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UNDERSTANDING THE ROLE OF SAVINGS IN PROMOTING POSITIVE WELLBEING

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A research report from the
Personal Finance Research Centre (PFRC),
University of Bristol



UNDERSTANDING THE ROLE OF SAVINGS IN PROMOTING POSITIVE WELLBEING

ABOUT THIS REPORT

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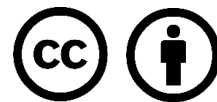
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CITATION



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FOREWORD



At Yorkshire Building Society, we believe improving financial wellbeing is in everyone's interests and that's why sponsoring this study was so important to us. We want to help everyone understand how much a savings habit can help with their mental as well as financial health, and how having a savings safety net can increase happiness and help them reach their life goals.

We know saving isn't easy for everyone and that some people find it challenging to meet the costs of day-to-day life. But as this report shows, building a safety net - no matter how small - really does pay off in peace of mind and providing security.

For me, one of the most impactful findings of the study is understanding how effective getting into a regular saving habit can be. Regular savers tend to feel more optimistic, are more satisfied with life, and sleep better.

The research also reinforces the need to 'reward the behaviour and not the balance'. Simply put, encouraging people to save regularly is one of the most effective ways we can provide real help with real life. At Yorkshire Building Society, this is our purpose, and a desire to improve financial wellbeing sits at the heart of it. Ensuring we always have accounts that encourage people to save regularly is really important to me and my colleagues.

Helping people to own their own home is another aspect of our purpose. One of the other significant findings in this report is that those who save are far more likely to achieve life goals, including home ownership. We are dedicated to supporting customers to find a place to call home and will continue to find ways to innovate and support aspiring homeowners and movers through products like our £5k deposit mortgage which helps people achieve these life goals.

We will continue to develop innovative products that meet customers' needs and we'll use the findings from this report as valuable input to ensure we help more people.

This report makes me even more determined to do all we can to help amplify the important role savings play – including in helping people find a place to call home. It's proven: saving can make us all healthier, happier and as ready as we can be for whatever life brings.

Susan Allen OBE

Chief Executive Officer, Yorkshire Building Society



SUMMARY

This report explores the positive short- and long-term impacts that saving can have for people's wellbeing, and considers what research tells us about how we could encourage more people to start saving. It is based on: a review of evidence on the relationship between saving and wellbeing; and on new analysis of large-scale survey data from a study called *Understanding Society*.

We find that:

- The majority of evidence points towards a positive relationship between savings and wellbeing – most evidence finds that those with savings, and those who save, are generally less anxious about money, and have greater life satisfaction overall. This correlation remains even when accounting for income, although savings behaviour is strongly related to income.
- Our own analysis confirms this relationship, showing that those who save more have higher mental wellbeing scores, were more satisfied with their life overall, were more optimistic about the future, and sleep better at night – among a range of other positive wellbeing outcomes. For example, while 47% of non-savers were 'mostly' or 'completely' satisfied with their life, this rises to 63% among those saving £300-399 per month.
- While the change in mental wellbeing associated with starting or stopping saving is generally fairly small in comparison to other life events (such as job loss or moving house), the relationship between saving and improved wellbeing persists even when other individual and respondent characteristics, such as age, marital status and health, are controlled for.
- There is evidence that current regular saving may have a bigger impact on wellbeing for those on lower incomes and for working age adults (rather than older adults). For example, we see that just 40% of non-savers in the bottom income quintile were 'mostly' or 'completely' satisfied with their life overall, rising to 53% among regular savers on the same income. This means that low-income regular savers enjoy similar levels of life satisfaction to non-savers in the fourth income quintile, on much higher incomes.
- Saving appears to improve wellbeing through a number of means:
 - Removing the need to borrow, e.g. use of high-cost credit or high levels of borrowing. Those who managed to save in as few as two of the six survey years were a third less likely to have debts equivalent to more than 10% of their household income, compared to those who never saved.
 - Preventing hardship by having a pot of money to draw on. While 12% of those who hadn't saved in the past ten years were behind with their bills in 2021-22, this falls to just 2% among those who managed to save every other year.

- Building financial resilience, as part of a range of positive money management behaviours, to help meet financial goals. Saving becomes part of the approach to budgeting, and appears to confer a future-oriented attitude toward money and money goals. Tracking a cohort of young adults since 2011, we find that over three-quarters (82%) of those who regularly saved in five or six of the six survey waves had become homeowners after ten years, compared to just 15% of those who never regularly saved. Even those who managed to save in just one or two waves achieved a 40% homeownership rate after ten years, significantly higher than that for the non-savers.

Available evidence points towards a range of ways of encouraging people to save:

- Product design features, tools and incentives, both behavioural and financial, can encourage people to save.
 - Even small financial incentives appear to stimulate saving.
 - Anything that makes it easier to pay money in, and harder to withdraw it is positive.
 - Schemes that are easy to administer and take the money before it goes into the household budget achieve higher levels of success, notably payroll savings.
 - Reminders and texts can also improve engagement with savings,
- Different people will need to use their savings in different ways, so it is important to make sure that accounts are flexible and not prescriptive about the way that they should be used.
- Finally, research cites the importance of “rewarding the behaviour not the balance” – the evidence suggest that the habit and action of saving may be a key part of how it improves wellbeing. Even small amounts can ultimately lead to much bigger impacts.



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1 INTRODUCTION

This report explores the positive short- and long-term impacts that saving can have for people's wellbeing, and considers what research tells us about how we could encourage more people to start saving.

The statistics on savings are stark

Those with an interest in UK households' finances will be well aware of statistics such as those below which highlight the ongoing challenge of getting Britain saving:

- According to the Money and Pensions Service (MAPS), around one-in-six (17%) UK adults – equivalent to nine million people – have no savings at all.¹ More than a quarter (26%) of UK adults have less than £100 saved.
- Even among those on middle incomes, there are more than one million UK adults with less than a month's income saved.²
- UK households have consistently saved less of their income than the average across EU countries for the past two-to-three decades.³

These statistics reflect the real difficulties that UK households face in putting money aside each month, difficulties that have only grown in recent years as the cost of living has risen.

Nevertheless, many households do manage to contribute to savings in some form. MAPS highlight that three-in-five (61%) UK adults save money either every month or most months. This falls only slightly when looking at the 'struggling' and 'squeezed' segments of the population (57%), who are the focus of the UK Strategy for Financial Wellbeing's goal of getting two million more working-age 'struggling' and 'squeezed' people saving regularly.⁴ The ambition remains to make the UK a 'nation of savers'.

¹ MAPS (2022) '[One in six UK adults have no savings at all](#)'.

² Institute for Fiscal Studies (2023) '[One million middle-income working-age adults unable to meet an unexpected expense costing one month's income](#)'.

³ McKnight, A. & Rucci, M. (2020) '[The financial resilience of households: 22 country study with new estimates, breakdowns by household characteristics and a review of policy options](#)'.

⁴ MAPS (2020) '[UK Strategy for Financial Wellbeing](#)'.

This report aims to explore the positive impact savings can make for wellbeing

Much research has been conducted to-date highlighting the links between financial problems and poor mental wellbeing. Researchers have clearly demonstrated how debt, for example, can lead to or worsen a range of common mental disorders, exacerbate addictions and cause suicidal ideation.⁵ Those in debt are three times more likely than those not in debt to have a common mental disorder.⁶ The relationship between financial difficulty and mental health problems is frequently described as a ‘vicious cycle’.⁷

The focus of this research is primarily on the positive impacts that saving can bring for people’s wellbeing. In line with the World Health Organisation’s definition of health and wellbeing, this is about more than just the absence of mental disorder.⁸ We focus therefore on evidence which considers a range of measures of wellbeing, including life satisfaction, happiness, sleep quality, general mental wellbeing and a variety of other indicators. We also consider the role of savings in helping people to achieve longer-term life goals, such as owning their own home.

About this report

The report is structured as follows. In section two, we describe the methodology for this report – which includes: 1) a review of literature related to the relationship between saving and wellbeing; and 2) new analysis of the *Understanding Society* survey’s data on a range of measures of both saving and wellbeing at the individual- and household-level.

In section three, we give an overview of the broad relationship between saving and wellbeing, describing the findings of other research in this space and presenting new secondary data analysis. In section four, we then explore the question of *how* saving can help to improve wellbeing. In other words, what are the mechanisms by which any positive impact occurs? In the fifth and final section, we focus on what other research says about how we can better encourage individuals and households to start saving or save more.

The research was kindly commissioned by the Building Societies Association (BSA) and will be used to inform the ‘UK Savings Week’ consumer campaign, which aims to encourage people to get engaged in saving. The implications of the research also extend more broadly and we hope will be of interest to policy-makers and those in financial services with the opportunity to trial new ways of encouraging different types of consumer to start saving more.

⁵ Richardson *et al* (2013) ‘[The relationship between personal unsecured debt and mental and physical health: a systematic review and meta-analysis](#)’. *Clinical Psychology Review*, 33(8).

⁶ Meltzer *et al* (2013) ‘[The relationship between personal debt and specific common mental disorders](#)’. *European Journal of Public Health*, 23(1).

⁷ See, for example, the [Money and Mental Health Policy Institute’s](#) research and campaigns.

⁸ World Health Organization (N.D.) ‘[Health and wellbeing](#)’.

2 METHODOLOGY

The methodology consisted of two strands: a rapid evidence review and secondary analysis of existing, large-scale data of a longitudinal survey called *Understanding Society*.

Research strand	Summary & objectives
Rapid evidence review	Rapid review of academic and policy literature to explore: the relationship between savings and mental or financial wellbeing; the mechanisms by which savings improves wellbeing; and implications for financial services providers, money advice organisations and policymakers.
Secondary analysis of <i>Understanding Society</i> survey data	Secondary quantitative analysis of <i>Understanding Society</i> survey data, which is a longitudinal survey of individuals and households conducted each year. It captures detailed data on both savings behaviour and wellbeing, in addition to a wide range of other information about individual and household characteristics. We focus on data from the most recent available survey wave (13), which covers 2021-22, but also make use of longitudinal data going back to 2010. The aim of this was to contribute new evidence on the relationship between saving and wellbeing, and to begin to unpick some of the mechanisms by which this occurs.

Rapid evidence review

We conducted a Rapid Evidence Assessment to address the research objectives outlined above. Rapid Evidence Assessments are an established approach to the systematic review, synthesis and critical appraisal of literature when the time needed to conduct a full, systematic review is not available. It is particularly well suited as an approach to social policy questions, and is suited to evidence which uses a range of research methods. To do this, we undertook a targeted, thorough and reproducible search of the literature, combined with a systematic approach to mapping, assessing, analysing and synthesising the evidence collected.

Scope of the review

We included academic and policy literature that was from published from 2010 onwards, in the English language, primary focusing on the UK but widened to include a range of countries with broadly comparable economies.

We searched Web of Science and Google Scholar, plus a number of key UK public policy and financial organisations, think tanks, research centres, and the Financial Capability Evidence Hub. We searched with a combination of the terms related to savings, such as ‘Savings / savings account / deposit accounts’; and wellbeing terms such as ‘Wellbeing / health / mental health’.

The results were then screened for relevance to the research objectives, and whether they were in scope. Evidence related exclusively to retirement savings was excluded from the review. The remaining articles were assessed for quality and relevance, and their key findings or policy implications recorded. We found other relevant papers through references within the papers reviewed. In total, 40 papers were fully reviewed, of which 36 were included in the report.

Analysis of Understanding Society data

We conducted new analysis of The UK Household Longitudinal Study, more commonly known as ‘Understanding Society’.⁹ This is a large-scale, internationally recognised study, which provides vital evidence for scientists and policymakers on the causes and consequences of deep-rooted social problems. It is a longitudinal study, which has been tracking households since 2009. It covers the whole population, with boost samples to ensure it is representative of immigrant and ethnic minority groups, and its large sample enables sub-population groups to be examined.

Savings-related variables

The survey includes a range of data on individual and household savings behaviour over time. We make use of the following variables in our analysis:

- **Whether an individual puts any amount of their income into savings;**
- **How much on average they personally manage to save each month;**
- **Whether they save on a regular basis or just from time to time;**
- **What types of savings and investments they hold (e.g. savings or deposit account, ISAs, premium bonds, etc.); and**
- **The total value of the money held in the above accounts.**

From these, we derive a range of other variables to be used in the analyses. For the amount they save, for example, we determine the total amount saved across all members of a household and then calculate their savings ratio – that is, the proportion of their household income (after tax and Housing Costs

⁹ University of Essex, Institute for Social and Economic Research. (2023). Understanding Society: Waves 1-13, 2009-2022 and Harmonised BHPS: Waves 1-18, 1991-2009. [data collection]. 18th Edition. UK Data Service. SN: 6614, DOI: <http://doi.org/10.5255/UKDA-SN-6614-19>

have been deducted) that they put into savings. To do this, we produced two types of income measures: 1) a non-equivalised measure, which does not adjust for household size. In this measure, we give the savings ratio as a percentage of income saved each month. 2) an equivalised measure, which does adjust household income based on the number of adults and children living in the household (using an equivalisation factor constructed by the *Understanding Society* research team). This allows for a more realistic comparison of disposable household income, from which we can then calculate a savings ratio. This is given as quintiles to indicate which households save more or less of their disposable income. To avoid the analysis being skewed by extreme values we undertook a process called winsorisation, which involved assigning the value of the 99th percentile to any values that were above this threshold. In other words, where extreme values were given for income, housing costs or savings (and also debt), we would re-assign these as the 99th percentile.

