# Tackling the Savings Gap

## Consumer Savings and Debt Data Q2 2014

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# Foreword

## Savers need a NISA message

Commentators like to speculate about who has been most affected by the economic crisis since it hit in 2008. One group that certainly has borne the brunt of economic policy over the last six years, and is yet to feel any benefit from the recovery, is savers. Record low interest rates that are easily outstripped by inflation and taxpayer-funded banks offering rock bottom rates in return mean that the saver has had a hard time.

But is that about to change? It is now three months since Chancellor George Osborne did what True Potential and others had recommended. In March's Budget he laid out his decision to raise the ISA allowance to £15,000 and sweep away some conditions that had made simple products overly complicated. Since then, the economy has continued to grow, inflation now sits at 1.5 per cent compared to 2.7 per cent at the same time last year. Unemployment, which is one of the Bank of England's key factors for increasing interest rates, continues to fall.

The early signs point towards an improving and more positive environment for savers, which has been a long time in coming. But make no mistake – savers have yet to feel any real benefit. That is why this edition of 'Tackling the Savings Gap' is the most important to date. It is the most comprehensive analysis of consumer attitudes and behaviour towards savings and debt that has been carried out since the Budget, with the introduction of New ISAs, or NISAs, now in clear view.

Not only did we support the introduction of NISAs, we called for them. Their introduction is step one, but as the data in this report makes clear, there is a lot of work that needs to be done if NISAs are to be a success.

More than 2,000 people from across the UK have given us their first impressions of NISAs. Just 16 per cent said that NISAs will make them more likely to save; one third of people have never heard of NISAs and just one in ten people intends to invest the maximum £15,000 per year. Meanwhile, many high street banks are reducing the rates on offer to savers ahead of July 1st, fearing that savers will be queuing up to purchase their NISA. Our research points towards such poor levels of consumer awareness and appetite that anyone hoping for a NISA season in July is set to be disappointed. The decision by the banks to slash rates will only make this worse.

This edition of 'Tackling the Savings Gap' also contains further evidence that the road to rediscovering our culture of saving is a long one. New products and reforms can help to create the conditions for investment, but only better education and technology will provide a sustainable savings culture.

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Admiral PR
T: 0191 222 0722
E: TruePotential@admiralpr.com

I'm proud that True Potential continues to lead the way. Our partnership with the Open University, which created the True Potential Centre for the Public Understanding of Finance (PUFin) has already launched its first online module, entitled Managing My Money, and our direct investor service True Potential Investor is making it as easy and quick to save online as it is to buy a book or DVD.

I remain optimistic that over a longer period NISAs will prove to be a success. With better awareness, significantly more attractive rates, a shift away from cash and into stocks and shares and an increase in the threshold closer to £25,000, NISAs will deliver better returns for savers.

David

David Harrison
Managing Partner, True Potential LLP

# The Savings Gap campaign

The UK is facing a problem: too few people are saving anywhere near enough to enable them to live comfortably in retirement. This problem is being exacerbated by issues such as the constantly rising cost of living, low wage inflation and longer average life expectancy. At True Potential, we refer to this as the 'The Savings Gap', and we want to do everything we can to help improve people's awareness of the issues, their knowledge of savings and investments and their attitudes towards ensuring they have adequate retirement provision.

We want to give people the tools as well as the warnings.

## Campaign update

**Agility Gap:** We have continued to make the case in Westminster for simpler savings and investment products. While the early signs are that savers will not be rushing out to purchase a NISA on July 1st, we do believe that the Chancellor was right to simplify ISAs and make pensions more flexible by removing the obligation to purchase an annuity.

Pensions also featured prominently in the Queen's Speech on June 4th and we welcome the extra attention that they are getting. The fact is that though no one knows what pension they will get in 20, 30, or 40 years' time and the introduction of Collective Pensions won't change that. We still need greater simplicity, accessibility and transparency to help build confidence and to get people saving again. That is why I was pleased by the announcement that pensioners will be able to withdraw their savings as they wish.

Introducing more flexibility to exiting products, and new products where necessary, is where efforts should be focused and there remains plenty of work to do. We hope our elected representatives will respond positively to messages coming from consumers and the warning signs contained in this report.

**Knowledge Gap:** May saw the first free module developed by the True Potential Centre for the Public Understanding of Finance (PUFin). Its aim is to improve the general public's understanding of personal finance which we believe lies at the heart of a sustainable savings culture in the UK. The Managing My Money course (www.futurelearn.com/courses/managing-my-money) is intended for those with an interest in developing their personal financial capability but who do not have previous experience studying the subject. To date, we have over 13,000 learners registered.

We continue to work with the OU and will have more news on future modules and upcoming research in the next edition of 'Tackling the Savings Gap'.

**Technology Gap:** It is now three months since we launched True Potential Investor, an innovative new online service that is designed to simplify investing and encourage a 'goal' and 'impulse' based saving culture. Using the same award-winning technology provided to 22 per cent of UK Financial Advisers, True Potential Investor can be accessed by the general public via the web (www.tpinvestor.com) and on any mobile device via our iPad, iPhone and Android apps.

