Final Evaluation of the Saving Gateway 2 Pilot: Main Report

Research study conducted for HM Treasury/Department for Education and Skills

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Background

The Saving Gateway is a government initiative aimed at encouraging saving among lower income households and promoting engagement with mainstream financial services. Each pound placed into a Saving Gateway account is matched by the government at a certain rate up to a monthly contribution limit.[1]

An initial pilot of the Saving Gateway (SG1) has already been conducted and evaluated. In the December 2004 Pre-Budget Report, the Chancellor of the Exchequer announced a second pilot of the Saving Gateway (SG2) costing £15 million, to build on the lessons of the first pilot. The SG2 pilot was much larger in scale: there were nearly 22,000 SG2 accounts in operation compared with fewer than 1,500 accounts in the first pilot. The eligibility criteria were broadened in the second pilot to include individuals aged 16 to 64 with individual earnings up to £25,000 and family earnings below £50,000 *or* in receipt of a main out-of-work qualifying benefit (Income Support, Jobseeker's Allowance, Incapacity Benefit or Severe Disablement Allowance).

The SG2 pilot also had variation in how the accounts operated: like the first pilot, it ran for 18 months, but it also varied by area in terms of the match-rate offered (ranging from 20p to £1 for each £1 contributed) and in terms of the monthly contribution limit (ranging from £25 a month to £125 a month). One area also offered a £50 bonus once the first £50 of matchable contributions had been paid. Alongside the financial incentive to place funds in a SG2 account, the pilot also offered financial education in the form of a CD Rom, and tailored courses offered by learndirect.

The evaluation of the SG2 pilot aimed to explore a variety of questions, such as: whether the SG2 accounts have been successful in encouraging people who did not normally save to start saving; to what extent such saving would have taken place even in the absence of SG2 (i.e. is the saving in SG2 truly new saving); whether the SG2 accounts encouraged people with informal assets (held at home or with family or friends, for example) to 'formalise' these with a financial provider; and whether the design of SG2 accounts has been successful in encouraging regular contributions to accounts, which could be regarded as a prerequisite to developing a sustainable saving habit. The evaluation also looked for evidence of differential effects according to key differences in the design of the accounts and differences in individuals' background circumstances (e.g. income and housing tenure).

[1] Further details on the Saving Gateway policy can be found on the HM Treasury website at http://www.hm-treasury.gov.uk/documents/financial_services/savings/topics_savings_gateway.cfm and the Directgov website at http://www.direct.gov.uk/MoneyTaxAndBenefits/ManagingMoney/SavingsAndInvestments/SavingsAndInvestmentsArticles/fs/en?CONTENT_ID=10010450&chk=U09/4C

The pilot was also concerned with gathering views on the operability and functionality of the account and assessing how well openers have understood the rules of the account and been able to make the most of the opportunity provided by the pilot. Particular attention was paid to the differences openers perceived between the SG2 account, with its specific rules, and normal high street accounts, and whether or not this had any impact on their use of the SG2 account. In addition the SG2 pilot aimed to assess the value of provision of optional financial training alongside the account. Levels of uptake of the various financial education components were explored in both the quantitative and qualitative elements of the research programme.

Methodology

In part, answers to the above questions can be provided through quantitative assessment. Such quantitative analysis is complemented through qualitative research that brings a greater depth of understanding of people's saving behaviour and the attitudes and motivations that drive it. Reflecting the contents of the report, we here summarise findings from both quantitative and qualitative analyses. To facilitate both types of analysis, the evaluation has been based on three main sources of data. First, telephone surveys were conducted during autumn 2005 and autumn 2006 and provided the data upon which most of the quantitative elements of the evaluation are based. Second, the Halifax provided details of every deposit to, and withdrawal from, each of the SG2 accounts. Finally, qualitative depth interviews were conducted with account openers, learning providers and Halifax staff.

Quantitative research

The main data source for quantitative analysis is the telephone interviews, which were conducted between September and November 2006. In total just over 11,000 individuals were interviewed using CATI (computer assisted telephone interviewing). Interviews were carried out with account holders, individuals who were offered the chance to open an account but did not, and a set of comparison individuals who were not offered the chance to open an account. The telephone interview covered a range of topics. Individuals were asked about their income from all sources, their savings and investments, debts, expenditure, attitudes to saving, attitudes to Saving Gateway in particular (those offered the chance to open an account only) and their personal and household characteristics.

We also utilise information on every deposit and every withdrawal for each SG2 account that was opened. This data covers the period from account opening up to the end of February 2007.[2] The information available on each transaction includes the amount that was deposited or withdrawn, the date of the transaction, the branch where the transaction took place and the method of payment (e.g. cash, cheque, standing order). In total the data covers just over 21,500 accounts and in excess of 411,000 transactions.

[2] The vast majority of accounts had matured by this date.

Qualitative research

In-depth face to face interviews were carried out with a range of respondents. Between October and November 2006 a total of 91 interviews were conducted. All the interviews were split evenly across the 6 areas covered by the pilot. The interviews with account holders focussed on attitudes to saving prior to Saving Gateway, using and closing the account and the future of Saving Gateway.

Between February and March 2007 a further 70 in-depth face to face interviews took place with account holders, again with the interviews split fairly evenly across the 6 areas covered by the pilot. These interviews focussed on the impact that the account was felt to have had on people's saving behaviour and the extent to which they had continued saving. In addition they covered account closure, the maturity process, post maturity actions, reflections on the SG2 experience and the future of SG. In both rounds of interviews, account holders were also asked their views on the financial training being offered alongside the accounts.

Key findings

Characteristics of account holders

Individuals were recruited into the SG2 scheme through three methods. Telephone recruitment was conducted based on Random Digit Dialling (RDD). There were also mail-outs to samples drawn from Department for Work and Pensions (DWP) benefit records and from a Postcode Address File (PAF).

Quantitative evidence from the telephone survey reveals that the majority of account openers were women (63%) and most were living with a partner, while about one-in-three had at least one child. Account openers also tended to be relatively more highly educated than the eligible population was on average:

- 45% of RDD account openers had qualifications at A-level standard or above, compared to 39% of the RDD control group;
- 34% of DWP account openers had qualifications at A-level standard or above, compared to 28% of the DWP control group.

Account openers recruited through DWP benefit records were more likely to have characteristics associated with low current income or poor health than RDD and PAF account openers:

- Just 21% of DWP account openers were doing any paid work, compared to 72% of RDD account openers and 69% of PAF account openers.
- 67% of DWP account openers reported having a long-term health problem, compared to 20% and 19% of RDD and PAF account openers, respectively.
- Nearly two-thirds of DWP account openers were in a family whose total annual income was less than £15,000, compared to just one-third of RDD and PAF account openers.

On the account opening questionnaire only 1.2% of respondents reported having no formal accounts (including current accounts) at the time of account opening.

Two-thirds held funds in cash and equity ISAs and other investments (i.e. in formal financial assets other than current accounts and cash deposit accounts). In terms of balances in formal assets at the time of account opening, 9% of SG2 account openers reported having zero formal assets, with a further 18% reporting that they had between £1 and £500 (inclusive); while 43% of account openers reported that they had in excess of £2,000. By autumn 2006, fewer account holders who responded to the telephone interview reported having no funds in savings accounts (1.7% of RDD account openers, 5.8% of DWP account openers and 2.2% of PAF account openers).

Participants in the qualitative phase of the research described a variety of different approaches to saving and saving histories. There were those who had been regular savers before opening their SG account, and some already had considerable existing savings. However, many had little saving experience and had only occasionally used saving products. Often participants described themselves as 'non-savers' but were actually regularly saving in more informal ways – for example, into their current accounts or 'kitties' with friends or families, stating that they did not see the advantage of opening a savings account. Some 'non-savers' said they thought saving was a 'waste of time' and that normal interest rates did not provide enough incentive. Others had not previously had any kind of savings product with a bank or other financial service provider, and were coming in contact with 'formal' savings products for the first time. Both account holders and Halifax staff interviews indicated that some people were coming into contact with banks for the first time in order to open their SG2 accounts.

Use of accounts

Analysis of the use of SG2 accounts in this report exploits detailed information, provided by Halifax bank, on all transactions for each SG2 account. We analyse the 21,500 accounts that had reached 18 months of operation by the end of February 2007.

Analysis of the transaction data show that virtually all those who opened an SG2 account continued to place funds in the account after the first month, that many contributed for at least 16 of the 18 months, and that in all areas the most common net monthly contribution was equal to the monthly limit on matchable contributions to an account. Most account holders contributed sufficient amounts to their accounts to attract the maximum government match. Of those who managed to save enough in their accounts to receive the maximum government match, most continued to place funds in their SG2 account even though no further match could be accrued. In summary:

- Just 8% of those who opened an account did not make any further contribution after the first month.
- Seven-in-ten (71%) account holders made a net contribution in at least 16 of the 18 months.
- Seven-in-ten (69%) account months saw a net monthly contribution equal to the matchable contribution limit.

- Three-in-five (61%) of all account holders achieved the maximum government match. However, in East London fewer than half (43%) of account holders managed this.

- Two-thirds (65%) of those who accrued the maximum Government match placed further funds in their SG2 account after reaching the maximum matchable limit (i.e. sixteen times the monthly contribution limit).

Looking at the key differences in savings patterns alongside the account design in the different pilot areas, we find that:

- Comparing the 6 pilot areas, the average (median) saving was equal to the contribution limit in all but one area (East London).
- Comparing South Yorkshire and Manchester, where the contribution limit was the same, there was no obvious effect of the more generous match rate in Manchester on saving.
- Comparing Cumbria and East London, where again the contribution limit was the same, contributions tended to be higher in Cumbria where the match rate was higher (but this might be due more to differences in the characteristics of account holders in these areas than the match rates).
- Comparing saving patterns between South and East Yorkshire, where the match rate and contribution limit were the same, there was no obvious effect of the account bonus in East Yorkshire.

Many of those who took part in the qualitative research, particularly those new to saving, were positive about the incentive for regular saving that the accounts created; noting that the accounts had encouraged them to get into the 'habit' of thinking more carefully about their finances and looking at what they could afford to pay into the SG account. Having a target to work towards, both in terms of short-term monthly deposit targets and the longer-term goal of achieving the maximum matched funding was felt to offer a strong incentive, in particular to those who did not previously feel that they were capable of saving.

The match rate was thought to be a useful and simple mechanism for determining returns; the ideal match rate was thought to be around 50p for each £1 of matchable contribution, although the majority of participants accepted that a lower rate would be more appropriate for reasons of affordability. However, many participants wondered if a match rate was teaching the right lessons. It was thought to be very different from, and significantly larger than, normal interest rates, and might not provide much continuity for inexperienced savers to open other savings products after their SG accounts have closed. A common request was for more support and guidance at the end of SG to help people continue their saving in more regular savings products.

Account holders' views on the accounts

Account holders interviewed in the qualitative phase were, for the most part, able to open accounts and use them without too much difficulty. Those who were existing savers, and those who were able to more readily plan ahead with their finances preferred to run the accounts by setting up standing orders to ensure regular payments were met. Others preferred to pay cash into their accounts when it had come to the end of the week or month and they knew it was 'spare'.

Whilst there was some confusion surrounding the rules governing withdrawals and repayments, account holders, on the whole, found the rules easy to grasp and were in favour of the straightforward format of the accounts. Confusion surrounded timescales for making repayments, and the extent to which matching would or would not be earned on future deposits if withdrawn money was or was not repaid. There was also some confusion on what would happen when the SG accounts matured; i.e. when the Government contribution would be paid in and how could they withdraw it, and what would happen to the account. Some participants said they wanted to have information on the procedure a few weeks or months in advance of the actual account closing date.

Few participants had taken up the offer of financial training. For the most part people were positive about the idea of training being available and could see the value of having it running alongside a scheme like SG. However, few people felt that they personally would benefit from it. Participants tended to claim that they knew how to manage their finances and that they did not recognise personal financial management as something that they would need to be trained on. Other barriers included the demands they anticipated on their time and energy. Generally they argued that young people would gain the most from this sort of provision as they are still developing their financial habits and are at the greatest risk of finding themselves in debt.

Impact of accounts on saving and spending

A general evaluation problem is that we cannot observe directly what people would have done in the absence of the pilot. One approach is to ask account holders how they have been affected by the pilot. Relatively few account holders reported that their contributions were from existing savings (such as funds in other savings accounts and investments). However it is also the case that only a minority of account holders reported that they cut back on their spending to finance their SG2 contributions. Longer-term, the majority of account holders interviewed said that they intended to save at least some of the money from their SG2 account after the account matured: 42% said they would save all of the money while 21% said they would save some of the money and spend the rest.

In order to directly investigate how individuals' saving and spending has been changed by the pilot the impact of the SG2 accounts is investigated quantitatively by taking those recruited through RDD and comparing outcomes of interest among those offered the opportunity to open an account to the same outcomes among those otherwise identical individuals who were not offered accounts. The results included in this report relate to survey data collected after accounts had, on average, been open for 16 months of the 18 month account duration.

The results are generally consistent with new saving in terms of whether savings in cash deposit accounts were reported to have increased over a three month period. For example, those who were offered accounts were 5 percentage points more likely than those not offered accounts to say that they had increased such savings by more than two months of maximum SG2 contributions. This corresponds to a 34 percentage point impact on those who actually opened an SG2 account. A positive SG2 effect on savings account balances is evident for both lower and higher income groups. However, the generally positive effects on savings are not evident in all six of the pilot areas, and evidence of increased saving is less clear when stocks of – rather than changes in – savings are analysed.

On broader measures of financial wealth there is no consistent, statistically significant evidence of a positive SG2 effect. There is no discernable evidence that SG2 accounts led to higher overall 'net worth' (i.e. net wealth that includes saving in other accessible assets as well as savings accounts, minus any offsetting non-mortgage debt). Again, this conclusion holds for lower and higher income groups alike. Among the higher income group there is statistically significant evidence that balances in other financial assets were reduced at the same time that balances in saving accounts were increased, suggesting a diversion of funds between assets. For the lower income group, whilst there is a statistically significant reduction in spending on food consumed outside the home, it is unclear whether this reduction in expenditure is used to increase saving account balances (or used for some other purpose), given the absence of any statistically significant change in overall net worth.

Breaking the results down by area (and therefore by the variant of the SG2 account being offered) there is no statistically significant evidence of an increase in overall financial wealth in five of the six areas. The notable exception is South Yorkshire, where we find that being offered the opportunity to open an SG2 account led to a 7 percentage point increase in the likelihood that overall net worth increased over a three month period.

There is no statistically significant evidence that the SG2 accounts led to lower spending in total on non-durable items, food consumed in the home, clothing, or durable goods. However there is evidence that the SG2 accounts led to a reduction in the likelihood of spending (more than £25 per month) on food consumed outside the home. Specifically, this reduction is found to be statistically significant among the lower income group, and those in rented accommodation, but not among the higher income group. The finding for the higher-income group is perhaps not surprising given the evidence that these individuals may have substituted funds between assets.

Turning to the evidence from the qualitative research, among existing savers, the majority did not report a large impact on their existing savings or indeed their spending habits. Many were able to maintain other regular savings and simply paid into their SG from existing savings. Those who regularly saved before opening their SG2 account also tended to say that they would carry on saving in the future. Those new to saving were more likely to either surprise themselves at their ability to 'not miss' the money that they were now saving, or to report that they had to make cutbacks in order to maintain their savings. Cutbacks largely involved more 'luxury' expenses, such as clothes and socialising. Some participants argued that they would try and maintain these cutbacks once the SG had finished, and continue their deposits, but others claimed that they had been making unsustainable cutbacks and could not afford to continue doing this in the long run. There were also some among the 'new savers' who planned to move their money into other savings accounts.

Overall, we hope the evidence from the pilot is informative for governments across the globe that may be exploring a Saving Gateway type programme. This report provides detailed information on the savings motivations, experiences, and outcomes of those taking part in the SG2 pilot and a carefully selected control group. In making use of these findings, it is nonetheless important to recognise that programmes based on a different design plan – or one that attracted account openers with different characteristics from those attracted into the pilot – may not lead to exactly the same effects as observed in the pilot.

1. Introduction and background

1.1 Background

The Saving Gateway is a government initiative aimed at encouraging saving among lower income households and promoting engagement with mainstream financial services. Each pound placed into a Saving Gateway account is matched by the government at a certain rate up to a monthly contribution limit.[3]

A key motivation for the Saving Gateway is 'to increase rates of saving and asset-ownership' among eligible (lower income) families.[4] In order to measure the effect of different match-rates, contribution limits and a bonus, on participation in the accounts and on boosting the number of savers and savings among lower income families the government piloted six different variants of the Saving Gateway in six areas across England between February 2005 and March 2007.[5] A report containing the interim findings from this evaluation was published in July 2006.[6] Since that report was published further data on the behaviour of account holders up until near the time of account maturity have been collected and this report contains final findings from the evaluation of the accounts. Data from almost the full duration of accounts allow for more final answers to evaluation questions, and also provide more opportunity to explore issues such as whether the account design has been successful in encouraging regular contributions, than was possible with the data available for the interim report.

An initial pilot of the Saving Gateway accounts – SG1 – was put into operation in five areas of England in August 2002.[7] These accounts provided pound-for-pound matching subject to a £25 monthly contribution limit and an overall cap of £375. The accounts lasted 18 months (although maximum match could have been achieved in 15 months) and were operated by the Halifax bank. Individuals aged between 16 and the State Pension Age were eligible to open a SG1 account if they were in work and had an income below a certain threshold, or if they were out-of-work and in receipt of certain benefits.[8] The evaluation of SG1 examined

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[3] Further details on the Saving Gateway policy can be found on the HM Treasury website at http://www.hm-treasury.gov.uk/documents/financial_services/savings/topics_savings_gateway.cfm and the Directgov website at http://www.direct.gov.uk/MoneyTaxAndBenefits/ManagingMoney/SavingsAndInvestments/SavingsAndInvestmentsArticles/fs/en?CONTENT_ID=10010450&chk=U09/4C

[4] Source: HM Treasury (2001), *Savings and Assets for All*, London: HM Treasury (www.hm-treasury.gov.uk/mediastore/otherfiles/36.pdf). More information on Saving Gateway design issues were provided subsequently in HM Treasury (2001*), Delivering Saving and Assets*, London: HM Treasury (www.hm-treasury.gov.uk/mediastore/otherfiles/delivering_savings.pdf).

[5] These are Cambridgeshire, Cumbria and North Lancashire, East London, East Yorkshire, Manchester and South Yorkshire.

[6] See http://www.hm-treasury.gov.uk/media/80D/D7/savingsgateway2_180706.pdf

[7] Tower Hamlets in East London; Gorton in East Manchester; Cumbria; Cambridgeshire and Hull.

[8] HM Treasury and Department for Education and Skills (2002), *Saving Gateway* [pamphlet], (www.hm-treasury.gov.uk/mediastore/otherfiles/ACF1F8F.pdf).

the behaviour and attitudes of a group of account openers at the start, and towards the end, of the account period and compared these to the behaviour and attitudes of a comparison set of individuals. This evaluation found that just over half (56%) of those who built up funds in their Saving Gateway account previously had no formal savings, and that 'the scheme also seems to have encouraged more people to save regularly'. The extent to which this represented new saving will depend on whether, in the absence of the pilot, this saving would have taken place. Encouragingly, there was little evidence of people shifting existing assets into their SG1 account or borrowing to 'save'. However, there was also little evidence of individuals reporting they had cut back on expenditure in order to save. Instead, the self reports indicated that 'the great majority of participants found the money to save from their regular income'.[9]

In the December 2004 Pre-Budget Report, the Chancellor of the Exchequer announced a second pilot of the Saving Gateway – SG2 – costing £15 million, to build on the lessons of the first pilot. The SG2 pilot was much larger in scale: there were nearly 22,000 SG2 accounts in operation compared with fewer than 1,500 accounts in the first pilot. The eligibility criteria were broadened on the second pilot to include individuals aged 16 to 65 with individual earnings up to £25,000 and family earnings below £50,000 *or* in receipt of a main out-of-work qualifying benefit (Income Support, Jobseekers' Allowance, Incapacity Benefit or Severe Disablement Allowance). The SG2 pilot also had variation in how the accounts operated: while, like the first pilot, it ran for 18 months, it varied by area in terms of the match-rate offered (from 20p to £1 for each £1 contributed) and in terms of the monthly contribution limit (from £25 a month to £125 a month). One area also offered a £50 bonus once the first £50 of matchable contributions had been paid. Full details on account design are contained in the next section of this chapter.

Alongside the financial incentive to place funds in a SG2 account, the pilot also offered financial education. Account holders in all areas were offered national courses run by learndirect and additional financial education was available in five of the six pilot areas (for details, see section 1.2.3, below).

Therefore, the evaluation of SG2 built on the first pilot by exploring the role of different match-rates and contribution limits and also examining the impact on a wider group of potentially eligible individuals. In addition, the larger sample size gives greater scope for quantitative examination of the effect of the accounts. A range of potential outcomes of interest are examined in this report, with a particular focus of the quantitative research on examining how much was paid into SG2 accounts, how this varied by background characteristics, and what evidence there is on whether contributions to Saving Gateway accounts represented new saving.

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[9] See p viii and section 5.2 of Kempson, E., McKay, S. and Collard, S. (2003), *Evaluation of the CFLI and Saving Gateway Pilot Projects Interim report on the Saving Gateway pilot project*, http://www.hm-treasury.gov.uk/media/D6A/C0/SG_report_Oct03_162.pdf, and sections 5.5 and 5.10 of Kempson, E., McKay, S. and Collard, S. (2005), *Incentives to save: Encouraging saving among low-income households: Final report on the Saving Gateway pilot project*, London HM Treasury (http://www.hm-treasury.gov.uk/media/35D/E1/Incentives_to_save.pdf).

The qualitative element of the study adds to these findings, seeking to find out how account holders managed to save, and how far they engaged with mainstream financial services and the mechanics of savings.

1.2 Operation of Saving Gateway 2

The SG2 accounts were operated by the Halifax bank at branches in the pilot areas. The general principle of the SG2 accounts was that contributions made by individuals to their accounts were matched, at varying rates, by the government. There were limits to the amount of government match that an individual could receive in each calendar month and the funds in the account earned no interest. The accounts had to be kept open for a period of 18 months in order to receive the government match.

The SG2 accounts were piloted in six areas around England – East Yorkshire, South Yorkshire, Manchester, Cumbria, Cambridge and East London. Different match-rates and monthly contribution limits were offered in each area (see Table 1.1). The most generous match-rate was offered in Manchester, where the government contributed £1 for every £1 that an individual put in their SG2 account. The least generous matches were offered in Cambridge and East London, where the government put £0.20 into the account for every £1 contributed by the individual.

The monthly contribution limit (in other words, the maximum contribution that could attract a government match each month[10]) also varied across the pilot areas. The lowest contribution limits were in Manchester, East Yorkshire and South Yorkshire where the monthly contribution limit was £25. The highest monthly limit was in Cambridge, where net contributions of up to £125 a month could attract a government match.

The final variation was in East Yorkshire where account openers were given an additional £50 once they had saved at least £50 in their account.

The accounts had to remain open for 18 months but the maximum government match that an individual could receive was based on 16 months of full contributions. This was so that, if individuals needed to withdraw money or take a month or two off from contributing, they would have two months in which to catch up before the end of the account and still receive the maximum possible match.

Therefore, the maximum amount of government match that an individual could receive varied across the pilot areas. For example, in Manchester the maximum match at the end of 18 months was 16 months of £25 contributions matched at a rate of £1 for every £1 contributed. This worked out as a maximum total match of £400. Table 1.1 shows, for each area, the match-rate, contribution limit and maximum possible match available.

[10] A month refers to a calendar month.

Table 1.1: Account features and match range achievable in each pilot area, ranked by contribution limit

	Match (per £1.00)	Contribution limit (£ per month)	Match range (total)
Cambridge	£0.20	£125	£0-£400
Cumbria	£0.50	£50	£0-£400
East London	£0.20	£50	£0-£160
Manchester	£1.00	£25	£0-£400
East Yorkshire	£0.50	£25	£0-£250*
South Yorkshire	£0.50	£25	£0-£200

* Account holders in East Yorkshire receive a £50 bonus once they have contributed £50 to the account. Therefore, provided they contribute at least £50 to the account, the minimum government match received will be £75, including both the £0.50:£1 match and the £50 bonus ((0.5*£50)+£50).

1.2.1 Eligibility for SG2

The eligibility criteria for SG2 were wider than those applied for SG1. In order to be eligible for SG2 (other than living in one of the pilot areas), individuals had to be aged 16 to 65 years old, with either individual earnings up to £25,000 and in a family with earnings below £50,000, or in receipt of a main out-of-work qualifying benefit (Income Support, Jobseekers' Allowance, Incapacity Benefit or Severe Disablement Allowance).[11]

1.2.2 Withdrawing money from SG2 accounts

Contributions made by an individual (though not the government match) could be withdrawn from the Saving Gateway account at any time. However, in order to accrue any further government match, the amount of matchable contributions withdrawn had to be replaced. The quickest that any withdrawals could be replaced was at a rate of the maximum contribution per month. For example, consider an individual in Manchester (where the monthly contribution limit is £25) who made a net withdrawal of £50 in month 4. In month 5, this individual could replace at most £25 of this and no additional match would have been accrued on this contribution. In month 6, this individual could, again, replace at most £25 of the withdrawn funds and, again, no additional match was accrued. By month 7 (assuming £25 had been replaced in each of months 5 and 6), this individual could start making 'new' contributions again (up to the monthly contribution limit) which would have accrued additional match.

As mentioned above, the maximum match available over the life of the account was 16 months worth of match on maximum contributions. Therefore, individuals could have had 2 months in which they made no 'new' contributions without reducing the maximum match they could attain. In the example given

[11] In addition, all those who had previously had SG1 accounts and individuals in South Yorkshire who had adult learning grants, were also allowed to open accounts – see section 1.3.1.

above, assuming the individual had made the maximum contribution in months 1-3 and continued to make the maximum contributions in months 5-18, the amount of government match that would have been accrued is £375 (i.e. £25 short of the maximum possible for accounts in Manchester). This is because, in the example given above, this person had 3 months in which no 'new' contributions were made (month 4 was a net withdrawal while the contributions in months 5 and 6 were simply replacing the sum withdrawn).

One caveat to this is that, if an individual withdrew money but replaced it before the end of the same calendar month, this would not have been counted as a withdrawal. A withdrawal was only counted if it affected the end of month account balance since this was used to determine the amount of match that an account holder qualified for.

1.2.3 Financial Education

Improving financial information and awareness were important elements of the government policy. By participating in the scheme, and particularly by making contributions, individuals were showing – and in some cases acquiring – knowledge of the mechanisms of saving in the SG2 accounts. In addition to this, opportunities for financial education were built into the design of the SG2 pilot. Alongside the SG2 account, account openers were offered various types of financial education – including a CD-Rom that could be used at home – and other sources of information which varied depending on the pilot area. The financial education available was detailed in the information leaflet sent to everyone offered an account. Much of the financial education on offer was also available to non-SG2 participants. In all areas, individuals had the opportunity to take part in courses run by learndirect (the learndirect Cash Crescent course was specifically promoted in East Yorkshire). In all areas apart from Manchester and East Yorkshire, other financial education options were also promoted. The financial education that was available in each area is shown in Table 1.2.

Table 1.2: Financial education available, by area

	learndirect	Other
East Yorkshire	✓	Specifically promoted learndirect Cash Crescent
Cambridge	✓	Family learning courses
South Yorkshire	✓	Adult Learning Grant
East London	✓	Tower Hamlets College
Cumbria	✓	Financial Pursuits
Manchester	✓	None

1.3 Research strategy

The research strategy involved: (a) recruiting individuals to participate in the research; (b) collecting various types of data from these individuals; and, (c) using these data to analyse the operation of the SG2 pilot accounts and the effects of these accounts. In this section we briefly describe the routes through which individuals were recruited into the SG2 pilot, and then discuss the different types of data that we have collected and how these have been used in our analyses. The discussion indicates how the different analyses that are contained in various chapters of this report, contribute towards addressing the issues raised in section 1.1 above.

1.3.1 Recruitment methods

There were three principal methods through which individuals were recruited into the SG2 pilot. First, individuals were contacted by telephone, at random, using Random Digit Dialling (RDD). Second, we wrote to a sample of eligible individuals drawn from DWP benefit records, offering them the opportunity to open an account. Third, letters were sent to addresses drawn at random from the Postcode Address File (PAF). The letters sent to these last two groups described the accounts and eligibility criteria. In addition to these methods, some account holders came from two other sources. First, all those who had previously had a SG1 account were offered a SG2 account. Second, everyone receiving the Adult Learning Grant in South Yorkshire was also given the opportunity to open a SG2 account. Full details about the different recruitment methods, including numbers of account holders recruited in each way, are contained in the interim report on the SG2 evaluation.[12]

Recruitment into SG2 account holding– where individuals contacted by one of the three methods outlined in the previous paragraph were then required to act independently to open their account with Halifax – was somewhat different from the setup for four of the five areas in the SG1 pilot.[13] In those four areas, local organisations were involved in recruiting individuals into SG1 and potentially helping with the process of opening an account. This may have contributed to differences in the characteristics of individuals that were recruited in the different areas in SG1, as the area that did not have the element of local support tended to recruit account holders who were, for example, slightly more likely to live in a couple and be owner-occupiers, than was true in the four areas with local support.[14] These differences in recruitment, coupled with ongoing support with financial matters delivered by the local organisations during SG1, may also have contributed to differences in the ways SG1 accounts were used in different areas, as electronic transfers were less common in the area that did not have local support.[15] On the other hand, differences across areas in amounts contributed to accounts during SG1 were not substantial.[16]

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[12] See particularly pp.14-17 of: http://www.hm-treasury.gov.uk/media/80D/D7/savingsgateway2_180706.pdf
[13] The exception being Hull.
[14] See chapter 2 of Kempson et al (2005), *Incentives to save: encouraging saving among low income households*, http://www.hm-treasury.gov.uk/media/35D/E1/Incentives_to_save.pdf.
[15] This may also have been related to the fact that recruits in the areas with local support tended to live further from a Halifax branch than was true in Hull, see section 5.6 of Kempson et al (2005), ibid.
[16] If anything, the amounts contributed per month were slightly higher in Hull – see section 5.2 – 5.4 of Kempson et al (2003), ibid.

An important feature of our evaluation strategy is that we did not simply recruit individuals to open accounts, but also a set of ‘control’ individuals who were not offered the opportunity to open accounts and so whose behaviour should not have been affected by the existence of the pilot.[17] Within our RDD and DWP samples, the opportunity to open an account was allocated at random. Furthermore, our RDD sample allows us to track and survey individuals who opened accounts (RDD openers), individuals who chose not to open accounts (RDD refusers), and individuals who were not offered accounts (RDD controls). We explain in chapter 5 why random allocation and the availability of openers, refusers and controls, makes the RDD sample particularly useful for answering quantitative evaluation questions.

1.3.2 Data sources and analyses

In order to allow various different kinds of analysis that will be useful for answering the evaluation questions set out in section 1.1 above, we collected various different sources of data.

(a) Telephone survey data

The main data source for quantitative analysis is the telephone interview, which was conducted between September and November 2006. In total 11,118 individuals were interviewed using CATI (computer assisted telephone interviewing). Interviews were carried out with account holders and non-account holders and with individuals recruited through each of the different recruitment methods described in section 1.3.1 (excluding those who had SG1 accounts and those in receipt of the Adult Learning Grant). Some of the individuals included in the sample had also been interviewed in a first survey conducted in late 2005 for the interim evaluation report, but other individuals were being interviewed for the first time.[18]

More specifically, interviews were conducted with 8,329 individuals recruited through RDD; 2,379 of these were account openers, 3,359 had been offered an account but did not open one and the remaining 2,591 were from the control group[19]. 1,741 interviews were carried out with people from the DWP sample: 1,282 with account openers, and 459 with controls[20]. Finally 1,048 PAF account openers were also interviewed. These sample sizes reflect the fact that we did not interview a representative cross section of recruited individuals. Instead account openers were over-represented in our sample relative to the proportion of individuals offered the chance to open an account who actually chose to do so. Over-sampling account holders ensured that we had sufficient sample sizes to

[17] The SG1 evaluation did include some comparisons to a ‘reference’ group of non-account holders, but the full treatment/control methodology that we describe here was not employed in that case because it was not required to fulfil the aims of that evaluation.
[18] Full details of the survey methodology, including the numbers of individuals who were interviewed once and twice, can be found in Saving Gateway 2 Technical Report
[19] Among these controls, 563 individuals were not from our original sample but were drawn from a new sample of those never offered an account, issued for this wave of the evaluation.
[20] Among these DWP controls, 335 were not from our original sample but were drawn from a new DWP sample of those never offered an account, issued for this wave of the evaluation.

make descriptive analyses informative. However, it also meant that for some of our analyses the survey data have had to be weighted in order to ensure that the statistics that we report are representative for the populations underlying our sample, rather than reflecting our sampling choices. The method of weighting is described in full in Saving Gateway 2 Technical Report.[21]

The telephone interview covered a range of topics. Individuals were asked about their income from all sources, their savings and investments, debts, expenditure, attitudes to saving, attitudes to the Saving Gateway in particular (those offered the chance to open an account only) and their personal and household characteristics. These data are used in two chapters of this report. Chapter 2 describes the characteristics of individuals recruited through each of the three methods mentioned above, and for account openers, account refusers and control individuals. In particular, the chapter looks at the demographic characteristics, income and asset holdings of individuals, as well as describing some responses to questions on planning horizons and money management. Chapter 5 uses these data on those recruited through RDD to conduct an analysis of whether or not the pilot has created new savers and new saving. This is done (as is explained more comprehensively in section 5.1) by comparing levels of, and changes in, asset-holdings and expenditure amongst the RDD treatment group, with those in the RDD control group.

(b) Halifax transaction data

Information is available for every deposit and withdrawal for each SG2 account that was opened. This data covers the period from account opening up to, and including, 28th February 2007. The information available on each transaction includes the amount that was deposited or withdrawn, the date of the transaction, the branch where the transaction took place and the method of payment (e.g. cash, cheque, standing order).

We examine the data on accounts that reached maturity by the 28th February 2007 (which was the majority of SG2 accounts); this includes 21,504 accounts and a total of 411,260 transactions. These data are used in Chapter 4 to examine the use of accounts by account holders. For example, we look at the number of people who contributed the maximum amount each month, the prevalence of withdrawals of money from the accounts and whether account holders continued to make contributions.

(c) Qualitative research

The qualitative element of the research study included 91 in-depth interviews with a range of respondents, and a final wave of 70 interviews with account holders only; as outlined below:

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[21] In fact the weights are designed to allow for slightly un-representative sampling of controls across areas, as well as for the over-sampling of account openers.

Wave 3[22] Interviews

	Control	Account Holders	Learning Providers	Halifax staff	Total
Cumbria	2	10	1	2	15
Cambridge	2	10	2	2	16
E Yorkshire	2	10	2	2	16
E London	2	10	3	2	17
Manchester	2	10	0	2	14
S Yorkshire	2	8	1	2	13
Total	12	58	9	12	91

The interviews were conducted face to face by MORI researchers during October and November 2006.

Of the 58 account holders interviewed 23 had been interviewed before and 10 were SG1 and SG2 openers.

Wave 4 Interviews

	Account Holders
Cumbria	11
Cambridge	12
E Yorkshire	11
E London	12
Manchester	12
S Yorkshire	12
Total	70

This final wave of qualitative research was carried out in February and March of 2007. This phase of the research focussed on the impact that the account was felt to have had on people's saving behaviour and the extent to which they had continued savings. It also explored the process of maturity in greater depth and assesses account holders reflections of the Saving Gateway experience, as well as painting a picture of what people have done with their SG2 savings.

The qualitative element of the study aims to compliment the quantitative findings, and scratch beneath the surface of the statistical data. In this sense, participants are asked the 'why' and the 'how' questions, and the resultant findings designed to add context to, and further illustrate the views of account holders.

[22] The interim report (http://www.hm-treasury.gov.uk/media/80D/D7/savingsgateway2_180706.pdf) included 2 previous waves of qualitative interviews.

1.3.3 Definitions, Presentation and Interpretation of Data

Qualitative methods, such as in-depth interviews, are ideal for exploring complex issues and elicit a full range of possible answers. The real value of qualitative research is that it allows insight into the attitudes and beliefs of respondents, which could not be examined in as much depth using a structured quantitative questionnaire. Qualitative research utilises smaller samples that are chosen purposively to ensure representation of a full range of views within the sample.

However, it must be remembered that qualitative research is designed to be illustrative and does not look to produce statistics, but to identify the range of views, opinions and experiences of SG2 holders. In addition, as with all qualitative research studies it is important to bear in mind that we are dealing with **perceptions rather than facts** and as such there may be **conflicts of opinions**. Therefore, these issues need to be taken into account when interpreting the research findings.

Throughout the report we have made use of verbatim comments to exemplify a particular viewpoint. It is important to be aware that these views do not necessarily represent the views of all respondents. Where quotes have been used to illustrate findings from the qualitative interviews, the attributes, in order, are:

- Participant
- Area, if applicable

1.4 Structure of the report

The remainder of this report is divided into 6 chapters. **Chapter 2** uses data from the telephone survey and descriptive quantitative methods, to examine various characteristics of the groups of account holders, account refusers, and control individuals. The final part of chapter 2 examines respondents' attitudes to money management, financial planning using information from both the telephone survey and the qualitative depth interviews.

Chapter 3 then looks in more detail at the attitudes and opinions of account holders using qualitative research. The focus of chapter 3 is on a range of issues, from account holders' views on opening accounts, saving into them, the maturity process and thoughts on future savings.

Chapter 4 focuses on describing how individuals used their SG2 accounts, and uses account transaction data that were provided by Halifax.

The analysis reported in **Chapter 5** uses quantitative evaluation techniques, applied to data from the telephone survey, to examine whether or not SG2 has created new savers and new saving.

Chapter 6 focuses further on account holders experiences at maturity and reflects on the saving experience. Account holders views on the future of Saving Gateway are also explored.

Chapter 7 offers concluding thoughts on the findings of the evaluation.

Acknowledgements

The authors thank colleagues at HM Treasury, DfES and HMRC for their input during this project. Comments from colleagues at the Institute for Fiscal Studies – in particular from attendees at a seminar on the findings of the interim report in Autumn 2006 – have also been useful when carrying out the analysis in this report.

