



Gatehouse Bank's Savers vs Spenders Research Report 2023

Understanding your money mindset and how to shape it



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Introduction

Do not save what is left after spending, but spend what is left after saving.

Warren Buffett.

This report by Gatehouse Bank shows an increasing number of UK adults are becoming more focused on saving. This is positive given the rising cost-of-living and UK housing prices, both for renters and owners,¹ as well disposable income for the average household having barely risen in 15 years, making it difficult to save.²

Across the UK, over two fifths (45%) of adults are now focused on saving, with 34% having always been a saver, and 11%, encouragingly, changing their mindset in the last 12 months. More than four in ten (44%) of this group see saving as an essential outgoing, just like their rent or traditional mortgage payment.

The research shows that incomes, costs, expected profit rates* and government policy matter – but so do people's mindsets and habits. While some are natural savers, others are spenders. But what makes them so, how easy it is to change, and what can we do to help? These are the critical questions this report seeks to ask and, where possible, answer.

Facing an uncertain future, how can we make sure the UK is putting enough money away for a rainy day?



*An expected profit rate is the Shariah-compliant equivalent of an interest rate on a savings account.

¹<https://www.oecd.org/els/family/HC1-2-Housing-costs-over-income.pdf>

²[https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/householddisposableincomeandinequality/financialyearending2022#:~:text=Median%20household%20disposable%20income%20in,\(ONS\)%20Household%20Finances%20Survey](https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/householddisposableincomeandinequality/financialyearending2022#:~:text=Median%20household%20disposable%20income%20in,(ONS)%20Household%20Finances%20Survey)

Saving Britain: The state of savings in the UK

A look at broad savings data suggests that Britons are still more likely to be spenders than savers. Over the last 30 years, the UK's savings ratio has declined, falling from 14% in 1993 to 8.7% at the start of 2023.³ When we compare against peer nations, the data suggests a similar trend – UK adults are saving less than those in other OECD countries.⁴

However, this is not to say that the UK population is spending everything they can. On the contrary, Gatehouse Bank's research showed that more consider themselves naturally savers (21%). And while another one in five (18%) admit that they're mostly a spender, another 13% say they are primarily savers, meaning over a third of the population say they are naturally inclined to put money away rather than spend on things they don't need.

More than one in ten (11%) who used to consider themselves spenders say that they have become more of a saver in the last 12 months, while only a small portion (4%) of respondents have gone the other way. As a result, nearly half of the UK (45%) now lean more

towards being a saver and putting money aside for a rainy day.