Most of the savings-related variables are collected every other survey wave, so effectively every two years.¹⁰ This means that for many of the variables we have a total of six survey waves' worth of savings data, and many of our analyses focus on how many of these six waves the respondent or their household was able to save in. We also employ a statistical technique called cluster analysis to segment respondents based on their savings behaviour across six waves. This uses our equivalised savings ratio measure, assigning individuals to one of seven segments depending on how their savings ratio changed over time.

Wellbeing-related variables

We make use of a number of wellbeing-related variables that were asked on an annual or near-annual basis as part of the respondent's self-completion questionnaire. This is a questionnaire that respondents complete on their own without the interviewer, thereby encouraging them to give more open and honest responses to more personal questions. Variables included:

- Satisfaction with life overall
- Quality of sleep
- Optimism for the future
- Ability to relax
- Ability to think clearly
- Feelings of closeness to others
- Feel calm and peaceful
- Energy levels
- SF-12 mental wellbeing score (herein termed 'mental wellbeing score')
- General Health Questionnaire-12 score (GHQ-12)

These are our primary outcome variables, though most which were categorical variables were generally recoded to binaries for use in the analysis. All

¹⁰ But the pandemic led to an additional year's gap, so savings variables were captured in wave ten (2018-19) and wave thirteen (2021-22) instead.

wellbeing measures are captured at an individual respondent-level but, for some variables, we also chose to produce household-level measures of wellbeing. These were averages of all responding adults within the household and were produced for life satisfaction, mental wellbeing score and GHQ-12. For mental wellbeing score, we also constructed variables showing the extent to which mental wellbeing had changed between survey waves.

Other variables included in the analysis

In addition to the main variables of interest, i.e. those on savings and wellbeing, our analysis also uses data from the survey on a range of other financial issues, including respondents' general subjective assessment of their financial wellbeing, whether they have fallen behind with any bills, and whether they have used a foodbank recently. A range of other individual and household characteristics, such as age, gender and level of education, were also controlled for in the analysis.

About the analysis

We focus on two main samples for the analysis:

- Cross-sectional analysis of data for wave 13 (2021-22). This is a sample of approximately 26,000 respondents for whom we have full wellbeing and savings data for this wave. Analysis was weighted using the wave 13 cross-sectional, self-completion survey weight.
- Longitudinal analysis of respondents who had provided savings data for all six waves in which these questions were asked (from wave two to wave 13). This is a sample of nearly 9,000 respondents and uses the wave 13 longitudinal self-completion weight, which adjusts for the fact that certain types of household were more likely to have continued completing the survey over time.

In addition, in section four, we present the results of analysis focusing on a sub-sample of the longitudinal respondents who were non-homeowners aged between 21 and 30 in 2011. This analysis uses data for approximately 500 respondents.

We predominantly employ descriptive statistics – in the form of cross-tabulations of categorical variables and summary statistics (such as the mean, median and standard deviation) for continuous variables – when looking at the simple relationship between two variables. To understand the results in more depth, however, we also use regression analysis, which allows us to unpick the relationship between two variables while controlling for other factors that may also be related to the outcome variable. This is particularly important for controlling for things like age and income, which are also known to affect wellbeing.

In the statistical analysis described throughout this report, significant differences are reported at the 95% level of confidence ($p < .05$). Where figures do not sum to 100, this is due to rounding.

For more detail on the methodology used, please see the appendix.

3 RELATIONSHIP BETWEEN SAVING AND WELLBEING

In this section, we explore the link between saving and a range of measures of mental wellbeing. We show what existing evidence tells us about this relationship and present the results of new analysis using the *Understanding Society* survey.

What does existing evidence tell us?

Our review of literature identified various research from the UK and around the world which focuses on the connections between savings (or broader forms of wealth) and aspects of wellbeing. These tend to focus on the relationship between savings and either: i) mental health conditions, such as anxiety and depression, or ii) broader measures of life satisfaction. In this chapter, we explore what the evidence tells us about the extent of the relationship that exists, while in the following chapter we explore the possible mechanisms by which saving may improve wellbeing.

The Resolution Foundation's analysis of a cost of living survey conducted by YouGov finds, for example, that those with less than £1,000 in savings were nearly three times more likely to describe their mental health as 'poor' (32%), compared to those with more than £1,000 saved (11%).¹¹ This relationship persists when using regression analysis to control for a number of other demographic and economic characteristics known to affect mental health outcomes. The Money and Pension Service's *Nation of Savers* report also touches on this subject, showing that those who were unable to regularly contribute to their savings were more likely to feel anxious when thinking about their finances (46% vs 29%) and were less likely to say that they were satisfied with their life nowadays (25% vs 44%).¹²

Looking more broadly, a review of literature on the relationship between depression and wealth (defined widely, ranging from the absence of poverty to the total sum of a range of financial assets) found that most studies report an

¹¹ Broome, M., Mulheirn, I. and Pittaway, S. (2024) [Precautionary tales - tackling the problem of low saving among UK households](#). Resolution Foundation.

¹² Money and Pensions Service (2022) [UK Adult Financial Wellbeing Survey 2021. Nation of Savers Report](#). MaPS.

inverse relationship between the two, whereby as wealth increases the likelihood of depression decreases.¹³ The authors demonstrate that wealth status can influence depression across the entire life course, from childhood to older age, and that macroeconomic events – such as stock-market crashes and changes in house prices – can also affect rates of depression. Similarly, research from the Money and Mental Health Policy Institute during the coronavirus pandemic highlighted how people with mental health problems tend to have less savings: one in four (25%) had no savings (compared to 18% of people without a mental health condition), while one-in-five (20%) had less than £500 saved (vs 16%).¹⁴ This, they state, is part of a wider ‘vicious cycle’, whereby “the strain from financial problems can, over time, lead to mental health problems, while common symptoms of such conditions can make it much harder to manage our money”.

We identified two studies that use the UK Household Longitudinal Study (UKHLS) – or *Understanding Society* as it is more commonly known – to explore the relationship between savings and wellbeing measures, as we also go on to do. The Joseph Rowntree Foundation (JRF), within a report looking at economic insecurity and mental distress, conducted descriptive analyses of the 2016/17 dataset to show how lower absolute levels of savings are correlated with a range of ‘mental health warning lights flash[ing]’.¹⁵ This included depression, lacking energy, a poor social life and feelings of achieving little. The analysis, however, does not attempt to control for other factors which might influence these relationships.

A second study using *Understanding Society* by the Centre for Economics and Business Research (Cebr) did incorporate controls within its analysis, focusing on life satisfaction.¹⁶ The authors demonstrate that having a higher household savings ratio (the share of monthly income that is saved), opening a savings account and holding a greater variety of savings products were all associated with improved life satisfaction. Their analysis reveals both that a household’s savings ratio is more strongly associated with life satisfaction than income is and that the relationship between savings ratio and life satisfaction remains significant even when controlling for someone’s subject financial wellbeing. This means, in other words, that “even among individuals who feel they are struggling financially, those who save a greater share of their income are likely to report higher levels of overall life satisfaction”. Our analysis of the survey aims to build on and complement these analyses and others which explore the

¹³ Ettman, C., Adam, G., Clark, M., Wilson, I., Vivier P. and Galea, S. (2022) [Wealth and depression: a scoping review](#). *Brain and Behavior*, 12(3).

¹⁴ Bond, N., and D’Arcy, C. (2021) [The state we’re in: money and mental health in a time of crisis](#). Money and Mental Health Policy Institute.

¹⁵ Clark, T. and Wenham, A. (2022) [Anxiety nation? Economic insecurity and mental distress in 2020s Britain](#). Joseph Rowntree Foundation.

¹⁶ Cebr (2019) [Living Lagom – challenging perceptions of wealth. A report by Cebr with Barclays](#).

relationship between poverty, income changes and transitions into and out of work on aspects of wellbeing.¹⁷

Do other studies find that the relationship differs for different groups?

A number of studies focus on the role of savings for particular sub-groups of the population. In terms of age differences, the Cebr study suggests that improvements in life satisfaction connected to saving may be higher for younger age groups,¹⁸ while another had mixed results when focusing specifically on pensioners.¹⁹ The latter found only a 'subtle effect' of non-housing wealth (i.e. savings and other liquid assets) on reducing depressive symptoms among pensioners, with a mixed bag of significant and non-significant relationships between wealth and various indicators of life satisfaction and broader wellbeing. For low-income pensioners, however, their results suggested wealth may begin to play a more important role in wellbeing. They argue that "for those with low incomes, wealth may provide a crucial security blanket, for which small changes in (low) income cannot substitute".

There are also suggestions that having a lower level of savings is connected to a disproportionate boost in wellbeing; in other words, that the jump in wellbeing experienced in going from no savings to low savings is high when compared with that of moving from low to mid savings or mid to high. JRF, for example, found that most of the improvements in indicators of wellbeing was 'in the bottom half of the savings distribution'; while Cebr found that a low monthly savings ratio was associated with a higher improvement in life satisfaction. They suggest this means that there are potential wellbeing gains even for those not able to save a large portion of their income.

A final study considered the impact of financial shocks – falling into poverty and job loss – on the likelihood of a common mental disorder.²⁰ They found intriguing gender differences, with women being more likely to experience poor mental health following a transition into poverty, whereas men were more likely than women to see negative mental health impacts after losing their job. The latter finding is attributed by the authors to 'increased stigma associated with male unemployment'. The study also found that those with lower levels of education were more likely to experience a common mental disorder as a result of moving into poverty. Age was not found to be a significant factor.

¹⁷ See, for example: Kromydas, T. et al (2021) [Which is most important for mental health: Money, poverty, or paid work? A fixed-effects analysis of the UK Household Longitudinal Study](#). *SSM - Population Health* 15.

¹⁸ Cebr (2019) [Living Lagom – challenging perceptions of wealth. A report by Cebr with Barclays](#).

¹⁹ Parry, W. & Lloyd, J. (2015) [Income security and a good retirement](#). The Strategic Society Centre.

²⁰ Kromydas, T. et al (2021) [Which is most important for mental health: Money, poverty, or paid work? A fixed-effects analysis of the UK Household Longitudinal Study](#). *SSM - Population Health* 15.

What about evidence from other countries?

Most of the international literature that we reviewed (all of which was English-language and relating to mostly 'westernised' contexts) suggests some form of positive relationship between saving (or broader forms of financial wellbeing) and mental health. A study from the US, for example, showed that those with low savings (below \$5,000) had more than double the odds of having a probable depressive disorder, and these odds rise further among renters (while dropping slightly among homeowners).²¹ Another from the US, however, found that, when included together in the same model, subjective financial wellbeing – not savings – played a protective role for mental health in the event of job loss during the coronavirus pandemic.²² Both savings and financial wellbeing did, however, have positive impacts on mental health more broadly. Savings were also found to have a separate statistically significant association with improved feelings of financial wellbeing, highlighting the complexity and inter-connected nature of some of these relationships.

A Polish study meanwhile explored the role of savings in predicting individuals' emotional and physical health and their health behaviours.²³ It identified a small but statistically significant correlation between savings and levels of happiness, but less of a relationship with physical health. In terms of health behaviours, having savings was correlated with a lower likelihood of smoking cigarettes and a higher likelihood of taking part in sport or other physical exercise. Further exploring connections between physical health and people's (hypothetical) willingness to save, one US study suggests that those who have major health problems or who perceive themselves to be in poor health were less likely to say that they would put money aside from a large windfall for their retirement, most likely due to lower expectations of longevity.²⁴ The study also found that poor mental health reduced participants' willingness to save, but only among women and not men. More generally, it found that those with higher incomes were more likely to say that they would put higher amounts of the unexpected windfall aside for the future.

Lastly, an evaluation of a financial education and matched savings programme in New Zealand, called 'Saver Plus', found longer-term positive wellbeing impacts for those people who had taken part.²⁵ The programme involved: 1) identifying a savings goal, 2) opening a savings account and making regular deposits over ten months; 3) completing a financial education course; and 4) receiving 1:1 matched savings of up to \$500NZD to be used towards their

²¹ Ettman, C.E., Cohen, G.H., Vivier, P.M. and Galea, S. (2020) [Savings, home ownership, and depression in low-income US adults](#). *Social Psychiatry and Psychiatric Epidemiology*, 56, pp.1211-1219.

