The Savings Challenge

Is the UK prepared for a rainy day?

29th September 2016

**www.moneyadviceservice.org.uk/
en/corporate_categories/research**

Agenda

Morning Session

Introduction	David Haigh (MAS)
Who is most at risk of a rainy day?	Nick Watkins (MAS)
Types of savers and success factors	Chris Phillips and Helen Pitman (MAS)
How do we drive change in savings behaviour?	Lizzie Jordan (MAS)
Guest panel session	Sharon Collard (Bristol Uni PFRC) Greg Davies (Centapse) Matthew Ford (Pariti) David Haigh (MAS)

Agenda

Afternoon Session

Engaging the DC generation	Matthew Blakstad (NEST)
Evaluation of interventions	Peter Bailey (MAS)
Behavioural Economics view of savings	Greg Davies (Centapse)
Wrap up and video	David Haigh and Nick Watkins (MAS)

Who's most at risk of a rainy day?

Nick Watkins
Head of Insight & Evaluation, Money Advice Service
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Rainy days do happen

the **Money** Advice Service

Unexpected costs in the last year

Category	Percentage	Mean Cost for each category
Car repair/replacement	29%	£1,341
Opticians/Glasses costs	15%	£195
Technology breakdown	15%	£294
Vet bills/Pet costs	14%	£248
Washing machine	13%	£245
Lending to family/friends	12%	£2,482
Emergency dentists bills	11%	£285
Emergency home repairs	10%	£607
Unexpected kids costs	9%	£224
Mobile phone breakdown	8%	£120
Boiler repair/ replacement	8%	£973
Unscheduled events/weddings	7%	£423
Tax bills	5%	£1,110
Legal bills	4%	£839
Other	3%	£777
None of these	29%	

71%
Incurred an unexpected bill

£200-£400
Typical cost

Source: Closing the Savings Gap

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Paying an unexpected bill

How people would pay an unexpected £300 bill

Method of payment	Total	Low income	Med. income	High income
Use own money without cutting back	43%	36%	44%	61%
Dip into savings	22%	20%	22%	19%
Use own money but need to cut back	12%	11%	12%	10%
Use credit	6%	6%	7%	5%
Borrow from friends or family	6%	9%	4%	3%
Could not pay	5%	9%	4%	1%
Don't know	6%	7%	6%	1%

Source : 2015 Financial Capability Survey. Base : total population
Low h/h income : <£17.5k   Medium h/h income : £17.5k – 49k High h/h income £50k+

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Definition?

- Lack of a savings buffer or not actively saving?

- Zero or only minimal savings?

- Formal or informal savings?

- What about a current account for savings?

- This presentation …

  - Focus on savings buffer, not e.g. retirement

  - Working age only

  - Less than £100 in a formal savings account

No buffer

44%

working age adults
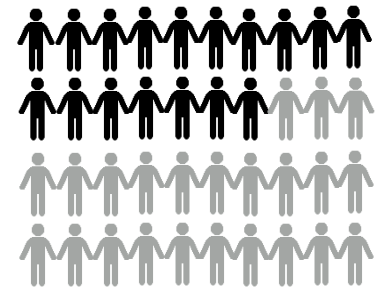
17 million

Low income is a barrier

- **Low income** (avg. £19k personal)

- **Younger** (51% aged under 35)

- **Have children** (58%)

- **Social renters** (33%)

- **Over-indebted** (42%)

**42%
'Struggling' segment**

MAS Segments

Working-age, no buffer

Working-age

25

42

33

36

37

22

■ Struggling   ■ Squeezed   ■ Cushioned

Also high earners without savings

Household income

Legend:
- ■ £50,000+
- ■ £40,000 - £49,999
- ■ £30,000 - £39,999
- ■ £20,000 - £29,999
- ■ £10,000 - £19,999
- ■ <£10,000

Working age:
- 33%
- 13%
- 17%
- 15%
- 14%
- 7%

No buffer:
- 13%
- 11%
- 21%
- 21%
- 19%
- 14%
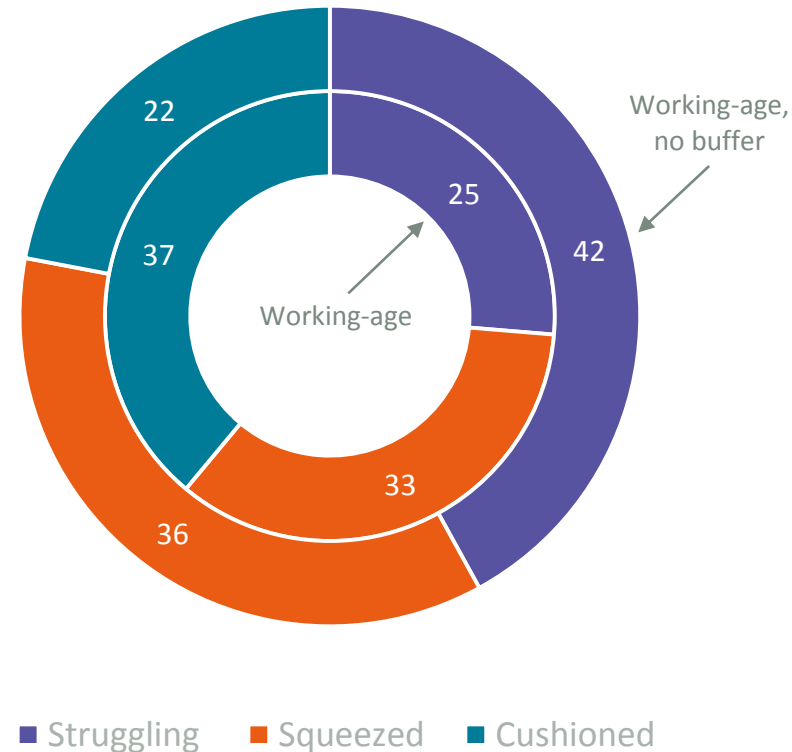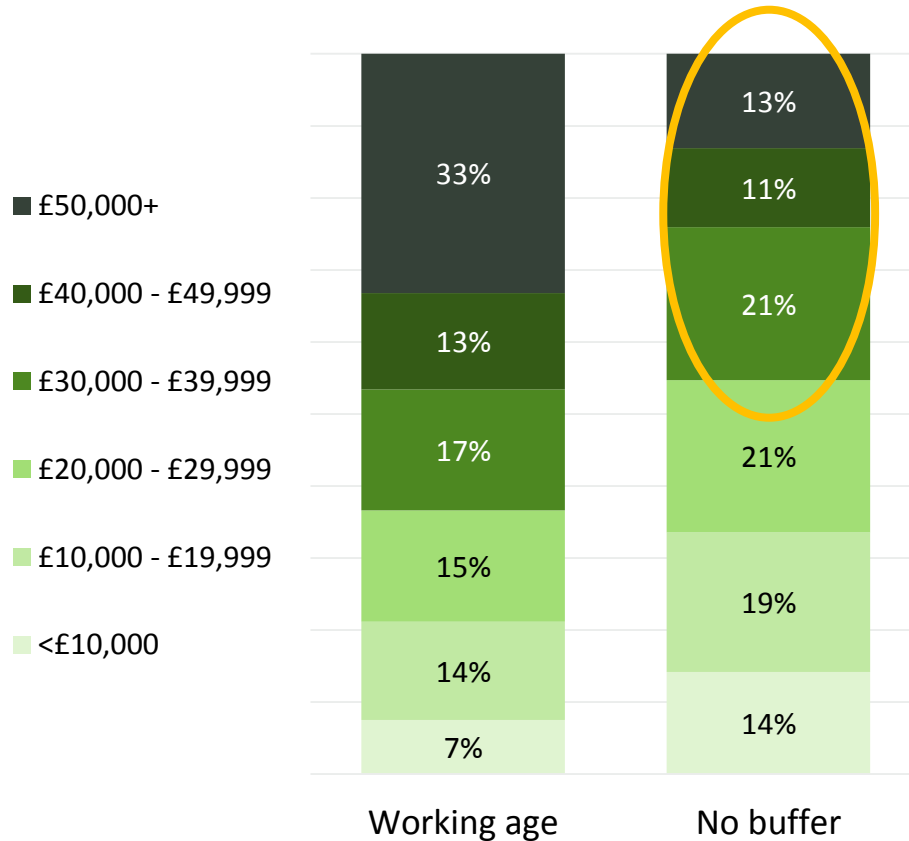
45%

