Tackling the Savings Gap

Consumer Savings and Debt Data Q3 2014

TACKLING THE SAVINGS GAP

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Foreword

The elephant in the room

I doubt anyone would be surprised to hear that as a nation, we are not saving enough for our retirement. That is now a well-known, if little-understood, phenomenon. The reason I say little-understood, is that we have the benefit of time and certainty on our side when it comes to retirement. In fact we have more time now than ever to prepare as the retirement age begins to creep up. We also have certainty that if we do not prepare for our later years by setting money aside, we will suffer an impoverished retirement with the state increasingly unlikely to be in a position to fill the gap. Why then, in those circumstances, do so many people fail to prepare adequately?

This paper does not attempt to answer that question, but it does clearly set out the scale of challenge and suggests some steps that we must take now if there is to be such a thing as retirement as we know it in years to come. Many people take retirement for granted and that is a big mistake. We are all living longer but the medical and social advances that we enjoy are also changing the way in which our society functions. I suggest that there are now two more certainties in life – to work longer; and the need to provide more for ourselves once we stop working.

Our research indicates that we will see thousands – if not millions – of people in the future who are unable to retire fully because they simply cannot survive on the sort of income they would receive.

That is unless we take drastic, evasive action now. A comfortable retirement in Great Britain – one of the richest, most successful and proudest countries in the world – should not just be an option for a select few while millions of other elderly citizens struggle to make ends meet.

Faced with that prospect, it is alarming that so many people in Britain today are not able to save the amounts required to give them the retirement they dream about. Since we launched our Savings Gap campaign back in summer of 2013, we have asked over 8,200 people from all backgrounds and all corners of the UK, approximately how much they have managed to put towards their savings and pensions pot in the last 12 months.

A staggering 38 per cent have saved nothing at all. In the last three months alone, 45 per cent of those aged 45-54 and 50 per cent of people between the ages of 55 and 64 have saved nothing. It will come as no surprise then that fewer than four out of every ten people you meet are confident that by the time they retire, they will have saved enough to enable them to live comfortably. I do not think the answer is more government intervention, but it must be more political emphasis and courage to create the conditions in which people can – and do – save for their own retirements.

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The many thousands of savers we spoke to are also voters and 44 per cent of them say that a political party's policies towards savers would influence the way they vote at the next general election. I know the political will exists to address these issues and financial education is now available to anyone who wants it. Technology also exists to make saving easy and accessible – I know that because we at True Potential have invested considerable finances and resources to make it so.

That is how we can close the Savings Gap. Not with a silver bullet – none exists – but by working together to make saving and investing more accessible and a part of everyday life. It's time to redouble those efforts.

David Harrison
Managing Partner, True Potential LLP

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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': the difference between what people need to live comfortably in retirement and the amount they are actually on course to receive. 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.

True Potential is leading the campaign to close the Savings Gap in the UK. We believe radical ideas and innovative solutions are needed in three core areas:

Agility Gap

In March this year, Chancellor George Osborne delivered what I think was one of the most radical and impressive Budgets that I have ever seen. At a stroke, he introduced greater flexibility for savers and did away with unnecessary regulations that have over complicated matters and turned people off from saving and investing.

It was an excellent start towards more agile regulation that is essential to reverse the Savings Gap, but was it enough? The answer is no – not by a long way. Raising the ISA allowance to £15,000 and making them more flexible was a masterstroke but I would like to see an ISA allowance closer to £25,000. Only then will savers begin to see ISAs as credible alternatives to pensions and that is essential.

As I will explain later in this paper, it may go against the political grain, but it very much goes with the public mood.

There is a general election just eight months away and I hope that savers will be high on all the political parties' agendas. Savers have been hit hard by record low interest rates and it is clear that people have less cash in their pockets to put towards their savings. Finding ways to let savers keep more of their hard-earned wages and making sure saving always pays are two large political challenges of our time, so let us see what answers our politicians come up with. We're here to help if they want to speak to us and we know a thing or two about savers.

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Knowledge Gap

In September, True Potential and the Open University presented a new Green Paper in Westminster. The Open University Business School's True Potential Centre for the Public Understanding of Finance (PUFin), proposes that UK consumer reluctance to take investment risk may actually be jeopardising our longer-term financial goals, whether it's stepping on to the property ladder, or providing an income at retirement.

At a time when self-service saving and investing is gaining ground, and consumers have more freedom and choice than ever before, the Green Paper, entitled 'Towards a Common Understanding of Risk', proposes new research that will explore both consumers' understanding of risk, and the industry's approach to risk assessment.

The Green Paper follows the PUFin launch of the free 'Managing My Money' consumer personal finance course in May this year on the FutureLearn MOOC (Massive Open Online Course). The course was developed for those with an interest in developing their personal financial capability, but who do not have previous experience studying the subject. Following the overwhelming success of the initial course with over 15,000 registered learners, it will be made available through The Open University's free education platform, OpenLearn, in October 2014. There will also be an additional two modules launching in 2015 and 2016 respectively.

Technology Gap

At True Potential, one of our core beliefs is that people do want to save for their future and the things that stop them are overly complicated products and processes as well as easy access to high cost credit through payday lenders.

Compare the time it takes to get into debt with opening an ISA or making an investment in stocks and shares. The pendulum has swung way too far towards cheap debt that is accessible on the go from a smart phone or tablet. Now, technology exists that can make it as simple to save as it is to take out a loan and we believe harnessing the power of technology is one of the three steps needed to close the Savings Gap.