²² Despard, M., Banks, A. & Dukes, L. (2023) [COVID-19 job and income loss and mental health: the mediating roles of financial assets and well-being and the moderating role of race/ethnicity](#). *Social work in mental health*, 21(1).

²³ Białowolski, P. Węziak-Białowolska, D. & VanderWeele, T.J. (2019) [The impact of savings and credit on health and health behaviours: an outcome-wide longitudinal approach](#). *International Journal of Public Health*, 64, pp.573-584,

²⁴ Ricketts, C.F., Rezek, J.P., & Campbell, R.C. (2013) [The influence of individual health outcomes on individual savings behaviour](#). *The Social Science Journal* 50:4, pp.471-481.

²⁵ Russell, R., Kutin, J., & Stewart, M. (2018) [Saver Plus: pathways to wellbeing](#).

child's or their own education costs (for example, the cost of school trips or technological education-aids). Participants who took part in the programme typically reported that their life satisfaction had improved (on average from 5 to 7 on a ten-point scale), and 88% said that achieving their savings goal had helped them to feel better about themselves. 69% felt less stressed about the future, 58% worried less about money, and 67% said they felt more confident in other aspects of their lives.

What does new analysis of *Understanding Society* tell us about the relationship between saving and wellbeing?

We begin our analysis of *Understanding Society* by exploring data from wave 13 of the study, which was collected from households in 2021-22. It contains information for nearly 27,000 adults – living within approximately 16,500 households – who have provided details of both their savings behaviour and wellbeing. This analysis is cross-sectional in nature – meaning that it is taken from a single survey conducted at one point in time – and therefore allows us to assess the extent to which saving and wellbeing are correlated with one another. Later in the chapter we conduct longitudinal analyses, which make use of multiple waves of the survey conducted between 2010 and 2022.

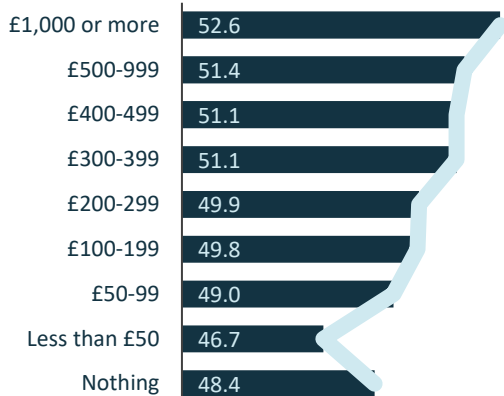
Saving more is correlated with better wellbeing outcomes

As we would expect, at the most basic level we see a correlation between positive saving behaviours and wellbeing. Figures 3.1a-f demonstrate how those who manage to save more each month typically have better wellbeing outcomes, regardless of which measure of wellbeing we use. For example, in terms of life satisfaction, we see that just 47% of those who save 'nothing' each month report being 'mostly' or 'completely' satisfied with their life overall, whereas this rises linearly to 59% for those saving £100-199 and to 68% for those managing to save more than £1,000 on a monthly basis.

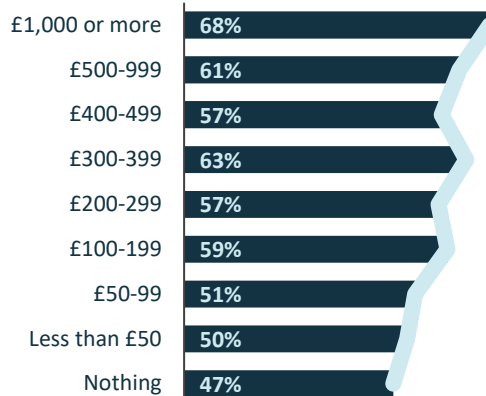
Interestingly, for some wellbeing measures, we see that non-savers fare marginally better than those saving only a small amount (less than £50 each month). This may relate to the profile of the non-saving group; some of whom are older adults who don't *currently* save but have in the past and therefore have a sizeable amount of assets across their various savings accounts. We take into account some of these age-related differences later in this section.

Figures 3.1a-f – Variety of indicators of wellbeing, by amount put into savings each month

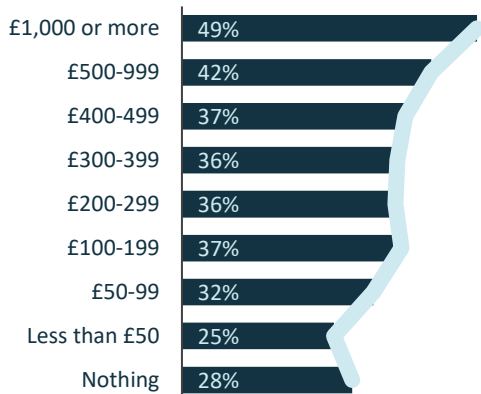
a) mental wellbeing score



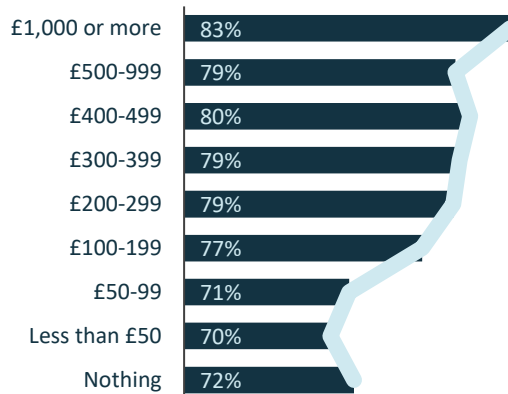
b) % satisfied with life



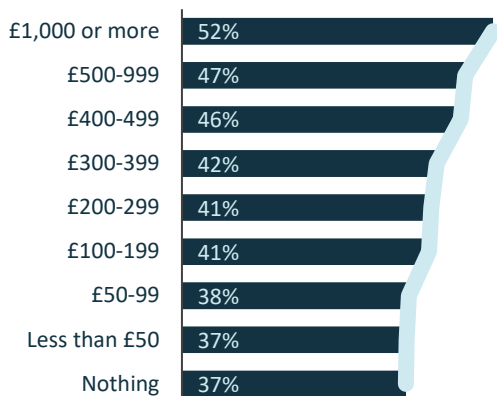
c) % optimistic about future



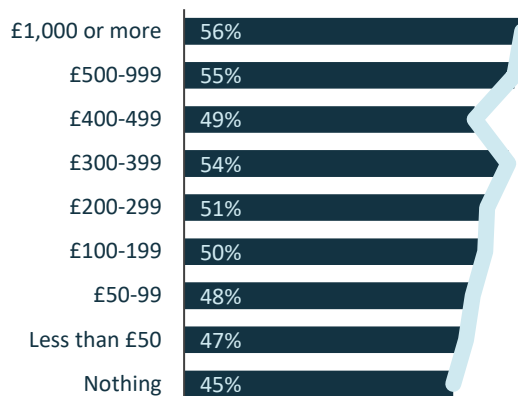
d) % sleep well



e) % usually feel relaxed

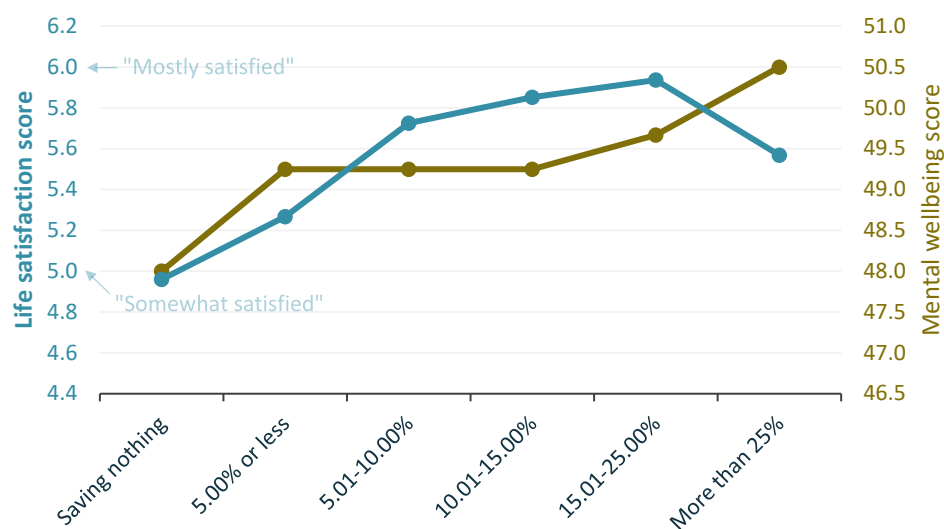


f) % feel close to others



Notes: sample sizes range from 26,493 to 26,728. Please note that the axes for each sub-chart are on different scales, meaning that bar sizes are not directly comparable.

Figure 3.2 – Average life satisfaction and mental wellbeing scores of adults within households, by amount of household income put into savings each month (after housing costs)



Notes: sample size = 13,572 households. Life satisfaction scale runs from 1 (“completely dissatisfied”) to 7 (“completely satisfied”), while mental wellbeing score runs from 0 to 100, with higher values representing better mental wellbeing. Please see the appendix for details of how variables have been constructed. Amount saved is shown as a percentage of household income (after housing costs have been deducted). In this analysis, income has not been equalised for household size.

While Figures 3.1a-f show the results of analysis conducted at the individual-level, in Figure 3.2 we present analysis at a household-level. This shows – again, as expected – that the average life satisfaction and mental wellbeing score across all adults in a household tends to be higher in households that save a greater proportion of their income. In other words, those who do not personally save are likely to benefit from savings made by others they live with.

Tables 3.1 and 3.2 show how the broad correlation between saving and wellbeing persists no matter how saving is defined in the analysis. We use a number of measures, including a simple binary (does versus doesn’t save), regularity of saving, amount typically saved each month (as used above), the savings ratio (the proportion of household income saved each month), the total amount held in savings, and the number of and type of accounts held within the household. All of these show the expected direction of relationship and all contain statistically significant differences.

As alluded to earlier, it is interesting to note that having already built-up savings may matter more for wellbeing than whether or not an individual is currently saving. We see, for example, that just 40% of those with no savings at all reported high life satisfaction (Table 3.2), rising to 47% among those who weren’t currently saving anything at the time of the survey (Table 3.1). This suggests that, for some, non-saving may be temporary and that what matters for wellbeing is what happens over the longer-term.

Table 3.1 – Respondent wellbeing, life satisfaction and sleep quality, by a variety of measures of current savings behaviour

Indicators of savings behaviour		Median mental wellbeing score	% mostly or completely satisfied with life	% sleep quality is very or fairly good
Current saving behaviour	Saves nothing each month	48.4	47%	72%
	Saves something	51.0	59%	78%
Regular or irregular saver?	Saves but not regularly	50.3	57%	76%
	Saves regularly	51.1	60%	79%
Amount typically saved each month	Less than £50	46.7	50%	70%
	£50-99	49.0	51%	71%
	£100-199	49.8	59%	77%
	£200-299	49.9	57%	79%
	£300-399	51.1	63%	79%
	£400-499	51.1	57%	80%
	£500-999	51.4	61%	79%
	£1,000 or more	52.6	68%	83%
Savings ratio (amount saved by household as a percentage of household income, after housing costs)	Saving nothing	48.2	45%	71%
	5.00% or less	49.2	53%	75%
	5.01-10.00%	50.0	56%	76%
	10.01-15.00%	51.0	58%	80%
	15.01-25.00%	51.1	61%	78%
	More than 25%	51.2	59%	79%
Savings quintile (using savings ratio above but using income equivalised for household size)	Saving nothing	48.2	45%	71%
	Bottom quintile of savers	49.4	51%	74%
	2nd quintile of savers	50.1	56%	76%
	3rd quintile of savers	50.7	58%	77%
	4th quintile of savers	50.9	59%	80%
	Top quintile of savers	50.5	59%	78%

Notes: sample sizes range from 25,237 to 26,766. Blue shaded cells indicate higher values within the column. All variables showed at least one statistically significant difference between rows (at $p < 0.05$), using t-tests for mental wellbeing score and column proportion z-tests for life satisfaction and sleep quality.

