TACKLING THE SAVINGS GAP

Consumer Savings and Debt Data Q4 2017

true potential LLP

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FOREWORD

The proportion of UK households receiving regular income from employment has hit near-record levels. Unemployment remains at its lowest rate since 1975 and continues to edge gradually down.

The national workforce is becoming more productive too, providing further signs of strength in the economy. Productivity, for so long an area of concern when comparing Britain to other leading world economies, is on the rise.

Recent figures from the Office for National Statistics show that our average output per hour registered its highest rate of growth in Q3 2017 for over six years.We have not yet returned to levels of output seen before the financial crisis, but economic momentum is clearly building as Brexit approaches.

Once EU talks finally turn the spotlight on trade, we may see further momentum as businesses gain the clarity they need to plan ahead. This should bolster confidence within consumer markets; and hopefully boost personal finances across the country, although a number of persistent pressures loom large over household budgets. For all the good signs coming out of the UK labour market, wage growth remains an issue, with pay rises generally failing to keep up with inflation.

Workers earnings rose 2.2 per cent in Q3 2017, but against three per cent inflation, they effectively fell half a per cent in real terms. Smaller pay packets mean less of the vital funds needed to cover retirement years flowing into savings and investments.

Alongside sluggish wage growth, overreliance on debt is another enemy of saving for the future.

In the last quarter of 2017, the UK Financial Trade Association reported slight dips in demand for credit cards, personal loans and overdrafts.

Aside from these marginally upbeat findings, however, there is an overriding feeling among analysts that personal debt continues to creep up to pre-crash levels.

Surging numbers of car sales underpinned by debt-finance packages are a particularly concerning trend, warn some commentators.

Certainly, the data in this report points to a nation a still in the jaws of a debt epidemic, rather than one putting previous mistakes behind it. Aside from fighting Britain's lingering debt problem, headway on other fronts in the battle to boost retirement fund saving is being made.

The government's auto-enrolment scheme has had a dramatic impact on UK saving habits, getting more than 10 million workers saving into pensions since its 2012 launch.

Despite its success, it could be argued that it has been something of a blunt instrument to date, given that it only helps those in employment – missing out sole traders, gig workers, and owners of start-ups and micro-businesses.

Opening the doors of auto-enrolment to this vast and rapidly growing segment of the UK workforce is vital.

If a fair and viable solution can be found, millions more people will have the opportunity to set themselves on a path towards future financial security.

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.

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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 34,000 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:

AGILE REGULATION

BETTER FINANCIAL KNOWLEDGE

TECHNOLOGY

KNOWLEDGE GAP

A survey of 16 to 18-year-olds has revealed widespread low expectations about their financial future, with less than a third believing they will ever be able to buy a home.

The research, by The True Potential Centre for the Public Understanding of Finance (True Potential PUFin), also shows that just over half (52 per cent) of respondents doubt they will be able to buy a car and insure it.

Financial education became a mandatory part of the secondary school curriculum from September 2014. Most of today's teenagers will, therefore, have started off with a better grounding in this area than young people in their 20s and 30s.

Yet certain financial fears which weigh on millennials – like never getting on the property ladder and being less affluent than their parents - seem to have permeated to 'Generation Z'.

While 65 per cent of 16 to 18-year-olds believe a mortgage deposit will be beyond their means, 15 per cent say they are stressed about money.

The True Potential PUFin, which we operate in partnership with The Open University Business School (OUBS), aims to boost financial education through free courses and in-depth research.

We surveyed over 1000 16 to 18-year-olds in autumn 2017 as part of our work, with the results reaffirming the vital importance of financial education in the lives of young people.

Martin Upton, director of the institution, said: "Today's younger generations face huge hurdles to get on the property ladder; high rents increase the difficulty of saving up for the increasing deposits required to afford high property prices. There is also the prospect of inflation pushing up both living costs and interest rates.

"All this is exacerbated by the fact that the UK has only belatedly woken up to the importance of providing financial education.

"Improved financial literacy enables informed and responsible financial decisions to be made on routine matters such as debt, savings and insurance, as well as for important life-planning decisions."

