

REPORT

YOUNG PEOPLE AND SAVINGS

Tony Dolphin

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A ROUTE TO IMPROVED FINANCIAL RESILIENCE



ABOUT THE AUTHOR

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EXECUTIVE SUMMARY

Young people today face a very uncertain future as a result of the double-dip recession, government spending cuts and structural problems such as the high cost of housing. There is a real possibility that the current generation of young people in the UK will be the first since the second world war to fare worse in economic terms than their parents.

In this report we discuss some of the challenges young people face and show that in particular those on low incomes, in insecure employment or not in work are highly vulnerable to financial shocks and lack the safety net that would help them deal with emergencies. We argue for measures to improve their financial resilience, focusing on the role of assets, savings and a government safety net.

The evidence presented here is based on a literature review, polling carried out with 1,504 young people aged 16 to 29 on low incomes, three deliberative workshops with 54 young people aged 16 to 29 on a range of incomes, and 10 interviews with expert stakeholders.

The outlook for young people

Our polling and the deliberative workshops discovered that young people believe their financial prospects are worse than their parents' when they were young. This was true of close to half (44 per cent) of the poll respondents, compared to just over a quarter (28 per cent) who thought that their own prospects were better. While there is probably always some tendency for young people to underestimate their financial prospects, there are reasons to fear that on this occasion they may be right to be pessimistic:

- The need for bigger deposits means young people are likely to struggle to get on the housing ladder without help from the 'Bank of Mum and Dad', which may not be able to provide sufficient funds for those on the lowest incomes.
- Higher education has become much more expensive and much of the financial support for further education for those on low incomes has been removed.
- There are close to 1 million young people, aged 24 and under, unemployed in the UK and young people's relative position in the labour market has been deteriorating for two decades.
- Financial support for older people, in particular pensions, has been protected from government spending cuts while support for young people, including the Child Trust Fund, has been cut or abolished.

The financial resilience of young people

This is a challenging outlook for young people, and to make matters worse they are not facing it from a position of financial security. If they became suddenly unemployed, over half (55 per cent) of the poll respondents said they would make ends meet using savings, but this conflicted with their answers to other questions which suggest most have savings significantly below the minimum level recommended in case of financial emergencies by financial advisers (three months of post-tax income). Less than one-third of respondents had £3,000 or more – the level of savings that would be appropriate for an after-tax income of £12,000 a year, roughly equivalent to gross earnings of £14,000.¹

In the past, the most vulnerable young people from the lowest-income backgrounds could have turned to the discretionary Social Fund for a loan in times of emergency. But the scheme is being abolished in its current form and the level of help from this source is likely to be reduced. Without an effective safety net these young people are more likely to turn to short-term or doorstep lenders who charge extremely high rates of interest.

1 This would put a single adult around the 25th percentile of the income distribution.

Influences on young people's saving behaviour

Savings can be an important buffer for times of financial emergency but young people are not saving enough to protect themselves during these periods. We used our polling and deliberative workshops to discover what young people claim influences their saving behaviour. The key influences to emerge were:

- affordability: the rising cost of living has made it difficult to put money aside
- spending and saving priorities: young people often want to save but feel pressured to take on debt and to spend
- family: parents can ingrain good saving habits in their children from a very young age and are the main source of financial advice for young adults
- products: savings vehicles can be designed in ways that encourage saving.

Our research was ambiguous about the influence that young people's understanding of financial issues – their financial literacy – has on how much they save.

Conclusions and policy recommendations

Steps need to be taken to improve the financial resilience of young people and to ensure that there is a safety net for those on the very lowest incomes. This will require a shift in attitudes towards saving. Some of the actions that should be taken are:

- When local authorities become responsible for providing crisis loans, they should require young people getting a loan to participate in coaching that will help them organise their finances in such a way as to reduce the likelihood of them needing a further loan in the future.
- The government should use the money it currently spends on tax incentives to save in ISAs and higher-rate tax relief for pension savings more effectively. This would include making government contributions into Junior ISAs (or bringing back Child Trust Funds) and introducing a new life-course savings account with an incentive that matches savings up to a certain level.
- Policymakers should make a positive case for asset-based welfare policies, particularly those that focus on giving young people a better start to their working life, in conjunction with developing the concept of financial citizenship – the idea that people are largely responsible for ensuring their own financial resilience.
- The Money Advice Service (MAS) should develop a campaign targeted specifically at young people to explain the basic financial products they will require during their lifetimes, from a current account through to savings for a pension and social care.
- There should be an overhaul of financial education – in conjunction with the MAS campaign – to ensure that all 16 to 18-year-olds are literate in basic financial acumen.
- Financial providers, particularly banks, money advice organisations and voluntary bodies, should take a more proactive approach to promoting saving.

INTRODUCTION

The transition from childhood to adulthood can be a tough one, particularly for young people from low-income families. Young people face the challenges and upheaval of leaving their parental home, moving into the world of work and beginning to build a family. But for young people today the challenge is even more difficult because they must do all of this in the midst of a struggling economy.

Four years have passed since the financial crisis of 2008 and, if the view of the governor of the Bank of England, Sir Mervyn King, is to be believed, the economy is not yet halfway to recovery (Aldrick 2012). The economy has only just emerged from a double-dip recession, wages in real terms are around the level they were in 2005 (Winnett 2011), unemployment levels are high (youth unemployment particularly so) and the majority of cuts through the government's austerity drive are still to come. There can be little doubt that the UK's economic malaise will cast a long shadow over the current generation of young people.

Solutions that support young people to become financially secure adults are sorely needed. This paper argues that a particular focus should be on improving the resilience of young people, – especially those on low incomes – to financial shocks, such as becoming unemployed.

After a broad assessment of the challenges faced by young people, this paper presents evidence to show the extent of young people's vulnerability to financial shocks and argues that savings have an important role to play in enabling them to better weather periods of difficulty. It then explores what influences young people's saving behaviour before putting forward some policy recommendations for how their financial resilience could be improved.

Research methodology

This paper reports the results of a programme of research that included a literature review and three primary research components:

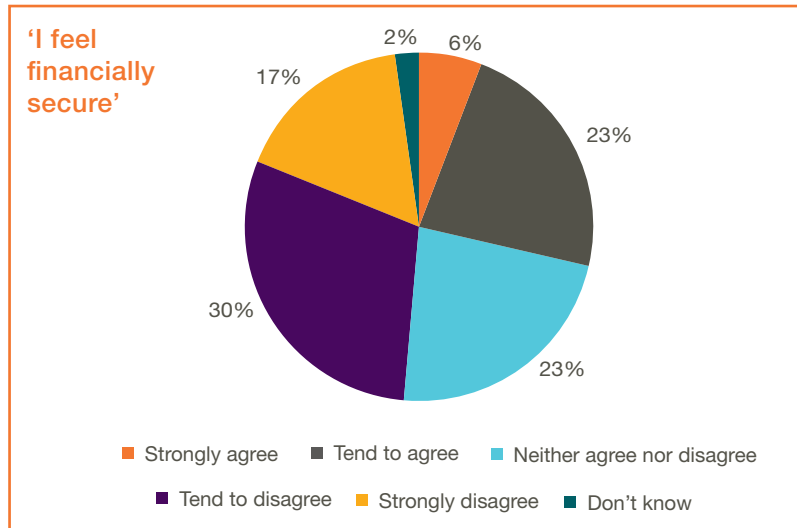
- an online poll conducted on behalf of IPPR by YouGov of 1,504 young people aged 16 to 29 on incomes less than the national median
- three deliberative workshops with 18 young people in attendance at each: 16 to 22-year-olds in Manchester on less than median incomes, 19 to 25-year-olds in London with a range of incomes, and 22 to 29-year-olds in Midsomer Norton (a small town just south of Bath) on less than median incomes (see appendix A)
- interviews with 10 stakeholders (see appendix B) with expert knowledge of the financial challenges facing young people including government officials, academics, representatives from youth organisations and people involved in delivering financial education services (see appendix C for the discussion guide used in the interviews).

Detailed findings from the poll were published in a separate briefing in February 2012 (Bradley 2012).

1. THE OUTLOOK FOR YOUNG PEOPLE

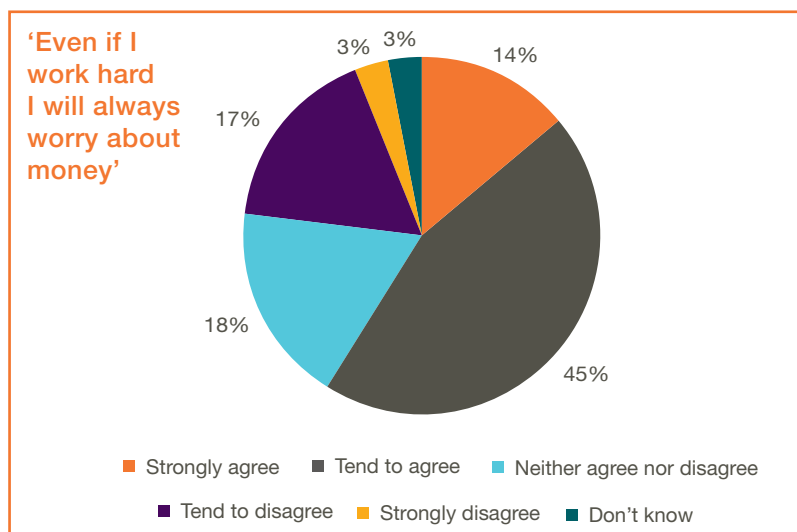
Most young people do not feel financially secure. Almost half (47 per cent) of the respondents to our poll either tended to disagree or strongly disagreed with the statement 'I feel financially secure' compared with 29 per cent who tended to agree or strongly agreed (see figure 1.1). A majority (59 per cent) also felt that they would worry about money regardless of how hard they worked, compared with one in five who disagreed (see figure 1.2). This point was emphasised in the workshops, with some participants attributing their feelings of financial insecurity to having a lack of savings and assets, in particular not owning a home. Most, however, said that it was a combination of low employment opportunities, high living costs and low wages that made them worry about their finances.

Figure 1.1
Young people's sense of financial security, poll findings (% poll respondents)



Source: Bradley 2012

Figure 1.2
Young people's level of worry about money, poll findings (% poll respondents)



Source: Bradley 2012

Young people, it appears, currently have a negative view of their financial situation, which includes the belief that they will be worse off than their parents. Close to half (44 per cent) of respondents to the poll felt their financial prospects were worse than those of their parents when their parents were their age, compared with just over a quarter (28 per cent) who thought their financial prospects were better (see table 1.1). The transition into adulthood is tough and young people can be forgiven a certain degree of pessimism in their outlook. Indeed, although historical experience in the UK since the Industrial Revolution suggests successive generations will fare better than their parents, some pessimism about the future is probably normal. However, some leading politicians have said publicly that the current generation of young people may be the first in modern times to fare less well than the preceding one, and no doubt this sentiment has been picked up by young people themselves.

Table 1.1
How do you feel your future financial prospects are compared to your parents' when they were your age? Poll findings (% respondents)

A lot better	A little better	No better but no worse	A little bit worse	A lot worse	Don't know
12%	16%	19%	22%	22%	9%

Source: Bradley 2012

In his 2010 book, *The Pinch*, Conservative MP David Willetts expounds his view that the baby boomer generation – those born between 1945 and 1965 – has amassed unprecedented wealth at the expense of its children. He argues that, as the baby boomers reach retirement age and hold on to economic power, young people will be left paying heavier taxes, working longer hours for less money (in real terms), and living in a vastly degraded environment in order to pay for their parents' quality of life.