Household Income above

£30,000

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Other attitudinal barriers

It doesn't matter

Live for today
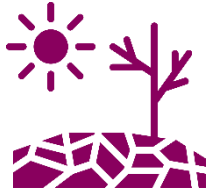
Happy to borrow

- *"It's important to save for a rainy day"*

  - Disagree

- *"When it comes to money I prefer to live for today, rather than plan for tomorrow"*

  - Strongly agree

- *"I hate to borrow. I would much rather save up in advance"*

  - Disagree

Attitudinal overlaps

It doesn't matter

Happy to borrow

18%

3%

40%

<1%

3%

4%

32%
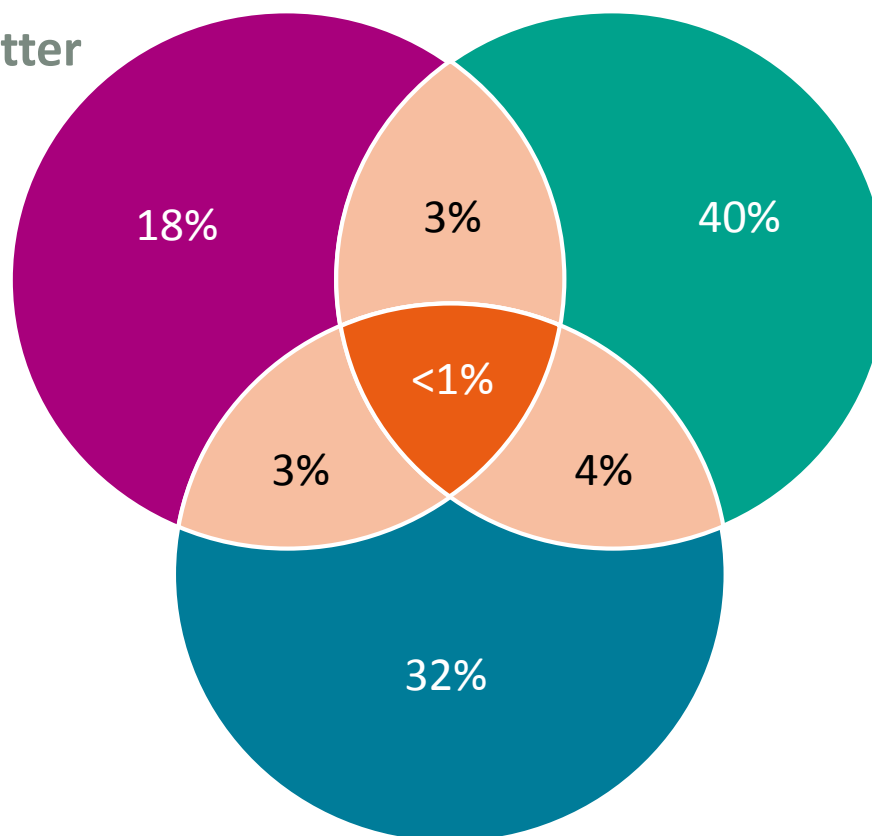
Live for today

Base : all no-buffers
Excludes 62% with no
qualifying attitudes

It doesn't matter

- Only 9% of the 'no-buffer' base; 1.6 million

Legend: ■ Strongly agree ■ Agree ■ Neither ■ Disagree ■ Strongly Disagree

All working age

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Older	Low income	No children
79% over 45	£ 52% <£20k	67%
57% Manual worker House-person	55% Social renters	2 in 3 'Struggling'

Live for today
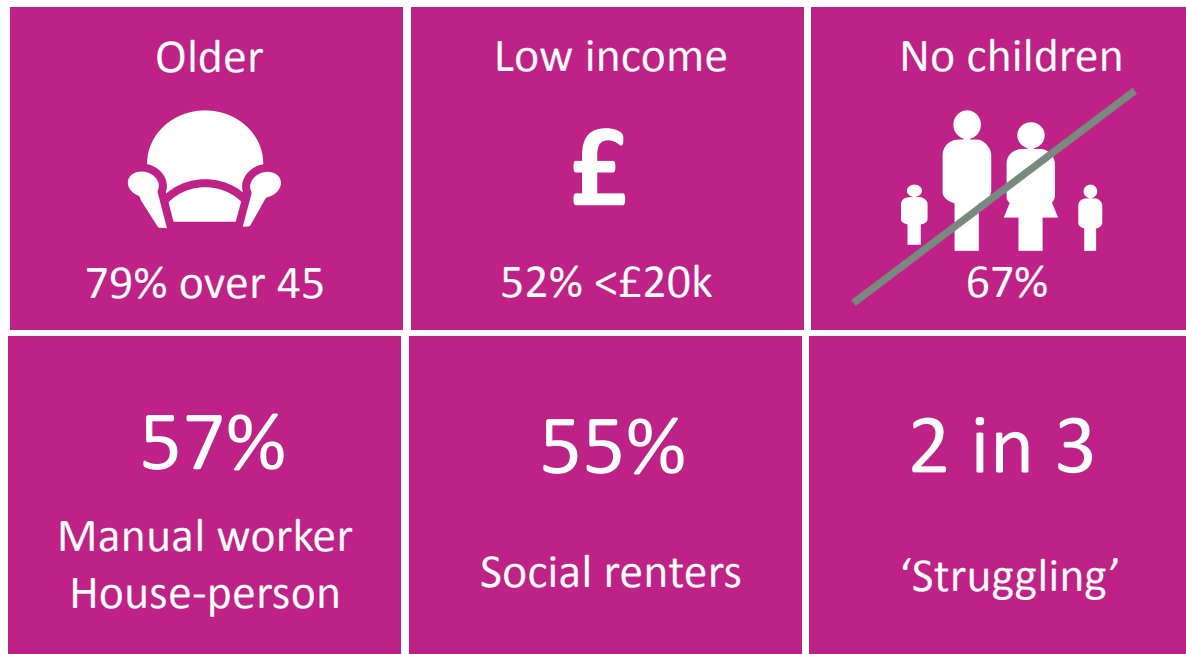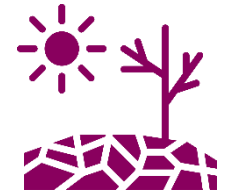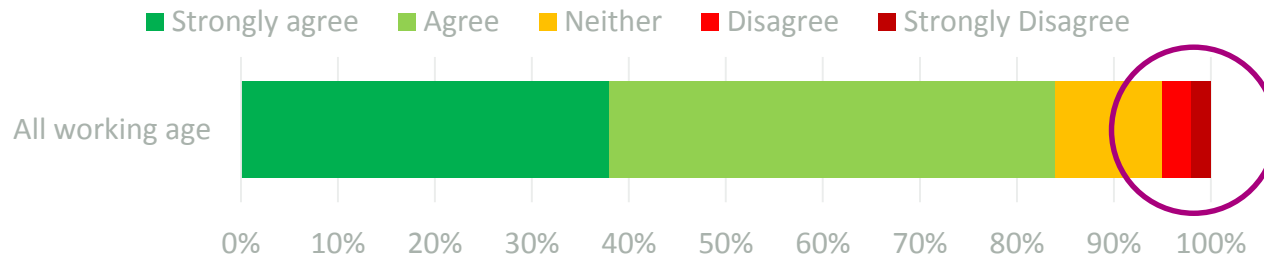
- 15% of the non-saver base; 2.5 million

