IPPR

BRIEFING

YOUNG PEOPLE AND SAVINGS

POLLING RESULTS

Laura Bradley

February 2012

Institute for Public Policy Research

ABOUT THE AUTHORS

Laura Bradley is a researcher at IPPR.

ACKNOWLEDGMENTS

The author wishes to thank Friends Provident Foundation for kindly funding this work, and Andrew Thompson at Friends Provident Foundation and Tony Dolphin at IPPR for comments on an earlier draft.

ABOUT IPPR

IPPR, the Institute for Public Policy Research, is the UK's leading progressive thinktank. We produce rigorous research and innovative policy ideas for a fair, democratic and sustainable world.

We are open and independent in how we work, and with offices in London and the North of England, IPPR spans a full range of local and national policy debates. Our international partnerships extend IPPR's influence and reputation across the world.

IPPR
4th Floor
14 Buckingham Street
London WC2N 6DF
T: +44 (0)20 7470 6100
E: info@ippr.org
www.ippr.org
Registered charity no. 800065

IDEAS to
CHANGE LIVES

CONTENTS

INTRODUCTION

The financial future of young people in the UK is an issue that requires urgent attention. With youth unemployment at record levels of over one million in November 2011,[1] the prospects for young people have reached a new low. Home ownership is getting increasingly out of reach for young first time buyers, with large deposits being a pre-requisite for getting mortgages. The scrapping of the Educational Maintenance Allowance (EMA) and steep increases in tuition fees mean that young people face an increasing financial challenge if they wish to pursue their education. This research aims to capture the mood of young people in such a challenging economic environment.

This briefing presents findings from an online poll conducted by YouGov with 1,504 young people aged 16 to 29. All the respondents had incomes below the median income of £21,000 for this group.

The polling was conducted as part of a wider project looking at how to get young people, particularly those on low incomes, to save more. This project is designed to build greater understanding of the saving behaviour and attitudes of young people living in the UK. It will also involve three workshops with young people and interviews with key stakeholders. The ultimate aim is to make achievable recommendations on how young people, particularly those on low incomes, can be encouraged to save more for the longer term.[2]

The polling reported here also provides an opportunity to examine the attitudes young people have towards their future, looking at their expectations with regards to standards of living, home ownership and careers. Comparisons with previous polls and research show how the attitudes and behaviour of young people have been impacted by the financial crisis and the new financial landscape they are facing, and allow us to explore other longer-term trends.

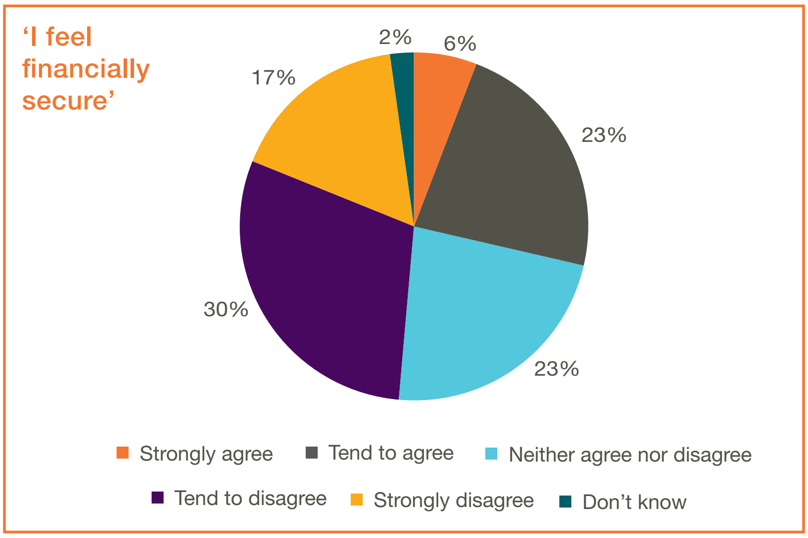
1 See http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/january-2012/index.html

2 For more, see http://www.ippr.org/research-project/44/8008/young-people-and-savings

1. FINANCIAL SECURITY

Most young people do not feel financially secure: 47 per cent 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.

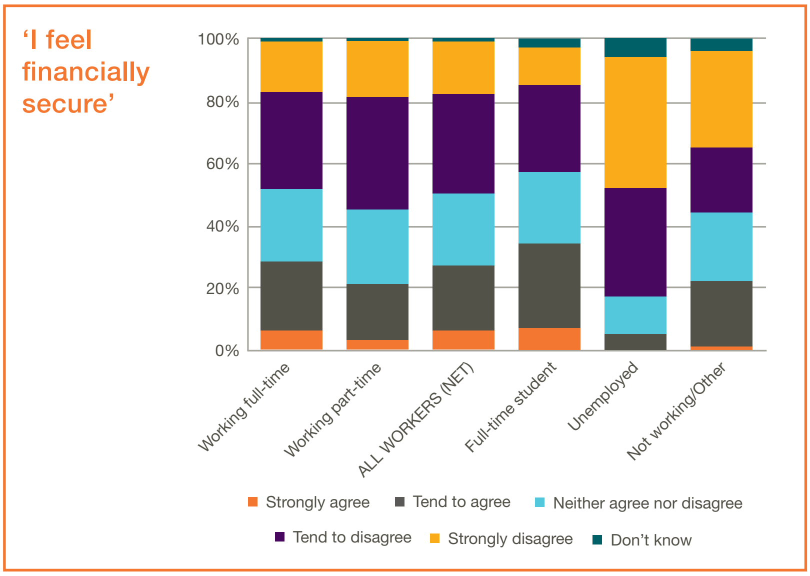
Figure 1.1
Agreement with the statement 'I feel financially secure'



The younger people were, the more likely they were to agree with the statement 'I feel financially secure': 38 per cent of 16–17 year olds tended to agree or strongly agreed with the statement, compared to 31 per cent of 18 to 21 year olds and 24 per cent of 22 to 29 year olds. Those in the 16–17 group are more likely to be living with their parents and so have limited levels of financial responsibility, which no doubt affects their feelings and response. (This will also have affected their responses to other questions – throughout this briefing, it is indicated wherever their answers are materially different from those of the older age groups.)

Income did not affect the extent to which people felt financially secure but employment status did: 42 per cent of unemployed young people strongly disagreed with the statement 'I feel financially secure', compared with 16 per cent of full-time workers.

Figure 1.2
Agreement with the statement 'I feel financially secure', by employment status



Control

Roughly the same proportion of young people feel that they have control over both their finances and their lives, with 59 per cent tending to agree or strongly agree with the statements 'I have control over my finances' and 'I have control over my life'. 18 per cent and 17 per cent respectively either disagreed or strongly disagreed with these statements.

Figure 1.3
Agreement with the statement 'I have control over my finances'

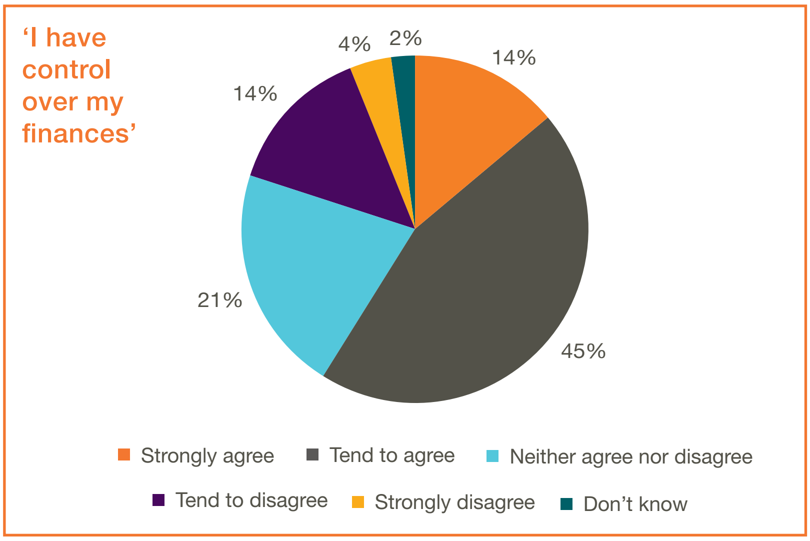
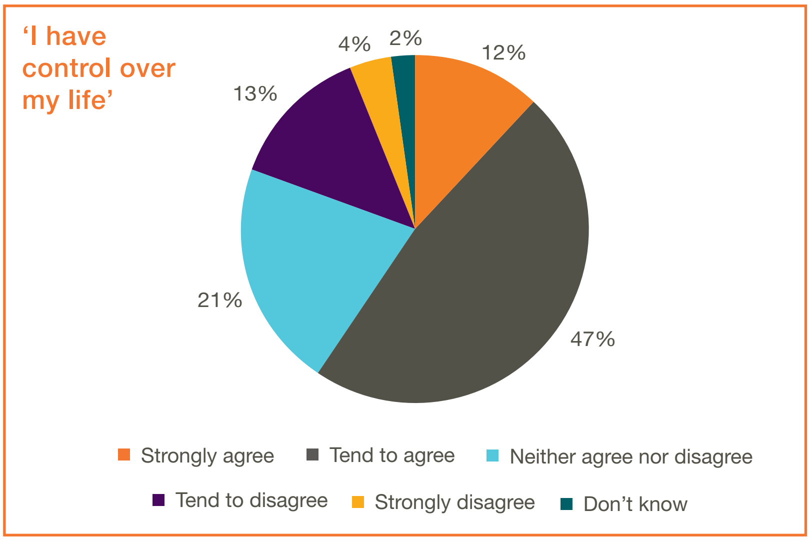


Figure 1.4
Agreement with the statement 'I have control over my life'



Obvious differences between employed and unemployed young people existed in the results for these questions, with 58 per cent of employed young people agreeing that they had control over their finances compared with 34 per cent of unemployed young people. The difference was larger for the statement 'I have control over my life' – at 58 per cent and 23 per cent respectively – highlighting the fact that unemployment can have far-reaching effects beyond financial insecurity.