Table 3.2 – Respondent wellbeing, life satisfaction and sleep quality, by total amount in savings and type of accounts held

Indicators of savings behaviour		Median mental wellbeing score	% mostly or completely satisfied with life	% sleep quality is very or fairly good
Total amount of savings held by respondent	No savings	46.1	40%	69%
	Under £500	45.8	43%	67%
	£500-999	46.4	43%	68%
	£1,000 to £1,999	49.2	55%	74%
	£2,000 to £4,999	49.1	55%	78%
	£5,000 to £9,999	49.4	51%	76%
	£10,000 to £24,999	51.2	59%	78%
	£25,000 plus	52.9	66%	81%
Number of types of savings account held by members of the household	None	45.9	40%	68%
	One type	49.3	52%	75%
	Two types	50.2	56%	78%
	Three types	51.7	62%	80%
	Four or more types	52.8	66%	80%
Types of savings account held by members of the household	None	45.9	40%	70%
	Savings held within current account	49.9	54%	76%
	Savings or deposit account	50.8	57%	78%
	NS&I savings account	52.0	63%	80%
	Cash ISA	51.1	58%	79%
	Stocks and shares ISA / PEPs	51.8	64%	80%
	Premium bonds	52.0	63%	79%
	Other types of savings	51.0	60%	78%

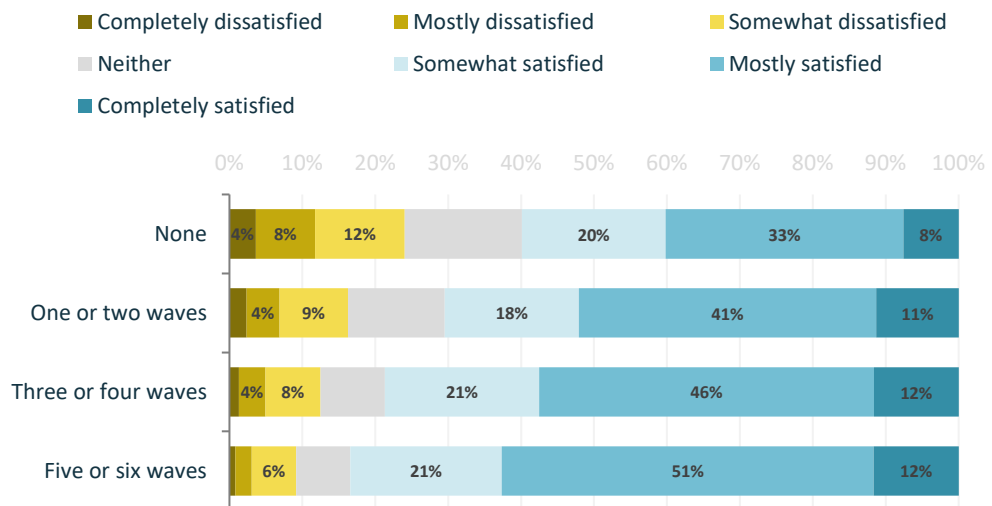
Notes: sample sizes range from 22,467 to 26,766. Blue shaded cells indicate higher values within the column. All variables showed at least one statistically significant difference between rows (at $p < 0.05$), using t-tests for mental wellbeing score and column proportion z-tests for life satisfaction and sleep quality.

Saving and wellbeing are related over the longer-term

We now turn to an analysis which uses only those individuals who had completed the survey in all six of the survey waves that savings behaviour was asked about. This involves nearly 9,000 adults, for whom we have data on their savings and wellbeing covering a 12-year period.

In line with the previous findings, we see that life satisfaction in 2021/22 (wave 13) has a clear relationship with the number of survey waves that the respondent reported being a saver in. Those who had been putting money into savings in five or six of the six waves were considerably more likely to be ‘mostly’ or ‘completely’ satisfied with their life overall (63%), compared to those saving in three or four waves (58%), one or two waves (52%) and none of the waves (41%). Looked at another way, those who never saved were around four times more likely to be ‘completely’ or ‘mostly’ *dissatisfied* with their life (12%) than those who always or almost always saved (3%).

Figure 3.3 – Satisfaction with life overall in 2021/22, by number of survey waves respondent had saved in (between 2010 and 2021)

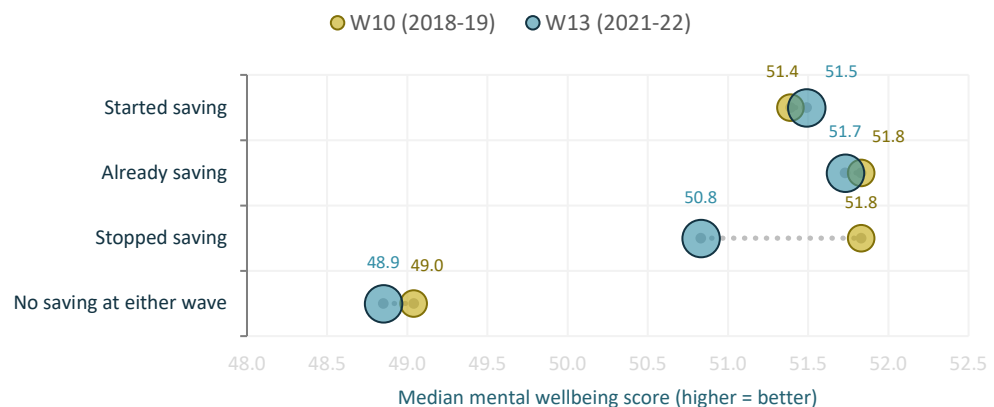


Notes: overall sample size of 8,805, with group sample sizes as follows: none = 2,364; one or two waves = 2,745; three or four waves = 2,054; and five or six waves = 1,642.

Figure 3.4 focuses on data from wave 10 (2018-19) and wave 13 (2021-22). We assign respondents into four groups depending on whether or not they were saving in wave 10 and then whether this had changed in wave 13. This shows that 11% had started saving, 34% were already saving, 17% stopped saving and 38% weren’t saving at either wave. We then compare the mental wellbeing of each these four groups at each wave. This shows that that, on average, those who started saving between wave 10 and wave 13 saw a small improvement in mental wellbeing score (from 51.4 to 51.5), bucking the overall trend towards declining mental wellbeing scores over time. Those ‘already saving’, who were saving at both waves, had the highest mental wellbeing on

average and saw a small decline between the two waves. Those who stopped saving, however, saw a more substantial decline in their mental wellbeing on average. While they had previously had a similar level of mental wellbeing to the 'already saving' group (51.8), this fell to 50.8 by wave 13. Despite this, this group still fare better than the group who had not saved at either wave (with wellbeing scores of 49.0 and 48.9 at waves 10 and 13 respectively). Again, this suggests a clear link between saving and wellbeing, though it should be noted that the direction of the relationship may run in both directions; a worsening of financial situation may lead to poorer mental wellbeing, while the onset of poor mental health may also cause a deterioration in financial situation and therefore ability to save. It should also be noted that the period under observation (from 2018-19 to 2021-22) includes the coronavirus pandemic, so it may be the case that those who stopped saving over this period were those hit economically hardest by lockdown – which may mean that the deterioration in mental wellbeing may also have been exacerbated by the pandemic.

Figure 3.4 – Median mental wellbeing scores at wave 10 (2018-19) and wave 13 (2021-22), by respondent changes in savings behaviour between the two survey waves

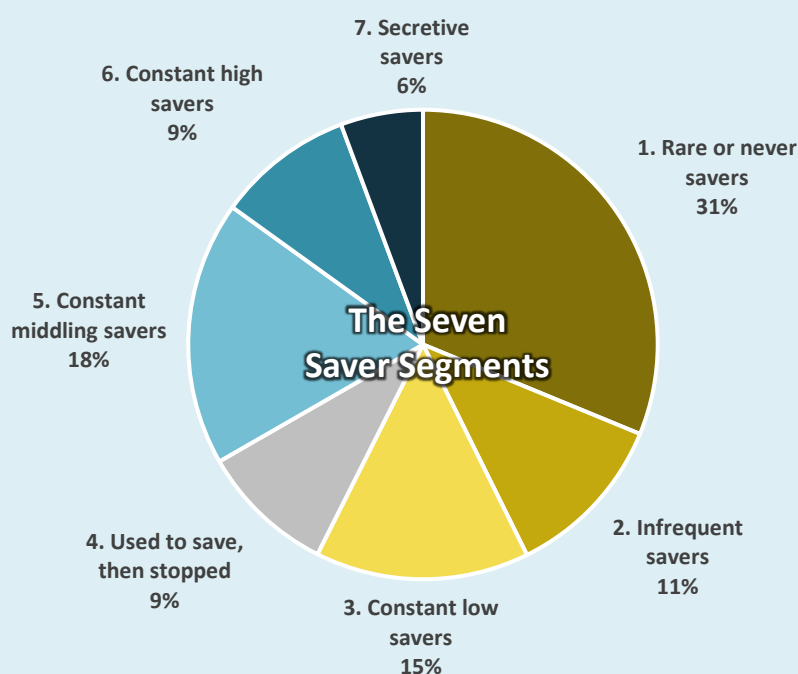


Notes: overall sample size of 8,805, with group sample sizes as follows: none = 2,364; one or two waves = 2,745; three or four waves = 2,054; and five or six waves = 1,642.

In addition to the above longitudinal analysis, we conducted cluster analysis to segment survey respondents based on their savings trajectory over time. This draws on data showing the proportion of household income (after housing costs, and equivalised for household size) put into savings at each wave. The analysis means that respondents were put into one of the seven segments described in Box 3.1. Nearly a third of adults (31%), for example, were classified as 'rare or never savers', while 9% are considered 'constant high savers'.

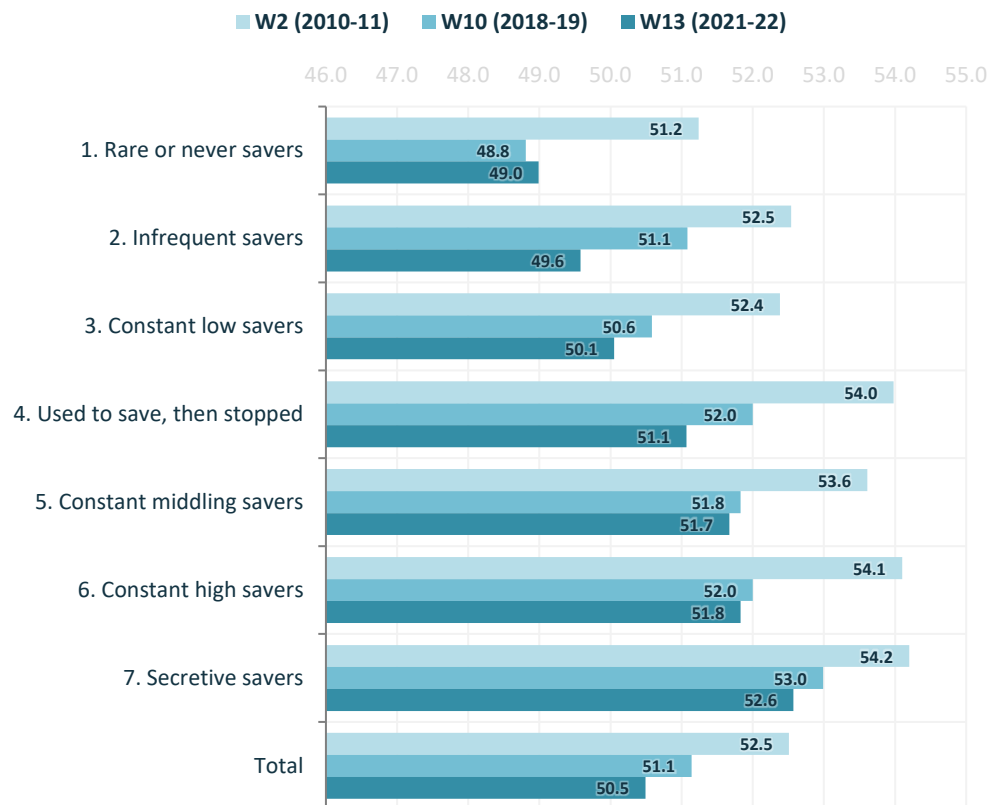
Box 3.1 – Seven Saver Segments identified by cluster analysis of savings data over six waves from 2010-11 to 2021-22

1. Rare or never savers (31% of adults) – 64% of this group were not classed as a regular saver in any of the six waves, and a further 32% were savers in only one or two waves.
2. Infrequent savers (11% of adults) – three-quarters (77%) of this group had been putting aside some money in one, two or three waves. Intriguingly, most of this group were savers in wave 10 (2018-19) but less so in other waves.
3. Constant low savers (15% of adults) – 78% had been saving in three or more waves, and where they had they tended to be saving a relatively low proportion of their household income.
4. Used to save, then stopped (9% of adults) – this group was characterised by the fact that they had originally been saving to some extent but then had either stopped saving completely or had dramatically reduced their saving.
5. Constant middling savers (18% of adults) – 80% of this group managed to save in four or more survey waves, with most tending to save an average amount compared to other savers.
6. Constant high savers (9% of adults) – 86% of this group saved in four or more waves, and when they did they tended to save a high proportion of their household income compared to other savers.
7. Secretive savers (6% of adults) – this group look similar to groups 5 and 6, with 75% saving in four or more waves, but they are noteworthy because they usually refused to reveal how much money they would save.