We would also like to thank all the participants who took part in this research.

2. Individual characteristics and financial planning

This chapter uses the telephone survey data to examine the characteristics of individuals recruited into SG2, both in terms of those offered the chance to open an account and those not offered the chance (i.e. the control group). The majority of account openers were women (63%), and most account openers were living with a partner. Around one-in-three account openers had at least one child. On average, account holders were more likely to be in paid work, living with a partner, and more highly educated than those in the control groups.

Those recruited through DWP benefit records were associated with lower current incomes than account openers recruited through other methods. Only around one-in-five of this group were in paid work, compared with around seven-in-ten among the RDD and PAF samples. They were also more likely to report being in poor health.

Conversion rates were examined in detail in the interim report on SG2, which highlighted the importance of differences in account characteristics across the six pilot areas and other individual characteristics such as income and levels of education. This chapter extends the analysis by examining the effect that distance to the nearest Halifax branch had on the likelihood of an individual choosing to open an account. We find that greater distances to the nearest Halifax branch led to a lower likelihood of opening an account, while this effect was statistically significant it was small in magnitude.

In terms of financial asset balances, and changes in balances, we observed a very clear ranking among the RDD sample: account openers typically had the largest balances, followed by those who were not offered the chance to open an account, and lastly those who declined the opportunity to open an account. This suggests that from the outset those taking up a SG2 account may have been the most able and willing to save in this way among the RDD sample.

More generally, the account opening questionnaire revealed that only 1.2% of respondents had no formal financial assets at the time of account opening. Two-thirds held funds in cash and equity ISAs and other investments (i.e. in formal financial assets other than current accounts and cash deposit accounts). The qualitative interviews with those account openers who did not have a separate savings account prior to entering SG2 found evidence of saving in current accounts.

The telephone survey also examined planning horizons and attitudes to money management. Among the RDD and PAF samples, account openers commonly reported planning horizons spanning the next few years. In contrast, those recruited from the DWP sample had shorter planning horizons, typically spanning the next few weeks or months.

This chapter examines the characteristics of individuals recruited through each of the three methods described in Chapter 1 for account openers, account refusers and control individuals. In particular, this chapter looks at the demographic characteristics, income and asset holdings of individuals, as well as describing reported planning horizons and attitudes to money management. The data for sections 2.1 to 2.3 come from the first and second telephone surveys (conducted in autumn 2005 and autumn 2006 respectively), while section 2.4 uses both evidence from the telephone survey and responses to the qualitative interviews with account openers. The telephone questionnaire for account openers was, in the majority of cases, collected in the last few months before their SG2 account was due to close.

2.1 Background characteristics

Table 2.1 shows how the characteristics of those individuals included in the second telephone survey varied across the different methods by which the individuals were recruited to the pilot.

Account openers were on average more likely to be living with a partner, more highly educated and more likely to have been in paid work than those in the control group. Comparing account openers recruited through RDD to the RDD control group: 66.4% of account openers were living with a partner compared to 53.9% of those in the control group; 44.9% had A-levels or higher educational qualifications compared to 38.7% of those in the control group; and, 71.7% of account openers were doing some paid work compared to just 52.7% of those in the control group. In common with account openers, those who chose not to open an account (RDD refusers) were also more likely to be in a couple and were more likely to be working than were individuals in the RDD control group. In contrast to the account openers, the RDD refusers were on average less educated than the RDD control group.

As described in chapter 5, we identify the effects of the pilot on creating new savers and new saving by comparing the outcomes observed amongst the RDD control group (who should have been unaffected by the pilot) to those observed amongst the RDD treatment group (which includes all those in the RDD sample offered the chance to open the account, regardless of whether they actually opened one). Table 2.1 and figure 2.1 show that the RDD treatment and control groups were broadly similar. There were though some differences, for example in the proportions employed and the proportions who reported long-term health problems. As described in chapter 5, it is important to be careful in controlling for these characteristics when analysing the impact of the pilot.

Table 2.1 Individual characteristics by sample type

	RDD				DWP		PAF
	Treatment						
	Open	Refuse	All	Control	Open	Control	Open
Female	0.718	0.678	0.685	0.668	0.541	0.538	0.673
Living with partner	0.664	0.566	0.583	0.539	0.500	0.362	0.651
Household characteristics							
Other adult (exc. Partner)	0.156	0.193	0.187	0.177	0.183	0.318	0.134
Pre-school child(ren)	0.087	0.116	0.111	0.112	0.050	0.139	0.076
School-age child(ren)	0.315	0.348	0.342	0.324	0.246	0.281	0.235
Age							
16-24	0.012	0.039	0.034	0.037	0.034[a]	0.153	0.008[a]
25-34	0.126	0.155	0.150	0.153	0.087[a]	0.176	0.119[a]
35-44	0.287	0.295	0.293	0.268	0.206[a]	0.240	0.270[a]
45-54	0.295	0.271	0.275	0.272	0.278[a]	0.209	0.285[a]
55-64	0.228	0.196	0.201	0.219	0.343[a]	0.200	0.268[a]
Education							
No qualifications	0.085	0.155	0.143	0.134	0.148	0.170	0.083
GCSEs	0.303	0.328	0.324	0.322	0.314	0.386	0.311
A levels	0.162	0.153	0.154	0.157	0.135	0.137	0.161
Degree	0.287	0.190	0.207	0.230	0.208	0.146	0.281
Other/Don't know	0.161	0.170	0.169	0.156	0.191	0.159	0.161
Employment status							
Employed	0.614	0.575	0.581	0.454	0.171	0.118	0.611
Self-employed	0.076	0.059	0.062	0.059	0.023	0.031	0.059
Other paid work	0.027	0.016	0.018	0.014	0.020	0.013	0.018
Retired	0.136	0.108	0.113	0.134	0.211	0.070	0.181
Long-term health problems	0.204	0.251	0.243	0.327	0.668	0.501	0.187
Benefit receipt							
Income-related benefits/tax credits only	0.187	0.256	0.244	0.256	0.228	0.427	0.146
Health-related benefits only	0.074	0.055	0.058	0.093	0.285	0.133	0.071
Both income- and health related benefits/tax credits	0.055	0.109	0.100	0.159	0.299	0.259	0.061
Child-related benefits/tax credits only	0.228	0.204	0.208	0.155	0.048	0.039	0.197
No benefits/tax credits	0.457	0.377	0.390	0.337	0.141	0.142	0.526
Ethnicity							
Asian	0.028	0.046	0.043	0.036	0.018	0.048	0.033
Black	0.017	0.038	0.034	0.033	0.035	0.052	0.028
White	0.948	0.906	0.913	0.922	0.897	0.876	0.918
Other	0.007	0.007	0.007	0.008	0.048	0.020	0.019
Refused	0.000	0.003	0.003	0.001	0.002	0.004	0.002
Sample size	2,379	3,359	5,738	2,591	1,282	459	1,048
Partner's characteristics (those with partner's only)							
Employment status							
Employed	0.694	0.657	0.664	0.620	0.523	0.476	0.670
Self-employed	0.104	0.111	0.110	0.099	0.047	0.084	0.066
Other paid work	0.011	0.007	0.008	0.009	0.022	0.012	0.010
Retired	0.117	0.087	0.093	0.115	0.234	0.096	0.185
Long-term health problems	0.146	0.183	0.175	0.185	0.281	0.301	0.154
Sample size	1,579	1,883	3,462	1,391	641	166	682

[a] Age was not recorded for the top-up sample of account openers recruited through DWP and PAF. Therefore the proportions in each age group reported for these groups refer to the proportions of those for whom age was recorded who fall into each age category. Consequently the sample sizes for these observations are smaller than for other statistics in the table (number of observations: 867 for DWP account openers, 501 for PAF account openers).

Note: Figures for all RDD treatment and RDD control are weighted. Income-related benefits/tax credits comprise Income Support, Jobseeker's Allowance, Pension Credit, Working Tax Credit, Housing Benefit and Council Tax Benefit.

Health-related benefits comprise Incapacity Benefit, Disability Living Allowance, Severe Disablement Allowance, Carer's Allowance and Attendance Allowance. Child-related benefits/tax credits comprise Child Benefit, Child Tax Credit and Statutory Maternity Pay. There are more people in the "other" education category than were identified in Table 3.2 of the interim report (http://www.hm-treasury.gov.uk/media/80D/D7/savingsgateway2_180706.pdf) because certain specialist qualifications such as city and guilds were previously grouped with a-levels but were not classified in wave 2.
Source: Second telephone survey.

The characteristics of those account openers recruited through DWP records were on average somewhat different to those of account openers recruited through RDD or the Postcode Address File (PAF). In general, characteristics associated with having lower current income or poor health were more prevalent amongst the DWP account openers. This is unsurprising since these were all people who had some contact with the DWP through receipt of benefits which are targeted on low current income or poor health. However, characteristics associated with having higher current income (such as currently being employed and not receiving an income-related benefit) were more common amongst the DWP account openers than the DWP control group. 47.3% of DWP account openers were not in receipt of any income-related benefits[23] and 21.4% were doing some paid work[24] compared to just 31.4% and 16.2% (respectively) of those in the DWP control group.

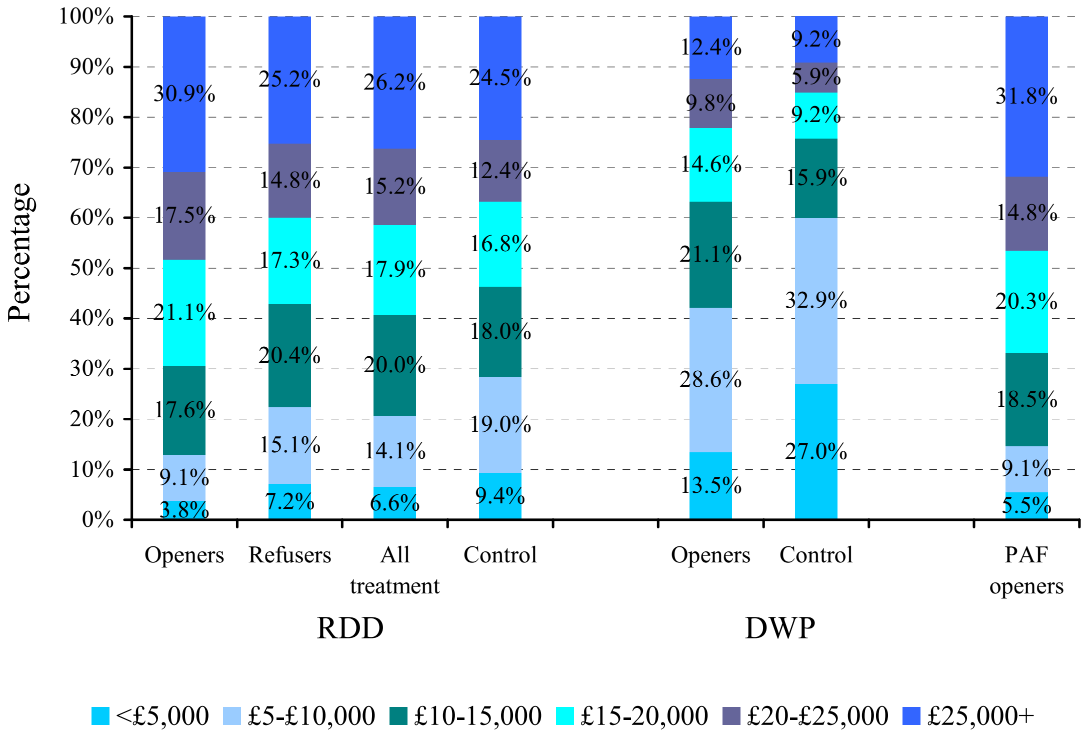
Figure 2.1 shows the distribution of annual family[25] income within each sample type. The highest income groups were the RDD and PAF account openers. Three-in-ten individuals in these groups (30.9% of RDD openers and 31.8% of PAF account openers) were in a family whose income was at least £25,000 per year. A further three-in-ten of each of these groups (30.5% of RDD openers and 33.1% of PAF account openers) had family income below £15,000. In contrast, 63.2% of DWP account openers had family income of less than £15,000 per year. Individuals in the DWP control group tended to have lower incomes than individuals in any of the other groups.

Table 2.1 is analogous to table 3.1 in the interim report[26] which described the characteristics of those people included in the first telephone survey. As described in the Technical Report, the sample of people interviewed in the second telephone survey was the same as the group interviewed in the first telephone survey except that there was some attrition of people who participated in the first survey and these individuals were replaced by new sample members. The extent to which the average characteristics of each group shown in table 2.1 differ from the average characteristics amongst the same groups in table 3.1 of the interim report could be due to differential attrition amongst people with different characteristics (though, in the case of characteristics which can change over time, it could also be due to actual changes in behaviour over the period between the two interviews). To overcome the potential problem of differential

[23] Though all those recruited through DWP benefit records were in receipt of one of Income Support, Jobseeker's Allowance, Incapacity Benefit or Severe Disablement Allowance at the time of recruitment, this set of benefits does not match the set of income-related benefits considered here (Income support (or Pension Credit), Jobseekers Allowance, Housing Benefit, Council tax Benefit and Working Tax Credit), and in addition individuals may have moved off the benefits in the period between recruitment and the time of the telephone survey.
[24] Of those who were doing some paid work, 42.9% were in receipt of some income-related benefit while 10.0% were in receipt of some health-related benefit.
[25] Family income here refers to the income of a single individuals or the income of an individual and his or her partner if he or she is living with a partner.
[26] See page 26 of http://www.hm-treasury.gov.uk/media/80D/D7/savingsgateway2_180706.pdf

attrition when assessing the impact of the pilot in chapter 5, the analysis in that chapter controls for many of these characteristics.

Figure 2.1: Percentage of individuals with total annual income in certain bands, by sample type



Note: Figures for all RDD treatment and RDD control are weighted. By bar left to right, the numbers of observations are: 2379, 3359, 5738, 2591, 1282, 459, 1048.
Source: Telephone survey.

2.2 Conversion rates revisited

Not all of those who were offered SG2 accounts took the opportunity to open them. Since the decision about whether or not to open the account was not random amongst those who were offered an account, it is possible that the group of account holders will have different characteristics from the group who did not open an account. This was examined in the interim report.[27] Since that analysis was completed a measure of the distance between an individual's home and the nearest Halifax branch, has been computed. The analysis in this section replicates that carried out for the interim report but incorporates the new measure of distance to the individual's nearest Halifax branch.

In replicating the analysis from the interim report we choose to use the data on individuals from the 1st, rather than the 2nd, telephone survey since this information will be a closer reflection of the characteristics of individuals at the time when they decided whether or not to open an account. We look just at those individuals who were recruited through RDD and were offered the chance to open an account. We choose this group because we require data on both account openers and those who chose not to open an account to allow us to examine

[27] See section 3.2.1 of http://www.hm-treasury.gov.uk/media/80D/D7/savingsgateway2_180706.pdf

which characteristics are associated with being more likely to open a SG2 account.

Table 2.2: Account features and conversion rates in each pilot area

	Match (per £1.00)	Contribution limit (£ per month)	Conversion rate*
Cambridge	£0.20	£125	0.103
Cumbria	£0.50	£50	0.218
East London	£0.20	£50	0.065
Manchester	£1.00	£25	0.197
East Yorkshire	£0.50	£25	0.228
South Yorkshire	£0.50	£25	0.162

*Proportion of offers through RDD that resulted in SG2 accounts being opened.

The interim report recorded that on average 17.1% of those offered an account through RDD actually opened one. However, as table 2.2 shows, conversion rates (the proportion of those offered an account that actually opened one) differed across areas. The conversion rate was lowest in East London (6.5%[28]), which was the area with the least generous policy variant (£0.20:£1 matching, £50 contribution limit). The conversion rate was highest in East Yorkshire (22.8%[29]) where individuals were given a £50 bonus once they had saved at least £50. This bonus provided a strong incentive to at least open an account and contribute for two months. While these conversion rates do vary in ways that seem to make sense in the light of differences in account design across areas, these simple comparisons do not take into account differences in the characteristics of people in each area which may also have resulted in differing conversion rates. We now turn to the consideration of other characteristics.

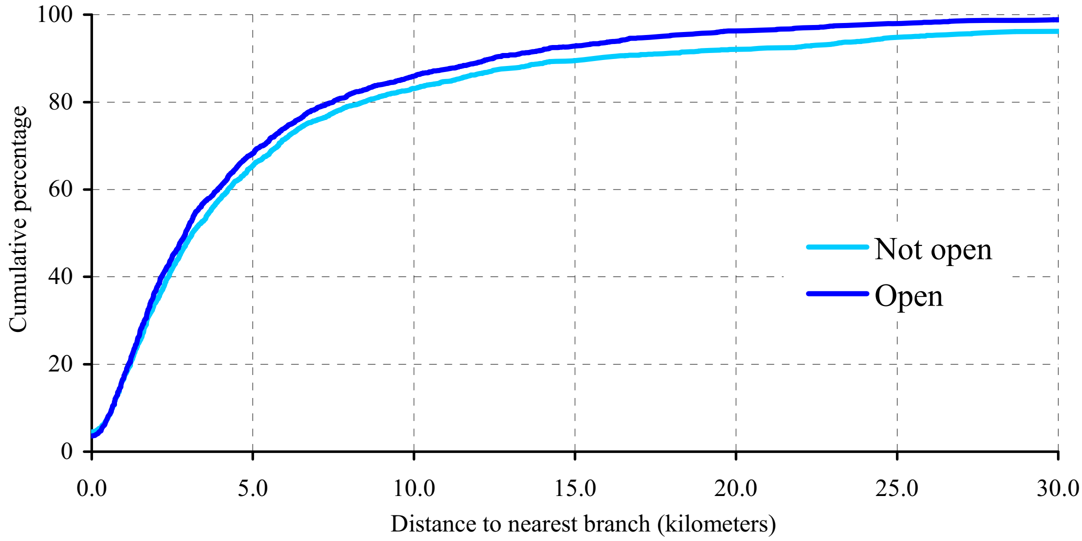
The interim report also showed that conversion rates differed across different types of individuals. They were, for example, higher amongst individuals with higher family income. 24.2% of those in the richest income quintile who were offered a SG2 account went on to open one, compared to just 9.2% of those in the poorest income quintile. Furthermore, individuals with high levels of education and high levels of numeracy were seen to have much higher conversion rates. In Cumbria, 32.5% of those with at least a degree opened an account, compared to just 7.9% of those individuals with no formal qualifications. Similarly, in Manchester, 34.0% of those who managed to calculate compound interest correctly opened an account, compared to just 11.1% of those with the lowest level numeracy.

Figure 2.2 shows the relationship between the new variable measuring distance from the nearest Halifax branch and account opening. To compute the distance from each individual's home to the nearest Halifax branch, postcodes were used

[28] This conversion rate is not statistically different from the conversion rate in Cambridge.
[29] This conversion rate is not statistically significantly different from the conversion rates in Cumbria and Manchester.

to find the grid reference for all home addresses and Halifax branches.[30] These grid references were then used to compute the distance, "as the crow flies", from each home to each Halifax branch. For each home the shortest distance was then taken as the measure of distance from the nearest Halifax branch.

Figure 2.2 Cumulative distribution of distance to nearest branch among those recruited through RDD and offered the chance to open an account by whether or not they chose to open an account.



Notes: Sample size = 5,876 individuals.
Source: Telephone survey.

Figure 2.2 shows the percentage of account openers and non-openers who lived more than any given distance from their nearest Halifax branch and indicates that those who lived closer to a Halifax branch were more likely to open an account than those who lived further away. This can be seen from the fact that the "not open" line in the figure lies below the "open" line (at least for distances above about 3km), indicating that a smaller proportion of account openers than non-openers lived further from a Halifax branch. For example, approximately 17% of those who did not open an account lived more than 10km from a Halifax branch, but this was true of only 14% of those who did open an account. The difference was also evident in the median distances from a Halifax branch. Among those who chose to open an account the average (median) distance to their nearest Halifax branch was 2.9km, compared to 3.1km among those who chose not to open an account. Another statistic that captures the relationship between distance from a Halifax branch and the likelihood of opening an account is that, among those whose nearest Halifax branch was within 10km, 17.5% chose to open an account, whereas among those whose nearest Halifax branch was further than 10km away only 15.1% chose to open an account. This 2.4 percentage point difference in conversion rates is found to be statistically significantly different from zero at the ten percent level.

The relationships considered so far have just been simple correlations between a given variable and the likelihood of opening an account (perhaps within a specific

[30] We only used information on those Halifax branches that were part of the SG2 scheme.

area). However, these correlations may not indicate that all the different characteristics considered are having independent effects on the likelihood of opening an account. For example, it is likely that individuals with high levels of income also tend to have high education and good understanding of compound interest. Therefore it is possible that the finding that those with higher incomes tend to open an account could be a reflection of the fact that those individuals also have characteristics that are likely to enable them to understand the financial benefits of paying money into an account, rather than being a true reflection of current resources increasing the propensity to open an account. Alternatively, it could be that the correlations of education and numeracy with account opening are really reflecting the effect of income, and that it is these variables that do not have a strong independent effect on the likelihood of opening an account.

To determine which of the different characteristics are independently associated with account opening, table 2.3 shows the results of a multivariate analysis of conversion rates on various individual characteristics. This allows us to control for different personal characteristics simultaneously so we can identify which are significantly associated with a higher probability of opening an account, even after other characteristics have been taken into account. The regression presented in table 2.3 is a regression[31] of a dummy variable (equal to one if the individual opened an account and zero otherwise) on various personal characteristics. This analysis repeats that of Table 3.5 of the interim report, but now we include distance from the nearest Halifax branch as an additional regressor.

The nature and magnitudes of the findings for the other characteristics are unchanged from those published in the interim report. As before, once we control for various other characteristics, we find that those with higher incomes were no more likely to have opened an account than those with lower income. This is because high levels of education and numeracy (both of which are associated with an increased propensity to open an account) were correlated with having higher income. Having other assets, such as investments or owning a home, were all significantly associated with opening an account. Individuals who had investments were 12 percentage points more likely to have opened an account than those without. However, it does not seem that it is just the fact of holding an investment (and so possibly learning about compound interest) that was driving the relationship described above between numeracy and account opening. Even conditional on having other assets, table 2.3 shows that those with higher levels of numeracy were more likely to have opened an account.[32] Those with higher levels of education (even conditional on numeracy) were also more likely to have opened an account. Those who were employed or whose partner was employed are also more likely to have opened an account. These people may have been better able to save as they have a regular source of income. In contrast, those who reported long-term health problems were less likely to have opened an

[31] A probit regression was used. Marginal effects are reported. These have been calculated using STATA 9.2 and are measured at the mean of the independent variables.

[32] It is, of course, possible that the numeracy of those people who opened an account has been affected by having an account. However, these people had only had an account open for on average 4 months at the time of interview and the Saving Gateway explicitly does not operate on the basis of compounding interest, so it seems unlikely that the pilot would by then have had a significant effect on account holders' knowledge of compound interest.

account. These people may have had higher (or at least more expensive) current consumption needs.

Conditional on all these individual characteristics, conversion rates still differed by area. Comparing East Yorkshire and South Yorkshire, the only difference between the accounts offered in these areas was the £50 bonus offered in East Yorkshire. Table 2.3 shows that, after controlling for other characteristics, individuals in East Yorkshire were on average 6.1 percentage points[33] more likely to have opened an account than individuals in South Yorkshire (this is statistically significant at the 5% level). Comparing Cumbria to South Yorkshire, the only difference between the accounts offered in these two areas is that there was a £25 contribution limit in South Yorkshire and a £50 limit in Cumbria. Individuals in Cumbria were on average 4.1 percentage points more likely to have opened an account than those in South Yorkshire. Again this difference is significant at the 5% level. If we compare South Yorkshire to Manchester, the accounts offered differ only in terms of the match rate – £1:£1 in Manchester and £0.50:£1 in South Yorkshire. Assuming that individuals in these areas react to the pilot in the same way (conditional on the characteristics included in the regression), the difference between the marginal effects for these areas identifies the correlation between account opening and the higher match rate offered in Manchester. Individuals in Manchester were on average 5.6 percentage points more likely to open an account than those in South Yorkshire and this difference is significant at the 5% level.

Distance to the respondent's nearest Halifax branch is found to be negatively associated (and statistically significant at the 1% level) with the likelihood of an individual choosing to open a Saving Gateway account. However the magnitude of the association with distance is not large: the estimate of –0.016 implies that moving the nearest Halifax branch 10km further away would only reduce the likelihood of opening an account by 1.6 percentage points.

[33] In other words the marginal effect reported for East Yorkshire (0.146) is 6.1 percentage points higher than the marginal effect reported or South Yorkshire (0.085): 0.146 – 0.085 = 0.061

Table 2.3 Multivariate analysis of characteristics associated with opening a SG2 account when recruited through RDD

	Marginal Effect	Standard Error
Female	+0.052***	(0.008)
Age:		
16-24	–0.042***	(0.016)
25-34	–0.004	(0.015)
35-44	+0.002	(0.014)
45-54	+0.000	(0.013)
Distance to nearest branch:		
Distance to nearest branch (10km)	–0.016***	(0.006)
Missing information on distance	–0.041***	(0.015)
Account characteristics:		
East Yorkshire	+0.146***	(0.019)
South Yorkshire	+0.085***	(0.017)
East London	–0.021	(0.014)
Cumbria	+0.126***	(0.018)
Manchester	+0.141***	(0.020)
Household characteristics:		
Living with partner	–0.011	(0.015)
Other adult (exc. partner) in household	–0.023***	(0.008)
Pre-school child	+0.000	(0.013)
School-age child	–0.017**	(0.009)
Employment status:		
Employed	+0.043***	(0.011)
Self-employed	+0.057**	(0.024)
Retired	–0.008	(0.016)
Does other paid work	+0.052	(0.035)
Partner employed	+0.059***	(0.018)
Partner self-employed	+0.041	(0.027)
Partner retired	+0.033	(0.026)
Partner does other paid work	+0.134*	(0.077)
Asset ownership:		
Owns home outright	+0.075***	(0.016)
Owns home with mortgage	+0.038***	(0.010)
Has investments	+0.120***	(0.009)
Education:		
Don't know/other qualification	+0.037**	(0.017)
GCSEs	+0.040***	(0.013)
A levels	+0.076***	(0.017)
Degree/still studying	+0.089***	(0.016)
Health:		
Long-term health problem	–0.022**	(0.009)
Partner has long-term health problem	–0.002	(0.013)
Ethnicity:		
Asian	+0.049**	(0.022)
Black	+0.034	(0.023)
Other ethnic origin	+0.010	(0.048)
Refused ethnicity	–0.015	(0.062)
Total household income quintile:		
2	+0.005	(0.012)
3	+0.031**	(0.015)
4	+0.014	(0.017)
Richest	–0.007	(0.017)
Numeracy:		
Highest numeracy	+0.128***	(0.017)
Numeracy 3	+0.079***	(0.010)
Numeracy 2	+0.070***	(0.016)

Note: Stars denote the statistical significance of the estimated co-efficients: *** = 99% level, ** = 95% level and * = 90% level. Sample size = 5,876. All RDD respondents offered the chance to open a SG2 account. Excluded group is single,

white, male respondents living alone from Cambridge (£0.20:£1 match rate, £125 contribution limit, no bonus) who do not own their home, have no qualifications, low levels of numeracy, no long-term health problems, no investments, do not do any paid work and are in the lowest income decile.
Source: Wave 1 telephone survey.

2.3 Financial situation

The telephone survey included various questions to assess asset holdings and spending behaviour of both account openers and non-openers. These are discussed in this section. As information on these was collected after the introduction of the accounts, asset holdings of account openers will reflect any changes induced by the pilot (indeed the impact of the SG2 accounts on different measures of financial assets is examined in detail in Chapter 5).

Section 2.3.1 looks at the distribution of different financial assets, section 2.3.2 at the distribution of the reported changes in different financial assets over the last three months and section 2.3.3 looks at the distribution of spending.

All of the analysis presented here is split by whether they were recruited through RDD, Postcode Address File (PAF) or DWP benefit records (DWP). Analysis of those recruited by RDD is split by whether or not they were offered the chance to open an account (RDD treatment and RDD control) with analysis of those who were offered the opportunity to open a SG2 account also done separately by whether or not they actually opened an account (RDD openers and RDD refusers). The analysis of the DWP sample is split by whether they were an account holder (DWP-open) or whether they were not offered the opportunity to open a SG2 account (DWP-control). Unfortunately no information is available on those recruited from the DWP records who were offered the opportunity to open an account but chose not to do so.

2.3.1 Levels of financial assets

Figure 2.3 shows the cumulative distribution of funds held in savings accounts. That is, the lines show the proportions of individuals (measured on the vertical axis) who had at least the amounts measured on the horizontal axis in their savings accounts. Savings accounts are defined to include things like Post Office accounts and bank and building society savings accounts but to exclude funds held in current accounts and investments (which were defined to include both assets exposed to equity risk and also funds held in ISAs[34]). Importantly those who had a SG2 account were asked to include the balances held in these. Analysis is split by the recruitment method, whether or not the individual was offered the opportunity to open a SG2 account and whether or not they chose to open an account.

Since balances in savings accounts cannot be negative the point at which each of the lines in Figure 2.3 crosses the y axis shows the proportion of that group who have no savings. For example this was true of 56.2% of those who were recruited through being on the DWP benefit records but who were not given the

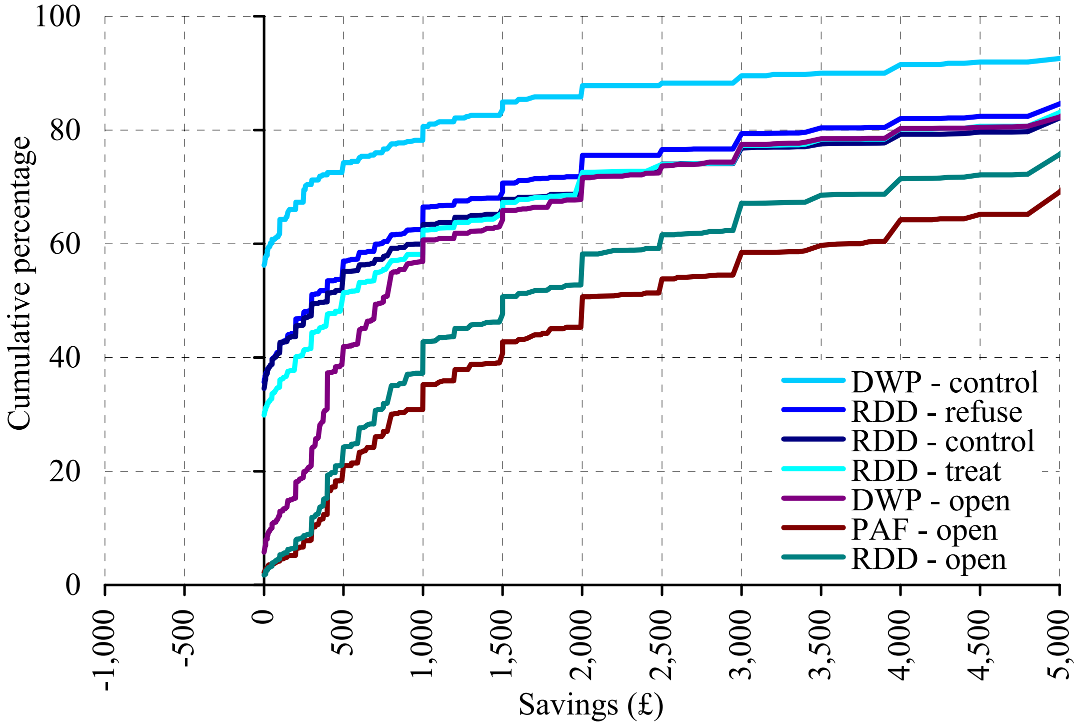
[34] This was regardless of whether funds were held in equity or cash since eliciting information on separate balances proved problematic.

opportunity to open a SG2 account. At the other extreme only 1.7% of account holders who were recruited through RDD reported having no funds in savings accounts. It is unsurprising that those who had opened a SG2 account were much less likely to report having no funds in savings since they would have had to make an initial contribution in order to actually open their SG2 account (and therefore in principle could only have zero funds in savings accounts if they had subsequently withdrawn all of their contributions to their SG2 account). It is also the case that those who chose not to open a SG2 account might have done so because they thought it was unlikely that they would be able to benefit from the Government match. This is highlighted by the fact that the distribution of savings of those recruited through RDD who refused to open an account is to the left of that among the controls recruited through RDD (with both groups presumably being unaffected by the pilot).

An initial examination of the impact of the SG2 account on the level of savings can be carried out by comparing the distribution of savings among the RDD treatment group to those among the RDD control group. Figure 2.3 shows that the distribution of savings among the control group is to the left of that among the treatment group, at least for savings account balances between £0 and £1,000. This means that, considering any level of balances held in savings accounts (or at least any level up to £1,000), a greater proportion of RDD control individuals than RDD treatment individuals hold savings worth less than this level. This is suggestive that the amount held in savings accounts might have been boosted by the SG2 account.

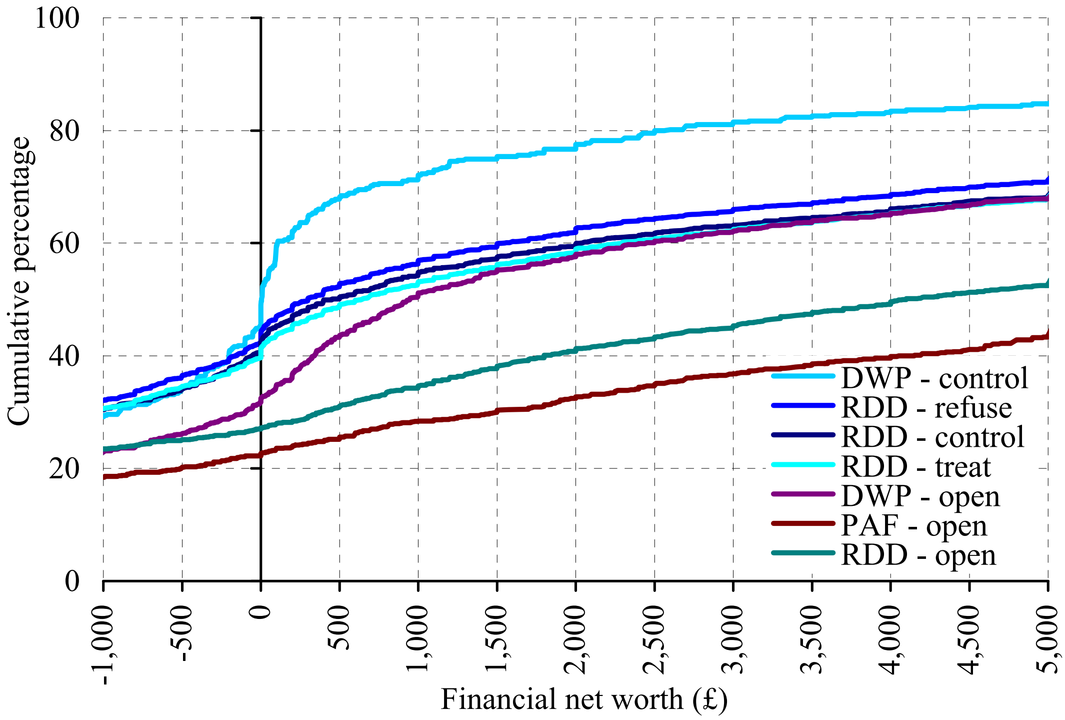
However, it is possible that some of the money placed in SG2 accounts may have been transferred from other financial assets. Therefore, it is also interesting to compare the distributions of total net asset holdings amongst these groups. The cumulative distribution of formal net worth – which in addition to the amount held in savings includes current account balances, plus investments minus (non-mortgage) debts – is shown in Figure 2.4. The ranking of each group in terms of their net worth has a similar pattern to that for savings: wealth is typically higher among account openers than either the DWP or RDD controls or the RDD refusers. However there is little noticeable difference between the distribution of net worth among the RDD treatment group to that among the RDD control group.

Figure 2.3 Cumulative distribution of savings, by sample type



Notes: As Table 2.4.
Source: Wave 2 telephone survey.

Figure 2.4 Cumulative distribution of formal net worth, by sample type



Notes: As Table 2.4.
Source: Wave 2 telephone survey.

Table 2.4 Levels of financial assets, by sample type

	RDD				DWP		PAF
	Treatment						
	Open	Refuse	All	Control	Open	Control	Open
Savings							
25th percentile	600	0	0	0	325	0	700
Median (50th percentile)	1,500	300	500	400	750	0	2,000
75th percentile	5,000	2,000	3,000	3,000	3,000	600	8,750
Mean	11,143	6,076	6,941	6,828	8,922	9,350	11,385
Standard deviation	123,301	78,388	87,716	26,089	74,164	100,178	31,290
Mean (trimmed)	5,058	3,186	3,503	3,633	3,829	1,381	6,668
Stand. dev. (trimmed)	9,341	7,914	8,203	8,888	9,016	4,871	11,292
Proportion >£0	0.983	0.643	0.701	0.654	0.942	0.438	0.978
Proportion >£500	0.757	0.430	0.486	0.448	0.581	0.257	0.790
Other formal assets							
25th percentile	–1,900	–3,200	–3,000	–2,880	–1,327	–1,950	–730
Median (50th percentile)	1,600	0	50	50	150	–5	3,205
75th percentile	10,300	3,600	4,900	4,600	5,000	420	13,000
Mean	11,097	4,383	5,530	7,528	7,089	6,332	12,274
Standard deviation	97,220	37,177	52,594	66,845	41,191	97,330	38,953
Mean (trimmed)	8,437	3,824	4,607	5,412	5,625	1,355	9,651
Stand. dev. (trimmed)	38,180	35,184	35,749	59,857	37,832	24,709	29,814
Proportion >£0	0.640	0.497	0.521	0.522	0.564	0.453	0.697
Proportion >£200	0.611	0.428	0.459	0.458	0.475	0.294	0.662
Formal net worth							
25th percentile	–500	–2,600	–2,200	–2,050	–699	–1,750	412
Median (50th percentile)	4,100	300	640	450	950	5	6,955
75th percentile	17,130	7,240	9,000	9,500	8,700	1,500	23,030
Mean	22,240	10,459	12,471	14,357	16,011	15,682	23,659
Standard deviation	202,031	89,438	116,709	76,605	89,218	193,442	61,757
Mean (trimmed)	13,496	7,010	8,110	9,045	9,454	2,736	16,319
Stand. dev. (trimmed)	41,219	38,119	38,736	62,180	41,335	26,433	34,594
Proportion >£0	0.728	0.560	0.589	0.577	0.676	0.514	0.773
Proportion >£200	0.716	0.512	0.547	0.530	0.633	0.379	0.760
Informal assets							
25th percentile	0	0	0	0	0	0	0
Median (50th percentile)	0	0	0	0	0	0	0
75th percentile	18	20	20	20	10	10	0
Mean	104	65	72	121	44	48	304
Standard deviation	2,042	365	907	2,065	221	182	7,731
Mean (trimmed)	106	65	72	120	45	48	315
Stand. dev. (trimmed)	2,064	367	913	2,082	224	183	7,871
Proportion >£0	0.304	0.326	0.322	0.331	0.309	0.314	0.242
Proportion >£50	0.145	0.165	0.162	0.156	0.125	0.137	0.128
Sample size[a]	2,379	3,359	5,738	2,591	1,282	459	1,048

Note: 2% of outliers are removed when calculating the trimmed mean and the trimmed standard deviation. Weighted.
Source: Wave 2 telephone survey.