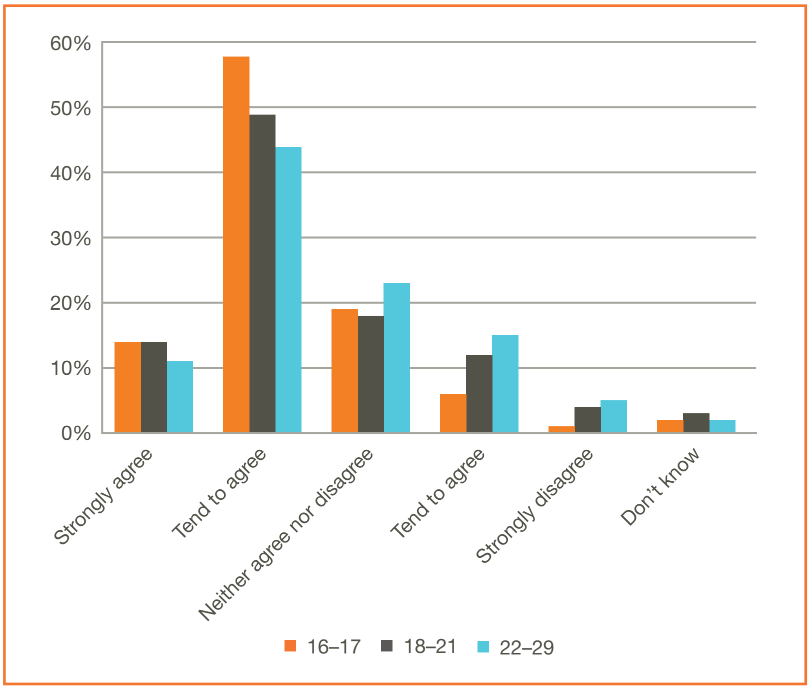
There is also a negative relationship between age and the likelihood of feeling in control of one's life (see figure 1.5 below).

These results can be contrasted with a study undertaken by the Children's Mutual in 2009[3] which assessed the degree to which young people aged 18 to 25 felt financially independent, and which explored a range of other areas related to the financial future of young people. Young people were asked to rate themselves according to how financially independent they thought they were, using a five-point scale. The largest proportion of

3 See http://www.thechildrensmutual.co.uk/PDF/Young_people_and_financial_independence.pdf

young people located themselves on the 'independent' side of the scale, with 47 per cent of men and 52 per cent of females choosing the independent option.

Figure 1.5
Agreement with the statement 'I have control over my finances', by age group



2. FUTURE

This section presents findings on the attitudes and expectations of young people looking forward, specifically how they compare their own prospects to their parents' at the same age and about their expectations concerning home ownership and future employment.

Parents

Only a minority of respondents felt that they would be better off than their parents: 28 per cent felt that their financial prospects were a little better or a lot better than their parents' were at the same age, while 44 per cent said they were worse to some degree.

Table 2.1
How do you feel your future financial prospects are compared to those of your parent(s) when they were your age?

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

On this issue, optimism was particularly low for the older group of young people, with only 21 per cent of 22–29 year olds feeling that their prospects were a lot or a little better than their parents'. This perhaps reflects the increasing pressure on this group, who are less likely to be living at home or to be students and more likely to have financial responsibilities.

There is a sense that this pessimism is something new, rather than a general tendency for people at the age when they are just setting up in life always to be a bit gloomy because of the pressures they face. This intergenerational inequity has been picked up by politicians, most notably by David Willetts in his book, *The Pinch*. Ed Miliband, during his 2011 party conference speech, said that for the first time younger generations did not feel positive about their future and felt they would do worse than their parents.[4] A combination of factors is likely to be contributing to this gloom: the recession and youth unemployment may be the main reasons, which would suggest that there might be some change of opinion should the economic situation improve. But other long-term factors could also contribute to this pessimistic view: changes to the university system, for example, may have a lasting impact on the attitudes of young people living in the UK.

Home ownership

A majority of respondents felt they would own their own houses in the future, with 62 per cent agreeing or strongly agreeing with the statement 'I will own my own house in the future'.

The employment status of respondents affected their feelings about home ownership. Unemployed respondents were more uncertain about whether they would own their own home, with 17 per cent saying they didn't know whether they agreed with the statement and 23 per cent neither agreeing nor disagreeing.

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

Figure 2.1
Agreement with the statement 'I will own my own house in the future'

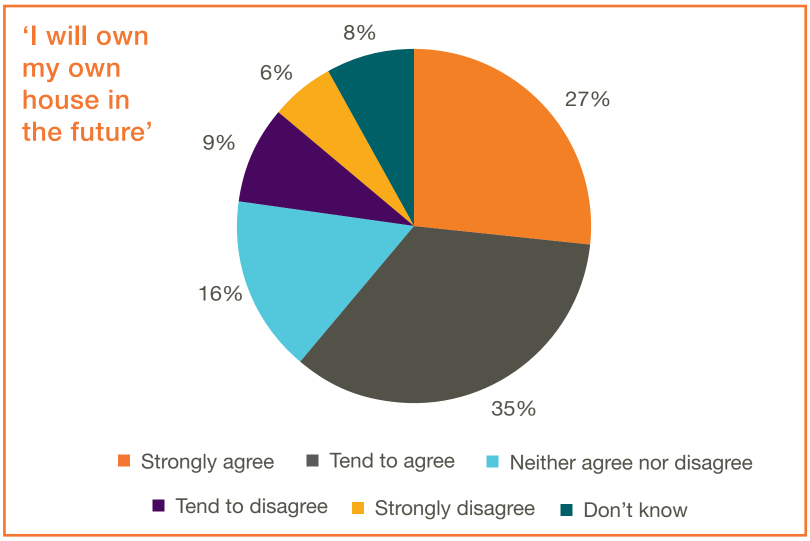
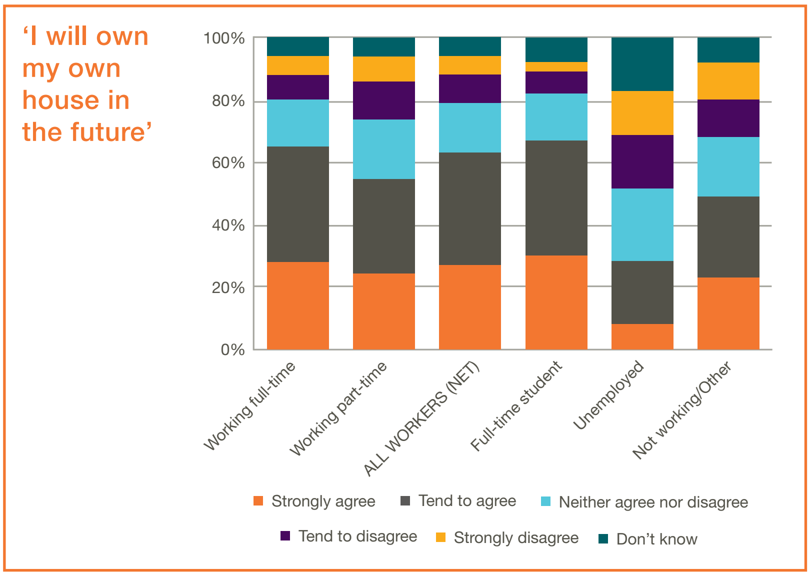


Figure 2.2
Agreement with the statement 'I will own my own house in the future', by employment status



This shows that despite the increasing difficulty young people face in purchasing a home, even the majority of those on low incomes still expect to be able to do so. This suggests that home ownership remains an important aspect of British culture. The 2009 Children's Mutual survey showed that over half of young people felt that buying a home is a requirement for financial security, which seems to underline the importance placed on home ownership among young people.

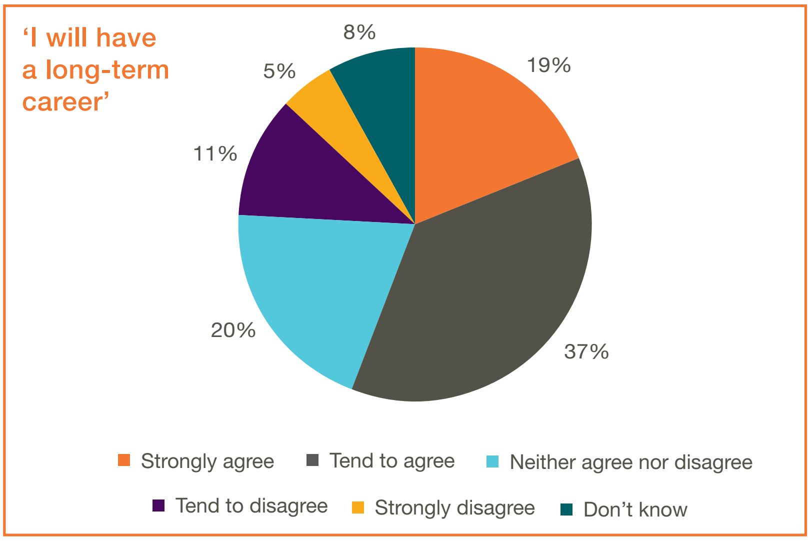
The RBS Money Sense Panel Report (2010)[5] finds that this is also true of British teenagers. It found that over half of 12–19 year olds expect to buy a house by the time they are 25 years old and 82 per cent by the time they are 30. As this is well above the current UK home-ownership rate, there is something of a paradox here: young people think they are generally less well-placed financially than their parents but are almost certainly overly optimistic about their chances of owning a home.

Career

Most respondents 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.