The True Potential PUFin recently secured £500,000 funding from the Money Advice Service (MAS) to conduct research into links between consumer behaviour and economic theory.

The MAS grant is the biggest ever handed out for this type of research – which will specifically investigate the impact of financial education on consumer behaviour.

Other organisations involved in the research include:

Credit Unions
(which are sharing customer data with OUBS)

A Community Action Group in Milton Keynes

A social publishing charity
(which produces 'Quids in' magazine for social housing tenants)

The research project was officially launched at the True Potential PUFin annual conference, held in Westminster recently.

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AGILITY GAP

In an otherwise quiet Autumn Budget for pension savers, the Chancellor announced an increase in the lifetime allowance in November.

The amount you can draw from pensions in a lifetime, without being hit with extra tax charges, will be raised from £1m to £1.03m in the 2018/19 tax year. Anything taken above that, is taxed at 25 per cent if withdrawn as income, and 55 per cent for a lump sum withdrawal.

At a glance, many savers may have assumed their pension pot will never reach this threshold; as a result, perhaps they have dismissed the lifetime allowance as an irrelevance to them.

This potentially puts them at risk of a nasty surprise from the taxman in later life, however. Given that pensions are driven by market forces, a rallying share price here or a stock-market flurry there, could turn a relatively modest pension pot into one nearing seven figures.

An individual who has perhaps built up an £800,000 investment, for example, could see their nest egg thrust past the million-pound mark with a run of favourable fluctuations in the markets. Is it fair that the reward for this shrewd investment is to be hit with penalties from HMRC?

At True Potential, we believe measuring the lifetime allowance merely on the value of pension funds, rather than the actual amount a person has put into their pension, is a major flaw in the system.

Penalising people because markets perform, sends out the wrong message. It tells savers to stop adding to their pension when the limit is in sight.

More cautious savers may stop well short of the million-pound mark in fear of markets tipping them into taxable territory.

If that uplift doesn't come, they have effectively self-sabotaged their retirement funds. The current system also makes monitoring lifetime contributions unnecessarily complicated.

Markets are an unpredictable beast. How can savers, especially those with limited understanding of financial services, protect themselves from penalties, other than by holding back on their saving activity?

As we have outlined in the years since we launched the Savings Gap campaign, overly complicated financial services have left a legacy of apathy among consumers towards saving for the future.

Simplification and transparency have been crucial in the progress made over recent years in switching people back on to the need to save for retirement.

Linking the lifetime allowance purely to the value of contributions – not the size of the pension pot – would be another step in the right direction.

£1.03m the amount you can draw from pensions in a lifetime, without being hit with extra charges.

Anything taken above £1.03m would be taxed at **25%** if withdrawn as an income.

Or **55%** if you were to withdraw as a lump sum.

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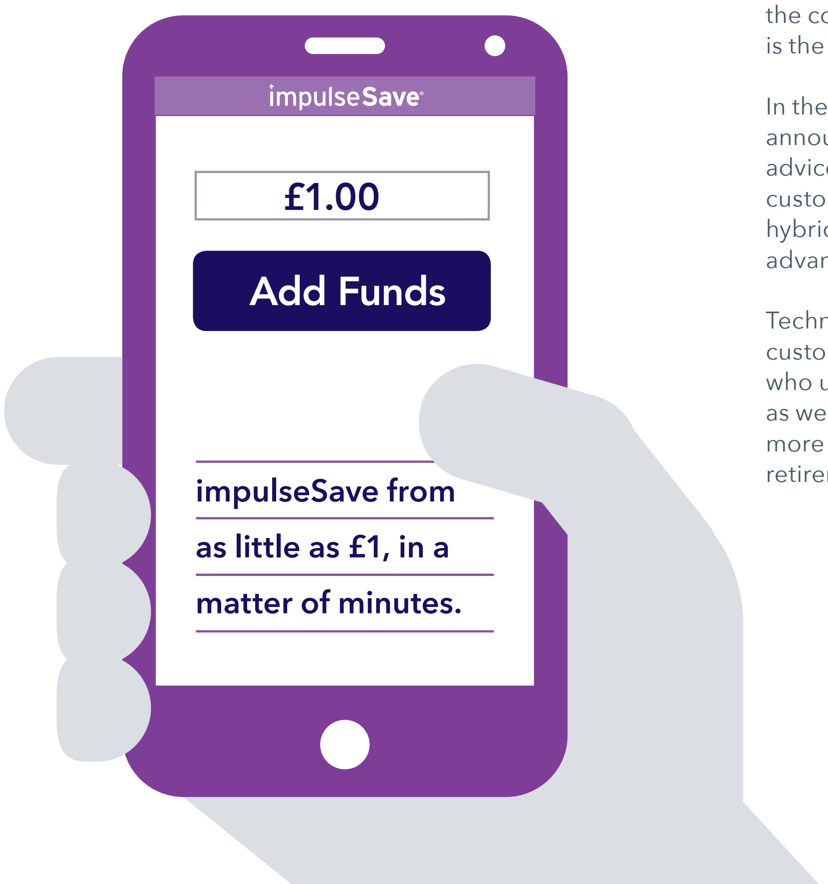
TECHNOLOGY GAP