Purchasing a book or DVD online is quick and easy and we don't think saving should be any different. That's why True Potential Investor includes impulseSave® - that allows micropayments to be transferred directly into investments to keep savers on track or to reach their financial goals faster. People can invest with as little as £1 or as much as needed to close their 'gap to goal'.

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Admiral PR
T: 0191 222 0722
E: TruePotential@admiralpr.com

**Latest findings:** True Potential has commissioned this research so that we can all see clearly and fully understand the Savings Gap in the UK. This barometer, one of the largest surveys of its kind, of over 2,000 UK adults of all age ranges, socio-economic backgrounds and from all corners of the UK, shows the levels of understanding that people have of finance, how much they are saving and how they are choosing to save. This quarterly research, therefore, is much more than just a snapshot in time and will provide a detailed look at the evolving attitudes towards saving of the UK public.

It is further evidence which clearly illustrates the scale of the challenge we face in the UK today. Britons are saving nowhere near enough to achieve a large enough fund to provide a comfortable retirement, but change is happening. More attractive ISAs are imminent, technology is now available that makes saving easier, and help is at hand for savers wishing to improve their own understanding and confidence in dealing with their financial affairs.

Even with this is improved landscape, the road remains long and as the data in this report shows, progress is slow.

Our vision is to revolutionise savings through the simplification and removal of barriers using emerging factors such as technology.

## Survey credentials and breakdown

The survey: The True Potential Savings Gap Survey was commissioned by True Potential LLP and conducted by an independent market research specialist.

**2,069**
People surveyed

1014
Males

1055
Females

Respondents:

**55%**
ABC1

C2DE
**45%**

Aged 18 and over.
Responses given in May 2014

**SOUTH EAST: 290**
Provided the most respondents

**NORTHERN IRELAND: 62**
Provided the fewest respondents

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# Headline Statistics

Since the last edition of 'Tackling the Savings Gap', there have been further welcome signs that the economy is improving. Growth forecasts are up, inflation and unemployment are down and pensions took centre stage in the Queen's Speech following a budget heralded as great news for savers.

With that backdrop, it is all the more concerning that the Savings Gap is still getting wider. The most alarming data that this edition of our quarterly barometer into consumers' attitudes and behaviour towards debt and saving reveals, is that 39 per cent of Britons are saving nothing for their retirement. Sixty three per cent of people are saving less than £100 per month.

Current levels of savings will provide an annual retirement income of just **£5,259.60**. Only four per cent of people told us that they think this will be sufficient. Thirty two per cent of respondents say they will require between **£16,000** and **£25,000** per year. The scale of the challenge this country faces could not be any clearer.

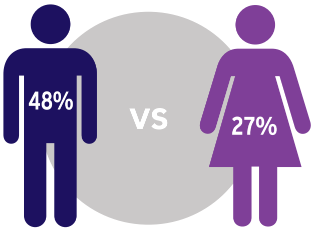

**29%** of 18-24 year olds think they will need at least **£31,000** per year to live comfortably during retirement, yet they are only saving enough to provide **£6,363** per year in retirement

Only **14%** of Britons are actively saving for their retirement


**44%** of Britons intend to save in cash alone, despite the poor interest rates offered by high street banks


**34%** of Britons have not heard of NISAs


Women are far less confident than men that by the time they retire, they will have saved enough to live comfortably




**16%**

Only **16%** of Britons say NISAs will make them more likely to save

**39%**

**39%** of Britons are currently saving nothing for retirement

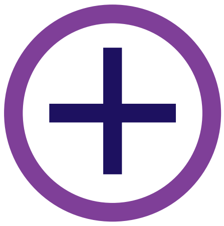

Just **10%** of people are very confident that they will save enough money for retirement to enable them to live comfortably

**For Press Enquiries, please contact:**
Admiral PR
T: 0191 222 0722
E: TruePotential@admiralpr.com

# NISA Prospects

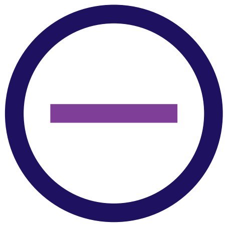
When NISAs were unveiled in March 2014, they were heralded as great news for savers. The higher investment threshold of £15,000 and the flexibility to invest any combination of cash and stocks and shares means that the average family in Britain today, can shelter £30,000 from the tax man per year. Even then, the only way to ensure that investments grow in real terms, is to save in a way that beats inflation, which stands currently at 1.5 per cent.

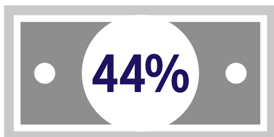
Stocks and shares investments have consistently performed better than cash, however savers still prefer to put their money into cash savings accounts which means that in almost all cases, the fund cannot keep pace with inflation and so is actually reducing in value.