How do we know that the technology exists? We know because we invented in. True Potential Investor is a self-directed investment service that can be accessed 24/7 online, via a smart phone or tablet and now on smart watches. The service includes impulseSave®, a first-of-its-kind feature that allows savers to top-up their investments from £1 to close any 'gap to goal'.

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, to survey people aged 18 and over.

2,071 PEOPLE SURVEYED

1,009 MALES

1,062 FEMALES

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Responses given
in September 2014

Headline Statistics

Since the last edition of 'Tackling the Savings Gap', the British economy has continued to grow and according to the International Monetary Fund (IMF), Britain's economy is growing faster than those of every other major developed country. Our economy will grow at its fastest rate since 2007 this year, says the British Chambers of Commerce (BCC) as it upgraded its GDP forecast for 2014 from 3.1 percent to 3.2 percent and 2015 from 2.7 percent to 2.8 percent.

Despite improved economic performance, the number of people who are saving nothing for their retirement is also rising. Forty per cent of those we asked have been unable to contribute anything towards their savings and pensions pot over the last three months, with the average Briton saving £736.70 and taking on £378.50 of new debt in that period. That leaves net savings of just £119.40 each month.

40%

40% of Britons are currently saving nothing for retirement.

44% of people will be influenced in the way they vote at next year's general election by the political parties' policies towards savers

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UK savers say they will require a retirement income of **£23,457** per year in order to live comfortably.

CONFIDENCE IN INVESTING

VS

47% 31%

Women are less confident than men when investing in savings.

43%

43% of Britons say they would need the Bank of England to raise interest rates by more than 1% to encourage them to save more money.

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

10%

Only **21%** of respondents think that pensions represent good value for money

1/3

44% A third of UK savers would be more likely to save and invest if the technology made it simpler and easier to do so.

OUR URGE TO MAKE IMPULSE PURCHASES

£56
/month

British consumers spend **£56** per month on impulse purchases, such as takeaway coffees, snacks, games, music and clothing. That's **£30,240** over a working life – the equivalent of more than a year's average salary.

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The retirement you have dreamed about?

By the time you retire, realistically, how much money per year do you think you will need to live comfortably? That is the question we have asked thousands of people across the United Kingdom and the gap between that retirement aspiration and what those same savers are on course to receive is stark. Our research shows that funding a comfortable retirement would leave pension pots empty after just five years.

Savers have responded by stating that in order to enjoy a comfortable retirement, they would require £23,457 per year as an income from their saving and pension pots. That target would need a total fund of £469,140 from which savers could draw down 5 per cent over 20 years.

Based on current savings levels however, Brits are only on course to build a retirement fund worth £120,213, meaning that it could only support the desired annual income for five years before becoming exhausted.

Savings Levels

	Annual savings	Total pension fund size after 45 years	Desired annual income	Number of years fund could support desired annual income
Amount needed for a comfortable retirement	£10,425	£469,140	£23,457	20
Amount currently being saved	£2,671.60	£120,213	£23,457	5

These figures do not account for new debt or inflation that will further erode what little people are saving for retirement.

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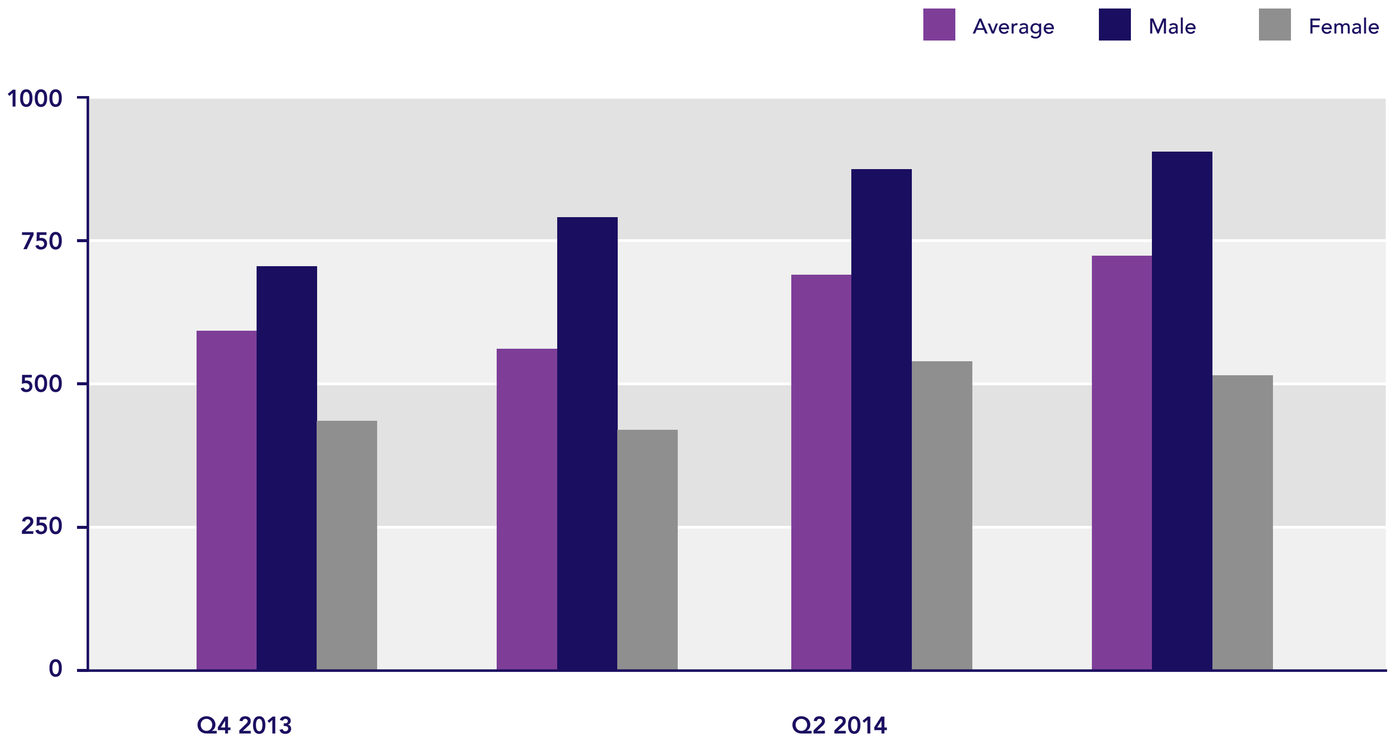