Legend: ■ Strongly agree ■ Agree ■ Neither ■ Disagree ■ Strongly Disagree

All working age

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%
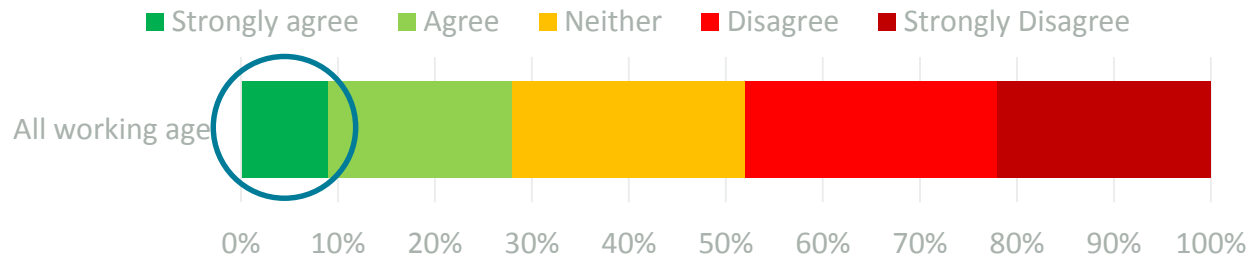
Low income	Unemployed	Low credit use
£	x2	11% credit card vs 21%
£19k avg. P.I	14% vs 7%	

55%	1 in 3	63%
Social renters	Online gambling as a hobby	'Struggling'

Happy to borrow

- 18% of the non-saver base; 3 million

Legend: ■ Strongly agree ■ Agree ■ Neither ■ Disagree ■ Strongly Disagree

All working age

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Middle income	Families	Mortgaged
££		
£34k avg. P.I	71% have children	53% vs 30%
1 in 3	53%	46%
Revolve balance on card*	Have a savings account	'Squeezed'
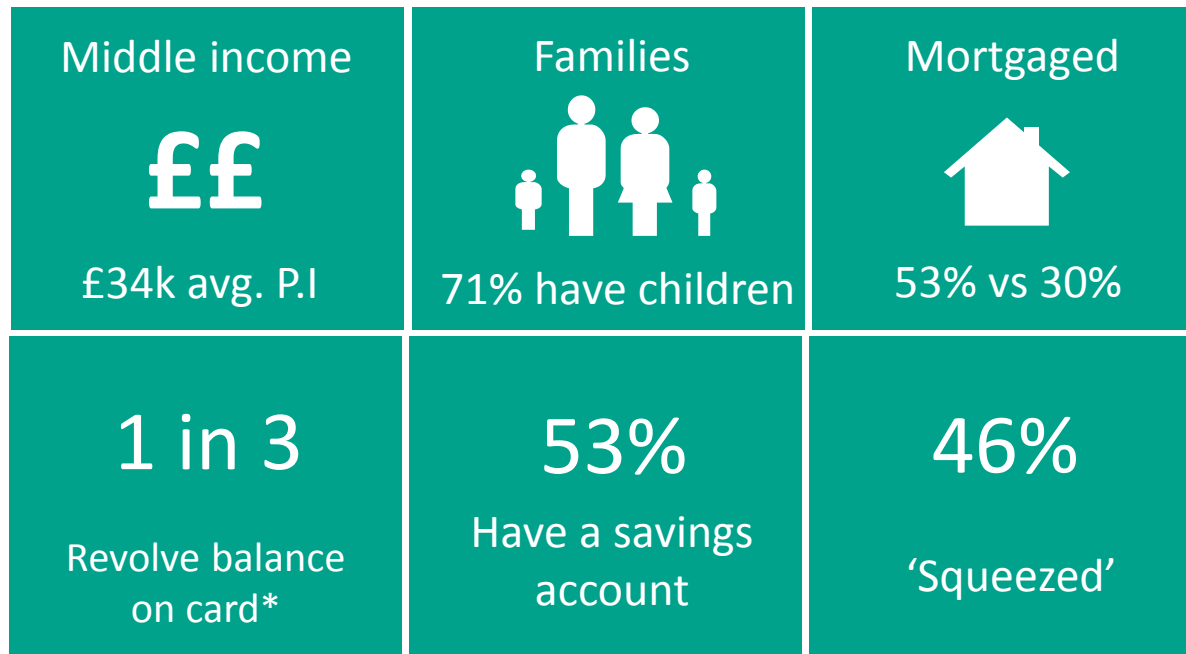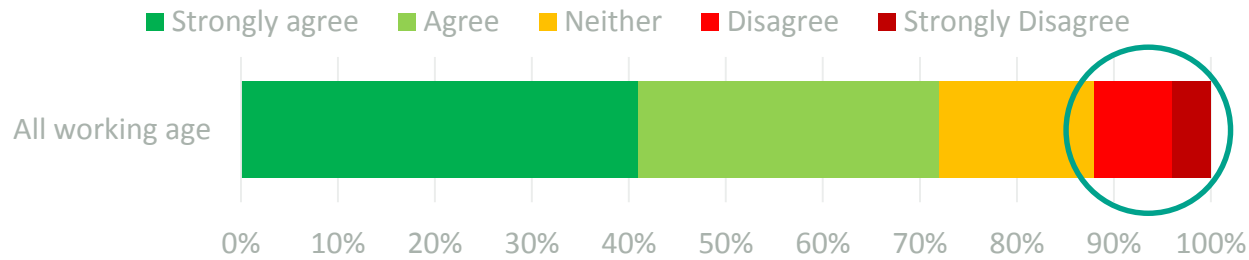
*of those with a credit card

Two attitudinal groups

Live for today

- Lower income

- Social renting

- Younger families

- 'Struggling'

Happy to borrow

- Middle income

- Mortgaged

- Families

- Heavy credit users

- 'Squeezed'