Willetts also argues that, because there are so many baby boomers compared with other generations, they hold disproportionate influence over politicians (Willetts 2010). The government's approach to implementing welfare cuts since the financial crisis tends to support this argument. It restored the link between pensions and earnings through the introduction of the 'triple lock', meaning that pensions will rise in line with wages, inflation or 2.5 per cent – whichever is the highest (HM Treasury 2010a). In April 2012 this resulted in the biggest ever cash rise in the basic state pension of £5.30 a week, a rise of 5.2 per cent (DWP 2012). Meanwhile, the indexing of benefits and tax credits to consumer price inflation, rather than retail price inflation, means that the value of these will increase more slowly over time. Further, the government has protected several non-means-tested benefits for the elderly, including free national bus travel, free TV licenses for the over-75s, and the winter fuel payment (ibid). Young people, on the other hand, have seen a massive increase in university tuition fees and the scrapping of the educational maintenance allowance (EMA) and the Child Trust Fund. For those in the labour market, there has also been an increase in the rate at which tax credits are withdrawn as household incomes rise. Furthermore, prime minister David Cameron has suggested that housing benefit could be cut for the under-25s (Cameron 2012). Young people would be justified if they felt hard done by.

The issue of intergenerational inequality has also not escaped the opposition. The leader of the Labour party, Ed Miliband, used part of his 2011 party conference speech to make the case that for the first time younger generations do not feel positive about their future and feel they will do worse than their parents.²

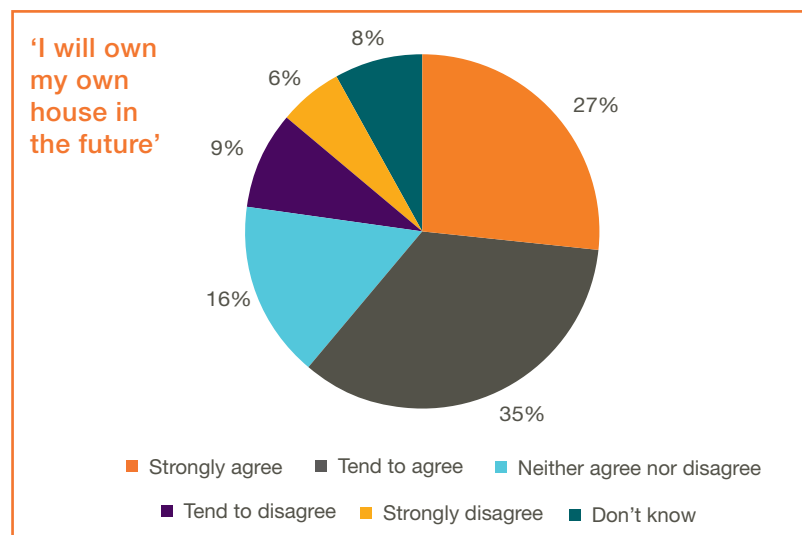
² For background to this speech see <http://fresh-ideas.org.uk/uploads/f35ea239-daed-1dc4-3d41-bd5d04ce675e.pdf>

Among the array of financial challenges that young people face, housing, education and unemployment are some of the most acute. Each is discussed in turn below.

Housing

Home ownership is widely recognised as an important feature of British culture. The views of young people show the significance placed on home ownership with a majority (62 per cent) of respondents to the polling conducted for this research agreeing or strongly agreeing that they would own their own houses in the future (see figure 1.3). Participants in the deliberative workshops felt the same. Findings from a Children’s Mutual and Social Issues Research Centre survey also showed over half of the respondents felt that buying a home is, in particular, a requirement for being financially secure (2009).

Figure 1.3
Young people’s aspirations for home ownership, poll results (% respondents)



Source: Bradley 2012

However, young people may be overly optimistic about their chances of owning a home. This is particularly clear at very young ages. Over half of the 12 to 19-year-olds that took part in the RBS Money Sense Panel Report (2010) expected to buy a house by the time they were 25 years old and 82 per cent by the time they were 30 years old. These levels of expectation are well above the current rates of home ownership in the UK (and these have been falling) and the current state of the housing market suggests young people today will find it harder than previous generations to get a foot on the housing ladder.

Owning a home has become significantly more difficult for young people in recent years. There is a long-established trend for house prices in the UK to increase relative to average incomes (although there are substantial cyclical swings up and down). This has made buying a home steadily harder for young people. But, following the recession in 2008 and 2009, borrowing has become harder too. Many mortgage lenders now require significantly higher deposits from home purchasers, with 20 per cent being a typical requirement. Young people find it very hard to amass such a sum.

High house prices are partly the result of decades of demand outstripping supply, which has left the UK with an acute shortage of housing (Hull and Cooke 2012). They are also the result of an unsustainable boom in the market that occurred prior to the financial crisis. Willetts (2010) argues that this boom created significant economic inequalities between

the generations, for while the older, home-owning generations reaped huge financial gains as the price of their property increased it became harder and harder for young, first-time buyers to get on the housing ladder.

The challenging environment for first-time buyers means young people are living at home with their parents for far longer than in the past. According to the Office for National Statistics (ONS), in 2011 nearly 3 million adults aged between 20 and 34 were living with a parent or parents, an increase of almost half a million, or 20 per cent, since 1997. This is despite the number of people in the population within that age bracket staying largely the same.

Figure 1.4
Numbers of 20 to 34-year-olds living at home with parents (millions)



Source: ONS 2012

For many of today's young people home ownership is only possible with financial support from their parents, the 'Bank of Mum and Dad'. But this of course means very different opportunities for young people from different socioeconomic backgrounds, with those from low-income families least able to draw on substantial parental support. While it is true that all young people are finding it hard to leave the parental home, Craig Berry (2011) has described how those from low-income backgrounds in particular experience increasingly chaotic housing pathways, for example moving back and forth between the parental home and the private rented sector.

In fact, the rental sector does not provide an easy alternative to home ownership for young people. Rents have increased far faster than general price inflation in recent years. According to an index collated by LSL Property Services (2012), average monthly rents across the UK rose from around £645 in May 2009 to around £710 in May 2012, an increase of 10 per cent. Rents in London showed the sharpest increase, rising from around £880 to around £1,045 in the same period, a rise of 19 per cent, or almost double the national average.

Education

Further and higher education opportunities have become significantly more expensive in recent years. Far fewer young people from low-income families are able to access financial

support for further education from the ages of 16 to 19 since the educational maintenance allowance (EMA), which was paid to 45 per cent of 16, 17 and 18-year-olds, was replaced in England with a new scheme that will only give money to 12,000 people a year (HM Treasury 2010b).³ Even prior to 2011, large numbers of young people were not remaining in education after the age of 16: the ‘Youth Cohort Study’ for 2010 (DfE 2011a) found that 21 per cent of respondents entered employment at 16 years old and 23 per cent at 17 years, with fewer entering employment at the ages of 18 (11 per cent) and 19 (3 per cent). Campaigners such as Barnardo’s have warned that scrapping the EMA could lead to a fall in the numbers entering further education and it may be one of the explanations for the increase over the last two years in the number of young people not in education, employment or training (NEET) (Richardson 2012).

NEETs include some of the most vulnerable young people in society. The numbers of young people who currently fall into this category are close to the highest recorded. In the second quarter of 2012, 875,000 young people, or 18.1 per cent of 18 to 24-year-olds, were NEET, which is the second highest figure for this quarter since records began in 2000 (DfE 2011b).⁴ Of those young people who are categorised as NEET some struggle to enter steady employment, education or training much more than others. This was shown by the ‘Youth Cohort Study’ (DfE 2011a) which found that between the ages of 16 and 19, while 25 per cent of young people were NEET for a single spell, 8 per cent experienced two spells NEET and 3 per cent experienced three or more spells NEET. Young people’s prospects appear to be closely tied to their income background and their family. While 22 per cent of young people who were eligible for free school meals in year 11 had experienced two or more spells NEET between ages 16 and 19, this compared with 9 per cent of those who were not eligible. In addition, 16 per cent of young people who lived with neither parent in year 11 were continually NEET for two or more years between ages 16 and 19, compared with 2 per cent who lived with both parents, 5 per cent who lived with their mother only and 7 per cent who lived with their father only.

Higher education has also become considerably more expensive. From 2012, universities in England have been able to charge tuition fees of up to £9,000 per year (compared to a rate of £3,465 in 2011 under the old system), which will leave most students to emerge from university with debts of £35,000–40,000 including living costs. Although loans will not have to be paid until graduates are earning £21,000 a year, there have been concerns that the rise in fees could act as a deterrent to young people attending higher education. However, while research by UCAS (2012) has found that the hike in fees did bring about a reduction in the number of applicants to university in 2012 compared with 2011, the biggest effect has been on applications from mature students. After allowing for the likelihood that fewer students will have deferred entry if they could go to university in the final year before the hike in fees, the drop in applications is relatively small.

While some feared that the rise in fees would have the greatest negative impact on applications of young people from disadvantaged socioeconomic backgrounds, the evidence from UCAS does not show this is the case. The proportional decline in applications was similar for young people from advantaged and disadvantaged backgrounds. It will be important to watch whether this trend continues in coming years.

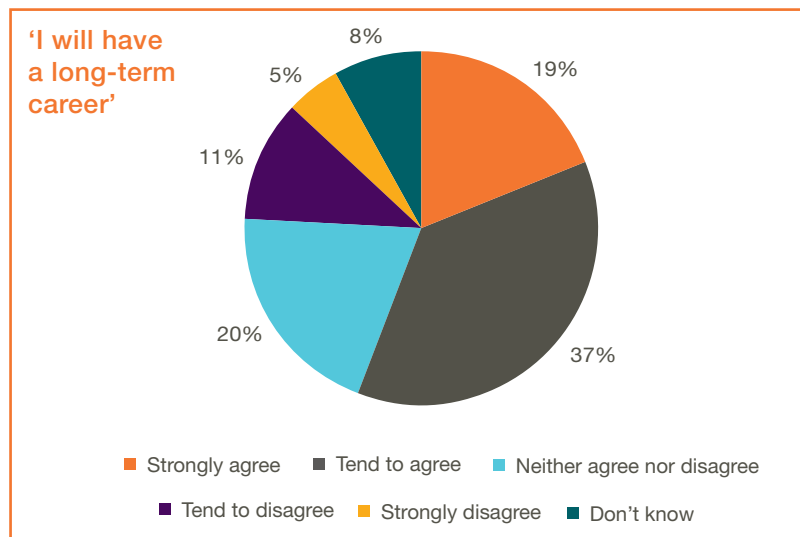
3 About one-third of the money previously spent on the EMA has been added to schools’ and colleges’ budgets with guidelines about how the money is spent.

4 NEET figures have a strong seasonal pattern, so comparisons can only be drawn with the same quarter in previous years.

Unemployment

Most respondents to the polling conducted for this research were optimistic about their future career, with 56 per cent agreeing with the statement 'I will have a long-term career'. Only 16 per cent disagreed or strongly disagreed with the statement.

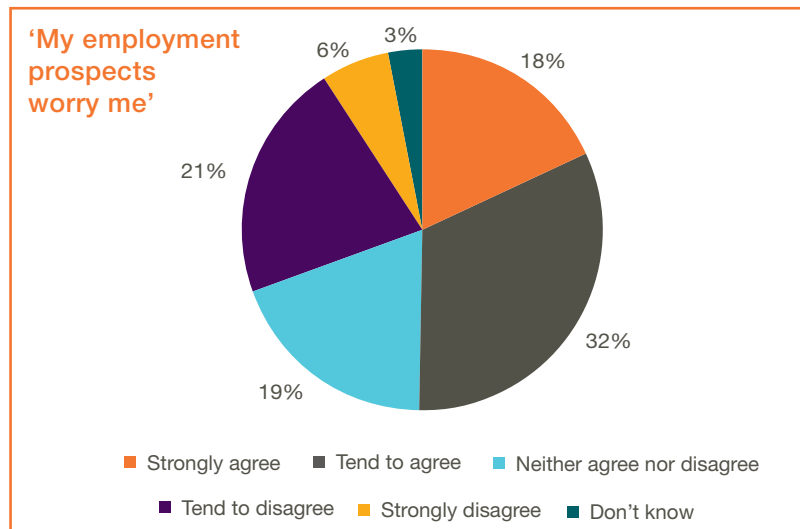
Figure 1.5
Young people's attitudes towards their careers, poll findings (% respondents)



Source: Bradley 2012

However, respondents were much less optimistic about their immediate employment prospects. Half (51 per cent) tended to agree or strongly agree with the statement 'my employment prospects worry me' compared with 28 per cent who tended to disagree or strongly disagreed. The difference between how young people see their future and immediate prospects is likely to be because the current state of the jobs market for young people is very difficult. This conclusion is strongly suggested by the workshops in which immediate employment prospects were one of the most frequently revisited concerns.

