

ING International Survey

January 2014

Beyond the Crisis? An Age of Financial Prudence and Debt Dilemmas

Savings



This survey was conducted by
Ipsos on behalf of ING

Table of contents

About the ING International Survey **3**

Executive summary **4**

Infographic **5**

Global financial crisis still haunting savers **6**

- › Stress on savings linked with economic growth
- › Borrow or spend? Not so much since the crisis
- › Splash out on luxuries? Not likely, as majority trim their spending
- › Situation improving – but many struggling in economic climate
- › Luxembourg tops the “savings comfort” league, Romania last
- › About one-in-three don’t have any savings

Spotlight on “emergency funds” **13**

- › Alarming shortage of emergency funds
- › Top savings goal: Emergency funds
- › Relying on credit in an emergency?

Responsible borrowing and dangerous debt dilemmas **17**

- › Borrowing money common across Europe
- › Credit card debt dominant in UK; bank loans in Italy
- › Borrowed from loved ones? Secretive spending rises
- › Too many don’t know how much they owe
- › PhD graduates also unaware how much they borrowed
- › Failing to pay expensive debt quickly?

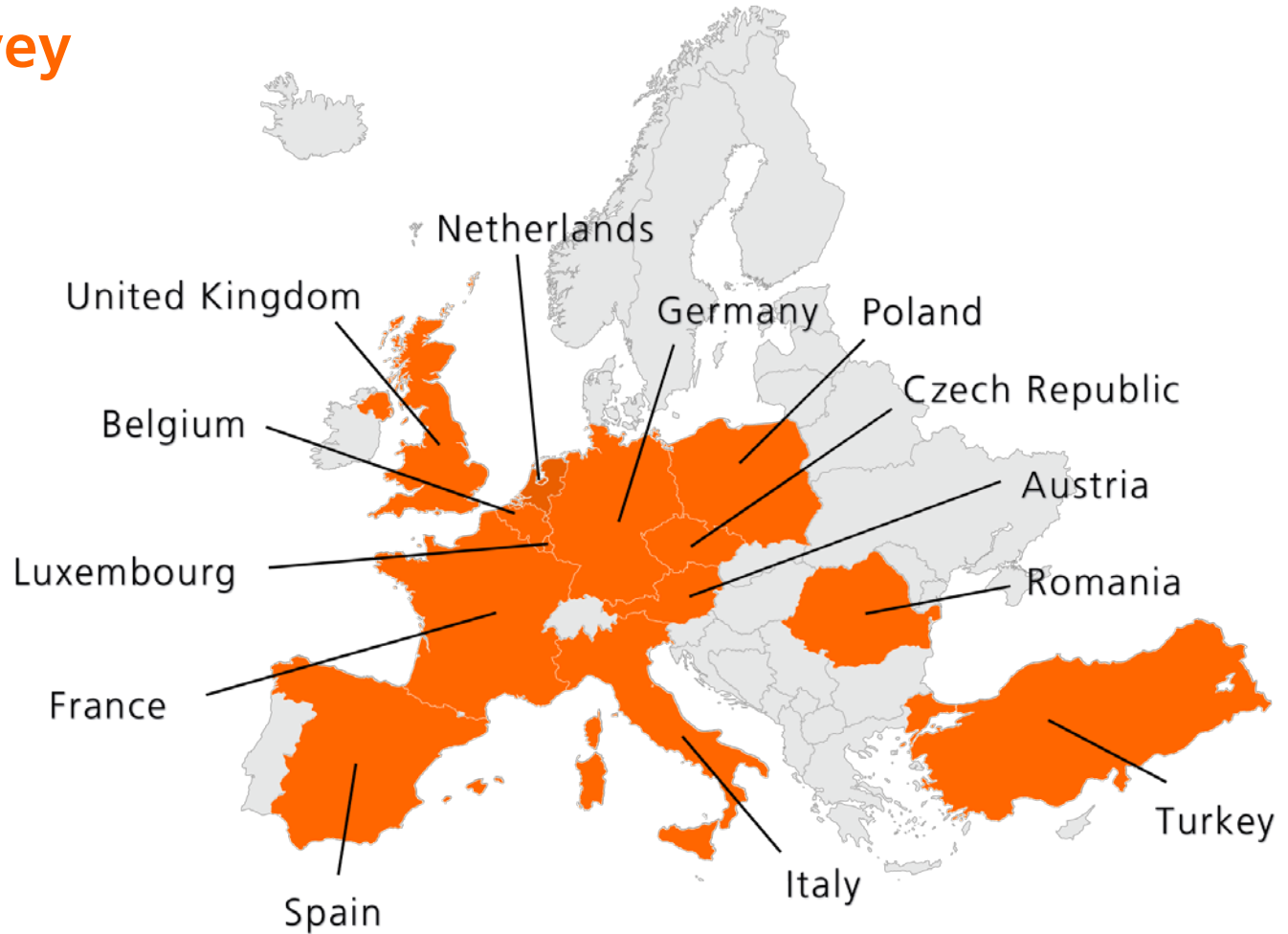
Contact details **24**

Disclaimer **25**

About the ING International Survey

The ING International Survey aims to gain a better understanding of how retail customers – and potential customers – of ING Bank around the globe spend, save, invest and feel about money. It is conducted several times a year, with past reports online at www.ezonomics.com/iis. This survey was conducted by Ipsos between 24 October and 14 November 2013 using internet-based polling techniques. European consumer figures are an average, weighted to take country population into account.

- 13** countries are compared in this report.
- 1,000** About 1,000 respondents were surveyed in each, apart from Luxembourg, with 500.
- 12,637** is the total sample size of this report



Dicing with debt and still reluctant to spend in recovering Europe

The third annual ING International Survey on Savings throws the spotlight on the state of savings in Europe, how prepared people are for a financial emergency and how they are managing debt.