Over the last 12 months, savers have put aside £2,671.60 towards their pension pot. Over a working lifetime of 45 years, that would build a total fund of £120,213 leaving savers with an annual income of just £6,011 per year throughout their retirement. Only four per cent of savers believe they could live comfortably on that amount of money.

The figures do show that the amount of money British savers have put aside for retirement has been steadily increasing over the last 12 months, though still nowhere near what would be required to achieve a comfortable retirement. Men are consistently managing to put more money into their retirement fund – £3,321.17 per year compared to women who are saving £2,046.40 per year.

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The retirement you have dreamed about?

We have also compared all UK regions. Based on the savers' desired income in retirement in each region, the results show that:

- In Northern Ireland, savers are building retirement funds that will last 3.5 years
- Scottish savers' retirement pots will be exhausted after 5 years
- In Wales, savers retirement funds will last 4.2 years
- Londoners' savings will give them their desired income for 5.6 years.

Region	Annual savings	Retirement Fund	Desired annual wage in retirement	Numbers of years the fund could support the desired wage
UK Average	£2,671.40	£120,213	£23,457	5
Scoatland	£2,711.90	£122,036	£24,364	5
Northern Ireland	£1,653.40	£74,403	£21,443	3.5
Wales	£2,041.20	£91,854	£21,809	4.2
North East	£2,298.20	£103,419	£21,532	4.8
North West	£2,485.30	£111,839	£23,164	4.8
North Yorkshire & Humberside	£2,378.90	£107,051	£22,841	4.7
East Midlands	£2,584.00	£116,280	£21,749	5.3
West Midlands	£2,435.50	£109,598	£22,998	4.8
East Anglia	£2,719.30	£122,369	£24,478	5
London	£3,420.70	£153,932	£27,467	5.6
South East	£3,043.70	£136,967	£23,399	5.9
South West	£2,688.10	£120,965	£22,057	5.5

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These figures show the size of the problem we face as a nation. Britain is sleepwalking towards an impoverished retirement and the reality for many in society today is that they will simply be unable to ever retire. That is a scary prospect and we should be in no doubt about the radical overhaul of financial education, regulation and culture that will be required to address this.

The seeds of the Savings Gap were sown in non-existent personal finance education, overly-complicated products and a buy-now-pay-later culture that has become part of society. We have also become a nation of cautious investors, preferring to save in cash, which simply means that inflation is destroying the power of those savings every day.

Most people describe themselves as balanced or even cautious investors and who can blame them, after seven years of financial hardship brought on by excessive risk-taking in the banking sector? However this approach only means millions of people will never hit their retirement goals. The answer is not to lower our aspirations for retirement but to raise our savings game now as a country. That means far better personal finance education and far simpler products that allow savers to assess risk properly and make the right decision for themselves.

Our relationship with our savings and investments is also outdated. Traditionally, we wait for the annual statement to drop through the letterbox to see how our finances are performing and that needs to change. Checking on the performance of our investments should be as easy to do on-the-go as it is to check Facebook. Topping up our savings on impulse should be as simple as buying a book or DVD online.

By changing the way we interact with our finances, we can begin to swing the pendulum back towards savings and that is our best hope to close the Savings Gap.

How much do Brits spend on impulse?

Walk down any high street and there are temptations everywhere you look, intended to convince you to part with your money. A couple of pounds here and there soon add up. So how much do Brits spend on impulse on items such as takeaway coffees, snacks, games, music, clothing?

	UK Average	18-24	25-34	35-44	45-54	55-64	64+	Male	Female
More than £200	2%	2%	5%	2%	2%	0%	1%	2%	2%
£151-£200	4%	5%	7%	4%	3%	3%	3%	4%	4%
£101-£150	8%	8%	14%	12%	7%	3%	6%	11%	6%
£51-£100	21%	31%	28%	26%	16%	13%	16%	23%	20%
Less than £50	58%	46%	40%	49%	67%	75%	69%	53%	63%
Don't know	6%	7%	6%	7%	4%	6%	5%	6%	6%
Mean score	£56.20	£63.70	£75.90	£62.50	£50.30	£40.20	£46.00	£60.90	£51.70

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Those impulse purchases amount to £674.40 over the course of a year and £30,348 throughout a working life. In other words, each individual spends the equivalent of slightly more than a year's average salary on impulse purchases.

Using True Potential Investor, we can see that if that same £56 per month were invested in a balanced fund portfolio each month over a 45 year working life, it could grow to be worth over £113,000, moving savers closer to that ambition of a comfortable retirement.

Power to the people

At True Potential, we believe in empowering savers with the knowledge and the ability to save and invest on their terms, whenever they want. Technology exists that can make it as simple to save as it is to take out a loan and we believe harnessing the power of technology is one of the three steps needed to close the Savings Gap.