Summary statistics of the distribution of both savings and formal net worth are shown in Table 2.4 again split by each of the key groups. Also shown in this table are measures of the distribution of "other formal assets" (which is defined as formal net worth less the funds held in savings accounts) and also the statistics relating to the distribution of funds held in "informal assets" (such as cash at home or lent to friends or family). The impact of the SG2 accounts on each of these measures of financial assets is examined in detail in Chapter 5. However it is clear from the table that for all of the measures of assets RDD openers typically had larger balances than those who were not offered the chance to open an account who, in turn, typically had larger balances than those who were offered the opportunity to open an account but chose not to do so. Differences between the whole RDD treated group and RDD controls tend to be small. The distribution of balances among those account holders who were recruited from DWP benefit records is similar to that among the RDD controls, and higher than that among the non-account holders who were recruited from the DWP benefits records. Account openers recruited through PAF had, at the mean (and typically also at the median), the highest balances among each category of financial assets.

2.3.2 Accumulation of financial assets

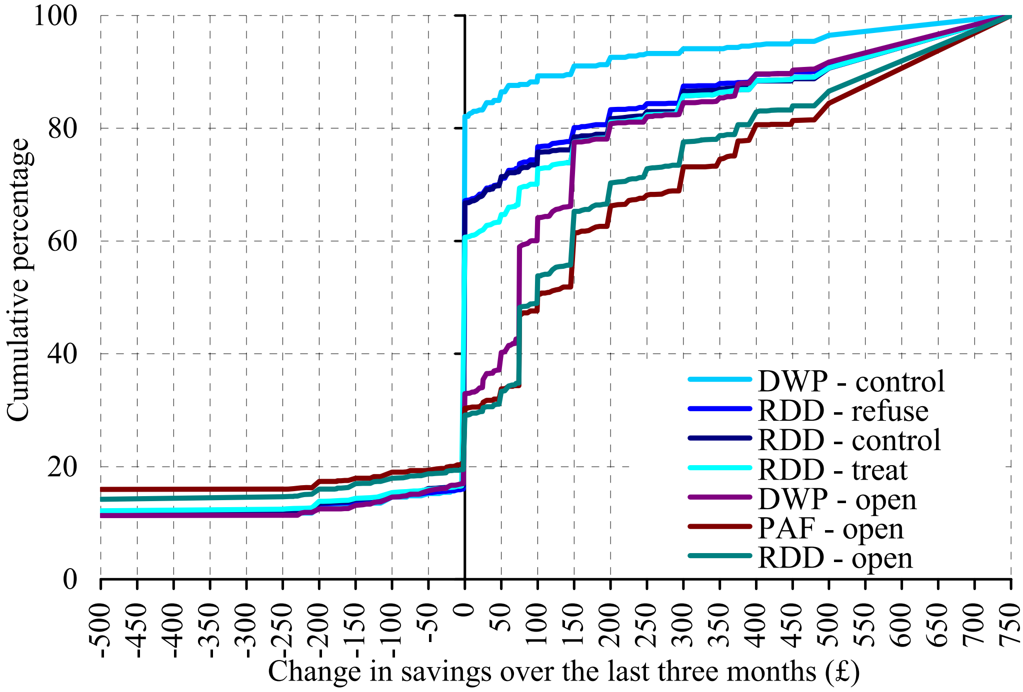
In addition to being asked about the level of each category of financial assets respondents to the telephone survey were also asked about the change in each measure of financial assets over the last three months. Figure 2.5 shows the cumulative distribution of changes in balances held in savings accounts. Figure 2.6 shows the distribution of changes in formal net worth. Formal net worth is (as in section 2.3.1) defined as the sum of balances in savings accounts, balances in current accounts plus any investments minus (non-mortgage) debt.

Those with SG2 accounts, whether recruited through RDD, DWP records or PAF, were on average more likely to have reported an increase in the funds held in savings accounts in the previous three months (as shown by where the lines cross the y-axis in Figure 2.5), while those controls (i.e. those who do not have a SG2 account) who were recruited from the DWP benefit records are the least likely to have reported an increase in their savings account balances in the previous three months.

The distribution of increases in savings account balances amongst the RDD treatment group is, in the range of increases between £0 and £150, noticeably to the right of the distribution among those in the RDD control group. This suggests that the change in savings account balances over the previous three months might have been boosted by the SG2 account.

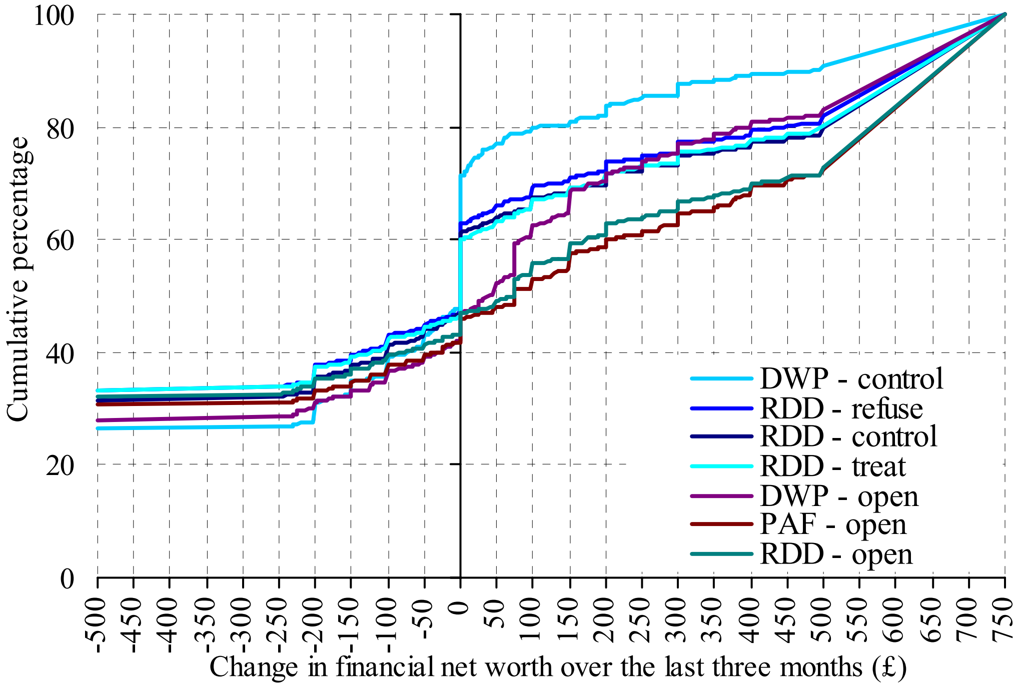
The cumulative distribution of the change in formal net worth over the previous three months is shown in Figure 2.6. The ranking of each group in terms of the change in formal net worth has a similar pattern to that for the change in savings: larger increases in wealth were typically observed among account openers than among either the DWP or RDD controls or the RDD refusers. However there is little noticeable difference between the distribution of changes in formal net worth among the RDD treatment group and that among the RDD controls.

Figure 2.5 Cumulative distribution of change in savings over the last 3 months, by sample type



Notes: As Table 2.5.
Source: Telephone Survey.

Figure 2.6 Cumulative distribution of change in formal net worth over the last 3 months, by sample type



Notes: As Table 2.5.
Source: Telephone Survey.

Summary statistics of the distribution of changes in both savings and formal net worth are shown in Table 2.5 again split by each of the key groups. Also shown in this table are measures of the distribution of reported changes in "other formal assets" (which is formal net worth minus balances in savings accounts and so represents balances in current accounts, plus any investments minus (non-mortgage) debt) and reported changes in money held in "informal assets" (for example, money saved at home or with a relative or friend). Looking at the 75th percentile of the distributions the largest increases in each measure of formal assets over the three month period was seen among account openers recruited through PAF or RDD, and the lowest increases seen among those not offered the chance to open an account who were recruited from the DWP benefit records.

Table 2.5 Change in financial assets over last 3 months, by sample type

	RDD				DWP		PAF
	Treatment						
	Open	Refuse	All	Control	Open	Control	Open
Savings							
25th percentile	0	0	0	0	0	0	0
Median (50th percentile)	100	0	0	0	75	0	100
75th percentile	300	100	150	100	150	0	363
Mean	337	269	280	198	103	–194	426
Standard deviation	8,701	5,704	6,317	8,389	5,935	1,409	5,085
Mean (trimmed)	105	258	232	58	–34	–100	173
Stand. dev. (trimmed)	2,405	5,643	5,237	1,870	2,766	820	2,790
Proportion >£0	0.708	0.329	0.394	0.333	0.671	0.179	0.697
Prop. >2 month limit	0.634	0.256	0.320	0.253	0.547	0.109	0.625
Other formal assets							
25th percentile	–410	–400	–400	–340	–300	–200	–355
Median (50th percentile)	0	0	0	0	0	0	0
75th percentile	300	50	100	115	100	0	200
Mean	137	–37	–7	115	147	17	234
Standard deviation	7,217	3,682	4,488	4,679	8,481	2,795	6,583
Mean (trimmed)	212	–34	8	92	–18	58	177
Stand. dev. (trimmed)	4,260	3,582	3,706	4,593	6,511	2,765	6,478
Proportion >£0	0.342	0.276	0.287	0.297	0.296	0.246	0.321
Prop. >2 month limit	0.313	0.231	0.245	0.257	0.239	0.168	0.282
Formal net worth							
25th percentile	–500	–490	–499	–475	–350	–300	–480
Median (50th percentile)	75	0	0	0	40	0	75
75th percentile	650	260	300	305	280	30	620
Mean	474	231	273	314	250	–177	660
Standard deviation	7,169	6,649	6,741	9,538	13,130	3,327	8,675
Mean (trimmed)	317	224	240	149	–51	–41	350
Stand. dev. (trimmed)	5,066	6,513	6,291	5,174	7,714	3,009	7,287
Proportion >£0	0.530	0.373	0.399	0.387	0.530	0.288	0.540
Prop. >2 month limit	0.487	0.317	0.346	0.337	0.444	0.203	0.491
Informal assets							
25th percentile	0	0	0	0	0	0	0
Median (50th percentile)	0	0	0	0	0	0	0
75th percentile	0	0	0	0	0	0	0
Mean	1	–1	–1	–5	1	–7	–22
Standard deviation	118	118	118	383	60	102	644
Mean (trimmed)	1	0	0	–5	1	–7	–23
Stand. dev. (trimmed)	120	103	106	388	61	103	655
Proportion >£0	0.130	0.121	0.123	0.126	0.112	0.118	0.098
Prop. >2 month limit	0.027	0.028	0.028	0.023	0.027	0.015	0.031
Sample size	2,379	3,359	5,738	2,591	1,282	459	1,048

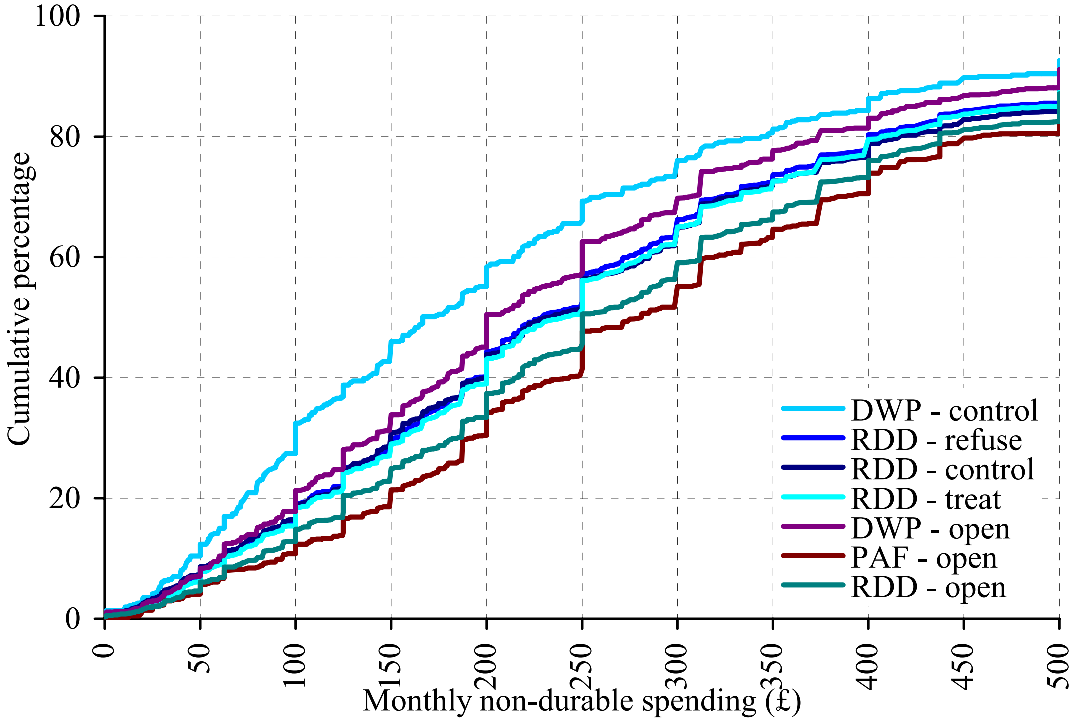
Note: 2% of outliers are removed when calculating the trimmed mean and the trimmed standard deviation. Weighted.
Source: Wave 2 telephone survey.

2.3.3 Spending

The final set of financial outcomes that we consider relate to the spending patterns of respondents to the telephone survey. Saving represents the amount of current income that is not spent in the current period. The previous section looked directly at differences in saving between each of the groups of interest. However, it is also possible to look at possible differences in saving by examining whether account holders have spent less than otherwise identical individuals. In this section we describe the information on spending outcomes which is available to us from the telephone survey.

Figure 2.7 shows the cumulative distribution of equivalised[35] total monthly expenditure on non-durables. Spending was lowest among those recruited from DWP benefit records but not offered the opportunity to open a SG2 account, with the next lowest spending levels seen among those account holders who were recruited from the DWP benefit records. The highest level of spending was among those account holders who were recruited through RDD or PAF. There is very little noticeable difference between the distribution of spending among those recruited from RDD who were not offered the chance to open an account (RDD-control) and those recruited through RDD who were offered the chance to open an account (RDD treatment).

Figure 2.7 Cumulative distribution of total monthly non-durable spending, by sample type



Notes: As Table 2.6. Spending equivalised. Weighted.
Source: Telephone Survey.

[35] An equivalence scale of 0.6 for each additional adult and 0.4 for each child under 16 in the family was used.

Summary statistics of the distribution of spending on different items are shown in Table 2.6 again split by each of the key groups. In addition to total spending on non-durable items (as shown in Figure 2.7) this also shows spending on food consumed in the home, food consumed outside the home, clothing expenditures and durable expenditures. All of these are monthly measures of spending, apart from spending on durables which is measured over the previous three months.

Typically higher levels of each measure of spending were seen among account holders recruited through PAF and RDD. Lower levels of spending were seen among those recruited from DWP records, with DWP account openers typically having spent slightly more than the controls recruited from the DWP records.

Table 2.6 Spending, by sample type

	RDD				DWP		PAF
	Treatment			Control	Open	Control	Open
	Open	Refuse	All				
Monthly total non-durable							
25th percentile	151	125	135	127	125	89	179
Median (50th percentile)	250	229	240	233	200	167	281
75th percentile	400	369	375	375	333	300	417
Mean	324	298	302	301	258	229	367
Standard deviation	298	341	334	307	211	225	563
Mean (trimmed)	321	295	300	299	254	220	342
Stand. dev. (trimmed)	295	324	319	306	205	197	365
Proportion >£250	0.544	0.475	0.487	0.480	0.427	0.340	0.586
Monthly food in							
25th percentile	100	83	86	83	80	57	100
Median (50th percentile)	138	125	125	125	120	100	125
75th percentile	188	188	188	186	167	156	188
Mean	147	140	141	139	129	116	144
Standard deviation	76	82	81	82	76	83	79
Mean (trimmed)	147	140	141	138	128	115	143
Stand. dev. (trimmed)	76	82	82	82	75	83	79
Proportion >£125	0.584	0.537	0.545	0.527	0.491	0.392	0.586
Monthly food out							
25th percentile	6	0	0	0	0	0	6
Median (50th percentile)	20	15	16	15	11	10	21
75th percentile	40	31	31	33	27	28	44
Mean	32	27	28	27	22	21	33
Standard deviation	46	54	52	40	35	40	43
Mean (trimmed)	31	27	28	27	21	20	32
Stand. dev. (trimmed)	45	54	52	40	34	40	41
Proportion >£0	0.769	0.713	0.723	0.706	0.640	0.612	0.781
Proportion >£25	0.438	0.345	0.361	0.372	0.285	0.277	0.474
Monthly clothing							
25th percentile	15	0	2	0	0	0	8
Median (50th percentile)	42	40	40	38	31	25	40
75th percentile	83	94	94	83	70	65	83
Mean	60	65	64	62	52	49	62
Standard deviation	69	93	89	85	74	74	93
Mean (trimmed)	60	64	64	61	51	49	61
Stand. dev. (trimmed)	69	92	88	84	72	74	92
Proportion >£0	0.795	0.741	0.750	0.730	0.718	0.664	0.764
Proportion >£50	0.473	0.460	0.462	0.434	0.388	0.342	0.446
Durables, last 3 months							
25th percentile	0	0	0	0	0	0	0
Median (50th percentile)	0	0	0	0	0	0	0
75th percentile	219	125	143	143	111	0	200
Mean	633	449	480	518	346	318	554
Standard deviation	2,673	2,636	2,643	3,222	1,351	1,486	1,880
Mean (trimmed)	622	431	463	511	324	277	551
Stand. dev. (trimmed)	2,679	2,591	2,607	3,245	1,288	1,360	1,889
Proportion >£0	0.350	0.294	0.303	0.306	0.288	0.235	0.347
Proportion >£400	0.196	0.152	0.159	0.157	0.133	0.107	0.198
Sample size	2,379	3,359	5,738	2,591	1,282	459	1,048

Note: 2% of outliers are removed when calculating the trimmed mean and the trimmed standard deviation. Spending is adjusted for family size. Weighted.
Source: Wave 2 telephone survey.

2.4 Financial planning and money management

Both the telephone survey carried out for the quantitative part of the evaluation, and the depth qualitative interviews[36] with SG2 participants, covered topics on planning and money management. This section reports evidence from these sources.

When considering how SG2 might have affected individuals financial planning and interactions with financial service providers it is important to bear in mind the situation of SG2 account holders at the start of the gateway period. As described in the interim report, the majority of account openers reported on the account opening questionnaire that they had some formal financial assets at the time of account opening, with only 1.2% reporting having no formal accounts. Two-thirds (67.6%) reporting holding funds in cash and equity ISAs and other investments (i.e. in formal financial assets other than current accounts and cash deposit accounts).[37] In terms of balances in formal assets at the time of account opening, only 8.6% of SG2 account openers reported having zero formal assets, with a further 18.1% reporting that they had between £1 and £500 (inclusive); at the other extreme 42.9% of account openers reported that they had in excess of £2,000.[38]

2.4.1 Quantitative evidence on planning horizons and money management

Respondents to the telephone survey were asked a set of questions about their financial planning horizon and their financial management strategy. This subsection describes the responses to these questions and makes comparisons by the recruitment method and whether or not the individual had a SG2 account.

Individuals were asked about their typical planning horizon. The responses are shown in Table 2.7. Very few reported that they either didn't plan their finances or that they planned on a day-to-day basis, and at the other end of the scale, few reported that they planned on a horizon of more than ten years. Among account holders who were recruited through PAF or RDD the most common reported planning period was over the next few years. Those non account holders recruited from DWP records (DWP control) typically reported a much shorter planning horizon with the next few weeks being the most common response. Across the other four groups (DWP opener, RDD control and RDD refuser) the most common response was that individuals planned their finances over the next few months. Analysis by area (not shown here) reveals no statistically significant differences between areas in the percentage reporting a planning horizon of one year or more.

[36] See section 1.3.2 for discussion of qualitative sampling methodology and approach.
[37] See Table A6.7 of the interim report (http://www.hm-treasury.gov.uk/media/80D/D7/savingsgateway2_180706.pdf)
[38] See Table A6.8 of the interim report (http://www.hm-treasury.gov.uk/media/80D/D7/savingsgateway2_180706.pdf)

Table 2.7 Reported planning horizons

	RDD opener	RDD refuser	RDD treat	RDD control	DWP opener	DWP control	PAF opener	All
Doesn't plan	1.4	2.1	1.9	1.6	1.7	1.8	1.7	1.8
Day to day	1.4	2.8	2.5	2.3	2.9	4.1	1.9	2.5
Next few weeks	12.3	20.4	19.0	20.5	19.8	28.3	12.0	19.1
Next few months	20.4	23.5	23.0	21.5	21.6	20.0	18.4	21.9
Next year	21.5	15.8	16.8	17.0	18.3	13.8	19.7	17.2
Next few years	21.7	17.2	18.0	17.4	18.1	13.2	24.8	18.3
Next 5-10 years	13.7	11.2	11.7	11.4	10.6	9.8	12.8	11.5
> 10 years	7.2	6.5	6.6	7.7	6.6	8.4	7.9	7.1
Other period	0.6	0.6	0.6	0.6	0.3	0.7	0.9	0.6
Sample size	*2,344*	*3,276*	*5,620*	*2,552*	*1,260*	*441*	*1,019*	*10,892*

Note: Telephone survey. Relatively small number of individuals stating that they "don't know" or refused to answer the question are excluded. Weighted.

Respondents were also asked about the extent to which they agreed with certain statements relating to management of finances. Table 2.8 shows the extent to which individuals agreed with the statements "I prefer to buy things on credit rather than wait and save up" and "I am never late at paying my bills" and whether they typically had funds left over in their current account each month.

Just over half of individuals stated that they strongly disagreed that they would rather buy things on credit rather than save up. There was little difference in the responses between different types of individuals though, if anything, those account openers recruited from the DWP benefit records were slightly more likely to strongly disagree (but less likely to tend to disagree) with this statement. Answers to this question may reflect many factors. For example, differences in resources (income levels) could affect whether an individual was prepared to take on debt, and there may also be differences in attitudes to risk and credit across groups that are not related to economic circumstances.

Over half of individuals reported that they were never late in paying their bills. This was true of two-thirds of SG2 account holders in each of the RDD, DWP and PAF samples, and just under one half of those who were recruited from DWP benefit records who were not offered the opportunity to open a SG2 account. The similarity of the patterns of responses in each of the account opener groups may well reflect the fact those individuals who were not financially stretched were the most likely to choose to open an account, and/or that those who opened accounts had similar attitudes to financial affairs.

Table 2.8 Reported money management

	RDD opener	RDD refuser	RDD treat	RDD control	DWP opener	DWP control	PAF opener	All
I prefer to buy things on credit rather than wait and save up								
Strongly agree	3.5	5.0	4.8	4.6	4.1	5.5	4.3	4.6
Tend to agree	10.6	11.5	11.3	9.8	9.8	8.3	10.3	10.6
Neither	8.3	7.2	7.4	6.1	7.6	5.3	9.3	7.2
Tend to disagree	25.6	25.5	25.5	26.0	21.6	28.7	23.7	25.1
Strongly disagree	51.9	50.9	51.0	53.4	56.9	52.2	52.4	52.4
Sample size	*2,377*	*3,352*	*5,729*	*2,586*	*1,278*	*456*	*1,047*	*11,096*
I am never late at paying my Bills								
Strongly agree	67.2	54.7	56.8	57.5	66.2	49.6	72.5	59.2
Tend to agree	16.9	19.2	18.8	18.3	17.5	21.0	14.0	18.2
Neither	2.4	3.8	3.6	3.5	2.4	5.1	2.4	3.4
Tend to disagree	9.9	15.6	14.6	14.9	9.6	15.5	7.2	13.5
Strongly disagree	3.5	6.7	6.1	5.7	4.2	8.8	4.0	5.7
Sample size	*2,374*	*3,350*	*5,620*	*2,591*	*1,277*	*452*	*1,046*	*11,090*
Use of current accounts[a]								
Rarely/never have >£50 left	6.1	8.1	7.7	7.8	6.9	8.6	5.2	7.4
Sometimes have >£50 left	12.1	14.2	13.8	12.9	14.1	15.1	11.0	13.3
Often have >£50 left	60.8	51.4	53.3	54.9	58.0	53.8	62.2	55.2
Deliberately save in curr. account	21.0	26.4	25.3	24.4	21.0	22.6	21.5	24.1
Sample size	*1,604*	*1,844*	*3,448*	*1,469*	*724*	*186*	*724*	*6,551*

Note: Telephone survey. Relatively small number of individuals stating that they "don't know" or refused to answer the question are excluded. Weighted. [a] Question on use of current accounts only asked to those who report having a current account that is in credit by at least £100.

Turning to the use of current accounts around one-fifth to one-quarter of all types of respondents reported that they typically saved in their current accounts, with a further half to two-thirds reporting that they often had more than £50 left at the end of the month. More information would be needed to assess whether individuals were forgoing moderate or substantial amounts of interest by keeping accessible funds in their current accounts. Also common to all groups was that less than one-quarter reported that they rarely or only sometimes had £50 left in their current account at the end of the month. If there is any pattern to the responses it is that individuals in the account opener groups were slightly less likely to deliberately save in a current account, but slightly more likely to often have £50 left at the end of the month, than were individuals in the other groups.

These small differences may reflect differences in financial situation as well as relating to choices about financial asset allocation.

Those who report owing money on credit or store cards were also asked about their usual repayments. Table 2.9 shows that here there is variation across different categories of respondents. Those with SG2 accounts (whether recruited through PAF, RDD or from DWP records) were most likely to state that they always paid off the full amount. In contrast those recruited from the DWP benefit records and not offered the opportunity to open an account were more likely than the other groups to report that they usually only made the minimum payment (though the proportion of people who actually have a credit card amongst the DWP control group is lower than amongst any other group).

Table 2.9 Reported monthly repayments of money owed on credit or store cards among those who currently owe money on a credit or store card.

	RDD opener	RDD refuser	RDD treat	RDD control	DWP opener	DWP control	PAF opener	All
Credit cards								
Always pay whole amount outstanding	24.0	12.1	14.3	17.6	22.4	8.4	29.1	17.2
Usually pay whole amount outstanding	12.5	8.1	8.9	9.8	10.8	6.9	11.1	9.5
As much as you can afford	54.3	60.9	59.7	53.9	53.8	51.9	50.1	56.5
Minimum payment allowed	8.8	18.3	16.5	17.8	12.5	30.5	9.7	16.1
No payments	0.4	0.7	0.7	0.9	0.6	2.3	0.0	0.7
Percentage with a credit card	*44.1*	*40.3*	*40.9*	*39.5*	*36.3*	*28.5*	*41.4*	*39.6*
Sample size (number with a credit card)	*1,044*	*1,354*	*2,398*	*1,023*	*465*	*131*	*433*	*4,450*
Store cards								
Always pay whole amount outstanding	29.9	16.1	18.2	15.9	22.4	10.3	32.9	18.7
Usually pay whole amount outstanding	12.6	11.1	11.3	11.9	4.1	0.0	6.6	10.1
As much as you can afford	46.6	53.3	52.3	46.9	52.0	53.8	46.1	50.5
Minimum payment allowed	10.5	19.0	17.7	24.2	20.4	28.2	14.5	19.7
No payments	0.3	0.5	0.5	1.2	1.0	7.7	0.0	0.9
Percentage with a store card	*10.1*	*11.5*	*11.2*	*11*	*7.6*	*8.5*	*7.3*	*10.3*
Sample size (number with a store card)	*238*	*383*	*621*	*284*	*98*	*39*	*238*	*1,118*

Note: Telephone survey. Relatively small number of individuals stating that they "don't know" or refused to answer the question are excluded. Weighted.
Store card results displayed in grey text should be interpreted cautiously since fewer than 40 people in the relevant group had a store card.

3. Account holders' attitudes and experiences of SG accounts and the account process (including supporting financial education)

This chapter examines the experiences of participants in terms of the operation and operability of their SG2 accounts. It also looks at the plans participants had for their SG2 money after accounts closed and at any impact on savings habits.

Account holders were, for the most part, able to open accounts and use them without too much difficulty. Indeed, according to Halifax staff, there was a sense that the accounts were bringing some people into contact with the bank who would not usually engage with financial institutions.

Among existing savers and those most able to plan their finances, there was a preference for setting up standing orders to ensure regular payments to their SG accounts were made on time. Others preferred to pay cash into their SG accounts at the end of the month, when they knew the money was 'spare'.

On the whole, participants found the idea of 'matching payments' underpinning SG accounts to be 'straight-forward' and less complicated that the concept of interest paid on conventional savings accounts. The qualitative interviews, however, also revealed that some participants were confused by the exact rules governing withdrawals and the account closures process.

Among the less financially literate and those new to saving, there was a general view that the rules had encouraged them to get into the 'habit' of saving and thinking more carefully about their finances. Some participants in the qualitative interviews mentioned the value of having a target to work towards, both in terms of short-term monthly deposits and the longer-term goal of achieving as much matching as possible.

Those new to saving or previously saving in less formalised ways – for example, those leaving monies in current accounts, or having stores of cash around the house – reported benefits from coming into contact with a more formalised and regular method of saving.

Existing savers did not generally report a large impact on their savings or spending habits. However, those new to saving reported being surprised at their ability to 'not miss' the money in their SG account and at being able to make some cutbacks in order to maintain their savings. Cutbacks largely involved 'luxury' goods, such as clothes and socialising, but also in some instances money that might otherwise be spent on family or the home.

Existing savers, on the whole, planned to use the money in the SG accounts to continue saving, though some did view the matching payments as a 'special bonus' which they would spend immediately on 'treats' (some participants, citing holidays or home renovations as possible uses for the money). Among those new to saving, there were some who reported having either already spent the money or had it in mind for something specific.

Whilst on the whole there was low take-up of financial training associated with the Saving Gateway accounts, respondents did acknowledge the potential merits of running a training scheme alongside the accounts in future. However, views on the likely take-up of such training were mixed.

3.1 Qualitative study objectives

The qualitative phase of the research was designed to compliment the quantitative elements in order to bring a greater depth of understanding of people's saving behaviour and the attitudes and motivation that drive it. The qualitative work looks at *why* and *how* people are saving, scratching beneath the surface of their experiences, and provides case study evidence to bring the statistical data to life.

This chapter looks at how successful account holders feel they have been with running the SG2 accounts and explores the impact on their attitudes towards saving. In particular it examines:

- How well have openers been able to keep up with payments
- How well have they understood the rules and what have the implications of this been for their success
- What impact has the account had on their spending and saving habits
- What did they do on closure of the account, and what are their plans for the money
- Have account holders taken up any financial learning.

3.2 Pre-Saving Gateway attitudes to saving

Account holders were asked to discuss their approach to saving and money management prior to taking out a Saving Gateway account. Whilst this served to help respondents reflect on their own behavioural change, it also introduced the distinction between informal and formal savings. In particular, it became apparent that many respondents, whilst not classifying themselves as 'savers'; were in fact experienced with forward planning and saving money in less 'formal' ways. Less 'formal' ways of saving reported include keeping cash in the home to save towards bills, family and friends or letting money build-up within current accounts whilst saving up towards holidays or larger bills for cars for example.

3.2.1 Financial planning and money management

Participants cited many different approaches to money management. While there were those who said they pay attention to their incomings and outgoings others felt that they spend more impulsively with little overall planning. Account holders on lower incomes or benefits spoke of having to be able to balance their finances as they have little room for manoeuvre and little in the way of disposable income.

> *Well, I had to really. If you're on benefits you have to account for getting your gas and electric and all your other bills paid. If I go out and I go to the shops, anything like that and I go and see something I like I'll buy that. No, because I've got a gas bill, an electric bill or the water rate*
>
> Female, Cumbria

For the most part, household financial management focuses on ensuring fixed costs – rent, mortgage, bills and so on – are met each month and so know how much they can spend.

> *I mean it is planned in that I do know how much I spend on outgoings each month and try and limit the rest*
>
> Female, East London

Whilst some participants said they prefer using direct debits as they can rely on their payments being regular and timely, others claimed to prefer cash as it means they can keep a close eye on the money coming out of their account and avoid overspending.

> *Everything, more or less, goes out direct debit. All the bills and things like that, so you just account for it all and then see what you've got left at the end of the month. If you've done overtime you know you've got a little bit extra to, Christmas coming up you need it, don't you? That's why we're doing some overtime. And then if you've got anything left you maybe have a night out and that's like a bonus really for you*
>
> Female, East Yorks

This approach to managing household finances is reflected in preferred methods of paying into the SG2 account.

> *Yeah. Yeah. I didn't do a standing order because I wasn't really sure how much I could afford every month. I thought it best to put what you can afford in every month. I found that easier*
>
> Female, East Yorks

Having a 'sense' of spending limits and keeping an eye on bank balances are the norm rather than writing down incomings and outgoings or sticking to spending plans.

3.2.2 Saving attitudes and behaviour

Some account holders, often those with higher incomes or fewer outgoings, talked of saving regularly before they opened their SG2 account. Some had extensive savings, so much so that they could contribute to their SG2 account purely by moving money from other accounts.

> *As far as this one was concerned it was worth taking money out of your savings each month to put into it to get the interest rate*
>
> Female, Manchester

A small number felt that they had not done anything which they recognised as 'saving'. Other participants talked of saving for larger, one off costs such as car insurance or holidays, even if that just meant keeping money aside in their current account in order to make sure that they have enough to cover these costs. Most commonly this meant saving for holidays or Christmas presents.

> *Each month out of my wages I save a certain amount anyway and that generally pays for big things like holidays or if there's something major with my car or something*
>
> Female, East London

Whilst saving products held by participants were, on the whole, reported to be 'basic' savings accounts, respondents also save into ISAs, credit unions and other savings products. There were some participants however, who use more *informal* savings strategies, things like saving in penny jars or, in one case, contributing to a kitty for their band.

> *We have a pot at our practise room … we generally never go more than six weeks without having to buy equipment, either it's a guitar string or drum stuff*
>
> Male, East Yorks

One participant spoke about giving money to her mother when she was saving for holidays to stop her from getting tempted and spending the money.

> *Just put money away, give it to my mam and she would just look after it*
>
> Female, East Yorks

However, many of those interviewed reported no separate savings account, just a current account, and this was where they did any saving. Often these people have no interest in getting another account either because they have never really made any conscious effort to save and so don't feel the need to, or because they don't have a good sense of the advantages of another savings account and are happy with their current account.

As in previous phases of the research[39] participants generally talked about saving as being important, in particular that it is important to have something to fall back on when occasional large expenses crop up or if there is some kind of emergency.

> *Mainly emergency money, you know if the washing machine goes boom I'd like to be able to buy another one, that kind of thing*
>
> Female, Manchester

Many said that they put money aside regularly to cover the bigger expenses that crop up during the year – MOT, car insurance etc – without acknowledging this as 'saving'.

A small number said they do not think it is important to save and would only really think about it if they had some kind of incentive or a specific purpose. This was reflected in the behaviour of those who talked about saving for purchases such as holidays and cars, but were less likely to have done any regular saving month on month in the absence of a clear goal.

> *Any regular savings that I have is just for purchases, a set of golf clubs, shoes, clothing and that sort of thing*
>
> Male, Manchester

Positive attitudes to saving are generally attributed to upbringing – those who are big savers talk about being brought up that way. i.e. not to let anything go to waste and not to spend money that they don't have.

> *Own a house, save, because when we were little we were always encouraged to save cos you couldn't go, just go out and get all these bank loans and that. When we was younger it wasn't as easy to get the money so we had to really save to, before we could go out and get something. So, of course it's always been there that any extra money I had, I've always saved it*
>
> Female, Cumbria

Others talked about seeing the importance of saving, but did not currently regard themselves as savers, attributing current behaviour to bad habits picked up when younger.

> *When I was a student my student grant was my money, my student loan was my money so I just got accustomed to having money and just spending it without a care and not thinking about saving because it wasn't a priority*
>
> Female, East London

[39] http://www.hm-treasury.gov.uk/media/80D/D7/savingsgateway2_180706.pdf

Beyond negative attitudes the key barriers to saving were felt to be lack of money, but also a lack of 'incentive'. Those who believe that saving is a waste of time felt that interest rates did not provide enough incentive or 'reward' for the effort of saving their money rather than spending it. Often these were people who do not have a great deal of disposable income so for them saving would have to involve making cutbacks in their spending rather than just making decisions about what to do with their surplus money. These are more likely to be those respondents new to saving.

For the benefit of subsequent analysis we have tended to think of account holders simply as those who were **existing savers** and those who were **new to saving** when they opened their SG2 account. This distinction is useful when talking about both the way openers used their accounts and impact the account has had on their attitudes to saving.

3.2.3 Attitudes to banks

Few of those in the qualitative interviews talked about strong negative attitudes to banks, and in general no one appeared to have had problems using their SG2 account because of this. However, some expressed views about problems they encountered in opening accounts, which are reviewed in section 3.31 below. Views, whilst sometimes cynical, were not strong enough to stop people from going into banks.