1. The ING International Survey on Savings 2014 finds **the uneven recovery from the global financial crisis in different parts of Europe appears to be echoed in an uneven level of comfort with savings**. Luxembourg rises to the top of the comfort savings league in 2014, while Romania fills last spot. Italy – at the bottom of the table for the last two years – has managed to rise one place.

2. **Spending is still under pressure, with only 22% of the almost 13,000 people surveyed in Europe saying they have not cut back** – an improvement on the 31% who had not cut back in the ING International Survey on Savings 2013. Asked explicitly if they are more reluctant to spend money since the global financial crisis, almost two-in-three agree that they are. Even more agree that they are more reluctant to borrow in the post-crisis environment.

3. There is **an alarming shortage of emergency savings funds** – which are widely considered as essential for healthy personal finances. However, it is heartening to see an emergency fund is the most popular savings goal in Europe in general and comes top in 11 out of the 13 countries surveyed.

4. Responsible borrowing – whether through a personal loan from a bank or family member, or via an overdraft, credit card, student loan or car dealer – is a routine part of managing money for many people. **The section of the survey that examined debt raises some serious warning signs**. For example, 18% of people with debt (excluding a mortgage) do not know how much they owe. Even highly educated borrowers, such as those with a PhD, are only slightly less likely to not know how much they owe. The lack of awareness of this basic piece of personal finance knowledge is startling.

5. **Types of borrowing varies from country-to-country**, with personal loans particularly popular in Luxembourg and credit card debt featuring frequently in the United Kingdom.

6. Loans from family or friends are the fourth most common source of debt in the survey. But the survey suggests this carries the risk of different stresses and penalties, as **30% of people who have borrowed from friends and family have also hidden a purchase from their loved ones in the last year**.



- Ian Bright, ING senior economist

Four dangerous debt dilemmas

Responsible borrowing – whether through a personal loan from a bank or family member, or via an overdraft, credit card, student loan or car dealer – is a routine part of managing money for many people. But, running a household balance sheet can raise challenges. The third annual ING International Survey on Savings asked almost 13,000 people in 13 countries in Europe if they have debts (excluding a mortgage) and how they are managing them.



with debts, excluding a mortgage, don't know how much they owe

... and knowing how much money is owed is an important part of managing a household budget



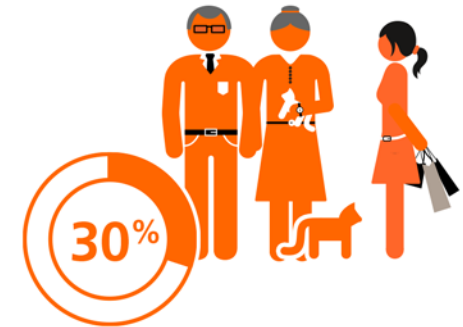
with savings also have credit card debt

... so many people may be failing to pay their expensive debt quickly – paying more on high interest loans than the interest earned on savings



of borrowers who have a Masters degree or a PhD don't know how much they owe

...which shows even the most academically gifted need to avoid the trap of neglecting their budget



who've borrowed money from family or friends hid a purchase from loved ones

... which suggests borrowing from friends and family carries the risk of different stresses and penalties



Global financial crisis still haunting savers

Stress on savings linked to economic growth

Countries in Europe are recovering from the global financial crisis at an uneven pace and this appears to be echoed for people in Europe in many responses in the survey.

Gross domestic product (GDP) is one way to measure the strength of an economy.

We see Italy had the largest fall in GDP year-on-year of all countries surveyed – and the largest share in the survey saying savings declined in the last year.

On the flipside, Turkey had the fastest GDP growth and the smallest share whose savings declined in the last year.

This seems to demonstrate a correlation between weakness in the wider economy and the pressure being put on the stockpile of savings people have managed to accumulate.

THE QUESTION

How did your savings develop in the last year?

Percent who answered “it declined” and the year-on-year change in gross domestic product (GDP) to the end of June 2013

	Savings declined	GDP change
Turkey	26%	4.4%
United Kingdom	27%	1.4%
Germany	30%	0.5%
Luxembourg	31%	2.4%
Poland	32%	0.8%
Czech Republic	35%	-1.3%
Belgium	37%	0.1%
Austria	38%	0.1%
France	41%	0.5%
Netherlands	41%	-1.9%
Romania	45%	1.4%
Spain	48%	-1.6%
Italy	58%	-2.2%