Figure 1.6
Young people's attitudes towards their employment prospects, poll findings (% respondents)

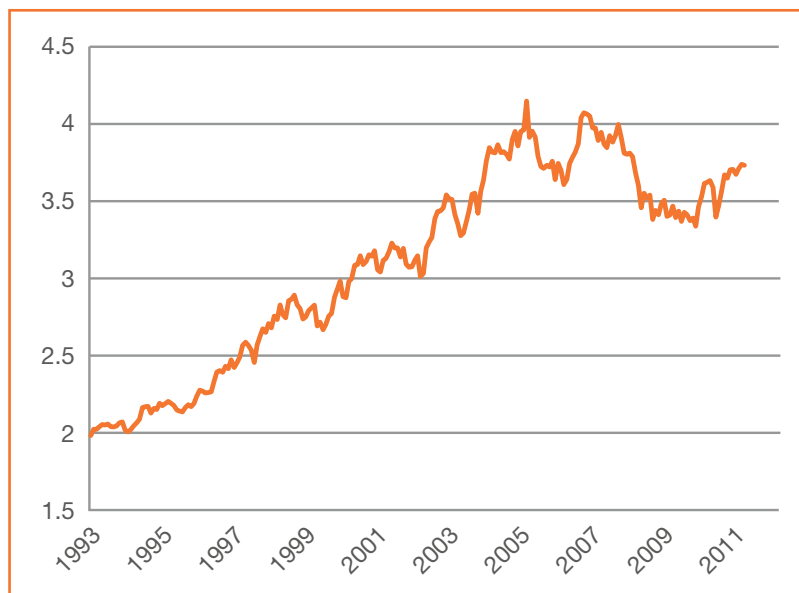


Source: Bradley 2012

The latest figures show there are close to 1 million young people, aged 24 and under, unemployed in the UK. This is an increase of 300,000 since the recession began in early 2008. Some of these are in full-time education, but excluding students the figure is still over 700,000. A young person is over three and a half times more likely to be unemployed than an adult aged 25 to 64. Furthermore, recent research suggests that young people under 30 have seen bigger cuts in real wages since 2003 than older workers.⁵

The level of youth unemployment is, in part, the result of the double dip recession, but a comparison of unemployment rates for young people and for adults aged 25 to 64 shows that young people's relative position in the labour market has been deteriorating since at least the mid-1990s.

Figure 1.7
Ratio of youth to adult unemployment



Source: Office for National Statistics, Labour Force Survey⁶ and author's calculations

A number of theories have been put forward to explain this phenomenon. These include increased migration into the UK from the eastern European countries that joined the EU in 2004. This is thought to have resulted in greater competition for jobs that would previously have been filled by young people (though this view cannot account for the fact that the trend apparently started in the 1990s). Others have blamed changes to the New Deal programme, which was originally focused on reducing unemployment among young people but was later broadened out, or the introduction of the national minimum wage (even though it is lower for young people aged under 21). Lastly, structural shifts in the economy, due to globalisation and technological change, could have limited certain types of job opportunities.

However, none of these theories seems capable, on its own, of explaining what is now close to a 20-year trend. One way to understand the increase in unemployment among the young, relative to unemployment in the rest of the population, is as the revealed

5 A 6.4 per cent fall for young people, compared to 1.5 per cent for those aged 30 to 60. See <http://www.independent.co.uk/news/uk/politics/young-workers-suffer-the-deepest-pay-cuts-8002287.html>
 6 The latest release of Labour Force Survey figures is available at: <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/october-2012/statistical-bulletin.html>

preference of employers. Unless high youth unemployment rates are 'voluntary' (that is, young people are choosing not to work but claiming to be looking for a job), it must be the case that employers are increasingly deciding that young people – even though they generally earn lower wages – are less attractive to employ than older workers. Anecdotal evidence suggests that one explanation is that young people do not have all the skills required by employers. In some instances, this means the basic skills of numeracy and literacy and the 'softer' skills required in the workplace, such as punctuality and reliability; in others it means more specific job-related skills. Whatever the reason for past trends, there is a significant risk that, when the economy starts to recover again, young people will continue to find it hard to compete against older adults in the labour market. This means young people are likely to find themselves in less secure employment compared with past years, often in part-time positions and on short-term contracts. This can have a life-long effect on their employment prospects.

High levels of youth unemployment are a serious concern because experiences of unemployment can have long-term impacts on people's attitudes towards work. This can be seen in responses to the Youth Cohort Survey (DfE 2011a). Although similar proportions of respondents who were either on benefits (81 per cent) or not on benefits (84 per cent) agreed that having any job was better than being unemployed, significantly more of those on benefits (27 per cent compared to 20 per cent of those not on benefits) agreed that 'benefits give a more stable income than trying to earn a wage'.

2. THE FINANCIAL RESILIENCE OF YOUNG PEOPLE

It is clear, therefore, that young people today face enormous financial challenges. These challenges span many different aspects of their lives. In light of this bleak outlook there is a need to consider how young people can best be supported.

The poll and deliberative workshops undertaken for this research illuminate one area of particular concern with young people's finances that requires attention – their exposure and vulnerability to acute financial shocks, such as being made unemployed. In the poll we asked respondents how they would make ends meet if they became suddenly unemployed.⁷ The responses⁸ are shown in table 2.1.

Table 2.1
How young people would cope with an acute financial shock, poll results (% respondents)

Response	Selected by...
Cut back on spending	63%
Draw money from savings account	40%
Borrow money from family/friends	33%
Claim social security benefits	33%
Ask family/friends to give money to help out	26%
Use credit card or overdraft	20%
Make arrangement with creditors to pay less/suspend payments	8%
Don't know	7%
Sell investments	7%
Employer would pay sick pay	5%
Wouldn't make ends meet – would fall behind with bills or other commitments	5%
Take out a loan (including Social Fund loan, payday, doorstep lender, bank loan etc)	5%
Other	3%
Claim on insurance policy	2%
Borrow against home/remortgage/increase mortgage on home	2%

Source: Bradley 2012

The main response given by respondents was that they would cut back on spending. This is unlikely on its own to be sufficient to offset the loss of wages.

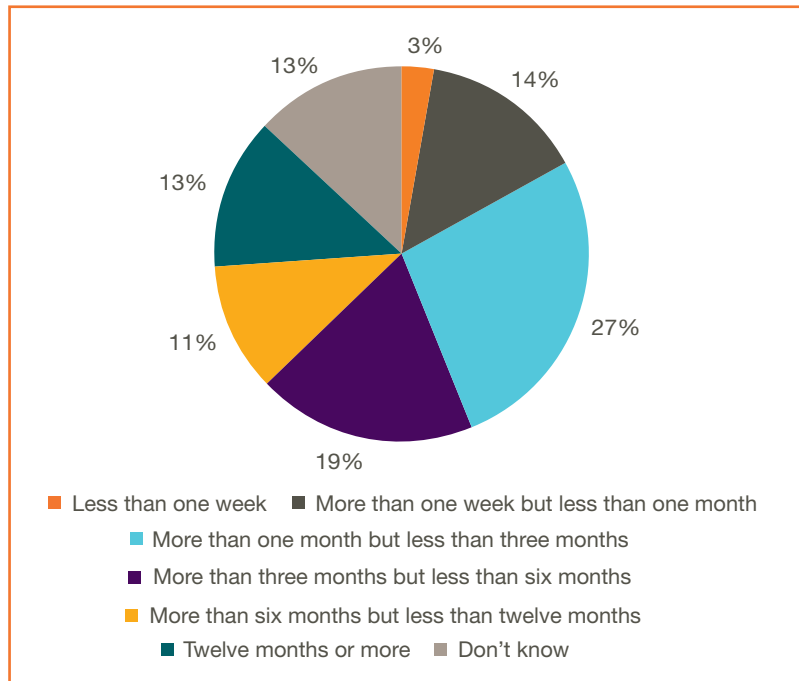
The second most popular response was to draw money from a savings account. Young people believe they have sufficient savings to draw on in times of emergency: over half (55 per cent) agreed or strongly agreed with the statement 'I always make sure I have money saved for a rainy day'. However, it does not seem that this is the case.

Financial advisers generally recommend people should hold at least three months' worth of post-tax income in readily-accessible savings in case of financial emergencies. Nearly half (44 per cent) of the poll respondents did not feel they would make ends meet for three months if they were made unemployed (see figure 2.1). While 43 per cent did feel they would make ends meet for this amount of time there is reason to doubt whether they could.

⁷ Respondents who were currently not in work were asked about what they had been doing to make ends meet.

⁸ A number of suggested options were given as well as the opportunity to select 'other' and write an individual response. Respondents were allowed to select more than one answer.

Figure 2.1
How long young people think they could make ends meet if made unemployed, poll results (% respondents)



Source: Bradley 2012

A quarter of all poll respondents did not have any savings and a further one in 10 had less than £100 in total (see figure 2.2 over). This means a third of all respondents had less than £100 in savings. Only 29 per cent had £3,000 or more – the level of savings that would be appropriate for an after tax income of £1,000 a month, or £12,000 a year (roughly equivalent to gross earnings of £14,000). It appears from this that the vast majority of young people on low incomes have not achieved the three month threshold. This gap between perception and reality was also found in the Financial Services Authority’s (FSA) ‘Financial Capability Survey’ (2006), in which 75 per cent of respondents (of all ages) reported that they ensured they had savings for a rainy day available but nearly half of respondents did not have any savings.

Workshops with young people backed up this finding. When we asked participants how much money they thought should be put aside for a ‘rainy day’, only a very small proportion suggested as much as three months’ post-tax income. Further, while a minority thought it would be manageable to save this amount, many thought it would be very difficult due to all the competing pressures on their finances, such as needing to save to move out of the parental home or having to support their family. Typical responses were:

‘It could be a few years before you start saving any money for a rainy day; there’s other things and priorities.’

Female, Manchester

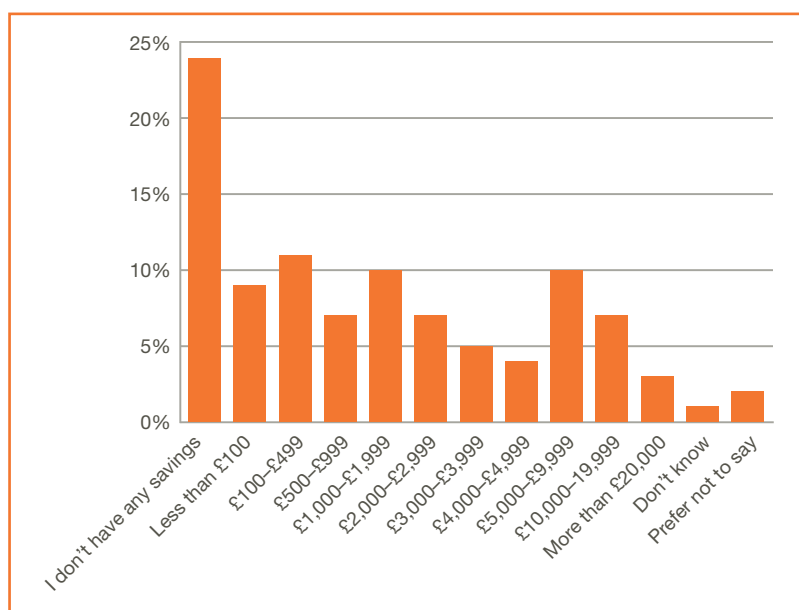
‘It’s a good theory but it’s not easy to save three months’ wages. It depends what the circumstances are. If you’re a single person you might be able to put more away but if you’re supporting a family there is more difficulty.’

Female, London

‘Saving that much is a bit of pipe dream.’

Male, London

Figure 2.2
Young people’s level of savings, poll results (% respondents)



Source: Bradley 2012

Some workshop participants held these views despite having already experienced financial shocks – usually a period without employment income – in the past. Yet they said the experience of a financial shock did not engender in them a sense of the need to save for a ‘rainy day’ once their financial situation improved, illustrating perfectly the extent of the problem faced by those trying to encourage young people to save more. Furthermore, when the participants had tried to put some money aside for emergencies they found there was a strong temptation to dip into these savings and that they were hard to maintain at high levels.