In Figure 3.5 we demonstrate how mental wellbeing scores change over time for each of the seven saver segments. All segments saw a decline in mental wellbeing between 2010-11 and 2018-19, with the majority seeing a smaller further decline by 2021-22. The magnitude of the decline in wellbeing is similar across groups, but it is important to note that the groups managing to save more typically started – and subsequently ended – with higher levels of wellbeing. This is an important caveat when considering the results of other analyses in this report, as it reminds us that causality cannot be established from the analyses conducted. It is likely that having the ability to save is likely to improve wellbeing, but also that starting adulthood with better mental wellbeing is likely to influence one’s future financial situation and ability to save.

Figure 3.5 – Median mental wellbeing score over time, for each of the seven saver segments



Notes: sample sizes as follows: 1 = 2,449; 2 = 946; 3 = 1,300; 4 = 875; 5 = 1,835; 6 = 868; 7 = 567; total = 8,840.

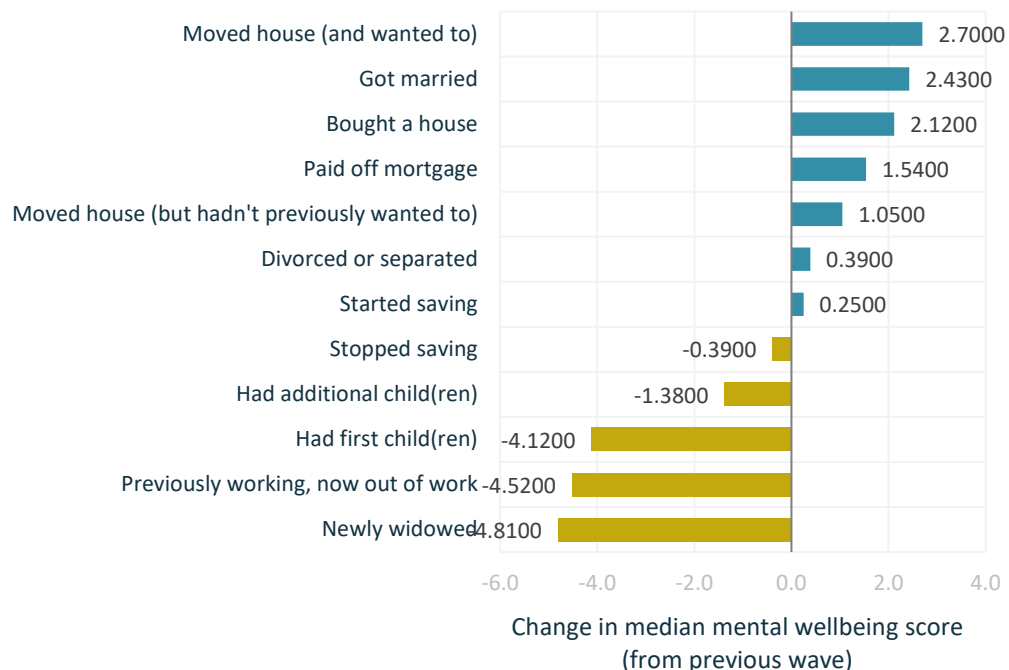
Other factors affect wellbeing to a greater extent than saving does

While this perhaps goes without saying, it is worth noting that many factors are more important than saving for people’s wellbeing. In 2021-22, mental wellbeing scores were generally lower for: those out of work (38.3), single parents (40.3), those in receipt of benefits (41.4), young adults (42.9), those with long-term health conditions or disabilities (44.0). Those who fare better

include: people aged 75 plus (51.8), outright homeowners (50.9), and those with the highest 20% of incomes (49.7). As shown above, the difference in wellbeing between the 'rare or never savers' (49.0) and the 'constant high savers' (51.8) is much smaller.

Periods of change can also have a big impact on wellbeing. As Figure 3.6 shows, big changes in living situation are likely to impact wellbeing to a great extent. Loss of a partner or of a job has a significant negative impact, while having children is also associated with an initial hit to wellbeing. Buying a house, completing a move, getting married and paying off a mortgage all meanwhile were associated with positive wellbeing gains on average. Divorce / separation, interestingly, was associated with a small improvement in mental wellbeing but a decrease in overall life satisfaction (not shown in Figure 3.6). The change in wellbeing associated with starting or stopping saving, by comparison with most of the above, was relatively modest. Of course – as we explore more in Section 4 – it is fair to say that many of the major life events that impact overall wellbeing, such as buying a house, are generally not possible without some level of saving. Small impacts on wellbeing can add up to big impacts in the longer-term.

Figure 3.6 – Change in mental wellbeing score associated with a range of other life events



Notes: change calculated based on median mental wellbeing score for each group at wave 13 (2021-22) minus that group's median mental wellbeing score at the previous wave (wave 12, 2020-21). This is not directly comparable to the earlier results shown in Figure 3.4, as that compared mental wellbeing in wave 10 and wave 13. Sample sizes as follows: stopped saving = 1,490; started saving = 1,028; previously working, now out of work = 103; had first child(ren) = 42; had additional child(ren) = 43; divorced or separated = 58; newly widowed = 46; got married = 55; paid off mortgage = 52; bought a house = 46; moved house (but hadn't previously wanted to) = 129; moved house (and wanted to) = 266. 'Bought a house' is defined as those whose tenure status changed from being a renter to a homeowner.

Given that factors such as income, age, health, tenure and marital status are all shown above to have their own relationships with aspects of wellbeing, it is important to control for these in our analysis of any link between saving and wellbeing. As such, in Figures 3.7a and 3.7b, we present the results of regression analyses which takes into account these and other factors. Both regression models demonstrate that people with a history of regular saving are significantly more likely to have high levels of life satisfaction and to have a high mental wellbeing score. By controlling for income, we can say that if there are two people in the same income quintile, someone who was a regular saver in just one of the six survey waves would see their odds of high life satisfaction increase by a third (34%) compared to someone who never managed to save. These odds increase to two thirds for someone who saved in all six waves.

Figure 3.7a – Regression results, showing association between having a history of regular saving and life satisfaction once other individual and household characteristics are taken into account. Results ordered by size of regression coefficient. Only statistically significant results shown.

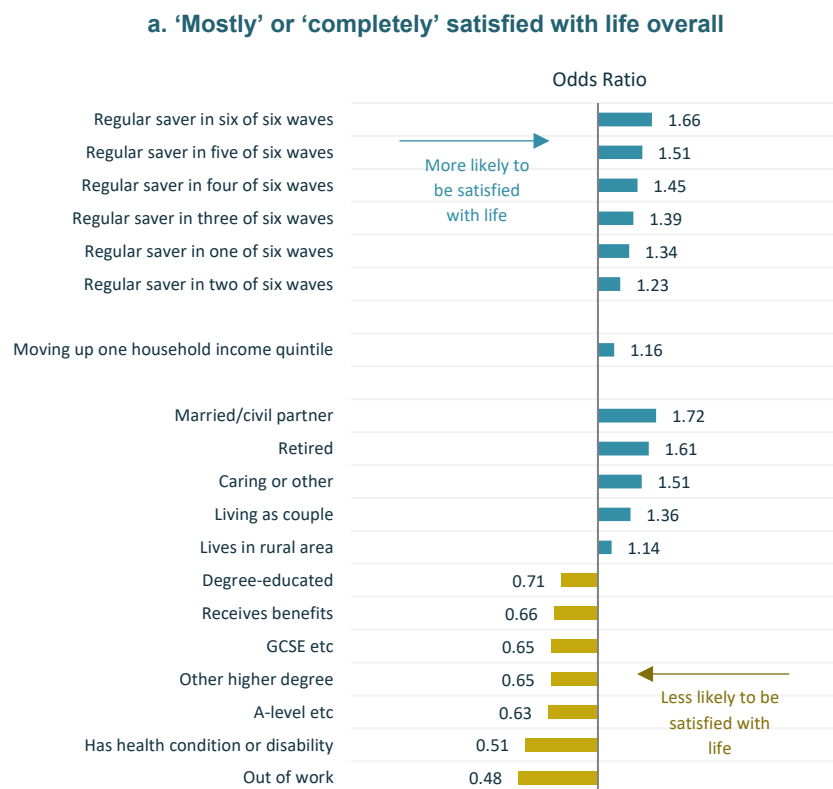
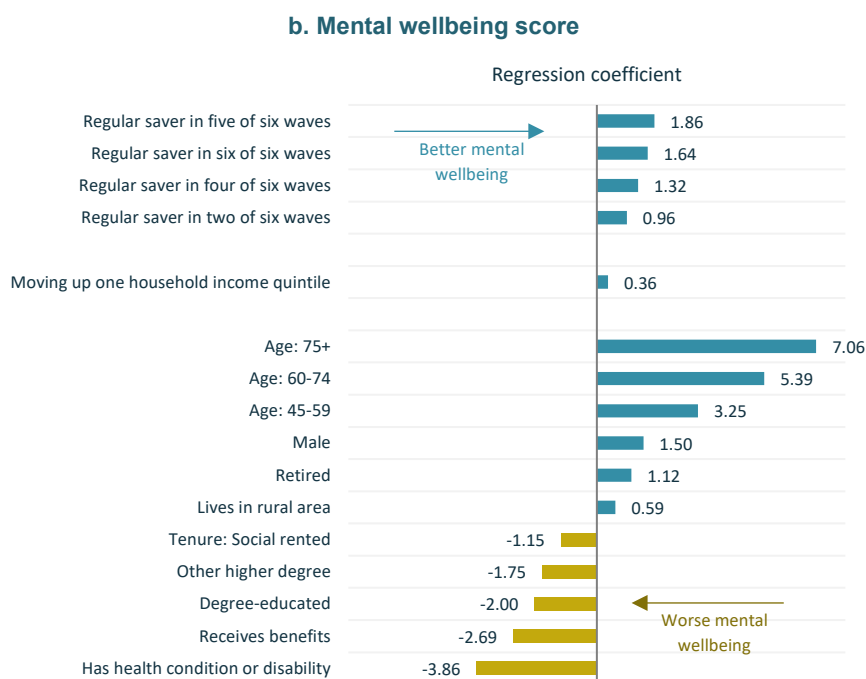


Figure 3.7b – Regression results, showing association between having a history of regular saving and mental wellbeing score once other individual and household characteristics are taken into account. Results ordered by size of regression coefficient. Only statistically significant results shown.



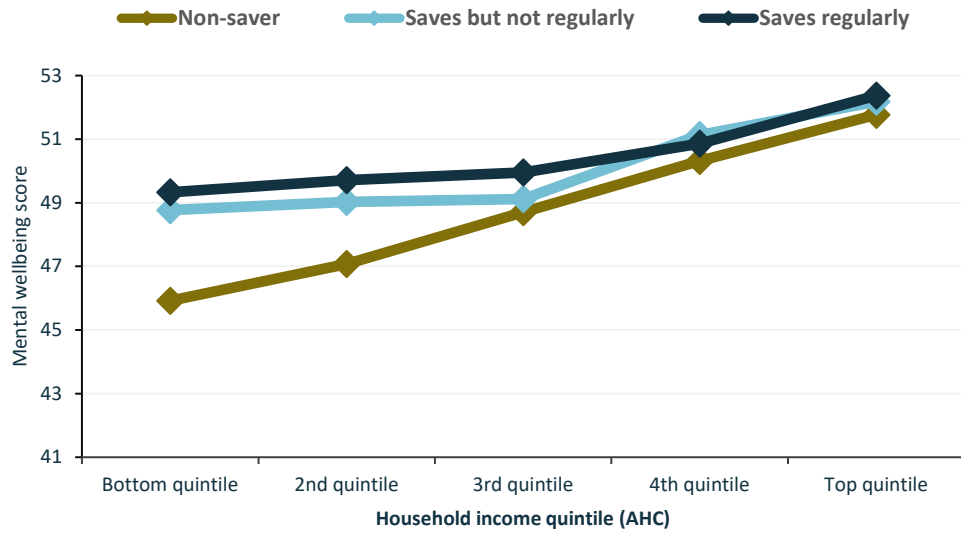
Notes: Chart A shows the results of a binary logistic regression model, with a binary variable showing whether or not the respondent was 'mostly' or 'completely' satisfied with their life overall at w13 as the dependent variable. Chart B shows the results of a linear regression model, where the dependent variable was the respondent's SF-12 mental wellbeing score at w13 (running from 0 to 100). Sample sizes were 8,652 for model A and 8,579 for model B. Statistically significant results shown only (at $p < 0.05$). The results for categorical variables are in comparison with a reference category. For the 'regular saver' variable, the reference category was being a 'a regular saver in none of the six waves'. For marital status, it was 'never married'; for education, it was 'no qualifications'; for work status, it was 'working', for age it was 'under 30'; and for tenure, it was 'owned outright'. Full list of variables controlled for: history of regular saving, average household income quintile across survey waves, sex, age group, marital status, tenure, work status, receipt of benefits, health condition or disability, number of children, highest qualification, ethnic group, whether born in UK or not, rural-urban status, and season in which survey was completed.