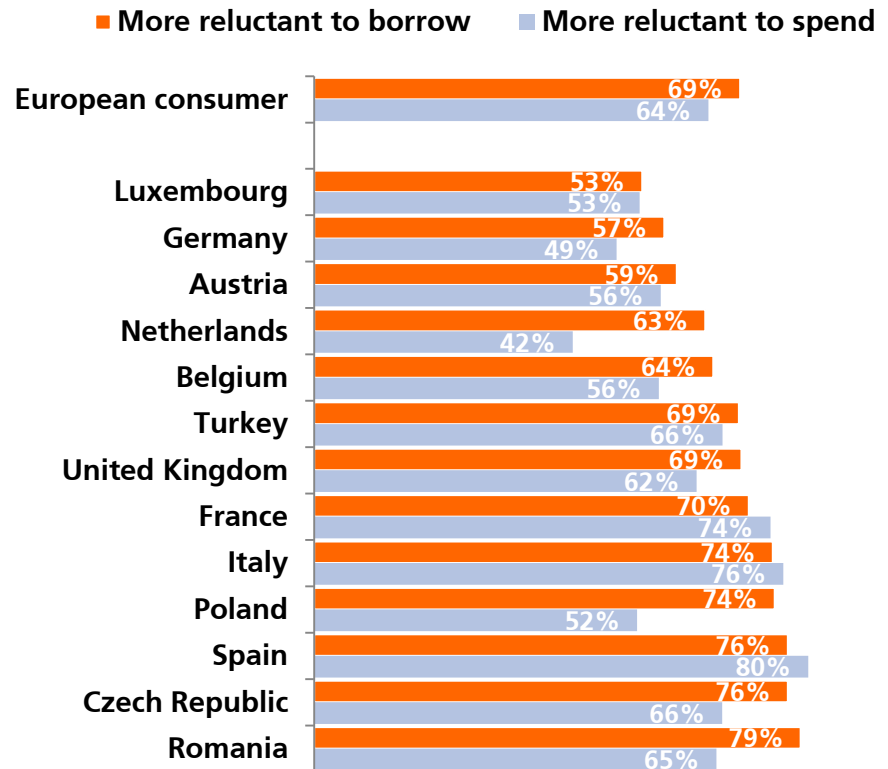
Borrow or spend? Not so much since the crisis

The global financial crisis appears to have had a lasting impact on attitudes to both spending and borrowing money. More than two-thirds – or 69% – of European consumers agree they are more reluctant to borrow money since the crisis, with people in Romania, Czech Republic, Spain, Poland and Italy particularly wary. There is also a widespread rise in caution around spending money since the crisis began. Again, large numbers of people in Spain and Italy are more reluctant to spend – along with people in France.

THE QUESTION

“I am more reluctant to borrow/spend money since the global financial crisis”

Percent who answered “strongly agree” or “agree”



Splash out on luxuries? Not likely, as majority trim their spending

Many people have cut the amount of money they are spending in response to economic conditions. Overall, only 22% of people in Europe say they have not had to cut back, an improvement on the 31% who were not cutting back in the 2013 survey. When asked which areas were being cut, the top five most commonly cited areas are:

1

Leisure and entertainment (such as going to the cinema or dining out) was the most commonly cited area in which people in Europe have cut back, given current economic conditions. It was top in 11 out of the 13 countries in the survey.

2

Clothing and grooming was the second most common area to cut back for people in Europe. In two countries (Poland and Turkey) it was actually a more common area to cut spending on than leisure and entertainment. Women, in particular, have cut back on clothing and grooming costs, with 57% saying they have compared with 39% of men.

3

A **holidays** was the third most common area in which people in Europe have cut spending.

4

Food was the fourth most common area to be cut back. It was in the top five for every country in the survey except Romania and Turkey. Again, women were particularly likely to say they had cut back on the amount they spend on food – with 33% saying they did this compared with 26% of men.

5

Housing – including furnishing and maintenance costs – was the fifth most common area in which to cut spending. However, it was not in the top five for four countries in the survey (Belgium, Germany, Spain and the Czech Republic), where utility bills or mobile phones and internet costs were more frequently cited.

Situation improving – but many struggling in economic climate

In 10 of the 13 countries surveyed, fewer people compared with this time last year are saying the current economic situation has led to a deterioration in their finances. Spain, in particular, has a “recovery” in the share saying the economy has caused their finances to deteriorate. So while Spain is in the top three highest, the situation there appears to have improved greatly in the last year.

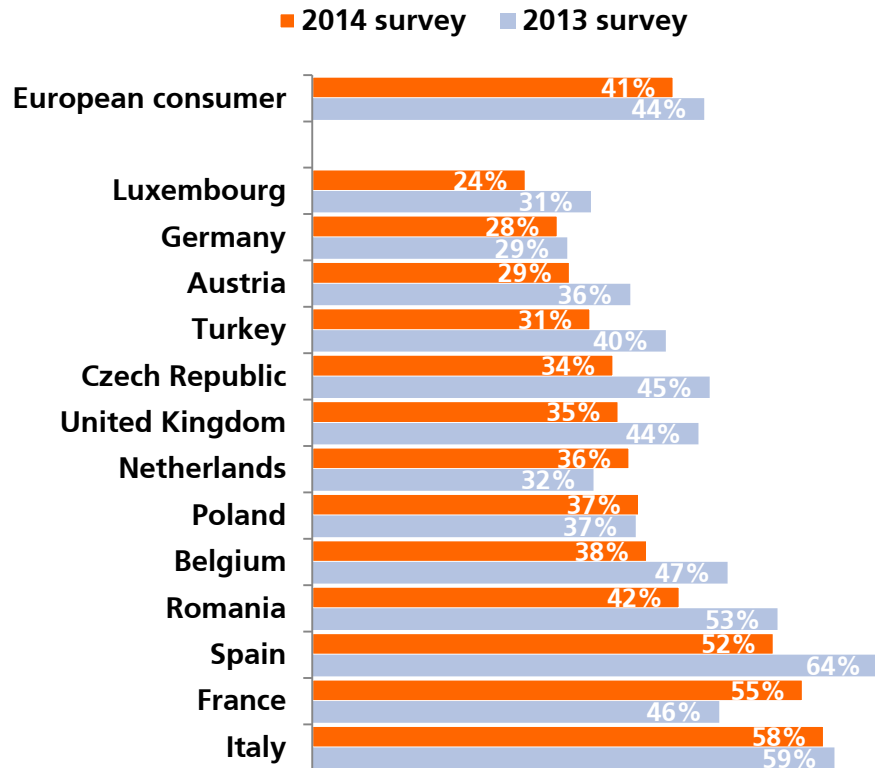
France and the Netherlands are the standout exceptions to this picture of improvement. In these two countries alone, the share saying the economy has caused their finances to deteriorate has increased.