Differ also by geography

Live for today

Happy to borrow

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Conclusions
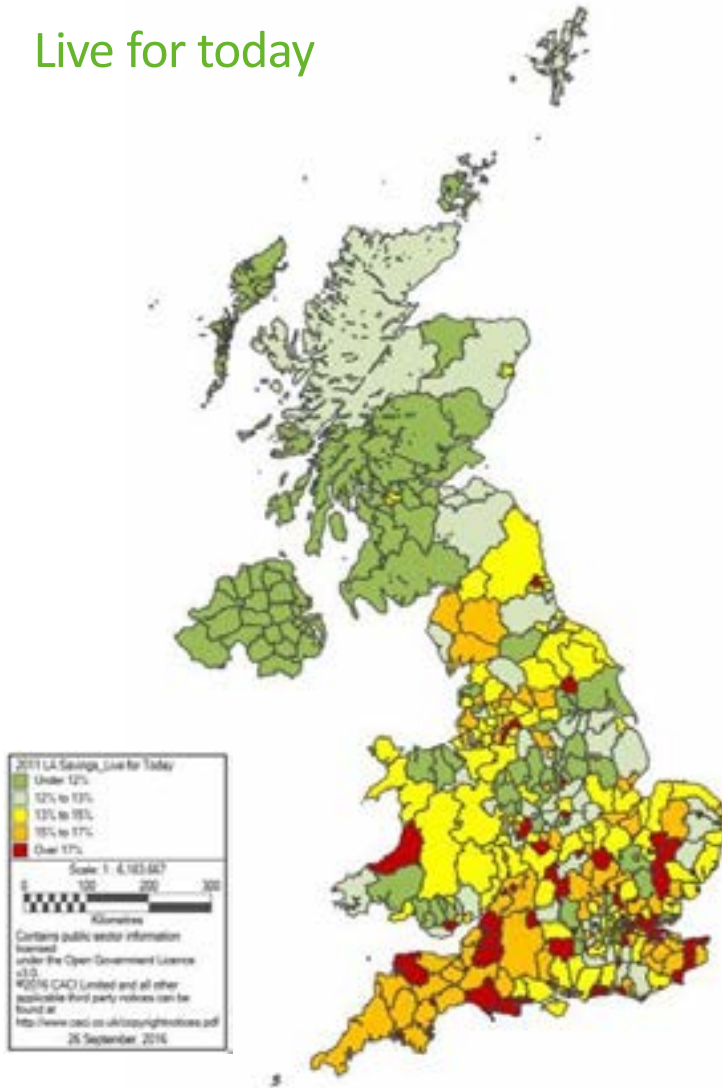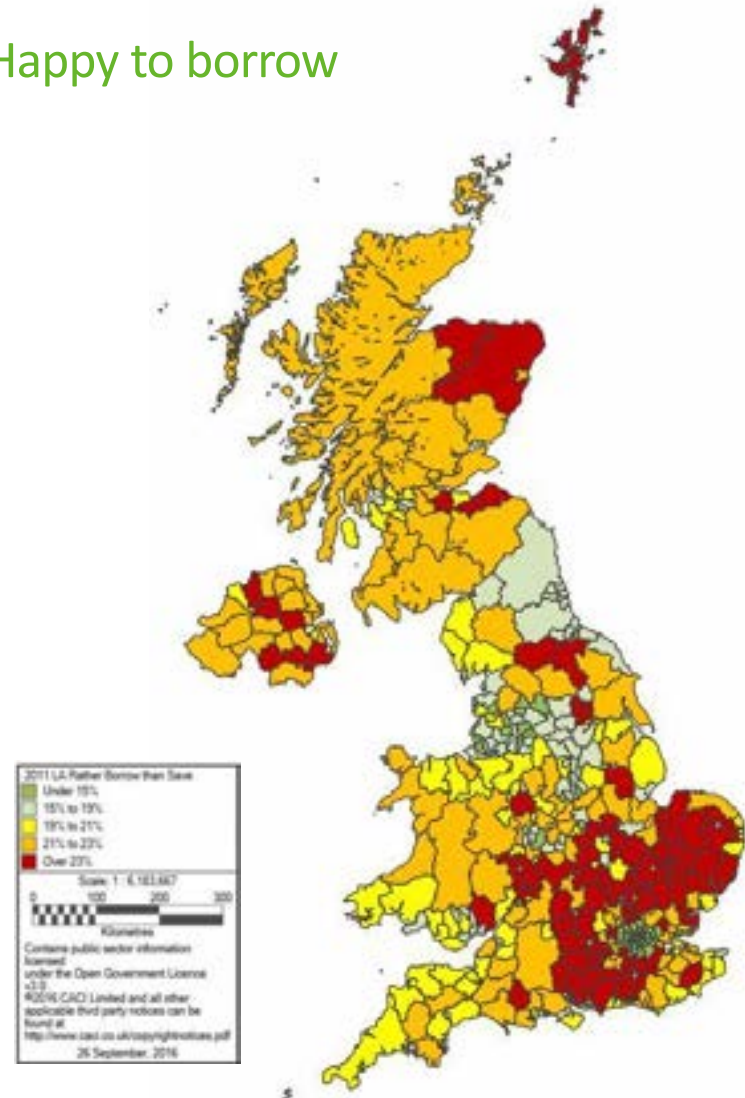
- Income is undoubtedly a barrier but not the whole story

  - *How do we build on existing initiatives to encourage lower-income households to save even a little?*

- Two main attitudinal barriers with different demographic profiles needing potentially different interventions

- **'Live for Today'**

  - *How do we get people to engage with their future selves?*

- **'Happy to Borrow'**

  - *How do we raise awareness of the full cost of borrowing?*

  - *How do we make the risk of income shocks 'real'?*

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Thank you

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More information on the MAS website:

www.moneyadviceservice.org.uk/en/corporate_categories/research

Types of savers and success factors

Chris Phillips and Helen Pitman

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www.moneyadviceservice.org.uk/en/corporate/research

Objectives

Who saves monthly?

Who has high balances?

How might behavioural insight change this?

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Approach

- Online and face-to-face
- UK adults 18+
- Over 5,600 interviews
- c.3,500 nationally representative
- Boosts in 18-24 and devolved
- April – July 2015

Savings map – Working age

Saving to income ratio

3+ months

<3 months

15%
Monthly Savers, High Balance

12%
Irregular Savers, High Balance

26%
Monthly Savers, Low Balance

25%
Non-savers

22%
Irregular Savers, Low Balance

Rarely / never	Some months	Most months	Monthly

Saving frequency

Savings map – Working age

Saving to income ratio

- 3+ months
- <3 months

15%
Monthly Savers, High Balance

Middle/higher incomes
Mostly home owners

26%
Monthly Savers, Low Balance

Mix of incomes
Mix of tenure

22%
Irregular Savers, Low Balance

Lower incomes
Mostly renting

25%
Non-savers

Rarely / never	Some months	Most months	Monthly

Saving frequency

Non-savers

Money is tight

44% over-indebted

Unexpected £300 bill

76% couldn't pay from savings or spare money

Lack of confidence

35% Confident managing money

28% Confident choosing financial products

Not planning

47% Have financial goals, but….

20% Plan to meet goals

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Irregular savers (low balance)

Some of the same issues as non-savers

Lack of confidence

38% Confident managing money

33% Confident choosing financial products

Not planning

59% Have financial goals, but….

30% Any form of plan to meet the goal(s)

…but average in many other respects

Unexpected £300 bill

42% couldn't pay from savings or spare money

Monthly savers

Saving to income ratio

3+ months

<3 months

15%

Monthly Savers,
High Balance

?