Saving may matter more for lower-income and younger groups

As mentioned previously, in our review of evidence, there were suggestions that saving may be associated with greater wellbeing for those on lower incomes and for younger adults. Evidence from our analysis tends to support this. As Figure 3.8 shows, while there is little difference in the mental wellbeing of savers and non-savers for the top two income quintiles, the difference becomes significant for those with lower incomes. Median mental wellbeing scores are 3.4 points higher for regular savers in the bottom income quintile than they are for non-savers on similar incomes. Similarly, looking at life satisfaction, we see that just 40% of non-savers in the bottom income quintile report being 'mostly' or 'completely' satisfied with their life overall, rising to

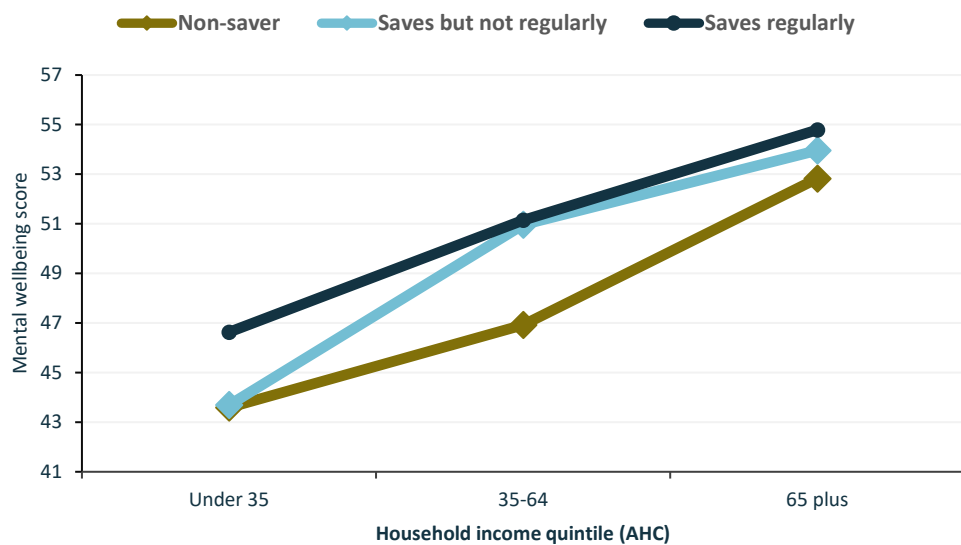
53% among regular savers on the same income. This means that low-income regular savers enjoy similar levels of life satisfaction to non-savers in the fourth income quintile, on much higher incomes.

Figure 3.8 – Median mental wellbeing score by household income quintile and regularity of saving



Notes: Wave 13 analysis. Sample sizes range from 523 (bottom quintile, non-regular savers) to 3,769 (bottom quintile, non-savers).

Figure 3.9 – Median mental wellbeing score by age and regularity of saving



Notes: Wave 13 analysis. Sample sizes range from 888 (under 35s, non-regular savers) to 7,214 (aged 35-64, non-savers).

Turning to age, in Figure 3.9, we see a clear trend whereby younger adults were more likely to report lower mental wellbeing. The gap in mental wellbeing between non-savers and regular savers, however, is considerably larger for under 35s and those aged 35-64 than it is for the 65 plus age group. This appears to be less about the impact of saving on wellbeing being higher for younger adults and more about the impact of *not saving* being *lower* for older adults. In other words, wellbeing in older age may be less about saving for the future and more about spending money to enjoy the present.

Regression analysis, in which we control for other characteristics and make use of longitudinal data on savings over time, tends to support these findings. When saving and income are brought together in an interaction term, we see that those on lower incomes who saved in just one or two waves had significantly higher mental wellbeing than we would otherwise expect. This group also appeared to have higher levels of life satisfaction, but the interaction term did not quite reach statistical significance. Similar models were conducted with a saving-age interaction term. These models didn't quite reach statistical significance, but it was interesting to note that the regression coefficients tended to show a more positive relationship between saving and both wellbeing and life satisfaction for those aged under 35 and a less positive relationship for those aged 65 plus – consistent with the findings of the descriptive analysis.

4 HOW DOES SAVING HELP TO IMPROVE WELLBEING?

Having identified a clear correlation between saving and improved wellbeing, in this section we explore some of the drivers of this relationship. Again, we review existing evidence and conduct new analysis to highlight some of the key mechanisms.

Role of saving in building financial resilience and avoiding debt

Our review of existing literature identified a number of ways in which having savings appeared to drive the improvement in wellbeing that we have detailed above. Fundamentally, savings had a protective effect on the wellbeing of those who held them, and this was evident in a number of ways.

Firstly, and most significantly, our review found evidence that savings gave people and households greater financial resilience in other areas. Notably, one of the main ways in which savings facilitated wellbeing was through avoiding the negative impact that borrowing and debt can have on wellbeing, essentially by having a safety net. The negative impact of problem debt, and use of high-cost credit, is well documented,²⁶ and holding savings considerably reduces the likelihood of experiencing this particular form of harm. Analysis of the ONS Wealth and Assets Survey (WAS) data, conducted by StepChange in 2015, found that, for a household with an average net annual (regular) income of £25,000, the odds of problem debt was estimated to be 44% lower if the household has cash savings of £1,000.²⁷ An evidence review of the impact of emergency workplace savings from 2021 found a similar response in one study from the US – once accounting for household income, age, marital status and education, those who were unable to maintain a savings balance of \$100 were 39% more likely to use high cost credit than those who were.²⁸

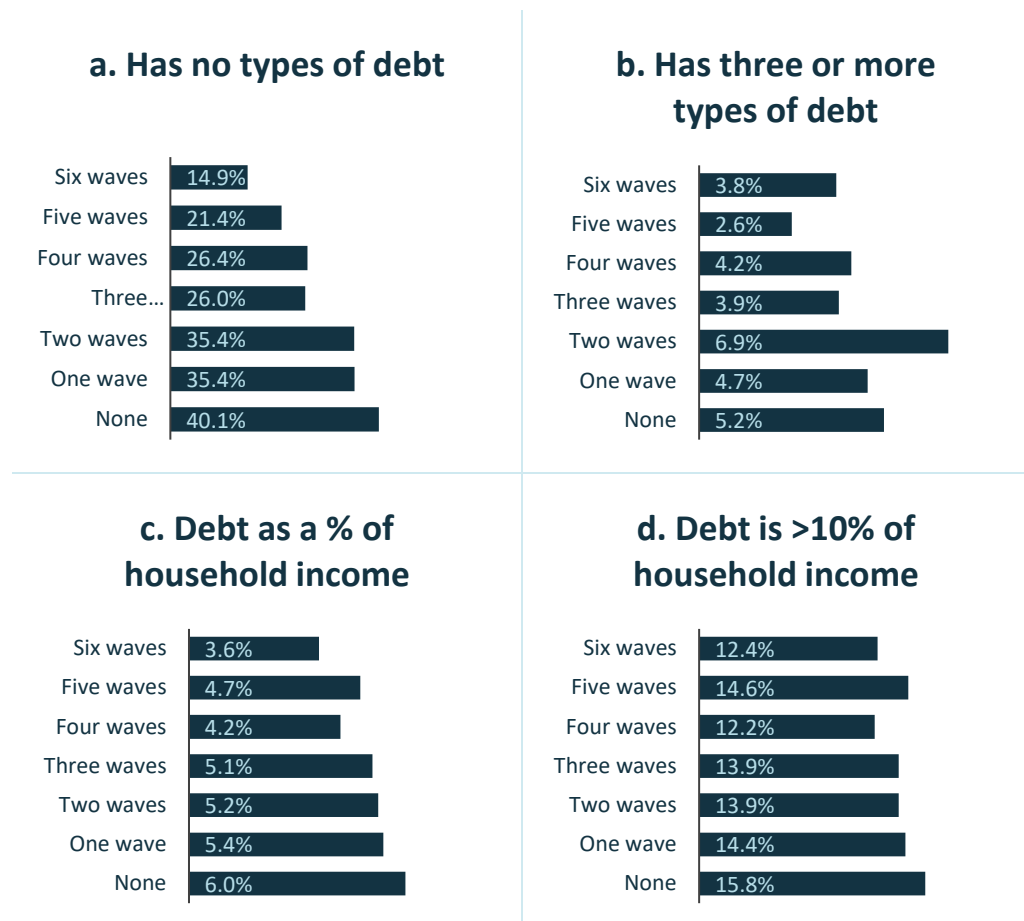
²⁶ See for example: Bialowski, P., Węziak-Białowolska D., & VanderWeele, T. (2019) [The impact of savings and credit on health and health behaviours](#) International Journal of Public Health,

²⁷ Surtees, J. (2015) [Becoming a nation of savers](#) StepChange

²⁸ Cooksey, E & Sandbrook, W. (2021) [Workplace Emergency Savings](#) Nest Insight

In our analysis of *Understanding Society* we find evidence to support this, although the results are somewhat mixed. We find, for example, that those without a history of saving were more likely to be debt-free: two-in-five (40%) of those who didn't save in any of the six survey waves reported having none of the debt types asked about, compared with just 15% of those who saved in every wave (Figure 4.1a). Conversely, these non-savers were also more likely to report having three or more different types of debt (Figure 4.1b). This non-linear trend may be related to difficulties that some less affluent households may face in accessing credit in the first place. Indeed, when we control for income and other characteristics in a regression model, we find only one group (those saving in five of the six survey waves) had statistically significant lower odds of holding three or more debt types (odds ratio = 0.42, $p = 0.001$). Other saver categories tended to have lower odds than non-savers; however, none of these were sufficient to achieve statistical significance.

Figures 4.1a-d – Number and amounts of debt, by number of survey waves that the respondent was a saver in.



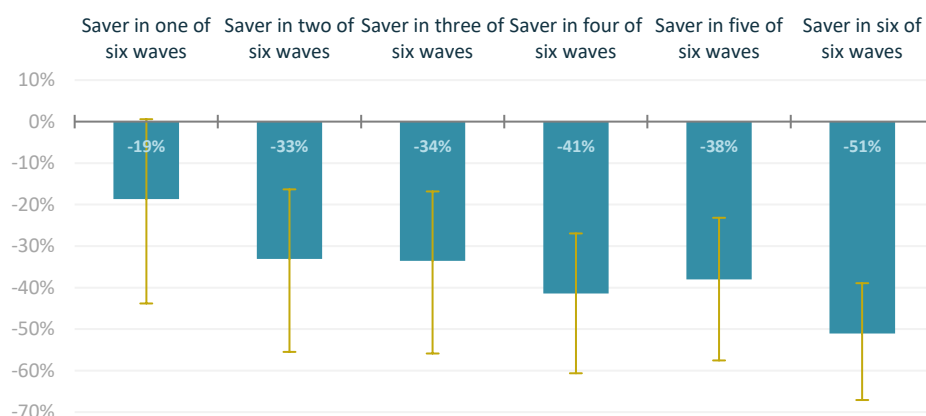
Notes: Overall sample size for chart A and B = 9,608; chart C and D = 9,169. Charts C and D exclude those holding student loan debt. Mortgage debt is also not included. Household income used in calculations is annual household income, before housing costs.

If looking at individual types of debt, however, differences between savers and non-savers become more apparent. We see that savers were significantly

more likely to hold hire purchase agreements, personal loans and credit cards, but *non-savers* were more likely to have overdrafts, catalogue or mail order debt, loans or advances on benefits or the social fund, loans from private individuals, or other debt types not otherwise asked about in the survey.

Given differences in the types of debt accessed by savers and non-savers, we expect to see this reflected in the amount of debt owed by each group. For example, personal loans or hire purchase agreements (on vehicles) are likely to be larger, while overdrafts or mail order debt would typically be smaller. We do see this to some extent in the data – with non-savers typically owing £1,570 and savers owing £1,822 (a statistically significant difference).²⁹ But once we adjust for household income by looking at debt-to-income ratio, we see that non-savers on average owe a higher proportion of their income than savers (with savers owing 4.6% of their annual household income, compared with 4.3% for non-savers). Figure 4.1c gives these figures by number of waves that the respondent had saved in, again showing that those saving in fewer waves tended to hold debts that were a larger portion of their income. Figure 4.1d meanwhile gives the proportion of households who held debts equivalent to more than 10% of their annual income. While the pattern isn't perfectly linear, in general we see that the more waves that an individual saved in the lower their likelihood of holding such significant debts. For example, while 16% of those who never saved owed more than 10% of their income, this falls to 12% among those who saved in every wave. When controlling for other characteristics, we find that all those who saved in two or more waves had statistically significant reduced odds of this level of debt (Figure 4.2). The odds of owing more than 10% of one's income reduce by a third (33%) for those who saved in just two of the six survey waves, relative to the non-savers.