The response in Poland is unchanged year-on-year.

THE QUESTION

How has the current economic situation affected your finances during the past three months?

Percent who answered “deteriorated” or “deteriorated greatly”



Luxembourg tops the “savings comfort” league, Romania last

For the last three years, respondents to the ING International Survey on Savings have been asked how comfortable they are with the amount of money they have in savings – a question that taps into feelings around money.

Luxembourg tops the league table this year with the highest proportion saying they are very comfortable or comfortable with the amount they have in savings, up two places from third in the savings comfort ranking last year.

The biggest positive movers are France and the Czech Republic, both up three places.

The biggest fall is Germany, slipping four.

THE QUESTION

To what degree are you comfortable about the amount you have available in savings?

Countries ranked by percent who answered “very comfortable” or “comfortable”

	2012	2013	2014	Change (2013-14)
Luxembourg	1	3	1	+2
Netherlands	2=	1	2	-1
Austria	6	4	3	+1
United Kingdom	9	6	4	+2
Turkey	11	5	5	=
Germany	4	2	6	-4
Belgium	not available	7	7	=
France	8	11	8	+3
Spain	7	8	9	-1
Czech Republic	10	13=	10	+3
Poland	2=	9	11	-2
Italy	13=	13=	12	+1
Romania	5	10	13	-3

About one-in-three don't have any savings

About one-in-three people in Europe say they do not have any savings – a share that has changed little since the 2013 survey. However, the overall landscape has slightly deteriorated as eight of the 13 countries surveyed had a rise in the share saying they did not have savings.

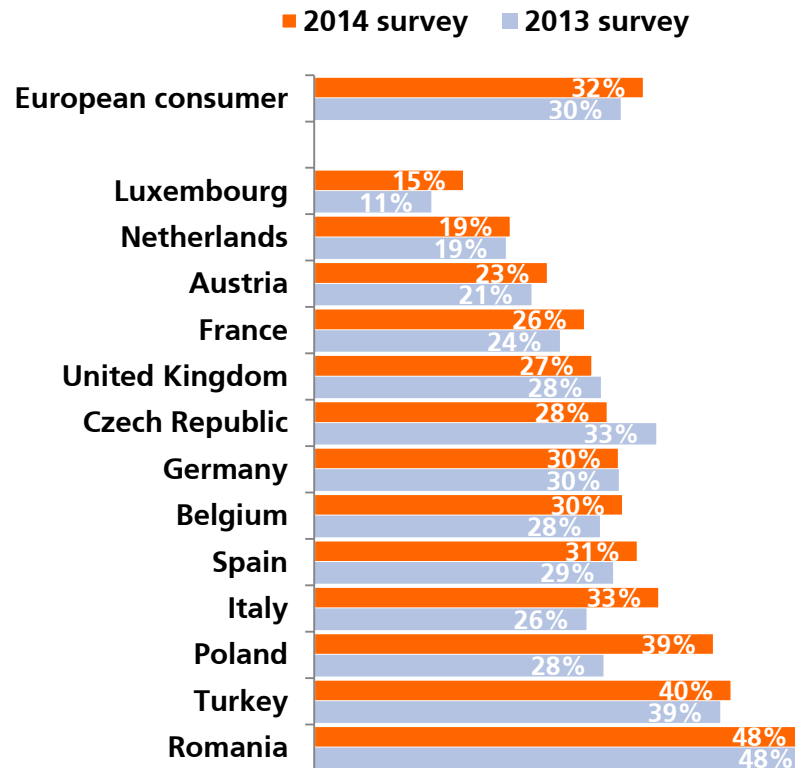
Moreover, looking at the country-by-country figures, there are some significant changes. In Poland and Italy, for example, the number of people without savings rose sharply.

In the Czech Republic, the share of people saying they do not have savings fell greatly year-on-year.

THE QUESTION

Do you have any savings?

Percent who answered “no”





Spotlight on “emergency funds”

Alarming shortage of emergency funds

It's important to have a financial buffer to use when fortunes take a difficult turn. Known as "emergency funds" or "rainy day savings", personal finance experts typically recommend amassing three-to-six-months of take home pay. The exact figure varies for personal circumstances (such as having dependents or having certain insurances).

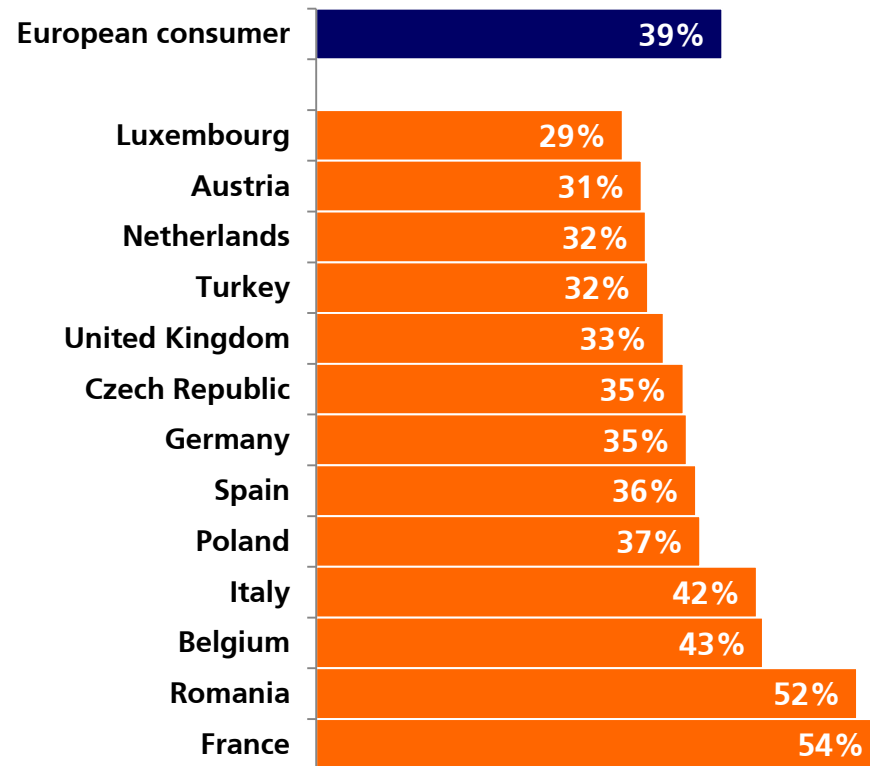
But 39% of people in Europe disagree that they have enough money saved to support their current level of spending for three months, if their incomes fell a lot.