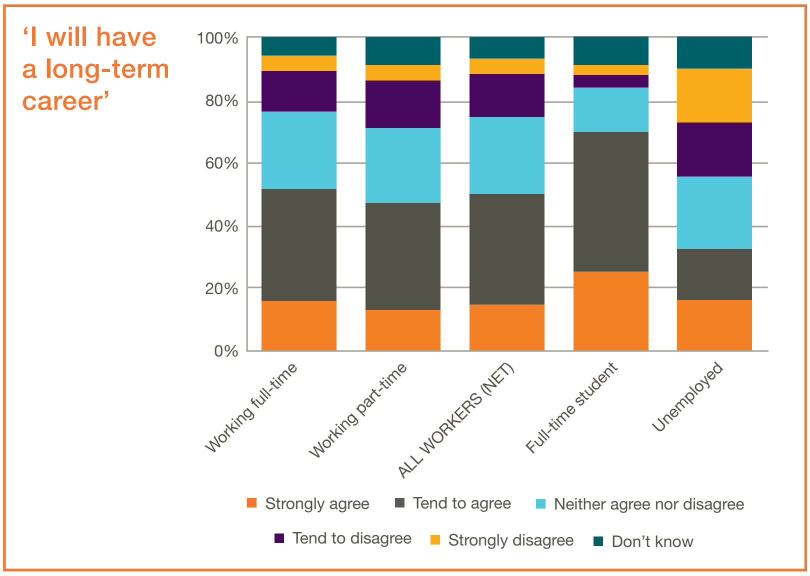
5 See http://www.rbs.com/microsites/MoneysenseResearchPanel/download/MoneySense_Panel_Report.pdf

Figure 2.3
Agreement with the statement 'I will have a long-term career'



Again, employment status affected the results. Unemployed respondents were the least positive, with 32 per cent agreeing or strongly agreeing with the statement. This can be contrasted with 46 per cent of part-time workers, 52 per cent of those in full-time employment and 70 per cent of full-time students.

Figure 2.4
Agreement with the statement 'I will have a long-term career', by employment status



Financial worries

Many respondents were worried about their financial future and ability to meet their obligations: 41 per cent of respondents tended to agree or strongly agree with the statement 'I often worry about my monthly costs', compared with 34 per cent who disagreed or strongly disagreed (see figure 2.5 below).

Again, the results correlate with employment status. Unemployed people worried the most, with 60 per cent agreeing or strongly agreeing with the statement, compared with 45 per cent of those in full-time employment and 33 per cent of students.

The majority of respondents felt that they would worry about money regardless of the effort they made, with 59 per cent of all respondents tending to agree or strongly agree with the statement 'Even if I work hard I will always worry about money', compared with 20 per cent who disagreed or strongly disagreed.

Figure 2.5
Agreement with the statement 'I often worry about my ability to meet my monthly costs'

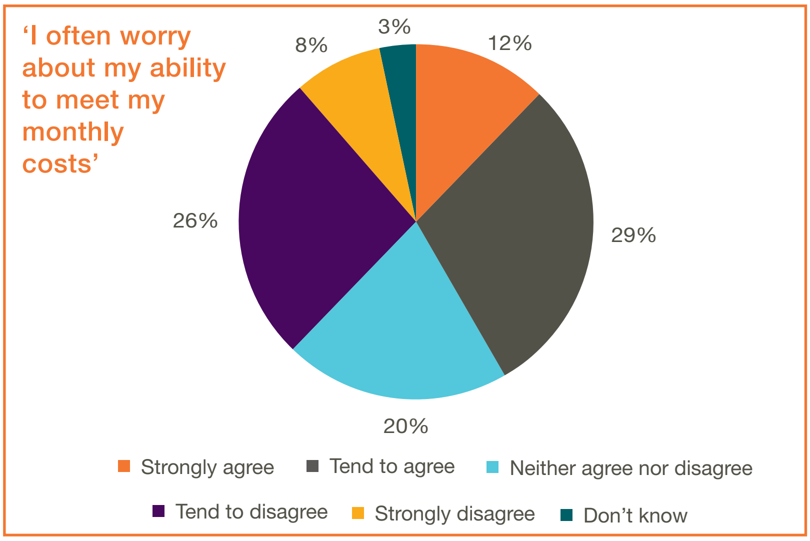
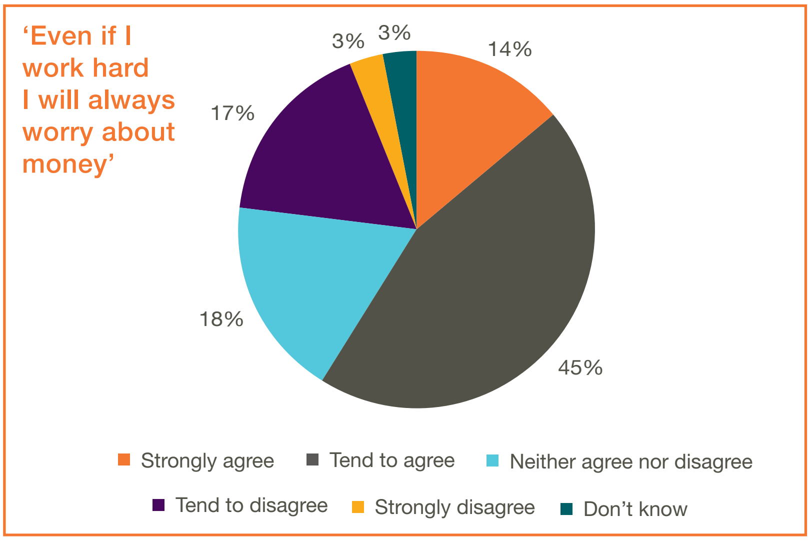


Figure 2.6
Agreement with the statement 'Even if I work hard, I will always worry about money'

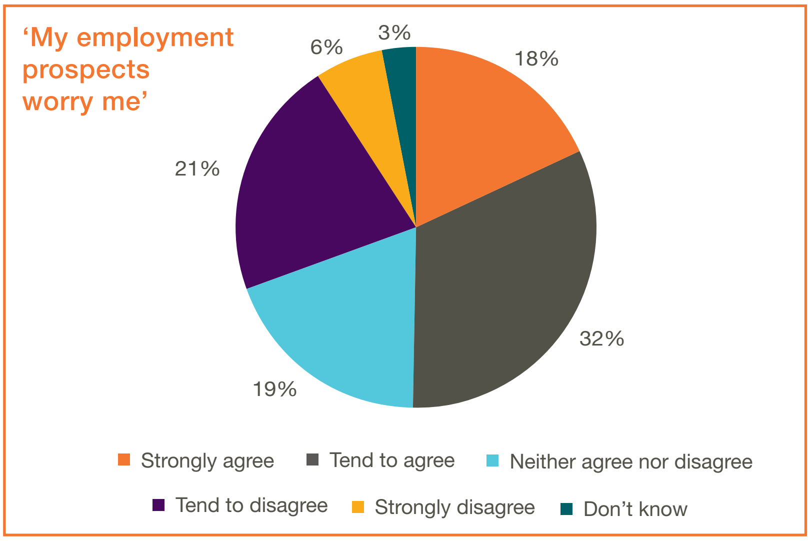


This response is affected by employment status but not to the same degree as other questions about the future. Of full-time workers, 62 per cent agreed or strongly agreed with the statement, compared to 67 per cent of part-time workers, 66 per cent of unemployed respondents and 52 per cent of students.

Half of the respondents were worried about their future employment, with 50 per cent tending to agree or strongly agree with the statement 'My employment prospects worry me', compared with 27 per cent who disagreed or strongly disagreed (see figure 2.7 below). When contrasted with the finding that most young people are optimistic about their longer-term careers, this suggests that younger people, although worried now, feel that things will get better. This may be because younger people view the recession and the challenges associated with starting a career as shorter-term barriers to be overcome.

Unsurprisingly, unemployed respondents were more worried about their employment prospects than employed respondents, with 73 per cent of that group agreeing or strongly agreeing with the statement, compared with 50 per cent of all workers. The results also show that part-time employees are more worried about their employment prospects than full-time workers, with 58 per cent of part time workers agreeing or strongly agreeing with the statement, compared to 48 per cent of full-time workers. This suggests that part-time work is viewed as being less secure than full-time work.

Figure 2.7
Agreement with the statement 'My employment prospects worry me'



3. SAVINGS AND DEBT

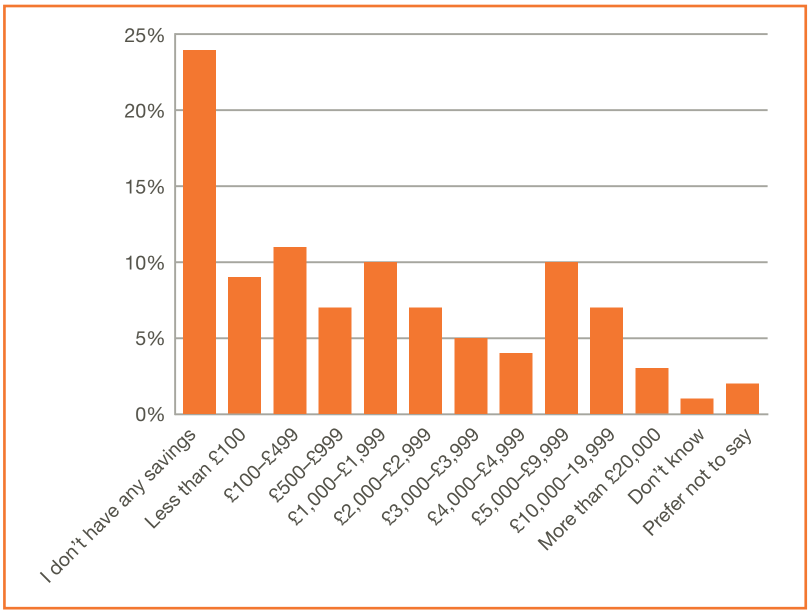
This section provides analysis of respondents' current financial situation, specifically assessing the amount of savings and debt held by young people.