Only **10%** will invest the maximum **£15,000**

**13%** of people will be saving less than **£1,000** in their NISA this year



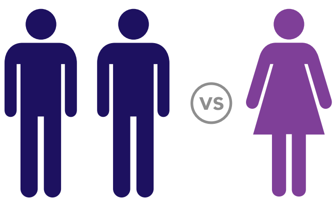



**44%** of NISA savers will be investing in cash alone

**34%** will be purchasing a NISA online, compared to **17%** who will do so at their bank and **5%** who will use a financial adviser to purchase a NISA

Only **5%** will be investing in stocks and shares alone

Men were **twice as likely** to invest in a stocks and shares ISA in 2014 compared to women




**45%** of 18-24 year olds have not heard of NISAs


**55%** have not delayed saving into an ISA until NISAs are introduced on July 1st

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# NISA Prospects

With the imminent introduction of NISAs, our research has revealed that a third of savers are unaware of them. Of those who have heard of NISAs, on average just 16 per cent feel that they are likely to put more of their money aside as a result.

## Do you think the newly introduced New Individual Savings Accounts (NISAs) will make you more likely to save?

| | Average | Male | Female | Age 18-24 | Age 25-34 | Age 35-44 | Age 45-54 | Age 55-64 | Age 65+ |
|---|---|---|---|---|---|---|---|---|---|
| Yes, definitely | 4% | 4% | 3% | 5% | 5% | 2% | 4% | 3% | 3% |
| Yes, probably | 12% | 13% | 11% | 20% | 16% | 11% | 7% | 11% | 10% |
| It will make no difference | 24% | 29% | 19% | 14% | 21% | 22% | 24% | 26% | 34% |
| No, unlikely | 8% | 10% | 7% | 4% | 8% | 7% | 10% | 10% | 10% |
| No, definitely not | 5% | 6% | 3% | 2% | 3% | 4% | 3% | 8% | 8% |
| I have not heard of NISAs | 34% | 26% | 43% | 45% | 35% | 41% | 37% | 32% | 21% |
| Don't know | 13% | 12% | 14% | 10% | 13% | 13% | 15% | 9% | 14% |

When NISAs were announced, we cautioned that simply saving more money in cash would not solve the long term problem that our country faces – specifically that we are not saving enough, and that when we do save, the interest rates are so low that inflation actually devalues cash savings. Now, we can see that our fears were well-founded, as only 17 per cent of savers intend to use the stocks and shares element of NISAs, with 44 per cent saying that they will only invest in cash. A further 39 per cent are yet to decide. As the banks have proved in recent weeks by dropping the rates they are offering ahead of the introduction of NISAs, the only savers likely to see an inflation-beating return on their NISA investments are the five per cent of people who plan to invest solely in stocks and shares.

**For Press Enquiries, please contact:**
Admiral PR
T: 0191 222 0722
E: TruePotential@admiralpr.com

## How do you intend to invest in your NISA this year?

| | Average | Male | Female | Age 18-24 | Age 25-34 | Age 35-44 | Age 45-54 | Age 55-64 | Age 65+ |
|---|---|---|---|---|---|---|---|---|---|
| Only cash | 44% | 47% | 42% | 44% | 44% | 38% | 40% | 47% | 54% |
| A combination of both | 12% | 16% | 8% | 8% | 14% | 14% | 8% | 10% | 18% |
| Only stocks & shares | 5% | 6% | 3% | 5% | 6% | 4% | 3% | 5% | 5% |
| Don't know | 39% | 30% | 48% | 44% | 37% | 45% | 49% | 38% | 23% |

At True Potential, we believe that technology is one of the three key tools at our disposal to defuse the savings time bomb. Whether managed by the individual, or via an adviser, it is clear that technology can make it easier for people to save and take control of their finances.

If it is possible to take out a loan in minutes, or buy a book online at the touch of a button, why should it be any more difficult to do the right thing and put money aside to save for a goal? We think that consumers want power in their palm – that's why we launched True Potential Investor and the global first-of-its-kind ImpulseSave® earlier this year.

This latest edition of 'Tackling the Savings Gap' confirms that those purchasing a NISA this year will overwhelmingly do so themselves online, particularly those aged between 25 and 44.

That said, the most concerning data is the number of people who do not intend to use any part of their NISA allowance this year. Nationally, 38 per cent of people have given NISAs an early thumbs-down and the numbers increase with older age groups.

# NISA Prospects

## How will you find a suitable NISA when they are introduced from 1st July 2014?

| | Average | Male | Female | Age 18-24 | Age 25-34 | Age 35-44 | Age 45-54 | Age 55-64 | Age 65+ |
|---|---|---|---|---|---|---|---|---|---|
| Online | 34% | 37% | 32% | 33% | 39% | 39% | 33% | 33% | 29% |
| Directly from my bank | 17% | 16% | 19% | 25% | 20% | 14% | 14% | 15% | 16% |
| Through my financial adviser | 5% | 6% | 3% | 3% | 3% | 4% | 6% | 6% | 6% |
| Other | 6% | 4% | 7% | 7% | 6% | 6% | 7% | 5% | 3% |
| I won't be using any part of my NISA allowance in 2014 | 38% | 38% | 39% | 31% | 32% | 37% | 40% | 42% | 46% |

## Are you delaying saving into an ISA until the new NISA deals are launched from 1st July?

Many industry commentators have been speculating that we will see a second ISA season once NISAs are introduced and that savers have been biding their time. However savers have told us that this is not the case.