The question then follows, if young people are not able to rely on their savings to support them in times of financial emergency how will they cope? A third of the poll respondents expected to rely on support from social security benefits. The same amount said they would borrow money from their family and friends and a quarter (26 per cent) gave a similar response, saying that they would ask their family and friends to help out. Indeed parents often expect to provide support to their children as they move into adulthood. This was shown by a survey of young people aged 18 to 25 (Children’s Mutual 2008) and their parents, which found that over 60 per cent of young people agreed with the statement ‘I think my parents should support me when I turn 18’ compared with 15 per cent who disagreed. The same survey showed that over 50 per cent of parents also felt that they should continue to support their children after they turn 18.

However, as is the case with support for housing, the ability of young people to rely on their parents for significant financial support is highly correlated to their socioeconomic status. Inevitably, the parents of young people from poorer backgrounds are less able to provide support for their children, leaving them more vulnerable to financial shocks.

Social Fund reform

Some of the young people in our polling and workshops who had no savings of their own to fall back on at times of financial shock mentioned the Social Fund as something they could turn to. Substantial reforms to the Fund may mean this will be less of an option in the future.

The discretionary Social Fund scheme was designed to help people on low incomes manage large items of expenditure and cope with emergencies. However, some parts of the scheme are being abolished and others devolved to local authorities, which might – given the financial pressures they are under – cut provision. There are three main aspects to the discretionary Social Fund:

- **Budgeting loans:** Interest-free loans intended to help people in receipt of benefits with intermittent expenses such as replacing white goods and household items; repayments are made directly from benefits.
- **Crisis loans:** Loans made available to anyone (whether on benefits or not) who cannot meet their immediate short-term needs in an emergency or as the consequence of a disaster.⁹
- **Community care grants:** Non-repayable grants awarded for a range of expenses including household equipment; they are primarily intended to support vulnerable people to return to or to remain in the community or to ease exceptional pressure on families.

Changes to the crisis loans scheme are likely to have the greatest effect on young people because the vast majority of these loans are currently made to those under 35. In the financial year 2009/2010 a small proportion of loans were made to those under 18 (3 per cent) or over 45 (13 per cent) but by far the largest number of awards was made to those between the ages of 18 and 24 (37 per cent) (DWP 2011).

Government evidence shows that in 2006 the introduction of a new system for applying for crisis loans (over the telephone rather than in person) and a number of easements to the scheme (including increasing the maximum overall personal debt limit from £1,000 to £1,500) led to a dramatic increase in demand (ibid). This led to the scheme overspending and a number of top-up cash injections were required to keep up with demand. The government has taken immediate action to stem spending by ending the awarding of loans for anything other than items following disasters, reducing the maximum rate for a loan from 75 per cent to 60 per cent of benefit rate, and limiting the number of awards available to an individual to three in a 12 month period.

The Welfare Reform Act (TSO 2012) spelt the end of the discretionary Social Fund. In its place two types of crisis loans – for general living expenses and for items following a disaster – as well as community care grants will move to delivery by local authorities in England and by the devolved administrations in Scotland and Wales. Local delivery, the government believes, will improve discretionary decisions about who should receive support. Local authorities and the devolved administrations will receive non-ringfenced funding to deliver the schemes and it is the government's intention that local delivery will commence in April 2013.

⁹ In some cases, they may also be available to people awarded a Community Care Grant to get themselves re-established in the community.

Crisis loan alignment payments, which are to meet an urgent need pending an initial payment of benefit or wages being put in place, and eventually budgeting loans, will be reformed and delivered through the new system of universal credit.

One concern is that the focus in the future may be on families with children, and that young, single people will no longer be a priority. Cuts in the availability of loans for an emergency from the government may lead to low-income young people turning to debt. In the worst cases, this could be credit from short-term and door step lenders, who offer loans at interest rates of up to 4,000 per cent per year. A prominent short-term loan lender has already been publicly criticised for targeting young people for loans, including using social networks like Facebook (Bain 2012, NUS 2012).

3. INFLUENCES ON YOUNG PEOPLE'S SAVING BEHAVIOUR

The fact that successive governments have supported tax incentives to save – through tax relief on pensions and ISAs – suggests they believe without such incentives savings across the whole economy would be too low. That being the case, it should be a particular concern for public policy that so many young people have few or no savings to fall back on. There is therefore an important argument for encouraging young people, particularly those on low incomes, to save so that they increase their resilience to financial shocks. This will not be easy – by definition, people on low incomes do not have much in the way of spare resources to save – but the potential benefits are large. However, before deciding how best to help young people save more, it is necessary to understand what encourages them to save and what stops them from doing so.

Young people face an array of challenges that make their future look uncertain. Savings can enhance the security and resilience of young people as they negotiate these difficult times, particularly those from low-income backgrounds who cannot fall back on substantial financial support from their families.

But young people are not saving enough to support themselves in the event of a 'rainy day'. Our polling research and the discussions in the workshops that we held suggest that the affordability of saving, the priority placed on saving in relation to spending and the influence of family are all important factors. Financial education and literacy, money management skills and the way in which financial products are marketed matter too.

Affordability

When asked why they didn't save more, by far the most common responses given by respondents to our poll related to affordability: 62 per cent responded 'I can't afford to save' and 52 per cent said 'my outgoings prevent me from saving' (see figure 3.1 over). The third most common response, that there were not enough incentives to save, was selected by just 14 per cent of respondents. Perhaps unsurprisingly, affordability is seen as a greater barrier to saving by unemployed people, for while 63 per cent of employed respondents saw affordability as being the main barrier stopping them saving, 80 per cent of unemployed respondents held the same view.

Recent rises in the cost of living, brought on by a combination of high inflation, static wages and high unemployment, have made saving seem even less affordable. Around a quarter of poll respondents said they were less likely to save because the financial crisis had made them less well-off. The same point emerged consistently in the deliberative workshops where participants highlighted particular short-term factors pressuring household budgets, in particular the challenges they faced from increases in their day-to-day living expenses and they explained their ability to save was reduced as a result. For example:

'Four years ago I could save enough money to do a fair bit of travelling ... and now I can't afford to go anywhere on holiday just because of covering bills and the cost of living.'

Male, London

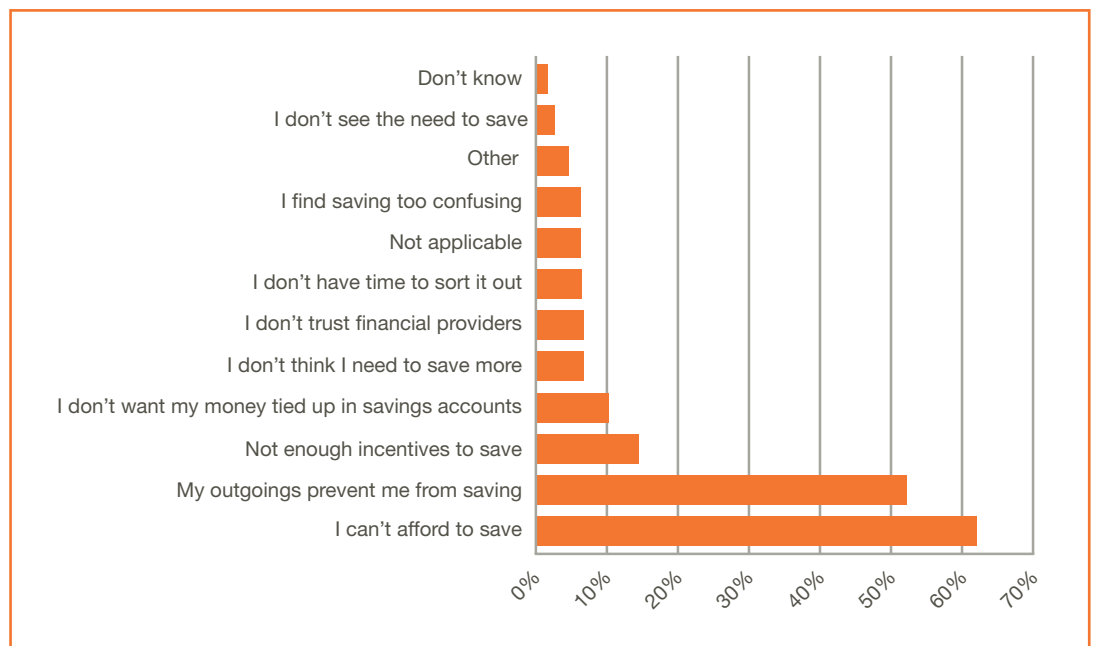
'The cost of food and petrol every week is pretty much what all my money goes on.'

Male, London

'Because everything's gone up, I kind of think I can't be bothered with [saving].'

Female, Midsomer Norton

Figure 3.1
Reasons why young people don't save more, poll findings (% respondents)



Source: Bradley 2012

A regular survey of people's saving behaviour, conducted by ING, produced similar findings. When people were asked why they weren't saving, the most common reasons given related to recent cost of living increases, with 41 per cent of respondents blaming increases in bills and 44 per cent blaming the price of regular purchases going up (ING 2009–2011).

Rises in the cost of living are likely to have had a particularly acute impact on those on lower incomes. This was demonstrated in our poll. While 41 per cent of respondents in employment and 45 per cent of those who were full-time students said they had money left over at the end of the week all or some of the time, only 19 per cent of unemployed respondents said the same. This was also observed in other IPPR research in which 58 low-income households kept a diary of their income and expenditure for four weeks: it was found that over this time their outgoings were 7 per cent greater than their incomings. As described in the report, *Saving and Asset-building in Low-income Households* (Dolphin 2009), the majority of their income – 80 per cent – was spent on housing costs, including utility bills, debt repayment and food, meaning that any rises in these costs would have a large impact on their household budgets.

The importance of affordability as a barrier to saving also emerged strongly from the stakeholder interviews. Some suggested that, particularly in the current economic context, there were absolute limits to what young people could be expected to save:

'People generally want to do the right thing and want to save more if they can. It's their ability to save rather than their attitude that often matters.'

Stakeholder

'With incomes as they are many people can't afford to save much more.'

Stakeholder

It probably would be wrong, however, to conclude that the economic circumstances of the last few years are having a particularly negative effect on the affordability of saving. Findings from previous studies show people consistently say a lack of available funds is the main factor stopping them from saving more (Kempson and Finney 2009). In the 2009 survey 'Wealth in Great Britain' (ONS 2009), when asked why they were not saving into a pension, 65 per cent of all respondents said it was because they could not afford to contribute, were on a low income, or were not working. The second most popular response – that they were not interested or had not thought about it or got round to it – was much less frequent at 11 per cent.

Spending and saving priorities

It is clear that people, and young people on low incomes in particular, believe it is hard to afford to save. However, it is important to maintain a distinction between people's perceptions of whether they can afford to save and the reality of whether they could put some money aside, for these are not necessarily the same thing. The difference may lie in the level of priority that a person gives to saving.

The amount of money each person has at their disposal is not unlimited: money people save is money they do not spend, at least for the time being. This is why people's saving behaviour depends to a large degree on how much they prioritise saving as opposed to spending.

Young people tend to be perceived as having a higher propensity to spend than older groups: the 'Wealth in Great Britain' survey (ONS 2009) found the proportion of people with a 'strong or moderate inclination to spend'¹⁰ decreased with age. Further, Adele Atkinson and Elaine Kempson (2004) analysed the Department for Business, Innovation and Skills' 'Survey of Over-Indebtedness' and found that 41 per cent of all young people aged 20 to 24 agreed with the statement, 'I am an impulsive spender and tend to buy things even though I can't always afford them', which compared with a far lower average of 18 per cent across all ages.

For many of the workshop participants, the prevailing culture of consumerism was very influential on their spending habits. Participants spoke frequently of how they felt under pressure to take on debt and to spend:

'You spend to your means, whatever you have, you spend more and then you think oh my god how did I ever survive without that.'