> *Well they're OK if you just manage your finances yourself OK but if you tend to go in the red or anything like that, they just penalise you, they're terrible*
>
> Female, East London

Evidence from research with Halifax staff suggest that in their experience the SG2 account has the potential to bring people into contact with financial institutions who have never done so before. Some claimed that, of the people they spoke to, some were opening an account for the first time. Whilst it is possible that some will be put off opening an account by their lack of confidence and literacy, at the same time there are those for whom the account may be an effective means of bringing them into banks for the first time.

> *It was good because it brought in a lot of people that we would never have seen before. So it brought them in, it got them on that step to banking. Gave them a bit of confidence, not just in the Halifax but any bank really*
>
> Halifax staff, East London

3.3 Using the accounts

This section discusses participant's views on operating the Saving Gateway accounts, in particular the 'mechanics' of opening and using the accounts, as well as discussion of awareness of the various rules governing the running of the accounts.

3.3.1 Opening the accounts

The key problems reported with account opening from the perspective of the openers themselves were around literacy and confidence. For those new to banking, the process of opening a bank account took more time and was felt to be more difficult for staff. Other problems included bringing in the wrong documents and having to make return trips to the bank, was reported as an annoyance.

> *They wanted you to bring so much to prove who you are, and they're quite strict*
>
> Male, Manchester

Some account holders with low levels of financial literacy did not feel they fully understood how to set up payments into their accounts. There were openers who did not get an interview with Halifax staff due to the high number of SG2 account openers; simply leaving their details for the account to be opened for them at a later date. They did not get to sit down and discuss the details of the account, including how it could be paid into, how withdrawals worked and so on. Halifax staff felt that these interviews were beneficial to those with low financial literacy and thought that missing out on them probably stopped them from getting the most out of the account.

3.3.2 Views on Account Rules

Mode of payment

For the most part openers were able to use the account without problems. This was especially the case with those who were already familiar with banks as well as those who could afford to pay into their accounts every month without ever needing to make withdrawals. Many of these people spoke of being able to set up standing orders and then 'forget' about the accounts until they closed and so never really came up against any problems or confusion even when they did not necessarily have a good grasp of the rules.

> *Oh yeah, that's all we did really. It just went in and organised a standing order from the Halifax account, the Halifax deposit account into the Gateway account and then it just did itself*
>
> Male, South Yorks

However, there were openers for whom the account was far less straight forward. Many people were paying into the accounts with cash which meant they had to manually pay in their money each month. Inevitably this made them more likely to miss some deposits. Some were unaware that they could set up standing orders on SG2 accounts.

> *No they never raised or spoke about [standing orders] at all, no …*
>
> Female, Cambridge

Missed Payments

Further confusion about the rules concerned regular payments with some thinking that if they missed a month they could make it up by putting in double the following month.

> *If I've missed a month I've tried to double the next month what I'd normally put in per month*
>
> Female, Cambridge

Others had even less idea that payments needed to be regular and thought that they could pay money into the account in more occasional chunks.

Saving period

There was also confusion and occasional cynicism about the 16 matched months. Many understood why this was the case and only paid into their account for 16 months, but were often unhappy that they still had to wait for two or three additional months before their account 'matured'.

> *I get the letter out and it said you mustn't have more than 400 in this account, and I thought, oh my god, So I went to Halifax and said I've got 400 in here and it says in the letter you cannot have more the 400 in the account. She said, you must go to your own bank and stop the direct debit going in, and it's finished now but you don't get paid till December, so I've got three months to wait*
>
> Female, Manchester

Others paid for the full 16 months and then continued to pay for the remaining months apparently not realising that this money would not be matched.

Withdrawals

Another key area of confusion surrounded withdrawals and how they had to be repaid. While the majority felt that they did not need to make withdrawals, there were those who were having to take money out of their accounts. This was generally an issue for those with lower disposable incomes who needed the money to cover basic day to day costs, but there were also examples of people who took money out to pay for things like holidays or other 'luxuries'. Often they were unaware that this money needed to be replaced to secure future matching.

> *There was one part I was never really sure about, that you could take some money out and you could make that up again*
>
> Male, East London

However, there was uncertainty about whether or not withdrawals would affect their government contribution at maturity. Some thought that money could be withdrawn and paid back at the end of the 18 months. Indeed there were examples of people thinking that they did not need to pay anything in at all until just before the account closed. Others thought that once they had made withdrawals they had lost their match-rate altogether and so had no reason to carry on paying into the account.

Whilst not all of this confusion necessarily contradict the actual account rules those who did not fully understand the rules of the account were at a disadvantage and were at risk of not getting the most out of the account.

3.3.3 Using the account

For the purposes of analysis of the SG2 account the crucial difference was whether or not they had been savers before opening an SG2 account. In this respect our participants fell into two distinct 'types' of account holders; those who were existing savers before they opened their SG2 account and those who were new to saving.

For existing savers it is not clear how much impact the SG2 account may have had on them. For the most part they opened the account because they could see that it was a very good deal. Often they already had large savings deposits and so rarely had problems making deposits. Some simply set up standing orders to move money into the SG2 account from another savings account in order to get the superior return. Others paid into their SG2 and continued to pay into existing savings. Few of these people spoke of saving any more as a result of opening the SG2 account.

> *As far as this was concerned, it was worth taking money out of your savings each month to put into it to get the (higher) interest rate*
>
> Female, Manchester

Those who were new to saving had a different experience. Often they did not have much disposable income to move into the SG2 account and so had to be more disciplined and proactive in order to pull together the money for their deposits. Many were surprised at how well they had been able to make these cutbacks and had impressed themselves at how much money they had been able to put away each month. Some even spoke of intending to carry on with these savings once their account had finished.

> *Probably (save) about the same, it does seem to be quite a good figure and I haven't noticed it I don't think*
>
> Female, East London

However, there were those who argued that while they were pleased with their rate of saving they would not be able to sustain it in the long run.

I'd like to continue saving, but I don't know whether it would be £50 a month because like I say, I've had to cut back on other things

Female, Cumbria

Some other openers had made good starts with their SG2 accounts and had been well motivated initially but had not been able to sustain it for the full life of the account. Often this was simply a case of no longer having the spare cash to put away each month.

As you can see, June I put 20 in, July I put 20 in, September I put 20 in and then nothing until it matured

Female, Cumbria

However, there were also examples of people withdrawing what they had saved to cover other expenses and never picking their saving up again.

I was made redundant in June so I had to access some cash

Male, Manchester

I went on holidays with the lads. We booked very quick, I had to take it all out

Male, Manchester

For some participants, there was talk of losing motivation once they had failed to maintain regular deposits.

I were putting in like, first two transactions I put two £20 in each month, then I put in five, I'll put ten in, I'll put five in, five in, another ten here, five. It got to about 160 quid I think somewhere down the line but I would put in no more than two or three £20 the rest were like five and tens, five and tens. After about a year I weren't taking things in, I weren't taking things out I was just like at a standstill

Male, South Yorks

Whilst some people were happy to pay in a smaller amount each month, others seemed to be put off saving at all if they could **not** pay in the maximum amount. Often this was because they did not feel that the return would be significant enough at the end. However, for a few it appeared to be because they had not correctly understood the rules and thought that the maximum deposit was also the minimum, and that they had to meet this minimum in order to get their match-rate at the end.

Some participants spoke of the inconvenience of having to visit their nearest branch of Halifax in order to make deposits. This does not seem to have been a major problem but naturally was more of an issue for those who were making deposits in person. Often this was due to a lack of awareness of the ability to make deposits through standing orders.

3.4 Closing the accounts

Account holders were, on the whole, satisfied with the process of closing accounts and receiving the matched funds. Concerns were voiced by some, however, about the timeliness of communicating impending closure – and what *exactly* would happen when the accounts came to a close. A discussion of information concerning the maturity process follows.

At maturity, Saving Gateway accounts automatically turned into a more 'regular' Halifax Saving product; a Liquid Gold account, which account holders were free to continue using.

3.4.1 Information on Maturity

One clear issue for many was a lack of information in the period approaching maturity. A large number of openers had very little idea of what would happen when their account closed and for those approaching maturity there was low awareness of when exactly it was going to happen. Account holders would prefer to have been given more information about this process. Typically they wanted to know the exact date their account would close (most only knew approximately by counting the months from their initial deposit), how and when their Government contribution would be paid, and what they should do, or would be able to do, in terms of withdrawing the money, closing the account, or continuing payments.

> *The ending hasn't been explained at all*
>
> Female, Manchester

> *I don't actually know what happens at the end of it. I knew what I'm expected to do in between but at the end of it I don't really know. I don't know whether I'm informed as to right, it's up, it's matured or I'm just going to continue to pay everything in. I don't know when the government pay their money in, whether it's bang on the 18 months. I'm not sure*
>
> Female, Cumbria

Crucially this information was wanted a few months in advance of the account closing in order to know what to expect as maturity approached. As part of the pilot, automatic account maturity letters are sent out shortly after accounts close, but account holders expressed a preference for an earlier letter advising them of the imminent maturity and closure of their accounts.

She said, well you will hear, say it was June 13th when we opened it from December 13th seven days after that you should hear something, you should get a letter...if I hadn't have phoned I wouldn't have found that out. She didn't tell me, nobody's let me know that, I've had to phone to find that out, so I think that's the bit at the end as I say and I still don't know exactly how it's going to come or anything

Female, Manchester

This wait was longer for those who had paid up to 16 months and then stopped. This meant there was almost 3 months before their accounts actually closed and they received a maturity letter which they felt was too long to have to wait for information. Account holders thought of their *final deposit* as the end of the account and became anxious when they did not hear anything.

I paid £25 a month for 16 months, which came to £400, which is the maximum. So I paid that off two months early. But it was last month when the 18 months was up. But, as I say, I finished saving in July. I've not heard anything from anybody yet, about when the money's available. I thought I would have done by now, but nothing so far

Male, Manchester

Some participants wanted guidance on what they should be doing with their money next. Those who were experienced savers tended to already know what they were going to do with their money, often planning to add it back to existing savings. But for others the SG2 account was the first savings account they had ever had, or often the largest amount of money they had ever had at once. These people often spoke of wanting more information on what they should be doing next, what they should be doing with their money, and how they might go about continuing saving.

Yeah, when the opportunity's there, the opportunity was there for them there I think from the Government, they've got all us haven't they on the Gateway and they should have followed up

Male, Cumbria

Whilst many realised that the Liquid Gold account was not the most beneficial account for continued savings, others said they intended to carry on saving into this account, and so might have benefited from guidance on finding the best rates of interest for their money.

Many had been offered a range of financial products when they opened their SG2 account; however, it was felt that Halifax staff had been less proactive in telling openers about the further saving options at account closure. Again people spoke about wanting a letter, leaflets or even personal guidance on savings products as maturity approached so that they could start to think about next steps.

It wouldn't be a bad thing if there was a follow up. You've been doing this with the Gateway, how would you like one of our accounts now? We have an account here, if you keep a steady saver I think it's £25 a month or whatever they put into it and this seven percent one, if you put this in and you only, you can make three withdrawals a year or something, would you like that? But as I say, nobody come anywhere near, they don't bother

Male, Cumbria

In the absence of information on maturity many used their statements as a guide to when they should expect their accounts to close. Generally people were happy with the information they received in their statements. However, there was an issue of timing as it was felt statements tended to be a few months behind when they arrived, so at the time people were making their final deposits they were receiving the statements for deposits a month or two earlier.

There you go … that's the statement of what's in the account …. And it'll be more than that cos this was yonks ago. Yeah, September that was, so that's another two months on top of what has been paid in

Female, Cumbria

3.5 Reported Impact of Savings Gateway

3.5.1 Attitudes to Saving

Approaching the end of their Saving Gateway's life, account holders were asked to reflect on their views towards saving, how they had found the experience, and also to think about how they may think about saving in the future. This section discusses general views on these topics, and also introduces respondent typologies, where we seek to categorise the types of reaction and intention reported.

Two key themes underpin this section, those of formalisation and inclusion. For some, Saving Gateway was the first time they had been involved in a 'formal' saving arrangement, often it was the case that savings were done on a more informal basis, through monies accumulating in current accounts or being saved as cash within the home. We also report a sense that for those new to saving, the realisation that they are capable of saving in a more regular or 'formal' way has given account holders confidence in their ability to make use of these financial products in future. It is in this way that there is a new sense of 'inclusion' in the financial 'world' for some account holders.

The impact of the SG2 account on attitudes to saving varied widely among participants. Among existing savers; those who had already saved regularly before their SG2 account, there was a tendency to claim that the account had made very little impact on their attitude to saving.

No, I've always been a saver, I've always liked saving

Male, Cumbria

I was saving before anyway, so it makes no difference to me

Female, Cambridge

However, others talked about the account having made a difference to the way they think about saving. As introduced in section 3.4 a common theme among those who were new to saving was that the account had taught them that they could save if they put their mind to it. Some felt that they had managed to cut back on spending for the SG2 account but would not be able to continue making these cutbacks in the longer term. However, others felt encouraged that they had been able to get together the money for their accounts.

It made me think, made me a bit more aware, and it made me think about where I'm spending my money more, do you know what I mean, because sometimes you spend money for the sake of spending money don't you?

Male, Manchester

This was also true for respondents who had been regular savers in the past but who learned that they could actually save a lot more than they had thought. These people also felt they might try and carry on saving more in the future.

It's had been more than I thought I would have managed at the time … It encourages you to put a little bit more in I think each month … It proved that you can, I can do it

Female, Cumbria

For others, however, the SG2 account was an isolated opportunity to save that they would be unlikely to replicate with standard high street accounts. This problem is addressed in greater depth in section 3.5.3.

I've never been a big saver, but like I say this is quite a good thing, good incentive really. So no, not much different

Female, East Yorks

Others spoke positively of the rewarding experience of putting money away each month, often something they had not experienced before.

It was good for me because I really needed to go on this habit every month and the account was good and good discipline for myself to do it every month, I'm very satisfied

Female, East London

Those who had not been able to save much were affected in different ways often depending on what level of success they had had with the account. Some had been well motivated initially and managed to save regularly, but then lost this motivation. Often this was because they found that they could not afford to keep up their deposits. However, as outlined in section 3.3.3 some account holders seemed to lose their motivation and momentum after breaks in their deposits. Others seemed to lose their motivation if they could no longer afford to maintain the maximum deposits. This finding reflects a perception amongst a (relatively) small number of account holders that the maximum deposit was in fact also a minimum, and that they would not receive matching if they were not depositing at that maximum level.

3.5.2 Immediate Plans for SG2 money

Among those who were existing savers before SG2 many simply planned to add their SG2 money to their existing savings pot. This group viewed the Liquid Gold account as a poor savings product and planned to close it once they had received their match rate.

> *It goes into the [Liquid] Gold one, and it's not very much, it's not as high an interest rate as the one what we're getting there so I wouldn't want it there*
>
> Female, Manchester

There were some among the 'new savers' who also planned to move their money into other savings accounts. Some spoke of opening ISAs or going to speak to people at the Halifax about what they could do with their money. This was particularly common among those who had been successful in saving regularly into their SG2 or who had been surprised by how much they had been able to put away each month and intended to continue saving.

> *When you get the money after the end of the year you think well actually that's quite a bit to do something with, well I never would have saved that and actually you realise you don't even miss it anyway, it's a packet of fags a week or whatever. It has actually made me realise that you can do it*
>
> Male, East London

3.5.3 Plans for the future

Pre-SG2 savers

Those who regularly saved before opening their SG2 account tended to say that they would carry on saving in the future. As stated there were some in this group who had learned that they could save more than they had been doing already (into their pre-SG2 savings) and thought that they might carry on saving the same amount i.e. where the rate of saving had increased as a result of depositing a fixed amount into SG2, these respondents felt that they would maintain this new, higher rate of saving. This group, which in some cases did included those who were previously saving informally at home, were the most likely to hang on to the money they had saved during SG2 often adding it to their existing savings.

I haven't really thought about it. Probably just put it across into the e-savings account at Nationwide, and again keep it in one place because it's convenient to do that

Female, Cumbria

New savers

Those who had not done much saving in the past, or who had previously only done so irregularly, were more likely to talk about making changes to their saving behaviour. Those who had managed to save can be divided into four broad categories:

1. Savings converts – This group had generally been successful with their SG2 account and managed to put money away regularly. They plan to keep their SG2 savings and carry on saving into them in the future. It seems likely that these were the kinds of people who just needed a push to get them started. Often these were people who realised that they could make savings if they tried. SG2 seems to have been successful for them in that it gave them an incentive to start saving.

Now that I know I can cope without that £25 a month, I'll keep it running until I can't afford it

Male, Manchester

I'll try to save a little bit more in the future instead of just spending it on stuff that I don't really need

Female, Cumbria

2. Possible long-term change – This group were also successful in their saving and plan to carry on saving in the future. However, they intended to, or had already, spent the money they had saved in their SG2 account. Generally these people are very similar to the 'saving converts' above. They are keen on saving and realise that it is something that they are capable of. This group have tended to spend their SG2 savings straight away. Often this was a decision made long before the account matured, but it is less clear whether or not these people will be long-term savers.

Well, when it closes, I shall put it in the other account that I've got and then we'll go on holiday. We're going on holiday anyway but it means that it'll pay for the holiday

Female, East Yorks

3. Short-term benefit – This group plan to keep their SG2 savings or have made longer term plans for them but do not think that they will carry on saving in the immediate future. This is often because the cut-backs made on their spending would not be viable in the longer term. However, others who had been attracted by the special incentive that the SG2 account had offered had made special effort to ensure they put money away, but expressed no strong interest in saving longer term. This group have still engaged with the notion of saving, and seen a tangible benefit from their saving behaviour.

I like to keep it to one side, cos hopefully in years to come it'll come in useful

Male, Manchester

4. No reported impact – Whilst this group did manage to save into their SG2 accounts they have no plans to continue saving in the future. For the most part it seems they have been drawn to the account by the promise of the high return and have not been sold to the idea of becoming a regular saver. For this group paying into the account was not seen as savings so much as a way of getting the return at the end, and they had already planned what they would do with the money early in the accounts life. This group had not necessarily engaged with 'saving' – more had adjusted their short-term behaviour as a means to an end, with no likely impact in either the short or long-term in regards to their propensity to become 'savers' in the future.

It hasn't altered my opinion on saving one bit really. I've always known it would be good if I was capable of saving and it could make life easier but I'm not

Male, East Yorks

Non savers

Some participants had only managed to do a little saving. For the most part they did not talk about saving in the immediate future and were not sold on the idea of ever doing so. However, not all of them were totally dismissive of the idea of saving at some point in the future. For many it seemed that although they had not managed to put much into their SG2 account it had been an introduction to the idea of saving and meant that they were more familiar and comfortable with the idea than they might otherwise have been.

3.5.4 Continuity into "normal" savings products

Account holders tended to think of SG2 account as very different from a 'normal' savings account. The fact that it is Government run, lasts for 18 months and has a 'match-rate' rather than an interest rate led some openers distinguish it from other accounts and this perception was felt to have influenced some people's assumption that deposits had to be made in person and could not be paid through a standing order.

Another key issue is the match-rate. Participants find the match-rate relatively straight forward, especially the less financially literate who might otherwise struggle to appreciate the benefits offered. However, it was felt by some participants that having a match-rate does not necessarily teach people anything about the way 'normal' bank accounts work and does not provide them with the knowledge they would need when they have to shop around for the best deals themselves. Participants felt that interest rates are more complicated, require calculations to determine rates of return and are not stable and fixed in the same way that the SG2 match-rates are.

> *At least you can see for every fiver you get £1 whereas when they throw all these interest rates at you people get a bit baffled don't they?*
>
> Female, East London

> *I couldn't give you a clue as to the average [interest rate], I couldn't tell you what mine's in, I couldn't tell you a good interest rate and a bad one. No absolutely not...*
>
> Male, East Yorks

Participants are aware that the match-rate is significantly larger than the rates of return savers could find on the high street. For some it was only the higher return on their savings that had attracted them to the account and encouraged them to keep up with their regular payments. The issue for them was that no other account would be able to match this. This it is felt might be a particular problem for those who had no prior knowledge of interest rates and who may have a very distorted view of what represents a 'good deal' once they have completed the SG2 account.

> *[I would only continue saving] if I get another offer similar to, an incentive based saving scheme possibly. Possibly, but it has to be incentive based. And I don't mean a paltry interest rate*
>
> Male, East Yorks

3.6 Scheme Future

Reflecting further on the Saving Gateway experience, respondents were invited to give their views on the idea of a different format of SG2. In particular, the following section discusses the target audience for this scheme, and thoughts on what would make an *ideal* match rate.

3.6.1 Match rate

Many participants initially felt that the ideal match-rate would be around 50p for each £1 – some even suggested £1 for £1. However, when considering that the account needed to be affordable, a lower match-rate was felt to be more appropriate. Suggested rates ranged from 10% to 25%. Those who were more financially literate argued that anything over the top high street rates of around 5% should be enough to tempt people.

> *I think if you started say 10% which is a nice round figure and it's, when they look at building societies saying the best you can get is 5% you'd be paying double what building societies are getting I think you might get a better taker*
>
> Male, Manchester

For this group a higher than average rate of return would be enough to attract them. However, for those who are less motivated, and not already saving, it was felt that a far more competitive rate would be needed to attract them. It would need to be high enough to overcome their disinterest and convince them that it would be worth their while changing their behaviour. It was suggested that it would need to be a substantial figure more in the region of 25% if it was to catch the attention.

> *I would think that 25 pence cos otherwise the interest rates is so low on everything else*
>
> Female, Cambridge

Those who have the least experience and understanding of saving are the least likely to recognise a good interest rate (or match-rate) when they see one advertised. Many of the less financially literate did not recognise the significant difference between the SG2 match-rate and the equivalent return on an average high street account. For this group finding a 'rate' that is going to impress them will prove difficult as they don't have anything to compare it to.

This group would want to have the advantage of the SG2 account over high street alternatives made very clear and communicated to them with straight forward comparisons of the different rates and final returns. Crucially it is felt that this would need to be presented in a way that they can clearly understand – i.e. by clearly stating the differences in return that the two alternatives would offer, rather than simply comparing the interest rates.

It was also felt that people prefer to see the match-rates expressed in pounds rather than pence – "£1 for every £5" rather than "20p for every £1" – as this is seen to be better at catching attention.

> *If you said, 20 pence, people would think, oh it's not worth it, they wouldn't do it, but if you've put it in the pound sign, like I say, two for one, it sounds better and it, people would go for it better I think, rather than in the pence*
>
> Female, East Yorks

3.7 Supporting Financial Education

This final section in Chapter 3 explores account holders views on the financial education and information opportunities that were on offer through the Saving Gateway. Specifically, participants were asked whether they had looked into the training on offer, and what their views were on the notion of running training sessions alongside the Saving Gateway account.

3.7.1 Reactions to training

On the whole there was a low uptake of the training offered as part of the SG2 scheme. The greatest level of uptake was in East London, with 18% of account holders using one or more of the educational opportunities offered within SG2. The lowest rate of uptake was in East Yorkshire where one in twelve (8%) took up the offer of education.

Table 3.1. Use of financial education schemes among account openers by area

	Account openers
Cambridge	11.6% (611)
Cumbria	11.0% (1,066)
East London	17.8% (404)
East Yorkshire	7.7% (1,017)
South Yorkshire	13.3% (781)
Manchester	16.9% (830)

Note: All recruitment methods (RDD, DWP and PAF). Unweighted. The small number of individuals who report "don't know" when asked whether or not they have heard or a particular scheme or when asked whether they have used a particular scheme are recorded as not having used it. Sample sizes in parenthesis.
Source: Telephone survey.

Whilst it is thought by some to be a good idea in principle account holders generally did not see it as something that was relevant or of interest to them.

A key issue seems to be that account holders simply do not feel that they **need** financial training. This included those across all incomes, who thought of themselves as quite capable of looking after their finances and did not really know what training might offer them.

If there was a specific problem, or they came into a large amount of money, then they would go and get some help, but tended to cite friends or family as their first stop, or perhaps a financial advisor at their bank. The idea of formal training was not, on the whole, something that participants had previously considered.

> *I am quite good at managing money, I can work with what I've got and I don't overspend. I just buy what I need and anything else is saved up for. I think I could get all the information I needed from banks and then I would work out myself which one was the best for me*
>
> Female, Cumbria

There was patchy engagement with the education materials and information that account holders received as part of the SG2 scheme. This was in the form of a CD-ROM so that participants could learn in their own homes and at a time convenient to them. There were some participants who did not recognise them at all or had not paid them any attention, whilst others had given them more time but tended to have used them for reference only and not engaged with them in a systematic way, or been encouraged to approach training providers.

> *I was sitting there with my daughter and she looked through [the CD-ROM] and she was doing parts of it as well. It was just something to do at the end of the day. But it was all right*
>
> Female, East London

Of those account holders who responded to the telephone survey, just 14.4% said they had used the CD-ROM with a further 2.0% saying they had requested and used the workbook version. Amongst those account holders who had used the CD-ROM or workbook, 65.3% said that it had not helped them "very much" or "at all" in managing their finances.

Findings from the qualitative research suggest there was a sense that the materials were pitched a low level, and some said they found them patronising. Whilst they could not really imagine engaging with them themselves some said that they might be of more interest or use to children.

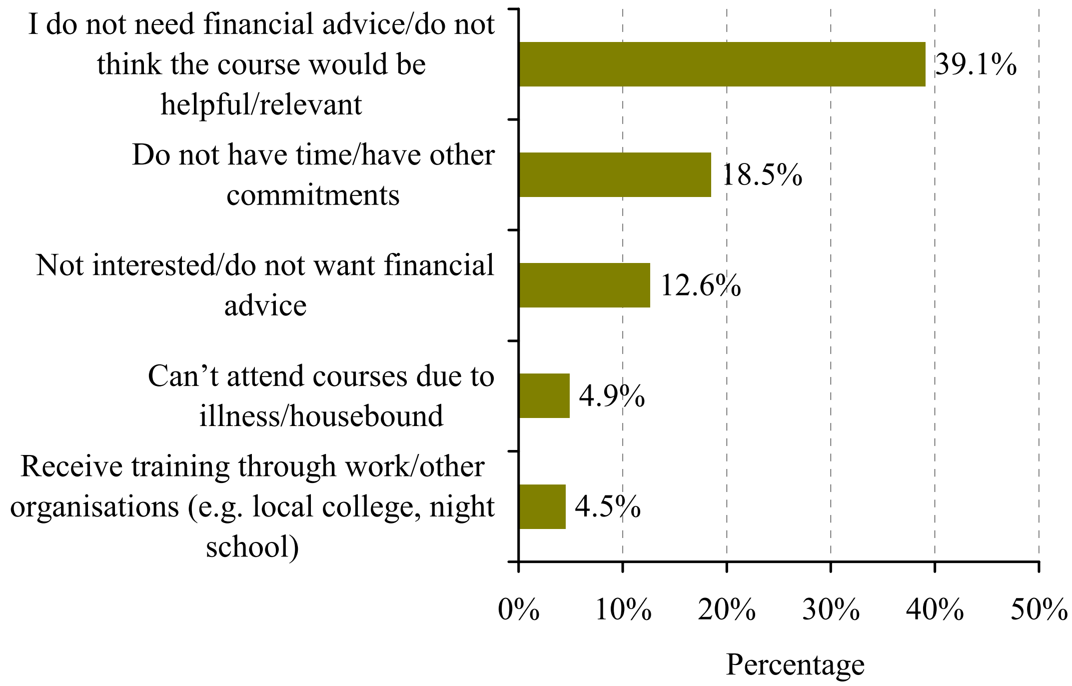
There was some positive feedback about the CD Rom. Some said that it was a convenient tool which could serve to highlight gaps or weaknesses in their thinking, and as such may be a little less 'threatening' than a more public educational setting.

> *There was the CD-ROM – you went through and it highlighted if there was any issues with your reading, or writing, or maths or, also with budgeting as well. So that was good yeah, that was good*
>
> Female, East London

3.7.2 Barriers to taking up financial education

As outlined above one of the key barriers to taking up training was the perception that most people did not think that they needed training (most common finding in figure 3.2).

Figure 3.2 Stated reasons for not using financial education



Note: Unweighted. Sample size = 6,984. Includes top mentioned reasons, DK and None have been excluded.
Source: Telephone survey.

They did not think about things like money management or financial planning as 'skills' that required training. Participants on the whole were happy that they were good at these things but even those who admitted to having problems with them did not recognise themselves as needing any training.

> *I don't think you need to be taught how to save. I think it's all pretty simple and how to manage your money*
>
> Male, East Yorks

Beyond this initial scepticism towards the idea of training there were also some more specific issues that put people off and discouraged them.

One big issue is the sense that any training would involve commitment of time and energy. Going to evening classes or seminars was, for some, simply more time and energy than they were prepared to commit. This was especially true of those who lived in remote areas who would likely have to travel some distance to reach these sessions, often costing them both time and money.

> *I just don't have time to go in*
>
> Female, East Yorks

Furthermore, many people found the idea of attending a class with others off-putting, especially on a sensitive issue such as this. This seemed to be linked to the general lack of appreciation of what financial training could offer them; not knowing what to expect made people anxious about the idea of attending classes with people they did not know.

> *I just don't like the atmosphere and I just don't fancy going.*
>
> Female, East Yorks

> *Because I'd be a bit wary really. Sometimes it's trusting people, isn't it? You don't really want anybody poking their nose in*
>
> Female, East Yorks

It appeared that the success of any attempt to introduce training into the SG2 scheme might depend on how it is pitched. A perception exists that the training was slightly patronising; account holders did not engage with the idea as something that they might find useful, but rather as something that was aimed at their deficiency.

> *Every time I see the leaflet, as I say, I've found it the same as the courses, I found it patronising and talking to me as if I'm a primary school kid. I don't know. What do I think could stop other people doing [it]? Maybe the same reasons, maybe not wanting to feel patronised or spoken down to possibly*
>
> Male, East Yorks

Respondents felt that if the training is to appeal to people it could be offered less as tuition or 'help' and more as an 'opportunity' to get information on financial management. Use of language was also felt to be important; 'open evenings' rather than 'classes' could, it was felt, help soften attitudes and give a sense that it could be used more as a resource for them to exploit when they need to rather than something that they feel pushed into doing or which seems to assume that they do not know how to manage.

4. Use of SG2 accounts

This chapter examines how individuals operated their SG2 accounts, using detailed information on transactions for each SG2 account that had reached 18 months of operation by the 28th February 2007. In total, 21,504 SG2 accounts had matured by this date. The analysis is supplemented by information from account opening questionnaires and the telephone survey, which together provide a very detailed picture of account activity during the pilot.

Analysis of the transaction data show that virtually all those who opened an SG2 account continued to place funds in the account after the first month and that 71% of account openers contributed for at least 16 of the 18 months. This rate was higher for families with higher incomes at the start of the pilot period. Only 8% of account openers did not make any further contribution after the first month, and in 98% of account months there were no withdrawals. Overall four-in-ten account holders continued to contribute after they had achieved the maximum match, and this represents almost two-thirds of those who achieved the maximum government match.

In all of the six SG2 pilot areas the median contribution to an account in each month was equal to the matchable contribution limit, and in all but one of the areas the median final matchable balance accumulated was equal to the maximum possible. Around 60% of all account openers achieved the maximum government match. In all areas, those with the highest level of income and highest level of pre-existing assets were the most likely to achieve the maximum government match. Those with higher incomes and pre-existing assets were also more likely than those with lower incomes and pre-existing assets to use cheques and bank credits rather than make cash transactions. Differences were also evident between account openers recruited via the RDD, PAF and DWP samples with the latter recording the lowest contributions and therefore matched savings.

Comparing South Yorkshire and Manchester, where the contribution limit was the same, there was no obvious effect of the more generous match rate in Manchester. Comparing Cumbria and East London, where the contribution limit was the same, contributions tended to be higher in Cumbria where the match rate was higher (but this might be due more to differences in the characteristics of account holders in these areas than the match rates). Comparing saving patterns between South and East Yorkshire, where the match rate and contribution limit were the same, there was no obvious effect of the account bonus in East Yorkshire.

While relatively few individuals reported that their contributions were from sources that might be considered less likely to represent new saving (such as transferring funds from other savings accounts, cashing in investments or borrowing) it is also the case that only a minority of individuals reported that they cut back on their spending to finance their SG2 contributions. Longer-term, the majority of account holders interviewed said that they intended to save at least some of the money from their SG2 account after the account matured: 42% said they would save all of the money while 21% said they would save some of the money and spend the rest.

4.1 Introduction

The main data source used in this chapter is information on money paid into and withdrawn from each SG2 account. The Halifax bank, who operated the SG2 accounts, provided details on each transaction carried out. This chapter provides descriptive details of how the accounts were used for all accounts that had reached 18 months of operation by the 28th February 2007 (which was the vast majority of accounts). Transaction data are supplemented using information from account opening questionnaires,[40] and from the telephone survey, in order to provide a richer picture of how SG2 accounts were used and how this varied with individual characteristics.

The information on account transactions provided by the Halifax covers 21,504 account holders. Of these 11,496 were recruited by Postcode Address Files (PAF), 4,861 from DWP benefit records (DWP), 3,967 from Random Digit Dialling (RDD), 457 SG1 participants and 27 individuals in receipt of the Adult Learning Grant (with 396 individuals whose recruitment method was not available in the data). In total 411,260 transactions had been made by the 28th February 2007, of which 385,543 were deposits and just 25,717 were withdrawals.

Over the whole 18 months there are 387,072 account months of data (21,504*18). Just over 98% of account-months saw no withdrawals, while 18% of account-months saw no credits. The most common account behaviour was for there to be one credit and no debits in a month, with this being true in 73% of account-months. Over the whole 18 months nearly one-third (31.7%) of accounts saw a net contribution in every month. At the other extreme, 29 accounts did not receive a net contribution in any of the months while a further 902 accounts only received a net contribution in one month (usually the first).

The substantive sections of the chapter begin in Section 4.2 which describes monthly contributions to SG2 accounts that had reached maturity by the 28th February 2007, as at the time of writing information on the small number of accounts which closed after this date was not available. Section 4.3 then considers how monthly contributions cumulated into final matchable balances, and examines what individuals reported they intended to do with the final balances in their accounts. Section 4.4 considers patterns of contributions to SG2 accounts, in particular looking at whether individuals had any months in which they did not make any contributions and whether individuals made further contributions after achieving the full matchable account balance. Finally section 4.5 looks at differences in transaction methods across area and family income and asset holding at the time the SG2 account was opened.

[40] Fuller details on the account opening questionnaire are included in Chapter 6 of the interim report on the current evaluation: http://www.hm-treasury.gov.uk/media/80D/D7/savingsgateway2_180706.pdf

4.2 Distribution of contributions

This section looks at individuals' contributions to, and withdrawals from, SG2 accounts that had reached maturity by the 28th February 2007, using information from the Halifax account data.[41] This is supplemented by some information from the telephone survey concerning individuals' reports of the source of funds contributed to the SG2 account.

Data from the telephone survey show that over 4 out of 5 account openers report that they did not change the amount of their monthly contributions to their SG2 account during its lifetime (see Appendix tables A4.1 and A4.2[42]). Account transaction data confirm that monthly contributions tended to cluster at certain values, and particularly at the maximum limit on matchable contributions in each area. Table 4.1 shows the distribution of net monthly contributions[43] split by area. In each area, it is clear that the most common net monthly contribution was equal to the matchable contribution limit. Overall almost two-thirds of account months (68.6%) saw a net monthly contribution equal to the matchable contribution limit. In East London 29.5% of account months had zero contributions, and this was higher than in the other areas where the proportion of zeroes was between 15% and 20%.

Table 4.1 Distribution of net monthly contributions, by area (£)

Area	p10	p25	Median (p50)	p75	p90	Mean	Mean>0
East Yorkshire	0	25	25	25	25	20.49	25.30
Cambridge	0	25	125	125	125	89.24	116.79
South Yorkshire	0	25	25	25	25	20.92	25.87
East London	0	0	50	50	50	33.28	55.58
Cumbria	0	45	50	50	50	39.48	49.00
Manchester	0	25	25	25	25	20.20	25.86
Total	*0*	*25*	*25*	*50*	*125*	*40.42*	*52.15*

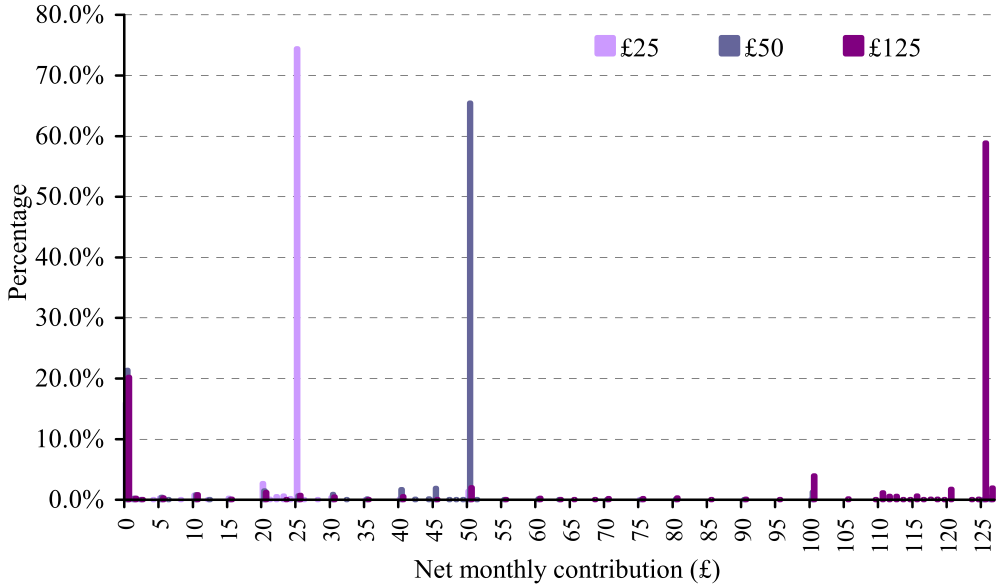
Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots are also excluded. Total observations (account months) = 378,360, of which 306,748 were account months where a gross contribution was made. p10, p25, p75 and p90 refer to the 10th, 25th, 75th and 90th percentile points respectively where the 10th percentile point, for example, is the value below which 10% of observations lie and above which 90% lie.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Figure 4.1 depicts the distribution of net monthly contributions by the size of the monthly contribution limit. The spikes in the three different distributions at the value of the contribution limit indicate the proportion of contributions that matched the limit. In the three areas with a £25 per month matchable contribution limit (East Yorkshire, South Yorkshire and Manchester), net monthly contributions equalled the monthly contribution limit 74.4% of the time.