Of those who will be using part of their NISA allowance this year, only 20 per cent have delayed saving into an ISA, preferring instead to wait until NISAs are available in anticipation of better rates on offer from the banks. A large proportion of people remain unsure about their best course of action – further evidence of a lack of NISA awareness and financial guidance.

| | Average | Male | Female | Age 18-24 | Age 25-34 | Age 35-44 | Age 45-54 | Age 55-64 | Age 65+ |
|---|---|---|---|---|---|---|---|---|---|
| Yes | 20% | 26% | 14% | 18% | 19% | 16% | 9% | 26% | 34% |
| No | 55% | 54% | 55% | 44% | 56% | 60% | 63% | 53% | 52% |
| Don't know | 25% | 20% | 31% | 37% | 25% | 25% | 28% | 21% | 14% |

**For Press Enquiries, please contact:**
Admiral PR
T: 0191 222 0722
E: TruePotential@admiralpr.com

## How much do you intend to invest in your NISA this year?

One of the most positive elements of NISAs is the increase in the annual threshold to £15,000 which is a step in the right direction towards making ISAs a real alternative to a pension. The actual increase of £3,120 is fairly modest and our research shows that it has not been enough to encourage savers to view ISAs differently.

Only 10 per cent of people plan to invest the maximum £15,000 allowance and the figure is half in the 25 – 34 age group where only five per cent intend to save the full amount. This is one age group that would have a lot to gain by taking full advantage of the opportunity to shelter £15,000 per year away from the tax man.

| | Average | Male | Female | Age 18-24 | Age 25-34 | Age 35-44 | Age 45-54 | Age 55-64 | Age 65+ |
|---|---|---|---|---|---|---|---|---|---|
| The max £15,000 | 10% | 13% | 7% | 6% | 5% | 8% | 8% | 14% | 18% |
| Over £10,000 | 3% | 5% | 2% | 2% | 3% | 2% | 4% | 5% | 6% |
| £7,500 - £9,999 | 4% | 5% | 3% | 5% | 6% | 3% | 1% | 4% | 6% |
| £5,000 - £7,499 | 7% | 10% | 5% | 3% | 8% | 7% | 5% | 7% | 13% |
| £2,500 - £4,999 | 7% | 8% | 6% | 9% | 7% | 6% | 6% | 7% | 7% |
| £1,000 - £2,499 | 8% | 8% | 8% | 8% | 8% | 8% | 8% | 5% | 8% |
| Under £1,000 | 13% | 10% | 17% | 21% | 19% | 15% | 12% | 7% | 5% |
| Don’t know | 47% | 41% | 54% | 45% | 44% | 51% | 56% | 51% | 37% |

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# The ‘Goal’ approach

As the table on the previous page shows, high numbers of people have yet to decide how much of their NISA allowance they will use. At True Potential, we believe that the key to regular and disciplined saving is having a goal. As a nation, very few of us do have clear savings goals in mind – a symptom of a buy-now-pay-later culture.

We asked over 2,000 people what their saving goal is. Almost a quarter said the purpose of saving was for a ‘rainy day’ but only 14 per cent said that they are saving for retirement. Indeed, those with most time to be able to build up gradually a large enough fund in order to live comfortably in retirement, are those in the 18-24 age group. However, only two per cent are currently thinking about putting money aside for retirement.

Savers in the 35 – 44 age group see saving for retirement as a lower priority than a holiday or home improvements.

## What is the most important reason for your saving at the moment?

| | Average | Male | Female | Age 18-24 | Age 25-34 | Age 35-44 | Age 45-54 | Age 55-64 | Age 65+ |
|---|---|---|---|---|---|---|---|---|---|
| A rainy day | 24% | 27% | 21% | 17% | 21% | 26% | 24% | 20% | 33% |
| A holiday | 16% | 14% | 19% | 22% | 16% | 15% | 14% | 14% | 18% |
| Retirement | 14% | 17% | 10% | 2% | 3% | 8% | 20% | 31% | 17% |
| Home improvements | 6% | 6% | 7% | 2% | 9% | 9% | 6% | 5% | 7% |
| Buying a house outright | 5% | 4% | 6% | 13% | 12% | 4% | 2% | 1% | 1% |
| A car | 5% | 4% | 5% | 10% | 4% | 5% | 3% | 2% | 4% |
| Mortgage repayments | 3% | 3% | 3% | 2% | 4% | 4% | 4% | 3% | 1% |
| A wedding | 3% | 3% | 3% | 4% | 7% | 2% | 2% | 2% | 1% |
| My children’s education fees | 3% | 2% | 4% | 1% | 2% | 5% | 4% | 2% | 1% |
| Starting a family | 2% | 2% | 3% | 6% | 7% | 1% | 0% | 0% | 0% |
| None of the above | 19% | 19% | 19% | 19% | 14% | 21% | 21% | 18% | 19% |

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Admiral PR
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E: TruePotential@admiralpr.com

