

SHARING OUR INSIGHT

Findings from the 2015 / 16 Sharesave Research Study

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ProShare



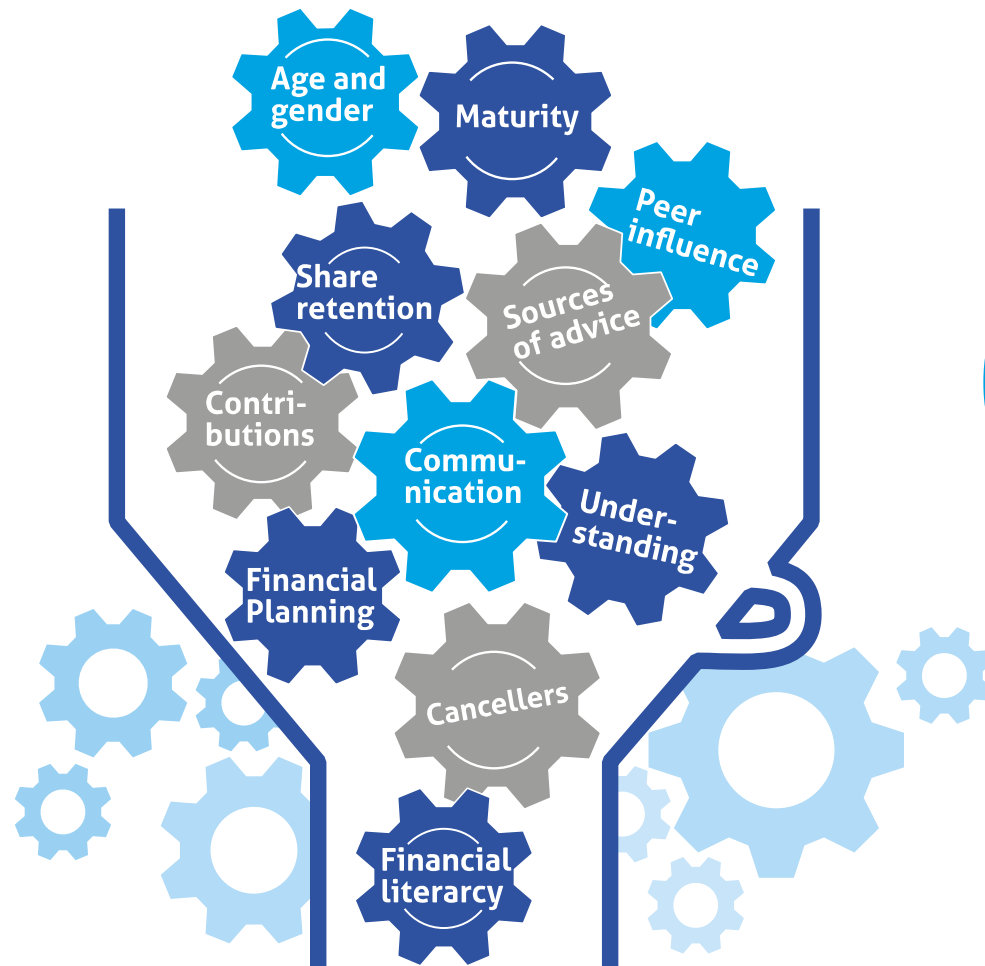
SETTING THE SCENE

Based on 2015 / 16 survey with YBS Share Plans. 3,100 respondents with @2,600 used in most of the presentation

- Financial behaviour and decision making
- What do participants think and feel about Sharesave?
- How do participants value the product?
- Where does Sharesave sit within an individual's wider savings strategy?
- The role of financial literacy?

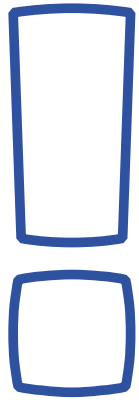


SCOPE OF RESEARCH



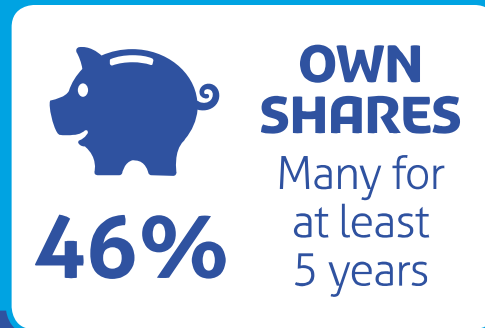
HAVE A BETTER UNDERSTANDING

HAVE A BETTER UNDERSTANDING

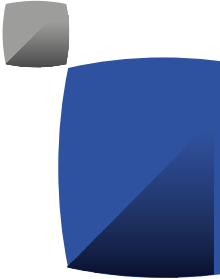






















HEADLINE FINDINGS

- Key role in promoting savings (mainly new)
- For some it's the only way of saving
- Sizeable minority report the alternative to Sharesave is expenditure
- Promotes share ownership (many are long term owners)
- Very high levels of engagement and understanding
- Family is the most significant source of advice
- The experience is successful for most
- Stability of decision making at maturity
- A need for greater financial education