Female, London

'We live in this spend, spend, spend culture. Everywhere you go you're told to spend money. You see more things [encouraging you] to spend than you do to save. So it's harder to learn how to save when you live in a culture where everything is about spending.'

Male, London

The stakeholders echoed these views. They spoke extensively about the barriers that consumer culture and high levels of debt pose to increasing levels of saving by young people. While it was acknowledged by some that it was beneficial for young people take

¹⁰ This was calculated by synthesising participants' responses to three questions: they were asked how much they agreed with the following statements: 'I tend to buy things when I can't really afford them', 'I am more of a spender than a saver', 'I tend to buy things on credit and pay it off later'.

on debt to invest in ways that would increase their future income, in particular more education, the general sense was that young people were taking on too much debt. Some spoke of the need to shift the focus so that young people would enter adulthood with some financial assets, instead of being burdened with debt. The following quotes illustrate the general sentiment from the stakeholder interviews:

‘Increasing levels of saving will always be an uphill battle while there is such pressure on young people to spend and consume. It’s too easy for them to get into debt.’

Stakeholder

‘What we need to do [instead of encouraging young people to take on debt] is reverse that and give them a financial springboard into adulthood. Just imagine the choice, opportunity, freedom, the restrictions that would be lifted if youngsters had access to £5,000 to £10,000.’

Stakeholder

Across all of the stakeholders there was agreement that if the savings levels of young people are to be increased then it is essential that the prevailing culture around debt and spending is tackled.

One important cause of the pressure young people feel to spend is marketing. Participants in the workshops felt they were heavily targeted by marketing messages, including those from banks which encouraged them to consume, while messages encouraging them to save were very rare. We conducted a review of how financial products are marketed by several high-street banks and found evidence to support these views. Many of these banks incentivised young people to open a savings account by providing the ability to access debt and vouchers to put towards new purchases. These findings are discussed in more detail below.

The participants believed there was an important role for marketing to play in promoting good saving behaviour. Many suggested that some kind of public information campaign that promoted saving, similar to what occurs for health-related issues like drink driving or smoking, which was promoted through channels that young people use, in particular social media, could be very effective.

Another possible reason for young people’s tendency to spend more than other groups, some research suggests, is that younger people think little about the future and instead prefer to enjoy their ‘carefree youth’ (Kempson and Finney 2009), but there is only anecdotal evidence to suggest this tendency has grown in recent generations. Old age in particular tends not to be thought about and, if it is, to be thought about negatively (Berry 2011). This came across in the views of some participants in our workshops:

‘It’s all about here and now ... it’s more fun.’

Female, Midsomer Norton

‘Maybe it’s because I’m relatively young, but I’m not thinking about the long term ... just living in the moment rather than worrying about the long-term picture.’

Male, London

The results from our polling present a more ambiguous view. Eighty-six per cent of the poll respondents wanted to save for the long term, although many were not following through on this intention. When asked to what degree they agreed with the statement 'I tend to live for today and leave tomorrow to take care of itself', 34 per cent of the respondents agreed or strongly agreed, but 47 per cent disagreed or strongly disagreed. When this same question was asked of people from all age groups in the 2006 'Survey of Financial Capability' by the Financial Services Authority (FSA 2006) a similar proportion of respondents, 39 per cent, strongly agreed or tended to agree with the statement. This suggests young people are no more inclined to prioritise today above tomorrow than are older age groups. This conflicting evidence suggests care should be taken when characterising the attitudes of young people and, indeed, this was the view of some of the stakeholders who felt that young people were often characterised by misleading stereotypes. Nevertheless, the proportion of people across all age groups who do 'let tomorrow take care of itself' is worryingly high.

There is a psychological basis for people prioritising the present over the future. People have a tendency, referred to as 'hyperbolic discounting', to prefer rewards 'smaller and sooner' rather than 'larger and later'. Richard Thaler and Cass Sunstein (2008) have shown how people will often prefer to have £100 today rather than £110 next week. Saving involves foregoing rewards in the present, which can be gained by spending, for benefits in the long term and therefore is directly counter to this natural psychological tendency.

For young people specifically, another reason why, in general, they prioritise spending over saving is that they expect they will earn more money as they get older and be more able to save (Synovate 2004). They also expect to have greater financial responsibilities and be less frivolous with their money as they age (Pettigrew et al 2007). Research into the financial capability of different age groups suggests this is indeed the case.

Young people's tendency to spend can also have a somewhat counterintuitive effect on their saving behaviour as it is often the desire to spend that is the trigger for saving. The second most common time that respondents to our poll were likely to think about saving, which was chosen by 31 per cent of respondents, was when they had something specific they wanted to purchase. (The most common time, chosen by 36 per cent of respondents, was when they had money left over at the end of the month.) In the workshops we held, participants who were saving were often doing so for specific things, for example new clothes, consumer electronics, a car or a holiday. In other words, although they described themselves as saving, they had no long-term ambition to accumulate a store of assets. Several were, however, also saving so they could move out from their parents' home. Only a very small number of the workshop participants had set up a regular system for saving, such as a direct debit from a bank account. One participant explained why she found it easiest to save for specific purchases:

'Short-term goals, you can see it and you can tick it off and say I've done that. It's easier to achieve than putting money away for something that might never happen ... It's easier to see something you want right now and get it.'

Female, Manchester

Several of the stakeholders emphasised the importance of designing initiatives to encourage young people to save in ways that work with their existing spending and saving habits. Encouraging them to save more for 'a rainy day', so as to increase their financial

resilience and security, might best be achieved alongside their existing tendency to save for specific purchases.

Some young people are big savers and often it is these that break the mould and do think a lot about the future. Research has identified these savers as a cohort of 'ultra forward-thinking 20-year-olds' who tend to be those with the clearest aspirations of what they want from their life, be that family or professional aspirations (Atkinson and Kempson 2004).¹¹

The influence of family

Another very important factor that affects why one young person saves and another does not is the influence of family and upbringing. Three quarters (74 per cent) of respondents to our poll said their parents or other family members had been very or fairly influential in their approach to savings with only 6 per cent saying they had not been influential at all. In contrast only 19 per cent said their friends had had any influence on their saving habits. The strong influence of parents was also evident throughout the stakeholder interviews and the workshops:

'If your family is in the habit of saving, and that is quite normal to your family, then those ideas and values will be passed down to you.'

Female, Manchester

'I've been saving since I was 15 so I've got quite a lot saved up ... it was always drummed into my head to save, save, save.'

Male, London

'I think it's the culture because [workshop participant] said his family taught him how to save, and [other workshop participant] said her family taught her how to save. I was thinking to myself, my mum didn't teach me how to save ... It does kind of start with the family.'

Male, Midsomer Norton

'My mum influences me quite a bit, she's a single parent and money's been rather tight when I was younger, she's tried to save and it's never really worked, and I've seen the debt she's got into with her overdraft and loans ... I refuse to get into an issue like she's got into ... how my mum's saved has definitely impacted the way I save.'

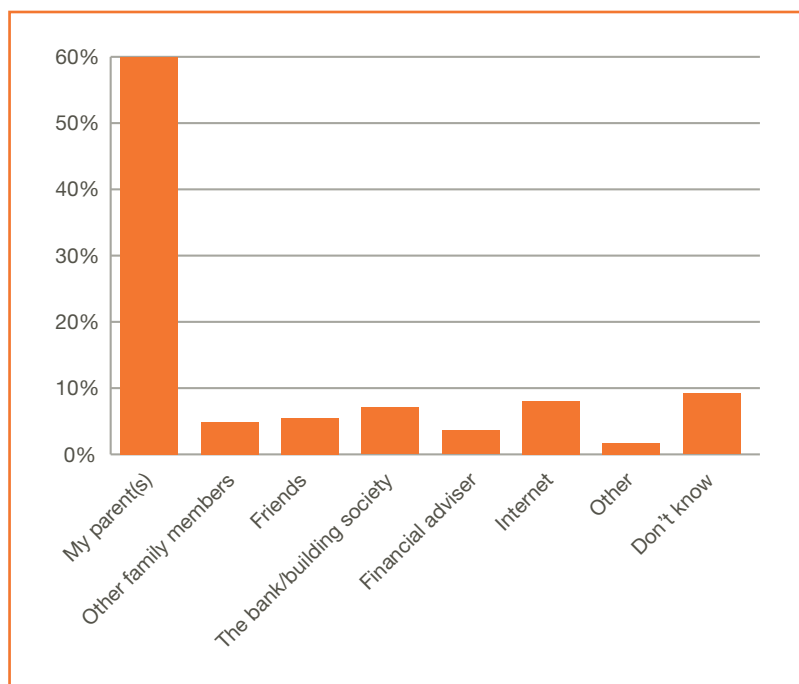
Female, London

A large body of evidence highlighting the important influence that families have on an individual's saving behaviour already exists. Parental influence has been found to begin at a very young age. In analysis of the 'Baseline Survey of Saving by and for Children', Elaine Kempson and Andrea Finney (2009) found that 32 per cent of respondents who strongly disagreed with the notion that they were encouraged to save when growing up were not saving at all (see also RBS 2010). Similarly, people who are heavy credit users later in life have been found to have started to borrow early in their lives (Dezyk and Slater 2003). As neural circuits are developing rapidly during childhood there is the possibility that saving behaviour can become physiologically 'hard-wired' into people, which is why habits can be very hard to break (Pathak et al 2011) and the influence of parents and family is so important.

¹¹ Also see <http://www.newsroom.barclays.com/Press-releases/Recession-creates-more-savvy-20-something-savers-79a.aspx>

The influence of parents on an individual's saving behaviour also continues as children move into young adulthood. Mainly this is because parents are the primary source of information for young people on financial issues: three out of five respondents to our poll said their parents were the most important source of advice for financial issues, while all other sources were chosen by less than 10 per cent of respondents (see figure 3.2), a finding that is corroborated by other research (NOP Research Group 2004).

Figure 3.2
Where young people go for financial advice, poll results (% respondents)



Source: Bradley 2012

The influence that parents have on their children's saving behaviour can differ hugely between families. In some instances parents have been found to create problems by giving out advice that is outdated or not behaving in the way they recommend, thereby sending out conflicting messages (Atkinson and Kempson 2004). There are also important differences between families from different backgrounds.

Parents from wealthier backgrounds are likely to have developed financial skills and have significant experience choosing between and using financial products. This is knowledge they are able to pass on to their children. Parents from poorer backgrounds, on the other hand, are likely to have less knowledge to pass on but have been found to discuss finances with their children far more than middle-class families due to having constantly to think about budgeting. This can mean their children grow up with good financial management skills (Synovate 2004). Therefore, counterintuitively, children from higher-income families may grow up less inclined to save than those from poorer backgrounds, although it remains the case that the former are more able to rely on substantial financial support from their parents. This does not mean lower-income parents do not help their children out – it might even be that they are more willing to. The problem is they lack the means to do so, certainly to the extent that richer parents are able to help.

Financial literacy and education

Irrespective of a young person's background it is clear that their parents are likely to be a key influence on how much they save. An area where the evidence is less clear is the degree to which young people understand financial issues.

Financial literacy can be understood as someone's ability to make informed and effective financial decisions based on an understanding of how finance works. The results from our research paint an ambiguous view of how significant financial literacy is on the saving behaviour of young people.

There is little doubt that the financial literacy of today's young people is poor (Lusardi et al 2010, Reform 2008, Berry 2011). Research undertaken for the Financial Services Consumer Panel (Atkinson and Kempson 2004) found that 35 per cent of young adults aged between 21 and 24 could be considered financially literate compared with 45 per cent of adults overall. Younger people were also much less likely to agree with the statement 'I have a clear idea of the sorts of financial products I need' (9 per cent compared with 33 per cent overall). Further, younger adults said they had difficulty understanding all the information they were provided with about financial products and services: 91 per cent of those aged 21 to 24 did not know of any of the official bodies that regulate financial products, compared with around a third of financial consumers overall. However the evidence of how poor financial literacy impacts on saving behaviour is unclear.