# Millions face crisis in old age

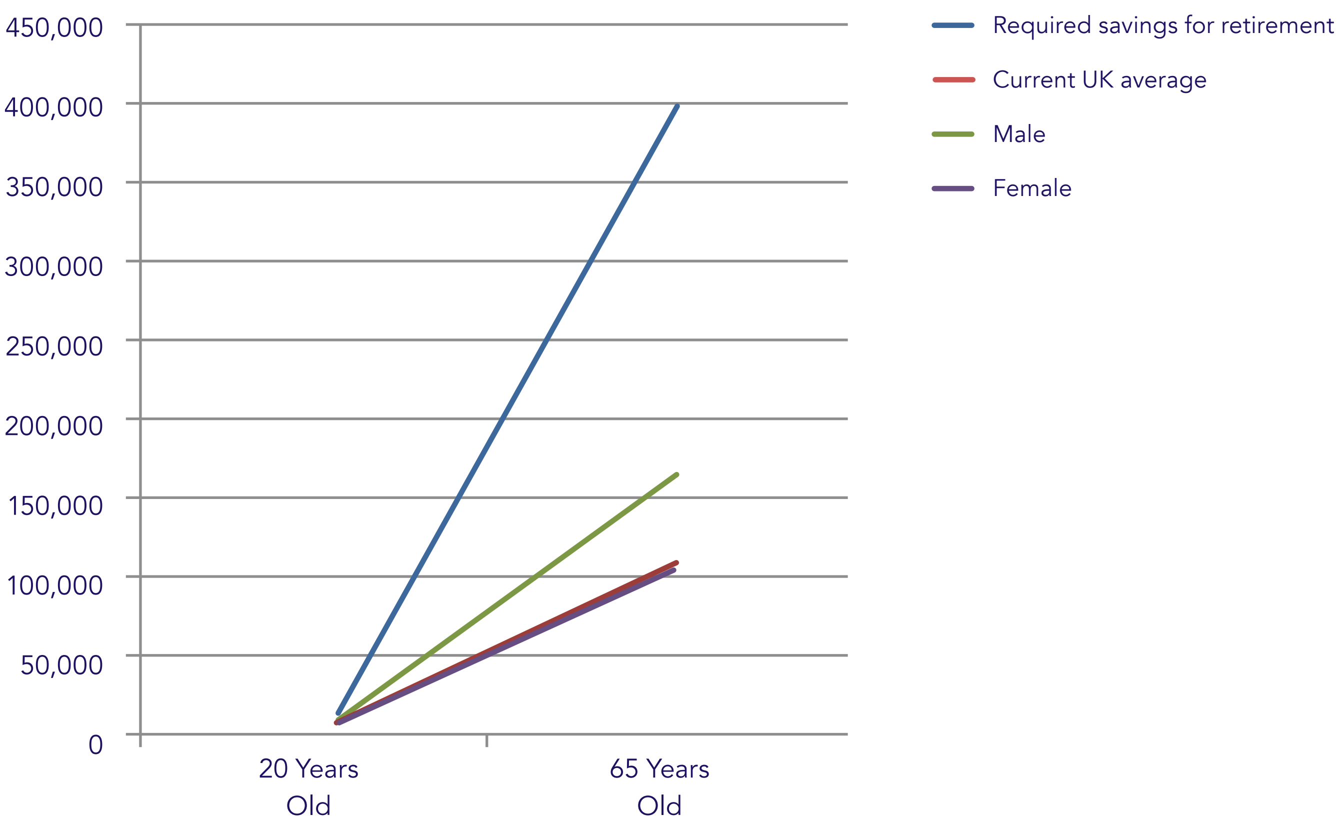
In this edition we asked savers how much money per year they think they will need to live comfortably in retirement. The results show that 32 per cent estimate that they will require between £16,000 and £25,000 per year.

So, what size funding pot is needed to deliver an income of £20,000 pa? An approximate guide is to multiply the required income by 20 (which equates to a 5 per cent pa return from your capital). So you would need a sum of £400,000 from which to draw an income of £20,000 at a 5 per cent rate of return.

To achieve a £400,000 pension pot an average of £8,888 per year for 45 years is required. In the last edition of 'Tackling the Savings Gap' we revealed that the average Briton was only saving £2,338.40 per year, which equates to £105,228 over a 45 year working life. This will provide approximately £5,261.40 per year in retirement.