THERE ARE FOUR MAIN GROUPS OF SHARESAVE SAVERS



Group number	Savings characteristics		% of sample
1 Sharesave only	 	No other regular savings flows  Not in company pension 	13%
2 Sharesave	 	No other regular savings flows  Yes. In company pension  	22%
3 Sharesave	 	Yes Regular savings flows   Not in company pension 	15%
4 Sharesave	 	Yes Regular savings flows   Yes. In company pension  	50%



**TODAY
THE FOCUS IS
ABOUT PEOPLE
WHOSE ONLY
FORM OF SAVING
IS SHARESAVE**



Sharesave only

KEY CONSIDERATIONS

- Who are they?
- How they behave?
- Why do they save only in Sharesave?
- What would they do if they didn't participate in Sharesave?
- What is their level of financial literacy?



Sharesave only

MOST IMPORTANT FEATURES OF A SHARESAVE-ONLY SAVER

Significant

(in order of magnitude of effect)

- Low pay (£15k or less)
- Not high pay (£30k plus)
- Low financial literacy
- Budget constraints
- Shorter time horizons
- Shorter tenure


NOT Significant

- Gender
- Age
- Degree
- Financial education
- Commitment

PRONOUNCED DIFFERENCES IN SAVINGS ASSETS

Savings Group	Premium bonds	ISA	Personal pension	Unit trust/mutual	Property	Share in other companies	None of these	Shares in own company
Sharesave only	14%	23%	8%	0%	5%	6%	46%	30%
Other savers	36%	63%	36%	7%	21%	29%	3%	49%

Asset poor
though quite a high proportion own company shares (30%)



30%

Sharesave enables
some of this group to create some personal wealth



A SHARESAVE ONLY SAVERS VIEWPOINT?

Have a weaker financial orientation but a stronger involvement orientation

	Financial orientation (1-5 scale where 5 is strongest)	Involvement orientation (1-5 scale where 5 is strongest)
1	4.3	2.7
2	4.6	2.5

Agree or strongly agree that Sharesave:

57%

gives better returns than other forms of saving



62%

is less risky than other forms of saving



59%

trust Sharesave information more than other financial products



86%

like the ease of making payments directly from salary



WHO ARE THEY - FINANCIALLY?

Tend to be lower earners (but not because they are part-time rather than full-time employees)

	Personal income below £15k	Household income below 25k	Typical weekly hours of work	"It's hard or very hard to make ends meet"
Sharesave only	42%	36%	34	43%
Other savers	12%	12%	39	20%

Personal income



below
£15k

WHO ARE THEY -AGE GROUPS?

Tend to be younger – they may grow out of it (if their income increases?)

	Age 16-24	Age 16-34	Age 45-64
Sharesave only	10%	33%	33%
Other savers	3%	19%	53%

Age 16-34
33%



WHO ARE THEY - GENDER, EDUCATION?

	Female	Degree
Sharesave only	43%	25%
Other savers	31%	46%

Female
43%



- More likely to be female
- Less highly educated

WHAT'S THE ALTERNATIVE TO SHARESAVE?

	Spend all or most of it	Might not save at all (Strongly agree/ agree) %
Sharesave only	59%	62%
Other savers	29%	27%



- Sharesave is 'a Savings lifeline'
- If Sharesave didn't exist, many in this group may not be saving at all!



Without Sharesave

62%
MIGHT NOT SAVE AT ALL



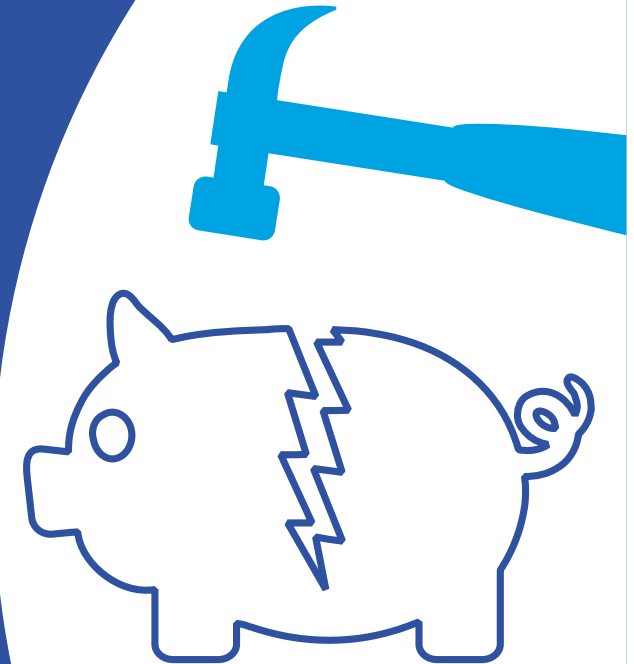
REASONS FOR NOT JOINING

	Percentage joining most recent invitation
Sharesave only	68%

Other savers 79%

	Reasons for not joining (1-5 scale where 5 = strongly agree)	
	Couldn't afford it	Saving not that important to me
Sharesave only	3.1	1.9
Other savers	2.3	1.5

- Income constraints affect Sharesave involvement



3.1
Couldn't afford it

ARE THEY MORE LIKELY TO CANCEL?