We asked savers how likely they would be to save or invest more frequently if technology made it simpler and easier for them to do so. It is clear that, particularly among younger people who expect to be able to manage their affairs from a smartphone or tablet device, technology has a key role to play in encouraging saving to become a part of everyday life.

Sixty-four per cent of 18-24 year olds and 57% of 25-34 year old savers said they would be likely to save or invest more frequently if technology made it simpler and easier for them to do so.

True Potential fundamentally believes in goal-setting and it is at the core of all of our products and services. Clear goals help savers identify exactly what they are putting their money towards and encourage them to keep saving. Each user's goal is personal and important to their future.

This belief is also at the heart of impulseSave®. Since we launched it in March, the service is already changing the way people save. Over £4.5 million of new money has been added to users' savings via impulseSave® to date, money that would otherwise most likely not have been invested anywhere. The majority of investments are under £10 and many investors are repeat users, showing it is possible, with the right technology, to create a habit of impulse saving.

The idea behind impulseSave® is simple – turn spenders into savers. Savers can make small lifestyle changes to keep their investments on track or grow their money faster. For example, instead of purchasing a coffee each morning or making an impulse purchase, small sums can be added to investments on-the-go.

This is already proving a successful concept. With True Potential Investor, it has never been simpler to invest.

The investments 'top-up' technology is also available on True Potential's award-winning Wealth Platform, which is used by over 22 per cent of financial advisers and more than 32,000 clients across the UK.

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Since the last edition of Tackling the Savings Gap, we have launched True Potential Investor on smart watches meaning savers are even more empowered.

Users can set their watches to alert them on a regular basis as to how their funds are performing against their goals. With a few taps of the watch, they can then use impulseSave® to top-up their investments from just £1 – all without opening the app on their phone.

People are failing to save enough and we believe this is due to a lack of quantifiable savings goals, no immediate way of tracking their progress and no way of easily putting more money aside. Those people who are investing tend to put money into their investments and discover that there is a shortfall years later, when time is running out.

By moving savers away from the 'annual statement' mind-set and making small top-ups more convenient, True Potential Investor encourages interaction with investments – changing the way Britons save. With impulseSave®, by prompting users to save through an alarm system and providing a means to top-up 24/7, we are helping savers to stay on track.

True Potential Investor brings a huge amount of investing power within reach for far more people. The majority of savers using the system access it via mobile technology. It is our belief that 21st century technology should be multi-platform and so the launch for smart watches is the next logical step and part of our goal to make saving as simple and accessible as possible.

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True Potential at Finovate

In September, we were one of just five UK-headquartered companies to showcase our new technology for savers at FinovateFall 2014 in New York, which highlights the biggest innovations in banking and financial technology.

We showcased impulseSave® and demonstrated how, with the touch of a button, savers can top up any investment vehicle that isn't housed within a bank. They can add as little as £1 or as much as needed to keep their investments on track or to reach their financial goals faster.

The technology is part of True Potential's goal-based online investment service, True Potential Investor (www.tpinvestor.com). Available via the web, mobile apps (iOS and Android) and most recently launched on Android smart watches, the technology is changing the way people save and provides a glimpse into the future of investing.

You can view a video about the making of impulseSave® here: **http://www.tpllp.com/spotlight-on-technology/.**

We were one of just 70 companies to make it through the rigorous selection process, allowing Senior Partner, Daniel Harrison, and Head of Mobile Applications, Paul Outterside seven minutes to demo the technology in front of an audience of more than 1,400. They provided a sneak preview of the technology being used on Google Glass, which is set to be launched later this year.

impulseSave® was built completely in-house by our team of developers based in Newcastle-upon-Tyne, and so it was great to take the technology to the US and showcase the top-up technology and our online investment service, True Potential Investor on an international platform. Our team is extremely proud that we are pushing the boundaries of financial technology from our base in the UK.

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Interesting Rates

The debate about rising interest rates continues to rage. We know they will rise, but no one can say for certain when it will happen. Many commentators speculate that a rise is unlikely ahead of the general election but others argue that the independent Bank of England (BoE) will announce a rise by the end of the year. Indeed in September, two members of the BoE's monetary policy committee voted for a second time to raise rates, so an increase is coming and that will be welcomed by savers. But how big will the rise be and will it be enough to kick-start our saving culture? Many savers say that record low rates are a key factor in them choosing not to save. Will a 0.25% rise or even a 0.5% rise be enough? Not according to our figures.

Raising the interest rate

By how much would the Bank of England need to raise interest rates, to encourage you to save more money?	
More than 1%	66%
1%	18%
0.75%	7%
0.5%	6%
0.25%	3%

Understandably savers are looking for an interest rate rise of more than 1% to get them saving more, but that is unlikely to happen given the continued and fragile nature of the economic recovery and the impact a rise of 1% or greater would have on household budgets. From its high of 5.75% in July 2007, the interest rate decreased to 0.5% in June 2009 where it has remained ever since. In other words, a rise of 0.25% or perhaps 0.5% is most likely and as we can see, very few savers think it will be enough to encourage a surge in saving. It will take further rises and time to see a noticeable impact. Of course low interest rates make it easier to service the debt that we do have and the average UK citizen took on £378.50 of new debt over the last three months, peaking at £563.90 among those aged 35-44.

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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 £470.70 for the previous quarter compared to £107.00 for females over the same period.

