Standard Life
There's a lot to look forward to

Supporting the 'sensible saver' generation

A new vision for helping millennials create strong financial futures

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Introduction

Standard Life and Explain the Market have joined forces to uncover how best to support the UK's growing community of young savers. Many people agree that under 35s have the right skills to create a financially successful future but many current approaches are failing tech-savvy savers.

A new ongoing programme of research by Standard Life and financial researchers Explain the Market aims to uncover the secrets of how to support younger savers. This short report reveals some key findings from the UK-wide project. The emerging evidence is already shattering the negative myth about 18 -35 year olds being reckless and wasteful. The findings reveal a nation of young but sensible savers.

The study has already interviewed 1,000 adults and evidence is emerging that the spending habits of younger people are actually better than most older generations. The research is also looking into how results differ for each county. Initial insights show that the West Midlands, South West, North Yorkshire and London are flourishing, with young people who are actively saving for the future.

The real challenge

Ongoing predictions about the looming pension crisis in the UK vary, but all share the same sense of daunting scale.

Where there is less agreement is in what can actually be done to make a meaningful difference. Our qualitative research has allowed more time to better understand what potential levers and interventions might help to result in meaningful shifts in behaviour. Herein lies the problem.

Closer inspection reveals that the major barriers are structural not behavioural. The inherent levels of financial skill demonstrable in this generation of younger people are arguably in better shape than generations before - not least the generation leading efforts to solve the problem through education.

While unemployment has remained low in recent years, the nature of employment for younger adults has changed dramatically. A sharp rise in self employment and the emergence of atypical models like zero-hours contracts have altered the landscape.

Meanwhile, the cost of living in the UK's expanding cities has grown significantly along with tightening mortgage rules and rising property prices - making home ownership an impossible dream for millions. Property ownership for people in their late 20s is now half what it was for current baby boomers when they were the same age.

UK millenials are not optimistic about their chances of having a better life than their parents. In a recent study by Ipsos for a popular financial newspaper, 18 -35s in the UK lagged behind USA and most of western Europe when it came to expectations of a better quality of life than the previous generation.

"Young people across the country are busting the myth of wasteful youth. The uncomfortable truth is that in many ways life was easier for our generation. It's admirable that so many under 35s serve as such a great example of how to become sensible savers. With thousands now searching for more help to plan for later life, companies and the government need to do more to help."

Jamie Jenkins, Head of Pensions Strategy, Standard Life Aberdeen PLC

"Something is happening with our nation's younger people. It appears that 'sensible' is the new cool - with millions of younger people preferring to save for the future even when it means missing out on socialising, and even trips to Ibiza. Families are having a major impact on the financial futures of our 18 -35s with many still preferring to use Mum for complex financial advice.

"We often hear that young people need to 'learn' from those of us over 40. The story goes that with time we can make them as 'good' as us. But the awkward truth is that when you isolate ability from conditions it is clear that THEY are already better than us. We need to serve them better but not 'educate them' because most of the time we are preaching about talents we don't really have."

Guy Shone, CEO of Explain the Market

The millennial mindset map

How the under 35s really feel about saving for the future and what gets in the way.

It can be tempting to view millennials as a homogeneous group and to approach them as one single 'market segment', but that's far from the full story. The truth is that 18 -35 year olds differ a great deal in terms of ambition, intention and approach to getting there. It is clear from our initial findings that where they struggle, the type of support they need, and what gets in the way of millennials saving more, changes based on where they live.

Yorkshire and the Humber

- First when it comes to planning to buy cheaper products in order to save more for the future
- Highest for wanting more education about banking
- Highest for planning to save more in next three months

West Midlands

- Amongst the lowest levels of knowledge about investing.
- The very highest levels of knowledge about dealing with debt.
- In this area young people do feel that lack of understanding is a barrier to saving for the future.

South West

- In this area it is not understanding but lack of budgeting that is felt to be the biggest barrier to saving for the future
- The South West has the largest number of under 35s actively seeking help with investing
- This area has the highest level of intention to start investing and create a financial plan in next three months
- But most trust online-only banks more than pension companies

South East

- Under 35s in this area show the lowest levels of knowledge about credit
- South East millennials show the highest demand for help and support with starting a business

"It's not about 'educating' younger savers. People need practical help and problem-solving to make life under these tough conditions easier - not churning out information and wishing the current conditions were not the case..."

Anonymous millenial respondent from research group

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Feelings, intention and tolerances

Under 35s are proud to be sensible savers. Over 80% of millennials describe themselves as ‘sensible savers’. While only 70% of older people would choose to describe themselves that way.

Do British mums make the best financial advisers?

Our research shows that far from ignoring parental guidance, younger people are positively seeking it out. While younger people across the country will simply not accept help from older professional advisers - they are willing to listen to the advice of one older relative in particular. The findings show a clearly distinct and strong preference for ‘Mum’ over any other relative or older person.

Findings reveal that young people believe Mum is the best financial adviser (28%), and three times better than Dad.

Where to go next

Our first wave of qualitative research with millennials has identified three broad topics prompted by 18 -35 year olds that require further investigation

- The potential future role of employers and family in offering financial guidance on long term savings
- The specific support and advice needs of 35 - 45 year olds
- Developing an efficient savings and advice ecosystem that best serves savers of the future

“Being wasteful makes you look stupid. For my parents it was exciting to be reckless. For us, we need to get things done. I will take advice from my Mum but most of the older people I talk to have never even heard of who I bank with. How could they possibly give me advice?”

Anonymous millennial respondent from research group

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