The share rises to more than half in France and Romania. As we have seen earlier in the report, economic conditions are still difficult for many savers and this may be a factor behind the shortage of emergency funds.

THE QUESTION

"If my income fell a lot, I have enough money in savings to support my current spending for three months"

Percent who answered "strongly disagree" or "disagree"



Top savings goal: Emergency funds

When asked what financial goals they were saving for, 40% of people in Europe named an emergency fund in their answer. Having goals for savings is very common with only 6% of savers saying they did not have any specific goals. Education was particularly popular in Turkey. Saving to pay debts made it into the top five in Romania, Spain and Turkey.

1

An **emergency fund** for unexpected expenses is the most commonly cited goal people in Europe are saving for, with 40% saying they are putting money aside for this reason. It is the top savings goal in 11 out of the 13 countries surveyed, with only the United Kingdom and Poland having more people saving for something else.

2

A **holiday** is the second most common savings goal for people in Europe. In the United Kingdom, holidays are actually the number one savings goal, pushing emergency funds into second place.

3

Expensive items – such as a car or electrical goods – is the third most commonly cited savings goal.

4

Housing is the fourth most common savings goal. They are perhaps putting money aside to build a mortgage deposit, to pay off their home at a faster rate or maintain rent payments. In Poland, housing is actually the number one most often cited savings goal, pushing emergency funds into second place.

5

Children is the fifth most common savings goal, with 21% in Europe saving for children. In Italy, children are actually the second most often cited savings goal. In terms of age group trends, saving for children peaks at ages 35-to-44 years, at 32%.

Relying on credit in an emergency?

People in Europe who have credit card debt are less likely to have savings.

Of those with credit card debt, 30% do not have savings, compared with 18% of those who do have savings and have credit card debt.

There are many reasons why this might be the case and the figures simply show a correlation (between having credit card debt and not having savings) not a causation (such as credit card debt being the reason why).

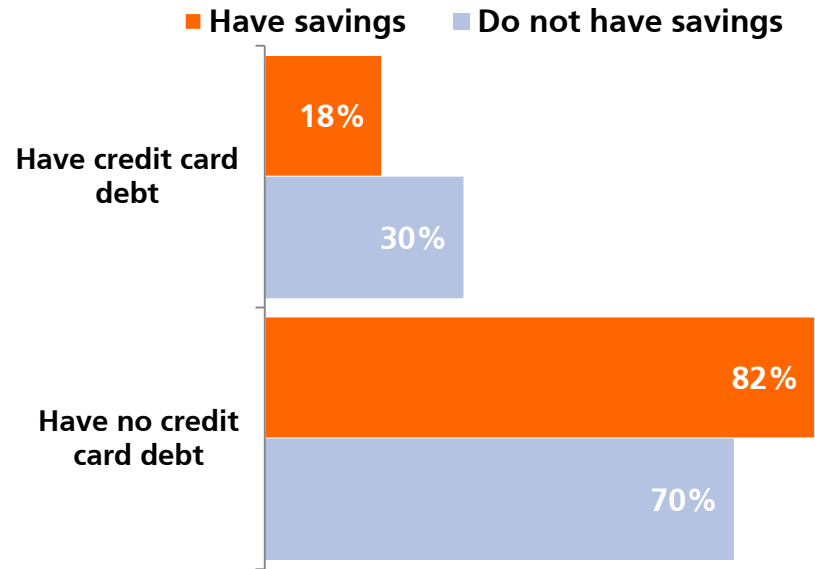
However, one scenario might be a reliance on credit cards as a replacement for an emergency fund – the credit card as a financial crutch. Credit cards are often an expensive way to borrow, and building savings to use when trouble strikes is typically a healthier money plan.

For some people, getting rid of credit cards might provide motivation to build savings.

THE QUESTION

Do you have savings?/ What types of personal debt do you or your household have?

Percent who answered "yes" and "no" to "do you have savings" and who answered "credit card debt" and did not answer "credit card debt"





Responsible borrowing and dangerous debt dilemmas

Borrowing money common across Europe

Borrowing money is essentially the opposite of saving – it is a way to use future earnings now, rather than putting aside current earning to use in the future. Borrowers pay for the use of the money through interest payments, while savers are paid interest.

Responsible borrowing is a routine part of managing money for many people.