There is some evidence that lack of knowledge about savings is associated with not having a savings account (Kempson and Finney 2009) or not saving (Pettigrew et al 2007) and also delaying financial decisions (de Meza et al 2008) but it is not compelling. Indeed, evidence from the polling conducted for this research suggests that poor financial literacy is a far smaller barrier to young people saving than the factors previously discussed.

The proportion of poll respondents who exhibited a lack of awareness of the need to save was very small, with just 6 per cent saying they did not need to save more and 3 per cent saying they didn't need to save. Further, only 6 per cent said they did not save more because they found saving confusing. These findings are supported by a general impression gained from the workshops that, while the participants knew about saving and types of savings products, it was restrictions on their income or their lack of motivation to save that were bigger barriers to them saving.¹² Several of the stakeholders felt that initiatives to address prevailing attitudes and culture around saving were likely to be of greater benefit than initiatives that educated young people on financial matters. These views were grounded in an understanding of the insights from behavioural psychology, which emphasise that people act in habitual and instinctive ways.

Nevertheless, it appears that financial education in some cases can result in positive outcomes on young people's saving behaviour. Indeed, several of the stakeholders we interviewed were involved in some kind of financial education scheme and judged initiatives to improve young people's financial literacy to be very important:

'It is ridiculous that by the time you leave school you haven't been taught what a wage slip will look like, how tax deduction works, how national insurance works, what standard household budgets look like.'

Stakeholder

¹² Of course, despite the best efforts of recruiters for the workshops, it is likely that the participants are not representative of the population as a whole but have some interest in saving. It is also possible that participants were too embarrassed to admit to a lack of knowledge about financial products.

Initiatives that focused on general budgeting skills and being able to work with financial instruments such as compound interest were judged to be particularly useful. Evaluation of one scheme, Moneysense for Schools (RBS 2010), found that participants gained a better understanding of financial processes and debt and placed higher importance on saving and learning how to manage their money. Furthermore, the scheme influenced behaviour: those who had used the programme were more likely to keep track of their money than those who had not.

It also appears there is an appetite among younger people to learn more about financial issues: 88 per cent of respondents to a survey of more than 12,000 young people aged 15 to 19 that accompanied the most recent Moneysense report felt it was important to learn about managing their money (ibid). This was seen also in our workshops with many participants believing it would have been useful to have had some financial education at school:

‘Any financial education at school would be a massive benefit.’

Male, Midsomer Norton

Financial education must, however, be delivered effectively if it is to produce beneficial outcomes. It was notable that several of the small number of workshop participants who had received financial education in school did not feel it had been particularly useful. A number of reasons were given for this:

‘We never got anything about budgeting. I did some basic account stuff ... but they never put it into context; it was totally theoretical ... I think saving and spending money should be part of maths from a young age and gradually build it up as you get older.’

Male, London

‘There is a limit to what they can tell you in a lesson.’

Female, London

‘It was part of PSHE and no one cares about that lesson, to be honest, it’s just a load of rubbish, it’s a doss lesson.’

Female, Manchester

The stakeholders we interviewed were aware that very different approaches to financial education were practised across the country. One talked about a scheme in which families and children were educated together; given the significance of families for saving behaviour, such an approach could be very effective. An education programme for parents on the importance of saving was also suggested by participants in the workshops. Most stakeholders felt that the best way of ensuring good practice occurred throughout the country was for financial education to be included as a component within the national curriculum.

In general, it appears financial literacy is one part of the problem when it comes to young people not saving but it is not the main problem. Young people do desire some kind of financial education and schemes can have some positive effects but they must be well designed in order for them to be effective.

Savings products, providers and marketing

Another influence on young people's saving behaviour is the type of savings products that are available. Respondents to our poll claimed a number of different factors related to the savings products that were on offer, and who they were provided by, meant they did not save more. Of the reasons given 14 per cent said there were not enough incentives to save and 10 per cent said they did not want their money tied up in savings accounts. Flexible savings accounts with appropriate incentives could help to overcome these barriers, although some participants in the workshops were quick to point out that currently very low interest rates meant there was little financial incentive for them to save:

'We need higher interest rates. At the moment you're not getting anything – 0.5 per cent or something ridiculous. It doesn't make you want to save.'

Female, London

Indeed, unsurprisingly, a savings product's interest rate is an important factor for people of all ages when choosing whether or not to invest in it. The sluggishness of the overall economy – and consequent extraordinarily low level of interest rates – therefore presents a substantial barrier to saving in the short-term.

The way in which savings products are marketed is also important. Banks have been charged with being inconsistent in their messaging around saving, on the one hand posing charges for unauthorised overdrafts and on the other offering more credit (Atkinson and Kempson 2004). A review of the marketing of financial products to young people by several major high-street banks found that incentives for taking out accounts included the ability to access debt and vouchers to put towards new purchases (see box). This sends mixed messages about the value of saving.

Marketing bank accounts

As part of the research for this project, a review of the way financial products were being marketed to young people and the incentives that were offered to encourage take-up by several main high-street lenders was conducted.¹³ This looked at student accounts, graduate accounts, credit cards and graduate loans (for full details see appendix D). People going to university are the main target of banks; other young people are expected to take up the generally available products.

Interest-free overdrafts were a key feature of the accounts and were an important point of differentiation between the products. The largest amount offered for a student account was £3,000 (at Halifax and HSBC), which was available to eligible customers from the point of opening their account. Other providers (Co-operative, Lloyds TSB and Santander) offered overdrafts that increased over time (generally annually) to help their customers with budgeting. In addition, several of the providers' websites included advice and guidance aimed at helping their customers to budget.

A range of additional perks was also offered with many of the student accounts. These fell into two categories: media and technology, with money being offered off phones, tablet computers, music downloaded from the internet and technology insurance; and travel, with travel insurance, travel guidebooks, free currency exchange and youth hostel membership all being offered.

13 A search was carried out on each provider's website in April 2012.

Not all of the providers offered specific student credit cards, although some did, including Halifax with a design aesthetically targeted at young people. RBS/Natwest also had a card targeted at students, which was offered as a benefit when taking out a student current account. This card stood out for its extensive inclusion of additional perks, which included discounts when buying from computer retailers, gadget shops, a DVD subscription service and a wine club. It is notable that all of the offers were discounts that encouraged the customer to buy products (though, unsurprisingly, mainly goods and services they would be likely to buy in any case). This pro-spending marketing of the credit card contrasts with the gradually increasing interest-free overdraft that RBS/Natwest offered with its student account.

We have found that providers adopt a range of different approaches to attract young people as customers. If products are marketed in a way that explicitly encourages spending this could be an important barrier to saving.

Clearly, savings products need to be appropriate for and attractive to their target market if they are to be effectively encouraged to save (Pathak et al 2011). Some research has found that young people find the marketing materials associated with financial products boring, which can act as a barrier to uptake (Synovate 2004).

Nevertheless, participants in the workshops suggested that marketing could play an important role in encouraging young people to save more. There was support for a hard-hitting, government-led campaign, similar to those for health issues like smoking. Several participants suggested using images depicting a 'route to success' and a 'route to failure' later in life, with accompanying messages such as 'save now, prosper later' explaining why saving would be beneficial. Many advocated the use of social media (in particular Facebook and Twitter) and well-known figures from youth culture (for example Mr Burns from the Simpsons and Alan Sugar) to promote these messages. Some also suggested that practical smartphone apps could be developed to encourage saving, for example an app which gives young people easy access to information on what money they have recently spent.

Poll respondents (6 per cent) suggested another reason they did not save more was that they did not trust financial providers. This is likely to have become more of a problem since the financial crisis: 11 per cent of survey respondents said they were less likely to save because their trust in financial institutions had been diminished. However, the evidence on how perceptions of financial institutions affect saving behaviour is contradictory.

Previous research suggests mistrust of financial institutions, which serves to undermine the perceived credibility of any information provided, is prevalent across all age groups (Reform 2008). Young people in particular do not feel they get good information from banks, for example in relation to how debit cards work (FSCP 2003) and often do not believe banks provide impartial advice (NOP Research Group 2004). At the same time, other research suggests that as young people have less experience engaging with financial providers than older people, they are less likely to have had a negative experience than older age groups and may therefore be less negative towards financial institutions in general (Collard et al 2001). Further, Will Lebens and Alan Lewis (2001) found that young people can be very savvy in how they engage with banks, for example playing them off against each other in order to get the best deal.

4. CONCLUSIONS AND RECOMMENDATIONS

The outlook for young people, particularly those on low incomes or in unemployment, is perhaps more uncertain than it has been for several generations. The short-term economic outlook is poor and optimism about the longer term is thin on the ground; the impacts of austerity measures are hitting them disproportionately hard; and housing is very expensive, meaning more are living with their parents for longer.

In this climate, an issue that needs special attention is the financial resilience of young people to financial emergencies. The research conducted for this report suggests most young people are not well prepared for such shocks. In particular, less than one-third have accumulated the 'rainy day' savings equivalent to three months' income that financial advisers recommend is kept in a readily accessible form. This could be a particular problem for those from low-income families who will not be able to fall back on substantial financial support from their parents.

One means of increasing young people's resilience is to encourage them to save so as to build up a store of assets. We have previously (Dolphin 2011) identified four types of saving behaviour:

- saving for a purpose
- saving for short-term precautionary reasons
- saving towards medium-term goals
- long-term asset building.

The deliberative workshops conducted for this project revealed that most young people – except those with the worst financial constraints – are able to save for a purpose (a holiday or a major purchase), but struggle to adopt other saving behaviours. When asked, the vast majority say that cannot afford to save after their normal outgoings, though closer questioning reveals that the problem is actually a failure to prioritise saving. It is seen as a residual activity to be undertaken if there is any money left at the end of the month – and generally there is not. Other influences – culture, family, financial literature and education, financial products and providers, and marketing – are not significant enough to overcome this handicap.

Much will need to be done, therefore, if the financial resilience of young people, particularly those on low incomes, is to be improved – and any improvements are likely to take several years to emerge. One important step that could be taken and would have a more immediate effect is reform of the Social Fund to support the most vulnerable young people in society. Other measures should include a renewed focus on asset-based welfare policies, the development of a new type of savings account for young people, and a range of efforts to change the cultural approach to saving.

Social fund

It is an unfortunate fact that, even in 21st-century Britain, there will always be a group of young people on the lowest incomes who, because of the current pressures on living expenses, find it impossible to put money aside. Helping this group will require major reforms to education and training (Lanning 2012). But the government must also provide a safety net for this group of vulnerable young people during times of emergency or financial shocks.

The safety net that currently exists – the discretionary Social Fund – will be abolished in its current form from April 2013. In its place will be a new form of provision administered by local authorities in England and the devolved administrations in Scotland and Wales.

This devolution of responsibility for providing emergency financial support to people seems sensible. It creates an opportunity for local authorities in England, and the devolved administrations, to understand the specific needs and circumstances of the individuals in question. Delivered in this way the service can move from one focused on providing cash hand-outs, to one in which service providers aim to identify why an individual needs support in the first place so that they are less likely to need support again.

But the government will not require local authorities to ringfence this money; nor does it intend to place any requirements on local authorities for the service they will provide. This creates a risk that some local authorities will not use the money as intended. The government should carry out a review of the new arrangements shortly after they are implemented to assess the level of emergency financial support local authorities are providing. It should also consider the need for additional operational support for local authorities in the first year of the new arrangements to ensure a smooth transition and stress to local authorities the importance of establishing a robust appeals system from the outset for those whose application for a loan is declined. Otherwise, there is a risk that young people in need at the wrong time – just after the new arrangements come into force – will have nowhere to turn and suffer as a result.

Alongside the risks associated with the new arrangements, however, are opportunities to improve the lives of young people, if local authorities choose to take their new responsibilities seriously. They could, for example, vary eligibility criteria, to get the right mix between offering support to a wide group of people and focusing more on the poorest in society so that they can offer them a greater amount of support. They could also move away from the current system of self-referral, which the National Audit Office and the Public Accounts Committee have said means those most in need might not receive help (DWP 2011), towards a system that allows for referral from other local authority services.