[41] We exclude interest payments.
[42] Table A4.2 does indicate that account holders recruited from DWP benefit records were slightly more likely to report changing their contribution level.
[43] 'Net contributions' refers to the total contributed to an account during a calendar month minus the total withdrawn.

In the two areas with a £50 per month matchable contribution limit (Cumbria and East London), net monthly contributions equalled the monthly contribution limit 65.4% of the time, while in Cambridge (which has a £125 per month matchable contribution limit), net monthly contributions equalled the monthly contribution limit 58.9% of the time.

Figure 4.1 Distribution of net monthly contributions, by size of match limit



Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots are also excluded. Total observations (account months) = 378,360. £0 refers to those contributing exactly zero, all other amounts refer to net monthly contributions of that amount or up to £0.99 below that amount. A relatively small number of account-months saw net withdrawals, or net contributions in excess of £125.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Table 4.2 Distribution of net monthly contributions, by monthly family income at time of account opening (£)

Monthly family income	p10	p25	Median (p50)	p75	p90	Mean	Mean>0
Under £430	0	0	25	45	100	29.69	44.97
£431–£859	0	2	25	50	120	32.71	45.96
£860–£1,299	0	25	25	50	125	40.16	50.63
£1,300–£1,719	0	25	25	50	125	44.48	54.39
£1,720–£2,149	0	25	25	50	125	46.44	55.45
£2,150 & over	0	25	25	111	125	52.50	62.23
Don't know	0	5	25	50	125	37.33	51.76
No questionnaire data	0	20	25	50	117.94	36.24	49.22
Total	*0*	*25*	*25*	*50*	*125*	*40.42*	*52.15*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots are also excluded. Total observations (account months) = 378,360, of which 306,748 account months where a net contribution was made. p10, p25, p75 and p90 refer to the 10^{th}, 25^{th}, 75^{th} and 90^{th} percentile points respectively where the 10^{th} percentile point, for example, is the value below which 10% of observations lie and above which 90% lie.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Tables 4.2 and 4.3 supplement the Halifax transaction data with data from account opening questionnaires, to show how the distribution of monthly contributions varied with family income and gross financial asset holdings at the time of account opening. In all income and asset groups the median contribution was exactly £25, which was the most common maximum limit for matchable contributions to an SG2 account. At other points in the distribution there is some variation across income and asset groups in the amount being contributed per month, and this is also reflected in the mean. In both cases the nature of this variation is as one would expect: those who had higher incomes or higher assets at the time that they opened their SG2 accounts tended to make higher monthly contributions to the accounts, and so the mean monthly contribution is higher in the groups with higher incomes and assets.

Table 4.3 Distribution of net monthly contributions, by gross financial assets at time of account opening (£)

Gross financial assets	p10	p25	Median (p50)	p75	p90	Mean	Mean>0
£0	0	0	25	25	50	21.58	41.07
£1–£100	0	0	25	25	50	24.08	40.83
£101–£500	0	10	25	40	50	30.45	42.47
£501–£1,000	0	25	25	50	125	36.61	46.74
£1,001–£2,000	0	25	25	50	125	41.70	50.45
£2,001–£6,000	0	25	25	50	125	44.97	52.61
£6,001 & over	1	25	25	125	125	55.90	63.01
Don't know	0	25	25	50	125	41.22	52.96
No questionnaire data	0	20	25	50	117.94	36.24	49.22
Total	*0*	*25*	*25*	*50*	*125*	*40.42*	*52.15*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots are also excluded. Total observations (account months) = 378,360, of which 306,748 account months where a net contribution was made. p10, p25, p75 and p90 refer to the 10th, 25th, 75th and 90th percentile points respectively where the 10th percentile point, for example, is the value below which 10% of observations lie and above which 90% lie.

Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

In this section we have considered the distribution of net monthly contributions to SG2 accounts, and how this has varied with certain background characteristics such as the area the individual resides in (a proxy for account characteristics), and initial income and financial wealth. These relationships have been considered separately from each other. We also controlled for different background characteristics simultaneously using regression techniques, and the results of this exercise are available in Appendix Table A4.3. The regression results confirm that the characteristics highlighted in this section – area, initial income and initial asset holdings – each have significant relationships with monthly contribution amounts in a regression framework. Other factors that are significant in the regression include housing tenure and education (both positively related to monthly contribution level), as well as family structure (families with children seem to be less likely to make large contributions). Months since the account opened is associated with a small but significant negative coefficient, suggesting that monthly contributions went down slightly on average during the lifetime of the SG2 accounts.[44]

As well as knowing how much individuals contributed to their accounts each month, it is interesting to know where they got the funds from. Table 4.4 shows what people who were interviewed in the telephone survey reported to be the sources for their SG2 contributions, split by area. While relatively few account holders reported that their contributions were from existing savings (such as funds in other savings accounts and investments) or borrowing, it is also the case that only a minority of individuals reported that they cut back on their spending to finance their SG2 contributions. The two most commonly cited sources are 'from income' and 'current account', and this is true in each area as well as across all areas.[45] It is difficult to interpret whether monies contributed from either of these sources (or indeed from any other source) would represent new saving, or saving that might have occurred even in the absence of SG2. Chapter 5 contains an analysis of the extent to which the provision of SG2 accounts has created new savers and generated new saving during the operation of the accounts.

Table 4.4 Reported source of funds placed into SG2 account, by area (per cent)

	E Yorks	Cam-bridge	S Yorks	E London	Cum-bria	Manch	All
Unlikely to be new [a]	12.1	16.5	12.0	8.9	10.6	9.2	11.5
Current account	24.3	23.1	30.1	21.3	26.7	22.8	25.1
From income	49.1	44.5	47.2	50.5	46.4	53.0	48.4
Cut spending	7.0	2.9	4.2	6.7	5.4	6.9	5.6
Combination	4.1	4.7	3.1	5.0	3.5	3.6	3.9
Don't know	3.4	8.2	3.3	7.7	7.3	4.6	5.5
Total	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*
Sample size	*1,017*	*611*	*781*	*404*	*1,066*	*830*	*4,709*

Note: All account openers (RDD, DWP and PAF) who responded to the telephone survey.
[a]'Unlikely to be new saving' includes using money already had saved elsewhere, borrowing money and cashing in investments. 'Cut spending' includes giving up smoking and cutting back on essential and non-essential spending. Columns might not sum to 100 due to rounding.

[44] The coefficients on poor health in these regressions are positive, suggesting that those in poor health contributed more to SG2 accounts each month. This slightly surprising result may be related to the fact that, due to data limitations, we could not control for age in the regressions.
[45] Appendix Table A4.4 shows that the same pattern is still evident in all groups when the sample is split by recruitment method, instead of by area.

4.3 Final matchable balances

In this section we describe the amount of 'matchable' funds that individuals had built up in their SG2 accounts by the time of account closure. By matchable funds we mean funds that individuals had contributed to their accounts that would attract a Government match.[46] Some individuals may have paid more money into their accounts than we record, but some of these funds would not be 'matchable'. This may be because the individual paid in more than the contribution limit in one or more months, or because s/he continued contributing in months 17 and/or 18, after meeting the account lifetime contribution limit.[47] Alternatively some individuals may have had less in their account than we record by the time they closed the account, because they had withdrawn some matchable funds and not replaced them – such behaviour would not necessarily reduce the final match achieved (since the match is paid on the highest month end matchable balance).

4.3.1 The distribution of final matchable balances

Table 4.5 provides information on the distribution of matchable account balances by the time individuals closed their accounts, split by area. Similarly Figure 4.2 shows the distribution of account balances at closure, split by contribution limit. Account balances tended to be highest in the areas with the highest contribution limits: the lifetime limit on matchable contributions was £2,000 in Cambridge, £800 in East London and Cumbria, and £400 in the remaining areas. Median balances corresponded to the amount necessary to take full advantage of the government match in all areas apart from East London where the median balance was £50 short of this benchmark.

[46] In fact, since the account rules and conventions (concerning for example what happens when the clearance of a transaction is delayed by a weekend or holiday,) are quite complicated, the matchable balance that we calculate may not be exactly equal to the balance on which the individual actually attracted a match.
[47] The extent to which this occurred is discussed in greater detail in section 4.4.

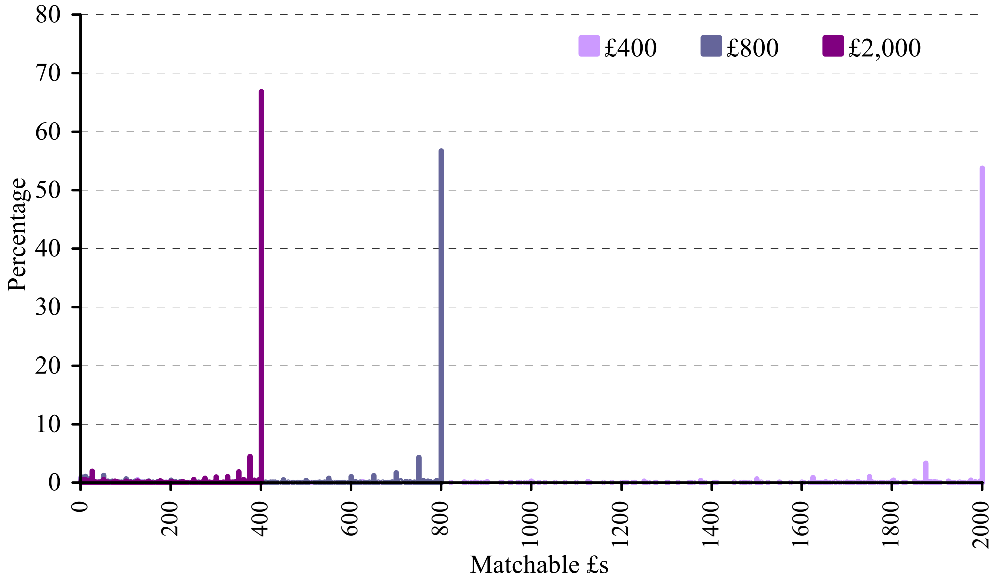
Table 4.5 Distribution of matchable balances at account closure, by area (£)

Area	p10	p25	Median (p50)	p75	p90	Mean	Achieve max (%)
East Yorkshire	120	361	400	400	400	343	67.5
Cambridge	203	1,212	2,000	2,000	2,000	1,546	53.8
South Yorkshire	151	375	400	400	400	349	68.2
East London	50	215	750	800	800	543	43.3
Cumbria	226	700	800	800	800	680	65.1
Manchester	99	350	400	400	400	338	63.6
Total	125	385	400	800	2,000	690	61.2

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots are also excluded. Total observations = 21,020. p10, p25, p75 and p90 refer to the 10th, 25th, 75th and 90th percentile points respectively where the 10th percentile point, for example, is the value below which 10% of observations lie and above which 90% lie.
Source: Halifax transactions records; MORI recruitment data; authors' calculations.

The pattern shown in Figure 4.2 emphasizes how account balances were primarily driven by the contribution limit. The spikes at £400, £800 and £2,000 indicate that in the areas with those contribution limits, the percentages of individuals able to build up the maximum matchable balance were, respectively, 66.8%, 56.7% and 53.8%. Since the maximum matchable contribution was overwhelmingly the most common net monthly deposit (as shown in section 4.2), it is not surprising that large numbers of account holders achieved the maximum matchable balance.

Figure 4.2 Distribution of matchable balances at account closure, by total contribution limit



Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots are also excluded. Total observations = 5,257 in the areas with an £800 total contribution limit, 10,954 in the areas with a £400 total contribution limit and, 4,809 in Cambridge, which had a £2,000 total contribution limit.
Source: Halifax transactions records; MORI recruitment data; authors' calculations.

The data underlying Figure 4.2 show that relatively few accounts closed with small final matchable balances. If we take as an example the proportion of accounts that reached closure with a matchable balance of less than two times the monthly contribution limit, we see that just 6.0% of accounts in areas with a £25 a month contribution limit had balances below this level. This proportion was slightly higher (9.8% and 10.8%) in the areas that had, respectively, £50 and £125 monthly contribution limits.

The extra £50 match offered in East Yorkshire to those who saved at least £50 of matchable contributions in their SG2 accounts did not result in a noticeably different proportion of account holders having final matchable balances equal to or greater than this amount in East Yorkshire than in any of the other £25 contribution limit areas. In all three of these areas the proportion having final matchable balances of less than £50 was approximately 6%.

Table 4.6 Distribution of proportion of maximum match achieved at account closure, by area (£)

Area	p10	p25	Median (p50)	p75	p90	Mean	Achieve max (%)
East Yorkshire	0.44	0.92	1.00	1.00	1.00	0.87	67.5
Cambridge	0.10	0.61	1.00	1.00	1.00	0.77	53.8
South Yorkshire	0.38	0.94	1.00	1.00	1.00	0.87	68.2
East London	0.06	0.27	0.94	1.00	1.00	0.68	43.3
Cumbria	0.28	0.88	1.00	1.00	1.00	0.85	65.1
Manchester	0.25	0.88	1.00	1.00	1.00	0.84	63.6
Total	0.19	0.81	1.00	1.00	1.00	0.82	61.2

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots are also excluded. Total observations = 21,020. p10, p25, p75 and p90 refer to the 10th, 25th, 75th and 90th percentile points respectively where the 10th percentile point, for example, is the value below which 10% of observations lie and above which 90% lie.
Source: Halifax transactions records; MORI recruitment data; authors' calculations.

Table 4.6 shows what the 'matchable' balance figures imply for the proportion of available match that we calculate individuals will have been eligible for. We calculate that the proportion achieved tends to be lowest in East London, where overall two-thirds (68%) of the maximum possible has been achieved and only 43% of individuals have achieved the full amount. East London is one of the two areas with the lower match rate of 20p for each £1 contributed by the individual. Cambridge also had relatively low achievement of available match as approximately three-quarters (77%) of the total available was achieved; Cambridge was the second area with the relatively low match rate (20p:£1) and accounts there also had a relatively high matchable contribution limit of £125 per month. In each of the remaining four areas more than 80% of the available match was achieved.

Table 4.7 shows how final matchable balances varied with area and income, while Table 4.8 shows how they vary by area and gross financial assets. In Cambridge and East London there is some evidence that final matchable balances were higher on average among those with higher income. There is also evidence of a strong association between gross financial assets at time of account opening and SG2 account end matchable balances. It should though be noted that the self-selected nature of the account opener group means that more account openers are in the higher, rather than lower asset cells in the table.[48] Annex Tables A4.5 and A4.6 show the proportion of account holders who achieved the maximum government match and show that, in all areas, those with the highest level of income and highest level of pre-existing assets were the most likely to do this.

Table 4.7 Median final matchable balance, by area and monthly family income at time of account opening (£)

Area	Under 430	431–859	860–1,299	1,300–1,719	1,720–2,149	2,150–& over	Don't Know	No q'naire
East Yorkshire	380	400	400	400	400	400	400	400
Cambridge	1,378	1,780	2,000	2,000	2,000	2,000	1,888	1,998
South Yorkshire	400	400	400	400	400	400	400	400
East London	540	491	764	780	800	800	750	700
Cumbria	767	800	800	800	800	800	800	800
Manchester	400	400	400	400	400	400	400	400
Total	400	400	400	400	400	400	400	400

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots are also excluded, as are those for whom information from the account opening questionnaire is not available. Total observations = 21,020.
Source: Halifax transactions records; MORI recruitment data; authors' calculations.

Table 4.8 Median final matchable balance, by area and gross financial assets at time of account opening (£)

Area	0	1–100	101–500	501–1,000	1,001–2,000	2,001–6,000	6,001 & over	Don't know	No q'naire
East Yorkshire	321	345	400	400	400	400	400	400	400
Cambridge	376	642	1,098	1,755	2,000	2,000	2,000	2,000	1,998
South Yorkshire	375	366	400	400	400	400	400	400	400
East London	136	325	700	753	751	800	800	750	700
Cumbria	598	640	751	800	800	800	800	800	800
Manchester	360	395	400	400	400	400	400	400	400
Total	360	381	400	400	400	400	725	400	400

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis, as are those for whom information from the account opening questionnaire is not available. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots are also excluded. Total observations = 21,020.
Source: Halifax transactions records; MORI recruitment data; authors' calculations.

In this section we have considered the distribution of account end matchable balances. In separate analyses we have considered how this matchable balance

[48] Across all areas 5,422 individuals reported having £1,000 or less in assets at the time of opening an SG2 (so putting them in the leftmost four columns of Table 4.8), while the biggest group was the 4,723 individuals who reported having over £6,000 in assets when they opened their accounts

has varied with certain background characteristics such as the area the individual resides in (a proxy for account characteristics), and initial income and financial wealth. We also controlled for different background characteristics simultaneously using regression techniques, and the results of this exercise are available in Appendix Table A4.3. As with the regression analysis of monthly contributions, the results confirm that the characteristics highlighted in this section – area, initial income and initial asset holdings – each have significant relationships with account end matchable balance in a regression framework. Other factors that are significant in the regression are also similar to those that enter significantly in the regression for monthly contributions: housing tenure and education are both associated with positive coefficients, while families with children seem to have been less likely to build up large matchable balances.[49] The similarity between the regressions for monthly contributions and for final matchable balances is perhaps not surprising since final matchable balance is very closely related to net monthly contributions paid.

4.4 Saving patterns

This section examines the patterns of saving in SG2 accounts over the duration of the accounts. In particular it looks at whether individuals had any months in which they did not make any contributions and whether individuals made further contributions after achieving the full matchable account balance.

4.4.1 Saving patterns amongst all SG2 account holders

Virtually all those who opened an SG2 account made some further contribution to the account after the first month. Table 4.11 shows that just 8.1% of account holders did not make any further contribution to their account after the first month. However, Table 4.12 shows that this proportion was slightly higher amongst the lowest income groups and those who had few or no savings or investments prior to opening the SG2 account. For example, one-sixth (16.5%) of those with income below £430 a month made no contribution after the first month (see Table 4.12), while (from Table 4.13) one-quarter (25.8%) of those with no pre-existing savings or investments did not continue to contribute to their account.

[49] The coefficients on poor health in these regressions are positive, suggesting that those in poor health built up higher matchable funds. This slightly surprising result may be related to the fact that, due to data limitations, we could not control for age in the regressions.

Table 4.11 Indicators of saving patterns, by area (per cent of all accounts)

Area	Contri-buted more than maximum in any month	Contri-buted nothing to account in at least one month	Made contri-bution after first month	Achieved maximum match	Contri-buted after had achieved maximum match	Net contri-bution in at least 16 months	Sample size
E. Yorkshire	19.5	60.0	92.7	67.5	48.5	74.2	3,506
Cambridge	19.1	72.2	91.7	53.7	29.4	68.3	4,809
S. Yorkshire	22.3	63.4	93.5	68.2	45.8	75.1	4,476
East London	31.0	75.4	83.8	43.3	31.6	52.6	2,037
Cumbria	16.3	68.2	93.6	65.1	37.3	75.2	3,220
Manchester	24.6	66.3	92.1	63.6	44.9	72.3	2,972
Total	*21.4*	*67.2*	*91.9*	*61.2*	*39.7*	*70.8*	*21,020*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots are also excluded.
Source: Halifax transactions records; MORI recruitment data; authors' calculations.

Given that the maximum matchable contribution was sixteen times the monthly contribution limit[50], it is not surprising that we find that two-thirds (67.2%) of account holders had at least one month in which they did not make any net contribution to their account. This proportion is highest (89.5%) amongst those who did not achieve the maximum match by the end of their account but this behaviour was also seen for over half (53.0%) of those who did achieve the maximum government match. A higher proportion of account holders had at least one month in which they did not make a net contribution in the two areas with the lowest match rate (Cambridge and East London).

[50] In other words, an individual could make no net contribution to their account in up to 2 months and still receive the maximum government match at the end of 18 months.

Table 4.12 Indicators of saving patterns, by monthly family income at time of account opening (per cent)

Monthly family income	Contri-buted more than maximum in any month	Contr-ibuted nothing to account in at least one month	Made contri-bution after first month	Achieved maximum match	Contri-buted after had achieved maximum match	Net contri-bution in at least 16 months	Sample size
Under £430	20.7	76.2	83.5	48.3	29.2	57.4	1,409
£431–£859	22.5	71.2	87.3	52.3	32.5	64.3	2,872
£860–£1,299	22.3	67.0	92.9	63.1	41.4	71.9	3,606
£1,300–£1,719	20.3	63.4	94.7	66.6	44.0	75.4	3,042
£1,720–£2,149	19.8	63.0	95.9	67.7	44.9	76.1	2,176
£2,150 & over	19.2	64.1	96.2	68.7	43.9	77.7	2,792
Don't know	20.8	69.2	87.4	55.7	39.0	66.0	341
No questionnaire	22.9	68.2	90.3	58.7	38.4	68.8	4,782
Total	*21.4*	*67.2*	*91.9*	*61.2*	*39.7*	*70.8*	*21,020*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots are also excluded.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Just over six-in-ten (61.2%) account holders achieved the maximum match. As was shown in Table 4.6 this proportion is lowest in Cambridge and East London, and higher – at around two-thirds – in each of the other four areas. It is also lower among those with relatively lower incomes and financial assets at the time of account opening. Around one in ten (9.6%, i.e. 70.8% – 61.2%) account holders made a net contribution in at least 16 months but do not accrue the maximum match (this could either be because at least some of their contributions are below the monthly limit or because they make a withdrawal during the account period). Overall seven-in-ten (70.8%) of account holders made a net contribution in at least 16 months, with those on relatively high incomes and with relatively high levels of financial assets at the time of opening the account being more likely to be regular contributors.

Any funds deposited in SG2 accounts above the overall maximum did not attract a government match. Overall four-in-ten account holders (39.7%) continued to contribute after they had achieved the maximum match, and this represents 64.8% (i.e. 39.7/61.2) of those who achieved the maximum government match. This proportion is lowest in Cambridge (54.7%), which has the highest contribution limit, and (from Table 4.12) amongst those with the lowest incomes (60.6% amongst those with incomes of less than £430 a month). It is also relatively low in East London (57.3%) which, like Cambridge, has a relatively low match rate of 20p per £1 of net contribution. However, just because some individuals who reached the maximum did not continue to save in their SG2 account does not mean that they did not continue to save in other forms. Individuals might have been able to receive a higher rate of return on their additional savings (i.e. saving above the overall maximum matchable amount) by placing these funds in an alternative saving vehicle, rather than continuing to save in the SG2 account.

Table 4.13 Indicators of saving patterns, by gross financial assets at time of account opening (per cent)

Gross financial assets	Contri-buted more than maximum in any month	Contri-buted nothing to account in at least one month	Made contri-bution after first month	Achieved maximum match	Contr-ibuted after had achieved maximum match	Net contri-bution in at least 16 months	Sample size
£0	25.5	81.4	74.2	33.1	22.1	44.7	1,370
£1–£100	24.8	78.2	79.9	36.2	23.7	49.5	1,268
£101–£500	24.9	70.5	89.9	48.9	34.4	61.5	1,649
£501–£1,000	24.1	68.1	94.4	58.2	38.9	70.0	1,135
£1,001–£2,000	23.3	63.6	95.7	63.0	43.1	72.8	1,433
£2,001–£6,000	20.6	61.2	96.5	69.8	45.9	79.6	2,283
£6,001 & over	15.8	61.7	98.4	79.1	47.9	85.0	4,723
Don't know	20.8	66.9	91.9	61.2	40.8	70.3	2,377
No questionnaire	22.9	68.2	90.3	58.7	38.4	68.8	4,782
Total	*21.4*	*67.2*	*91.9*	*61.2*	*39.7*	*70.8*	*21,020*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots are also excluded.

Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Overall, evidence from the full set of transactions data shows that most account holders continued to make contributions to their SG2 accounts after they had opened them and indeed the majority managed to contribute sufficient amounts to their accounts to attract the maximum government match.

4.5 Transaction methods

The Halifax transactions data also contains information on how contributions and withdrawals were made (e.g. cash, standing order, cheque). In order to open an account, individuals had to make an initial payment either by cash or cheque. For this reason, most transactions during the first month of each account are through cash and cheques – 39.1% and 51.8% of transaction during the first month were made by cash and cheques, respectively (see Table 4.14). However, after the accounts had been open for a few months, the most common methods of depositing and withdrawing money were cash, bank credits and standing orders. The exception is in months 12 and 13 where a significant number of transactions were payments of interest from Halifax to the account, despite the fact that SG2 accounts were not initially intended to attract interest.

Table 4.14 Distribution of transaction method, by months since account opened (per cent).

Month	Cash	Cheque	Transfer	Bank credit	Standing order	Account close	Interest
First	39.1	51.8	7.2	1.4	0.6	0.1	0.1
2nd	38.4	12.8	2.0	33.1	13.5	0.0	0.3
3rd	33.3	11.2	1.7	39.4	14.2	0.0	0.2
4th	31.7	10.3	1.7	41.6	14.7	0.0	0.0
5th	30.4	10.2	1.5	42.5	15.5	0.0	0.0
6th	29.0	10.1	1.5	43.6	15.7	0.0	0.0
7th	28.9	10.0	1.3	43.7	16.2	0.1	0.0
8th	29.3	9.8	1.4	43.4	16.1	0.1	0.0
9th	28.5	9.8	1.4	44.1	16.1	0.1	0.0
10th	28.3	9.5	1.3	44.8	16.0	0.1	0.0
11th	28.1	9.7	1.1	44.1	16.3	0.1	0.5
12th	21.1	7.3	1.0	34.4	12.4	0.1	23.8
13th	19.6	6.6	0.9	31.5	11.4	0.1	29.9
14th	25.4	8.5	1.2	41.2	15.0	0.2	8.5
15th	26.5	9.1	1.4	43.3	15.7	0.2	3.9
16th	28.2	9.3	1.3	44.4	16.4	0.2	0.2
17th	27.8	8.8	1.4	44.4	17.4	0.2	0.0
18th (last)	27.1	8.0	1.5	44.7	18.6	0.2	0.0
All	*28.6*	*12.1*	*1.7*	*38.5*	*14.2*	*0.1*	*4.8*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots are also excluded. Total observations (transactions) = 335,805. "Account close" refers to the few transactions which involved individuals closing their accounts. "Interest" refers to cases where interest was paid by the Halifax. Rows might not sum to one hundred due to rounding. Rows might not sum to 100 due to rounding

Source: Halifax transactions records; MORI recruitment data; authors' calculations.

The transaction methods used vary somewhat across the areas. Standing orders are most common in East Yorkshire and South Yorkshire where the contribution limit is low (see Table 4.15). The use of cash was more common in East London, Cumbria and East Yorkshire – where cash payments comprised around a third of all transactions – than in the other three areas. However, much of this variation by area may be reflecting differences in the transaction methods used by individuals with different levels of family income and assets, since the family income and assets of individuals vary across the pilot areas (as discussed in Chapter 2).

Table 4.15 Distribution of transaction method, by area (per cent)

Payment method	E Yorks	Cambridge	S Yorks	E London	Cum-bria	Man-chester	All
Cash	33.3	22.0	26.7	34.1	34.1	27.3	28.6
Cheque	10.5	19.4	10.1	10.8	11.0	7.3	12.1
Transfer	1.9	1.6	1.9	2.1	1.8	1.2	1.7
Bank credit	32.0	44.7	35.2	37.0	36.0	44.6	38.5
Standing order	17.3	7.7	21.0	11.3	12.1	14.9	14.2
Account close	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Interest	5.0	4.6	5.0	4.7	4.9	4.6	4.8
Total	*100*	*100*	*100*	*100*	*100*	*100*	*100*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots are also excluded. Total observations (transactions) = 335,805. "Account close" refers to the few transactions which involved individuals closing their accounts. "Interest" refers to cases where interest was paid by the Halifax. Rows might not sum to one hundred due to rounding.
Source: Halifax transactions records; MORI recruitment data; authors' calculations.

Table 4.16 shows how transaction methods used vary across income bands. Cash is most commonly used by those with the lowest family incomes. Nearly half (46.8%) of transactions made by those with family income of less than £430 a month were in cash. In contrast, those with higher family incomes are more likely to use cheques and bank credits.

Table 4.16 Transaction type, by monthly family income at time of account opening (per cent)

Payment method	<430	431–859	860–1,299	1,300–1,719	1,720–2,149	2,150 & over	Don't know
Cash	46.8	39.3	27.7	22.8	22.0	16.0	31.4
Cheque	9.7	10.1	12.9	13.4	14.8	15.0	9.3
Transfer	1.8	2.1	1.7	1.8	1.5	1.4	2.5
Bank credit	24.2	29.0	37.5	42.9	43.3	49.3	36.9
Standing order	12.8	14.9	15.3	14.2	13.4	13.4	15.1
Account close	0.2	0.1	0.1	0.1	0.0	0.0	0.2
Interest	4.6	4.5	4.8	4.8	4.9	4.9	4.7
Total	*100*	*100*	*100*	*100*	*100*	*100*	*100*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots are also excluded. Total observations (transactions) = 335,805. "Account close" refers to the few transactions which involved individuals closing their accounts. "Interest" refers to cases where interest was paid by the Halifax. Columns might not sum to one hundred due to rounding.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

This picture is reinforced when we look at transaction methods used by individuals with different levels of existing assets at the time they opened their accounts (Table 4.17). Amongst those who had no assets prior to opening a SG2 account, 45.3% of transactions were made using cash. In comparison, only 17.3%

of transactions made by individuals with at least £6,000 of assets were made by cash.

Instead, those relatively high wealth individuals are much more likely to have used bank credits and standing orders – 44.8% of transactions made by the highest wealth individuals were by standing order or bank credit compared with just 27.4% of those made by those with relatively low wealth (i.e. below £6,000 of assets). This presumably partly reflects the fact that higher-wealth individuals were more likely to have assets from which they could pay bank credits or standing orders but could also suggest that they had a higher level of financial capability. Alternatively it could suggest that higher wealth (and higher income) individuals were more confident that they would be able to make regular contributions and so set up a standing order rather than paying in cash Indeed, if we look at the value of contributions made by each of the transaction methods, we see that transactions made by bank credit and standing order are more likely to be for the maximum amount – 82.2% of deposits made by bank credit and 84.6% of deposits made by standing order were at the monthly contribution limit compared with just 75.1% of deposits made in cash.

Table 4.17 Transaction type, by gross financial assets at time of account opening (per cent)

Payment method	0	1–100	101–500	501–1,000	1,001–2,000	2,001–6,000	6,001 & over	Don't know
Cash	45.3	43.5	36.1	32.1	26.8	23.9	17.3	28.4
Cheque	8.8	8.7	10.0	11.0	11.5	13.1	16.1	13.3
Transfer	2.2	1.5	1.5	2.1	1.6	1.8	1.6	2.0
Bank credit	27.4	29.3	35.5	35.9	41.5	40.6	44.8	37.1
Standing order	11.9	12.5	12.1	14.0	13.7	15.7	15.3	14.4
Account close	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.1
Interest	4.1	4.3	4.7	5.0	4.9	4.8	4.9	4.7
Total	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots are also excluded. Total observations (transactions) = 335,805. "Account close" refers to the few transactions which involved individuals closing their accounts. "Interest" refers to cases where interest was paid by the Halifax. Columns might not sum to one hundred due to rounding.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Appendix to Chapter 4

Table A4.1 Reported change in contributions to Saving Gateway accounts, by area (per cent)

	E Yorks	Cam-bridge	S Yorks	E London	Cum-bria	Manch	All
Always same	87.5	75.3	87.7	71.0	83.6	87.6	83.7
Depends on affordability	7.6	16.5	7.9	16.6	10.4	8.9	10.4
Increased	0.7	2.1	1.0	2.2	2.1	1.2	1.5
Decreased	3.7	5.6	2.6	7.9	2.8	1.8	3.6
Don't know	0.5	0.5	0.8	2.2	1.1	0.5	0.8
Total	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*
Sample size	*1,017*	*611*	*781*	*404*	*1,066*	*830*	*4,709*

Note: All account openers (RDD, DWP and PAF) who responded to the telephone survey. Columns might not sum to 100 due to rounding.

Table A4.2 Reported change in contributions to Saving Gateway accounts, by recruitment method (per cent)

	RDD	DWP	PAF	All
Always same	86.8	75.0	87.2	83.7
Depends on affordability	7.9	17.6	7.5	10.4
Increased	1.3	1.8	1.3	1.5
Decreased	3.4	4.6	2.8	3.6
Don't know	0.6	1.0	1.1	0.8
Total	*100.0*	*100.0*	*100.0*	*100.0*
Sample size	*2,379*	*1,282*	*1,048*	*4,709*

Note: All account openers (RDD, DWP and PAF) who responded to the telephone survey. Columns might not sum to 100 due to rounding.

Table A4.3 Multivariate analysis of net monthly contributions and balance at account end

	Net monthly contributions				Matchable Balance at Account End			
	Co-eff	s.e.	Co-eff	s.e	Co-eff	s.e.	Co-eff	s.e
East Yorkshire	23.9***	0.4	14.5***	2.6	344.5***	7.6	203.3***	37.4
Cambridge	91.2***	0.8	80.3***	2.7	1525.8***	7.7	1359.6***	37.4
South Yorkshire	22.6***	0.4	13.2***	2.6	324.0***	7.5	183.2***	37.4
East London	36.2***	0.7	28.6***	2.6	537.5***	9.6	425.1***	37.7
Cumbria	43.4***	0.5	33.3***	2.6	688.9***	7.7	537.5***	37.4
Manchester	23.5***	0.4	15.9***	2.5	337.2***	7.9	226.1***	37.3
PAF	3.5***	0.4	1.8***	0.4	53.8***	6.6	26.5***	6.5
DWP	-6.1***	0.5	–3.0***	0.5	−90.9***	7.5	−42.6***	7.9
Months acc open	-0.3***	0.0	–0.3***	0.0	N/A		N/A	
Owner occupier			5.7***	0.6			86.0***	8.0
Own outright			2.2***	0.4			33.5***	7.9
FT employment			1.0**	0.5			8.2	8.8
PT employment			0.5	0.6			6.5	10.0
Couple no kids			0.7	0.7			17.3*	27.8
Single parent			-3.5***	0.8			−61.7***	11.1
Couple with kids			-1.7**	0.8			−25.3**	11.6
Other			2.9***	0.8			44.9***	11.8
'Unlikely to be new'			5.2***	0.7			89.5***	11.9
Assets 1–500			5.3***	0.9			76.6***	12.8
Assets 500–1,000			6.8***	0.9			109.0***	12.0
Assets 1,000–2,000			9.3***	0.7			145.5***	11.2
Assets 2,000–6,000			9.8***	0.7			156.9***	10.0
Assets 6,000+			12.4***	0.7			206.5***	9.6
Debt 1–50			-1.4	1.6			−17.9	25.5
Debt 51–100			-2.9**	1.2			−46.5**	19.8
Debt 101–250			-1.3	0.8			−16.4	14.7
Debt 251–500			-2.9***	0.8			−40.3***	12.3
Debt 501–1,000			-3.5***	0.7			−61.7***	11.2
Debt 1,001–2,000			-3.5***	0.7			−56.7***	11.3
Debt 2,000+			-4.6***	0.5			−66.4***	7.4
Income 430–859			0.6	0.8			16.6	11.7
Income 860–1,299			1.9**	0.8			34.8***	12.5
Income 1,300–1,719			2.4***	0.9			48.8***	13.6
Income 1,720–2,149			3.3***	1.0			62.5***	14.7
Income 2,150–4,165			3.7***	1.0			63.2***	15.0
Income 4,166+			5.2*	2.9			70.1	44.7
Health good			0.2	0.4			6.2	7.0
Health fair			1.9***	0.6			26.6***	9.2
Health poor			2.3***	0.8			40.2***	12.1
Health v. poor			2.6***	1.0			43.5***	15.2
Disabled			–0.7	0.5			−10.2	9.0
A level			0.4	0.4			8.7	6.7
Degree			2.2***	0.4			32.0***	7.1
Number of obs.	378,360		378,360		*21,020*		*21,020*	

Notes: Stars denote the statistical significance of the estimated co-efficients: *** = 99% level, ** = 95% level and * = 90% level. The base group is single renters with no children who have no qualifications above compulsory schooling, are not in employment, have gross monthly income below £430, no existing assets or debts, said their contributions to SG2 would come from sources that were more likely to be new saving, report being in very good health and were recruited through RDD. A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots are also excluded. Rows might not sum to one hundred due to rounding. Dummy variables for missing information also included. Standard errors in equation for net monthly contributions clustered at the account level.

Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Table A4.4 Reported source of funds placed into SG2 account, by recruitment method (per cent)

	RDD	DWP	PAF	All
Unlikely to be new	10.7	14.8	9.4	11.5
Current account	25.3	21.4	29.2	25.1
From income	52.2	41.0	49.0	48.4
Cut spending	4.1	9.5	4.2	5.6
Combination	2.9	6.2	3.1	3.9
Don't know	4.7	7.2	5.1	5.5
Total	*100.0*	*100.0*	*100.0*	*100.0*
Sample size	*2,379*	*1,282*	*1,048*	*4,709*

Note: All account openers (RDD, DWP and PAF) who responded to the telephone survey. 'Unlikely to be new saving' includes using money already had saved elsewhere, borrowing money and cashing in investments. 'Cut spending' includes giving up smoking and cutting back on essential and non-essential spending. Columns might not sum to 100 due to rounding.