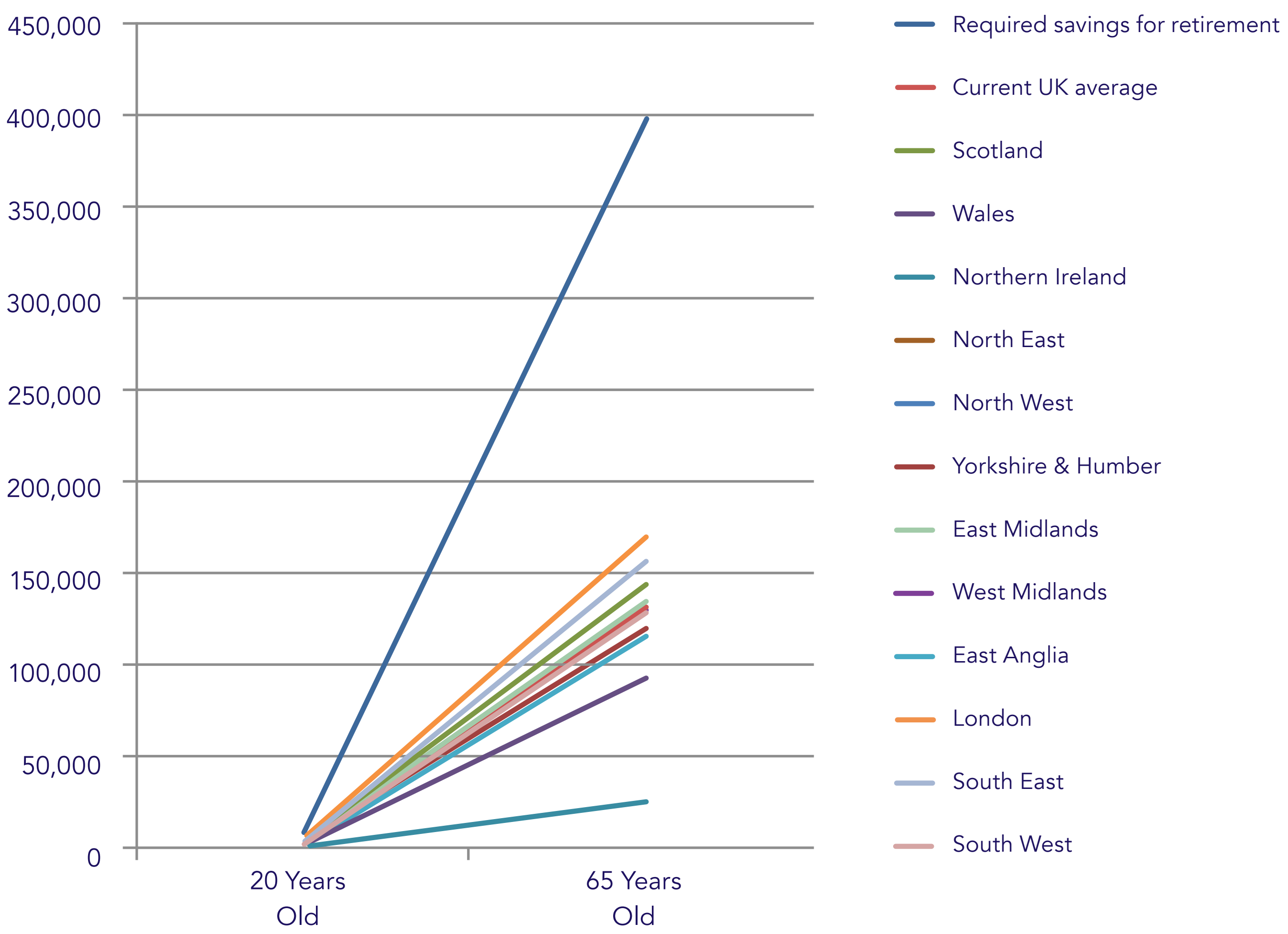
In this edition, we can report a small improvement nationally but nowhere near the level that is required. The average Briton is on course to save £2,918.00 per year which would give a total fund value of £131,310 over a 45 year period. This would provide £6,565.50 per year in retirement. Only four per cent of people thought that they could live comfortably on between £6000 and £10,000 per year.

These figures do not account for new debt or inflation that will further erode what little people are saving for retirement. While men appear to be marginally better savers, the situation is bleak for all. By continuing on the current trajectory, millions of people in the UK are heading towards an impoverished retirement – if indeed they are ever able to retire.



# The UK and regional savings breakdown

The below graph was extrapolated from the regional Savings Gap picture on the next page, which shows a clear lack of a savings culture across the whole country. As we saw in the previous edition of 'Tackling the Savings Gap', Northern Ireland, Wales and the North East occupy the bottom three positions. Yet again we see that the South East performs better but the levels of savings remain well below what is required for a comfortable retirement. Most notably, Scottish savers are leading the way with both high levels of saving and low levels of new debt. It will be interesting to see if this trend continues.



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| Region | Savings (previous three months) | New debt (previous three months) | Net savings (savings minus new debt) | Overall ranking this quarter |
|---|---|---|---|---|
| UK average | £729.50 | £412.80 | £316.70 | - |
| Scotland | £817.90 | £318.20 | £499.70 | 1 |
| Northern Ireland | £138.30 | £569.60 | -£431.30 | 12 |
| Wales | £514.00 | £299.80 | £214.20 | 10 |
| North East | £654.60 | £552.40 | £102.20 | 11 |
| North West | £663.80 | £355.30 | £308.50 | 7 |
| Yorkshire & Humberside | £669.40 | £335.60 | £333.80 | 6 |
| East Midlands | £747.80 | £355.00 | £392.80 | 3 |
| West Midlands | £721.00 | £432.00 | £289.00 | 8 |
| East Anglia | £643.30 | £307.70 | £335.60 | 5 |
| London | £947.70 | £650.20 | £297.50 | 9 |
| South East | £870.90 | £451.30 | £419.60 | 2 |
| South West | £711.20 | £346.80 | £364.40 | 4 |

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# The Gender Divide

Across the UK, men are saving on average two and a half times as much as women. The average male surveyed has accrued a net saving of £461.00 for the previous quarter compared to £178.10 for females over the same period.