Local authorities should also consider attaching strings to the offer of a crisis loan. Not only should applicants be expected to explain to the authority the circumstances that have led to them needing a loan, they should also be expected to take part in a coaching session in which they receive advice about how they might avoid getting into the same circumstances in the future. Although local authorities would have to make available the resources to provide this advice, it could save them money in the long term if it reduces the number of repeat applications for loans.

This could lead to a more holistic approach to helping young people at the local level: one that recognises funding is not always the best solution, or is only a stop-gap. Alternatives include providing people with services not cash and encouraging the reuse of electrical equipment and furniture. Schemes already exist through which local people support those in need in their community by donating unwanted goods, such as old but functional white goods, which are then sold or distributed to those who need them.¹⁴ This could bring intangible benefits around community cohesion while also helping to reduce waste and achieve environmental objectives.

It may often be the case that third sector parties and social enterprises are best placed to innovate and deliver services that could benefit people in need of support. Local authorities should therefore look for opportunities to partner with these providers. Local authorities should also explore working with neighbouring authorities on aspects of

¹⁴ See, for example, Emmaus: <http://www.emmaus.org.uk/>

provision as this could help with the cost-effectiveness of schemes. Success stories should then be publicised by central government to promote best practice.

Whichever services individual local authorities choose to adopt, the priority aim should not just be to help young people through a time of need, but to find ways to help them help themselves, so that they are less likely to require emergency loans in the future.

Asset-based welfare policies

The main form of government support for saving comes in the form of tax incentives, particularly in pensions and ISAs. Arguably, these should help people start to save for the medium-term and to build up a store of assets for the long-term. However, our research shows the vast majority of young people have not even built up some ‘rainy day’ savings and they say they cannot afford to do so, suggesting these incentives are poorly targeted. The government should reassess the advantages of policies that focus directly on providing people, particularly young people, with a store of assets.

The idea that the welfare state might have a role in helping individuals build up a store of assets developed from the early 1990s onwards. Its supporters argued that the evidence showed ownership of assets could have a powerful effect on a range of outcomes, including employment, health and well-being.

Despite this evidence, few governments around the world have adopted asset-based welfare policies. Until recently, one exception was the UK, where the last Labour government introduced the Child Trust Fund in 2005. Under this scheme, the government placed £500 into a fund for every child born in the UK (£1,000 for those in poor families or with disabilities). The Child Trust Fund was a highly successful savings policy. It achieved exceptionally high take-up rates with 74 per cent of those who were eligible opening an account, compared with 40 per cent of those eligible taking up pension relief and 29 per cent opening an ISA (Ben-Galim 2011: 6). Providers claimed the number of people saving regularly for their children typically rose by 50 per cent (and by as much as 200 per cent in the case of one provider); and the amount being saved regularly for children increased by 60 per cent, from an average of £15 a month to £24 a month. One of the leading providers claimed the scheme was having a lasting impact on savings habits (Children’s Mutual 2010).

However, the UK’s experiment with asset-based welfare turned out to be short-lived. The Coalition government cancelled the scheme with effect from the beginning of 2011. It also decided not to go ahead with the introduction of Saving Gateway accounts, which were designed to encourage families on low incomes to save.

Scrapping the Child Trust Fund and Saving Gateway accounts met with little public resistance. This was largely because the previous government never attempted to build support for the idea of asset-based welfare. It was easy, therefore, for opponents of Child Trust Funds to represent the money going into them as a government ‘giveaway’ that simply could not be afforded at a time of severe public spending restraint.

Yet the need for young people to have a store of assets has arguably never been greater. Particularly for those with few qualifications, the likelihood that high youth unemployment will be a persistent problem means that when they enter the labour market they face a period, perhaps of a few years, of great uncertainty. During this period, they may be in and out of work, and when they are working they will often be in part-time jobs or working on

fixed-term contracts, and earning low wages. Knowing that they have some money saved in a fund would increase their resilience through this period.

The Coalition has replaced the Child Trust Fund with the Junior ISA – a tax-free savings vehicle for children. However, it will not seed these accounts with money from government funds. The Junior ISAs are therefore likely to be mainly opened by high- and middle-income families.

The coalition should think again and seed Junior ISAs, at least for those children from low-income families, with a sum of money no less than that available under the Child Trust Fund scheme. This would help to ensure that eventually every child reaching 18 in the UK would have some assets that would offer them a modicum of financial resilience. It could also have wider benefits, for example by encouraging families and children to save together and instilling good habits from an early age. Spending on asset-based support for young people need not be large: the Child Trust Fund cost £500 million a year before it was ended. Existing tax incentives for saving cost far more than this¹⁵ and are, arguably, largely ineffective when it comes to increasing the level of savings in the UK.

Meanwhile, policymakers should look afresh at the idea of asset-based welfare, in particular in the context of ‘financial citizenship’. Measures to provide young people with assets or to help them accumulate assets through saving need to be accompanied by a message about the financial responsibilities of citizens to guard against future emergencies and to make some provision for their futures (Berry and Serra 2012). Any measures will be more effective if the government is clearer about its aims when implementing them – increased resilience among young people, increased social mobility, as well as a more ingrained savings habit – and about the role assets can play in achieving these aims. They should then build a constituency of support for asset-based welfare policies.

A new type of savings account

Even if Child Trust Funds were restored today, they would not benefit young people who have recently left formal education, or who will do so in the next few years. Some of the money spent on existing tax incentives to save should therefore be directed to encourage the current generation of young people to save, using the insights from behavioural psychology, which suggests saving can become habit-forming and is most likely to happen if products and incentives are simple and easy to understand.

Previous IPPR research has identified the features of a lifetime savings account that would be attractive to people on lower incomes and also to financial service providers (Dolphin 2011). These include easy access to the account, particularly when it comes to making deposits (most preferred the option of saving while shopping in a supermarket); the ability to withdraw funds at short notice if necessary, but also some restriction on the number of withdrawals that are allowed in a given period so that the account is distinguishable from an instant access account; and some form of government guarantee or kitemark to give savers reassurance that their money is safe and to eliminate the need for them to be presented with multiple pages of terms and conditions when opening an account. Young people were particularly attracted by these types of features (while older people tended to be more conservative and less unhappy with products already widely available).

15 In 2011-12, tax relief for registered pension schemes and ISAs cost the government £21 billion in tax revenues. See http://www.hmrc.gov.uk/stats/tax_expenditures/table1:-5.pdf

But the biggest incentive to save would be a government ‘reward’ in the form of partial matching of savings. The tax relief offered by ISAs is regressive and opaque. Partial matching would be progressive and transparent. It would ensure that, for the most part, the biggest incentives (relative to income) would be given to those on low incomes.

This earlier research also found there is very little appetite for ‘enforced’ saving into a general savings account through auto-enrolment, as is proposed for NEST pensions. But young people could be encouraged to save into a new savings account along the lines proposed in the previous paragraphs if one was opened for them by default (but with no compulsion to save) around the time that they enter the labour market. This could most easily be done when they are first issued with a national insurance number and could be accompanied by literature explaining the benefits of saving and having a store of assets for emergencies or to take advantage of opportunities – and the particular benefits, in the form of government incentives, offered by this account.¹⁶

Changing the culture around saving

While local authorities could use the Social Fund to provide a safety net for those young people most in need and the government could do more to encourage young people to build a store of assets through making better use of the money it spends on tax incentives to save for a set of asset-based welfare policies and a new type of savings account, our research shows the root causes of young people’s lack of financial resilience are cultural. In part, this is a reflection of the shifting attitudes to saving and debt in British society over the last 20–30 years, and it is beyond the scope of this paper to produce recommendations to reverse those trends. But there are steps that can be taken to change attitudes and behaviours among young people.

Although it is not one of its formal objectives, the Financial Conduct Authority (FCA), when it starts operation, should interpret its remit to promote effective competition in the interests of consumers as encompassing a requirement to ensure consumers are able to access the products they need at the points in their life-cycles when they need them. In particular, simple products should be available to those young people starting out on the career ladder or making their initial engagement with a certain type of financial product. They need generic advice and products that are simple and easy to understand because, by definition, they are unfamiliar with financial products and could be overwhelmed – and put off – by too much choice or complexity.

The FCA and the Money Advice Service should also develop a major marketing campaign, aimed primarily at young people, both in terms of the language and approach used and where in the media (for example Facebook and Twitter) the campaign is promoted. This campaign could adopt the imagery suggested by the workshop participants in our research and promote saving as being necessary for success later in life. One possibility that could be more widely tested would be to identify five products that improve an individual’s financial resilience (possibly a bank account for daily transactions, a ‘rainy day’ savings account, house and contents insurance, life insurance and pension savings) and to mimic the ‘five a day’ healthy eating campaign with a ‘five for life’ financial products campaign.

¹⁶ Simon Culhane, chief executive of the Chartered Institute for Securities and Investments, has proposed youngsters should be offered a basic current account at this point in their lives (<http://www.finextra.com/news/announcement.aspx?pressreleaseid=42880>). But, if the aim is to increase understanding of the benefits of saving for financial resilience, a savings account with strong incentives to save is surely a better option.

Better ways also need to be found to take this message into schools. Feedback from our workshops suggests the quality of financial education varies widely. It also suffers because it is lumped together with other non-examinable subjects that pupils do not take seriously (such as sex education). The quality of financial education would be improved if students better understood its worth and the move to a school leaving age of 18 provides an opportunity to better engage 17 and 18-year-olds. However, advocates of financial education still need to demonstrate its worth in comparison to other priority subjects.

In whatever form financial education is taught, all schemes should address the basic financial understanding needed to progress through life, from what to expect on a pay slip, through forms of saving and insurance, to the need to make provision for one's retirement. To encourage pupils in schools and colleges to take the subject more seriously some form of nationally accredited exam could be introduced (for example, through an online test similar to the theory test for driving). Passing the test could be rewarded with a certificate of 'financial road-readiness'.

Financial providers can also help to change the behaviour of young people. One of the times people are most likely to be open to advice about financial matters is when they first open a current account. This opportunity to inculcate good behaviours should not be passed up. But banks should be careful not to be seen to be just pushing their own products (such as tied insurance) or to be pushing credit cards and overdrafts. In this instance, advice should be just that, and not taken as an opportunity for selling. The focus should be on emphasising the need for people to be responsible for their own financial resilience.

Third sector bodies such as the Citizens Advice Bureau also have an important role to play. It is often these organisations that people turn to when in trouble financially. Any interaction with young people could be used as an opportunity to inform them about the options that are available to them from saving and why it is a good idea. Parents seeking advice could also be advised about opportunities that are available to them for encouraging their children to save.

By operating alongside one another, these initiatives could have an important effect on the savings culture of young people. A campaign by the FCA and Money Advice Service could spearhead a range of other initiatives including improving the quality of financial education and introducing some kind of nationally-accredited test. It would also be the basis for banks to put more resources into giving advice on savings and the basis for action by bodies like the Citizens Advice Bureau.