Technology has an integral role to play in closing the UK Savings Gap. True Potential's own impulseSave app is a prime example of the power of technology to transform saving habits.

Since its launch in 2013, the app – which enables savings and investments of as little as £1 with a few swipes on a smart phone has facilitated over £100m worth of funds being put aside for the future.

By making saving fast, flexible and hassle-free, we are removing the barriers which previously discouraged many people from investing in their financial future.



Such innovations, aimed at getting financial services working for and not against customers, will become increasingly adopted by savers in coming years, as the fintech sector blossoms. The government has outlined fintech as a key industry, not only in terms of its potential economic value, but also because of the benefits it can deliver to customers.

In the Autumn Budget, plans were announced for the Regulators Pioneer Fund. This £10m support package aims to help regulators develop new approaches to getting innovative financial products and services to market.

A further £21m is being invested in Tech City UK, a publicly-backed body set up to help growing digital technology firms. Fintech is among several sectors which will receive support through the initiative.

Although the programme is London-based, regional hubs will be set up in major cities across the UK, including Cambridge, Manchester, Leeds, Edinburgh, Belfast and Cardiff.

Cultivating fertile ground for fintech firms throughout the UK should put UK consumers first in line to take advantage of new breakthroughs as they emerge. Another trend at the confluence between technology and financial services, is the rise of robo-advice.

In the last quarter, more big banks, including UBS, have announced plans to step up their provision of automated advice. Our in-depth research into saver activity and customer demand, spanning several years, suggests a hybrid model involving skilled financial advisers AND advanced technology is the best way forward.

Technology can speed up processes and smoothen customer journeys; but experienced financial advisers who understand the nuances of each individual situation, as well as the intricacies of various markets, are needed more than ever as savers navigate the rapidly-changing retirement fund landscape.

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.

2,000 PEOPLE SURVEYED*

926 MALES

1072 FEMALES

*Aged 18 and over. Responses given in October 2017.

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HEADLINE FINDINGS

Our latest study reveals the careful balance many savers must achieve in securing long-term financial stability, while making ends meet in the immediate term.

The data also identifies the many conflicting forces which detract from retirement fund saving. They include mounting debt, parental pressures and rising rental costs.

Overall the survey shows a general increase in the number of people addressing their long-term financial needs.

The level of disengagement from pension saving has dropped since our previous study in Q3 2017.

Savers put an average of £287 (minus employer contributions) into pensions in the period, compared to £203 in the last quarter. Only 36 per cent of respondents added nothing a quarter-on-quarter drop of nine per cent.

Encouragingly, this figure falls to a low of 28 per cent among 25 to 34-year-olds, suggesting millennials are taking their pension responsibilities seriously.

The over-55s contributed the highest average amount to their pension pots, perhaps in a late push to change the course of their retirement. As we report this quarter, many people nearing the end of their working life are lowering their expectations, as they awaken to the mismatch between their retirement dreams and the real picture of what they can afford.