**What could
move people
up here?**

26%

Monthly
Savers,
Low Balance

25%

Non-savers

22%

Irregular Savers,
Low Balance

| Rarely / never | Some months | Most months | Monthly |

Saving frequency

Monthly savers

High Balance

Income

Age

?

Low Balance

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Monthly savers, low vs high?

the Money Advice Service

Low balance

46% Confident choosing financial products

High balance

59%

Important to save..

45% 'Very important' to save for a rainy day **48%**

...but planning less far ahead?

43% 'Very important' to put aside for retirement **63%**

25% Have a will **37%**

How do we encourage more saving?

Savings challenge

- 24 non savers in online community

- Save £100 a month for three months

- Keep an online diary

- Gave some hints and tips

- Everyone saved something

I didn't think we could save, I thought we'd tightened our belt as much as we could and I didn't think we could do it but its opened my eyes in a big way, me, my husband and even my children, it's been life-changing

Success factors

EASY

ATTRACTIVE

SOCIAL

TIMELY
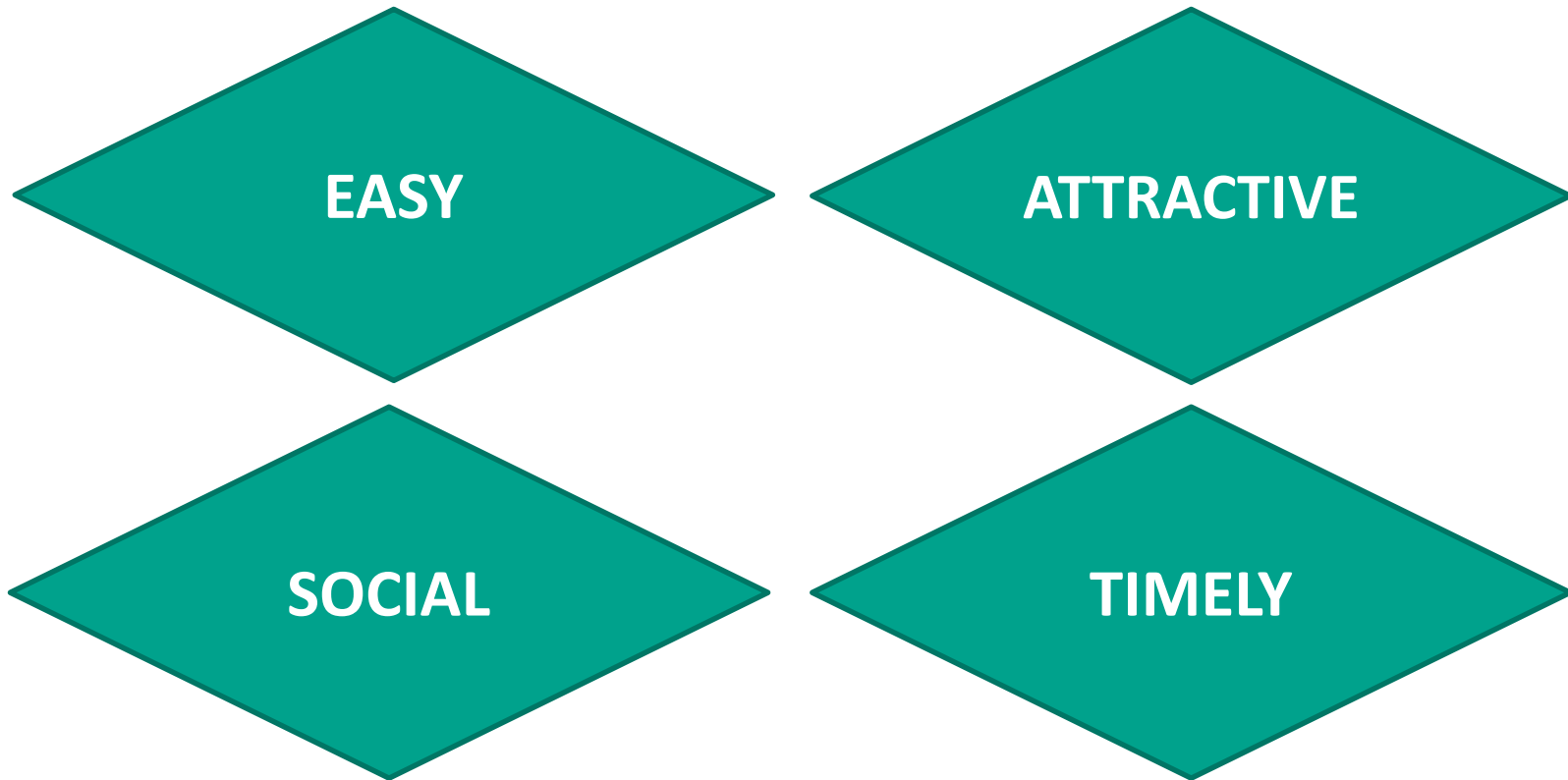
EAST: Four Simple Ways to Apply Behavioural Insights
www.behaviouralinsights.co.uk/publications/east-four-simple-ways-to-apply-behavioural-insights/

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Make it Easy

Start small

It is amazing at how making small changes can lead to big savings. You really can achieve an awful lot if you make small adjustments.

I hated making packed lunches at first and now I am into the swing of things it has just become part of my day.

Form the habit

Provide help/ tips

I didn't think about [selling old mobile phones] before as a saving, but I would definitely go ahead and do that

Make it Attractive

A challenge, not a chore

I think it should be described as a challenge, something to aim for, targets to beat and complete, this sounds exciting and fun.

It's just been having somebody sitting and saying "you need to save this" and that's been useful

Push to get started

Make it Social

Do it together

I've been really motivated, from the point of view of the whole competitive thing.

I've taken this challenge so I'm determined to do as well as I can with it

Show progress

You can see the progress which motivates you to achieve your end goal.

