

# The Evolution of the Saver

By **Jillian Clarkin**, Head of Retail Deposits,  
Bank of Ireland Investment Markets



While saving has been an element of human behaviour since the beginning of time, it has evolved and changed dramatically over time.

**A study of current trends demonstrates that savers have become more strategic and goal-based, with more targeted planning towards a specific objective.**

And this is a very rationale development. We are all busy between work, family, friends and hobbies and sometimes it seems impossible to balance it all. **Creating a savings goal forces you to concentrate on how you can achieve your lifestyle priorities and start saving in a more disciplined manner for them.**

Modern day research on savings habits confirms that the top reason respondents don't save on a regular monthly basis is due to affordability. However the vast majority of consumers feel that they should try to save regularly no matter how small the amount. This highlights a real challenge for many - **'I know I should be saving, but I just don't know how to get started'**.

**The reality for many people is that saving is tough.** When wages come in they get hoovered up into paying bills on time and unexpected expenses, and then any surplus can pass through your fingers like sand on daily living expenses or impulse purchases. So much so that there never seems to be enough left at the end of the month to set aside for your future self. The problem is real; however this cycle can easily be broken.



## PAY YOURSELF FIRST

A common mistake which many make is saving out of what's left at the end of the month rather than committing to saving an amount at the beginning - this is where automating your savings and adopting a **"pay yourself first"** rather than **"pay yourself last"** approach to savings can really make a difference.

Before you start saving, you should ask yourself one simple question: **What am I saving for and what timeline do I want to set myself to reach my goal?** About nine in ten of us agree that it's easier to save when you have a specific goal in mind. And the banks are responding to this trend with the development of propositions that support customers in setting and reaching their savings' goals. Our own data shows that customers who direct savings towards a specific goal save up to twice as much as those who don't have a specific goal.

## LONGER TERM PLANNING

Longer term planning has become more prevalent over time. Increasingly people are directing their savings into their pension fund to meet their goal of funding income in retirement. **According to New Ireland Assurance, the average amount saved into pensions by their customers is €41 per month, with pension contributions attractive from a tax efficiency perspective.**

## WHY WE SAVE

When we look at the big ticket items which we have been saving towards, there haven't been major changes throughout the years. Buying a home is the biggest financial commitment that many of us will make. As people try to build-up their mortgage deposit they are increasing the amount they are saving for this goal. Bank of Ireland customers building their deposit for a mortgage are saving on average €793 per month into their MortgageSaver account. We're also seeing customer's earmark their savings towards home improvements, deciding to renovate their home rather than move and these customers are saving on average €682 per month. With the average cost of a wedding now standing at €26,000 it's not surprising wedding savings goals are also up there at an average of €669 per month being saved towards the big day.

## RAINY DAY FUND

It's also encouraging to see that that people are building their rainy day fund, saving on average €560 per month—which improves people's financial resilience and ability to absorb short-term financial shocks. This is perhaps a sign that the memories of the economic crash are still prominent in minds or that we are concerned that Brexit or other issues will have a negative financial impact.

## A REALISTIC PLAN

Visualising your savings goal allows you create a realistic plan to achieve it. What's abundantly clear is that when a savings goal is specified at account opening those customers tend to stay committed to their savings. We see 7 out of every 10 goal based savings accounts remaining open after 12 months verses 2 in every 10 where there is no specific goal set at account opening. It's a stark contrast which perhaps reflects consumers drifting away from their original saving intention or the original goal not being tangible enough.



As appeared in the Sunday Times 3rd March 2019

We generally see twice as many customers opening regular savings accounts from January to March than during the rest of the year - there's something about the New Year that gets customers focused on saving. **But in reality there's never a bad time to start saving no matter how small the amount.** Being able to save does not necessarily mean putting large sums of money aside. It's possible to start small and build up from there. If you're new to saving, try contributing 1% of your income first, then increase it to 3%, 5% and so on.

## TAKE CARE OF YOUR FUTURE SELF

It's important to start making steps towards taking care of your future self. Goal-based saving means you're saving with purpose and you're more likely to stick with the plan and form a good savings habit. While trends around our savings may have evolved through the years, a good savings habit continues to stand the test of time.



**Warning: The value of your investment can go down as well as up.**

**Warning: These funds may be affected by changes in currency exchange rates.**

**Warning: If you invest in these funds you may lose some or all of the money you invest.**

While great care has been taken in its preparation, this document is of a general nature and should not be relied on in relation to specific issues without appropriate financial, insurance, investment or other professional advice. The content of this document is for information purposes only and does not constitute an offer or recommendation to buy or sell any investment/pensions or to subscribe to any investment management advisory service. While the information is taken from sources we believe to be reliable, we do not guarantee its accuracy or completeness and any such information may be incomplete or condensed. All opinions and estimates constitute best judgement at the time of publication and are subject to change without notice.

Bank of Ireland is regulated by the Central Bank of Ireland. Bank of Ireland is a tied agent of New Ireland Assurance Company plc for life assurance and pensions business. Member of Bank of Ireland Group.