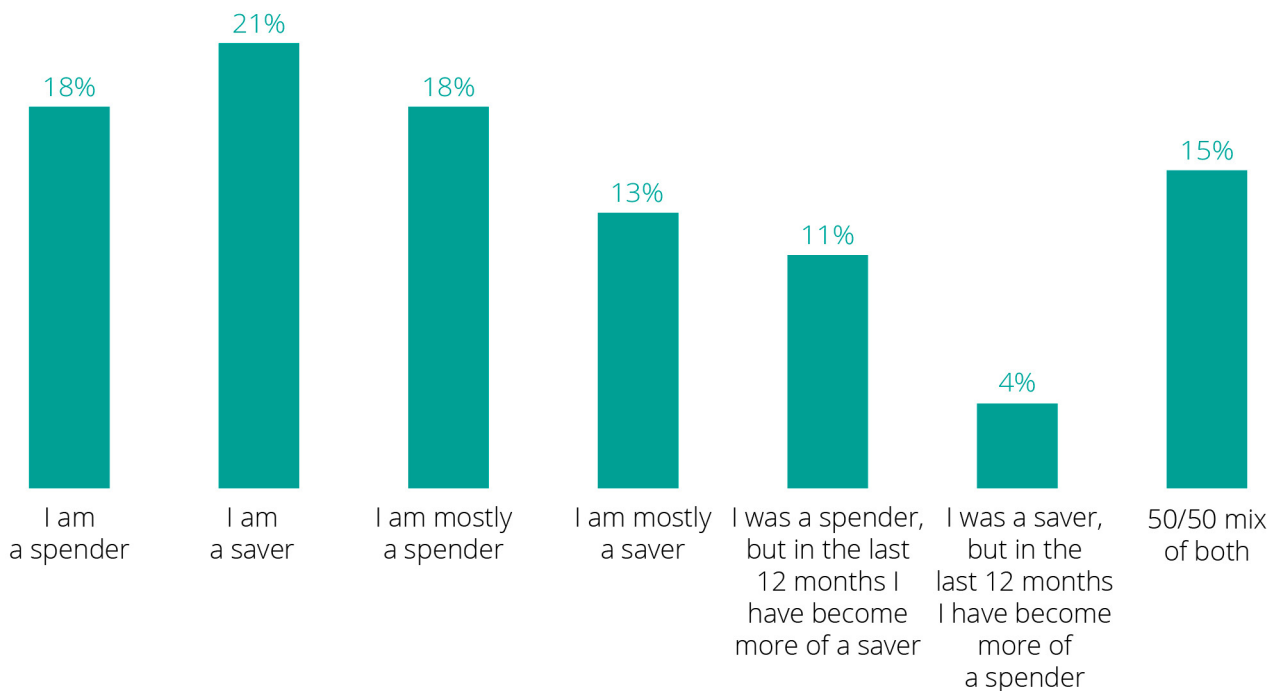
Those who are savers are also highly disciplined, with almost half (44%) of respondents seeing savings as an "essential outgoing". And while for over a third (36%) the amount saved changes each month, most (80%) are working to a budget.

By contrast, only a quarter (26%) of those who see themselves as spenders see saving as essential, and more than a third (34%) don't have a budget at all, although one in ten (13%) feel they are restricted by their financial situation.

However, whether people are managing to save enough is another matter. In nearly half of cases (45%), the amount saved every month is under £100, while for nearly a quarter (25%) of savers, it's under £50. For spenders, two-thirds (64%) are saving £100 a month or less, including almost one in five (18%) not managing to save anything.

The great divide

Source: Gatehouse Bank and 3Gem



³ibid

⁴<https://data.oecd.org/natincome/saving-rate.htm>

A vulnerable situation

The result is that many have minimal savings to fall back on. More than one in six (16%) have no savings at all, including a quarter of spenders, and a further one in five (22%) have under £500. Half (49%) of all those surveyed and six in ten (62%) of spenders have £1,000 or less in savings.

Overall, the average savings among those surveyed was just over £3,300 – close to £4,000 for savers and under £2,500 for spenders. Savings also vary significantly by region, from almost £4,000 in the South East to under £1,900 in the North East.

In all cases, it's likely to be far less than the three months' worth of essential spending, including housing