Savings

Nearly a quarter of all respondents did not have any savings and an additional 10 per cent had less than £100 in total: overall, a third of all respondents had less than £100 in savings. Only 29 per cent had £3,000 or more and one in five with over £5,000.

This highlights the low level of savings held by young people. Financial advisers generally recommend holding a minimum of three months' worth of disposable income in savings in case of financial emergencies. The vast majority of young people on low incomes have not achieved this threshold.

Figure 3.1
Level of current savings



Level of savings was not correlated to income to any significant degree. There were differences found between different ages: 30 per cent of 22–29 year olds reported having no savings, compared to 19 per cent of 18–21 year olds and only 13 per cent of 16–17 year olds. This suggests the group least likely to be financially independent and receiving their own income is more likely to have their own savings.

Employment status also influenced the amount of savings: only 27 per cent of full-time workers had no savings, compared with 45 per cent of unemployed respondents. Interestingly, only 18 per cent of full-time students said that they did not having any savings, although this is likely to be partially down to differences in age, with many of those in this category likely to be still living at home with their parents.

There were some small differences between young men and women, with women having lower savings than men.

Young people living in the North and the Midlands were more likely to respond that they did not have any savings. For example, 29 per cent of respondents from the North reported having no savings compared with 19 per cent of those living in London and 20 per cent of those living in the South.

Figure 3.2
Level of current savings, by employment status

Figure 3.3
Level of current savings, by gender

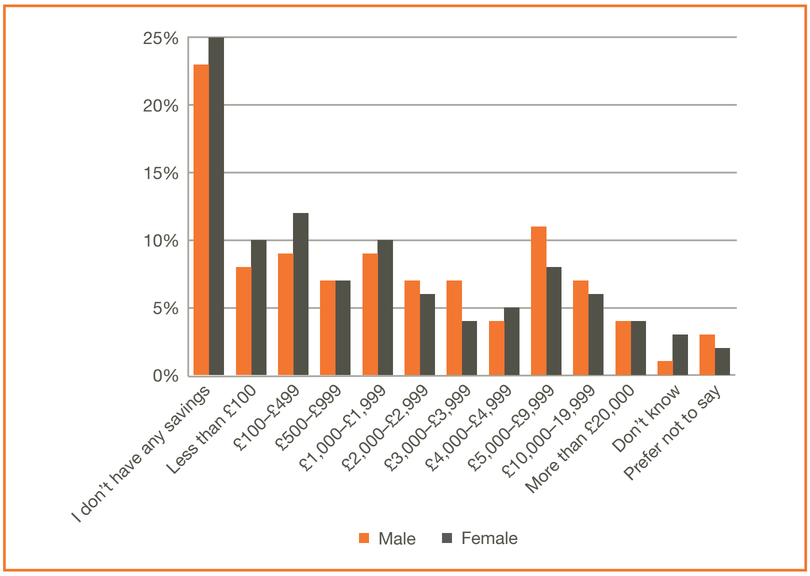
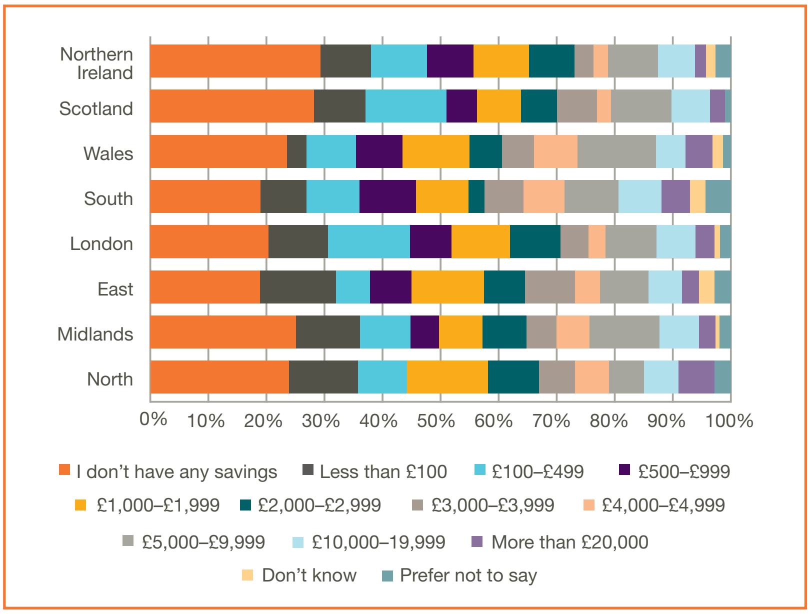
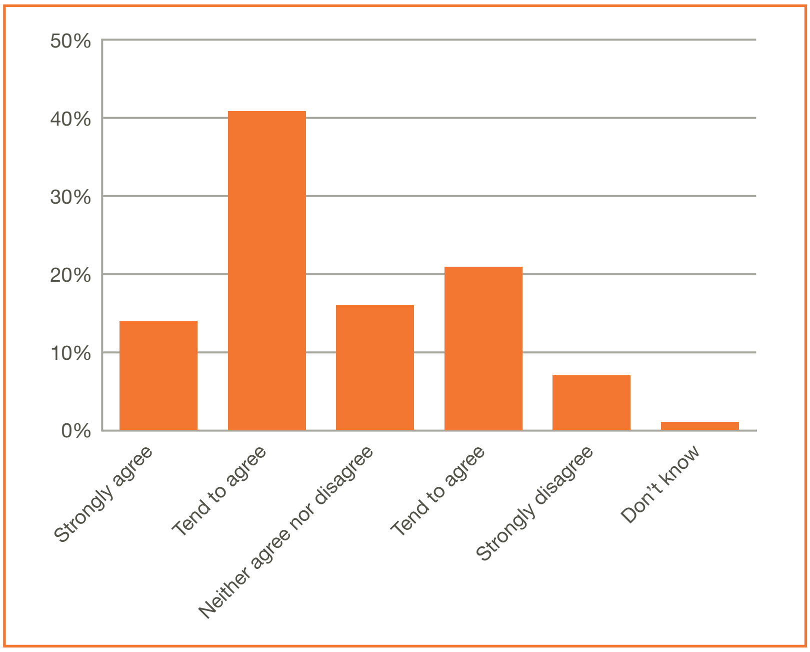


Figure 3.4
Level of current savings, by region



Despite having low levels of savings, many young respondents felt that they had saved for unexpected financial demands. Over half of the respondents agreed or strongly agreed with the statement 'I always make sure I have money saved for a rainy day'.

Figure 3.5
Agreement with the statement 'I always make sure I have money saved for a rainy day'



This is an apparently contradictory result, and suggests that young people are unaware of how much money they would need if, for example, they lost their job. This gap between perception and reality was also found in the FSA's financial capability survey (2006), which showed that 75 per cent of respondents reported that they ensured they had savings for a rainy day while nearly half of respondents did not in fact have any savings. It also found that this was worse for younger groups of people. This points to a lack of understanding among young people about the amount of finance required for their future and suggests that financial education could be an important aspect of any attempt to influence the savings behaviour of young people.

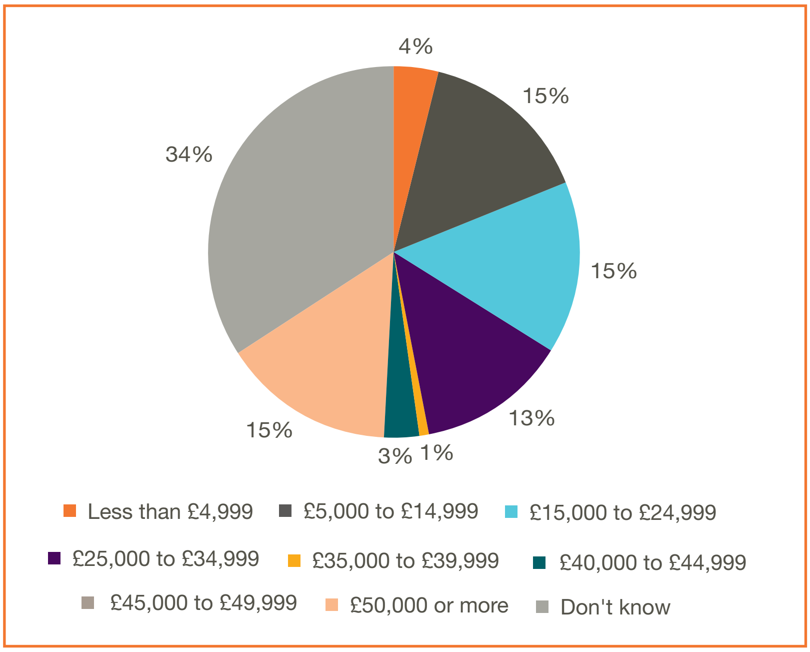
Differences between groups of young people were identified within the results. In particular, unemployed young people were less likely (38 per cent) to say that they saved for a rainy day, compared with over half (53 per cent) of workers. Again, there were no significant differences between young people on different incomes, suggesting that income per se does not play a strong role in shaping savings behaviour.

A lack of understanding as to what savings are needed is also reflected in the findings on expected savings required for the future. Respondents were asked to estimate how much savings they would need at the age of 30, assuming they needed to save for their pension, a deposit on a home and future social care costs (see figure 3.6 below). Worryingly, the most common answer was 'don't know', with 34 per cent of respondents selecting this option.

Most of those who did suggest an appropriate amount tended to underestimate their likely needs. The average property bought by a first-time buyer is around £120,000, according to the Halifax house price index,[6] so with lenders now requiring a 20 per cent deposit, around £25,000 is needed to buy a house, before pension and other savings are taken into account.