**50%**

of respondents are not confident that by the time they retire they will have saved enough to enable them to live comfortably. This jumps to **62%** for those aged 35-44 and **64%** for those aged 45-54.

**The most confident;**

**MALES AGED 65+**

**41%** Quite Confident
**25%** Very Confident

Just **17%** of females aged 45 - 54 are quite or very confident that they will save enough money to live comfortably during retirement.

**28%** of men aged 35 – 44 say a minimum of £31k pa is needed for a comfortable retirement versus **17%** of women.

**FEMALES AGED 45-54**

are the least confident demographic – **35%** are not at all confident versus **24%** of males aged **45-54**

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Admiral PR
T: 0191 222 0722
E: TruePotential@admiralpr.com

## Males v Females

| Gender | Savings accrued (previous 3 months) | New debts accrued (previous 3 months) | Net savings and investments |
|---|---|---|---|
| Male | £900.70 | £439.70 | £461.00 |
| Female | £565.00 | £386.90 | £178.10 |

## Males by age group

| | 18-24 | 25-34 | 35-44 | 45-54 | 55-64 | 65+ |
|---|---|---|---|---|---|---|
| Savings | £779.30 | £996.10 | £1059.40 | £823.30 | £761.00 | £939.80 |
| New debt | £850.50 | £626.90 | £443.90 | £174.70 | £423.10 | £292.70 |
| Net savings | -£71.20 | £369.20 | £615.50 | £648.60 | £337.90 | £647.10 |

## Females by age group

| | 18-24 | 25-34 | 35-44 | 45-54 | 55-64 | 65+ |
|---|---|---|---|---|---|---|
| Savings | £639.40 | £742.40 | £472.80 | £444.80 | £703.40 | £280.40 |
| New debt | £584.40 | £451.30 | £371.00 | £381.40 | £339.10 | £85.80 |
| Net savings | £55.00 | £291.10 | £101.80 | £63.40 | £364.30 | £194.60 |

# The North / South divide


Once again confidence levels vary by region when it comes to saving for retirement, though Yorkshire and Humberside as well as the East Midlands are the only regions where 40 per cent or more of the population feels confident about their retirement provision.

By comparison, the least confident people live in Northern Ireland, Wales and North East England. Confidence is higher in Scotland compared to the last quarter and as we have already seen, net savings are also highest north of the border in the last quarter.

**For Press Enquiries, please contact:**
Admiral PR
T: 0191 222 0722
E: TruePotential@admiralpr.com

# Confidence levels and those saving nothing for retirement

| Region | Those confident of saving enough to retire in comfort | Those currently saving nothing at all |
|---|---|---|
| UK average | 37% | 39% |
| Scotland | 38% | 35% |
| Northern Ireland | 32% | 45% |
| Wales | 30% | 48% |
| North East | 32% | 37% |
| North West | 37% | 38% |
| Yorkshire & Humberside | 40% | 37% |
| East Midlands | 42% | 39% |
| West Midlands | 36% | 48% |
| East Anglia | 35% | 39% |
| London | 39% | 32% |
| South East | 36% | 35% |
| South West | 38% | 43% |

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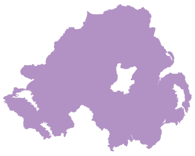
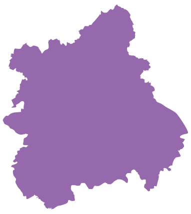
## Those confident of saving enough to retire in comfort by region:



**32%**
Northern Ireland

**30%**
Wales

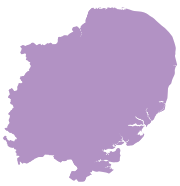
**38%**
Scotland



**36%**
West Midlands

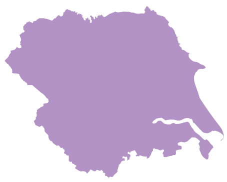
**42%**
East Midlands

**32%**
North East



**35%**
Anglia

**37%**
North West



**40%**
Yorkshire/Humberside

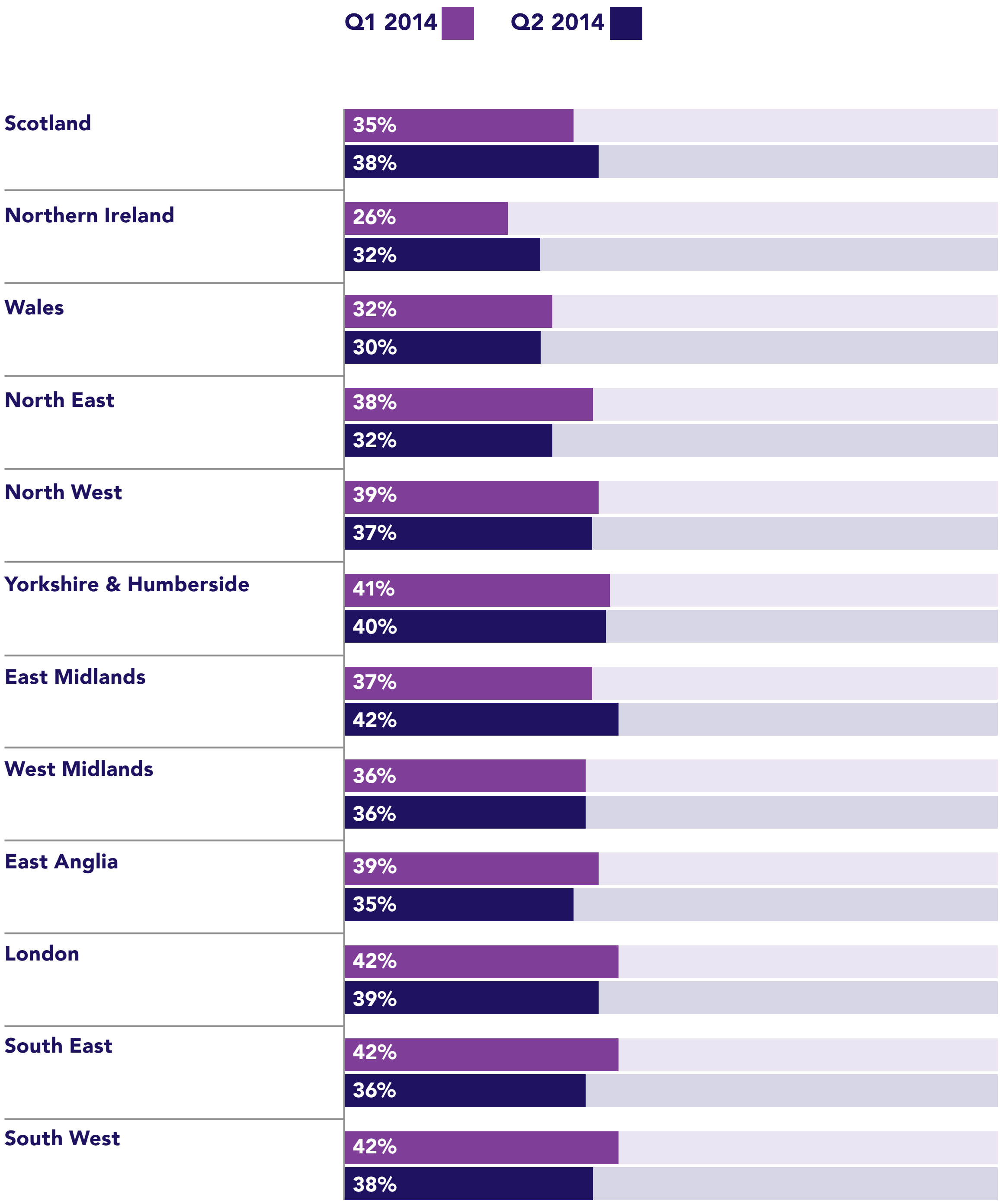
**39%**
London

**36%**
South East

**38%**
South West

**For Press Enquiries, please contact:**
Admiral PR
T: 0191 222 0722
E: TruePotential@admiralpr.com

## Comparing Q1 2014 with Q2 2014. Those confident of saving enough to retire in comfort by region



# Conclusion

This edition of 'Tackling the Savings Gap' has again laid bare the facts that as a nation we have a stark choice. We can either accept that spending years in comfortable retirement will be impossible for millions of people in Britain today who may instead suffer a very poor standard of living if they are ever able to retire. Or, there needs to be a fundamental shift in attitudes to saving and that will require a concerted effort by governments, citizens, schools, communities, businesses, charities – indeed everyone – the like of which we have never seen before.

As we have said in previous editions, there is no quick fix – no silver bullet to make this Savings Gap vanish. If any evidence were needed, we can see that the introduction of NISAs will result in a mere tremor and not the dramatic earthquake impact that we need to reverse decades of antipathy towards saving and the damage that a buy-now-pay-later culture has embedded into our society.

We know that we cannot rely on the state for retirement provision so it follows that individuals must be encouraged to plan for retirement and save accordingly at an early age. Financial education is below-par in the UK and has been for many years; the results of that are clear in this report. Our research has shown that even when we do save, it more often than not tends to be in poor products and millions of savers have no goal or strategy.

This September, personal financial education will arrive on the National Curriculum in schools but we will not see the benefits for many years. It will come far too late for so many who desperately need it. To help fill that gap, I am proud that the True Potential Centre for the Public Understanding of Finance (PUFin) has already launched the Managing My Money course **(www.futurelearn.com/courses/managing-my-money)** because better education is one of the three ways we can reverse the decline.

Digital technology such as True Potential Investor means it is now possible to ImpulseSave® at the touch of a button and I am confident that when more savers become aware of NISAs, they will choose to take advantage of the higher threshold and increased flexibility.

The solution to closing the Savings Gap lies in better regulation and products, much improved and more widely available access to financial education and harnessing the power of technology. None of these measures will have the dramatic effect we need if they are considered in isolation. Only a joined up strategy stands a chance of working and there is not a moment to waste.

David Harrison
Managing Partner, True Potential LLP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**True Potential LLP**
Registered Head Office: Newburn House, Gateway West, Newburn Riverside, Newcastle upon Tyne, NE15 8NX
London Office: 42-44 Grosvenor Gardens, Belgravia, London, SW1W 0EB

T: 0871 700 0007 E: discover@tpllp.com

**www.tpllp.com**