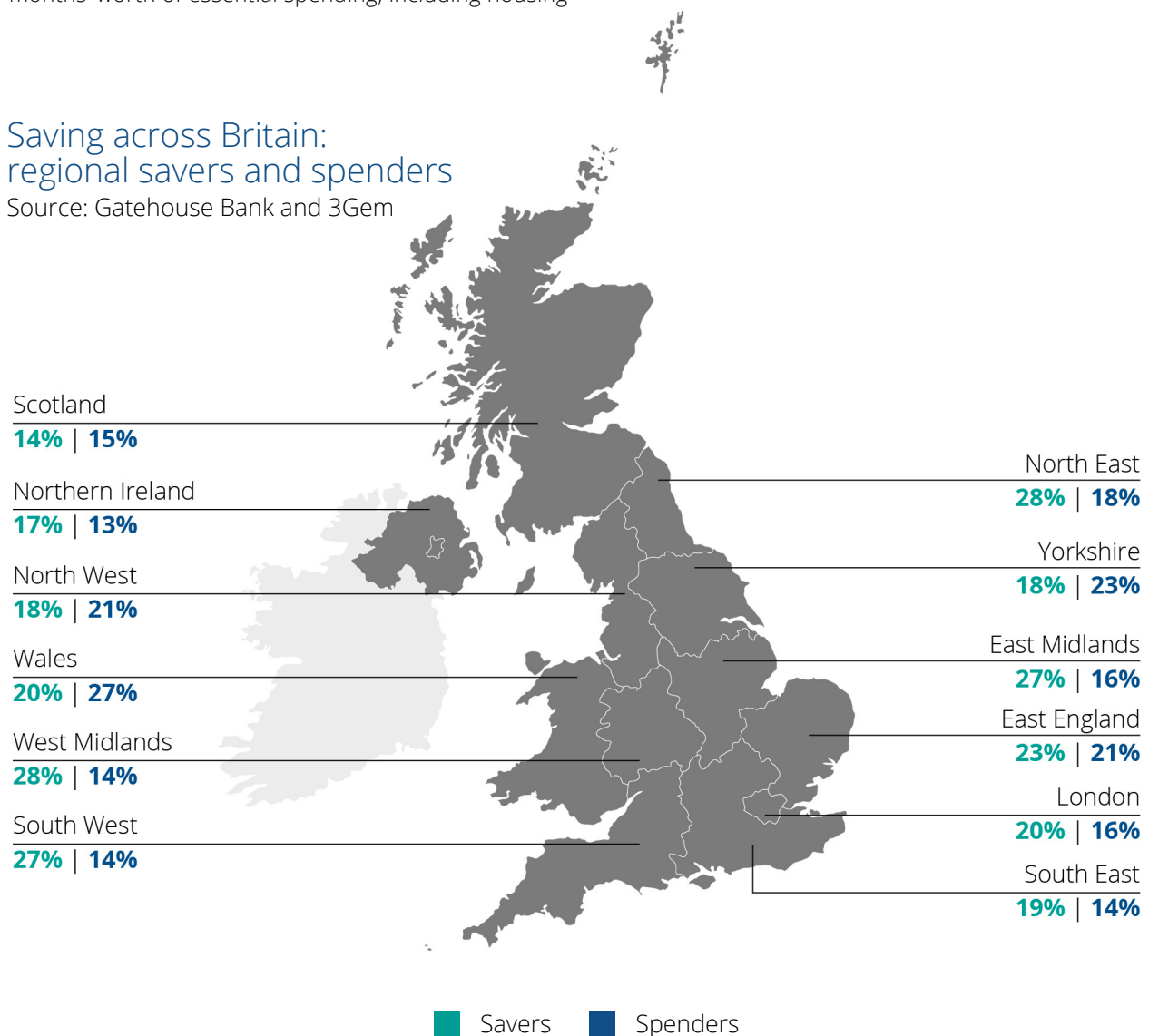
costs, food and bills, experts suggest households should hold as a buffer against sudden shocks and expenses.⁵

Despite this, it is clear that most people would like to save more. Among savers, more than four in ten (43%) say that, ideally, they would put away at least £200 a month. Perhaps more surprisingly, even spenders would like to put more funds aside. A third (33%) say they'd want to save £200 or more a month, and 42% would put more than £100 in savings if circumstances allowed. Only 3% say they'd save nothing.

Given the right situation, almost everyone's a saver.

Saving across Britain: regional savers and spenders

Source: Gatehouse Bank and 3Gem



⁵<https://www.moneyhelper.org.uk/en/savings/types-of-savings/emergency-savings-how-much-is-enough>

Nature or nurture?

So, what's stopping them?

The most obvious answer, of course, is spare income. Unsurprisingly, savers among the top 1% of earners (an annual income of £100,000 or more) were those most likely to have £5,000 or more in savings, with 62% of this cohort saying they were doing so.

Those who earn more are also more likely to consider themselves savers, partly because they have money to put away. And, unsurprisingly, wealthy savers save more. Seven out of ten (71%) on £100,000 or more save at least £250 a month, while just one in seven (14%) of savers on the UK average salary (£34,476)⁶ can afford to do the same, according to the research.