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APPENDIX A

WORKSHOP DISCUSSION GUIDE

Length of time	Aim	Key questions and method	Resources
Welcome and registration			
15 mins 6.00–6.15	Registration, coffee and welcome	Informal introductions, completion of forms Participants to fill out two forms: – A form with demographic information – Consent form	Stickers for name badges – two colours for younger and older groups Consent form The demographic data Brief handout with the project summary
Introductions			
5 mins 6.15–6.20	To introduce people to the session	<p>Introducing staff/IPPR and the project/agenda of the day</p> <p>IPPR (the Institute for Public Policy Research) is an independent research institute (thinktank). We conduct independent research into a wide range of public policy issues (migration, social policy, security, etc.). We get project-based funding, so we have a variety of funders from charitable foundations to government departments.</p> <p>The Institute for Public Policy Research (IPPR) is working with the Friends Provident Foundation on a major piece of research to explore ways in which younger people can be encouraged to regularly save for their future. A report will be produced highlighting the key findings from the workshops and key recommendations on how younger people can be supported to save regularly in to a basic savings account.</p> <p>The aim of these events is to give people the chance to take part in an open and honest debate about their attitudes towards saving and what motivates them to save. It will also look at expectations on how much savings are required to ensure financial security. There are no wrong or right answers; we are interested in your own perspective and personal experience.</p> <p>Housekeeping</p> <p>The session will be recorded. It will be accessed only by IPPR researchers and all contributions will be kept anonymous. Please let us know if you feel the need to stop or take a break at any time. Toilets are located... Fire exits are located...</p> <p>Ground rules</p> <p>Could you please switch off your mobiles or put them on silent mode Please allow others to finish their contribution without interruption Please keep each intervention to approximately 2–3 minutes and allow others to speak too We ask that you listen to other points of view and ultimately remember that we may have to agree to disagree.</p>	Digital recorders and spare batteries Stickers for name badges

Length of time	Aim	Key questions and method	Resources
		<p>Participants introducing themselves (name, how long they have lived in London and why did they want to take part in this discussion group) Before we start our discussion, do you have any questions?</p>	
1. Start of the session			
10 mins 6.20–6.30	Discussion warm up to get participants to talk about savings	<p>Quick brainstorm As a whole group, ask participants the following questions: What do we mean by saving? What different ways are there of saving? Why is saving important? What sort of things might you want to save for?</p>	Flipchart paper and markers
2. Attitudes to saving – divide the group into three [mix age groups]			
20 mins 6.30–6.50	Current saving behaviour	<p>Are you currently saving and if so what for? Are you more likely to save for something in the short or long term? In what ways do you save? Do you have a savings account? How has the amount you save changed over time? Do you think it will change in the future? Has the recession affected the amount that you save?</p> <p>How much savings do you think you will need for your future? Do you think you will be able to own your own home in the future? How much do you think you will need to save?</p> <p>DID YOU KNOW: The average deposit needed for a house is now nearly £30,000 What do you think of this? How long do you think it would take you to save this much? How much money do you think you should have saved at any one time?</p> <p>DID YOU KNOW: Financial experts recommend that you should have at least three months income to cover unexpected events or suddenly losing your job What do you think of this? How does this compare to the amount you have saved? Do you feel financially secure? How much do you rely on others for financial security?</p> <p>In a survey we conducted a third of 16 to 29 year olds had less than £100 in savings: only one in five young people had more than £5,000 in savings What do you think of this?</p> <p>One in three young people also had debts of over £10,000 What do you think of this?</p>	
10 mins 6.50–7.00	COFFEE BREAK		

Length of time	Aim	Key questions and method	Resources
3. Encouraging savings – influences and barriers			
30 mins 7.00–7.30	Influences on saving behaviour Barriers	<p>What or who influences how you save? When was the last time something motivated you to save? Where do you think most young people get their information on saving from? <i>Prompt: School, parents/friends; internet; banks</i> Have you ever visited a savings/financial website? What role should banks play in helping young people to save? What do you think about the savings products that exist, for example savings accounts with banks?</p> <p>What prevents you from saving more? What are the main barriers? <i>Potential prompts:</i> <i>Do you know where or how you can save?</i> <i>How do you balance what you spend with what you save?</i> <i>Do any debts you have influence how you save?</i> <i>Do you think marketing and adverts encourage you to save?</i></p> <p>Additional notes for facilitators: Facilitators need to make sure that participants are drawing on their own examples and experience – rather than talking in too abstract terms. One person from the group or IPPR staff can report back.</p>	
4. Designing a savings campaign for young people			
30 mins 7.30–8.00	To understand the most effective methods of encouraging young people to save and what new/alternative initiatives might be needed	<p><i>Split into two groups.</i> Drawing on the points made on the examples given in the previous session, ask participants to design their own savings campaign for young people, asking them to include: Name of campaign/catch phrase The way in which it is communicated to young people – families, banks, government, internet, TV adverts, school, social networking, etc. Any offers that should be made in order to attract young people to make regular savings – incentives such as interest rate, freebies, etc. What information should it try to communicate to young people? How could awareness be raised about the amount needed for the future?</p>	Flipchart paper, post-it notes, colour pens
5. Close and evaluation			
	FEEDBACK TO GROUP		
	To understand what participants have learnt	Did you feel like you learnt anything in this session? Has it made you think differently?	Short standard individual evaluation Incentives and receipt forms
	To evaluate the sessions	Participants to fill out the session evaluation form Hand out incentives and also receipt form	

APPENDIX B

STAKEHOLDERS INTERVIEWED

Peter Roxburgh – customer insights manager, Money Advice Service

Madeline Graham – senior policy advisor, HM Treasury

David Robertson – policy advisor on children’s savings, HM Treasury

David White – entrepreneur and innovator in financial services, IPPR Policy Advisory Council member, previously CEO of the Children’s Mutual

Dr Rajiv Prabhakar – lecturer, Open University

Professor Karen Rowlinson – professor of social policy, University of Birmingham

Sheilla Patel – Money Mentors scheme, London Citizens

David Malcolm – head of policy, National Union of Students

Aroop Tanner – director, Magnified Learning (a financial education project with 14 to 16-year-olds)

APPENDIX C

STAKEHOLDER INTERVIEW DISCUSSION GUIDE

- My name is ... I work for the Institute for Public Policy Research (IPPR). We are an independent research company. We are not linked to the government or any other organisation.
- This interview is being carried out to inform our project on young people and savings – we have conducted a survey of young people on their behaviours and attitudes towards saving and recently carried out three workshops across the country. We are now talking to experts about how we can turn our findings into practical recommendations for helping to encourage young people to save.
- Everything that you say is completely confidential. You can stop the interview at any time and you do not have to answer anything you are not comfortable with.
- We will use the information to produce a report.
- This interview will take about 30–45 minutes.
- I would like to record the interview. The recording is to help me ensure that I have captured everything that you say accurately. It will be kept securely and will only be accessible to researchers working on the project. We might want to quote you but any quotes will be completely anonymous – no one will be able to tell who said it. Are you happy for me to record the interview?
- Do you have any questions before we begin?
- If there is anything that you want to ask after the interview is over, then please get back in touch.

Section 1: Introduction

- Please can you tell me about your role and what it involves?
- How has your work related to savings/and or young people? Have you carried out any research on this issue?

Section 2: Income and savings

- How important do you think it is for young people to save for: a home, retirement, unexpected drops in income or emergency costs?
- In the current economic context and squeeze on living costs do you think it is realistic to ask young people to save more?
- How does this generation's opportunities compare with other generations that went before them?
- What are the main barriers to young people saving?
- Do you think young people are savvy consumers – do they compare, dig out information on products, etc?
- Our poll showed that: third have below £100 in savings, most think they have saved for a rainy day but don't have corresponding levels of savings etc...

Section 3: Influences

What influences young people's saving behaviours and attitudes towards saving and their money management?

- Information
- Education
- Parents
- Peers
- Banks

- Media
- Others

For each type of influence ask:

- What impact does this have?
- Do you think it could be used to encourage young people to save more?
- What problems/limits are there with using this approach?

Section 4: Practical steps

Our research has so far shown that xxx in light of these findings and anything else you are aware of...

- How can government support savings of young people?
- Is there a role for government-backed savings accounts such as Saving Gateway to encourage young people to save more?
- What do you think the impact will be from the loss of Child Trust Funds on the savings culture of young people?
- Government campaigns, such as those used for drinking and smoking, could be used to encourage more savings – do you think this is a good idea?
- Parents were found to have an important role to play – how can we encourage parents to increase the awareness and understanding young people have around savings?
- What incentives do you think young people need to take up savings products and make longer term plans?
- How can we use behavioural economics to improve take-up of savings products? Have you seen any examples of how this could be done?
- What are the best methods of communicating saving information to younger people?
- Do you know of any projects, campaigns or incentives that have been successfully used to encourage young people to save?

Summing up

Thank you very much for taking part in our research. Do you have any questions for me?

If you find that you have any questions or would like any more information about the project, here are my contact details.

APPENDIX D

A REVIEW OF MARKETING OF SAVINGS PRODUCTS BY LEADING HIGH-STREET BANKS (APRIL 2012)

Current accounts					Credit cards	Savings accounts	Graduate loans
Bank	Type of account	Overdraft	Interest on credit	Other perks			
Barclays	Student	Up to £2,000 interest-free An extra £1,000 at 8.9% annual rate	0% AER	£79 off a new phone or tablet contract with phones4u Up to 20% discount on student travel insurance 10% discount on student possessions insurance 30% discount on Lonely Planet guidebooks.			£500–£10,000 Flexible repayment terms 3 month repayment holiday Fixed interest rates: 12.9% APR Offer not inked to the current accounts.
	Higher education	Up to £1,500 interest free in first year after graduation Up to £1,000 in second year after graduation Lower tiers in future years Option to extend the overdraft up to £3,000 at 10.3% per annum.	0% AER				
	Graduate (costs £7 a month)	Up to £3,000 interest-free overdraft in first year after graduation, with lower tiers applied in future years	0% AER	Mobile phone insurance RAC breakdown cover Cardholder protection.			
Cooperative Bank	Student	£1,400 interest-free rising to £2,000 in year three		Ethical alignment of bank			
Halifax	Student	Up to £3,000 for length of course plus one year (up to 6 years) interest-free 24.2% AER on unauthorised spending beyond overdraft.	0.1% AER	Commission-free foreign currency and travellers' cheques 25% discount on AA breakdown cover 20% discount on Card Care card insurance.	£500 credit limit 17.9% APR Cards designed with look to appeal to students.		
HSBC	Student	Up to £3,000 (guaranteed £500) interest-free	2% AER variable on the first £1,000 in the account in the first year	25% off Lonely Planet travel guides 2 years of worldwide travel insurance (dependent on regular deposits).	£500 credit limit 18.9% APR Not offered along with accounts.		
	Post-graduate service (for those studying as a post-graduate within 3 years of finishing undergraduate studies)	Up to £2,000 interest-free					
	Graduate	Up to £1,500 in first year after graduation and up to £1,000 in second year		Access to savings account with high interest Commission-free foreign currency from £100 to £2,000.	See left		£5,000 to £25,000 at 6.4% APR Offer not inked to the current accounts.

Current accounts		Credit cards			Savings accounts	Graduate loans
Bank	Type of account	Overdraft	Interest on credit	Other perks		
Lloyds TSB	Student	£1,500 interest-free, tiered over the first year, with £500 for the first six months, £1,000 in months seven to nine, and £1,500 after that. £1,500 limit from year two onwards and £2,000 in years 4 to 6		Free NUS Extra card for three years, enabling lots of discounts on retail brands Free Youth Hostel Association membership for 3 years 40 free downloads from eMusic plus some mini-speakers Credit card with £500 limit.	£500 credit limit (see left – offered as part of benefit of current accounts)	
	Graduate	£2,000 interest-free in first year after graduation, £1,500 year 2, £1,000 year 3		Graduate loan up to £10,000 Credit card with a £500 minimum limit Commission-free foreign currency Free Lonely Planet mini guides.		See left – offered as benefit of graduate account
RBS/Natwest	Student	Up to £500 in first term, £750 in second, £1,000 in third (to assist with budgeting) interest free can be extended by £250 in each subsequent year up to year 5 Dependent on regular use of the account 17.8% per annum charged on unarranged overdrafts.	0%	Student credit card offered as benefit	£500 credit limit 18.9% APR 10% off all products with HP UK 15% off everything at iWorld.co.uk (Apple accessories) £5 voucher to spend at Firebox 1 month of free DVD rentals when subscribing to a rental package 25% discount on any of the Lonely Planet titles every time £10 or more is spent Special offers for card holders with the Royal Bank Wine Club Get up to £250 each day (depending on credit limit) from cash machines worldwide.	They market their 'Direct Savers' account to students under their website
	Graduate	3 years of £2,000 total overdraft allowed, comprising an interest free amount of £2,000 yr 1, £1,500 yr 2, £1,000 yr 3 Unarranged overdrafts charged at 17.81%	0%	25% off gigs and shows Travel discounts.		£1,000 to £15,000 at 18% APR
Santander	Student	Starting at £1,000 going up to £2,000	1% up to £500	Mobile phone insurance Gadget insurance (2 items like MP3 players) Laptop insurance.		None targeted at students
	Post-graduate Graduate	Up to £1,800 in year 4 Up to £2,000 interest free in year 1, gradually reducing over subsequent years		Graduate loan available		See left