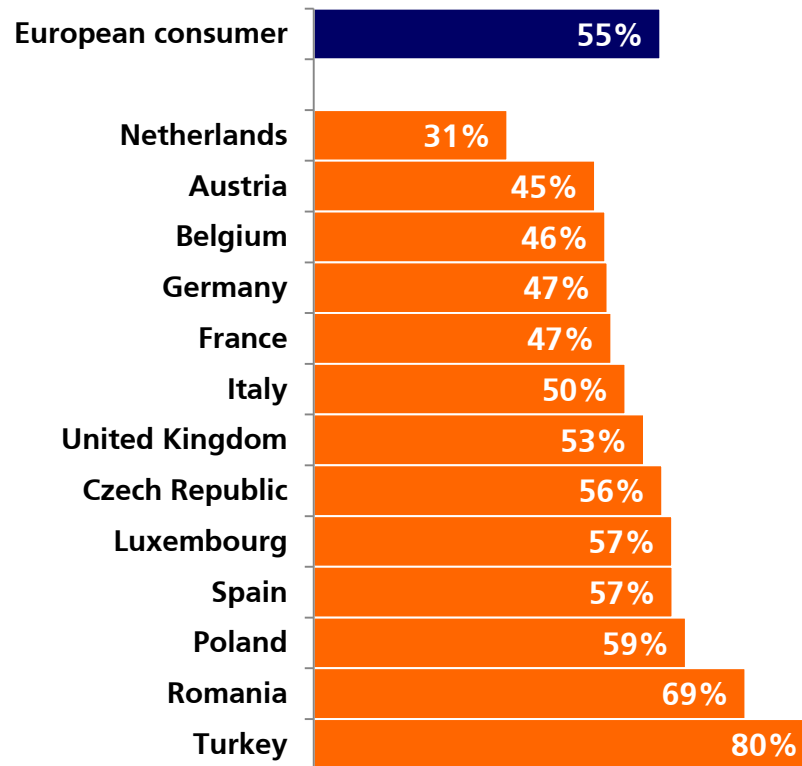
Of people in Europe, 55% indicated they have some type of personal debt. The share rises to a high of 80% in Turkey.

These figures exclude people who preferred not to answer what types of personal debt they have.

THE QUESTION

What types of personal debt do you or your household have?

Percent who have personal debt



Credit card debt dominant in UK; bank loans in Italy

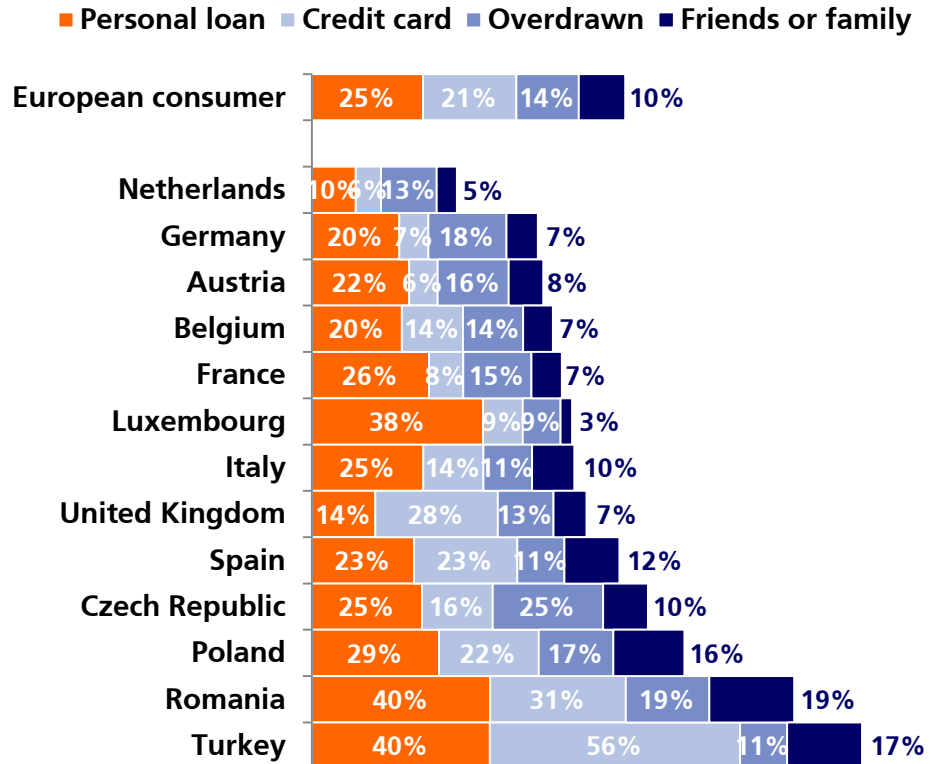
For people in Europe, the most common type of personal debt is a personal loan from a recognised financial institution. Credit card debt is the second most common, followed by an overdrawn bank account then a loan from friends or family. However, the types of borrowing that are common varies from country-to-country. Credit card debt tops the list in the United Kingdom and Turkey, for example, and overdrafts are most common in the Netherlands.

Answers add to more than 100% in some countries because respondents could give multiple answers to this question.

THE QUESTION

What types of personal debt do you or your household have?

Percent who answered "personal loan", "credit card debt", "overdrawn bank account" or "loan from friends or family"



Borrowed from loved ones? Secretive spending rises

Borrowing money from friends or family might be the fourth most common source of debt. However, the survey suggests it carries the risk of different stresses and penalties.