6 See http://www.lloydsbankinggroup.com/media1/economic_insight/halifax_house_price_index_page.asp

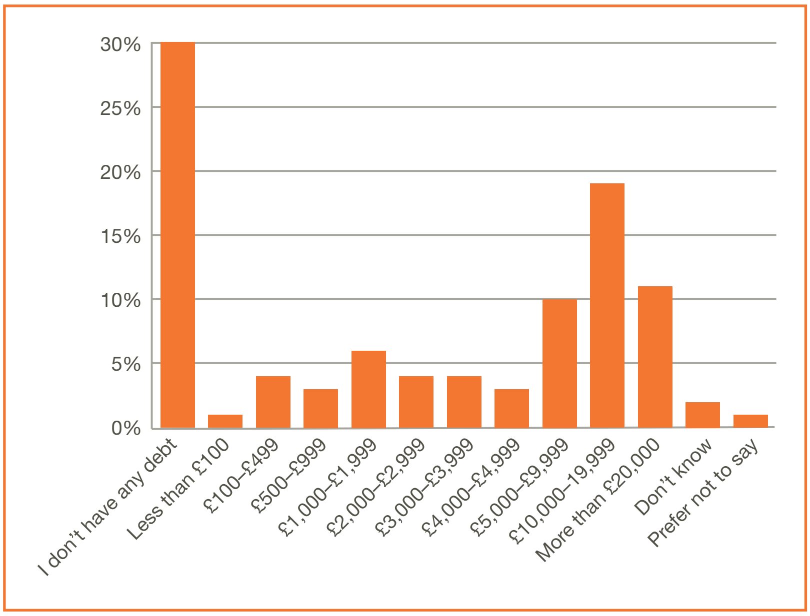
Figure 3.6
Level of savings required at age 30



Debt

Nearly a third of young people (30 per cent) do not have any debt, but the same proportion have debts of over £10,000. One in 10 young people has debts of between £1,000 and £10,000.

Figure 3.7
Level of debt held by young people

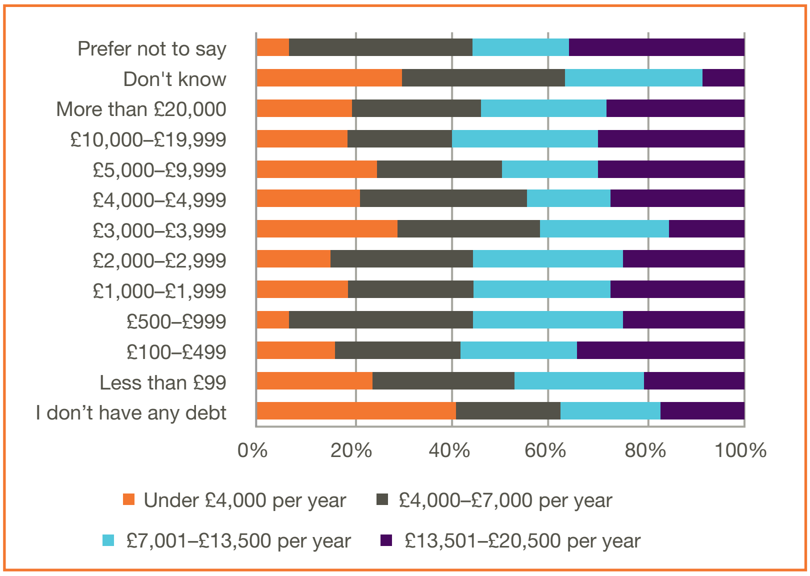


Understandably, this is greatly affected by age group. Of respondents aged 16– 17, 85 per cent did not have any debts, whereas only 26 per cent of the 18–21 group and 19 per cent of the 22–29 group were debt free. This reflects the increasing likelihood of younger people requiring debt as they leave home, go through university, and make large purchases.

The results do not show significant differences in relation to employment status but, interestingly, the amount of debt held is related to income levels of young people. Higher earners were more likely to have debt, with 43 per cent of those earning below £4,000 a year reporting that they did not have debts (this will mainly be the younger age group), compared with 18 per cent of those earning £13,501–£20,500.

This is likely to be affected by the likelihood that lower earners are in the younger groups and that higher earners have greater eligibility for receiving credit.

Figure 3.8
Level of debt held by young people, by income



Levels of debt held were also affected by the number of children respondents had. Of the young people without children, 19 per cent did not have any debt – by stark contrast, 44 per cent of those with one child, 67 per cent of those with two children and 52 per cent of those with three children were debt free. This suggests that having children may result in more cautious financial behaviour – though it is also possible in some cases that having debt acts as a constraint on starting a family.

4. RESILIENCE

Respondents were asked about how they would make ends meet if they became suddenly unemployed.[7] A number of suggested options were given, as well as the opportunity to select 'other' and nominate an individual response. Respondents were allowed to select more than one answer.

Table 4.1
Making ends meet in the event of unemployment

Response	
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, bank loan etc)	5%
Other – nominated responses	3%
Claim on insurance policy	2%
Borrow against home/re-mortgage/increase mortgage on home	2%

Young people claim they would be more likely to rely on money they have already saved and a reduction in their outgoings to cope. Only one in five says they would use a credit card or overdraft, only 5 per cent said they would take out a loan, and only 2 per cent would borrow against a home in order to make ends meet. This seems to indicate a preference for more financially beneficial approaches to coping with a loss of income, with many saying they would opt to avoid the costly interest accrued on debt. However, their ability to rely on their own savings is questionable when considering that only one in five has savings of over £5,000.

This concurs with a previous study undertaken by the Financial Services Authority (FSA) of financial capability in 2006.[8] It found that 84 per cent of respondents (not just young people) strongly agreed or tended to agree that they would rather cut back on spending than accumulate debt on a credit card.

Surprisingly, only a third of respondents in our survey said they would claim social security benefits, suggesting that they felt optimistic that they would be unemployed for only a short period of time or that they would prefer to rely on other sources of income. However, this response was more popular among the older group, with 40 per cent of those aged 22–29 reporting that they would claim benefits.

Over a quarter of respondents said they would rely on help from friends and family in the case of unemployment. In 2008, the Children's Mutual undertook a survey of young

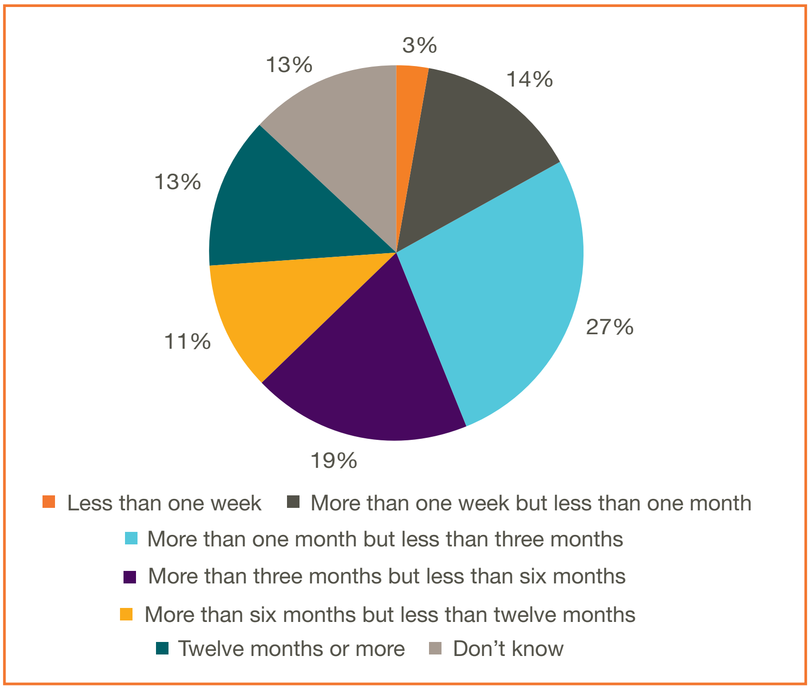
7 Respondents who were currently not in work were asked about what they had been doing to make ends meet.
8 See http://www.fsa.gov.uk/pubs/other/fincap_baseline.pdf

people aged 18–25 and their parents which asked some relevant questions in this area.[9] It found that over 60 per cent of the 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. This suggests personal relationships are an important source of support for many young people and that this is an expectation of both young people and their parents.

In our survey, results did not vary markedly between income groups, suggesting income is not a factor in determining responses to unemployment. Other responses nominated included selling possessions, relying on a partner's income and moving back into the family home.

Respondents were also asked how long they thought they could make ends meet should they become unexpectedly unemployed. The results showed that 44 per cent of young people felt they would last less than three months after which they would be unable to make ends meet.

Figure 4.1
Making ends meet in the event of unemployment, by time

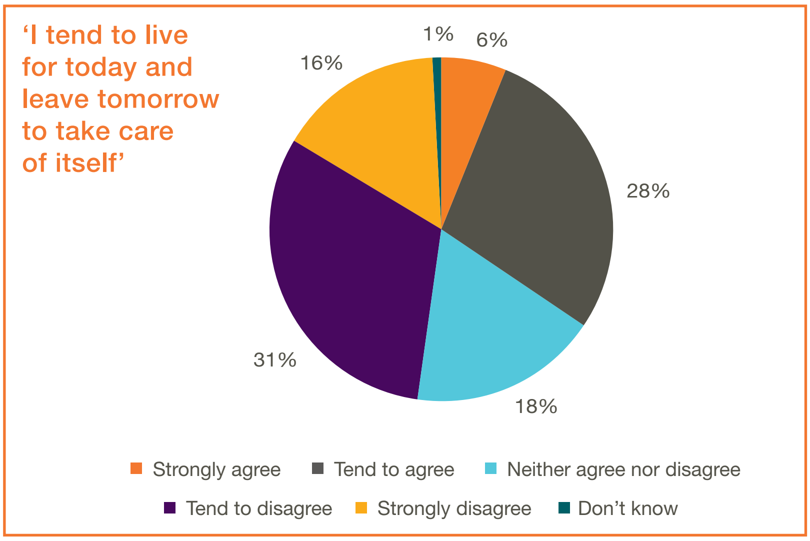


9 See http://www.sirc.org/publik/trust_fund_generation.pdf

5. ATTITUDES TO SAVING

General attitudes towards saving were mixed. When asked to what extent they agreed with the statement 'I tend to live for today and leave tomorrow to take care of itself', 34 per cent of respondents agreed or strongly agreed, compared with 47 per cent who disagreed or strongly disagreed, showing an overall tendency to think about the future.