Males vs females

Gender	Savings accrued (previous three months)	News debt accrued (previous three months)	Net savings and investments
Male	£910.40	£439.70	£470.70
Female	£433.10	£326.10	£107.00

Males by age group

Male	Age 18-24	25-34	35-44	45-54	55-64	65+
Savings	£852.10	£1,149.90	£862.00	£709.00	£907.80	£922.20
New debt	£401.90	£453.10	£700.60	£283.80	£324.00	£357.60
Net savings	£450.20	£696.80	£161.40	£425.20	£583.80	£564.60

Females by age group

Male	Age 18-24	25-34	35-44	45-54	55-64	65+
Savings	£736.30	£637.20	£477.60	£457.00	£453.30	£649.10
New debt	£470.10	£510.00	£405.50	£283.30	£178.90	£168.90
Net savings	£266.20	£127.20	£72.10	£173.70	£274.40	£480.20

Regional Variations

As expected, both the amount that savers are managing to put towards their retirement fund and the levels of confidence that they will be able to retire comfortably vary by region.

Men are more confident than women that they will have saved enough by the time they retire to live comfortably, 47% compared to 31%; Females aged 45-54 remain the least confident demographic – 67% are not at all confident versus 59% of males in the same age group; 50% of females aged 45-54 have saved nothing over the last three months.

This rises to 55% for females ages 55-64; and Those aged 65+ are most confident.

Yet even within this group, just 71% of males and 53% of females are confident that they will have saved enough by the time they retire to live comfortably.

Interestingly, in Wales, the North East, North West and London, people are saving less than they were in the previous quarter, yet their confidence has increased.

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Regional savings: Q2 2014 and Q3 2014

Region	Q2 2014	Q3 2014	Change quarter on quarter
UK Average	£729.50	£736.70	+£7.20
Scoatland	£817.90	£776.90	-£41.00
Wales	£514.00	£441.80	-£72.20
North East	£654.60	£556.80	-£97.80
North West	£663.80	£660.20	-£3.60
North Yorkshire & Humberside	£669.40	£701.00	+£31.60
East Midlands	£747.80	£712.70	-£35.10
West Midlands	£721.00	£645.30	-£75.70
East Anglia	£643.30	£779.90	+£136.60
London	£947.70	£895.80	-£51.90
South East	£870.90	£872.40	+£1.50
South West	£711.20	£754.30	+£43.10

Regional Variations

Regional confidence of saving enough to retire in comfort: Q2 2014 and Q3 2014

Region	Q2 2014	Q3 2014	Change quarter on quarter
Scoatland	38%	35%	-3%
Wales	30%	37%	+7%
North East	32%	35%	+3%
North West	37%	40%	+3%
North Yorkshire & Humberside	40%	35%	+5%
East Midlands	42%	41%	-1%
West Midlands	36%	37%	-1%
East Anglia	35%	40%	+5%
London	39%	45%	+6%
South East	36%	44%	+8%
South West	38%	34%	-4%

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Change quarter on quarter

-3%
Scotland

+7%
Wales

+3%
North East

+3%
North West

+5%
Yorkshire/Humberside

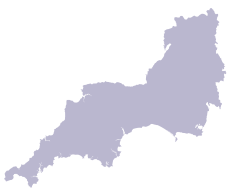
-1%
East Midlands

-1%
West Midlands

+5%
East Anglia

+6%
London

+8%
South East



-4%
South West

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Pension Schemes Bill

As you will have noticed by now, we at True Potential are big believers in simplicity. Some people make a living out of over-complicating issues but we think products, processes and procedures tend to work best when they are straightforward, uncomplicated and designed with users in mind.

If we were to create a 'simplicity test' and apply it to pensions, I doubt they would score well. It is unlikely that anyone would now choose to develop a product that requires savers to lock away their money and then be forced to purchase a product with it later.

Consumers themselves have lost faith in pensions. Only 18% of the 2,000 people we asked are saving into a pension and 79% disagree or are unsure whether pensions represent good value for money. It therefore strikes us as odd that successive governments persevere with pensions and are now in the process of forcing companies to enrol their staff into a workplace pension under auto-enrolment. Of course there is the option for employees to opt-out but the direction of travel is towards more pensions at the very time that savers regard them as a poor product.

The amounts invested under auto-enrolment are unlikely to be enough to build a large enough pension fund to satisfy most people unless savers make provisions as well, and 53% have told us that they are not likely to invest elsewhere to complement their workplace pension. So, how can pensions be the solution to the Savings Gap when they are part of the problem?

The Chancellor's abolition of compulsory annuities as well as the introduction of flexible and lump sum drawdown options are excellent measures. The Pension Schemes Bill is currently working its way through Parliament and although we may end up with slightly better pensions, they remain far from the ideal solution to retirement preparation and their popularity continues to decline.