However, the relationship between saving and income is not always clear-cut. The data suggests those earning over £40,000 but under £100,000 are the most likely to be savers. Those earning above £100,000 are, once again, more likely to be spenders - one in six (16%) against one in ten (11%) for savers. Nor are spenders

who earn less just despairing savers. Lower earners do not spend just because their financial goals feel unachievable.

In fact, the most common reason for spending across all income brackets was because it provides gratification (36%), followed by wanting to buy gifts for family or friends (33%). Those most likely to spend because saving felt pointless were those earning between £70,000 and £80,000 (38%) – close to double the UK average.

In comparison, when asked what would make them more likely to spend, savers had a different outlook. While a quarter of them (25%) agreed that buying gifts for friends and family was a reason to spend, just one fifth (19%) cited that they would spend more if they felt more gratification. More than double this number (40%) said they would only spend more for essentials. This demonstrates a fundamental mindset disparity between the two groups.

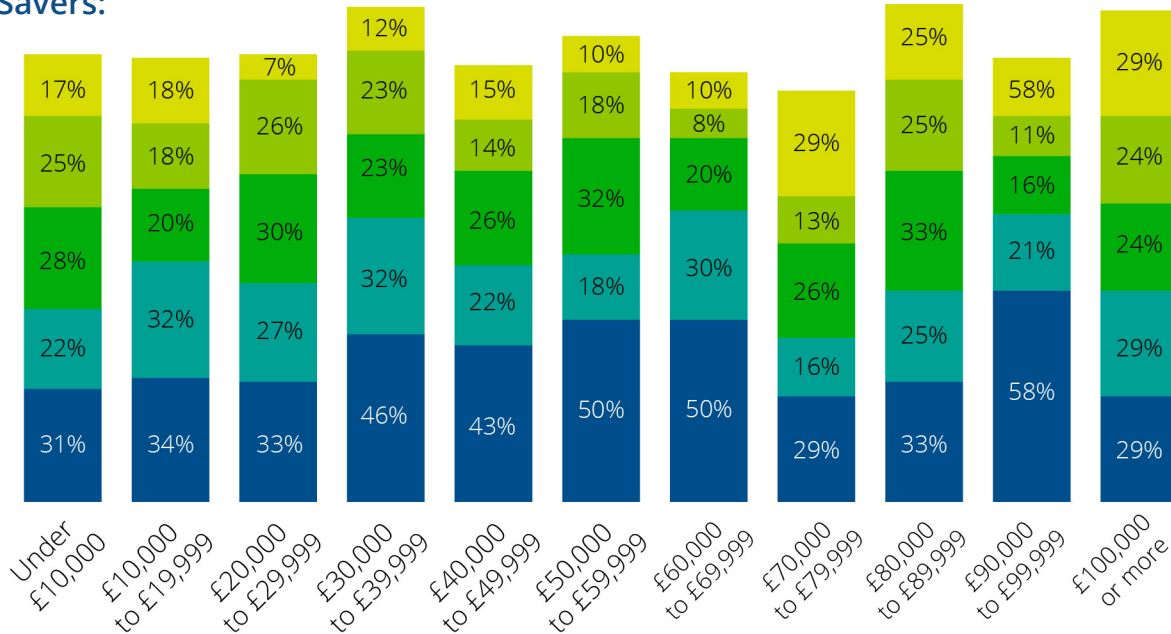


⁶<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/averageweeklyearningsingreatbritain/august2023>

What makes people spend?