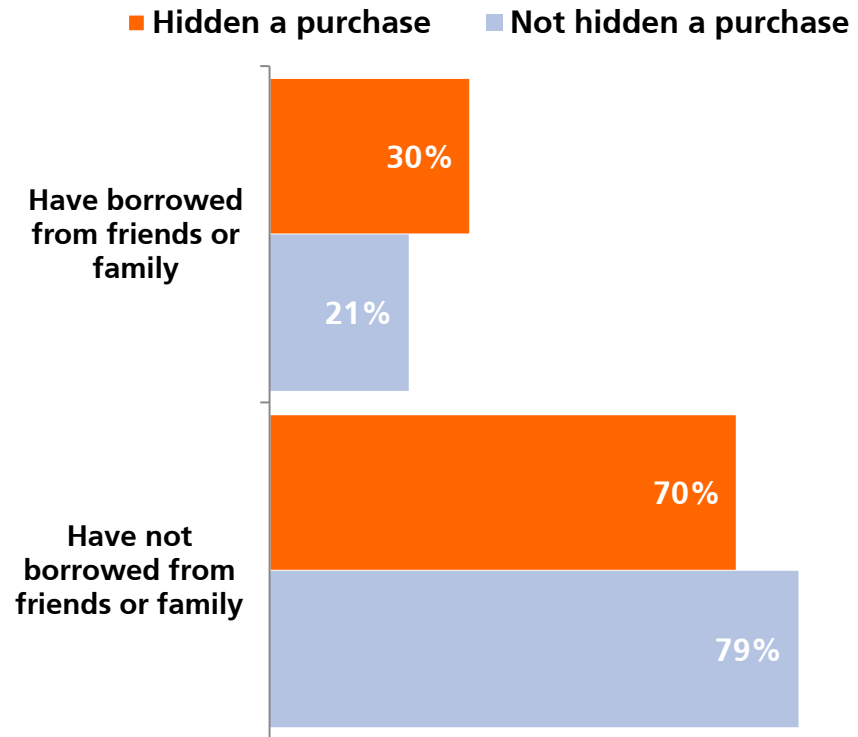
Of those who have borrowed from friends or family, 30% admit to hiding a purchase from a loved one.

This compares to 21% of those who have not borrowed from friends or family.

THE QUESTION

What types of personal debt do you or your household have?/"In the past 12 months I have bought something and hidden the expense from my loved ones"

Percent who answered "loans from friends and family" and who answered "strongly agree" and "agree" or "strongly disagree" and "disagree"



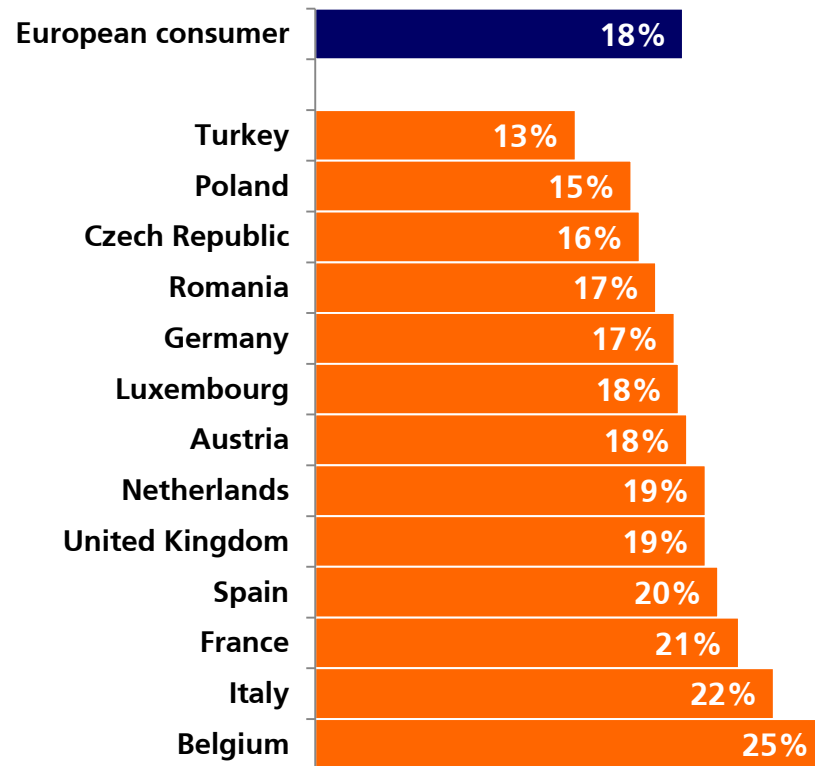
Too many don't know how much they owe

Of people in Europe who say they have debt (other than a mortgage), 18% admit they do not know the total amount. In Belgium, it rises to a quarter – or 25% – of people with debt saying they don't know how much they have borrowed. Responsible borrowing – whether through a personal loan from a bank or family member, or via an overdraft, credit card, student loan or car dealer – is a routine part of managing money for many people. However, knowing how much is owed is an important part of managing a household budget. Not knowing could be a serious warning sign. Interestingly, Turkey has the highest share in the survey of people who have debt but the lowest share of people who don't know how much personal debt they have.

THE QUESTION

Approximately how much personal debt (excluding mortgage debt) does your household have?

Percent who answered “don't know”



PhD graduates also unaware how much they borrowed

Completing a university degree – or even earning a doctorate – makes only a small difference to the likelihood of knowing the level of personal debt.

About one-in-five – or 20% – people with pre-sixteen education say they don't know how much personal debt their household has.

