thirds (61%) of adults from all nations able to save every or most months:

Chart 5. Regular savers by nation



Source: G3 - Which of these best describes how often you save money?
Base: All Adults

6. Other links to regular saving

Demographic links

As well as attributes linked to income such as lifestage and housing tenure, there are other demographic groups that are linked with saving regularly.

Those who have experienced a mental health issue in the last 3 years are a little less likely to be regular savers (55% vs 64%). However, this group is far more likely to rely on high cost, short term credit (36% vs 6%) compared to those who have not experienced a mental health issue.

Similarly, those with some form of limiting condition or disability are also a little less likely to be regular savers (55% vs 65%).

A lower proportion of UK adults who are unemployed are able to save every or most months.

31% (61% all UK adults)

Proportion of adults with a regular approach to saving who are unemployed

Source: G3 – Which of these best describes how often you save money? (“every month” or “most months”)

Single parents in particular (the vast majority of which are single mothers) are less likely to be able to save most months or every month (50% vs 61% of all UK adults).

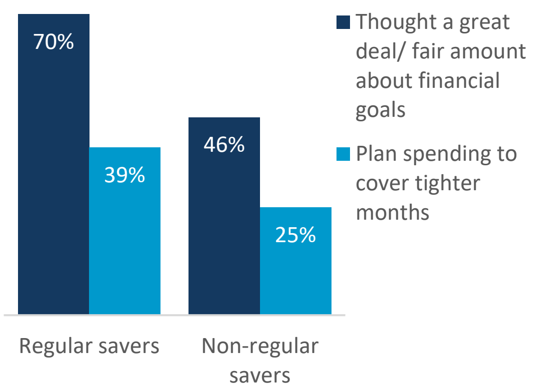
Links to financial behaviour and attitudes

To some extent being able to save regularly is linked to having the income to do this. Income, life stage and other demographics are only part of the story however. Saving even small amounts each month can improve financial wellbeing by forming a positive habit and relationship with money in general.

Regular savers are better at planning and setting goals

It is difficult to say whether having savings promotes better planning, or those more likely to save are more likely plan. Either way there is a link between being a regular saver and adjusting the monthly budget to anticipate tighter months.

Chart 6. Regular savers by future planning



Source: G3 - I plan my spending to cover months where I expect money will be tighter; D4a - Before today, how much have you thought about …Financial goals for the next five years?

Base: All Adults

Those with regular savings are more likely to have given some thought to future financial goals (70% vs 46%), indicating a link between having goals and making regular contributions to saving.

Regular savers also plan for short-term goals. Nearly 4 in 10 (39%) of those with savings make adjustments to their monthly expenditure to cope with fluctuations in spend and income, compared to 1 in 4 (25%) of those who don't save.

Regular saving is linked to being better at retirement planning

Longer term planning for retirement is also linked to having a regular approach to saving.

32% (57% of regular savers)

Proportion of adults with a regular approach to saving who feel they understand enough about pensions to make decisions in retirement

Source: H6 (wasou) – % agree "I feel I understand enough about pensions to make decisions about saving for retirement" (DK included)

Similarly, those who consider they have done a great deal or a fair amount to plan for their retirement are far more likely to be found amongst the group with regular savings (62%) compared to those who do not save regularly (27%).

Forming a regular savings habit is linked to positive planning behaviour, including having a forward-thinking approach to retirement.

Those with regular savings are only slightly more debt-averse

Perhaps contrary to expectations, those who do not save regularly, would still prefer to avoid borrowing if they can.

63% (71% of all UK adults)

Proportion of adults who save every or most months who hate to borrow and would much rather save up in advance

Source: B2 – To what extent to you agree or disagree with "I hate to borrow, I would much rather save up in advance"

People without a savings buffer, actually do not tend to use a credit card to pay for everyday expenses because they have run out of money – their use of credit for the everyday is similar to regular savers (19% vs 16% of those who save regularly). Whilst this is a key indicator of poor financial wellbeing it is not linked to saving behaviour.

Furthermore, those without savings are no more or less likely to have taken any high cost short term credit in the last 12 months (15% of all UK adults – the same for both regular savers and non-regular savers). This indicates that being unable to build up a savings buffer is not necessarily about having a detrimental attitude to borrowing.

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