Source: Gatehouse Bank and 3Gem

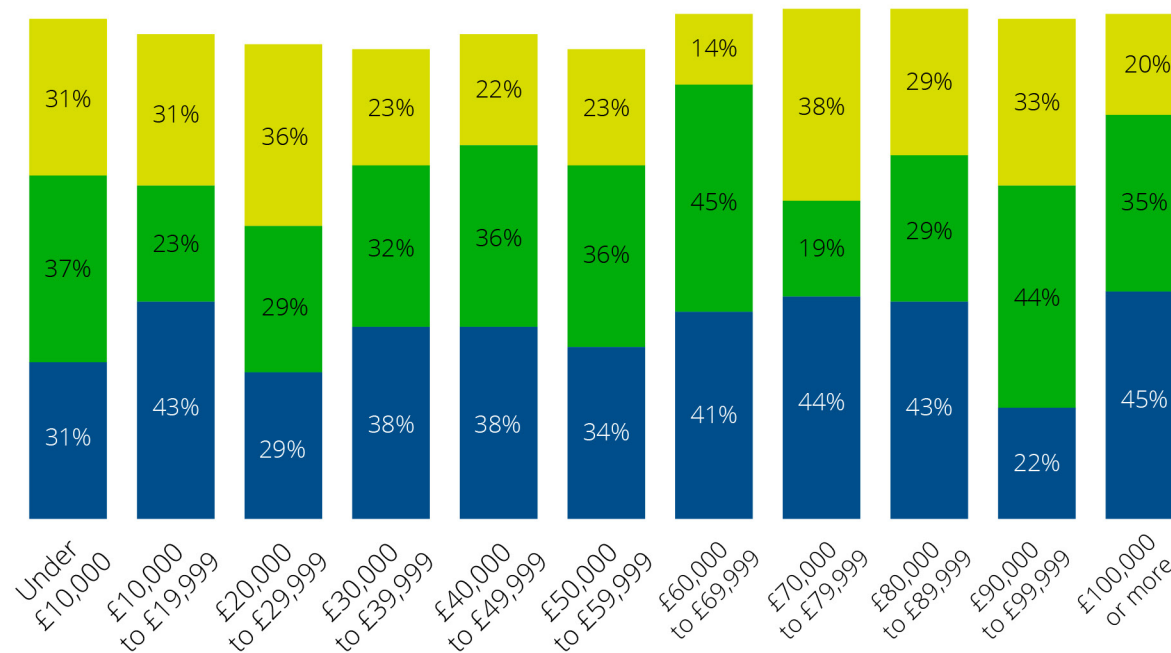
Savers:



Income

- If I really needed something outside of essential outgoings
- If I felt like my financial goals weren't achievable so there was no point saving towards them
- If I was buying a gift for a friend/family member i.e. I was spending on something that wasn't for me
- If I felt more gratification from purchases
- Nothing could change my mindset

Spenders:



Income

- I feel a lot of gratification from purchases
- I like buying gifts for friends / family members i.e. spending on something that is not for me
- If I felt like my financial goals weren't achievable so there was no point saving towards them i.e. might as well spend

All in the family?

It's not just opportunity that makes a saver or a spender, but inclination. So, where does the motivation come from? For most, it's the friends and family around them who prove influential.

Among savers, two-thirds (67%) say their close circle tends to influence them, with just 13% saying this wasn't a significant factor. Savers are also more likely to worry about the future: the main reason to save for almost half (49%) was concern about the future and being able to cover unforeseen expenses. That concern was most prevalent among older savers, with 55% of those aged 55 to 60 worried about nasty surprises, but it was also the most common reason for putting money away for those under 25 who classed themselves as savers (47%).

And while the number of people saving because they wanted to secure their finances in the future was strong, many also found savings towards key milestones as important. This included things like saving towards a holiday (27%), buying a home (23%), a new car (14%),