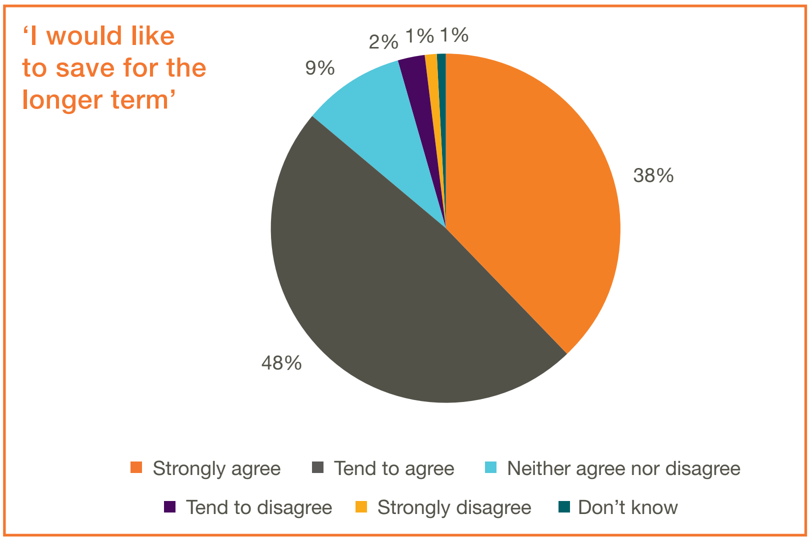
Figure 5.1
Agreement with the statement 'I tend to live for today and leave tomorrow to take care of itself'



Having children had little effect on whether respondents agreed or disagreed: 43 per cent of those with children disagreed or strongly disagreed with the statement compared with 49 per cent of those without children. As in the discussion of debt levels above, this could reflect the greater levels of responsibility felt by parents, who feel they need to provide security for their children, though the gap between response rates is small.

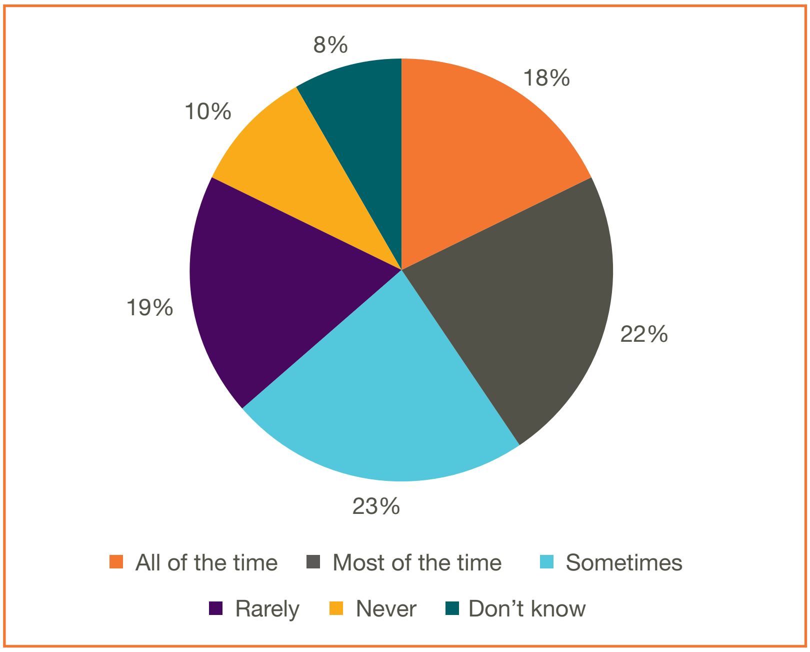
The vast majority of respondents (86 per cent) want to save for the longer term.

Figure 5.2
Agreement with the statement 'I would like to save for the longer term'



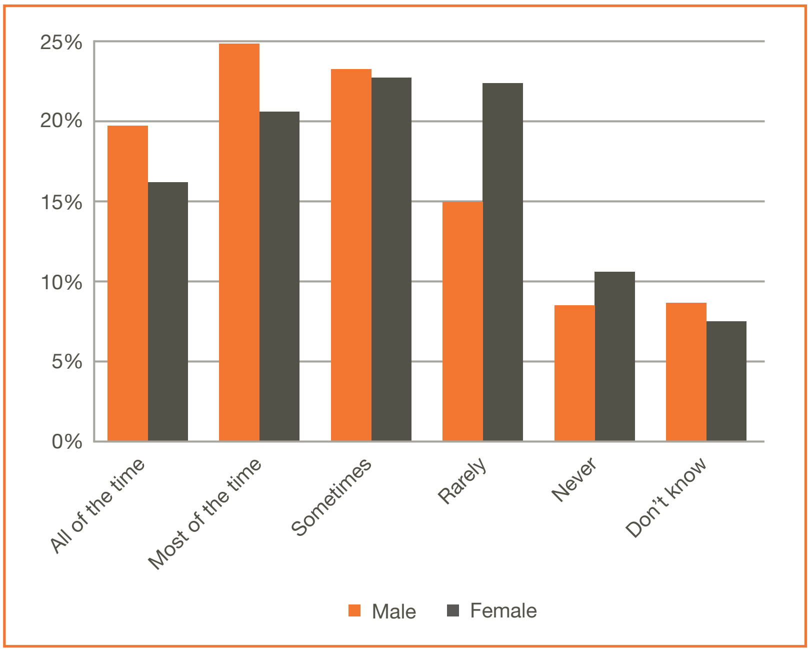
The proportion of respondents who reported having money left over at the end of the week after all expenses had been paid out was split fairly evenly between those that do all of the time, most of the time, sometimes and rarely, but with one in 10 saying this never happened.

Figure 5.3
Responses to the question 'How often do you have money left over at the end of the week after all expenses are paid?'



Men were slightly more likely than women to have money left over at the end of the week.

Figure 5.4
Responses to the question 'How often do you have money left over at the end of the week after all expenses are paid', by gender



Income did not show any clear effect on this but employment status did, with only 19 per cent of unemployed respondents saying they had money left over all or some of the time, compared with 41 per cent of all workers and 45 per cent of full-time students.

Most young people worry about their monthly costs (see figure 5.5 below). On this point, more women than men reported worrying, with 46 per cent strongly agreeing or tending to agree, compared to 38 per cent of men.

A majority of respondents (57 per cent) felt that they were less likely to save as a result of the financial crisis of the past three years. This was mostly because they have less money to save or because interest rates are so low, but one in 10 also felt that it was because they had reduced trust in financial institutions. A greater proportion of unemployed young people (84 per cent) felt that they were less likely to save as a result of the financial crisis – unsurprisingly, the most significant reason given for this was a lack of resources, with 46 per cent saying it was because they were less well-off. It is likely that many of the unemployed respondents may have lost their jobs as a result of the financial crisis, which perhaps explains the higher response rate.

Figure 5.5
Agreement with the statement 'I often worry about my ability to meet my monthly costs'

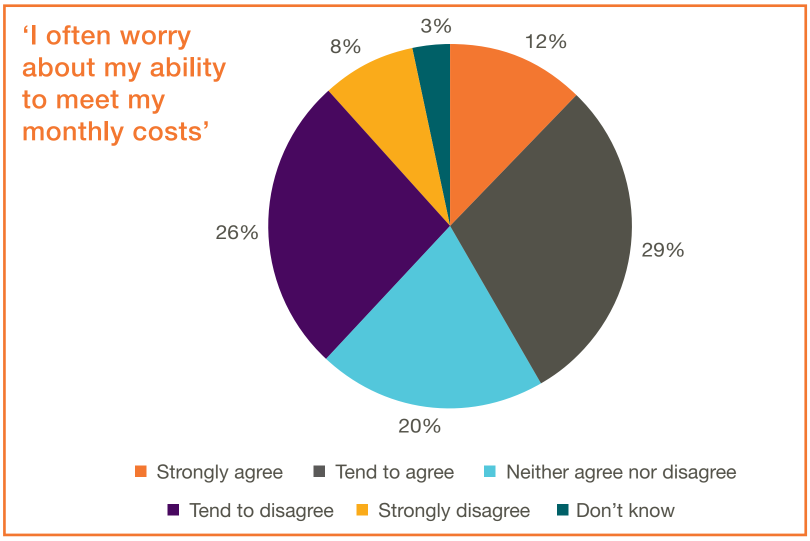


Table 5.1
Effects of the financial crisis on savings behaviour

Effect on saving	
No effect – the crisis has not changed my attitude towards saving	29%
I am less likely to save because I am less well-off	26%
I am more likely to save because the outlook is more uncertain	24%
I am less likely to save because interest rates are so low	20%
I am less likely to save because my trust in financial institutions has diminished	11%
Don't know	5%
Other	1%

A range of reasons were given for not saving, with lack of affordability and high outgoings being the main ones (see figure 5.6 below). One in 10 respondents felt that they did not want their money tied up in different accounts in case they needed to use it, and a further 14 per cent felt that there were not enough incentives to save. This suggests that although a lack of money is the main reason (because of either reduced income levels or increased costs of living), the way savings accounts are designed could also be a factor in encouraging younger people to save.[10]

