PRESS RELEASE

10/03/2016

The Halifax Generation Save Report is a new research series providing insight and in-depth analysis into the attitudes and behaviour of savers, focusing on those aged 18-24. This major report contains data from over 5,000 UK adults.

Generation Save: The future is bright for savvy young savers

- Three quarters of 18 to 24 year olds are most likely to save any spare money, compared to just two thirds of the population on average
- Of 18 to 24 year olds, less than one in five were aware of the new Personal Savings Allowance and Flexible ISA
- Almost half of 18 to 24 year olds believe they will save more as a result of the Personal Savings Allowance, and two fifths as a result of Flexible ISA

According to the latest research from Halifax, a new generation of trendsetting savvy savers is emerging, in spite of seven years of low interest rates and the lowest household savings ratio[1] since records began.

Halifax's Generation Save report shows that while significantly fewer 18-24 year olds were aware of the new flexible ISA and Personal Savings Allowance (17 per cent and 18 per cent respectively compared to 46 per cent and 49 per cent nationally), it is the young savers who seem much more positive about the impact of these initiatives launching on 6th April after reading about what they are. Almost half (48 per cent) of 18-24 year olds are likely to save more due to the introduction of the Personal Savings Allowance, versus an national average of just over a fifth (23 per cent). Two fifths (40 per cent) of 18-24 year olds are likely to save more due to the introduction of the new flexible ISA, versus an national average of just one in five (20 per cent).

Tax free savings

As part of the introduction of the Personal Savings Allowance, all interest on savings will be paid gross, with basic rate tax payers being able to save £1,000 of interest before being required to pay any tax. It is thought that this change will mean 95 per cent of UK taxpayers have no tax to pay on their savings in the 2016 Tax Year[2]. Furthermore, Halifax is one of the providers that will be offering a new flexibility on all of its new and existing easy-access ISAs, allowing savers to deposit, withdraw and replenish funds without it counting towards their annual tax-free savings allowance.

The Generation Save report indicates a number of areas where young savers (18 to 24 year olds) have better saving habits than their elders:

- Three quarters (75 per cent) are most likely to save any spare money they have, compared to fewer than two thirds of the nation as a whole (63 per cent).
- Almost a quarter (23 per cent) prefer to lock their money away (e.g. in a fixed term savings account), more than any other age group of savers.
- Of this group, just over four fifths (81 per cent) state that it helps them to save more money, compared to just under three fifths (59 per cent) of the general population.
- Just under two fifths (37 per cent) state their main reason for saving is to meet a long term goal, more than any other age group.

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When it comes to what they are saving for, younger people are very goal-focused, with half (50 per cent) of savers aged 18-24 saving for a specific savings goal (e.g. a car or a holiday) and 41 per cent saving to buy their first home.

Giles Martin, Head of Halifax Savings said: "While it's really reassuring to hear that a strong savings habit is clearly present amongst the younger generation, it's very important that these inexperienced savers are taking advantage of what is available to them across the market.

"This means understanding the rate of savings interest they are getting, and seeking out alternatives where they could be getting a better deal. It's also important that all savers, irrespective of age, make sure they understand the changes that are launching in the new tax year, which have been designed to help make their money work harder for them."

Despite common misconceptions about the perceived value of money by younger generations and readily available 'cheap credit', fewer 18 to 24 year olds now have a credit card than the nation on average. (27 per cent vs 68 per cent). In fact, it is the oldest age range, the 55 and overs, who are most likely to own a credit card, with nearly four fifths (79 per cent) admitting to doing so.

The younger generation is much less inclined to spend using any form of credit. Half (50 per cent) of 18-24 year olds would save up for a high value, non-essential item (e.g. holiday/ipad). This is compared to just 33 per cent of the general population, and a quarter (26 per cent) of those aged 55 and over.

Meanwhile, only five per cent of 18-24 year olds would put such an item on a credit card, 10 per cent less than the national average. The same goes for unexpected expenses, with less than one in 10 (8 per cent) of 18 to 24 year olds saying they would resort to using plastic to pay for these, compared to 17 per cent of the general population.

Knowledge is power

While it seems that the younger generation is making a number of sensible choices, they remain the least knowledgeable about the savings market.

Nearly three in five (59 per cent) 18 to 24 year olds believe that they are good at saving. However, just under a third (32 per cent) believe they know enough about savings accounts to make informed decisions, compared to a national average of half (51 per cent) of savers nationally.

Likewise, only 44 per cent of 18 to 24 year olds know the interest rate of their main savings account, fewer than the general population (58 per cent). Conversely, when asked what is important to them when it comes to saving, more 18 to 24 year olds cite a high interest rate. (29 per cent vs national average of 26 per cent)

Fewer young savers aged 18 to 24 (21 per cent) have moved their savings into a new account that pays a higher rate, compared with the national average of 42 per cent. Over half (57 per cent) of 18 to 24 year olds believe they would be encouraged to save more into their accounts in the event of an interest rate rise, compared to just over two fifths (42 per cent) nationally.

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All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 5,055 adults. Fieldwork was undertaken between 15th and 18th February 2016. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

(Generation Save Infographic attached in separate PDF)

1. Source: ONS Household savings ratio: 4.75 per cent in 2015 (code: NRJS).

2. Source: Chancellor George Osborne's Budget 2015 speech 18 March 2015.

Table 1: Paying for a non-essential item

Which one, if any, of the methods shown below would you be most likely to use to pay for a high value, non-essential item (e.g. a holiday, iPad, etc.)	**Total**	**18-24**	**25-34**	**35-44**	**45-54**	**55+**
I would use my existing savings	15 %	11 %	10 %	12 %	12 %	23 %
I would save up specifically for this	33 %	50 %	37 %	34 %	35 %	26 %
I would use a credit card	15 %	5 %	18 %	17 %	16 %	16 %
I would use a loan	1 %	1 %	4 %	1 %	1 %	1 %
I would use money from my current account	20 %	21 %	20 %	21 %	18 %	21 %
I would use another method	4 %	2 %	6 %	3 %	5 %	3 %
Don’t know	10 %	11 %	7 %	12 %	13 %	9 %

Table 2: Level of savings expertise

Which one, if any, of the following statements best describes your understanding of the different types of savings account available to you?	**Total**	**18-24**	**25-34**	**35-44**	**45-54**	**55+**
I consider myself an expert	2 %	1 %	4 %	2 %	2 %	2 %
I take a keen interest and keep up-to-date with changes in the financial market	15 %	11 %	16 %	14 %	12 %	18 %
I feel like I know enough to make informed choices	51 %	32 %	46 %	51 %	53 %	59 %
I don't feel like I know very much about different savings accounts	18 %	34 %	19 %	18 %	19 %	11 %
I don't know anything about different savings accounts at all	6 %	12 %	7 %	6 %	5 %	3 %
None of these	4 %	2 %	4 %	4 %	6 %	4 %
Don't know	4 %	8 %	5 %	5 %	4 %	2 %

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