Thankfully because of this project we already had the money for the vet's bill

Make the gains tangible

How do we encourage saving?
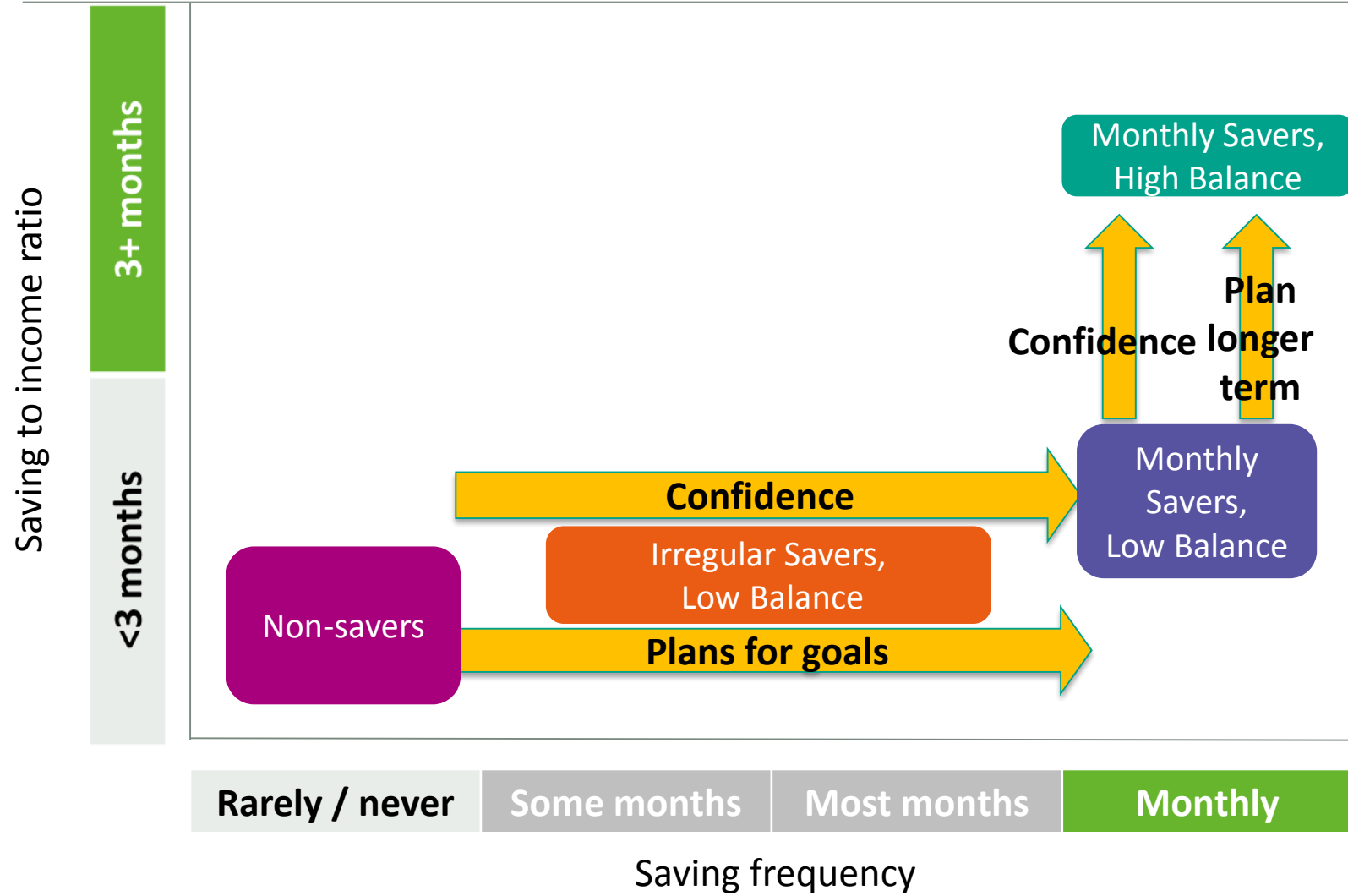
Base: Working Age population

Success factors

EASY

Start small
Form the habit
Provide help/tips

ATTRACTIVE

A challenge, not a chore
Push to get started

SOCIAL

Do it together

TIMELY

Show progress
Make the gains tangible

www.moneyadviceservice.org.uk/en/corporate/research

How do we drive change in savings behaviour?

Lizzie Jordan (Research and Evaluation Manager)

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www.moneyadviceservice.org.uk/en/corporate/research

If we establish an effective savings **ecosystem**, which provides the opportunity for people to **save in whatever way works** best for them, they will develop saving habits that ultimately result in improved resilience and wellbeing

Three steps to make change

3.Decide actions

2. Identify opportunities

1. Understand the Issue

Step 1: Understand the issue

Positive Influences

- Mix of 'ways to save'
- Goals and trade-offs
- Social Drivers

Positive Influences

- Experience success
- Long term goals
- Understand long term financial position

Non-saver → Start to save → Save

£££, Regularly Long-term

Negative Influences

- Income / outgoings
- Spending
- Inertia

Negative Influences

- Understanding position
- Complex products, choices and trade-offs

Different ways to save

More Cognitive

More Automatic

Goal based

Intermittent

Reduce spend

Regular Saving

Auto-Save (Often FinTech enabled)
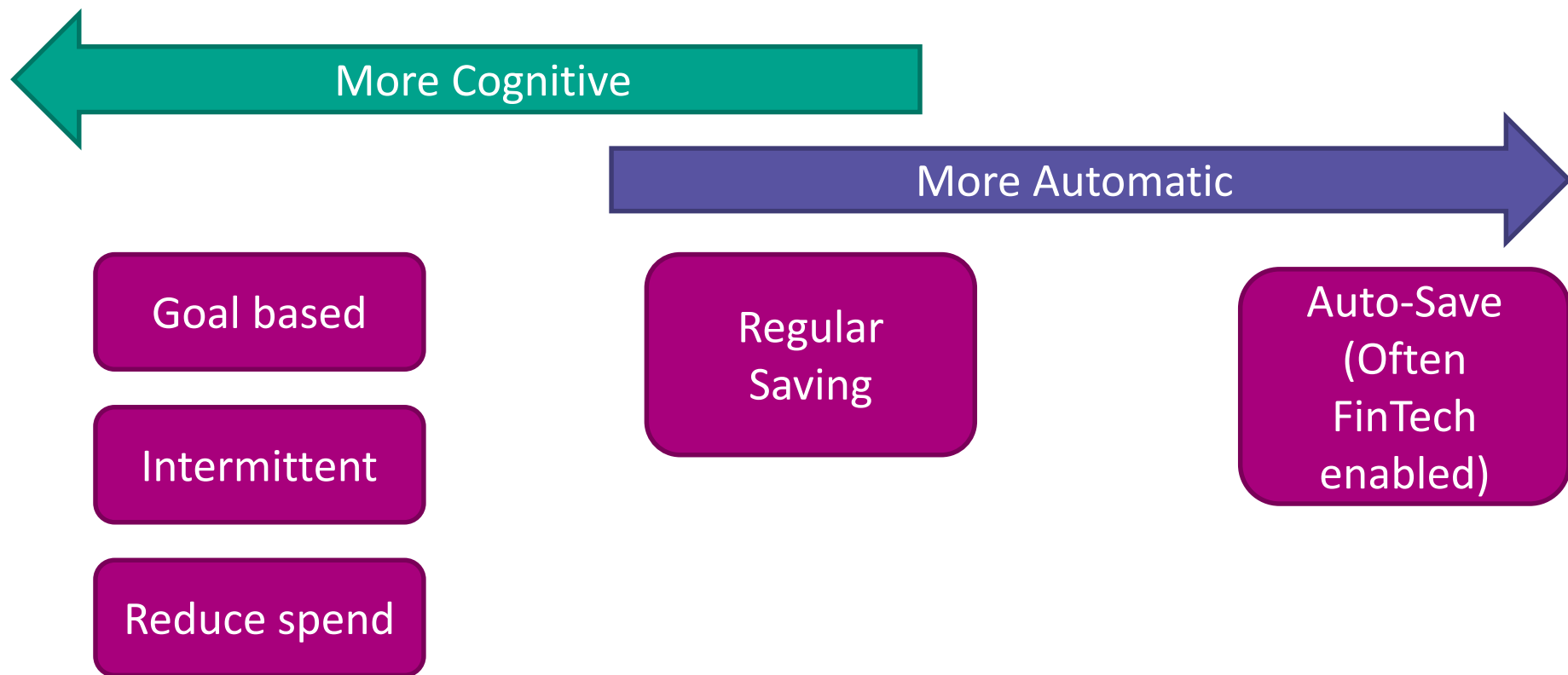
Or "Collective Impact"

Advice, guidance, tools, services, campaigns

Financial products and services

How the ecosystem interacts with personal influences?