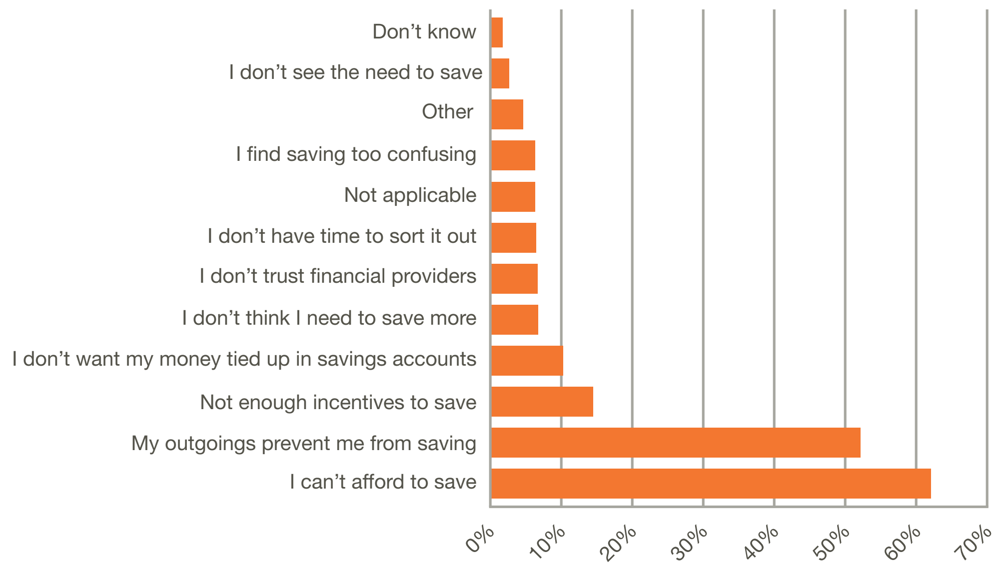
On this issue, responses were related to age group, with 39 per cent of 16–17 year olds blaming a lack of affordability, compared with 58 per cent of 18–21 year olds and 70 per cent of 22–29 year olds. The youngest group was instead slightly more likely to report that they did not understand financial products or that the question was not applicable to them. This may be a result of the likelihood that the younger group have no income from employment and so feel that this is less of a factor in their decisions about saving.

These results broadly match those found by National Savings & Investments (NS&I) when it used to ask a similar question in its savings surveys. The last time it asked such a question – in the summer of 2009 – it found that just over half of all respondents (all age groups) said the main thing stopping them from saving more was 'I can't afford to save; my outgoings prevent me from saving'.[11]

10 For more information on designing savings accounts see Dolphin T (2010) *Designing a life course savings account: How to help low to middle income families save more*, London: IPPR. http://www.ippr.org/publications/55/1839/designing-a-life-course-savings-account-how-to-help-low-to-middle-income-families-save-more

11 See http://www.nsandi.com/files/asset/pdf/savings_survey_summer09.pdf

Figure 5.6
Reasons given for not saving



In our survey, respondents were most likely to think about saving when they had money left over (36 per cent), when they had something specific they wanted to purchase (31 per cent) or when they had just been paid (29 per cent). One in 10 respondents did not feel there was a specific time they would think about saving or did not think about saving at all, and only 12 per cent already had a direct debit set up that made regular payments into a savings account. This indicates an approach to savings where specific events and purchases motivate savings behaviour.

Table 5.2
Responses to the question 'When are you most likely to think about saving?'

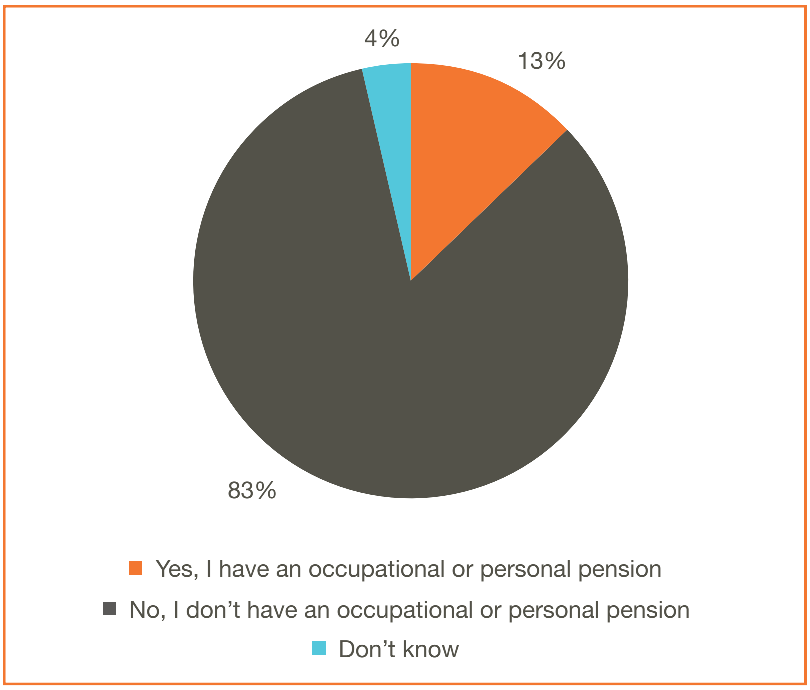
Response	
When I have paid off all of my bills and have some money left over	36%
When I want to buy something specifically	31%
When I have just received my income each week/month	29%
When I have an occasion such as a birthday or Christmas coming up	28%
Just before I get my next lot of income	12%
When an emergency comes up	12%
I have a direct debit set up to go into my savings account on a regular basis	12%
Not applicable – I am not more likely to save at any particular time / I don't think about saving	10%
Other	5%
Don't know	4%

The vast majority of unemployed young people felt that lack of affordability was the main reason for not saving, with 80 per cent listing this as a reason compared with 63 per cent of all employed respondents. Despite this, income level did not seem to affect the reasons put forward for not saving.

6. PENSIONS

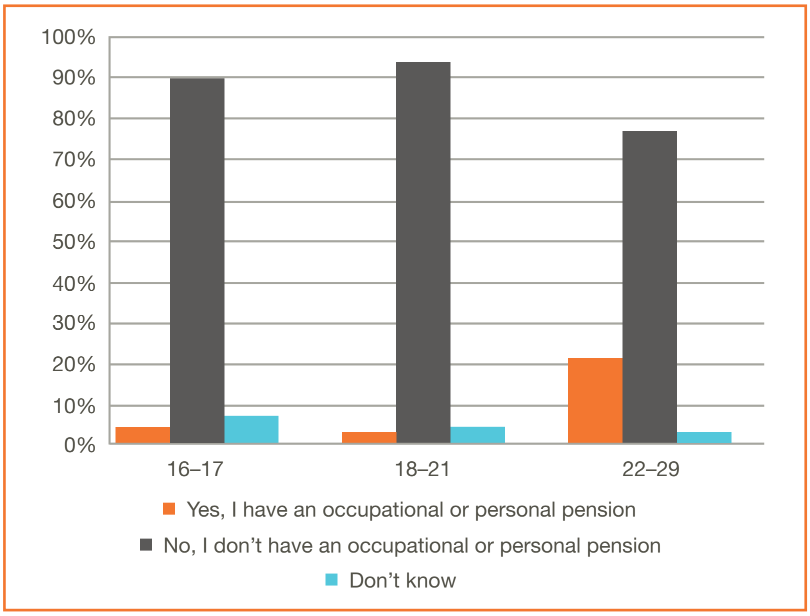
The vast majority of young people did not have pensions, with only 13 per cent reporting that they or their employer paid into a personal or occupational pension.

Figure 6.1
Uptake of occupational or personal pensions



Differences were found between age groups, with those in the 22–29 group being more likely to have a pension. Nevertheless, four in five of this group did not.

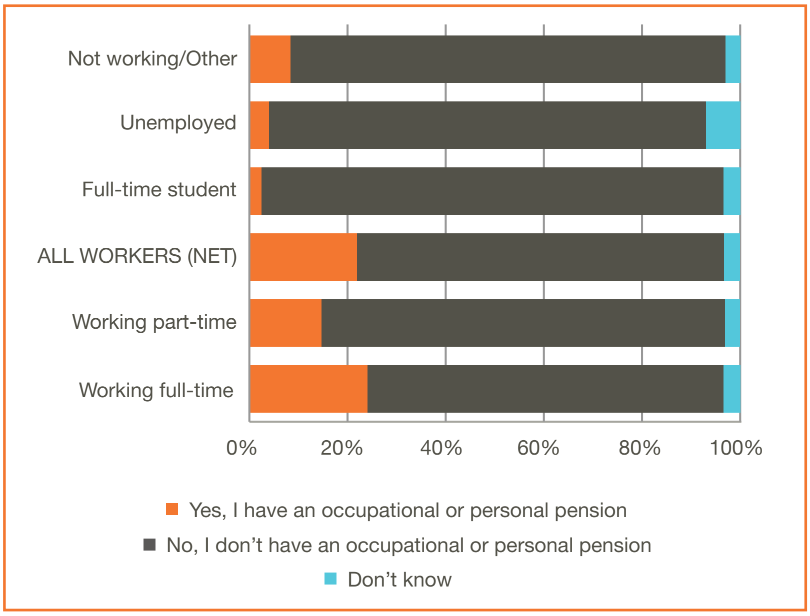
Figure 6.2
Uptake of occupational or personal pensions, by age group



These results strongly correlate with income, with only 2 per cent of those with an annual income of less than £4,000 having a pension, compared with 8 per cent on £4,000–£7,000, 15 per cent on £7,000–£13,500 and 33 per cent of those earning £13,501–£20,500.

The results also correlate with respondents' employment status – for example, 22 per cent of all workers reported having a pension, compared with just 2 per cent of students and 4 per cent of those unemployed. This highlights the important role employment plays in providing or helping to fund pensions.

Figure 6.3
Uptake of occupational or personal pensions, by employment status



A range of reasons were given for not having a pension. The most common reason (41 per cent) was not having a job or being in a job for a short period of time. Almost one in five reported that they were not eligible or that their employer did not offer a pension, which suggests that auto-enrolment may be an important step towards raising the number of young people with pensions.