But there is clearly a growing appetite for retirement fund saving in all age groups, driven in part by the success of auto-enrolment.

Other savings pots excluding pensions were also well fed in the period. Three quarters of respondents added at least something to their general savings, with an overall average of £624 saved during the three months.

The persistent menace of debt continues to slow down long-term saving, however, although at a reduced rate compared to our last study.

An average of £299 of debt was accumulated per month by respondents, compared to £370 in the previous quarter. Worryingly, as documented in this report, we see a significant proportion of people close to retirement going into the red; potentially offsetting some of the funds they have put aside for later life.

Our data also provides a detailed picture of the many other financial forces which counteract savings activity.

Trends highlighted include the sheer dominance of rent and mortgage repayment costs on monthly budgets. The cost of running a car, often through financing and leasing deals, is also increasingly impinging on funds that could otherwise be saved.

We also see the impact of the UK shortage of affordable housing. Parents are forking out tens of thousands of pounds, which might have ended up in pension pots, to help their children onto the housing ladder.

Despite all of these challenges, the proportion of people saving for retirement is rising. Through ongoing financial education, legislative reforms and the emergence of increasingly convenient and easy to understand savings products, this trend should continue throughout 2018.

£287: Average amount savers added to their pension pot in the last three months

36% of people saved nothing for retirement in the period

£624: Average amount added to general saving and investments, not including pensions, in the quarter

£229: Average amount of debt taken on by UK consumers each month

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RETIREMENT FUNDS DENTED AS OLDER WORKERS STRUGGLE TO GET BY

Over two million Brits nearing retirement are taking on new debt just to get by, while a fifth are dipping into life savings every month to survive.

An estimated 2.2 million* UK workers age 55 to 65 took on new debt in the last three months to cover their living costs, our data reveals. This amounts to one in four of people nearing retirement, with an average of £428 of new debt being taken on by those going into the red in the period.

Around 1.8 million working 55 to 65-year-olds are relying on their life savings every month to make ends meet, meanwhile. Our study suggests millions of people are directly – or indirectly through debt – eating into wealth they may need in retirement. While the latter years of working life should ideally be spent topping up or protecting hard-earned retirement savings, many are using them to fund their lifestyle while still in work.

Other findings about 55 to 65-year-olds in our study:

- 23 per cent cited ‘having enough money to get by’ as the biggest worry in their life
- If given an extra day each month to do as they please, 14 per cent said they would use it to make more money
- An average of 18 per cent of monthly income is spent on rent or mortgage repayments – the lowest of any age group, compared to a high of 35 per cent among 25 to 34-year-olds

The struggles many people may be having towards the end of their working life serve as a warning to younger generations about the value of saving for the future. Few people can forecast exactly how their finances may look in years to come, or the unexpected financial challenges that may emerge.

The earlier people start saving, the greater their ability to deal with whatever lies ahead and to fund a comfortable retirement.

*Based on True Potential’s data, cross referenced with ONS research which recorded a 55 to 65-year-old population of 8,283,383 in the UK in 2016.

‘BANK OF MUM AND DAD’ PUTS RETIREMENT FUNDS AT RISK

Most parents of young adults are now resigned to using their life savings to help dependents onto the housing ladder, our research shows.

An estimated 71 per cent of UK parents of 18 to 35-year-olds have either already contributed to first-time property deposits in recent months or expect to imminently.

Young people in the South East, where average house prices eclipse those anywhere else in the country, appear to be the most reliant on the so-called ‘bank of mum and dad’.

Over 80 per cent of parents of would-be first-time buyers in Brighton have helped or plan to help their children save for a deposit, closely followed by 76 per cent in London.

Among the UK’s top 20 biggest cities, this compares to 63.1 per cent in Cardiff, 62.8 in Newcastle and a low of 54.3 in Norwich.

Our findings come amid an ongoing housing crisis which has put home ownership out of reach for millions of young people.

High rents, inflated deposit requirements and a shortfall of 250,000 homes per year - according to government figures - have made the property ladder increasing difficult to access.