Figure 4.2 – Reduction in odds of owing more than 10% of household income in debt, by number of survey waves that respondent was a saver in. Odds relative to those who saved in none of the six waves.



Notes: results from a regression analysis, sample size = 9,090. Yellow lines indicate 95% confidence intervals – where these cross the 0% axis, this means that the result is not statistically significant.

²⁹ Please note that this analysis excludes anyone who held a student loan, as these loans would skew the results. The figures also do not include mortgages.

Role of saving in preventing hardship

Other studies have evidenced the way that savings can improve financial wellbeing; in the US, both having liquid savings, as well as having the capacity to absorb unexpected expenses were separately correlated with having higher financial wellbeing³⁰, demonstrating how it is the ways in which savings can be used that appear to drive the increased financial wellbeing. Longitudinal research in disadvantaged neighbourhood in the US also bore out the benefits of having emergency savings to draw on: not only were the households who had saved for emergencies less likely to be experiencing overall hardship, but the impact of this also remained three years later.³¹

In Ireland, a study among social housing residents found that those who were able to draw on savings to pay an unexpected event were significantly more likely to be financially comfortable than those who needed to take out a loan to do this³². Conversely, there was a strong correlation between having too much debt right now and inability to keep up with bills and commitments, although, interestingly, those who used an unauthorised overdraft when running out of money did score highly on resilience for the future. The study concludes that borrowing to pay unexpected expenses has a short-term benefit but may cause difficulties in keeping up with bills in the longer term. Having savings to draw on when needed, therefore, helped to support longer term financial wellbeing.

There was mixed evidence, however, to the extent that having savings has a protective effect after job loss; one review of international evidence concluded that wealth had a protective effect against depression after job loss in the US, but not necessarily across Europe³³, whereas a different US study exploring the impact of job loss during Covid-19 found financial wellbeing, rather than liquid assets, moderated the relationship between job loss and mental health status³⁴. Overall, the evidence suggests that the protective impact of savings may be tempered by other external factors. It is likely that the level of savings held by many people are inadequate to account for such as financially impactful event as job loss, but may have an impact for smaller unexpected expenses.

Our analysis of the *Understanding Society* data suggests that those without savings do indeed have a more volatile financial situation and face greater risk of hardship. As Figure 4.3 shows, 12% of those who hadn't saved in any of the six survey waves were behind with at least some of their bills in 2021-22, of whom 5% had fallen into difficulty since the previous survey wave. By

³⁰ Consumer Financial Protection Bureau (2016) [Financial well-being in America](#)

³¹ Gjerston, L.(2016) [Emergency Saving and Household Hardship](#) J Fam Econ Iss 37, 1–17

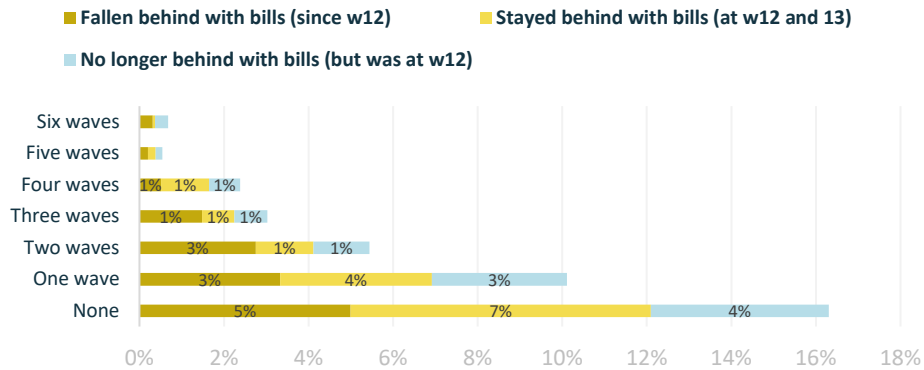
³² Carton, I., Xiong, H., & McCarthy, J. (2022) [Drivers of financial well-being in socio-economic deprived populations](#) Journal of Behavioral and Experimental Finance

³³ Ettman, C.E., Cohen, G.H., Vivier, P.M. and Galea, S. (2020). [Savings, home ownership, and depression in low-income US adults](#). Social Psychiatry and Psychiatric Epidemiology, 56, pp.1211-1219

³⁴Despard, M., Banks, A. & Dukes, L. (2023) [COVID-19 job and income loss and mental health: the mediating roles of financial assets and well-being and the moderating role of race/ethnicity](#). Social work in mental health, 21(1).

comparison, just 2% of those who had managed to save in three waves were behind with bills at wave 13. Similarly, 14% of those who never saved reported finding their current financial situation 'very' or 'quite' difficult, falling to 9% among those who saved in one wave, and 4% among those who had saved in two waves.

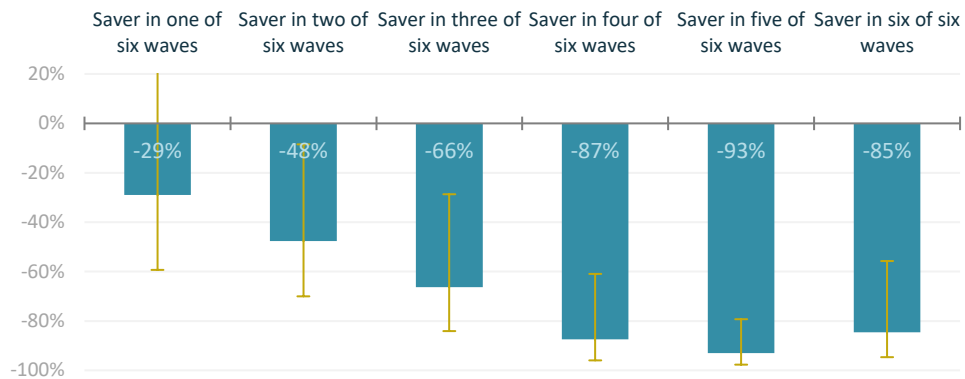
Figure 4.3 – Change in arrears between wave 12 and 13, by number of survey waves that the respondent was a saver in.



Notes; the remainder of respondents in each group had been behind with bills at either wave 12 or 13. Overall sample size = 9,514.

Controlling for other characteristics, including household income, we find that all those who saved in two or more survey waves had significantly reduced odds of falling behind with their bills, compared to those who never saved. For example, the odds of this occurring were nearly twice as low for those saving in two waves ($O/R=0.52$, $p = 0.023$) and eight times as low for those saving in four waves ($O/R=0.12$, $p = 0.000$).

Figure 4.2 – Reduction in odds of having fallen behind with bills since previous wave, by number of survey waves that respondent was a saver in. Odds relative to those who saved in none of the six waves.



Notes: results from a regression analysis, sample size = 9,108. Excludes those who were already behind with bills at the previous wave. Yellow lines indicate 95% confidence intervals – where these cross the 0% axis, this means that the result is not statistically significant.

Role of saving in meeting financial goals

In general, there was evidence that being a saver, or having savings, was also correlated with overall positive money management behaviour. The aforementioned study in social housing in Ireland noted that *“good money management behaviours such as keeping up with paying bills and using online banking showed very strong correlation with regular savings”*.³⁵ Analysis of the Adult Financial Wellbeing Survey³⁶ additionally found that saving was linked to other financial planning behaviours like setting goals and planning for retirement. It should be made clear, however, there was not necessarily evidence of a causative impact of savings on general money management, and indeed, saving is likely to be part of a generally positive approach to managing money. On the other hand, it did appear, that feeling in control of finances was a key part of financial wellbeing, and that savings could play a role in achieving a positive attitude towards financial matters. Research into the factors impacting financial wellbeing on people at two different life stages – young workers and families – found that ‘being in control’ was the most important factor for both groups and was in fact twice as important as the next ranked factors.³⁷ Qualitative research supports this; Credit Union members who were given access to and education on budgeting tools reported feeling more in control of their money, and were subsequently able to start saving.³⁸

Overall, findings from the evidence review suggest that savings may be a small, but key component in feeling secure financially, as it is an act with an explicit ‘future focus’. As already detailed, the US based National Longitudinal Survey of Youth linked perceptions of good health to a willingness to save, and earlier research, also in The US may help shed light on why this may be. Using the theory of planned behaviour³⁹, the researchers analysed longitudinal survey data from college students to understand the relationship between attitudes towards saving and future-oriented financial behaviours, and whether this impacts on whether people go on to perform these behaviours. They found that a correlation between these two stages, but also found that the more that the students engaged in future focussed behaviours, the happier they were about their financial situation and their lives in general, giving a present value as well as a future value to the act of saving. Indeed, they conclude that the act of saving may have a cumulative, ongoing positive impact on financial wellbeing. Research in Poland also found that saving was associated with healthier behaviour; lower rates of smoking, and higher rates

³⁵ Carton, I., Xiong, H., & McCarthy, J. (2022) [Drivers of financial well-being in socio-economic deprived populations](#) Journal of Behavioural and Experimental Finance

³⁶ Money and Pension Service (2022) [A Nation of Savers](#)

³⁷ Vlaev & Elliot (2014) [Financial Well-Being Components](#) Social Indicators Research 118

³⁸ Appleyard, L, Dibb, S, & Aslam, H (2020) [Financial capability: Supporting credit union members towards greater financial wellbeing](#) Centre for Community Finance Europe

³⁹ [Theory of planned behaviour](#) The Theory of Planned Behaviour (also known as the Theory of Reasoned Action) distinguishes between three types of beliefs that affect an individual's intention to perform a specific behaviour: (1) behavioural beliefs, which translate into attitudes toward the behaviour; (2) normative beliefs, which relate to perceived attitudes of peers and respected figures toward the behaviour; and (3) control beliefs, or perceived ability to perform the behaviour.

of sporting activity.⁴⁰ Conversely, a review of the impact of poverty on decision making, notes how those in poverty are more likely to focus on current concerns over future ones⁴¹; encouraging positive savings behaviour in those who are least able to afford it may therefore have greater longer-term benefits than the just a pot of money. One report suggested that changing attitudes may well be important to building a savings habit.⁴²

To explore the role of saving in enabling people to achieve their life goals, we tracked a cohort of young people in *Understanding Society*. This cohort included only those aged 21-30 in 2011 and focused solely on those either renting or living with their parents. We then tracked them over ten years to see what proportion became homeowners, comparing this based on the number of waves that they said they were regular savers in. While it is important to note that those who hadn't regularly saved in any of the six waves were more likely than others to have started-off as social renters (33%, compared to 16% of those who saved in five or six waves), we see huge differences in the rate of future homeownership depending on how regularly the respondent was able to save. As shown in Figure 4.3, over three-quarters (82%) of those who regularly saved in five or six waves had become homeowners after ten years, compared to just 15% of those who never regularly saved. Even those who managed to save in just one or two waves achieved a 40% homeownership rate after ten years, significantly higher than that for the non-savers.