Government policy and regulation

Commercial environment (utilities & service providers, retailers, employers)

Step 2: Identify Opportunities

Advice, guidance, support

Leveraging **social drivers** (e.g. public commitment)

Improve communications to tackle **understanding** and **inertia**

Financial Services

FinTech solutions (e.g. aggregators) to help **understanding** and support **different ways to save**

Product / info design to improve **understanding** and **engagement**

Government Policy and Regulation

Effect of Government savings policy on savings activity

Policy aims to drive switching help **reduce spend**

Commercial environment

Integrate savings into apps that interrupt **impulse spending**

Encourage employers to adopt payroll products to allow **auto-save**

Step 3: Decide Actions

What Works	Network	Influence	Co-ordination
• Building the evidence base about savings behaviour	• Create links between actors to deliver saving interventions and share best practice	• Ensure cross sector support for savings activity by disseminating evidence and learnings	• Work (as MAS or via the sector) to co-ordinate activity

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Evaluating, evidence and "What Works"

Peter Bailey
Senior Research & Evaluation Manager (MAS)

3 steps to make change happen

1. Understand the Issue

2. Identify opportunities

3. Decide actions

Building evidence – our resources

the **Money** Advice Service

IMPACT Principles	24 organisations signed up
Evaluation Toolkit	25 organisations using Toolkit & F/works
Evidence Hub	36 interventions – more coming soon!
Support	35 organisations supported

www.fincap.org.uk

Building evidence about savings

THE WHAT WORKS FUND

Grant funding
- £7m programme
- Generate evidence around specific 'what works' questions

Expert support
- Drawing on our published resources
- Expert help to guide and quality assure

More evidence
- Improving quality <u>and</u> quantity!
- Evidence Hub

Increased capability
- Helping organisations to improve their evaluation practice

50

THE WHAT WORKS FUND

Working Age

How can we help working age adults to improve their financial capability, develop budgeting and tracking habits, build up a savings buffer to withstand financial shocks and/or set financial goals for key life events? Including:

- Budgeting and saving in the workplace

- Community-based interventions (outside the workplace)

- For people within the 'Struggling' and 'Squeezed' segments

- Selecting and using appropriate credit options

THE WHAT WORKS FUND

In the workplace

The role of the workplace and employers:

- Workplace savings schemes
- Holistic approaches
- Payroll savings schemes

the **Money Advice Service**

THE WHAT WORKS FUND

In the community

- Testing interventions within existing community services, such as:

    - Money management / managing mental ill health
    - Housing and rental sector

- Ways of reaching different groups

the Money Advice Service

THE WHAT WORKS FUND

Focusing on the 'Squeezed' and 'Struggling' segments

Testing different methods of engagement, such as:

- Money management apps
- Online digital support

Evidence – where we want to be

A **highly effective** sector, where programmes are **carefully evaluated**, organisations generate, learn from & share evidence about their activity, and resources are directed to interventions that are **shown to work**
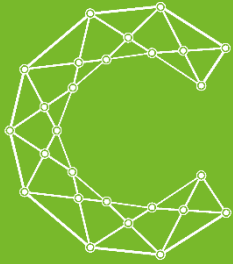
Evidence Hub

MAS Insight

IMPACT Principles

Evaluation Toolkit

Support

What Works Fund

Behavioural view of savings

Greg B Davies, PhD

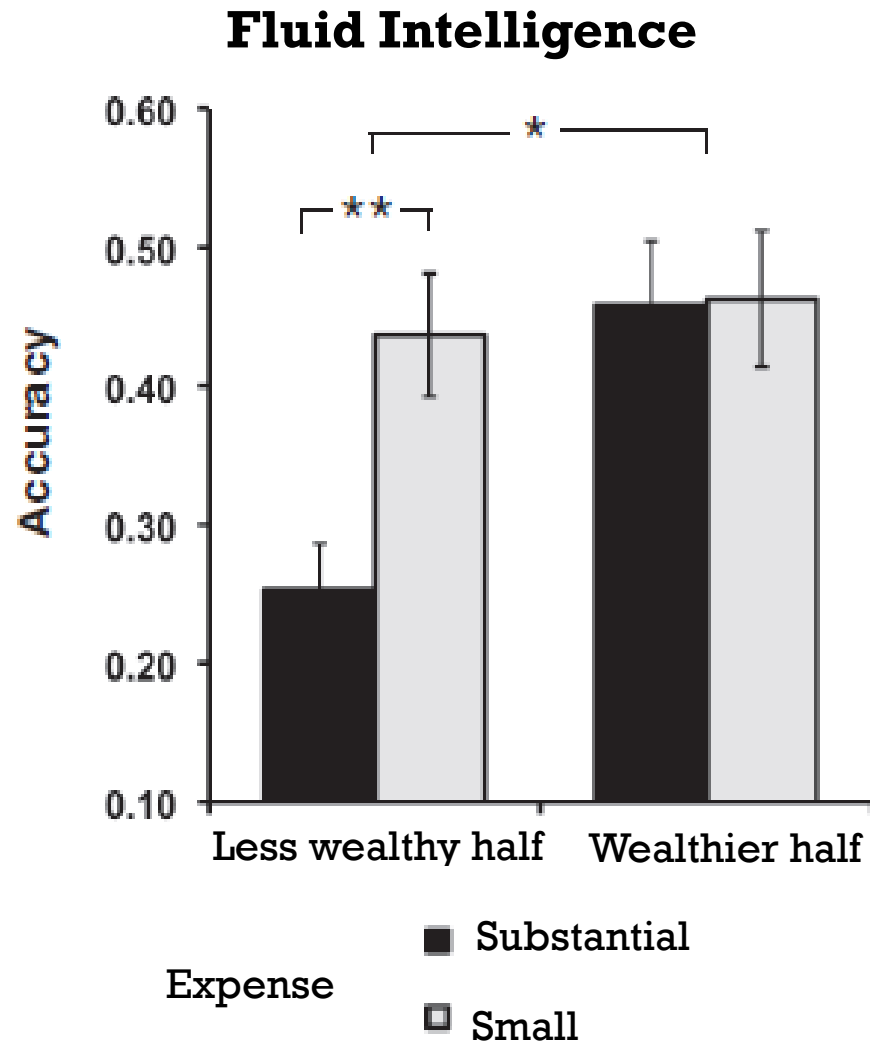Centapse (@GregBDavies)

Fluid Intelligence

Your car is having some trouble and requires £X to be fixed

You can pay in full, take a loan, or take a chance and forego the service at the moment…"