Table A4.5 Percentage achieving the maximum government match, by area and monthly family income at time of account opening

Area	Under 430	431–859	860–1,299	1,300–1,719	1,720–2,149	2,150 & over	Don't know	No questionnaire
E. Yorkshire	49.5	60.0	67.5	74.2	70.7	76.5	55.9	71.9
Cambridge	35.3	40.9	55.0	57.1	61.3	61.3	46.3	49.8
S. Yorkshire	59.9	63.3	68.1	72.0	70.9	74.0	69.0	65.1
E. London	38.3	30.7	48.4	49.7	55.8	60.0	41.0	40.3
Cumbria	48.7	52.8	67.3	71.3	72.2	70.9	60.0	65.9
Manchester	55.3	54.4	65.0	68.3	72.7	72.7	60.6	61.6
Total	48.3	52.3	63.1	66.6	67.7	68.7	55.7	58.7
Sample size								
E. Yorkshire	*301*	*612*	*661*	*508*	*417*	*426*	*68*	*513*
Cambridge	*255*	*553*	*808*	*786*	*589*	*957*	*80*	*781*
S. Yorkshire	*222*	*615*	*833*	*715*	*499*	*627*	*71*	*894*
E. London	*167*	*280*	*252*	*187*	*138*	*160*	*39*	*814*
Cumbria	*191*	*426*	*507*	*467*	*273*	*344*	*50*	*962*
Manchester	*273*	*386*	*545*	*379*	*260*	*278*	*33*	*818*
Total	*1,409*	*2,872*	*3,606*	*3,042*	*2,176*	*2,792*	*341*	*4,782*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots are also excluded. The unit of observation in this table is each account.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Table A4.6 Percentage achieving the maximum government match, by area and gross financial assets at time of account opening

Area	0	1–100	101–500	501–1,000	1,001–2,000	2,001–6,000	6,001 & over	Don't know	No questionnaire
E. Yorkshire	36.6	39.1	54.0	67.4	66.3	77.2	87.6	65.3	71.9
Cambridge	19.4	18.3	26.2	37.2	50.7	53.1	73.1	54.8	49.8
S. Yorkshire	45.8	40.0	58.1	61.1	72.2	76.7	81.3	70.2	65.1
E. London	16.5	25.2	38.7	47.6	47.1	64.7	67.8	44.4	40.3
Cumbria	32.6	38.8	44.2	62.3	67.9	75.3	82.4	60.6	65.9
Manchester	39.0	49.8	62.5	71.7	67.0	75.4	82.4	65.0	61.6
Total	*33.1*	*36.2*	*48.9*	*58.2*	*63.0*	*69.8*	*79.1*	*61.2*	*58.7*
Sample size									
E. Yorkshire	*262*	*279*	*337*	*215*	*276*	*421*	*773*	*430*	*513*
Cambridge	*217*	*218*	*282*	*234*	*335*	*584*	*1,581*	*577*	*781*
S. Yorkshire	*227*	*255*	*377*	*265*	*345*	*563*	*1,036*	*514*	*894*
E. London	*164*	*123*	*155*	*82*	*102*	*119*	*255*	*223*	*814*
Cumbria	*172*	*170*	*215*	*159*	*193*	*336*	*686*	*327*	*962*
Manchester	*328*	*223*	*283*	*180*	*182*	*260*	*392*	*306*	*818*
Total	*1,370*	*1,268*	*1,649*	*1,135*	*1,433*	*2,283*	*4,723*	*2,377*	*4,782*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots are also excluded. The unit of observation in this table is each account.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Table A4.7 Distribution of matchable balances at account closure, by recruitment method (£)

Recruitment method	p10	p25	Median (p50)	p75	p90	Mean	Achieve max (%)
DWP	45	270	400	800	1625	569	50.0
PAF	225	400	400	800	2,000	789	65.2
RDD	180	395	400	800	800	555	64.3
Total	126	395	400	800	2,000	692	61.5

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots are also excluded. Additionally a few observations are lost due to a failure to match data on transactions to information on recruitment method. Total observations = 20,624 (4,861DWP sample, 11,796 PAF and 3,967 RDD). p10, p25, p75 and p90 refer to the 10th, 25th, 75th and 90th percentile points respectively where the 10th percentile point, for example, is the value below which 10% of observations lie and above which 90% lie.

Source: Halifax transactions records; MORI recruitment data; authors' calculations.

Table A4.8 Distribution of proportion of maximum match at account closure, by recruitment method (£)

Recruitment method	p10	p25	Median (p50)	p75	p90	Mean	Achieve max (%)
DWP	0.06	0.43	1.00	1.00	1.00	0.73	50.0
PAF	0.31	0.90	1.00	1.00	1.00	0.86	65.2
RDD	0.35	0.88	1.00	1.00	1.00	0.86	64.3
Total	0.19	0.81	1.00	1.00	1.00	0.82	61.5

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots are also excluded. Additionally a few observations are lost due to a failure to match data on transactions to information on recruitment method. Total observations = 20,624 (4,861DWP sample, 11,796 PAF and 3,967 RDD). p10, p25, p75 and p90 refer to the 10th, 25th, 75th and 90th percentile points respectively where the 10th percentile point, for example, is the value below which 10% of observations lie and above which 90% lie.

Source: Halifax transactions records; MORI recruitment data; authors' calculations.

Table A4.9 Percentage achieving maximum match at account closure, by recruitment method and area

Area	DWP	PAF	RDD	Total
E. Yorkshire	58.9	73.7	66.8	67.7
Cambridge	39.0	58.7	46.8	53.9
S. Yorkshire	60.0	69.9	69.6	68.4
E. London	29.6	50.0	45.4	43.7
Cumbria	54.1	72.0	68.7	65.3
Manchester	53.2	68.4	67.0	64.0
Total	50.0	65.2	64.3	61.5

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots are also excluded. Additionally a few observations are lost due to a failure to match data on transactions to information on recruitment method. Total observations = 20,624 (4,861DWP sample, 11,796 PAF and 3,967 RDD).

Source: Halifax transactions records; MORI recruitment data; authors' calculations.

5. Impact of accounts on saving and spending

This chapter focuses on the quantitative effects of SG2 on various measures of savings and spending. A general evaluation problem is that we cannot observe directly what people would have done in the absence of the pilot. We therefore approach the question by comparing the individual saving and spending of those offered a SG2 account against an otherwise identical 'control' group not offered an account. The results are based on survey data collected after accounts had been open for an average of 16 out of 18 months.

We explore whether being offered a SG2 account increases the chances of individuals saving more in savings accounts. The results here are generally consistent with SG2 inducing higher saving account balances. For example, those offered accounts were 5.3 percentage points more likely than those not offered accounts to have increased their balances in savings accounts by more than two months of maximum SG2 contributions. This corresponds to a 34.2 percentage point impact on those who actually opened an SG2 account. A positive SG2 effect on savings account balances is evident for both lower and higher income groups. However, the generally positive effects on savings are not evident in all six of the pilot areas, and evidence of increased saving is less clear when stocks of – rather than changes in – savings are analysed.

On broader measures of financial wealth there is no consistent, statistically significant evidence of a positive SG2 effect. There is no discernable evidence that SG2 accounts led to higher overall 'net worth' (saving in savings accounts plus other accessible financial assets, minus any non-mortgage debt). Again, this conclusion holds for lower and higher income groups alike. Among the higher income group there is statistically significant evidence that balances in other financial assets were reduced at the same time that balances in saving accounts were increased, suggesting a diversion of funds between assets. For the lower-income group there is no statistically significant evidence of such substitution.

Breaking the results down by area (and therefore by the variant of the SG2 account being offered), there is no statistically significant evidence of an increase in overall financial wealth in five of the six areas. The notable exception is in South Yorkshire where there is statistically significant evidence that SG2 accounts led to an increase in overall net worth over a three month period.

There is no statistically significant evidence that the SG2 accounts led to lower spending in total on non-durable items, or less being spent on food consumed in the home, on clothing or on durable goods. However there is evidence that the SG2 accounts led to a reduction in the likelihood of spending more than £25 per month on food consumed outside the home. This reduction is found to be statistically significant among the lower income group, and those in rented accommodation, but not among the higher income group. The finding for the higher-income group is perhaps not surprising given the evidence that these individuals may have substituted funds between assets.

This chapter presents evidence on the extent to which the SG2 accounts were successful in encouraging people who did not normally save to start saving. In particular it looks at the extent to which the provision of SG2 accounts created new savers and generated new saving during the operation of the accounts.

We examine the impact of the SG2 accounts on the level of and change in balances held in savings accounts and also the amounts held in other formal financial assets, by which we mean balances held with financial services providers.[51] We also examine the impact on individuals' spending behaviour, which is a direct way of seeing whether the contributions to SG2 accounts were financed, at least in part, by individuals forgoing current consumption. The outcomes used are described in detail in Section 2.3 of this report, while Section 2.1 of this report describes the background characteristics that we take into account in our analysis.

Section 5.1 and appendix section A5.1 outline the methodology employed. The overall impacts of being offered the chance to open a SG2 account on the saving and spending outcomes are presented in Section 5.2 including a breakdown of the results by area of residence (and hence variant of the SG2 account). Since a large proportion of those who were offered the chance to open an account chose not to do so, in Section 5.3 we examine the impact among just account openers (as opposed to all those offered the chance to open an account). In Section 5.4 we examine the extent to which the impact of the account varies by certain characteristics of interest, specifically, current employment status, whether or not the individual is in receipt of income-tested benefits and current income.

5.1 Methodology

The aim of our analysis is to identify whether, and how much, extra saving (or reduction in expenditure) occurred as a result of the introduction of SG2 accounts. The main difficulty for assessing this is that we cannot observe directly how much individual account holders would have saved and spent if they had not been given accounts. We do, however, have a random trial in that only some of the individuals who were recruited into the SG2 scheme through RDD were offered the opportunity to open an account. Crucially, these individuals were selected at random from the RDD sample. This random selection should mean that the only difference, on average, between individuals who were offered the chance to open an account and those who were not is this offer of the chance to open the account. This is the main factor we will exploit to assess the average impact of the account on saving and spending across those who were offered the chance to open one.

In order to be able to make this assessment, it is important that we have information on account openers, those who were offered the chance to open an account but did not and those who were not offered the chance. All of these groups are observed in the RDD sample, but not in the DWP or PAF samples. Therefore, in this chapter all the analysis is conducted using just the RDD sample. Having assessed effects across all those offered the chance to open

[51] Also including the direct holding of equities.

accounts, we can then calculate the implied effects just on those who accepted the invitation (this is done in sections 5.3 and 5.4).

5.1.1 Estimating the impact on those offered an account

To be more specific about the methodology, the impact of the SG2 accounts is investigated by comparing the outcomes of interest among those who were contacted through RDD and offered the chance to open an account to the outcomes of interest among those who were also contacted through RDD but were not offered the chance to open an account. The outcomes of interest include measures of the level of different components of an individual's net worth (such as funds held in savings accounts) and also measures of levels of spending. We also examine measures of the reported change in both some measures of net worth and some measures of spending over recent months.[52]

As it was random whether or not individuals contacted through RDD were offered the chance to open an account, it is plausible to assume that any statistically significant differences in the outcomes between those offered and those not offered accounts can be attributed to the pilot. By controlling for other observable characteristics that are correlated with the outcomes of interest, we can also improve the accuracy of the estimated impacts. This is true even if these other factors are uncorrelated with whether or not the individual was offered the opportunity to open a SG2 account (which should be the case as this was done on a random basis, although as described in Section 2.1 there is some evidence that some characteristics do vary across groups within the RDD sample, and therefore *need* to be controlled for).

Further details of the operation of this methodology can be found in the Appendix to this chapter.

5.1.2 Estimating the impact on those who opened an account

It is also of interest to identify the impact of the pilot among those who actually opened an account. Comparing the outcomes of interest among those who chose to open an account with those who chose not to would require us to assume that the decision to open an account is not related to the outcome(s) of interest.[53] In fact it is likely that those who chose to open an account were more likely to have expected to have been able to save over the next 18 months than those who choose not to open an account. This would imply that, even in the absence of the SG2 account, individuals who chose to open an account would have been more likely to save more than those who chose not to open an account. Additionally, as shown in Chapter 3 of the interim report (and updated in section 2.2 of this report), there are key differences between the characteristics of those who chose to open an account and those who did not: for example, those who chose to

[52] Full details of the outcome variables, including descriptive statistics, are contained in section 2.3 of this report.

[53] The biases that can be introduced by doing this are illustrated and discussed in section 7.3.3 of the interim report (http://www.hm-treasury.gov.uk/media/80D/D7/savingsgateway2_180706.pdf), and particularly in Table 7.3.7 and the surrounding text.

open an account were more likely to hold investments and have higher levels of numeracy than those who did not.

Therefore, to estimate the impact of actually opening an account we instead simply take our estimates of the impact of the pilot on the group offered the chance to open an account and divide through by the proportion of individuals who accepted the opportunity to open an account.[54] So, for example, if the SG2 account increased saving by £10 per month (on average) among those offered the chance to open an account, but the take-up rate was only 50%, then the impact of the pilot on those who opened an account will be an average of £20 per month. This calculation relies on the relatively weak assumption that the presence of the pilot had no impact on those who were offered the chance to open an account but declined to do so. For dichotomous outcomes of interest that are analysed using probit regressions, we exploit a similar assumption although the procedure for inferring the effect on those who opened accounts is somewhat more involved. Further details of the methodology for estimating impacts on those who opened accounts are available in the appendix.

5.2 Impact on those offered the chance to open an account

Section 5.1 and appendix section A5.1 explain the regression framework that we will use for the analysis in this section. Section A5.1.1 explains how and why we experimented with including different control variables in the regressions. These different specifications are described in Table 5.1 and section 5.2.1 examines the sensitivity of the regression results to which specifications is used. The first specification includes only the 'treatment' variable and indicators of area of residence; the second adds other controls which we are confident are exogenous (i.e. unaffected by the SG2 accounts), and the final one adds some controls that may have been affected by the SG2 accounts. Section 5.2.2 presents the results (estimated using the whole analysis sample) for a wider range of outcomes using our preferred specification (specification 2). Finally, section 5.2.3 presents results for these same outcomes when the regressions are run separately for each area (i.e. giving 6 different estimates of the impact of the pilot, one for each area).

[54] Across the RDD sample 17.1 % of individuals offered the opportunity to open an account chose to do so; a breakdown of how this varied across areas is provided in section 2.2 of this report.

Table 5.1 Characteristics controlled for in each of the specifications

Controls	Specification 1 Area only	Specification 2 (preferred) 'Exogenous' regressors	Specification 3 Plus possibly endogenous regressors
Area of residence	✓	✓	✓
Sex	×	✓	✓
Whether live with partner	×	✓	✓
Age (6 age bands)	×	✓	✓
Whether another adult in HH	×	✓	✓
Whether preschool child in HH	×	✓	✓
Whether other child in HH	×	✓	✓
Education	×	✓	✓
Month of interview	×	✓	✓
Ethnicity	×	✓	✓
Employment status	×	✓	✓
Receiving means-tested benefits	×	✓	✓
Receiving other benefits	×	✓	✓
Housing tenure	×	✓	✓
Self-reported health	×	✓	✓
Numeracy	×	✓	✓
Family income (quintile)	×	×	✓
Earnings	×	×	✓

5.2.1 Sensitivity of results to the specification used

Table 5.2 reports the estimated effect of being offered an account on a selection of outcomes of interest. Results are reported from all three specifications described above and in Section A5.1. Here, and throughout this chapter, the results that we report for probit regressions are not simple coefficients but rather are calculated 'marginal effects'[55]; standard errors (of the marginal effects) are reported in parentheses. To illustrate the interpretation of the marginal effects, the '+0.025' reported in the second specification for the top regression indicates that being offered a SG2 account was associated with a 2.5 percentage point higher probability of having a positive amount in savings accounts at the time of interview (which was on average sixteen months after the accounts had been opened), and two stars indicates that this is statistically significant at the 5% level.

[55] Marginal effects are calculated using STATA 9.2 and are measured at the mean of the independent variables.

Table 5.2 Marginal effects on 'treatment' in regressions, selected outcomes by specification.

	Specification		
	1 Area only	2 (preferred) Plus 'Exogenous' regressors	3 Plus possibly endogenous regressors
Savings >£0 (probit)	+0.047*** (0.012)	+0.025** (0.012)	+0.029** (0.012)
Change in savings (£) (OLS)	+27.34 (20.88)	+19.13 (21.33)	23.44 (21.38)
Savings increase > 2 month limit (probit)	+0.067*** (0.011)	+0.053*** (0.011)	+0.056*** (0.011)
Net worth >£0 (probit)	+0.013 (0.012)	+0.010 (0.013)	+0.013 (0.013)
Change in net worth (£) (OLS)	–45.12 (36.80)	–48.82 (37.66)	–42.87 (37.80)
Net worth increase > 2 month limit (probit)	+0.009 (0.012)	–0.002 (0.012)	–0.000 (0.012)
Non-durable spending (£) (OLS)	+0.90 (4.89)	–6.25 (4.74)	–4.05 (4.69)
Non-durable spending > £250 (probit)	+0.007 (0.012)	–0.009 (0.013)	–0.004 (0.013)
Food out spending (£) (probit)	–0.27 (0.67)	–1.70*** (0.64)	–1.34** (0.63)
Food out spending > £25 (probit)	–0.012 (0.012)	–0.042*** (0.013)	–0.038*** (0.013)

Notes: Sample size = 8,329 for the probit regressions and 8,128 for the OLS regressions (since 2% of outliers are removed from these analyses). Weighted. Stars indicate statistical significance at the 1% (***), 5% (**) and 10% (*) levels. Standard errors of marginal effects are reported in (brackets).
Source: Telephone survey

Comparing the different columns of Table 5.2, we see that, for the outcomes considered, moving from specification 1 to specification 2 changes the results slightly – in particular there is a slightly smaller estimated impact on savings and a slightly larger (more negative) estimated impact on spending. This change is due to the RDD control group being slightly poorer than the RDD treatment group (see section 2.1, including Table 2.1 and Figure 2.1, of this report). This difference in characteristics would be associated with lower savings and lower spending. The difference is, at least in part, being controlled for once we take into account individual characteristics. Encouragingly the estimated impacts are generally very similar (in terms of magnitude and significance of marginal effects) between specifications two and three. This pattern also holds for the other outcomes that we consider. Therefore, in the remainder of the chapter we report only the results from specification two, which includes the regressors that we can be more sure are 'exogenous', as well as (where relevant) the area indicators, alongside the treatment variable.

The results from the middle column of table 5.2, along with results for various other outcomes of interest, are reported again in tables 5.2 and 5.3 and discussed in detail in section 5.3.

5.2.2 Overall results on measures of assets and spending

Table 5.3 presents results for a set of formal savings outcomes, by which we mean balances held with financial providers. The results suggest that the SG2 accounts were successful in boosting both the level and the flow of funds into savings accounts. Those who were offered a SG2 account are found to have been 2.5 percentage points more likely to have a positive amount in their savings accounts than those not offered the opportunity to open a SG2 account. Furthermore they were 5.3 percentage points more likely to have increased their savings by more than twice the monthly contribution limit in their area over the previous three months.

However there is very little evidence in Table 5.3 that the increase in both saving and savings in savings accounts represent an overall increase in formal net worth (by which we mean balances held with financial providers). There is no statistically significant evidence that those who were offered the opportunity to open a SG2 account were more likely to have positive formal net worth or that they had increased their formal net worth by more than they otherwise would have done in the last three months (the point estimates are either negative or very small). Furthermore looking at the impact of the pilot on formal net worth excluding the amount held in savings accounts (i.e. amount held in current accounts and investments, net of any debts) there is some evidence that this is now lower as a result of the SG2 policy. Being offered the opportunity to open a SG2 account is found to lead to a 2.2 percentage point lower likelihood of having increased other (non-savings accounts) formal assets by more than twice the area specific SG2 contribution limit, and this estimate is statistically significant at the 5% level. This evidence would seem to be quite a strong indication that individuals who were making transfers into their savings accounts were doing this by reducing the amount saved in other formal assets in a way that they would not have done in the absence of SG2.

Table 5.3 Marginal effects on 'treatment' in regressions, formal assets

	Marginal effect *(standard error)*
Level of savings	
Level of savings (OLS)	–177 *(201)*
>£0 (probit)	+0.025** *(0.012)*
>£500 (probit)	+0.014 *(0.014)*
Change in savings (over 3 months)	
Change in savings (OLS)	+19.13 *(21.33)*
>£0 (probit)	+0.045*** *(0.012)*
> 2 * monthly limit (probit)	+0.053*** *(0.011)*
Level of net worth	
Level of net worth (OLS)	–496 *(405)*
>£0 (probit)	+0.010 *(0.013)*
>£200 (probit)	+0.007 *(0.013)*
Change in net worth (over 3 months)	
Change in net worth (OLS)	–60.45 *(52.92)*
>£0 (probit)	+0.004 *(0.012)*
> 2 * monthly limit (probit)	–0.002 *(0.012)*
Level of other formal assets	
Level of other formal assets (OLS)	–2,317* *(1,226)*
>£0 (probit)	–0.005 *(0.013)*
>£200 (probit)	–0.007 *(0.014)*
Change in other formal assets (over 3 months)	
Change in other formal assets (OLS)	–48.82 *(37.66)*
>£0 (probit)	–0.017 *(0.012)*
> 2 * monthly limit (probit)	–0.022** *(0.011)*

Notes: Sample size = 8,329 for the probit regressions and 8,128 for the OLS regressions (since 2% of outliers are removed from these analyses). Weighted. Stars indicate statistical significance at the 1% (***), 5% (**) and 10% (*) levels. Standard errors of marginal effects are reported in (brackets). Source: Telephone survey

The final set of outcomes that we consider are those relating to the amount of spending of individuals. With these outcomes, a negative relationship between the outcome and being offered an account would be consistent with individuals spending less (and saving more) due to the SG2 accounts. We find no statistically significant evidence that those who were offered the chance to open a SG2 account chose to reduce their overall non-durable spending or that they spent less on food consumed in the home, on clothing or on durable goods. There is, however, some evidence that they might have cut back on spending on food consumed outside the home. On average those who were offered the chance to open a SG2 account are estimated to be spending £1.70 a month less on food out than they otherwise would have done, and are 4.2 percentage points less likely to spend more than £25 per month on food consumed outside the home. Both these estimated marginal effects are statistically different from zero at the 1% level.

Table 5.4 Marginal effects on 'treatment' in regressions, spending

	Marginal effect
Non-durable spending (monthly)	
Level of spending (OLS)	–6.25
	(4.74)
>£250 (probit)	–0.009
	(0.013)
Food in spending (monthly)	
Level of food in spending (OLS)	–0.07
	(1.60)
>£125 (probit)	–0.006
	(0.013)
Food out spending (monthly)	
Level of food out spending (OLS)	–1.70***
	(0.64)
>£0 (probit)	–0.010
	(0.011)
>£25 (probit)	–0.042***
	(0.013)
Clothing spending (monthly)	
Level of clothing spending (OLS)	–0.57
	(1.45)
>£0 (probit)	+0.003
	(0.011)
>£50 (probit)	+0.005
	(0.013)
Durable spending (3 months)	
Level of clothing spending (OLS)	–1.71
	(18.46)
>£0 (probit)	–0.012
	(0.012)
>£400 (probit)	–0.007
	(0.009)
Smoking	
Whether they smoke (probit)	+0.009
	(0.012)

Notes: Sample size = 8,329 for the probit regressions and 8,128 for the OLS regressions (since 2% of outliers are removed from these analyses). Weighted. Stars indicate statistical significance at the 1% (***), 5% (**) and 10% (*) levels. Standard errors of marginal effects are reported in (brackets).
Source: Telephone survey

So far this section has looked at the impact of being offered the opportunity to open a SG2 account across all six areas, and therefore all six variants of the pilot. We now turn to examine the impact of the accounts on the key outcomes of interest separately for each individual area.

5.2.3 Results on measures of assets and spending by area

The estimated marginal effects for selected financial asset outcomes, split by area, are shown in Table 5.5.[56] The areas are ranked from left to right in the order of the match rate, and within match rate by the size of the contribution limit. In terms of the estimated impact on the flow of funds into savings accounts, a positive and statistically significant impact on being offered a SG2 account on whether savings increased by more than twice the monthly contribution limit in the last three months is found in Manchester (+9.8ppt), East Yorkshire (+6.1ppt) and South Yorkshire (+9.9ppt). The estimated marginal effect is somewhat smaller in Cumbria (+4.1ppt), and the marginal effects are smaller again in Cambridgeshire (+2.4ppt) and East London (–1.8ppt), and in all of these cases the marginal effect is not statistically different from zero.

The only area where there is evidence that the increase in funds flowing into savings accounts has been associated with an increase in net worth is in South Yorkshire. Those offered the opportunity to open a SG2 account are found to be 7.3 percentage points more likely to have had positive formal net worth, and are 6.8 percentage points more likely to have increased their formal net worth by more than twice the monthly contribution limit over the last three months, which in South Yorkshire is £50 (i.e. 2 * £25). Both these estimated marginal effects are statistically significantly different from zero at the 5% level. The interim report also found that the impact of the SG2 account on those offered the opportunity to open an account was estimated to be strongest on this measure of saving in South Yorkshire.[57]

The estimated impact of the SG2 accounts on spending, again split by area, is shown in Table 5.6. There is no statistically significant evidence of a reduction in total non-durable spending in any of the areas. However in South Yorkshire the point estimate of the marginal effect on whether an individual spends more than £250 a month on non-durables, while not statistically significantly different from zero, is relative large in magnitude at –4.7 percentage points (with a standard error of 3.1 percentage points).

[56] The results in Table 5.5 and Table 5.6 are produced by running separate regressions for each area. Very similar effects were found in a single regression for all the areas which interacted the treatment dummy with the indicators for area.
[57] See Table 7.3.2 of http://www.hm-treasury.gov.uk/media/80D/D7/savingsgateway2_180706.pdf

Table 5.5 Marginal effects on ‘treatment’ in regressions, formal assets, by area

	Manch.	Cumbria	E Yorks	S Yorks	Cambs	E Lond
Savings						
Level (OLS)	–221	+358	–25	–728	–128	–345
	(466)	*(463)*	*(492)*	*(540)*	*(502)*	*(470)*
>£0 (probit)	+0.058*	+0.033	+0.054*	+0.037	–0.029	–0.044
	(0.032)	*(0.027)*	*(0.030)*	*(0.029)*	*(0.031)*	*(0.035)*
>£500 (probit)	+0.007	+0.071**	+0.017	+0.003	+0.008	–0.047
	(0.034)	*(0.032)*	*(0.034)*	*(0.032)*	*(0.035)*	*(0.035)*
Δ savings						
Change (OLS)	–21.92	+5.93	+90.19*	+100.50**	–5.72	–35.72
	(49.40)	*(51.89)*	*(53.07)*	*(45.74)*	*(60.10)*	*(54.33)*
>£0 (probit)	+0.106***	+0.060**	+0.056*	+0.084***	–0.028	–0.037
	(0.030)	*(0.030)*	*(0.031)*	*(0.029)*	*(0.032)*	*(0.031)*
> 2 * mnth lim (probit)	+0.098***	+0.041	+0.061**	+0.099***	+0.024	–0.018
	(0.029)	*(0.028)*	*(0.029)*	*(0.027)*	*(0.023)*	*(0.027)*
Net worth						
Level (OLS)	–1,291	–166	–1,772*	–473	+539	+572
	(947)	*(1,002)*	*(1,030)*	*(1,024)*	*(1,007)*	*(871)*
>£0 (probit)	–0.013	+0.029	–0.004	+0.025	+0.069**	–0.019
	(0.033)	*(0.029)*	*(0.033)*	*(0.031)*	*(0.033)*	*(0.037)*
>£200 (probit)	+0.000	+0.019	–0.028	+0.034	+0.055	–0.042
	(0.034)	*(0.030)*	*(0.034)*	*(0.032)*	*(0.034)*	*(0.037)*
Δ net worth						
Change (OLS)	–146.17	–61.83	+55.42	+30.98	–51.90	–247.11
	(118.28)	*(120.20)*	*(138.51)*	*(126.80)*	*(135.33)*	*(161.50)*
>£0 (probit)	+0.001	+0.006	+0.017	+0.073**	–0.052	–0.068**
	(0.031)	*(0.030)*	*(0.031)*	*(0.029)*	*(0.032)*	*(0.033)*
> 2 * mnth lim (probit)	–0.010	–0.032	+0.016	+0.068**	–0.029	–0.059*
	(0.030)	*(0.029)*	*(0.031)*	*(0.029)*	*(0.029)*	*(0.031)*
Other formal assets						
Level (OLS)	–2,504	–2,967	–6,366	–2,102	–2,173	+204
	(2,705)	*(3,759)*	*(3,446)*	*(1,011)*	*(3,861)*	*(1,712)*
>£0 (probit)	–0.032	+0.028	–0.018	–0.008	+0.033	–0.026
	(0.033)	*(0.031)*	*(0.033)*	*(0.032)*	*(0.034)*	*(0.036)*
>£200 (probit)	–0.017	+0.023	–0.064*	+0.017	+0.013	–0.018
	(0.033)	*(0.032)*	*(0.035)*	*(0.032)*	*(0.034)*	*(0.035)*
Δ other formal assets						
Change (OLS)	–85.24	–14.51	+14.55	–105.54	–96.29	–65.10
	(91.04)	*(84.32)*	*(94.58)*	*(95.07)*	*(100.59)*	*(107.50)*
>£0 (probit)	–0.034	–0.042	–0.024	+0.021	–0.008	–0.043
	(0.029)	*(0.028)*	*(0.029)*	*(0.027)*	*(0.029)*	*(0.031)*
> 2 * mnth lim (probit)	–0.041	–0.055***	–0.022	+0.023	–0.016	–0.036
	(0.028)	*(0.026)*	*(0.028)*	*(0.027)*	*(0.025)*	*(0.028)*

Notes: Sample sizes for probits: Manchester 1,428, Cumbria 1,625, East Yorkshire 1,436, South Yorkshire 1,526, Cambridgeshire 1,213, East London 1,094; sample sizes for OLS regressions slightly lower since 2% of outliers are removed from these analyses. Weighted. Stars indicate statistical significance at the 1% (***), 5% (**) and 10% (*) levels. Standard errors of marginal effects are reported in (brackets).
Source: Telephone survey.

Table 5.6 Marginal effects on 'treatment' in regressions, formal assets, by area

	Manch.	Cumbria	E Yorks	S Yorks	Cambs	E Lond
Non-durable spending						
Level (OLS)	+0.78	–21.09*	+7.39	–12.01	–16.21	+6.80
	(11.30)	*(11.58)*	*(11.77)*	*(10.97)*	*(12.49)*	*(13.38)*
>£250 (probit)	+0.005	–0.022	+0.007	–0.047	–0.003	+0.037
	(0.033)	*(0.030)*	*(0.033)*	*(0.031)*	*(0.033)*	*(0.035)*
Food in spending						
Level (OLS)	–1.02	+0.12	–0.61	+1.51	+1.35	+2.43
	(4.02)	*(3.67)*	*(3.94)*	*(3.73)*	*(4.05)*	*(4.71)*
>£125 (probit)	–0.014	+0.018	–0.007	+0.027	–0.027	–0.011
	(0.033)	*(0.030)*	*(0.033)*	*(0.031)*	*(0.033)*	*(0.035)*
Food out spending						
Level (OLS)	–0.21	–1.83	–2.95*	–0.27	–3.21*	–1.67
	(1.16)	*(1.50)*	*(1.62)*	*(1.44)*	*(1.67)*	*(1.85)*
>£0 (probit)	+0.007	–0.034	–0.019	+0.017	–0.003	–0.019
	(0.029)	*(0.027)*	*(0.028)*	*(0.027)*	*(0.029)*	*(0.031)*
>£25 (probit)	–0.044	–0.057*	–0.047	+0.015	–0.075**	–0.058*
	(0.032)	*(0.030)*	*(0.032)*	*(0.029)*	*(0.033)*	*(0.035)*
Clothing spending						
Level (OLS)	+1.92	–6.14*	–2.38	+4.89	–2.87	+7.65*
	(3.84)	*(3.32)*	*(3.58)*	*(3.48)*	*(3.54)*	*(4.20)*
>£0 (probit)	+0.006	–0.017	+0.010	+0.039	–0.044	+0.023
	(0.028)	*(0.026)*	*(0.027)*	*(0.026)*	*(0.027)*	*(0.032)*
>£50 (probit)	+0.010	–0.055*	+0.002	+0.065**	+0.006	+0.067*
	(0.028)	*(0.026)*	*(0.027)*	*(0.026)*	*(0.027)*	*(0.032)*
Durable spending						
Level (OLS)	+54.08	–15.63	+38.90*	–84.53	–15.99	–7.07
	(38.82)	*(46.32)*	*(46.01)*	*(50.57)*	*(47.36)*	*(40.03)*
>£0 (probit)	+0.005	–0.006	–0.014	–0.028	–0.017	–0.019
	(0.029)	*(0.028)*	*(0.030)*	*(0.029)*	*(0.029)*	*(0.030)*
>£400 (probit)	0.009	–0.007	+0.009	–0.035	–0.013	–0.018
	(0.019)	*(0.022)*	*(0.023)*	*(0.023)*	*(0.022)*	*(0.020)*
Smoking						
Smoker? (probit)	+0.007	+0.021	+0.019	–0.002	–0.026	+0.024
	(0.030)	*(0.027)*	*(0.029)*	*(0.028)*	*(0.030)*	*(0.031)*

Notes: Sample sizes for probits: Manchester 1,428, Cumbria 1,625, East Yorkshire 1,436, South Yorkshire 1,526, Cambridgeshire 1,213, East London 1,094; sample sizes for OLS regressions slightly lower since 2% of outliers are removed from these analyses. Weighted. Stars indicate statistical significance at the 1% (***), 5% (**) and 10% (*) levels. Standard errors of marginal effects are reported in (brackets).

Source: Telephone survey.

Looking at the separate components of spending again there is little consistent statistically significant evidence of a reduction in spending caused by the SG2 accounts. While there is a negative, and statistically significantly different from zero, estimated impact on the likelihood of having spent more than £25 per month on food consumed outside the home in Cambridge this is not consistent with the lack of positive and statistically significant marginal effects for the increase in the amount flowing into saving accounts in Cambridge (see Table 5.5). However the estimated marginal effects for durable spending in South Yorkshire are again not that small. While not statistically significantly different from zero the point estimates suggest that the SG2 accounts reduced durable spending in South Yorkshire by just under £85 over the last three months, with individuals being 2.8 percentage points less likely to have spent anything on durables and 3.5 percentage points less likely to have spent over £400 in the last three months.

5.3 Impact on those who opened an account

The analyses that we have conducted thus far have aimed to identify whether or not the Saving Gateway was associated with statistically significant changes in saving or spending across all individuals who were offered the chance to open an account. Since a sizeable proportion of those offered accounts did not open them, it is also of interest to consider the effect of the accounts across only those individuals who actually opened accounts.

To do this we adjust the results of our analysis of effects across all individuals who were offered accounts using information on the proportion of eligible individuals who opened accounts. Under the assumption that the account did not affect the behaviour of individuals who did not open accounts, it is possible to infer the effect on outcomes just for those who did open accounts.[58]

The results in Table 5.7 show that the effects on account holders were substantially larger than effects measured across all individuals who were offered accounts. For example the estimated 5.3 percentage point increase in the percentage of individuals placing more than twice the monthly contribution limit in savings accounts in the last three months amongst those offered the opportunity to open a SG2 account (which was first reported in Table 5.2) translates into an estimated 34.2 percentage point increase among those who chose to actually open an account. Similarly the 2.2 percentage point fall in the percentage placing more than twice the monthly contribution in other formal of savings amongst those who were offered a chance to open a SG2 account translates to a 12.0 percentage point fall among those who actually chose to open an account. The estimated fall in expenditure on food out is similarly increased when considering only those who actually opened a SG2 account. Spending on food out among account holders is estimated to have been almost £10 a month lower than it would have been in the absence of the account, with a 21.8 percentage point fall in the percentage of those who opened an account who spent more than £25 per month.

[58] An alternative method that one might think of for doing this is to use our regression framework to compare account openers to control individuals. This would be done by inserting two variables that separately identify account openers and account 'refusers' (who were offered but did not open accounts) in place of the variable identifying those offered accounts, in our usual regressions. By doing this the regression effectively compares (mean) average outcomes for account openers, and for account refusers, to those for the control sample. In the interim report (Table 7.3.7, http://www.hm-treasury.gov.uk/media/80D/D7/savingsgateway2_180706.pdf) we showed how self-selection into the groups of account openers and refusers, can make causal inference from the results of such a regression misleading.

Table 5.7 Marginal effects on 'treatment' in regressions, formal assets

	Offered	Opener
Level of savings		
>£0 (probit)	+0.025**	+0.106**
	(0.012)	
Change in savings (over 3 months)		
Change in savings (OLS)	+19.13	+112.53
	(21.33)	
> 2 * monthly limit (probit)	+0.053***	+0.342***
	(0.011)	
Level of net worth		
>£0 (probit)	+0.010	+0.048
	(0.013)	
Change in net worth (over 3 months)		
Change in net worth (OLS)	–60.45	–353.49
	(52.92)	
> 2 * monthly limit (probit)	–0.002	–0.012
	(0.012)	
Level of other formal assets		
>£0 (probit)	–0.005	–0.022
	(0.013)	
Change in other formal assets (over 3 months)		
Change in other formal assets (OLS)	–48.82	–284.88
	(37.66)	
> 2 * monthly limit (probit)	–0.022**	–0.120**
	(0.011)	
Non-durable spending (monthly)		
Level of spending (OLS)	–6.25	–36.76
	(4.74)	
>£250 (probit)	–0.009	–0.047
	(0.013)	
Food out spending (monthly)		
Level of food out spending (OLS)	–1.70***	–9.97***
	(0.64)	
>£25 (probit)	–0.042***	–0.218***
	(0.013)	

Notes: Sample size = 8,329 for the probit regressions and 8,128 for the OLS regressions (since 2% of outliers are removed from these analyses). Weighted. Stars indicate statistical significance at the 1% (***), 5% (**) and 10% (*) levels. Standard errors of marginal effects are reported in (brackets).
Source: Telephone survey

It is important to note that the large estimated impact of SG2 accounts on those who chose to open them might not necessarily translate into the same magnitude of impact on those who did not open accounts if they could be convinced to hold a SG2 type product. A smaller estimated impact would occur if, for example, it were the case that those who chose not to open an account did so because they realised that they would be less able to benefit from opening an account. To the extent to which this is true, a SG2 scheme that had a conversion rate significantly higher than the conversion rate achieved in the pilot (which, for example, any scheme that did not have a fixed window during which accounts had to be opened might be better placed to achieve) might be expected to have a smaller average impact on the larger group of account holders.

