

It All Adds Up - University Is Number One Reason To Save For Parents

Contributed by Mintel
Tuesday, 08 February 2011

With university fees set to rocket, saving for children's education has never been more at the forefront of parents' minds.

Indeed, new research from Mintel finds over half of parent savers say that funding university is one of the main reasons that they save for their children (54%).

Providing additional financial security in their adult lives (33%) and saving to help their children with a deposit for a house (19%) make up the top three reasons for saving on behalf of children. Meanwhile, just 7% of today's parents are saving to finance their children's future travels and 4% are saving to put money towards their child's wedding.

While over 5 million children have benefited from the Government backed Child Trust Fund (CTF), the fund's closure is set to really hurt the children's investment market.

Today, as many as one in seven (14%) parents admit the fund has really encouraged them to save on behalf of their children, yet Mintel's research finds more than one in three (34%) parents are unaware of the scheme's closure.

The CTF has made rapid inroads into the market, today over 56% of parents own a CTF account. Largely hailed as a success, Mintel finds as many as 14% of parents with children aged 0-9 (most of whom were eligible for the scheme) feel that the CTF has really encouraged them to save for their children.

What is more, as many as 86% of these parents have added to their children's funds since they were opened. Despite the enthusiasm for CTFs though, just 2% of all parents have reached the Â£1,200 contribution limit for their CTF.

And it seems the fund has also encouraged some parents to get in to a good savings habit for themselves, with one in 20 (5%) mums and dads saying that the CTF has made them get into a better personal saving habit.

But while the CTF has encouraged a nation of savers, as many as one in ten (9%) parents admit that without the government's top-ups, it would not really be worth bothering with the scheme.

Toby Clark, Head of Finance at Mintel, said:

“Government contributions were a major reason behind the success of the CTF. The Government has announced the launch of a new scheme – Junior ISAs – starting in Autumn 2011. Unlike the CTF, however, there will be no Government contributions to these accounts, and the success of this new scheme is likely to be limited. At the top end of the market, children's pensions could benefit from the scrapping of CTFs.”

“While the the closure of the CTF presents challenges for the children's savings market, the Junior ISA nevertheless offers an opportunity for a new wave of activity in the market, especially if CTF balances are transferable into the new scheme. And with university tuition fees set to rise considerably from 2012, a looming retirement savings crisis and extreme difficulties getting on to the housing ladder, the reasons for parents to save for their children's future has arguably never been stronger.” Toby continues.

Over three fifths (77%) of parents save on behalf of their children. While 56% of parents own a CTF, some 57% of parents own a non-CTF children's savings or investment product.

Specifically-designated children's savings accounts are by far the most popular type of product in the non-CTF sector, owned by around two fifths (38%) of parents.

Almost half of parents save for their children on a regular basis (48%). At the upper end, 14% of parents save at least Â£50 a month, although the most common amount saved is less than Â£20 a month (19%).

Almost a quarter (23%) of parents admit that they do not save on behalf of their children, while 15% save as and when they can afford to rather than on a regular basis.

UK - January 2011