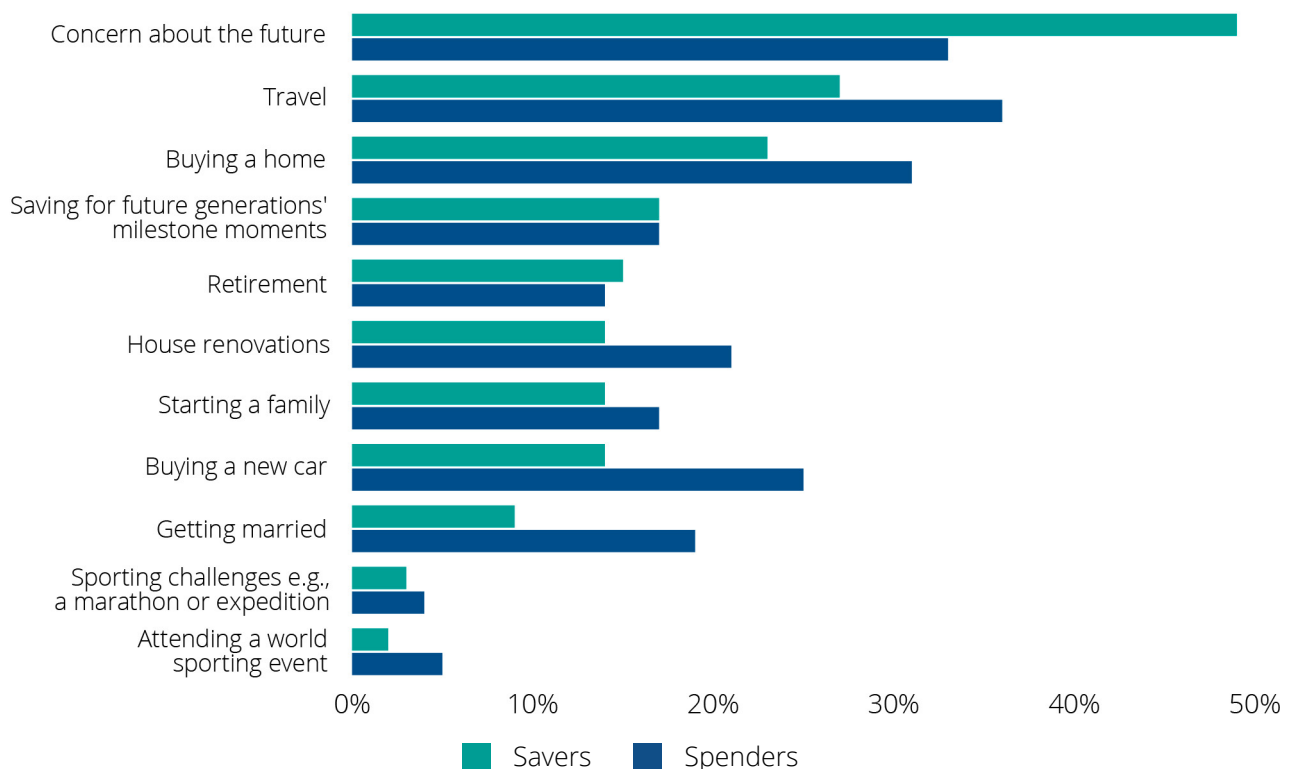
starting a family (14%) or getting married (9%).

For spenders, it was a different story. They considered their close circle less influential in making them a spender, though still a significant factor for half (51%). London (66%), Yorkshire (62%) and Northern Ireland (60%) were the regions with spenders most likely to be influenced by the habits of their close circle.

Spenders are also less likely to be swayed by worrying about tomorrow. Just a third (33%) said concern about the future would make them save more. However, 36% of spenders said they would be more motivated to save for travel. Interestingly, the same proportion of spenders and savers (47% and 46%, respectively) felt guilty for spending money on nice-to-haves. The difference is that most savers said this spending was due to really needing something beyond their essential outgoings (40%). For spenders, the most common reason for such spending was "feeling a lot of gratification from purchases" (36%), showing a big difference in the motivating factors for each group.

Motivations for savings

Source: Gatehouse Bank and 3Gem



Building good habits

The motivations and mindsets of Britain's spenders may vary significantly, but regardless of why people are spending, good habits can be developed. A good start would be taking Warren Buffet's advice onboard and making sure spending comes after saving. Even by putting away just a small amount each month, people can develop a healthy savings habit and build up enough to make their financial goals a reality.