5.4 Subgroup analysis

In the results discussed above we have found evidence that the SG2 accounts led to increases in the stock of funds in and flow of funds into saving accounts, but these patterns have not been found for broader measures of financial assets. Indeed the results for a broad set of outcome measures have been somewhat mixed depending on which outcomes we have considered – while there is some evidence of a reduction in the amount spent on food consumed outside the home there is also evidence of a reduction in the amount being saved in formal assets other than cash deposit accounts. One possibility is that the mixed results reflect some SG2 account holders having contributed to their accounts without doing new saving by transferring existing assets into their SG2 accounts or through diverting a flow of funds that would otherwise have gone into a different financial asset into a SG2 account. One might, therefore, expect to find stronger effects if one could analyse a group of individuals who were less likely to have had large stocks of existing assets, or were less likely to have had a flow of future saving that they could divert, when they were offered the SG2 account. We attempt to do this by conducting our regression analysis for subgroups of the sample defined according to income level and housing tenure, employment status and whether or not they report being in receipt of means-tested benefits.

When we split the sample by employment status it is done at the individual level – so it is important to note that those not employed could have a partner who is employed. Individuals in the group who were receiving means-tested benefits must have been receiving at least one of Income Support (or Pension Credit for the few older families in the sample), Job Seeker's Allowance, Housing Benefit, Council Tax Benefit, or the Working Tax Credit. 35% of our (weighted) sample received at least one of these benefits. The income split is defined according to the approximate median family income in our (weighted) sample, observed separately for singles and couples. Single individuals with a gross income below £800 a month, and those in couples with a gross joint income below £1,900 a month (which is roughly 50% of each group) are defined as 'lower income'.

We report results for selected outcomes of interest that have been chosen either as being crucial to the stated goals of the SG2 policy (such as whether net worth is being increased) or because there was evidence in the earlier sections of this report that an overall impact exists (for example, expenditure on food consumed outside the home). Estimates are shown both across all those offered the opportunity to open an account, and also across just those who actually opened a SG2 account (using the methodology set out in Section 5.3).

5.4.1 Impact by income and housing tenure

Table 5.8 shows the estimated marginal effects in higher and lower income groups. This two-way income split is defined so that approximately half the sample is in the higher income group and half the sample is in the lower income group (specifically we split the sample using rounded within sample medians for singles and couples, giving threshold values of £800 and £1,900 per month, respectively). There are some differences in the patterns of results between the two subgroups. Among both the lower income and the higher income groups the SG2 account is found to have increased the proportion who placed more than twice the monthly contribution limit in savings accounts in the last three months, and for both lower and higher income groups the point estimate for this effect measured across all individuals who were offered an account is similar to the effect seen for the whole sample. However, the results in Table 5.8 indicate no statistically significant change in the net worth of either lower or higher income groups, suggesting any increase in savings account balances is offset by lower saving in other forms. For the higher income group, this is confirmed by the results indicating a statistically significant reduction in other formal assets, which suggests they were able to divert money from other assets. In contrast, there is no significant change in other formal assets for the lower income group.

Higher account balances in savings accounts could also be attributable to individuals cutting back on expenditure. There is no evidence of this sort of effect in the case of the higher income group, either in terms of expenditure on non-durable goods or food consumed outside the home. For the lower income group, whilst there is a statistically significant reduction in spending on food consumed outside the home, it is unclear whether this reduction in expenditure is used to increase saving account balances (or used for some other purpose), given the absence of any statistically significant change in overall net worth.

Given the way they are derived, the effects on these subgroups measured across account openers only confirm the patterns of *directions* of impacts noted in the previous paragraph. In addition we see that the point estimate of the impact on the likelihood of having placed more than twice the monthly contribution limit in savings accounts in the last three months is particularly large for the lower income subgroup, at +48.9 percentage points. This partly reflects the lower conversion rate in the lower income group (15.0%) relative to the higher income group (19.0%) and though the point estimate is almost twice as large as that in the higher income group, the two estimates are not significantly different from each other.

The difference in the pattern of results between the lower and higher income groups suggest, tentatively that lower income individuals who opened accounts may have been more likely to find the money to save in their accounts through economies in expenditure, while the higher income subset of account holders were more likely to divert money from other assets. This suggests that higher income individuals were more able to benefit from the SG2 account without having to increase their overall saving, while lower income groups were more likely to cut back on their expenditure.

Table 5.8 Marginal effects on 'treatment' in regressions, formal assets, by income

	Lower income		Higher income	
	Offered	Open	Offered	Open
Savings				
>£0 (probit)	+0.028	+0.135	+0.023	0.094
	(0.018)		*(0.015)*	
Δ savings				
Change (OLS)	–9.56	–64.32	+45.93	+242.19
	(25.09)		*(35.07)*	
> 2 * mnth lim (probit)	+0.056***	+0.489***	+0.049***	0.259***
	(0.014)		*(0.017)*	
Net worth				
>£0 (probit)	+0.004	+0.020	+0.016	+0.069
	(0.019)		*(0.018)*	
Δ net worth				
Change (OLS)	–64.55	–431.97	–53.56	–280.51
	(64.34)		*(84.73)*	
> 2 * mnth lim (probit)	+0.011	+0.085	–0.014	–0.071
	(0.016)		*(0.018)*	
Other formal assets				
>£0 (probit)	–0.009	–0.049	+0.000	0.002
	(0.019)		*(0.019)*	
Δ other formal assets				
Change (OLS)	–17.19	–114.28	–71.79	–376.27
	(47.07)		*(59.49)*	
> 2 * mnth lim (probit)	–0.009	–0.061	–0.035***	–0.164***
	(0.014)		*(0.016)*	
Non-durable spending				
Level (OLS)	–1.63	–10.94	–9.39	–49.44
	(6.09)		*(7.26)*	
>£250 (probit)	–0.005	–0.035	–0.005	–0.026
	(0.018)		*(0.018)*	
Food out spending				
Level (OLS)	–1.90**	–12.71**	–1.00	–5.27
	(0.78)		*(1.02)*	
>£25 (probit)	–0.050***	–0.265***	–0.023	–0.111
	(0.016)		*(0.019)*	

Notes: Sample sizes probits: Lower income 4,001, higher income 4,328; sample sizes for OLS regressions slightly lower since 2% of outliers are removed from these analyses. The income split is defined using (rounded) within sample medians for singles and couples, giving threshold values of £800 and £1,900 per month, respectively. Weighted. Stars indicate statistical significance at the 1% (***), 5% (**) and 10% (*) levels. Standard errors of marginal effects are reported in (brackets).
Source: Telephone survey.

To try to explore the income split in more detail, we repeated the exercise reported in Table 5.8 with a three way income split. This three-way income split is defined so that approximately a third the sample is in each income group (specifically we select rounded income thresholds that split our sample approximately into three and we calculate these thresholds separately for singles and couples, giving threshold values of £700 and £1,550 per month for singles and £1,200 and £2,300 per month for couples). The results are reported in Appendix table A5.1. While some of the patterns of results still come through, others are less clear and this is at least partly due to lower sample sizes resulting in lower significance of estimates. In particular the strongest evidence (although not statistically significant) of the SG2 account leading to a reduction in saving in other forms is among the highest income third of the sample, and weakest (and again not statistically significant) among the lowest income third of the sample. However when looking for evidence on the SG2 account leading to individuals cutting back on their expenditures the evidence is strongest among those in the middle income third, rather than among those in either the lower or higher income groups.

We also produced results for a sample split based on whether or not individuals were owner occupiers (approximately 2/3rds of the sample are owner occupiers); the results are reported in Appendix table A5.2. We again find similar results to those shown in Table 5.8. In particular, the point estimate of the impact of the account on increasing the proportion whose savings increased by more than twice the monthly contribution limit was larger amongst renters who chose to open an account than amongst home owners who chose to open an account. Similarly we find that the proportion of people spending more than £25 a month on food outside the home is reduced by 6.0 percentage points (statistically significant at the 1% level) by the SG2 account for renters, whereas for home owners it is reduced by 2.9 percentage points (and only statistically significant at the 10% level). This is consistent with the SG2 account being more successful at getting those in rented accommodation to cut back on their expenditure than those who are owner-occupiers, who might be more likely to be able to finance contributions to SG2 accounts from other sources. On the other hand, unlike when the sample is split into income groups the difference in the effect relating to saving in other formal assets is *not* evident between the housing tenure groups.

5.4.2 Impact by employment

Table 5.9 shows the estimated marginal effects by employment status (in our RDD sample 54.7% of individuals report currently being employed). Looking first at the results measured across all individuals who were *offered* accounts (i.e. the results reported in the first column of each panel in the table), there is very little difference in any of these estimated impacts by whether or not the individual is currently employed.[59] For both the employed and not employed groups the pattern of results is similar to the pattern across our overall sample, with some evidence of an increased likelihood of having contributed more than two month's worth of SG2 contributions to a savings account, no significant evidence that this same effect is evident when a broader measure of assets is considered, but some evidence that the likelihood of spending more than £25 on food outside the home may have been reduced. The estimates relating to the likelihood of having increased saving in other formal assets by more than two month's worth of SG2 contributions are also similar to those for the full sample, although the statistical significance is reduced when the sample is split in two. In fact, if we compare the results in Table 5.9 to those in Table 5.7, we see not only

[59] One slight difference is that for the employed group there seems to be a significant impact (of 3.7 percentage points) of SG2 on the likelihood of having a positive balance in savings accounts, whereas the smaller point estimate for the non-employed group is not significant. However, the difference runs in the opposite direction from what we might have expected if not being employed were an indicator of being unlikely to have resources available to transfer into an SG2 account without doing new saving.

the patterns of results, but in many cases also the magnitude of the estimates, is similar to the results for the full sample.

Table 5.9 Marginal effects on 'treatment' in regressions, by employment status

	Not employed		Employed	
	Offered		Offered	Open
Savings				
>£0 (probit)	+0.012	+0.055	+0.037**	+0.145**
	(0.018)		*(0.016)*	
Δ savings				
Change (OLS)	+31.95	+204.65	+8.36	+46.50
	(29.85)		*(30.70)*	
> 2 * mnth lim (probit)	+0.045***	+0.354***	+0.061***	+0.348***
	(0.015)		*(0.017)*	
Net worth				
>£0 (probit)	+0.014	+0.062	+0.008	+0.037
	(0.019)		*(0.018)*	
Δ net worth				
Change (OLS)	–65.60	–417.99	–48.00	–265.03
	(70.12)		*(78.81)*	
> 2 * mnth lim (probit)	+0.005	+0.035	–0.008	–0.041
	(0.017)		*(0.018)*	
Other formal assets				
>£0 (probit)	–0.008	–0.039	+0.000	+0.002
	(0.019)		*(0.019)*	
Δ other formal assets				
Change (OLS)	–41.36	–262.77	–55.19	–304.23
	(48.65)		*(57.42)*	
> 2 * mnth lim (probit)	–0.016	–0.097	–0.027*	–0.139*
	(0.015)		*(0.016)*	
Non-durable spending				
Level (OLS)	–5.85	–37.39	–5.84	–32.44
	(6.64)		*(6.81)*	
>£250 (probit)	–0.001	–0.008	–0.016	–0.083
	(0.018)		*(0.018)*	
Food out spending				
Level (OLS)	–1.35	–8.62	–2.13**	–11.77**
	(0.85)		*(0.97)*	
>£25 (probit)	–0.039**	–0.223**	–0.045**	–0.221**
	(0.017)		*(0.018)*	

Notes: Sample sizes probits: Not employed 3,770, Employed 4,559; sample sizes for OLS regressions slightly lower since 2% of outliers are removed from these analyses. Weighted. Stars indicate statistical significance at the 1% (***), 5% (**) and 10% (*) levels. Standard errors of marginal effects are reported in (brackets).
Source: Telephone survey.

If we consider the implied effects measured across just those who actually opened accounts, we again see very little difference in any of the impacts by whether or not the individual is currently employed. Indeed, the scaling up of impacts measured across all individuals offered accounts which occurs when we infer effects across account openers, is quite similar between those not employed and those employed. This reflects the fact that conversion rates (from account offers to opened accounts) were quite similar between these two groups (at 15.6% and 18.0% respectively).

To summarise, there is little systematic difference in our results for individuals who were employed or not employed. As stated above, this could be due to current employment status not being a particularly good indicator of whether an individual has access to a stock of assets – for example they could be married to someone in employment, or indeed could be retired.

5.4.3 Impact by receipt of income-tested benefits

Table 5.10 shows the estimated marginal effects by whether or not individuals reported being in receipt of a means-tested benefit (defined as receipt of Income Support, Pension Credit, Job Seeker's Allowance, Housing Benefit, Council Tax Benefit and the Working Tax Credit). In our RDD sample just over one-third (37%) report currently being in receipt of such a benefit. Beginning by looking at the results measured across all individuals who were offered an account, we again see that the results for both sub-groups do not diverge dramatically from the pattern of results in our full sample. A slight difference between the two subgroups is that the point estimates for the likelihood of having increased other formal assets by more than two month's of SG2 contributions, and for having spent more than £25 on food out, are both slightly larger in magnitude (more negative) and have greater statistical significance for those not receiving benefits than for those who are receiving benefits.

If we consider the estimates for account holders only, the most striking difference in point estimates of marginal effects is for the increase in the likelihood of placing more than twice the monthly contribution limit in savings accounts in the last three months, where the implied 61.8 percentage point effect for the group receiving benefits is approximately 2.7 times the effect on the non-benefit group. Though this difference in point estimates is large, the two estimates are not significantly different from each other. This large difference in point estimates reflects the somewhat larger estimate measured for the group receiving means tested benefits when effects are measured across all individuals offered an account, coupled with the lower conversion rate (of 12.0%) for the group receiving benefits compared to that for the non-benefit group (of 19.7%).

As with the results for employment groups, the results across groups defined according to receipt of means tested benefits again tend to line up quite closely with the results across the whole sample. There are a greater number of significant effects for the group not receiving benefits, and this may reflect a bigger sample size in this group. The lower conversion rate for the benefits group contributes to a particularly large point estimate when the effect is measured across account holders only, but there is no strong pattern of differences between the groups that were and were not receiving means tested benefits.

Table 5.10 Marginal effects on 'treatment' in regressions, formal assets, by whether or not in receipt of income-tested benefits

	Receiving benefits		Not receiving benefits	
	Offered	Open	Offered	Open
Savings				
>£0 (probit)	+0.024	+0.153	+0.023	+0.090
	(0.021)		*(0.014)*	
Δ savings				
Change (OLS)	+1.87	+15.59	+35.57	+180.60
	(20.96)		*(32.31)*	
> 2 * mnth lim (probit)	+0.059***	+0.618***	+0.044***	+0.229***
	(0.016)		*(0.015)*	
Net worth				
>£0 (probit)	+0.023	+0.171	–0.004	–0.016
	(0.021)		*(0.016)*	
Δ net worth				
Change (OLS)	–16.80	–139.72	–75.29	–379.95
	(60.58)		*(77.83)*	
> 2 * mnth lim (probit)	–0.002	–0.014	–0.007	–0.032
	(0.018)		*(0.016)*	
Other formal assets				
>£0 (probit)	+0.016	+0.126	–0.023	–0.099
	(0.021)		*(0.016)*	
Δ other formal assets				
Change (OLS)	–17.75	–147.71	–65.65	–330.56
	(46.48)		*(54.53)*	
> 2 * mnth lim (probit)	–0.013	–0.108	–0.029**	–0.134**
	(0.016)		*(0.015)*	
Non-durable spending				
Level (OLS)	+3.39	+28.36	–10.84*	–55.03*
	(6.56)		*(6.52)*	
>£250 (probit)	+0.012	+0.101	–0.016	–0.079
	(0.020)		*(0.016)*	
Food out spending				
Level (OLS)	–0.99	–8.22	–1.77*	–8.92*
	(0.80)		*(0.92)*	
>£25 (probit)	–0.031*	–0.199*	–0.041**	–0.189**
	(0.017)		*(0.016)*	

Notes: Sample sizes probits: Not receiving benefits 5,450, receiving benefits 2,879; sample sizes for OLS regressions slightly lower since 2% of outliers are removed from these analyses. Weighted. Stars indicate statistical significance at the 1% (***), 5% (**) and 10% (*) levels. Standard errors of marginal effects are reported in (brackets). Benefit receipt defined as receipt of Income Support (or Pension Credit for the few older families in the sample), Job Seeker's Allowance, Housing Benefit, Council Tax Benefit and the Working Tax Credit.
Source: Telephone survey.

Appendix to chapter 5

A5.1. Further methodological details

A brief introduction to the methodology used to estimate the impact of the pilot on all those offered an account is contained in section 5.1 above. In particular, section 5.1.1 explains how we infer the impact of the pilot by comparing outcomes of interest among those contacted through RDD who were offered the chance to open an account to those in the RDD sample who were not offered this chance. As it was random whether or not individuals contacted through RDD were offered the chance to open an account, it is plausible to assume that any statistically significant differences in the outcomes between those offered and those not offered accounts can be attributed to the pilot. Section A5.1.1 gives a more detailed description of this methodology, drawing heavily on section 7.1 of the interim report.[60]

In order to estimate the effect of the pilot just on those who opened an account we had to further assume that the pilot had no effect on those who were offered the chance to open accounts but chose not to. Section 5.1.2 explains how we infer the impact of actually opening an account from our estimates of the impact of the pilot on the group offered the chance to open an account and section A5.1.2 gives a more detailed description of this methodology.

A5.1.1 Estimating the impact on those offered an account

We estimate equations of the form shown in equation (1) below. Y_i is the outcome of interest for individual i, X_i denotes individual observable characteristics, and $OFFER_i$ is a dummy variable that takes the value 1 if an individual was offered the opportunity to open a SG2 account and 0 otherwise, and ε_i is an error term. Hence λ is the main co-efficient of interest.

$$Y_i = \gamma X_i + \lambda OFFER_i + \varepsilon_i \qquad (1)$$

For each outcome of interest, we use three different specifications each of which includes a different set of characteristics in X_i. Details of the characteristics controlled for in each specification are shown in Table 5.1 in section 5.2 above. In the simplest specification (specification 1), we only take into account the area within which the individual resides. Our preferred specification is specification 2, in which we also include controls for characteristics such as sex, age, education, employment status, housing tenure, benefit receipt, numeracy and household composition, which are likely to be correlated with the outcome(s) of interest but are not likely to have been affected by the SG2 accounts. In specification 3, we include the broadest set of controls including measures of family income and individual earnings. These additional variables are likely to be correlated with the outcome of interest but might also have been affected by the SG2 account. As a result, their inclusion in the equation could introduce bias to the estimates of the co-efficient. For example, account holders might have chosen to increase their hours of work to boost their income, so that they could place the extra funds that

[60] http://www.hm-treasury.gov.uk/media/80D/D7/savingsgateway2_180706.pdf

they earned into their account. Therefore, for brevity, we only report the estimates of λ from the 2nd specification for most outcomes of interest.

In section 5.2.2 we also run separate regressions for each area. This produces six different estimates of λ and allows us to examine whether or not the different variants of the SG2 account have a different impact on the outcomes of interest.

For continuous outcomes – such as level of savings or level of savings and investments – equation 1 is estimated using a linear regression (Ordinary Least Squares, OLS). For outcomes that are dichotomous – such as whether or not an individual's savings are greater than £500 or whether or not their savings have increased in the last three months – equation 1 is estimated using a (non-linear) probit model. In both cases, we report the estimated value of λ, which can be interpreted as the estimated impact on the outcome of interest of being *offered* the opportunity to open a SG2 account. For linear regression estimates (i.e. those estimated using Ordinary Least Squares) this will, by assumption, be a constant. For the non-linear estimates (i.e. those estimated using a probit model), the percentage point impact will depend on the other characteristics. In these cases we report the estimated impact at the mean of all the independent variables.

A5.1.2 Estimating the impact on those who opened an account

It is also of interest to identify the impact of the pilot among those who actually opened an account. To estimate this we simply take our estimates of the impact of the pilot on the group offered the chance to open an account and take account of the proportion of individuals who accepted the opportunity to open an account.

For the linear regression estimates of λ this is a simple division. So, for example, if the SG2 account increased saving by £10 per month (on average) among those offered the chance to open an account, but the take-up rate was only 50%, then the impact of the pilot on those who opened an account will be an average of £20 per month.

For the non-linear estimates a slightly more involved procedure is required to calculate the expected change in the probability of the outcome of interest due to the opening an account. This procedure involves manipulating the linear index that underlies the estimated model, and then converting changes in this index into expected changes in the probability of the outcome of interest. The procedure exploits the fact that, in the probit framework, we estimate a single coefficient that measures the effect of being offered an account on the linear index that underlies the probit model. The assumption that the true change in this index is 0 for people who did not open accounts allows us to infer the average change across account openers and we use this inference to back out the average effect on the probability that the outcome of interest takes a value of one. The procedure is most simply explained in a series of steps.

(1) Calculate coefficients for the probit regression of interest, including a regressor for 'treatment' that indicates whether or not individuals were offered accounts.

(2) For individuals who actually opened accounts, predict the probability that the outcome of interest would have taken value one if the coefficient on treatment were equal to the estimated coefficient divided by the proportion of those offered accounts that opened them (i.e. divided by 0.17 if we are considering effects across all six areas).

(3) For the same set of individuals considered in step 2, predict the probability that the outcome of interest would have taken the value one if they had not been offered the account (i.e. predict this probability after setting 'treatment' to zero).

(4) Calculate the (mean) average difference between the two probabilities predicted at steps (2) and (3) across the set of individuals who actually opened accounts.

The average difference that is calculated at step (4) is the number that we report in, for example, Table 5.7. It can be interpreted as the average effect of the account on the probability that the outcome of interest would have taken value one for an account holder, and is measured across the group of account holders given their characteristics.

A5.2. Further results

Table A5.1 provides evidence on the estimated impact of the SG2 accounts split by 3 categories of income, while Table A5.2 provides evidence split by current housing tenure.

Table A5.1 Marginal effects on 'treatment' in regressions, formal assets, by income (3 way split)

	Lower income		Middle income		Higher income	
	Offered	Open			Offered	Open
Savings						
>£0 (probit)	+0.033 *(0.022)*	+0.168	+0.015 *(0.020)*	+0.066	+0.037** *(0.019)*	+0.130
Δ savings						
Change (OLS)	–23.92 *(26.83)*	–173.38	+28.61 *(38.58)*	+162.10	+56.26 *(45.17)*	+288.87
> 2 * mnth lim (probit)	+0.057*** *(0.015)*	+0.577***	+0.060*** *(0.020)*	+0.359***	+0.043* *(0.022)*	+0.218*
Net worth						
>£0 (probit)	+0.018 *(0.023)*	+0.092	+0.005 *(0.023)*	+0.025	+0.011 *(0.023)*	+0.046
Δ net worth						
Change (OLS)	–112.42 *(72.40)*	–810.48	–29.428 *(90.97)*	–165.15	–41.038 *(113.52)*	–210.07
> 2 * mnth lim (probit)	+0.008 *(0.019)*	+0.063	–0.006 *(0.021)*	–0.034	–0.008 *(0.023)*	–0.041
Other formal assets						
>£0 (probit)	+0.005 *(0.023)*	+0.026	–0.014 *(0.023)*	–0.066	–0.002 *(0.024)*	–0.011
Δ other formal assets						
Change (OLS)	–33.72 *(53.01)*	–240.68	–38.87 *(65.60)*	–216.63	–73.35 *(79.21)*	–378.57
> 2 * mnth lim (probit)	–0.016 *(0.017)*	–0.107	–0.024 *(0.019)*	–0.125	–0.032 *(0.021)*	–0.149
Non-durable spending						
Level (OLS)	+2.03 *(7.09)*	+14.736	–7.69 *(7.99)*	–43.20	–9.30 *(9.48)*	–47.79
>£250 (probit)	+0.004 *(0.021)*	+0.031	–0.002 *(0.022)*	–0.013	–0.017 *(0.022)*	–0.085
Food out spending						
Level (OLS)	–2.12** *(0.90)*	–15.21**	–2.03* *(1.08)*	–11.44*	+0.39 *(1.33)*	+1.99
>£25 (probit)	–0.012 *(0.022)*	–0.079	–0.034* *(0.019)*	–0.200	+0.021 *(0.017)*	+0.084

Notes: Sample sizes probits: Lower income 2,692, middle income 2,991, higher income 2,646; sample sizes for OLS regressions slightly lower since 2% of outliers are removed from these analyses. The income splits are defined using (rounded) within sample tertiles for singles and couples giving threshold values of £700 and £1,550 per month for singles and £1,200 and £2,300 per month for couples). Weighted. Stars indicate statistical significance at the 1% (***), 5% (**) and 10% (*) levels. Standard errors of marginal effects are reported in (brackets).
Source: Telephone survey.

Table A5.2 Marginal effects on 'treatment' in regressions, formal assets, by housing tenure

	Not owner-occupied housing		Owner-occupied housing	
	Offered	Open	Offered	Open
Savings				
>£0 (probit)	+0.038*	+0.300	+0.023*	0.086
	(0.022)		*(0.014)*	
Δ savings				
Change (OLS)	–6.98	–70.95	+35.35	+172.10
	(21.66)		*(31.46)*	
> 2 * mnth lim (probit)	+0.051***	+0.665***	+0.049***	0.246***
	(0.015)		*(0.015)*	
Net worth				
>£0 (probit)	+0.022	+0.206	+0.002	+0.008
	(0.022)		*(0.015)*	
Δ net worth				
Change (OLS)	–61.19	–615.83	–55.43	–268.92
	(61.23)		*(77.08)*	
> 2 * mnth lim (probit)	+0.013	+0.127	–0.015	–0.062
	(0.021)		*(0.016)*	
Other formal assets				
>£0 (probit)	+0.013	+0.127	–0.015	–0.062
	(0.021)		*(0.016)*	
Δ other formal assets				
Change (OLS)	–48.90	–491.64	–47.97	–232.17
	(46.99)		*(53.76)*	
> 2 * mnth lim (probit)	–0.026	–0.201	–0.022	–0.099
	(0.017)		*(0.014)*	
Non-durable spending				
Level (OLS)	–5.81	–59.01	–5.60	–27.29
	(7.10)		*(6.28)*	
>£250 (probit)	–0.021	–0.193	+0.002	+0.010
	(0.021)		*(0.016)*	
Food out spending				
Level (OLS)	–1.95**	–19.76**	–1.32	–6.42
	(0.86)		*(0.88)*	
>£25 (probit)	–0.060***	–0.328***	–0.029*	–0.128*
	(0.019)		*(0.016)*	

Notes: Sample sizes probits: Those not in owner-occupied accommodation 2,698, those in owner occupied accommodation 5,631; sample sizes for OLS regressions slightly lower since 2% of outliers are removed from these analyses. Weighted. Stars indicate statistical significance at the 1% (***), 5% (**) and 10% (*) levels. Standard errors of marginal effects are reported in (brackets).
Source: Telephone survey.

6. Account holders experiences of maturity and behaviour post maturity

Account holders reported a range of emotions felt at account maturity. There was a sense of achievement and satisfaction amongst those who had saved for the first time, and in particular for those not used to having a large lump-sum of money in their name.

Respondents reported a range of actions over the months since maturity. Of those who reported that monies had been spent, for the most part it was spent on large items such as holidays or decoration and home improvements, although some had simply spent it on bills.

While there was generally low interest in the Liquid Gold account those new to saving were, in some instances, happy to leave their money there, and were often unaware of the rate of interest or rules governing this account. Some of them assumed that the account would be a 'good' one, if not as good as the Saving Gateway account.

Existing savers tended to express a preference for moving the money into existing accounts as they often already had substantial savings. Other participants researched and opened new accounts to get the most out of their savings.

There was a strong sense of pride amongst new savers in their achievement, and a sense of empowerment and control. For this group, having some money behind them gave them a new sense of security, and reassured them that they would not be unduly affected the next time a big bill or household emergency came around. Many in this group were keen to keep this money safe to ensure these new feelings of security remained, and many reported continued saving activity, whilst others felt that they would aim to pick up their saving again in the future.

Whilst existing savers were less likely to report any long-term impact on planned behaviour, those new to saving felt that they were thinking differently about the amount they currently spend and what is essential expenditure. Overall around two thirds of participants claimed that they had made cutbacks during the life of their account and some were maintaining a lower-spending lifestyle to carry on saving in the future.

On balance, existing savers report little impact on behaviour as a result of participating in the Saving Gateway pilot. There were some instances however of existing savers who feel that the experience has shown them that they can save at a higher rate than their previous level of savings. New savers however are more likely to feel that they have learnt from the experience, and indeed that their behaviour in the future will change as a result. There are also the benefits of financial inclusion of those who had previous little knowledge or contact with financial institutions and of the formalisation of savings for those whose savings had previously involved irregular deposits into kitties or jam jars in the home.

This final chapter discusses, for the most part, qualitative interviews with 70 account holders from the six pilot areas, conducted in February and March 2007. The aim of this final round of interviews was to discuss in more detail post-maturity actions, reflections on the experience a few months after maturity, and the future of the scheme.

6.1 Closing the Account

Account holders generally felt that closure of the account was a relatively straightforward process in terms of receiving matched funding and getting access to their savings. However, there were, as touched on in Chapter 3, suggestions for more 'advanced' notification of maturity approaching and what this would entail, as well as calls for more proactive advice from Halifax Staff to account holders.

6.1.1 Timeliness of final communication

On reflection account holders generally felt that they had not needed more or different information on the process of maturity, despite the concerns expressed during the interim qualitative interviews, as outlined in section 3.4.1. However, the timing of final communication had often been an issue. Many had already been into the branch to withdraw the money or close the account before the maturity information arrived, and felt that information on account closure could have arrived earlier.

> *I put the date on the calendar, the date when it matured if you like. And I went in on that day and took the money out and put it in my other account. And maybe four days afterwards I got a letter from the bank*
>
> Male, East Yorks

For others, information had been received in advance of account maturity, but there was a feeling that a little further advanced notice would be appreciated, particularly for those who had reached their saving target after 16 or 17 months and felt that they were waiting around for a considerable period before being contacted. For these savers, who had reached their saving 'limit' after 16 months, there was a feeling that a letter at this time would be reassuring.

6.1.2 In-branch information at maturity

A small number of participants had experienced problems when it came to withdrawing their money at maturity. One participant said that they had been told that they could not withdraw their money as they did not have their passbook with them at the branch. They argued that they had always paid into the account via a standing order, had never used the passbook and were not even sure that they had one.

Some participants felt there was a perceived lack of awareness of the Gateway account amongst some Halifax staff, including limited understanding of what happens at maturity.

> *I tried to change the account after it finish and I wasn't impressed with their service. Nobody seemed to know anything about this account and couldn't tell me or advise and I wasn't impressed at all*
>
> Female, Cambridge

Others reported a lack of practical post-maturity advice or information and suggestion for 'next steps', which was felt to be key to continuing the engagement process with those new to saving. Suggestions at this point included holding an 'exit interview' to discuss options for continued saving and to raise awareness of other options available to account holders.

> *At the end of 18 months or whatever you've got your pot of cash back and it's yours to do as you wish, there should be some incentive. The government shouldn't just leave you high and dry basically to do what you want with it*
>
> Male, South Yorks

6.1.3 Receiving the matching; how did account holders feel on getting their match rate

Account holders were generally very happy when they received their matched funding. Amongst those new to saving, many spoke of feeling satisfied or feeling a sense of achievement as they had been working towards that point for a considerable amount of time. Others talked of feeling proud and impressed with themselves for managing to save and commit to the account.

> *It felt really satisfying actually. It was like, ah actually I am capable of saving something…*
>
> Male, Cumbria

Existing savers tended to report being more complacent on receiving their match rate. They were less likely to talk about strong feelings of satisfaction, and more likely to report simply feeling pleased to receive the matching, and pleased that they had got a very good return for their money.

While no on talked about feeling disappointed there was a sense of deflation amongst some participants, particularly those new to saving for whom the account rules had really motivated them to change their behaviour, and who worried that might now struggle to motivate themselves to continue saving.

> *Maybe a bit of a disappointment that it was over cos it was maybe making me step up a little bit*
>
> Female, Manchester

On the whole though, respondents stated that they were at least happy with the matched funding received.

6.1.4 A unique savings experience

As was the case during the interim qual interviews, participants acknowledged that the Saving Gateway account was a unique form of saving and differed from the saving that they had done in the past or might do in the future. Crucial differences were the fact that the account was Government run, ran for a fixed term and paid out a fixed match rate rather than an interest rate.

For some account holders, the specific rules of the SG2 accounts were key to them engaging in savings activity – though for some their behavioural change was not felt to be sustainable in the longer-term. Often they argued that they were able to achieve cutbacks in the short-term because the SG2 account let them know exactly how long they would need to maintain this rate of saving, exactly how much they would need each month and overall, and how much they would have at the end. This would not be the same in a regular high street account.

Those account holders new to saving commented that the structure provided a very strong incentive for them to work towards, and were positive about the fixed format which encouraged them to save in a regular fashion.

> *It's like a plan, a routine that you either virtually have to meet it whereas the normal saving account, you put a bit in here and there, I felt obliged to meet the target*
>
> Female, East London

Some reported that they had stuck to the savings plan more through 'fear' of missing-out; not wanting to forgo any of the potential matching that was on offer – clearly a phenomenon unique to the SG2 account where returns depend directly on regular deposits each month. For those who would otherwise have difficulty in keeping savings in one place, the rules governing withdrawals were thought to be compelling reasons to leave money within the accounts.

> *You'd probably tend to take money out if you didn't need to keep it in*
>
> Female, Cumbria

Thinking ahead to the financial benefit that could be gained from saving was strong motivation for some, particularly for those who had ear-marked the savings for a specific purpose. Again this was related to the 'fixed' nature of the account and the clarity with which account holders could anticipate their level of return.

> *Because there was a final target to reach, it was a motivation in its own way because at the end of the day, the more you do, the more they give and then the better it would be for the kids*

Female, East London

The general feeling was that the account represented an excellent way of making it easy for people to commit to saving even if for the first time; some said that they might not have ever started saving if it had not been for the opportunity to open a Saving Gateway account.

> *They gave you that push forwards, they gave you that step forward that a lot of people find hard to take into saving. Once that happened, it was easier to carry on from there*
>
> Female, East London

6.2 Post-maturity Actions

Both elements of the research study focus on outcomes for account holders. Respondents are asked what they intend to do with their savings, and in the case of the final round of qualitative interviews, what they in fact have done. Findings are discussed in this following section.

6.2.1 Reported intentions for final balances

During the telephone survey conducted in autumn 2006 participants were asked what they planned to do with their SG funds (their own contributions plus the matched amount) once their account had matured.

Respondents also discussed their short-term actions in the period after their accounts had reached maturity during the qualitative interviews. These ranged from moving the money into existing savings accounts, moving into a new savings product, leaving the money in their Liquid Gold account, to spending all or some of the money.

Tables 6.1 and 6.2 show that about two-in-five (42.3%) account holders who responded to the telephone survey said they intended to save or invest all of the accumulated funds. A further one-in-five (21.3%) said that they planned to spend some of the money and save some of the money. Of those, who reported they would spend some percentage of the funds, the majority (60.4%) said that they would spend half of the funds and save the other half.

Overall, the percentage who reported intending to save at least some of the money does not vary much across the different areas: the percentage is lowest in East Yorkshire (61.6%) and highest in Cambridge (66.4%). Very few people reported intending to give the money away (just 1.0%), while just over one-in-nine (11.6%) had not decided what to do with the money.

Table 6.1 Intended uses of funds in Saving Gateway accounts, by area

	E Yorks	Cam-bridge	S Yorks	E London	Cum-bria	Manch	All
Save or invest all	43.7	44.1	45.3	46.8	37.8	39.7	42.3
Spend some save some	17.9	22.3	16.8	18.1	26.3	24.0	21.3
Spend all	24.8	22.0	24.1	20.8	23.6	25.7	23.9
Give money away	1.2	0.7	1.3	1.2	0.3	1.4	1.0
Undecided	12.3	11.0	12.5	13.1	12.0	9.1	11.6
Sample size	*1,017*	*611*	*781*	*404*	*1,066*	*830*	*4,709*

Note: All account openers (RDD, DWP and PAF) who responded to the telephone survey. Small number of individuals reporting "don't know" are coded as undecided while those reporting "other amount" are coded as "spend some save some".

Table 6.2 Intended uses of funds in Saving Gateway accounts, by recruitment method

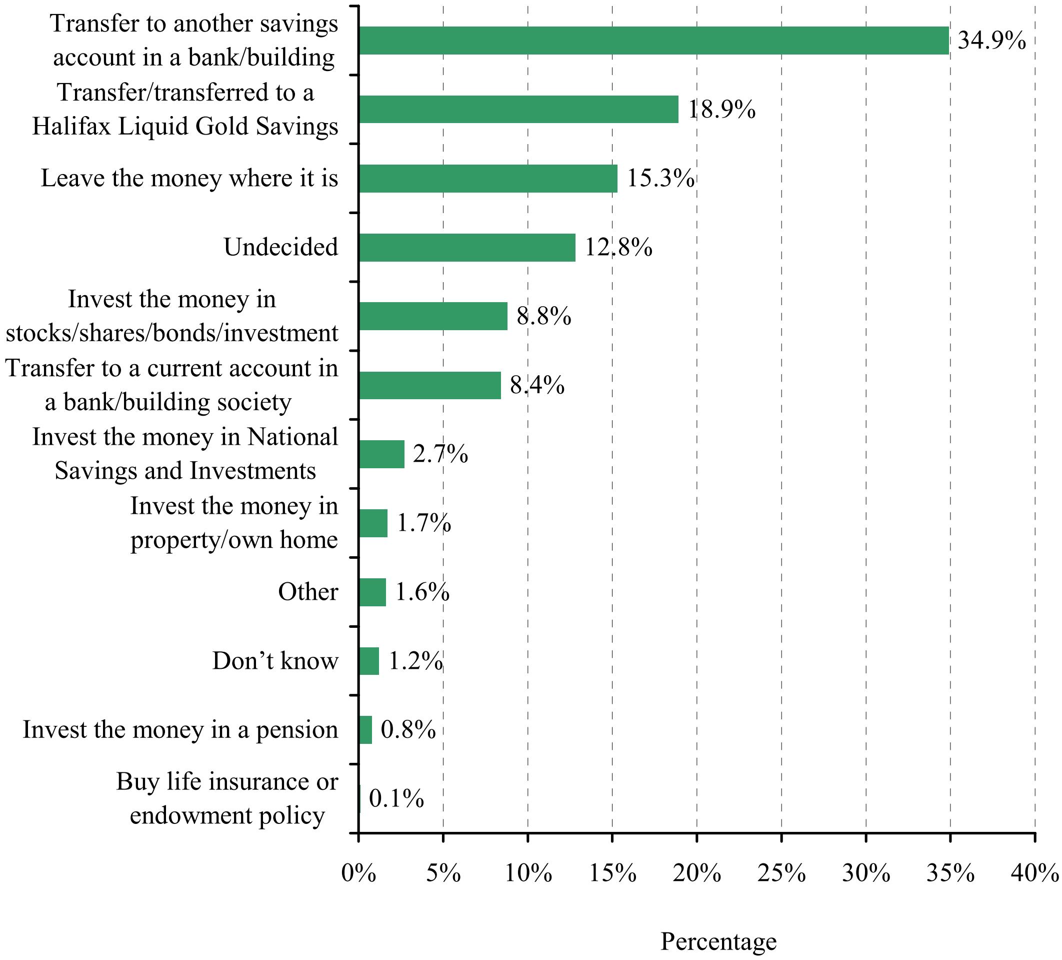
	RDD	DWP	PAF	All
Save or invest all	42.7	40.6	43.3	42.3
Spend some save some	21.8	22.7	18.4	21.3
Spend all	24.0	23.7	23.8	23.9
Give money away	1.1	0.9	0.7	1.0
Undecided	10.3	12.1	13.8	11.6
Sample size	*2,379*	*1,282*	*1,048*	*4,709*

Note: All account openers (RDD, DWP and PAF) who responded to the telephone survey. Small number of individuals reporting "don't know" are coded as undecided while those reporting "other amount" are coded as "spend some save some".

