

Contents

| | |
|---|------|
| Acknowledgements | vii |
| The Authors | viii |
| Definitions based on survey questions | ix |
| Summary | 1 |
| 1 Introduction | 5 |
| 1.1 Introduction | 5 |
| 1.1.1 <i>Aims</i> | 5 |
| 1.2 Influences on saving behaviour | 5 |
| 1.2.1 <i>Life events associated with increased saving and withdrawal of savings</i> | 7 |
| 1.3 Data | 7 |
| 1.3.1 <i>Data comparisons</i> | 8 |
| 1.3.2 <i>Using longitudinal data</i> | 8 |
| 2 Who saves? Snapshot pictures of saving | 13 |
| 2.1 Introduction | 13 |
| 2.2 A snapshot picture of saving | 13 |
| 2.3 The main factors that relate to saving | 15 |
| 2.3.1 <i>Income</i> | 16 |
| 2.3.2 <i>Subjective assessment of financial situation</i> | 16 |
| 2.3.3 <i>Employment status</i> | 18 |
| 2.3.4 <i>Private pension holding</i> | 19 |
| 2.3.5 <i>Other factors</i> | 20 |
| 2.4 Saving for retirement | 23 |
| 2.4.1 <i>Age</i> | 24 |
| 2.4.2 <i>Employment status</i> | 25 |
| 2.4.3 <i>Other personal factors</i> | 26 |
| 2.4.4 <i>Other economic factors</i> | 27 |
| Annex to Chapter 2: Logistic regression models of saving | 29 |
| 3 Patterns of saving over time | 35 |

| | | |
|-----|---|----|
| 3.1 | Introduction | 35 |
| 3.2 | Saving patterns across the whole sample | 35 |
| 3.3 | Saving patterns across different cohorts | 37 |
| 3.4 | Saving patterns among individuals | 38 |
| | 3.4.1 <i>Modelling saving: pooling all available data</i> | 39 |
| | 3.4.2 <i>Typologies of saving</i> | 40 |
| | Annex to Chapter 3: Fixed-effects regression model of saving | 43 |
| 4 | Life events and saving among those of working age | 45 |
| 4.1 | Introduction | 45 |
| 4.2 | Studying life events and their apparent 'effects' | 46 |
| 4.3 | Savings and pensions outcomes | 46 |
| | 4.3.1 <i>Whether saving</i> | 47 |
| | 4.3.2 <i>Saving for old age</i> | 48 |
| | 4.3.3 <i>Non-state pension arrangements</i> | 49 |
| 4.4 | The effect of life events on saving | 50 |
| | 4.4.1 <i>Marital status</i> | 50 |
| | 4.4.2 <i>Family size</i> | 52 |
| | 4.4.3 <i>Key birthdays</i> | 52 |
| | 4.4.4 <i>Work status</i> | 53 |
| | 4.4.5 <i>Changes in labour market earnings</i> | 54 |
| | 4.4.6 <i>New spells of self-employment</i> | 55 |
| | 4.4.7 <i>Caring for disabled people</i> | 56 |
| | 4.4.8 <i>Housing mobility</i> | 56 |
| | 4.4.9 <i>Windfalls</i> | 57 |
| 4.5 | Which events were the most likely to be associated with changes to saving behaviour? | 58 |
| 4.6 | Are particular groups more susceptible to change? | 59 |
| | 4.6.1 <i>Men and women</i> | 60 |
| | 4.6.2 <i>Income</i> | 60 |
| | 4.6.3 <i>Non-state pensions</i> | 60 |
| | Annex to Chapter 4: Models of starting to save and stopping (among those of working age) | 61 |
| 5 | The effects of savings: is there an 'asset-effect'? | 63 |
| 5.1 | Introduction | 63 |
| 5.2 | Previous research findings | 64 |
| 5.3 | Searching for asset-effects in the BHPS | 65 |
| | 5.3.1 <i>Bivariate analysis</i> | 66 |
| | 5.3.2 <i>Taking background information into account</i> | 68 |
| 5.4 | Discussion | 69 |
| 5.5 | Did assets change outcomes? | 70 |
| | Annex to Chapter 5: Controlling for the endogeneity of savings in the modelling of outcomes of interest | 73 |
| 6 | Conclusions and main findings | 75 |
| 6.1 | Introduction | 75 |

| | | |
|--------|--|----|
| 6.2 | Overview of saving | 75 |
| 6.2.1 | <i>Stability of general saving</i> | 76 |
| 6.3 | Influences on the pattern of general saving | 76 |
| 6.3.1 | <i>Employment status</i> | 76 |
| 6.3.2 | <i>Unemployment</i> | 77 |
| 6.3.3 | <i>Self-employment</i> | 77 |
| 6.3.4 | <i>Income</i> | 77 |
| 6.3.5 | <i>Subjective assessments of financial situation</i> | 78 |
| 6.3.6 | <i>Windfalls</i> | 79 |
| 6.3.7 | <i>Age</i> | 79 |
| 6.3.8 | <i>Gender</i> | 79 |
| 6.3.9 | <i>Marital status</i> | 80 |
| 6.3.10 | <i>Children</i> | 80 |
| 6.4 | Influences on saving for retirement | 81 |
| 6.4.1 | <i>Age</i> | 81 |
| 6.4.2 | <i>Employment</i> | 82 |
| 6.4.3 | <i>Incomes</i> | 82 |
| 6.4.4 | <i>Subjective assessments of financial situation</i> | 82 |
| 6.4.5 | <i>Gender</i> | 82 |
| 6.4.6 | <i>Marital status</i> | 83 |
| 6.4.7 | <i>Children</i> | 83 |
| 6.5 | Policy implications | 83 |
| | References | 87 |
| | Other research reports available | 89 |