The one in ten (11%) who say they were spenders but have become more of a saver in the last 12 months tells us that people change. Moreover, we know that spenders can and do save (and savers spend) and, ideally, would like to save more. Most would ideally save over £100 a month to feel financially secure.

Although somewhat aligned on that, "financial security" means similar things for savers and spenders alike. For 22% of savers, the term means having a job with a reliable income, followed by one in five (20%) who said it was all about having an income that covered essentials, nice-to-haves and savings.

For spenders, a quarter (25%) described financial security as having a job with a steady income, with a further 18% leaning towards an income that could cover the essential costs, provide an ability to save, and pay for those nice-to-haves. Savers were, though, a bit more likely to describe security in terms of three months' essential outgoings (17%, compared to 13% of spenders).

The key question is how to move both groups towards that goal.

Of course, one way to motivate saving is to have a goal. For spenders, a third (36%) suggested they would be more inclined to save if they could see an opportunity for travel at the end of it. Buying a home or a new car (31% and 25%) could also be motivators.



Realistic returns

Goals have to be achievable. More than a quarter of spenders (27%) say they spend because their financial goals are out of reach, so there is no point saving towards them. A similar proportion of savers (25%) would spend more if they too felt their goals were beyond possible to achieve. Moreover, many in both groups are already looking to cut their costs on big “milestone moments” – reducing outgoings on household renovations, holidaying more cheaply, buying a less expensive car, cutting down on parties, and even having cheaper weddings.

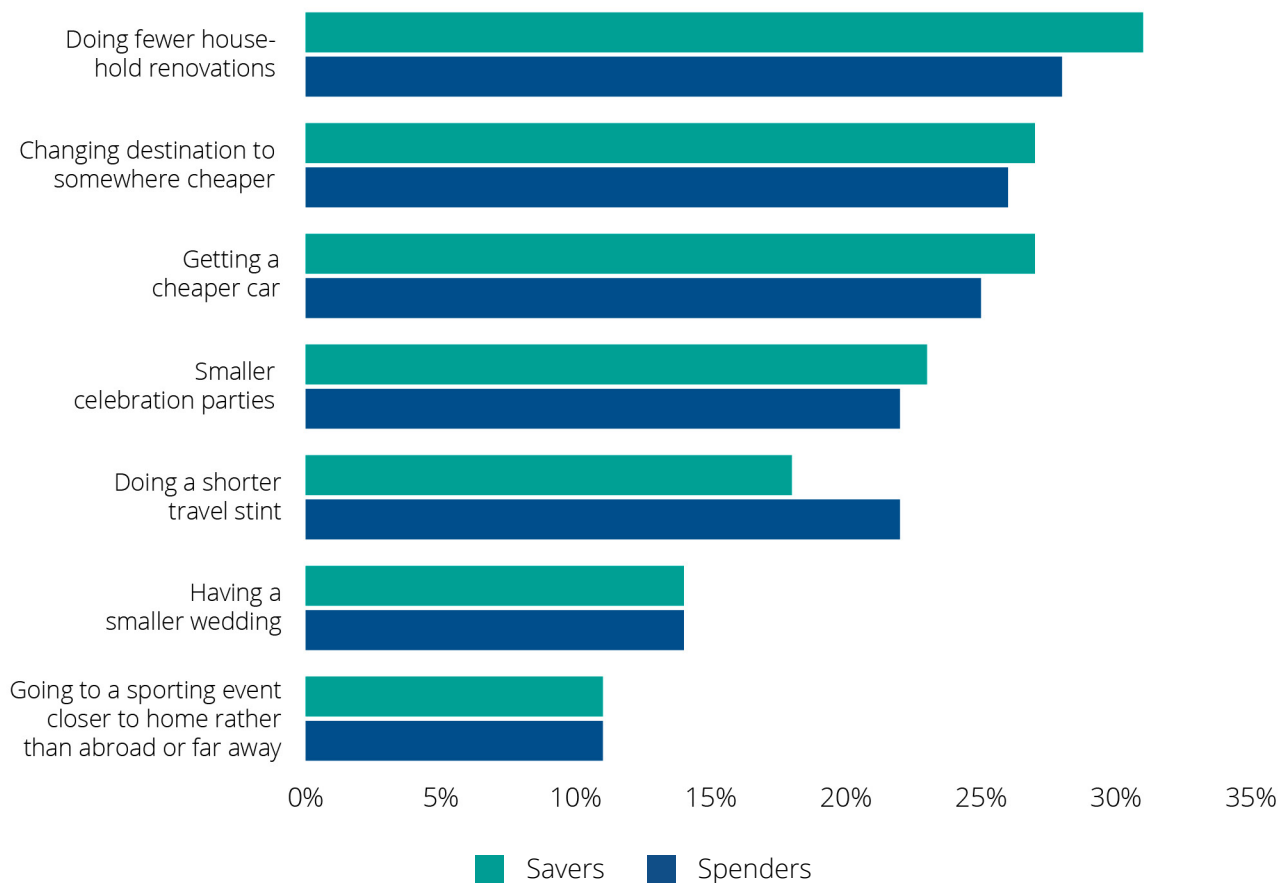
Almost four in ten spenders (38%) and a third (33%) of savers earning under £20,000 a year say they have scrapped some of their financial goals because they feel unachievable. Younger age groups – both spenders