The average deposit for first-time buyers is £33,000 nationally, around 16 per cent of the asking price, soaring to a reported £100,000 in London*. The number of 25 to 34-year-olds owning their own home has dropped from 59 per cent to just 38 per cent over the last 13 years, government research shows.

The government’s Help to Buy scheme, which enables first-time buyers to purchase a property with a five per cent deposit, is aimed at alleviating the situation.

In the recent Autumn Budget, it was announced that stamp duty would also be abolished for first-time buyers purchasing a home worth up to £300,000.

Our data highlights the often-unforeseen expenses which can deplete the funds people have saved up for retirement.

Those parents who started saving for their financial future earlier are more likely to be able help their children onto the property ladder, without risking an uncomfortable retirement. A clear message comes through our research – that the earlier people start saving, the better, for themselves and any dependents they may have.

71%
of UK parents of 18 to 35 year olds have already contributed to first-time property deposits in recent months.

38%
the number of 25 to 34 year olds owning their own home. A drop from 59 per cent in the last 13 years.

80%
of parents of first time buyers in Brighton have helped of plan to help their children save for a deposit.

*According to the Halifax First-Time Buyer Review published in 2017.

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MONEY 'BIGGEST WORRY' FOR MILLENNIALS AMID MOUNTING DEBT

45%

of Millenials say that money is the biggest worry currently in their lives.

22%

of Milenials say that the well being of their loved ones is the biggest concern in their lives.

23%

of 18 to 34 year olds monthly income is spent on servicing debt and repayments.

Millennials worry about money more than anything else in life, including family, careers and their health, according to our data.

They also spend almost a quarter of their monthly income on servicing or repaying debt, our study shows. Money is the biggest worry in the lives of 45 per cent of millennials (defined as 18 to 34-year-olds in our study), ahead of the wellbeing of loved ones (22 per cent), their own health (14 per cent), job security (nine per cent) and international terrorism (eight per cent).

Millennial's are the only age group for which money is the biggest concern; while 35 to 44-year-olds and 45 to 54-year-olds rank the wellbeing of loved ones as their primary worry, the over 55s list personal health as the thing they fret about most.

The average 18 to 34-year-old spends 23 per cent of theirmonthly income on debt servicing and repayments, compared to a national average of 20 per cent and a low of 13 per cent among the over-55s.

Debt is the third biggest expense for the average millennial, behind rent or mortgage costs, which make up 34 per cent of monthly overheads, and food shopping at 26 per cent.

In the last three months, this age group took on an average of £1091 of debt, more than any other age category.

This compares to a national average of £897, with £672 of debt being taken on by people aged 45 to 54 in the period.

Female millennials statistically worry more about money than their male counterparts, despite taking on less debt and spending a higher proportion of income on debt repayments.

In summary, debt is clearly a major concern for young people – and the only way to alleviate the anxiety it causes, is to face it head on.

Taking whatever steps possible at a young age to get out of the red, rather than avoiding the issue, will not only keep money worries bay; it also means more funds can be diverted into savings in the long term, rather than being swallowed up by interest or charges.

HOLIDAY DREAMS SHELVED AS RETIREMENT REALITY HITS HOME

Retiring to a life of frequent holidays is an impossible dream for most people coming to the end of their working life.

Only one in four of the people nearing retirement we questioned expects to be able to enjoy more trips away once they stop working.

Instead of the classic retirement ideal of relaxing in warmer climes, most Brits aged 55+ are anticipating that other responsibilities will take up their time in later life.

Almost a fifth (19 per cent) of respondents aged 55 and over said they plan to carry on doing some form of paid work in retirement to make ends meet.

Five per cent of those questioned, meanwhile, said looking after grandchildren would fill much of their retirement time.

It is widely accepted that the average amount savers believe is required for a comfortable retirement is £23,000 per year; yet the average saver is on track to be reliant on just £6,000 a year in retirement, based on current saving habits.

Holidaying and seeing the world, which have dominated retirement plans in years gone by, are therefore unaffordable for many people today.

Our data suggests the over-55s are focused on finding cheaper ways of occupying themselves in retirement.