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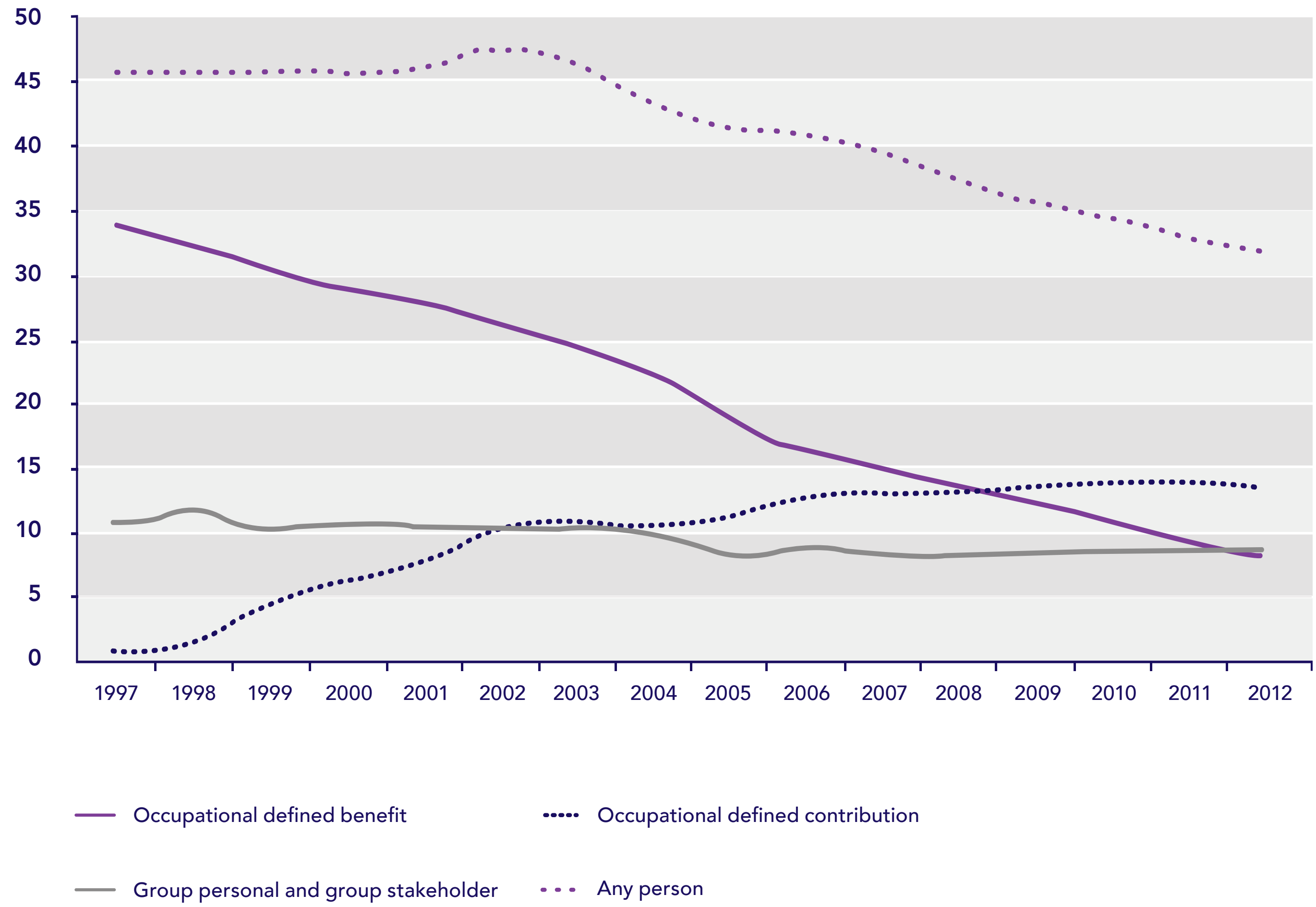

Source: ONS, 2012 Annual Survey of Hours and Earnings (UK)

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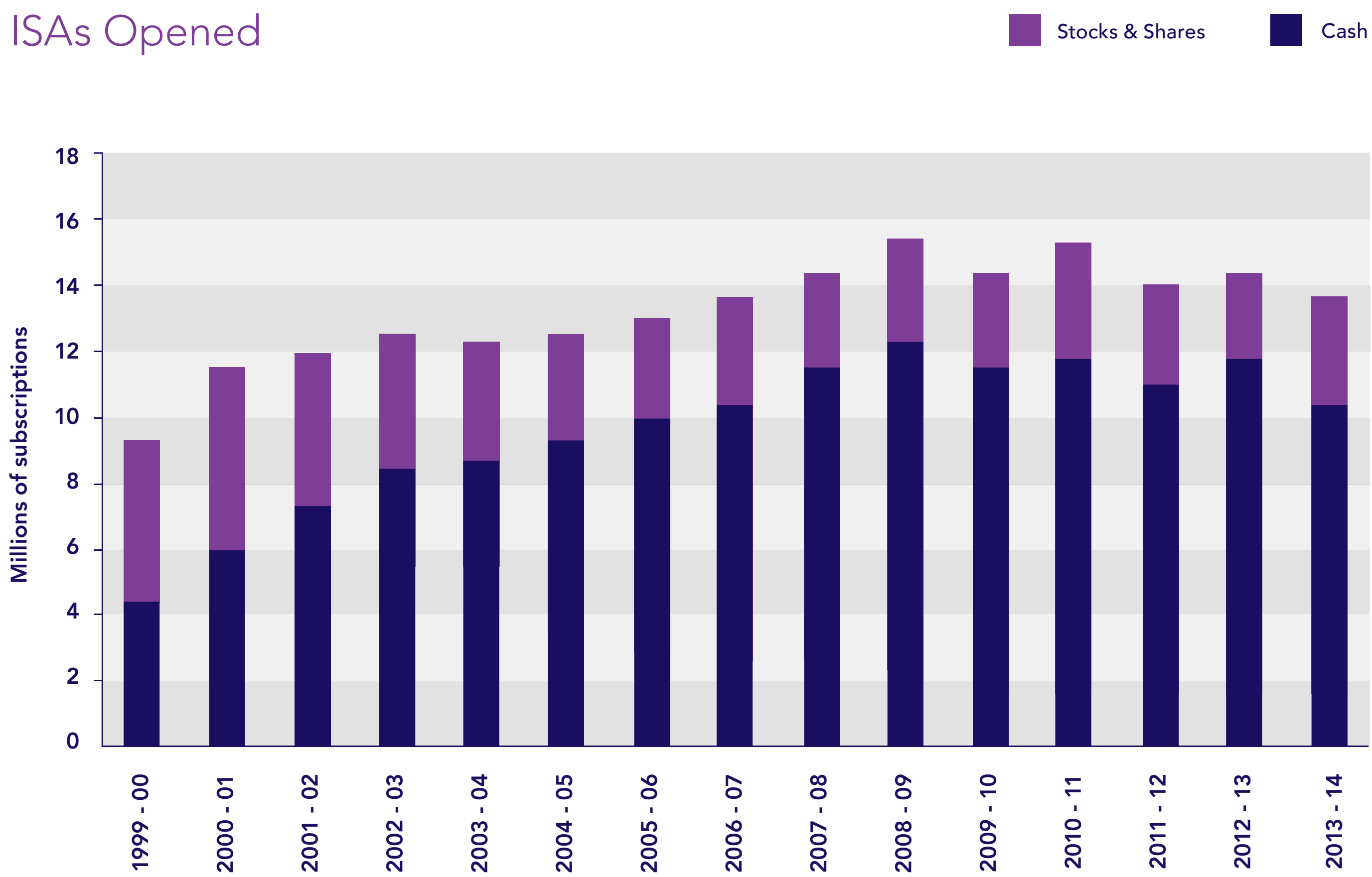
Pension Schemes Bill