	Have cancelled a Sharesave contract	Could no longer afford it	To switch to new offer
Sharesave only	17%	35%	18%
Other savers	23%	17%	45%



- Slightly less likely to have cancelled Sharesave at some point
- Reasons for doing so different from other savers
- Less strategic?

WHAT HAPPENS AT MATURITY?

	Took cash at maturity	If acquired shares, proportion selling shares after exercise	Proportion of sellers selling all shares	Reason for selling: needed money for living expenses
Sharesave only	45%	59%	92%	2.89
Other savers	27%	56%	79%	2.09



- More likely to take the cash
- If they exercise, behaviour is similar to others (in terms of propensity to sell)
- More likely to sell after exercise because of financial constraints

COMMUNICATIONS AND UNDERSTANDING

	When you joined Sharesave most recently did you read the information sent to you?		How much of the information did you understand?	
	All of it	Half of it or less	All of it	Half of it or less
Sharesave only	34%	34%	27%	27%
Other savers	45%	24%	44%	13%



- Read less of the information supplied about Sharesave even though they are in general less experienced participants.
- This could be because they understand less of it.
- Other results indicate a problem with financial literacy .

SOURCES OF ADVICE

How important were the following sources of information and advice at the most recent invitation (1-5 scale where 5 = very important)

	Family	Line manager	Colleagues	Share plan advisers	Friends outside work
Sharesave only	3.6	2.3	2.6	2.3	2.2
Other savers	2.9	1.8	2.3	1.9	1.7

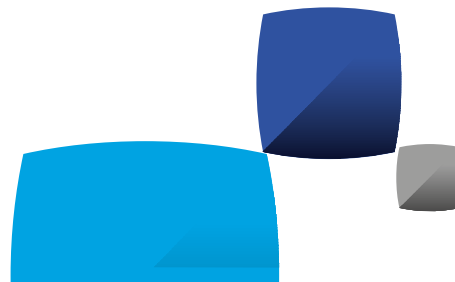


Family advice was important **3.6**



- More dependent on a range of information and advisory sources

- Could line managers and share plan advisers do more?



FINANCIAL EDUCATION AND LITERACY

Respondents answer 3 questions

- If shares are worth £100 and they grow in value by 2% p.a, what will they be worth after 5 years? **(more than £102)**
- If share values increase by 1% each year and inflation is 2% how much will they be worth after 1 year? **(less than today)**
- Do company shares provide a safer return than a multi-share investment fund? **(no)**



Self-rating of financial knowledge also significantly lower for Sharesave only savers

	All answers correct	Received financial education
Sharesave only	9%	15%
Other savers	25%	24%

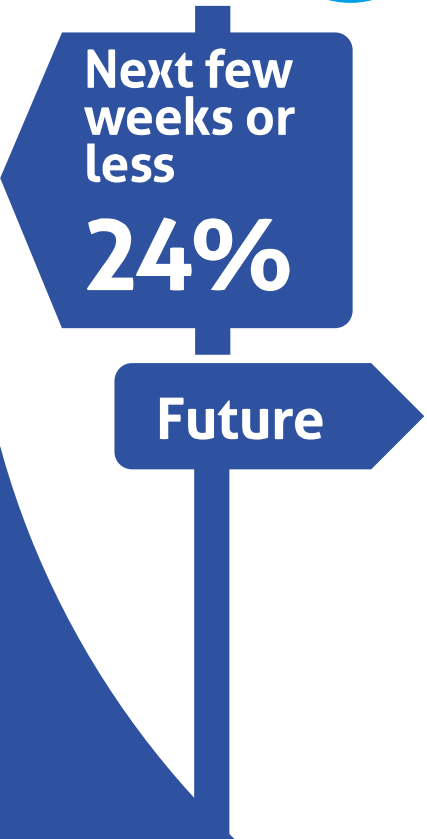
FINANCIAL PLANNING

When you think about your finances how far ahead do you think?

	The next few weeks or less	More than a year
Sharesave only	24%	44%
Other savers	8%	73%



- Sharesave only savers have much shorter time horizons, possibly because they have to 'live from week to week'
- Significantly less likely to review or change saving behaviour
- Those who change on average take longer than multi-savers



CONCLUSIONS

- Sharesave is an entry route to regular savings
- Population are typically younger, with less income
- Without Sharesave a sizeable number would not be saving
- Less financially aware
- Less active financial planners
- Less likely to diversify wealth
- Need for Financial Education



Sharesave only

CONSIDERATIONS – WHAT CAN WE DO?

- Develop other workplace-based savings instruments?
- Modify Sharesave tax incentives to increase rewards for savings element?
- Extra bonuses or matching for low earners and/or young employees?
- Broaden Financial Education in the workplace and access to advice to improve financial literacy?



**Broaden
Financial
Education**



**Extra
bonuses for
low earners**