

Strictly Embargoed for 00.01 Wednesday 9th February 2010

TUITION FEES CONCERN LEADS TO SURPRISE SAVINGS BOOST

- *Savings levels fell in 2010 but saw minor recovery in Q4*
- *Parents start 'college funds' in response to tuition fee changes*
- *Many families reassess value of university education*

Britons' savings were given an unexpected boost in the final quarter of 2010, after the government's proposed tuition fee hikes prompted parents to put away more cash.

According to the **ING Direct Consumer Savings Monitor**, a quarter of parents (23 per cent) have either started a university fund (13 per cent) or increased the amount they put away (10 per cent) in response to the planned fee increases, contributing to a 3.6 per cent rise in accessible savings in the final quarter of 2010.

This kind of saving is most common amongst parents of children under five, suggesting the adoption of long-term savings plans similar to US 'college funds' – where parents save years, or even decades in advance. This is reflected in ING Direct's figures, with those aged 16-34 - who are most likely to have young children – topping up their savings the most (15 per cent increase).¹

Alternatively, many are reconsidering the value of higher education. Around a quarter of 16-17 year olds (24 per cent) are rethinking their options in light of the planned hike² and one in eight (13 per cent) parents of teenagers are reassessing whether university is right for their child given the increased cost.

Yet despite the savings 'bounce', the rise was not enough to prevent an overall decline in accessible reserves across the year, with levels falling by 11 per cent (£221) in 2010. This has left savings levels of ordinary Britons standing at £1,834.

Factors contributing to this fall included rising prices and static incomes during 2010. There was also a distinct desire amongst Britons to reduce their dependence on credit, cutting their average unsecured debt by 7.7 per cent (£234 fall to average of £2,812), often at the expense of cash reserves.

It is also clear that the British public see 2011 as a year for belt-tightening, with a third (32 per cent) planning to restore their savings and a similar number (28 per cent) intending to cut down debt. Furthermore there is clear evidence that the VAT rise will have an impact on spending, with 45 per cent of Brits intending to reduce their expenditure due to this tax increase.

Understandably, those most determined to set their savings plans back on track in the New Year are those who had the most difficulty in 2010.³ Young people (aged 16-34) struggled most, with their reserves almost cut in half across the year (48 per cent fall). Married women also saw their savings fall significantly across the year (25 per cent fall) after men bore the brunt of the savings decline experienced in 2009. The only significant 'savings winners' of 2010 were those aged 45-54, who were able to increase their rainy-day reserves by six per cent.

ING Direct CEO, Richard Doe, commented on the findings:

“While we’ve seen savings levels decline for much of the year, the final quarter has brought with it an unexpected bounce, clearly driven by parents saving in response to the proposed hike in tuition fees.

“We’ll have to wait and see if this leads to any sort of savings renaissance, as while Britons are clearly determined to restore their cash reserves in 2011, there will be a number of obstacles which will make saving difficult.”

James Knightley, ING Group senior economist said:

“2010 was a tough year for savers and unfortunately the environment will become even more difficult in 2011 given the scale of fiscal austerity.

“With wages failing to keep pace with the cost of living and households continuing to pay down debt this leaves us with two possible outcomes for savers. We suspect that the most likely is that they further run down their savings in order to fund ongoing spending. Alternatively they can save more, but this will mean less money to spend on goods and services – a situation that will put the UK economic recovery at risk.”

Ends

For a full copy of the latest report from the ING Direct Consumer Savings Monitor, visit www.consumersavingsmonitor.co.uk

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Footnotes

1. Those aged 16-34 increased their savings by 15 per cent, compared to those aged 35-54 (two per cent) or those aged 55+ (four per cent), suggesting that it is the younger age cohort which are driving the rise in average savings observed in Q4 2010.
2. 24 per cent of parents of children aged 16-17 said their child was reassessing university as an option for them, in light of the changes to tuition fee levels.
3. Those most determined to restore their savings balances in 2011 were married women (37 per cent) and young people (41 per cent).

All figures quoted are from the findings of the ING Direct Consumer Savings Monitor. Full methodology can be found in the latest report, available at www.consumersavingsmonitor.com

The term ‘**ordinary Briton**’ is used to illustrate the fact that the ING Direct Consumer Savings Ratio uses median averages for savings as the distribution of savings is so strongly skewed by the very wealthy (mean averages give figures of around £20,000).

Sampling methodology

A sample of 1,300 UK adults, fully representative of the UK adult population is recruited on a monthly basis by PureProfile, one of the world's leading research panels, with more than 600,000 panellists worldwide. This sample contains approximately 1,000 savers (approx 25% of Britons have no savings).

The interviewees are interviewed over the same 7 day period over the last week of every calendar month. Interviewees are asked an identical series of tracking questions every month. These tracking questions commenced in January 2009 and run on a monthly basis. This quarter's findings come from the results of October, November and December 2010 tracking.

A further representative sample of 2000 UK adults is also questioned in the midpoint of each quarter, on a quarterly basis.