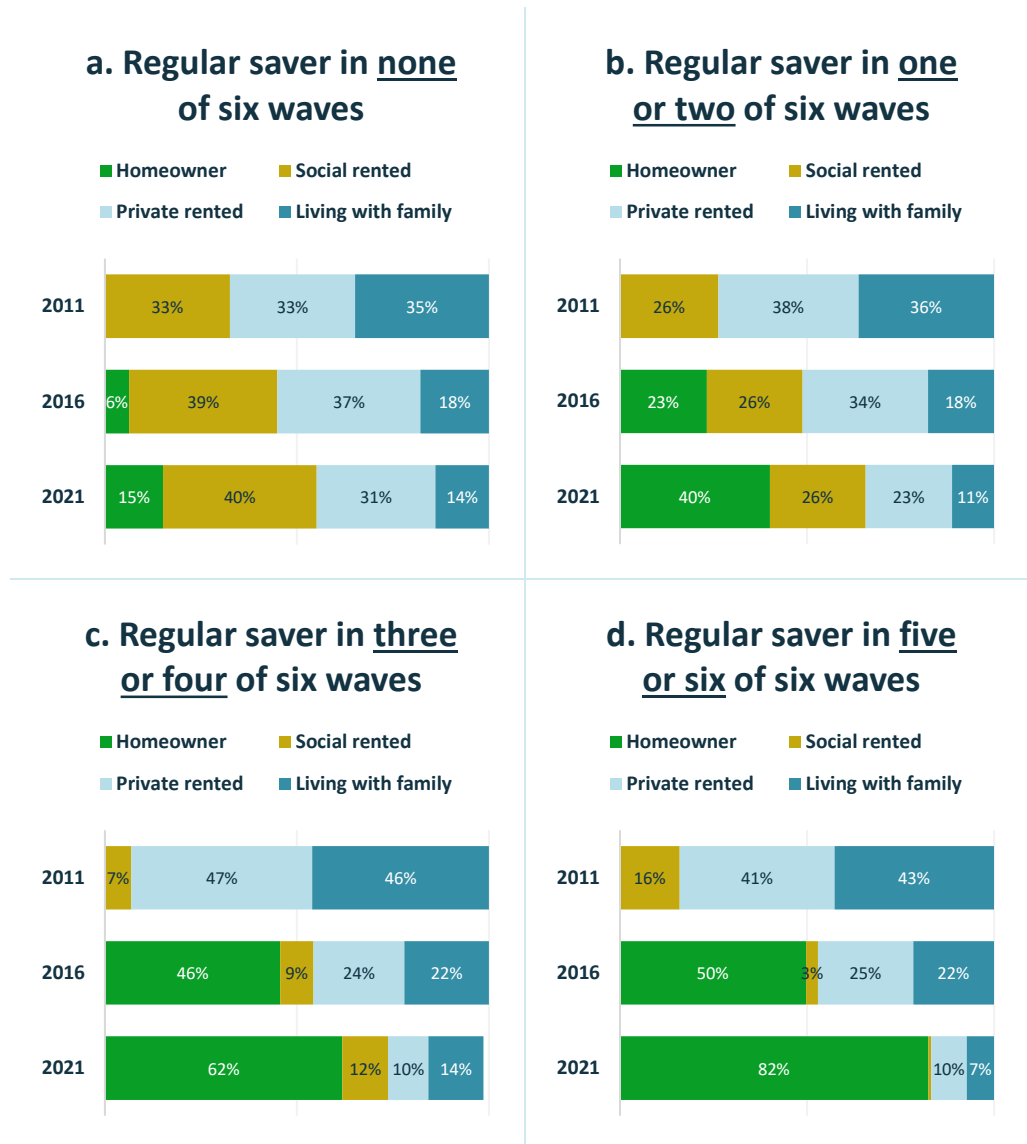
Clearly, income and other factors will also affect people's chances of becoming a homeowner. We control for these characteristics in a regression analysis and find that – relative to non-savers – savers had between four- and ten-times higher odds of becoming a homeowner after ten years. Those who were regular savers in one or two of six waves had nearly four times higher odds of homeownership once other factors were taken into account (Odds Ratio = 3.8, $p=0.001$), with the odds increasing to five times for those saving in three or four waves (O/R=5.3, $p=0.000$) and to ten times for those saving in five or six waves (O/R=10.0, $p=0.000$). Moving up one income quintile meanwhile was associated with 64% higher odds of homeownership (O/R=1.6, $p=0.006$). Collectively, this highlights how regular saving is the best strategy for young people to achieve the goal of homeownership; however, the challenge clearly remains how best to encourage this saving in the first place.

⁴⁰ Bialowski, P., Węziak-Białowolska D., & VanderWeele, T. (2019) [The impact of savings and credit on health and health behaviours](#) International Journal of Public Health

⁴¹ Sheehy-Skeffington, J. & Rea, J. (2017) [How poverty affects people's decision-making processes](#). Joseph Rountree Foundation

⁴² Masters, J. & Farchy, E. (2011) [Savings on a shoestring](#) Social Market Foundation

Figure 4.3 – Tenure status in 2011, 2016 and 2021 for a cohort of young adults who were renting or living with family in 2011, by number of waves in which they were a regular saver.



Notes: overall sample size for each year = 507, chart A = 131, chart B = 162, chart C = 134, chart D = 80.



5 WHAT CAN BE DONE TO ENCOURAGE SAVING?

Finally, given the clear benefits of saving we have detailed, this report concludes with exploring best practice on how to encourage people to save.

There were a number of product design features, tools and behavioural and financial incentives that appear to be effective in encouraging saving and should be considered by both policy makers and savings providers.

Financial incentives

Broadly speaking, the evidence found that incentivising savings worked. A review of evidence on reward and prize linked schemes found that both appear to impact on savings behaviour⁴³, although the evidence suggests that prize-linked schemes may be the more effective way of incentivising those who are not inclined to saving already. More recently in the UK, a trial of a prize-linked savings account called Start to Save found similarly positive results.⁴⁴ An evaluation of the Help to Save scheme⁴⁵ - a matched savings initiative aimed at low-income households in receipt of particular benefits⁴⁶ – found it had a positive impact on savings behaviour in a number of ways; overall, customers agreed that the Help to Save account had helped them to save, and not to make withdrawals. For those who had not been a regular saver prior to opening the account, the effect was even greater: they were significantly more likely than those who had previously saved to report saving more than before, saving more frequently than before, and were more likely to save in the future now they have a Help to Save account.

A recent review from the Resolution Foundation (2024) addressing the issues of low levels of savings observed that incentives could be costly for the governments, and with the notable exception of the Help to Save scheme, often benefited better off households: the report estimated that the top decile of households received ten times more financial benefit than the bottom

⁴³ Finney (2021) [How effective are reward-based and prize-linked savings schemes?](#) Money and Pension Service

⁴⁴ Behavioural Insights Team (2022) [Nationwide Prize-linked Savings Report](#)

⁴⁵ HMRC (2021) [Help to Save Customer Experience Research](#)

⁴⁶ [Help to Save UK Gov](#)

decile.⁴⁷ On this basis, it was suggested that behavioural interventions may be more appropriate as a strategy to encourage saving. However, even modest incentives can be effective: in the US, a credit card company offered customers a \$10 incentive to set up and use a savings feature, and this was effective at both encouraging enrolment in the savings feature, and these savings balances remained throughout the year.⁴⁸ In the UK, an experiment trialling various methods to increase take up of a Credit Union-based payroll scheme found that offering a prize draw incentive was the most effective way of encouraging take up of the scheme.⁴⁹

Workplace savings schemes

There is a growing body of evidence unpicking the impact of different behavioural interventions on savings behaviour, much of which has been gathered through trialling different ways of increasing uptake of workplace or payroll savings; this is a model where employees money is taken directly from their wages into an account earmarked fast savings, and as a result, this is perhaps an easier way to run trial interventions in a controlled environment. What is more, workplace savings themselves are generally considered to be effective at getting people to save.^{50,51,52,53,54,55} A review of the existing evidence on workplace emergency savings found a small but growing body of evidence to back the hypothesis that offering payroll emergency savings can help build financial wellbeing⁵⁶, as it can be an effective avenue for addressing financial behaviours. Workplace savings accounts are also popular; a YouGov survey of 2,000 employees found that over half would be interested in taking part if their employer offered this, and more so if they already had money concerns.⁵⁷

However, this interest does not necessarily translate into actual take up, even where such schemes are offered. An example of this is a trial of a payroll savings scheme, based on a 'Jars' model, which was offered at four different organisations.⁵⁸ Across the employees surveyed, just under half (46%) said they thought that the account could help them, and 14% said they were likely to sign up in the near future. In the end, only one person per hundred signed

⁴⁷ Broome, M., Mulheim, I. and Pittaway, S. (2024) [Precautionary tales - tackling the problem of low saving among UK households](#). Resolution Foundation

⁴⁸ Consumer Financial Protection Bureau (2016) [Financial well-being in America](#)

⁴⁹ Evans, G and McAteer, M (2021) [Getting Workforces Saving](#). The Financial Inclusion Centre

⁵⁰ Money and Pensions Service (2022) [UK Adult Financial Wellbeing Survey 2021. Nation of Savers Report](#). MaPS.

⁵¹ Phillips, J., Kuipers, A., Cremin, M., & Sandbrook, W. (2022) [Payroll savings behaviours](#) Nest Insight

⁵² BSA (2022) [Boosting financial resilience and wellbeing through workplace savings](#)

⁵³ Phillips, J., & Stockdale, E. (2023) [Opt-out autosave at work](#) Nest Insight

⁵⁴ Evans, G and McAteer, M (2021) [Getting Workforces Saving](#). The Financial Inclusion Centre

⁵⁵ Behavioural Insights Team (2022) [Using behavioural science to help employees save](#). Money and Pension Service

⁵⁶ Cooksey, E & Sandbrook, W. (2021) [Workplace Emergency Savings](#) Nest Insight

⁵⁷ BSA (2022) [Boosting financial resilience and wellbeing through workplace savings](#)

⁵⁸ Kuipers, A., Phillips, J., Sandbrook, W. & Stockdale, E (2023) [Workplace sidecar saving in action](#) Nest Insight

up. The report explained that 5% take-up was average for these kinds of voluntary schemes.

Further trials found, perhaps unsurprisingly, that taking an opt-out approach – that is automatically signing employees up for the savings unless they choose not to – increased participation considerably.⁵⁹ For new workers in this trial, nearly half (47%) remained in the scheme, compared with the 1% detailed above, but as importantly, they were more active as savers than those who had opted in. Their average savings balance was far higher: £116 after four months compared with only £19 for those who had opted in. The scheme was also very popular, with nearly all (96%) of employees who had experienced the opt out approach were positive about the experience, regardless of whether they had chosen to remain in or opt out.

The success of the autoenrollment onto workplace pensions schemes also highlights how well this approach can work⁶⁰, however, there will be many situations where this approach may not be feasible. The viability and effectiveness of other interventions may need to be considered.

Saving reminders and financial education

Softer touch approaches, such as encouragement texts, or financial education, can also increase levels of savings. Research with employees of two large organisations who had joined a Credit Union payroll savings scheme found that people save more when they received monthly reminders and positive saving messages, in comparison with those who received the Credit Union’s standard communications.⁶¹

Providing financial education could also play a part in encouraging positive savings behaviour. A New Zealand based matched saving scheme delivered a financial education programme as part of the offer, and while it is hard to attribute which part of the program had the most impact on behaviour, the scheme was shown to have a long-lasting impact both on savings behaviours and on broader financial wellbeing.⁶² Notably, 87% of those who had taken part in the Saver Plus Scheme were still saving the same amount or more three to seven years later. Financial education within the family may also help foster savings behaviours; analysis of the British Panel Data found that regular conversations between parents and children on ‘important matters’ are found to be positively associated with children’s saving behaviour.⁶³

Meeting the needs of different groups

However, perhaps the most important aspect in helping people to save is to understand their needs, and to provide products that respond to these. Firstly,

⁵⁹ Phillips, J., & Stockdale, E. (2023) [Opt-out autosave at work](#) Nest Insight

⁶⁰ DWP (2019) [Automatic Enrolment evaluation report](#) Research report no. 76

⁶¹ Evans & McAteer (2021) [Getting Workforces Saving](#) The Financial Inclusion Centre

⁶² Russel, R., Kutin, J., & Stewart, M. (2018) [Saver Plus: Pathways to Wellbeing](#) RMIT

⁶³ Brown & Taylor (2016) [Early influences on saving behaviour: Analysis of British panel data.](#) Journal of Banking & Finance Volume 62

it is important to recognise that different groups of people will have differing needs, and even these will not be static throughout their lives. The design of the savings products, and the way that they are presented, needs to recognise this.

As has already been noted, saving is highly correlated with income, and therefore acknowledging the added difficulty that those on constrained income face is vital. Nonetheless, those on low incomes could be supported to start saving. One pertinent learning from the Sidecar savings trial⁶⁴, where employees from five organisations were offered 'Jars' accounts to encourage both safety net and retirement savings, was how differently people used the accounts. Those who were financially struggling may only be able to use the account as a money management tool, while others may use it as a buffer, and only some may use it to build longer term savings. Offering a flexible account that can be used as needed throughout the life course, with perhaps small incentives along the way, may be a good way of establishing positive savings behaviour⁶⁵, and increasing control over money management.⁶⁶ Life stage can also be a way of bringing attention to a savings product.⁶⁷

Furthermore, for the first group of savers, although their savings balances weren't growing, they were perhaps demonstrating the link between savings and better money management, with the resultant increase in financial wellbeing that is discussed in the previous section. The authors of the report recommend rewarding this behaviour, rather than the amount, to encourage those who are simply unable to grow a balance. Other research has acknowledged the importance of saving small amounts^{68,69,70}, or framing the savings commitment in daily rather than monthly goals⁷¹ but also that tools can play to support with money management can also support savings behaviour.⁷² As this report has demonstrated, encouraging and supporting people to save, within their means, is to offer them a way to better overall financial wellbeing.

⁶⁴ Phillips, J., Kuipers, A., Cremin, M., & Sandbrook. W. (2022) [Payroll savings behaviours](#) Nest Insight

⁶⁵ IPPR (2011) [Designing A life Course Savings Account](#)

⁶⁶ Vlaev & Elliot (2014) [Financial Well-Being Components](#) Social Indicators Research 118

⁶⁷ Evans and Mian (2014) [Savings in the Balance](#) Social Market Foundation

⁶⁸ Finney & Davies (2011) [Towards a Nation of Savers](#) University of Bristol

⁶⁹ Clark et al (2024) [Designing with mothers for mothers](#) University of Bristol

⁷⁰ Behavioural Insights Team (2022) [Nationwide Prize-linked Savings Report](#)

⁷¹ *Ibid*

⁷² Appleyard, L, Dibb, S, & Aslam, H (2020) [Financial capability: Supporting credit union members towards greater financial wellbeing](#) Centre for Community Finance Europe