List of tables

| | | |
|-----------|--|----|
| Table 1.1 | Comparison of FRS and BHPS capital/savings data | 8 |
| Table 1.2 | Schematic representation of individual panel data (9 people, 4 waves) | 9 |
| Table 1.3 | Balanced panel, complete case analysis | 9 |
| Table 1.4 | Using complete information | 10 |
| Table 1.5 | Pooling longitudinal data (two longitudinal datasets of two waves each; a third selection is possible for w2:w3) | 10 |
| Table 1.6 | Data created from pooling longitudinal data (two longitudinal datasets, of the three possibilities, of two waves each) | 10 |
| Table 2.1 | Patterns of saving | 14 |
| Table 2.2 | Main reason for saving | 14 |
| Table 2.3 | Factors correlated with saving out of income, regular saving and saving mainly for the longterm | 15 |
| Table 2.4 | Impact of income (equivalised before housing costs) on regular saving | 16 |
| Table 2.5 | Impact of subjective assessment of financial situation on regular saving | 17 |
| Table 2.6 | The association between income (equivalised before housing costs) and subjective wellbeing | 17 |
| Table 2.7 | Impact of employment status on regular saving | 18 |
| Table 2.8 | Main reason for saving by employment status | 19 |

| | | |
|------------|---|----|
| Table 2.9 | Relationship between paying into private pensions and regular saving | 19 |
| Table 2.10 | Regular saving by age | 21 |
| Table 2.11 | Factors correlated with saving for old age | 24 |
| Table 2.12 | Impact of age on saving for retirement | 24 |
| Table 2.13 | Impact of employment status on saving for retirement | 25 |
| Table 2.14 | Impact of other personal factors on saving for retirement | 26 |
| Table 2.15 | Impact of other economic factors on saving for retirement | 27 |
| Table 3.1 | Patterns of saving 1991-2000 | 36 |
| Table 3.2 | Patterns of saving 1991-2000 | 36 |
| Table 3.3 | Patterns of saving 1991-2000: by age group | 37 |
| Table 3.4 | Patterns of saving (1=saving, -=not saving) | 40 |
| Table 3.5 | Ten-year saving patterns, by age group in first year | 40 |
| Table 3.6 | Ten-year saving patterns, by those of working age throughout | 41 |
| Table 3.7 | Ten-year saving patterns | 42 |
| Table 4.1 | Saving behaviour in consecutive years | 47 |
| Table 4.2 | Saving behaviour in consecutive years | 47 |
| Table 4.3 | Saving behaviour in consecutive years: working-age population | 48 |
| Table 4.4 | Effect of marital status transitions on saving and pension behaviour | 51 |
| Table 4.5 | Effect of child status transitions on saving and pension behaviour | 52 |
| Table 4.6 | Effects of key birthdays on pensions and saving behaviour | 53 |
| Table 4.7 | Effect of work status transitions on saving and pension behaviour | 54 |
| Table 4.8 | Effect of work status transitions on saving and pension behaviour | 54 |
| Table 4.9 | Effect of work status transitions on saving and pension behaviour | 55 |
| Table 4.10 | Effect of carer status transitions on saving and pension behaviour | 56 |
| Table 4.11 | Effect of housing mobility on saving and pension behaviour | 57 |
| Table 4.12 | Effect of windfalls on saving and pension behaviour | 57 |
| Table 4.13 | Proportion of non-savers starting to save, by age and windfalls | 58 |
| Table 4.14 | Main life events associated with stopping saving | 58 |
| Table 4.15 | Main life events associated with starting to save | 59 |
| Table 5.1 | Significance of savings on outcomes: analysis of NCDS | 65 |
| Table 5.2 | Bi-variate analysis of the potential asset-effect: labour market outcomes | 66 |
| Table 5.3 | Bi-variate analysis of the potential asset-effect: other outcomes | 67 |
| Table 5.4 | Multi-variate analysis of the asset-effect | 68 |
| Table 5.5 | Assets and changes of status/earnings 1995-2000: men | 70 |
| Table 5.6 | Assets and changes of status/earnings 1995-2000: women | 71 |

List of figures

| | | |
|------------|---|----|
| Figure 2.1 | Regular saving by income, controlling for pension arrangements | 20 |
| Figure 2.2 | Receipt and average size of windfalls in last year, by age group | 23 |
| Figure 3.1 | Saving among different birth cohorts, by age and year of birth | 38 |
| Figure 4.1 | Rate of liquid 'saving for old age' among people of working age | 48 |
| Figure 4.2 | Rate of occupational pension scheme membership by age among people of working age | 49 |
| Figure 4.3 | Rate of paying into personal pensions (those of working age) | 50 |