

WE NEED TO ACT NOW TO CHANGE OUR FINANCIAL FUTURE

Today is an important milestone as The Savings and Investments Policy (TSIP) project releases the findings of its first review into the challenges faced by UK savers. The central message of the review – Our financial future – is a sobering one for us all. The UK faces a consumer finance crisis unless we all take up a ‘once-in-a-generation’ opportunity to change consumers’ attitudes to savings and develop long-term policies to meet the changing financial needs over the whole of an individual’s life.

It’s a sad fact, but Britain has one of the lowest savings ratios amongst OECD countries. The practical implications of this are highlighted in the review which found that 30% of UK households have no savings at all and a further 20% have less than £1500 to cope with an unexpected event before going into debt.

This is despite an increase in relative salaries since the 1940’s. However, every generation since then has been spending more and saving less, reducing household financial security. The ramifications of not saving are going to be felt beyond working life as consumers increasingly have to fund a longer retirement with reducing financial support from the State and the prospect of paying for their long-term care costs. It is estimated that we will face a tipping point in 2035 when consumers entering retirement will be substantially less well off than earlier generations.

Improving the savings ratio is an issue that affects us all as it poses a major risk to the long term health of the national economy and to social wellbeing. Action is needed now in order to create a more sustainable culture of personal finance responsibility.

That’s why The Savings and Investments Policy project is so important. Over 50 organisations representing asset management, financial advice, consumer interests, banking, building societies, stockbroking, life companies and technology are active participants in the project. As a result the project is able to deliver a unified pan-industry and consumer view of the challenges to UK consumers’ financial wellbeing and the potential solutions to address the key issues.

Outputs from the project are being shared with government, key political parties, the Treasury, DWP and regulators. The intention is to present proposals and work with the political parties and government bodies to help them to shape the policies that they may subsequently develop. Quite simply, saving needs to be depoliticised.

A copy of the summary of the Review is available on the TSIP Research & Publications web page via the link below, and I do urge you to read it.

The project is now focusing on the next steps and is developing the strategic proposals that will form an essential part of a savings policy. We expect to report on these in September. Thereafter the project will move into its second phase and will look in detail at the products and services needed to deliver the proposals and enhance consumer financial wellbeing.

<http://www.tisa.uk.com/downloads/TSIP%20Our%20Financial%20Future%20-%20Review%20Summary%20April%202014.pdf>

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