6.2.2 Saving SG funds

About a third (34.9%) of those who intended to save or invest some of the money planned to move at least some of it to another savings account. However, a similar proportion (34.2%, i.e. 18.9% plus 15.3%)) planned simply to move some or all of the money to a Halifax Liquid Gold account, which is the default action once the account ends if the account holder does not choose to do something else with the money. Only a minority of individuals said that they would invest any of the money rather than put it in some form of savings or current account.

Figure 6.3 Intended use of money among SG2 account holders who intend to save or invest some of it



Note: Unweighted. Sample size = 2,961.
Source: Telephone survey.

This desire to keep the Saving Gateway money was largely born out in the qualitative interviews where participants, both new and existing savers, talked about their motivations for keeping the money. For existing savers this tended to be an easy decision; often they already had substantial savings and simply added the new money to these or started new accounts.

New savers tended to have different motivations; often they spoke of a new sense of security and reassurance that there is some money there, in case of emergencies;

> *As I say if anything goes wrong in my home I know I've got that security that I'm covered if any eventuality happens I can go and get the money right away and just pay for it*
>
> Male, Cumbria

Those new savers who had managed to save regularly into their SG account tended to be the most motivated in keeping their savings and often spoke of being surprised at how much they had managed to put away and motivated to continue saving.

Left as Liquid Gold account

The qualitative interviews revealed mixed awareness of the benefits and drawbacks of Liquid Gold accounts. Account holders were generally aware that the Liquid Gold account was not as competitive as other savings products on the market. There were those however, who were not aware of this, and were not able to describe the interest rate that savings would gain within that account, or indeed the actual workings of the Liquid Gold accounts. They were more likely to be those account holders with less experience of regular financial products and those new to saving.

> *I think it's a Gold account or something, I should imagine it'll be the same amount of interest to other saving accounts*
>
> Male, Manchester

There was a general feeling that there was not enough information provided on the Liquid Gold accounts, how good its rate of return was and, in particular, what else the Halifax or other banks could offer. Often participants spoke of leaving their money in the Liquid Gold account under the impression that it was a 'good' account, perhaps even **as** good as the Saving Gateway. These participants, being new to saving and less likely to be aware of the interest rates associated with more 'regular' savings products, assumed that the Liquid Gold account must offer similar benefits to that of the Saving Gateway.

There were new savers who intend on keeping the money but who, whilst aware that there may be more rewarding ways to invest their savings, have not yet managed to get round to doing anything about it, and so the money has remained in their Liquid Gold accounts.

> *I keep thinking that I will go in and see them. And see if there's anything that would give me a bit more interest on it. So I will have to go in and see them and see if I can sort something out, another account that can give me a bit more interest maybe*
>
> Female, Manchester

Of those new savers who had left funds in the Liquid Gold account, some did report that they did intend to use the account to save more in the future, though had not necessarily maintained any form of regular savings to this point.

> *Just keep it there. I want to add on to it, I want to top it up and just keep it there for when we retire. I won't touch it now it's there*
>
> Female, East Yorks

> *I'll leave it and it's in Liquid Gold. I'm going to keep that separate and I'm going to try and add to it so build it up*
>
> Female, East London

Those who had been regular savers before Saving Gateway tended to view the Liquid Gold account as a poor savings product and had generally closed it.

> *It goes into the [Liquid] Gold one, and it's not very much, it's not as high an interest rate as the one what we're getting there so I wouldn't want it there*
>
> Female, Manchester

Some of those savers who were aware of the low rate of return offered by the Liquid Gold account felt that the SG account should not be converted into a savings product that paid so little interest, particularly when aimed at people on relatively low incomes with low levels of financial literacy.

> *How can you have ½%? I just think it's immoral*
>
> Female, East London

Transfer to existing savings

Among those participants who were existing savers, adding their matched funds to their existing funds tended to be the preferred course of action. Most already had an established pot of money and the SG funds were simply added to this. Indeed in some instances participants spoke of transferring the money back into the same account it had been in before it had been gradually transferred into the Saving Gateway account over the course of the previous 16-18 months.

> *It just went back into our savings account. Well then we set up a Lloyd's savings thing which, if you leave it there for 18 months, will pay you 8% a year, so we're doing that now*
>
> Female, East London

The majority of those transferring Saving Gateway monies into existing savings products had no intention to spend that money at this point.

> *Not planning to spend it, no. It's just money sloshing around that I don't particularly need …*
>
> Male, Cambridge

> *Haven't got it earmarked for anything particularly. It will go into the bank savings account and just be regarded as normal coffer of funds*
>
> Male, East London

For some of these savers, there was a feeling that consolidating their savings would be more advantageous, whilst for others, there was a feeling that having sums of money invested in different products with different institutions was wiser. These were the more financially aware respondents, who felt that spreading their risk around was a prudent way to manage their finances.

Transfer to a new savings product

Whilst there were existing savers who transferred Saving Gateway funds into pre-existing savings products, others looked for a new savings product with which to invest these funds. There were various reasons cited for looking to a new savings product for these matched funds.

Some opened new accounts within the Halifax to take advantage of higher interest rates offered by other savings products;

> *Once it matured, it became the Liquid Gold, I then moved that to a Halifax Web Saver, it gives you a higher, much higher rate of interest*
>
> Female, Cumbria

Respondents new to saving were also looking to more advantageous savings products. Those who did get the opportunity to talk to a Halifax member of staff upon maturity were advised to move their money to gain higher rates of interest on their savings. For others, particularly those who had to travel some distance to a branch that administered Saving Gateway accounts, they were motivated by ensuring their money was saved in a bank or branch that was closer to their home and more convenient for them to access.

Others looked for a new product to transfer the value of their accounts across to. For some this resulted in a new savings account, and for others this involved opening an alternative type of saving product altogether, such as an ISA. Those account holders with experience of savings and financial products were those more likely to be investigating alternative options.

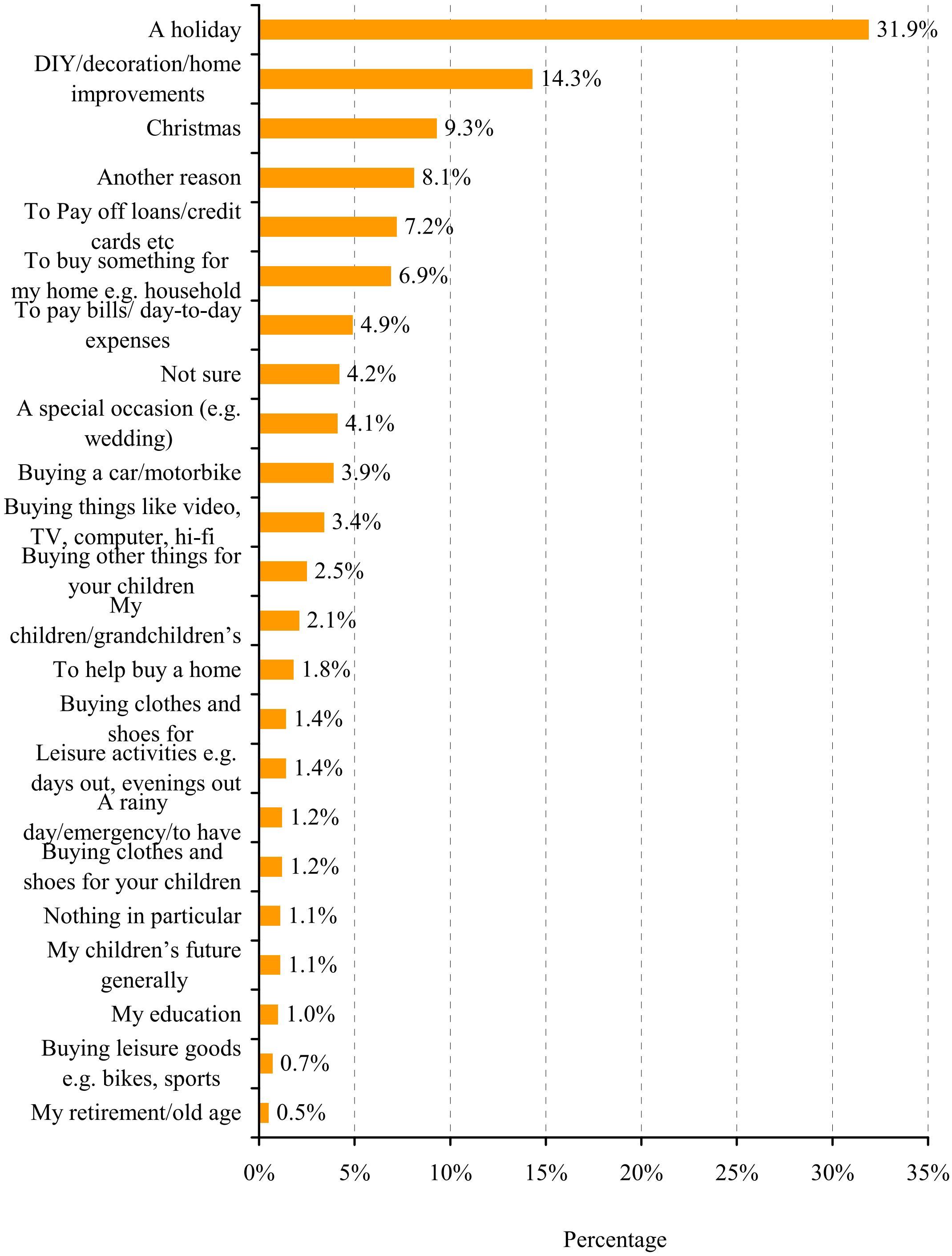
> *I had a look on the internet what different accounts, saving accounts and the ISA was just the most appealing one*
>
> Female, Cumbria

Searching the internet or reading financial literature was a widely reported source of advice for account holders seeking to transfer their savings out of the Liquid Gold account. For those new to saving there was a feeling that more could be done to advise them at the maturity stage of their options. This applies to those with little experience or indeed understanding of the workings of savings products.

6.2.3 Spent savings

The quantitative interviews revealed that the most common intended use of the money amongst those people who intended to spend at least some of it was for a holiday. Nearly three-in-ten (31.9%) of those who planned to spend some or all of the money said that they would spend some of it on a holiday. The next most common use of the funds was for home improvements (which might, at least in some cases, be considered more akin to saving the funds rather than spending them in that home improvements should deliver a stream of future benefits and could boost the value of the home). Nearly one-in-ten said that they planned to put some of the money towards Christmas, which may reflect the fact that many accounts matured in the months immediately preceding Christmas 2006.[61]

Figure 6.4 Intended use of money among SG2 account holders who intend to spend some of it



Note: Unweighted. Sample size = 1,885.
Source: Telephone survey.

[61] 12,713 of the 21,504 accounts matured before 31 December 2006.

This suggests a high level of forward planning with regard to their SG spending and this was born out in the qualitative interviews. As previously reported in section 3, many participants had earmarked their SG money from a very early stage.

> *Well I did want a new three piece suite with it but I haven't gone and picked one. Might wait now till January, February*
>
> Female, Cumbria

However, there were others who talked about spending the money more spontaneously. Some participants, particularly those who were new savers or who were from lower income households, had spent some or all of the money on a particular bill or expense that happened to coincide with the account maturity, such as car servicing or insurance, or as previously mentioned, Christmas shopping.

> *I thought of putting it in an ISA which I opened, but I needed to buy a car, so it's gone now … It's because I changed jobs right at that time in November, so I need to travel*
>
> Female, Cumbria

> *I spent it. I think it was some sort of electricity bill or some sort of bill that needed paying*
>
> Female opener, Cumbria

For some, particularly those new to saving, having a lump sum was felt to be a 'novelty'. Having a lump-sum for the first time was a good opportunity to spend money on what may be considered by some to be more 'luxury' items;

> *The missus was very pleased. She basically booked a holiday there and then*
>
> Male, East Yorks

This was often also the case among those existing savers who had spent the money, who tended to report having used the funds for a one-off treat or luxury such as a holiday or a new kitchen or other form of home renovation.

For others, the money was spent on items which were considered more **essential** such as a new cooker, or equipment needed for their work;

> *[I] didn't spend it flippantly. I spent a bit on musical equipment, but I've still maybe got, I've still maybe got 300 quid in the bank. And you know, that's considering I'm on £100 a fortnight, that's pretty good really*
>
> Male, East Yorks

Making purchases did not, however, necessarily involve using **all** of the money. Indeed, for some of those new to saving, this sense of having a lump-sum of money in their name for the first time resulted in a new challenge to keep the money and to ensure that it was **not** all spent.

6.3 Reflections on Saving Gateway experience

6.3.1 Account holders' views on account usage

All those account holders who responded to the telephone survey in 2006 were asked their views on a series of statements relating to how the saving gateway accounts had influenced their behaviour. The responses to these questions are shown in Table 6.5 and the percentage strongly agreeing or agreeing with each statement is shown in Table 6.6 (by area and recruitment method) and Table 6.7 (by age, income, benefit receipt and net worth).

The second row of Table 6.5 shows that 77.1% of individuals thought they would continue to save once the saving gateway had ended with only 17.8% thinking that they would not continue to save. Table 6.6 shows that this did not vary much across areas or by recruitment method. However, as shown in Table 6.7, the percentage who thought they would not continue to save was highest amongst those aged 50 and over (18.6%), those in the poorest income quintile (23.0%), those with the lowest net worth (20.1%) and those receiving means-tested benefits (19.2%).

Table 6.5 Saving Gateway account holders views on the following statements

	Strongly agree	Tend to agree	Neither agree or disagree	Tend to disagree	Strongly disagree
(1) The account has encouraged me to save money more regularly	57.3	21.7	4.7	9.4	7.0
(2) I do not think I will continue to save once the saving gateway ends	9.0	8.8	5.0	21.5	55.6
(3) The saving gateway account has helped me to plan ahead	15.3	18.9	6.5	25.8	33.5
(4) As a result of the saving gateway account I cut back on my expenditures	36.2	29.7	8.7	14.9	10.4

Note: All account openers (RDD, DWP and PAF) who responded to the telephone survey. Relatively small number of individuals stating that they "don't know" are excluded.

Nearly four-in-five (79.0%) also felt that the saving gateway account had helped them to save more regularly. This did not vary systematically by account characteristics or individual characteristics, as shown in Tables 6.6 and 6.7. About two-thirds of respondents (66.0%) also believed that they had cut back on their spending as a result of the saving gateway. Chapter 5 examines in more detail the extent to which account holders have reduced their spending whilst they have held an SG2 account.

Table 6.6 Percentage of Saving Gateway account holders strongly agreeing or agreeing with the following statements, by area and recruitment

	(1) Encourage regular saving	(2) Won't save after gateway	(3) Helped me plan ahead	(4) Made me cut back spending
Area				
Cambridge	74.1%	18.6%	33.6%	60.6%
Cumbria	79.5%	17.8%	38.3%	69.2%
East London	77.6%	18.5%	37.9%	62.3%
East Yorkshire	81.0%	16.4%	30.1%	63.3%
South Yorkshire	75.1%	18.1%	28.7%	62.3%
Manchester	83.8%	18.5%	37.8%	73.0%
All	*79.0%*	*17.8%*	*34.2%*	*66.0%*
Recruitment method				
RDD	80.5%	16.9%	31.0%	66.9%
DWP	78.6%	18.8%	45.9%	67.0%
PAF	76.0%	18.8%	27.1%	62.7%
All	79.0%	17.8%	34.2%	66.0%
Sample size	*4,697*	*4,457*	*4,678*	*4,690*

Note: All account openers (RDD, DWP and PAF) who responded to the telephone survey. Relatively small number of individuals stating that they "don't know" are excluded.

Whilst the majority of account holders felt that the account had helped them to save regularly and the majority believed that they would continue to save after the saving gateway ended, only about one-in-three (34.2%) felt that it had helped them to plan ahead. Agreement with this statement was highest amongst those with low incomes. Nearly half (46.4%) of those in the poorest income quintile agreed or strongly agreed that the account had helped them to plan ahead, with a similar percentage (46.9%) of those receiving means-tested benefits also agreeing or strongly agreeing with this statement. However, amongst the highest income quintile, only one-in-four (24.3%) of all respondents felt this way.

Table 6.7 Percentage of Saving Gateway account holders strongly agreeing or agreeing with the following statements, by area and recruitment

	(1) Encourage regular saving	(2) Won't save after gateway	(3) Helped me plan ahead	(4) Made me cut back spending
All	***79.0%***	***17.8%***	***34.2%***	***66.0%***
Age				
Aged 16 to 29	80.6%	16.6%	31.8%	73.5%
Aged 30 to 49	79.7%	16.9%	33.8%	65.9%
Aged 50 and over	78.4%	18.6%	34.7%	65.3%
Income				
Poorest quintile	78.3%	23.0%	46.4%	64.5%
2nd quintile	81.6%	17.7%	40.4%	67.4%
3rd quintile	80.3%	19.8%	33.2%	67.2%
4th quintile	79.5%	15.9%	29.9%	68.9%
Richest quintile	75.4%	14.0%	24.3%	61.7%
Benefit status				
Not receiving means-tested benefits	78.3%	17.2%	28.5%	64.6%
Receiving means-tested benefits	80.6%	19.2%	46.9%	69.2%
Net worth				
Poorest quintile	80.9%	20.1%	39.7%	70.3%
2nd quintile	81.5%	18.7%	43.7%	71.3%
3rd quintile	86.0%	17.5%	48.1%	73.5%
4th quintile	78.8%	16.5%	29.0%	66.3%
Richest quintile	70.8%	17.6%	19.4%	53.9%
Sample size	*4,697*	*4,457*	*4,678*	*4,690*

Note: All account openers (RDD, DWP and PAF) who responded to the telephone survey. Relatively small number of individuals stating that they "don't know" are excluded.

6.3.2 Continued saving

Comments from existing savers were mixed on the extent to which they had continued saving with their Saving Gateway funds. Some had treated the Saving Gateway account as an 'extra' pot of savings, and had returned to their normal saving patterns once their SG account had matured. However, others, particularly those who said the SG experience had shown them that they could afford to save more than they were already doing, had continued saving at the same regular monthly rate.

> *I think it's made me realise that I could have been saving that little bit extra had I really put my mind to it, and how good it feels when you do*
>
> Female, East Yorks

Those new to saving often spoke of continuing saving after their SG accounts had matured but were less likely to continue saving at the same rate. This was particularly the case for those for whom meeting their monthly SG saving target had entailed making cut-backs. The new savers who reported that they had carried on saving were more likely to have reduced the amount that they were saving, or in fact altered their approach to being a less regular one.

> *We're not going to skin ourselves to do it, but as long as we can afford it we'll put something away, if we can't afford it we don't. But if we've got a few bob … put a little bit away and save it for a rainy day. It's not such a shock to the system now*
>
> Male, East Yorks

Some talked about the Saving Gateway experience making it easier to carry on saving now that they had a pool of money to add to rather than having to start from scratch.

> *It feels better actually, because I've got that extra money there and I'm adding to it, it's actually a very nice feeling*
>
> Female, Cumbria

Indeed some people were planning to spend their SG money on something in the near future and often they had carried on saving into this 'pot' to keep it growing.

> *we tend to put aside money each month into that Halifax account just as a lump holiday account, if you like*
>
> Male, Cambridge

6.3.3 Acting differently in the future?

Many of those who had been non-savers felt that they had been 'sold' on the idea of saving; though they were not necessarily going to start again immediately, they felt that they had realised its benefits and planned to start again at some point in the future.

Other new savers, who did feel that they could carry on saving in the future, were confident that when the time came, they would have the will-power to stick to a regular saving plan.

> *We feel that we've done it once and we can do it again*
>
> Male, East Yorks

Some new savers, particularly those who reported feelings of pride in their achievements and a particular sense of satisfaction in their new-found ability to save, talked of particular long-term goals that they would continue to save towards in the future.

I think my children are my main goal really, to look for their futures. They're going to grow up one day, they're going to want to study … and they'll want to get married. There's always a new car and a house, but the rest of it's, yeah, I think they're the main motivation for my saving

Female, East London

Once again experienced savers were far less likely to talk about changing their habits and saving more in the future. Generally they argued that there were already happy with the amount of saving they had been doing and the Saving Gateway account had not encouraged them to make significant changes.

6.3.4 Thinking differently about finances

For many the Saving Gateway experience had been a real 'eye-opener'. Many had spoken about it with friends and family; where otherwise they may have kept their finances more to themselves.

When I told other people they said, well why didn't we get a chance to do this

Female, East London

In particular, for those new to saving, the Gateway account had been a real 'wake-up call', and the first time that they had ever been really engaged with the idea of saving. Indeed some felt that they were now real advocates for savings, and were encouraging friends and family to try it themselves.

Those new to saving often said they had learnt that money does not necessarily have to be spent, and that it is possible to accumulate funds where previously this would not have seemed important.

Since the savings account, I use my current account to save, but I mean I just don't draw as much out as I did. I'll leave more and more in. Whereas I used to clean out the bank account on a fortnightly basis, but now it's I've kind of gathered momentum and I'm managing to save now. [...] at first, I took it quite flippantly, [...] but I haven't stopped saving yet

Male, East Yorks

For some, there was a realisation that their lifestyles can be altered to allow them to put money away on a regular basis. This was particularly true of those new savers who had made cut-backs on 'non-essential' expenditure (such as socialising, eating out) in order to meet their obligations to the Saving Gateway account.

I would rather go without month to month lifestyle wise, go out less, for example, eat out less, whatever. I'd rather do less that way and save as I am than cut the savings

Male, Cambridge

What came through strongly for those who did not have to make too big a cut-back in order to save, is a sense of realisation that saving does not necessarily have to entail any form of real hardship;

It's opened my eyes in a way I don't normally think about. You realise that it wasn't really that difficult at all. We've learnt how to save now. Some people just needed that bit of a helping hand on to the saving ladder and I think that's what we got

Female, East London

There was also a sense from some new savers that the experience of saving, and the ownership of what was considered to be a substantial sum of money, was a particularly empowering one.

Cos we've got it we don't want to touch it, because we've never had savings as such before

Male, East Yorks

While many were cynical about the idea of putting their money away in savings accounts, feeling that there is not adequate incentive, for others the experience had helped them to see that money can grow if invested wisely.

It changed my attitude that I shouldn't keep any money at home and put it in wherever it makes money

Female, Cumbria

6.3.5 Thinking differently about their longer term future

Existing savers were unlikely to report any significant changes to thinking about their longer term financial future. For this group, there was a sense that they were already thinking and planning ahead, and their experience of the Saving Gateway was not necessarily an attitude or behavioural altering one.

No, I wouldn't say it had changed my attitude, no, because I've always been a person on top of the finances

Female, Cumbria

No different now than before. It was just a thing I was invited to do with a wonderful return

Male, East London

This group, who were already saving, and fully intend to carry on saving, are more likely to be already 'sold' on the idea of saving. For this group, saving was already a 'way-of-life' and not something new to think about.

> *I was saving before anyway, so it makes no difference to me*
>
> Female, Cambridge

However, although the accounts might not have changed all participants' views on saving, the experience has given both new savers and those pre-existing savers the opportunity to reflect on their overall approach to money management, and how their current behaviour can impact on their financial future.

> *It's made me realise that I really do need to save in order to achieve things. And that seems a ridiculous thing to say as it's so obvious but you get so used to your financial situation and living day to day that the bigger picture can be obscured*
>
> Male, Cumbria

> *It's made me think that I should be paying more attention to finances and saving and thinking of the future, I think, really, even though it's difficult in my situation I still have to try and think about it more and be proactive*
>
> Female, East Yorks

Another positive outcome was a feeling that, based on the experience of saving, future purchases could be planned for rather than borrowed against;

> *If you need anything, instead of going to the bank or going to the credit card or anybody, anything like that, try and save up and just keep yourself out of debt*
>
> Male, East Yorks

This was particularly the case for those who had not previously engaged with saving, who were the most likely to talk about having learned something from the future-focussed account.

> *Before, I wouldn't say I was chaotic but it wasn't far off, but like I say now we think about the future, we think about money more, so it just gives you that, it's like an education in savings to be honest*
>
> Male, East Yorks

Others had begun to think about other savings related aspects of their future that had previously lapsed, for example pension provision.

> *I had a pension ... from my previous employer which I haven't got now with my new employer, and that is bothering me a little bit. And I think more so because of*

the Gateway making you think about the future more, and putting aside money more for the future

Male, Cambridge

For those already approaching retirement who had often used the matched funding to 'treat' themselves, the experience had shown them that, with some forward planning, they are able to enjoy life more, both now and in the future.

I suppose the fact that I was able to afford to go on holiday made me think, well why shouldn't I be able to do that every year? And, how can I make that happen for me? Ooh yes, and so it's just made me think about how I could make my life better for me

Female, East Yorks

Account holders new to saving, who had not previously experienced the feeling of having a lump-sum of money to their name, felt that this sense of security gave a feeling of a financial 'safety-net' to cover any future emergencies, and ensure that the day-to-day household finances are not unduly affected.

It feels better to know that I'm saving something, definitely. I mean we've recently got a car, so it boils down to things like that, if something goes wrong with the car it's not going to be cheap, but at least you've got something put away that you can use, rather than it having to come out of your everyday money, you've got something set aside, that feels better, definitely

Female, East Yorks

Account holders often cited financial provision for their own children or grandchildren as a large future concern. For some, saving for them was more of a priority than saving for themselves; and getting started with a saving plan that was ear-marked for their future generation was felt to be reassuring.

I feel a bit more secure now and a bit more relaxed because I know that we've put money away to start them [the children] off in their future…it really has eased the stress of what would come in the future

Female, East London

7. Conclusions

The Saving Gateway is a government initiative aimed at encouraging saving among lower income households and promoting engagement with mainstream financial services. Building on the first Saving Gateway pilot (SG1), which involved 1,500 account holders, the second Saving Gateway pilot (SG2) was a much larger trial with nearly 22,000 accounts in six areas across England, administered by the Halifax bank. The larger scale of this evaluation was useful for several reasons. First, it provided scope to examine different variants of the SG2 accounts. Second, it provided scope for a broader range of individuals to be invited to open accounts; the eligibility criteria extended further up the income distribution than was the case in SG1. Third, it enabled the use of quantitative evaluation techniques to conduct a thorough investigation of the extent to which SG2 created new savers and generated new savings.

This evaluation has been based on three main sources of data. First, telephone surveys were conducted in autumn 2005 and autumn 2006. This is the data upon which most of the quantitative elements of the evaluation are based. Second, the Halifax provided details of every deposit to and withdrawal from each of the SG2 accounts alongside a questionnaire filled in by account holders at the time they opened their accounts. This has allowed us to examine patterns of saving in the SG2 accounts. Finally, qualitative depth interviews were conducted with account openers, learning providers and Halifax staff to bring a greater depth of understanding of people's saving behaviour and the attitudes and motivation that drive it.

Conversion rates between being offered an SG2 account and actually opening one varied significantly with the account features offered, even after taking account of individual characteristics. Conversion rates were lowest in the areas offering the least generous match rates. The highest conversion rate was seen in the area where a £50 bonus was offered for saving at least £50 in the account, although the difference in conversion rates between this area and other areas offering a similar (or higher) match rate was small and not statistically significant. The distance to the nearest Halifax branch was found to be significant: those living further away from Halifax branches were less likely to have opened an account, although the magnitude of this effect was small. Those who were more likely to open accounts tended to be those with high levels of education and numeracy, those in work, owner occupiers and those who owned other investments, and those with no long-term health problems.

Most account openers managed to save enough in their SG2 accounts to achieve the maximum government match. The proportion achieving the maximum match was lower in the areas with the least generous match rate (Cambridge and East London, where the government match received was £0.20 for each £1 saved), although the extent to which this was driven by the relatively lower match rate rather than other factors (such as the make up of the population) is difficult to determine. Most account holders saved regularly into their accounts: while many had at least one month in which they did not place any money in their SG2 account, most did not have more than 2 months during which this was the case.

A key aim of the quantitative part of this evaluation was to assess whether the SG2 accounts boosted the number of savers and amounts saved by lower-income families with financial services providers. A general evaluation problem is that we cannot observe directly what people would have done in the absence of the pilot. Therefore these impacts of the SG2 accounts were investigated quantitatively by taking those recruited through RDD, and comparing outcomes of interest among those offered the opportunity to open an account to the same outcomes among those otherwise identical individuals who were not offered accounts. It is crucial to this evaluation strategy that, among the RDD sample, selection into being offered accounts was determined randomly.

The results from the quantitative analysis show that those offered an SG2 account were more likely to have increased savings held in cash deposit accounts. However, when we look at a broader measure of net worth (including investments as well as all cash deposit accounts), there is no statistically significant evidence that funds held in these forms have increased. This suggests that in many cases individuals may have found the money for their SG2 accounts by adjusting their funds held in current accounts and investments. The exception to this was in South Yorkshire, where total holdings of financial assets were found to have increased as a result of the Saving Gateway. The aggregate results also reveal very limited evidence of individuals cutting back on their spending as a result of the pilot – only spending on food eaten outside the home was found to have been reduced significantly as a result of SG2.

The effects of the pilot did, however, vary across individuals with different characteristics. There is no statistically significant evidence that lower income people who opened accounts placed less saving in other forms as a result of the pilot, whereas there is statistically significant evidence that they reduced the amount that they spent on food consumed outside the home. While this suggests that, for this group, SG2 may have led to new saving, we nevertheless do not find statistically significant evidence of an increase in overall net worth among this group. For those with higher incomes, we again find no evidence of an increase in net worth, but statistically significant effects in terms of them reducing their balances in other assets at the same time as placing funds in their SG2 accounts. In contrast to the low income group, we find no evidence that the high income group cut back on any form of spending. Results by current housing tenure also show that SG2 account holders in rented accommodation were more likely to cut back on their spending than owner-occupiers.

Since virtually all SG2 account holders had some other type of financial asset prior to opening a SG2 account, we found little evidence of pre-existing financial exclusion among account openers. However, the qualitative interviews with Halifax staff did reveal views to the effect that the SG2 account has the potential to bring new people into contact with financial institutions.

Findings from the qualitative interviews also indicate that in some instances SG2 account holders felt participation in the pilot improved their attitudes towards saving. This was most marked among those who had little or no pre-SG experience of saving. Of those noting an attitudinal impact, they were not only surprised by their own ability to save money but also in some cases continuing to carry on saving after the SG2 account had closed. Existing savers who had saved regularly before the SG2 account were less likely to report any significant changes to their behaviour or attitude to saving.

Potential longer-term behavioural and attitudinal impact was also more marked among those who were new to saving. Whilst some felt that they had learnt how 'easy' saving could be and how it could be a more sensible alternative to borrowing or spending impulsively, there was also a new sense that having more money put aside made it easier to plan for the future. However, even among existing savers SG2 appears to have raised awareness and engagement with saving, financial products and institutions, and with money management.

When trying to extend the results found in this evaluation to implications for a potential national scheme, it is worth bearing a few points in mind. A national scheme with more time for eligible groups to sign up for an account would be likely to experience higher eventual conversion rates than those observed in this pilot. The effects in terms of savings patterns could also be very different in a national scheme: on the one hand, given that those participating in SG2 were likely to be among the most able to benefit from the pilot, a national scheme could conceivably experience lower levels of individual contributions than witnessed in this pilot; conversely, if individuals are permitted to open an account when they feel they are most able to benefit, then individual contributions could be larger.

Finally, it is worth stressing that the analysis of the pilot to date is restricted in what it can reveal about the effects on long term saving habits. Most of the evidence in this report relates to the 18 month period for which accounts ran, and so whether or not there are lasting effects on the savings and spending behaviour of individuals after their accounts mature is something that can only be evaluated through follow up analysis.

8. Glossary of terms

Adult Learning Grant (ALG). ALG is a means tested allowance of up to £30 per week to adults aged 19 or over studying full-time for a first full level 2 or first full level 3 qualification. This was available in certain pilot areas when the SG2 pilot (see below) began, but is now available nationwide. More details are available at: http://www.learndirect-advice.co.uk/featured/alg/

Bonus. In East Yorkshire account holders accrued an additional £50 when they had made £50 of matchable contributions. It provided a strong incentive for individuals to open an account and start to make contributions. Elsewhere in references to SG2 (see below), it has also been referred to as an "initial endowment".

Cash deposit account. An account in which funds can be saved in cash, excluding current accounts. These are usually held with banks or building societies, but may also be held with the post office or a credit union. The Saving Gateway accounts (both SG1 and SG2 (see below)) were a form of cash deposit account. Due to difficulties in eliciting separate information on the values of different types of balances held in ISAs (see below), our measure of the value of savings account balances held by individuals excludes all funds held in ISAs even though some such savings are cash deposits.

Conversion rate. For those offered the chance to open an account via RDD (see below) or from benefit records this was the proportion who actually opened an account. For those contacted through PAF (see below) it is the proportion who opened an account. It differs from a conventional take-up rate since many of those contacted through PAF may not have been eligible for an account.

Financial Education. Measures aimed at improving the understanding and knowledge of individuals with respect to financial matters (see also "financial literacy" below). Saving Gateway account holders were offered various types of financial education – see Section 1.2.3 for more details.

Financial Literacy. As defined by the DfES this term is used to describe; "The ability to make informed judgements and to take effective decisions regarding the use and management of money." Reference http://www.dfes.gov.uk/adflag/05.shtml

Formal net worth. The value of funds held in savings accounts (see below), plus current account balances, plus the value of funds held in investments (see below), minus any (non-mortgage) debts. Therefore it can be positive, zero or negative.

Gross Financial Assets. The value of funds in financial assets such as current accounts, cash deposit accounts (see above), ISAs (see below), holdings of stocks and shares (directly or in trust), National Savings products, or premium bonds. Gross indicates that the value of outstanding debt is not subtracted from this measure. Gross financial assets do not include informal assets/savings (see definition of informal assets below).

Individual Savings Accounts (ISAs). ISAs are savings vehicles which allow individuals to saving up to £7,000 per year (in 2007–08) out of after tax income, and not pay any income tax on the income (interest or dividends) received from the investment. Funds in ISAs can be held in cash, or longer term investments like stocks and shares or insurance. In each year an individual can invest in either one Maxi ISA (with a £7,000 contribution limit), which can include all of these types of investments, or in two Mini ISAs – one for cash (£3,000 limit) and one for stocks and shares (£4,000 limit), which can both include insurance. For more details, see http://www.hmrc.gov.uk/leaflets/isa.htm.

Informal Assets/Savings. Savings that are not held with a financial intermediary such as a bank or building society. These include cash kept at home, and also funds saved with a friend or family member.

Investments. Formal financial assets other than savings accounts (see below) and current accounts. In this report we are interested in accessible assets and so usually exclude funds held in (state or private) pensions from our measure of investments. Our measure of the value of investments includes all funds held in ISAs (see above), even though some such savings are cash deposits.

Liquid Gold Account. This is an interest paying instant access savings account that is provided by the Halifax (see http://www.halifax.co.uk/savings/liquidgold.asp for more details). On maturity, by default, SG2 accounts were converted into Liquid Gold Accounts.

Match Rate. Matchable contributions to Saving Gateway accounts accrued a Government match. In the 1st pilot the match rate was £1:£1. In the 2nd pilot the Government match varied between areas from £0.20 for every £1 of matchable contributions to £1 for every £1 of matchable contributions. See Section 1.2 of this report for more details.

Postcode Address File (PAF). Every house and business in the UK has been given a postal address by Royal Mail. The Postal Address File (PAF) is a complete collection of over 27 million address and post codes in the UK. Ipsos MORI used this file to generate, at random, addresses to mail out to within the specific target areas.

Random Digit Dialling (RDD). Random Digit Dialling (RDD) is a method for selecting people for involvement in research by generating telephone numbers at random. The advantage of Random Digit Dialling is that it includes unlisted numbers that would be missed if the numbers were selected from a phone book.

Ipsos MORI used this method to generate, at random, phone numbers to call within the specific target areas.

Savings Accounts. Same as cash deposit accounts (see above).

Saving Gateway 1 (SG1). The initial pilot of the Saving Gateway which started in August 2002 with 1,500 accounts operating across five areas of England and running for 18 months. More details are available in Section 1 of this report and at http://www.hm-treasury.gov.uk/documents/financial_services/savings/topics_savings_gateway.cfm

Saving Gateway 2 (SG2). The second pilot of the Saving Gateway which started in Spring 2005 with nearly 22,000 accounts operating across six areas of England and running for 18 months. The accounts differed from the SG1 pilot (see above) as, in particular, the features of the account varied by area and the eligibility criteria were broader. More details are available in Section 1 of this report and at http://www.hm-treasury.gov.uk/documents/financial_services/savings/topics_savings_gateway.cfm