One of the main aims of the Bill is to share risk between employers and employees by introducing Defined Ambition pensions. We think that most SMEs (which account for 60% of private sector employment) will continue to opt for 'safer' Defined Contribution pensions where they bear little or no risk, so the policy will have a low impact. The problem we face as a nation is that people are not saving enough. This Bill, though well-intentioned, will not address that problem. So what might be the solution? Let's have a look at HMRC's own figures.

ISAs Opened



Source: HMRC Individual Savings Account (ISA) Statistics August 2014

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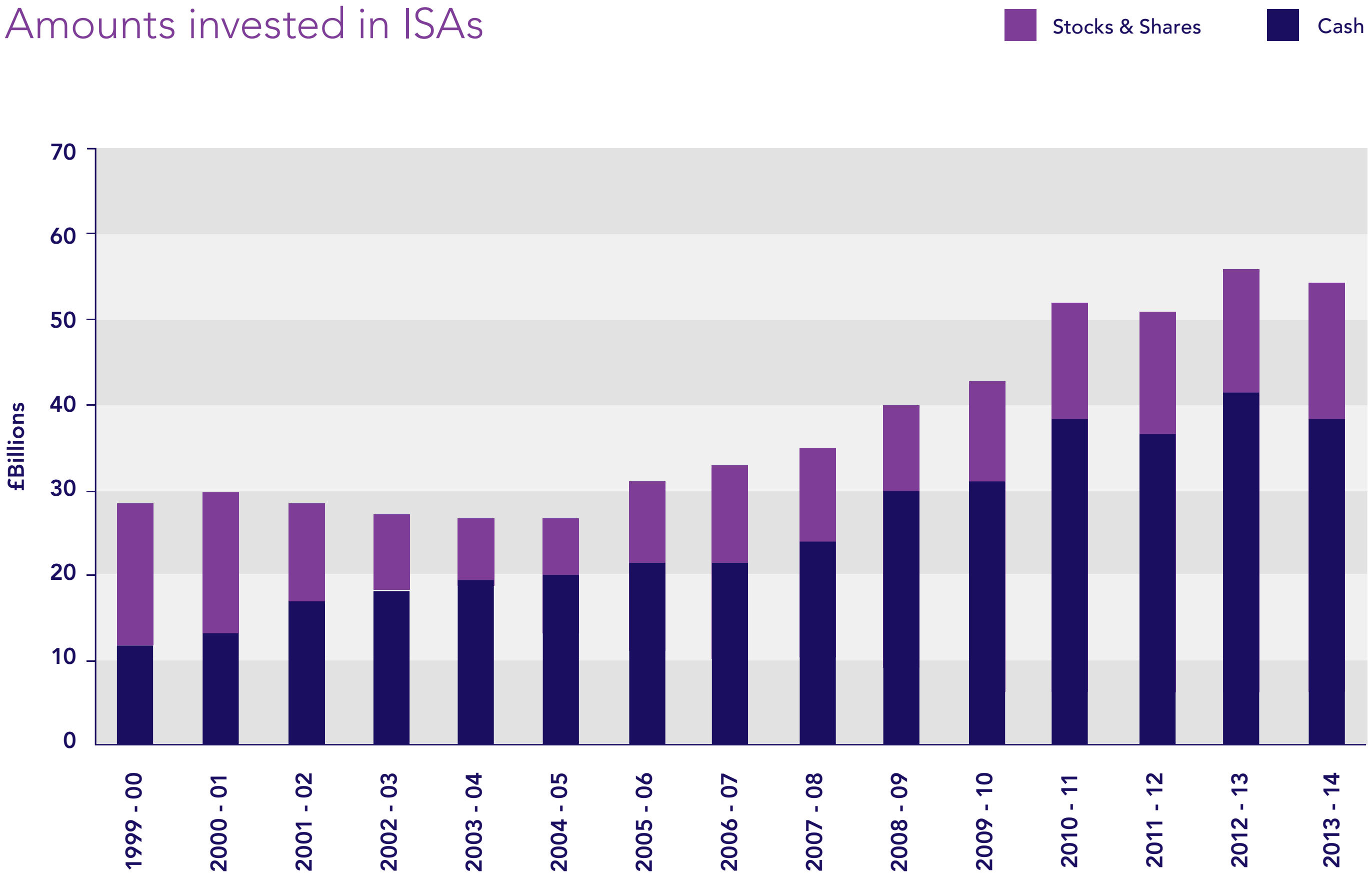
There is a clear public appetite for ISAs – both the amount being invested and the number of ISAs being opened, are increasing. The Chancellor's announcements at the Budget to simplify ISAs and increase the annual allowance have been well received.