Table 6.1
Reasons given for not having a pension

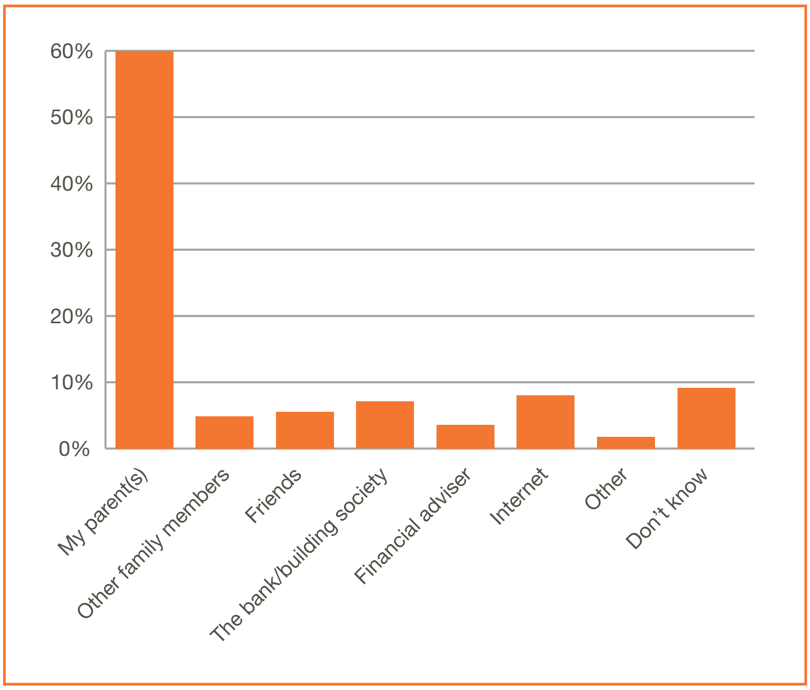
Response	
Don't have a job/haven't worked for long enough	41%
Can't afford to/don't earn enough/income too low	30%
Haven't thought about it/haven't gotten around to it	25%
Not eligible/employer hasn't or doesn't offer a pension scheme	19%
Too many debts/bills/financial commitments	14%
Other	8%
Don't know	7%
Am relying on state pension	5%
Don't think I will live long enough to need one	4%
Am relying on financial support from family	2%
Am relying on partner's pension (including ex-partner)	1%

Other reasons put forward were fear that pensions would not be there when retirement age was reached, being too young, and preferring other methods of investment.

7. SAVINGS ADVICE AND INFLUENCE

The survey also asked young people what influenced their spending behaviour. Parents were listed as the most likely source for advice, listed by almost two-thirds of respondents. The internet (8 per cent), bank or building society (7 per cent) and friends (6 per cent) received far fewer responses.

Figure 7.1
Sources of savings advice



This highlights the strong financial role parents play in the lives of young people. Some differences between groups can be identified. For example, the 22–29 year old group relied far less on parental advice (51 per cent), with the internet playing a slightly larger role (11 per cent), likely as a result of greater general independence at this age. Reliance on parents for advice was also related to income, with lower incomes reporting greater reliance (see figure 7.2 below).

Respondents were asked to list the websites they used to source advice on financial issues from. Money Saving Expert[12] was by far the most commonly named site, with many others simply saying 'Google'.

The vast majority of respondents (74 per cent) felt that their parents or other family members had been very or fairly influential in their approach to savings, with only 6 per cent saying that they had not been influential at all (see figure 7.3 below).

When asked the same question about how influential friends had been, only 19 per cent felt that they had been very or fairly influential, which suggests that peer groups do not have as significant an impact on the savings behaviour of young people.

Figure 7.2
Sources of savings advice, by income

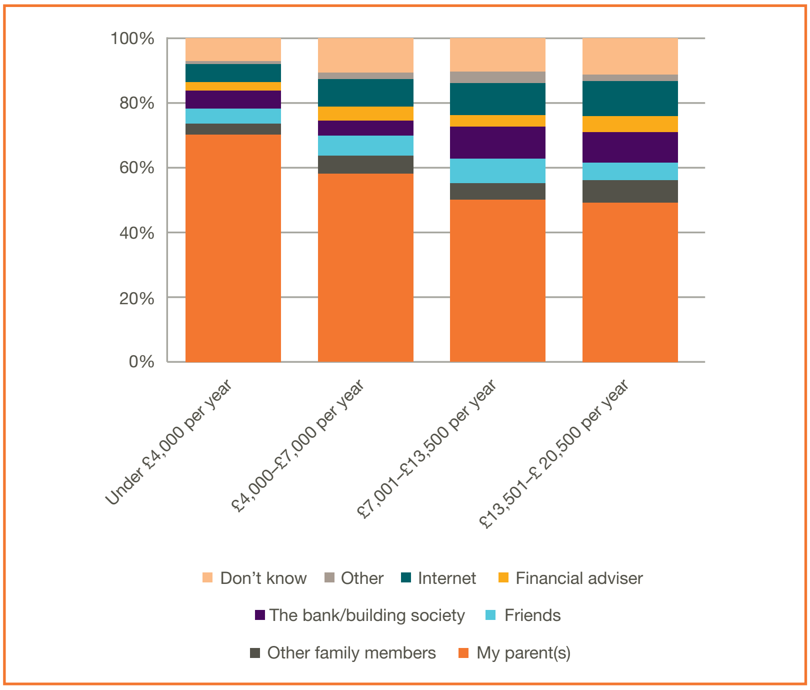
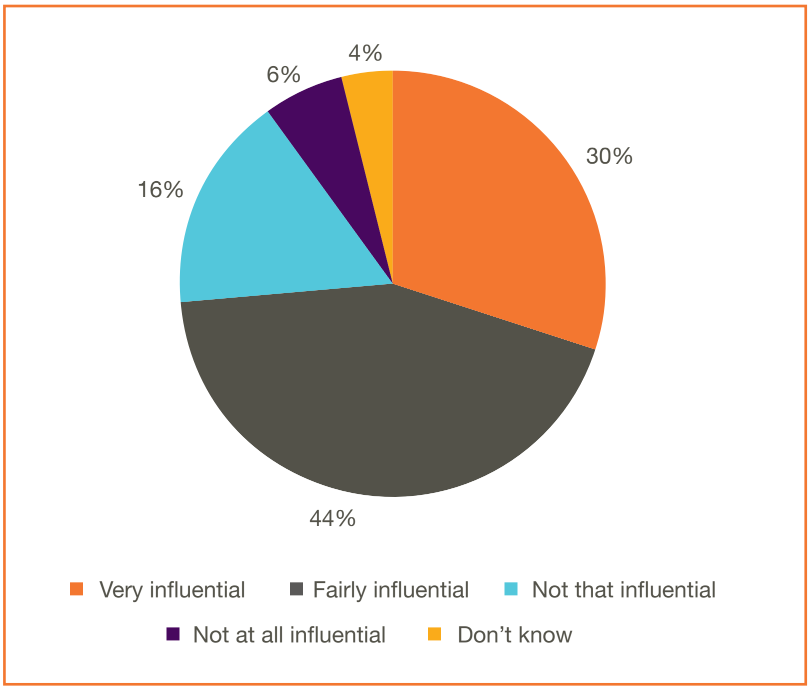


Figure 7.3
Influence of parents and family on savings



When asked about the impact of TV or radio advertising on savings behaviour, 78 per cent of young people felt that it had no impact at all. Only 4 per cent reported that it had made a difference to their behaviour and 6 per cent that it had led them to take up a specific savings product or account. Again, the impact of media on savings behaviour is seemingly very limited, which suggests that attempting to increase the extent to which young people save would be better directed through parents rather than advertising or media campaigns. Another approach would be to ensure that any such messages are delivered in a more effective way in order to have a greater impact on savings behaviour.

CONCLUDING THOUGHTS

The findings from our poll suggest that while young people on low incomes feel they have some control over their lives and finances, they are not as a group financially secure. They worry particularly about their job security and meeting costs, and the recent recession appears to have exacerbated these worries. There is also evidence to support the view, now prevalent in political circles, that young people feel they will be less well-off than their parents' generation. However, when it comes to the specific question as to whether they will own a home, young people appear if anything to have unrealistically optimistic expectations.

Income appears to make little difference to young people's attitudes (remembering that all the people surveyed had incomes at or below the national average). What does make a big difference is being employed or unemployed. Unemployed young people are far more pessimistic about their futures, both in a general sense and in the specific cases of having a career and owning a home.

One of the key findings from this poll is the huge gaps between the savings young people on low incomes actually have, their perceptions of what they need and the reality of what is adequate. Although the majority of young people say they have money saved for a rainy day, just one in five young people on low incomes has more than £5,000 in the bank. In fact, almost one in three 18–29 year olds earning less than £21,000 a year has no savings or savings of less than £100. The poll suggests that, although they are confident that they could make ends meet by using their savings or cutting back on their spending, very few young people have the reserves they would actually need if they were made redundant. With youth unemployment high and rising, young people are more vulnerable than they realise.

The polling also suggests that young people on low incomes are not preparing adequately to meet longer-term financial demands, such as raising a deposit for a house or saving for old age. Once again, there is a large gap between what young people think is adequate and what they actually should be saving. This is particularly worrying in light of the increasing need for individuals to save, with the government rolling back public expenditure and mortgage companies requiring larger deposits to secure home loans.

Therefore it is critical that we think of new and effective ways to influence young people's attitudes towards saving and their approach to securing their financial futures. Education will have to be a major part of this, given the evident gap between what people think they need to save and what they actually should be saving, The evidence from this polling suggests that by far the strongest influence on young people's savings behaviour is their parents, and this might offer the best route to success.

Advertising appears to have little influence on people's savings behaviour. Nor is there any evidence to suggest they are likely to take the initiative to increase their savings. Saving is a 'residual activity' done at the end of the month if there is any money left, which often there is not. Changing savings behaviour will therefore have to involve changing the status of saving so that it is given greater priority. Auto-enrolment may not be an option for forms of saving other than pensions, but other ways of 'nudging' young people to save need to be explored.