One in 10 people aged 55+ is planning on taking up a new hobby in retirement, while 15 per cent aim to spend more time with friends and family. A smaller proportion (three per cent) plan to volunteer.

Expectations about retirement appear to lower with age. Amongst 18 to 24-year-old's and 25 to 34-year-olds, a third of people expect to take holidays and travel more frequently in retirement. This falls to 29 per cent for 35 to 44-year-olds and 25 per cent for both 45 to 54-year-old's and the over-55s, as the financial realities of retirement set in.

Our research shows many people approaching the end of their working life are waking up to the realities of funding a comfortable retirement. It suggests many people are discovering too late in the day that they have not saved enough and are facing financial difficulties in their later years.

The data is also a cautionary tale for young people who perhaps think saving isn't worthwhile if they can't afford to put significant amounts aside on a monthly basis. Making smaller impulse savings can make a big difference over the longer term.

£23,000

The average amount savers believe is required for a comfortable retirement.

19%

of people aged 55 and over said they plan on doing some form of paid work in retirement to make ends meet.

£6,000

Is the actual amount savers are on track to be relient on in retirement.

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UK HOUSEHOLD EXPENDITURE

Our data on UK household spending highlights the many pressures savers face each month on top of their responsibility to set funds aside for the future. The figures below show the mean average proportion of monthly income spent on each expense, plotted against age categories.

Unsurprisingly accommodation costs dominate monthly budgets, while both debt repayments and car costs each make up around a fifth of outgoings.

Age groups of respondants:

	Overall average	18-24	25-34	35-44	45-54	55+
Food shopping	23%	28%	26%	23%	20%	53%
Utility bills	18%	26%	22%	18%	15%	44%
Debt repayments	20%	23%	23%	20%	15%	57%
Rent/mortgage	30%	35%	33%	30%	27%	46%
Going out / socialising	16%	25%	19%	15%	11%	57%
Media (TV, phone, internet)	14%	21%	18%	14%	10%	56%
Car costs	18%	26%	22%	18%	12%	50%

REGIONAL SAVINGS AND DEBT

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

	Over £5000	Between £1001 and £5000	Between £501 and £1000	Between £301 and £500	Between £1 and £300	Nothing
Total	7%	13%	11%	8%	11%	50%
East Midlands	9%	16%	9%	6%	11%	49%
East / East Anglia	4%	15%	6%	8%	15%	52%
London	9%	16%	17%	10%	6%	42%
North East	11%	15%	9%	7%	10%	48%
North West	7%	13%	11%	7%	13%	49%
Northern Ireland	10%	10%	15%	11%	9%	45%
Scotland	6%	9%	13%	9%	14%	49%
South East	8%	11%	9%	7%	13%	52%
South West	3%	12%	10%	6%	11%	53%
Wales	7%	17%	8%	4%	12%	52%
West Midlands	9%	11%	9%	6%	10%	55%
Yorkshire & the Humber	8%	15%	6%	7%	11%	53%

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REGIONAL SAVINGS AND DEBT

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

	Nothing	Between £1 and 100	Between £101 and £250	Between £251 and £500	Between £501 and £1000	Between £1001 and £2000	£2001 and higher
Total	27%	16%	16%	17%	12%	10%	2%
East Midlands	30%	18%	12%	19%	12%	9%	0%
East / East Anglia	30%	12%	16%	17%	15%	9%	1%
London	19%	10%	13%	23%	18%	15%	2%
North East	25%	17%	20%	16%	9%	11%	2%
North West	25%	18%	21%	12%	15%	8%	1%
Northern Ireland	30%	12%	21%	17%	16%	2%	2%
Scotland	24%	18%	17%	18%	10%	11%	2%
South East	32%	16%	11%	14%	12%	11%	4%
South West	34%	15%	14%	14%	10%	10%	3%
Wales	30%	18%	13%	16%	15%	7%	1%
West Midlands	21%	19%	18%	15%	13%	13%	1%
Yorkshire & the Humber	30%	13%	18%	16%	10%	11%	2%

