

Financial future looking brighter for Britain's children

Contributed by MINTEL
Thursday, 03 November 2005
Last Updated Thursday, 03 November 2005

Latest research from MINTEL shows that more British parents than ever before are saving for their children's future. Today, almost three-quarters (72%) of adults with children aged between 0 and 14 years old are saving at least occasionally for their children's future.

Indeed, 45% or some 5.7 million parents with children of this age are now saving at least once a month, up by nearly 1 million since 2003, with those saving whenever they have spare money (27%) increasing by a similar amount to 3.4 million.

"The greater media coverage devoted to saving for children particularly in light of the new Child Trust Fund (CTF) has undoubtedly prompted more parents to seek information and take action. Greater awareness concerning the potential cost of a university education and increasing house prices has also played a significant part in encouraging more parents to save. What is more, many financial firms have also re-packaged and re-advertised existing youth savings accounts, so making these products more accessible to more people," comments Sarah Hitchcock, senior financial analyst at MINTEL. But it is important that the message to save for the future continues to be reinforced so that parents of children, who are not eligible for the Child Trust Fund are not neglected. Indeed, despite declining in size, there are still around 3.5 million parents, who are saving very rarely or not at all for their children.

Kindly Grandparents dig deep

In today's Britain grandparents are playing an ever greater role in the upbringing of their grandchildren. In line with this, MINTEL's research suggests that 6% or around 2.7 million grandparents are saving regularly for grandchildren, an increase of 57% on 2003 levels. A further 5% or 2.3 million grandparents are now saving when they have the spare cash available.

"Some grandparents will pass on contributions to the parent to invest in the product of their choice, while others will have set up their own products held in trust for their grandchildren," explains Sarah Hitchcock.

Interestingly 13% of adults who are in the pre-family or no family lifestage are saving for children, suggesting that a number of expectant parents or those planning a family in the future are making early preparations for the children's futures.

Paying for the university challenge

Among these parents* who are saving for their children, the top two reasons for doing so are to help children with university costs (40%) and to contribute towards a first home deposit (17%).

"Sending children to university represents a considerable financial commitment for many parents. And with many women having children later in life than in previous decades, parents could find themselves having to fund their children through university when they themselves are approaching retirement and should be devoting financial resources to their own future,"

The vast majority (87%) of all British adults believe that it is vital that children have savings for when they are older and around two thirds (68%) think it is a good idea to spend less on presents and instead save more for children.

In addition, two thirds (65%) of adults believe the Child Trust Fund will help parents to get into the saving habit; this increases to nearly three-quarters (72%) of those parents with children aged 0 - 14 years old.

Over half of CTFs remain un-deposited

Mintel's research reveals that most products used by parents* saving for children are on the low end of the risk scale, with the most popular being the risk-free children's savings account (38%), followed by ordinary savings accounts (15%) and National Savings & Investments products such as the

Children's Bonus Bond and Premium Bonds. The Child Trust Fund, the most important development in the children's saving market for some time, comes in as the second most widely held savings product for children, with one in four (26%) parents* having opened one of these accounts. But while over 1.9 million vouchers had been distributed up to 20 August 2005, only 46% had been deposited.

"A range of possible reasons are given for the slow take-up, including the likelihood that some parents will have lost or mislaid the voucher while others are yet to make up their minds as to which account to go for," explains

It also appears that a significant proportion of people who say they save regularly on behalf of a child do not actually possess a children's savings or investment product. Indeed, as many as 1.4 million parents* are instead putting aside money for children via some other means, possibly in a current account or even simply in a money-box.

MINTEL expects demand for children's savings products to continue to grow at a healthy rate, in part boosted by the introduction of the CTF and by an economic backdrop more conducive to saving. But the future success in the traditional (i.e. non-CTF) market will be partly dependent on the continuing efforts to raise awareness of the importance of saving for the long term. Affordability is perhaps the most important barrier in this market. However, a lack of financial education and confidence, and such behavioural barriers as consumer apathy and procrastination, are also important factors.

* with children aged 0 - 14 years old?

?

About Mintel

Mintel is a worldwide leader of competitive media, product and consumer intelligence. For more than 30 years, Mintel has provided key insight into leading global trends. With offices in Chicago, London, Belfast and Sydney, Mintel's innovative

product line provides unique data that has a direct impact on client success. For more information on Mintel, please visit their Web site at <http://www.mintel.com/>.