In commercial confidence

Striving for confident, informed choice…

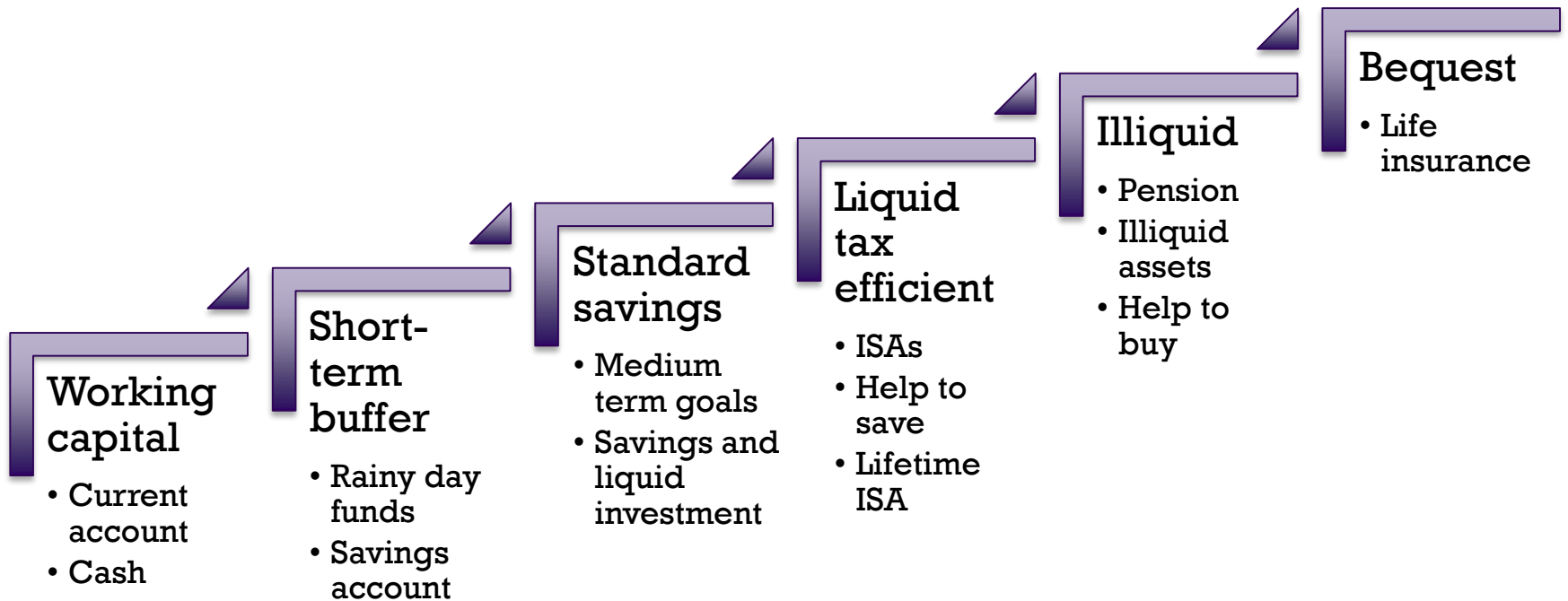|	Knowledge	Engagement	Comfort	*Examples*
Disclosure	Little, or none	None	None	*Caveat emptor* *Disclaimers*
Traditional Education	Little, or none	Little, or none	Little, or none	*Seminars* *Classes*
Nudges	None, or negative	None, or negative	Some	*Auto-enrolment* *Defaults*
Engaged Choice	Yes	Yes	Yes	*Just in time education* *Gamification*

In commercial confidence

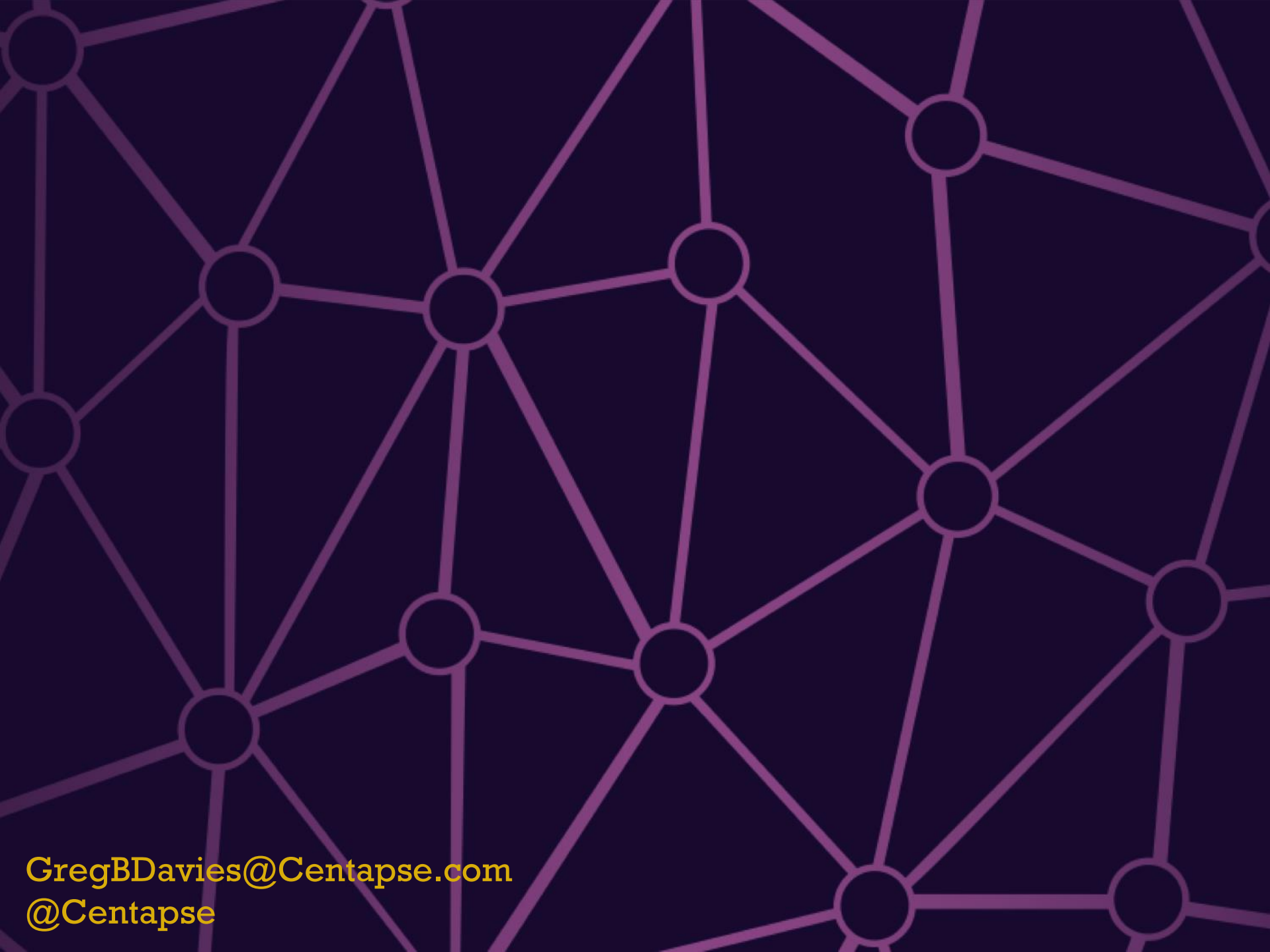# Core problem: bringing all the pieces together

Savings

Credit

Spending

Investment

Planning

Insurance

?

In commercial confidence

Savings ecosystem: the chain of inaccessibility

Working capital
- Current account
- Cash

Short-term buffer
- Rainy day funds
- Savings account

Standard savings
- Medium term goals
- Savings and liquid investment

Liquid tax efficient
- ISAs
- Help to save
- Lifetime ISA

Illiquid
- Pension
- Illiquid assets
- Help to buy

Bequest
- Life insurance

In commercial confidence

GregBDavies@Centapse.com
@Centapse

Thank you