Amounts invested in ISAs



Source: HMRC Individual Savings Account (ISA) Statistics August 2014

Pension Schemes Bill

Compared to pensions, ISAs are simple, popular, easy to understand and manage. The only advantage that pensions have is tax relief but it is clear from our research that consumers are voting with their feet. We have asked 2,000 savers about their current savings provision for retirement: 18% contribute to a pension (down from 23% at the start of 2014) and 18% also save in cash or invest in stocks and shares to provide for their retirement.

The new ISA, or 'NISA', enables savers to invest their £15,000 annual allowance in any combination of stocks and shares or cash, but it is stocks and shares where consumers are most likely to get inflation-beating growth.

Efforts to make ISAs more attractive by increasing the annual allowance further ultimately to give them parity with pensions would be a sensible approach and I urge the Chancellor and the Treasury to continue the good work that has begun. That is in line with what consumers are clearly saying they want but there remains work to do to steer savers away from saving solely in cash, which consistently loses its value against inflation, even at today's relatively low rate of 1.2%. Battered by the economic headwinds of the last seven years and the wreckless risk taking in certain corners of the banking industry, savers are hesitant about investing in stocks and shares.

Recovering that confidence and having the ability to make informed decisions when investing is the key to financial planning in a way that adds value.

The government may be concerned that if savers are able to invest larger sums into an ISA as preparation for retirement, they may take advantage of one of the most attractive features of ISAs – instant access – and spend their ISA on expensive luxury items, leaving nothing left for retirement. I think the British saver can be trusted not to do that and as 40% of people are saving nothing for retirement whatsoever, the real debate is about rediscovering our savings culture and as we have seen above, savers get ISAs and they like them so it seems a good place to start.

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Savers set to be Kingmakers

Our research shows that policies aimed at savers should form a key election battleground in 2015. We have asked people across the UK whether the way they vote at the next general election would be influenced by the parties' policies aimed at savers. Over half of those surveyed (54 per cent) said it would influence their decision, with 70 per cent of first-time voters and young people saying that it will be a factor as they decide which party to vote for.

These results give a clear message to all politicians that they need to be producing policies that support savers who have been hit hard since 2007. The introduction of NISAs and pension reforms are great steps in the right direction and savers recognise that. Though the economy has continued to grow, savers are yet to feel the real benefit as even relatively low inflation is still eroding savings.

Which political party do you think is most on the side of savers?	UK average	18-24 age group	25-34 age group	35-44 age group	45-54 age group	55-64 age group	65+ age group
Labour	40%	60%	50%	38%	34%	32%	24%
Conservatives	39%	23%	28%	40%	38%	47%	58%
UKIP	10%	4%	9%	13%	16%	13%	11%
Liberal Democrats	6%	9%	5%	7%	7%	5%	5%
Other	4%	4%	8%	2%	5%	3%	2%

With thousands of voters saying they will be influenced by the parties' policies towards savers, it will be interesting to see what else George Osborne can do to build on the excellent measures announced at the Budget. ISAs are simple, increasingly popular and I think this is where the Chancellor can find favour with savers.

Conclusion

This edition of 'Tackling the Savings Gap' reveals the gap between the retirement that millions of British people aspire to and the one they are heading towards. The big question facing savers, politicians and industry is how to close that gap and there appear to be just two options – lower ambitions or higher savings.

I don't think that living in Britain in 2014 should be about lowering ambitions and even if it were, we would simply be firing the starting gun on the race to the bottom and widespread poverty in retirement. People are right to be ambitious and to aspire to live comfortably in retirement, but that must go hand in hand with clear goals and a culture of saving and investing.

Over the last 12 months we have made the case for a three-pronged assault on the Savings Gap, which can and will be closed with better financial education, technology that empowers savers and more agile regulations that encourage saving versus debt. In that same time, we have also seen progress in all three areas. From September this year, financial education will be a part of the school curriculum and that means that our young people will have, at least, a basic understanding of how to manage their money and the confidence to do so.

For those who have already left school – the majority – there exists a different solution. I am proud that in May the Open University Business School's True Potential Centre for the Public Understanding of Finance (PUFin) launched the free 'Managing My Money' consumer personal finance course. Even in its first few months, we were amazed to see more than 15,000 people sign up. Following the overwhelming success of the initial course, it will now be made available through The Open University's free education platform, OpenLearn.

Today it is possible to save into an ISA or top up an investment with as little as £1 from a smart watch. The days of having to wait for the annual statement to see how our investments are performing are over. It is now as easy as checking Facebook or buying a book on Amazon. Again, I am proud that it was True Potential that invented impulseSave®, built it and made it available. With £4.5m having been invested already through impulseSave®, I think we can see that the way people save is changing. A year ago, we started our investigation into the Savings Gap and the results confirm that we have a long way to go to close it. This year's Budget took a lead on injecting more agility and flexibility into financial regulations and I hope that continues.

If 2014 was the year in which millions campaigned to save the United Kingdom, let it also be the year in which we began the campaign to get the United Kingdom saving.

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