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	£2001 and higher
Total	36%	15%	16%	17%	9%	6%	1%
East Midlands	30%	20%	16%	17%	13%	3%	0%
East / East Anglia	40%	18%	17%	15%	5%	5%	1%
London	31%	9%	16%	17%	14%	12%	1%
North East	38%	14%	25%	10%	8%	4%	1%
North West	38%	16%	14%	21%	7%	4%	0%
Northern Ireland	33%	22%	16%	17%	5%	7%	0%
Scotland	36%	14%	15%	21%	8%	6%	0%
South East	34%	16%	16%	15%	8%	9%	2%
South West	44%	15%	16%	13%	8%	3%	1%
Wales	35%	18%	17%	14%	7%	10%	1%
West Midlands	35%	15%	17%	13%	14%	5%	1%
Yorkshire & the Humber	38%	16%	15%	18%	8%	4%	1%

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GENDER SAVINGS AND DEBT Q4 2017

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	£2001 and higher
Total	36%	15%	16%	17%	9%	6%	1%
Male	32%	12%	16%	17%	13%	9%	1%
Female	39%	18%	16%	16%	6%	4%	1%

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

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

	Nothing	Between £1 and 100	Between £101 and £250	Between £251 and £500	Between £501 and £1000	Between £1001 and £2000	£2001 and higher
Total	27%	16%	16%	16%	12%	11%	2%
Male	24%	13%	15%	18%	15%	12%	3%
Female	29%	18%	16%	16%	11%	9%	1%

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

	Over £5000	Between £1001 and £5000	Between £501 and £1000	Between £301 and £500	Between £1 and £300	Nothing
Total	7%	13%	11%	8%	11%	50%
Male	8%	14%	10%	8%	10%	50%
Female	7%	13%	11%	8%	12%	49%

There was an even spread between genders in terms of the amount of debt being taken on in Q4 2017.

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CONCLUSION

The findings of this report show in detail the many barriers to long-term saving.

Encouragingly, the proportion of people completely disengaged from pension saving remains historically low.

It is particularly reassuring to see younger generations facing the realities of retirement funding head-on.

In fact, across all age groups, there seems to be an increasing awareness of the link between saving activity and the type of retirement it creates.

Savers are generally recognising that retirement ideals, like frequent holidays abroad, will only be possible with significant investment while in work. At the same time the prospect of working to make extra cash in retirement is becoming an accepted norm for many people nearing the end of their working life.

This spread of retirement funding realism among savers aged 18 to 55+, can only have a positive influence on efforts to close the UK savings gap in the longer term.

There are, of course, a number of forces pushing in the other direction, thwarting attempts by savers to secure their financial future.

Among them is the servicing of debt, and the regularity at which many working Brits dip into their savings to make ends meet. Our data on monthly outgoings, provides valuable clues on the reasons behind these trends.

We see a sizeable chunk of wages going on mortgage repayments and spiraling rents. The cost of running a car is also mounting pressure on personal bank accounts.

Against the backdrop of lease deals and easy to access vehicle finance packages, average car costs are contributing as much as a quarter of monthly expenses in some age categories.

The cost of being a parent adds extra pressure. As we have reported, the so-called bank of mum and dad is bearing the brunt of the housing crisis. With a lack of affordable housing, young people are struggling to save mortgage deposits and parents are stepping in to help – sometimes to the detriment of their own financial future.

For whatever reason it is taken on, once debt is accumulated it is a direct threat to retirement fund saving until dealt with. For young people, it can delay their long-term saving activity, while it is also worrying to see people nearing retirement getting into debt.

Thankfully, though, most people are avoiding the dangerous practice of ignoring their debt and shying away from their finances. Our data shows that only one person in 10 fails to spend time managing their finances each week. Respondents in debt also tell us that getting out of the red is high on their list of priorities.

Overall, our latest survey suggests savers are largely doing their level best to secure a comfortable retirement, often in the face of multiple financial challenges.

With further improvements to auto-enrolment planned, and the likely emergence of evermore simplified and convenient savings products, 2018 will hopefully chart further progress in the push to close the Savings Gap.

David

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