and savers – were also more likely to have abandoned plans – over a third of savers (34%) and almost three in ten spenders (28%) under the age of 35 had abandoned plans as unrealistic, with the under 25s most likely to do so.

Just as spenders can be encouraged to move towards saving, then both savers and spenders can also become disheartened in their efforts to save. However, others have taken a more positive, prudent approach and lengthened the time in which they expect to reach their financial goals. More than one in five (21%) spenders and nearly a quarter (24%) of savers said they had elongated the timeframe in which they planned to achieve their financial ambitions as a result of either the cost of living crisis or the pandemic.

Feeling the squeeze – How spenders and savers are cutting back

Source: Gatehouse Bank and 3Gem



Bolstering British savings

It's clear that many feel they would like to save more and remembering a few practical tips can be a starting point to those wanting to build up healthy savings habits. Setting achievable savings goals to help reach life's milestone moments is a good way to keep motivated. As per Buffet's advice, paying an amount of money into a savings account every month is the best way of building a healthy savings habit – even a small amount ultimately adds up. When taking this active approach to saving, it's also worth assessing the rates of different savings products on the market and opting for a product that ensures the best possible financial return in the long run.

By developing the knowledge and skills required for savers to thrive, this will ultimately help to secure a financial future and improve financial education for future generations.



About Gatehouse Bank

Gatehouse Bank is a Shariah-compliant ethical bank, based in London, Milton Keynes, and Wilmslow. Gatehouse Bank offers a range of ethical savings products as well as finance for UK residential and commercial real estate. In addition, a market leader in sourcing and advising on UK real estate investments with a focus on the Build to Rent sector. Gatehouse Bank is part of the Gatehouse Financial Group and is authorised by the Prudential Regulation Authority (PRA) and regulated by the Prudential Regulation Authority and the Financial Conduct Authority. A founding signatory of the UN Principles for Responsible Banking, Gatehouse is committed to playing its part in creating a sustainable future for all.

About the research

This survey was commissioned by Gatehouse Bank and carried out by 3Gem. The research anonymously surveyed 1,000 nationally representative UK adults between the ages of 18 and 60 between 21st – 23rd August 2023. The research assessed respondents' attitudes towards saving, asking them to identify as either a saver or a spender, with subsequent questions analysing the rationale behind this approach to money.

Glossary

Expected Profit Rate (EPR): The Shariah-compliant equivalent of an interest rate on a savings account.

Home Purchase Plan: The Shariah-compliant alternative to a mortgage.



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