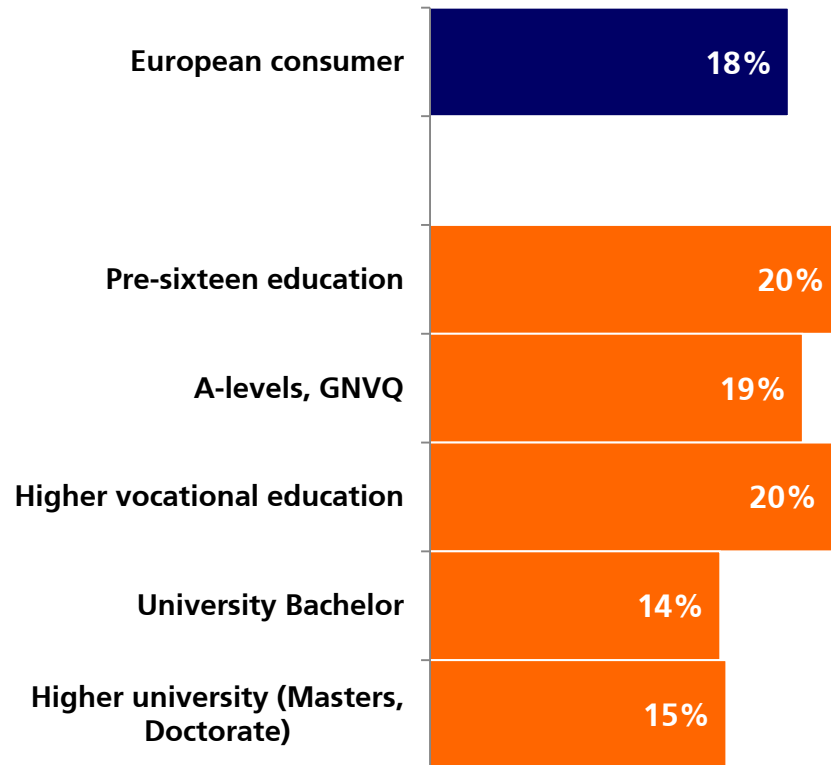
For people with a higher university degree (such as a Masters or Doctorate), the figure is 15%.

The number of people with no completed education is so small the results are not included.

THE QUESTION

Approximately how much personal debt (excluding mortgage debt) does your household have?

Percent who answered "don't know"



Failing to pay expensive debt quickly?

As a general rule of thumb, it makes sense for borrowers to pay their most expensive debt quickly. This might mean having little more than an emergency fund in savings and using any additional money to make extra payments on debts with high interest rates, such as credit cards. The idea is that high interest loans typically cost more than the interest earned on savings. However, it appears many people may be failing to pay their expensive debt quickly.

Of people in Europe with savings, 52% also say they have credit card debt. Of these people, 47% have less than EUR2,500 in savings but 28% have EUR10,000 or more saved.

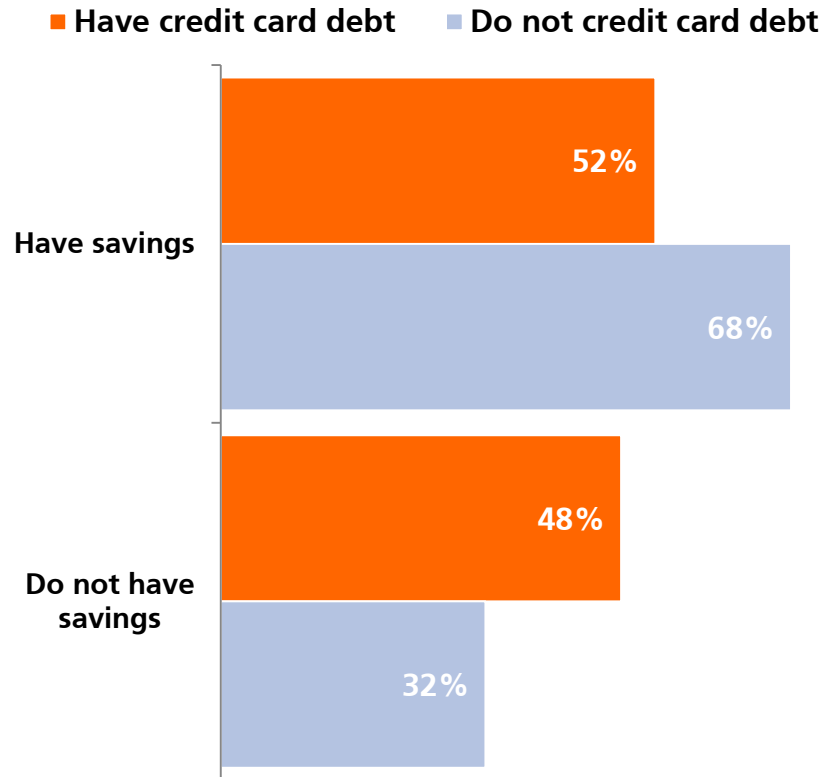
It might be that these borrowers are missing out, with the complexity of running a household balance sheet making the optimum use of their money difficult to achieve.

These figures exclude 20% of people who preferred not to say if they have savings or how much they have saved.

THE QUESTION

What types of personal debt do you or your household have?/Do you have savings?

Percent who answered "credit card debt" and "yes" or "no", and who did not answer "credit card debt" and "yes" or "no"



Contact list

	Name	Phone number	Email
Austria	Andrea Hansal	+43 1 68000 50148	andrea.hansal@ing-diba.at
Belgium	Alexandre Pluvinage	+32 2 547 25 90	alexandre.pluvinage@ing.be
Czech Republic	Robert Chmelar	+420 2 5747 4097	Robert.Chmelar@ing.cz
France	Maire Ginhoux	+33 01 57 22 57 57	maire.ginhoux@ing.fr
Germany	Patrick Herwarth von Bittenfeld	+49 69 27 222 66886	p.herwarthvonbittenfeld@ing-diba.de
Italy	Silvia Colombo	+39 02 5522 6645	silvia.colombo@ingdirect.it
Luxembourg	Yves Denasi	+352 44 99 9632	yves.denasi@ing.lu
the Netherlands	Marielle Wolf	+31 20 563 5437	marielle.wolf@ing.nl
Poland	Milosz Gromski	+48 22 820 4093	milosz.gromski@ingbank.pl
Romania	Ana Oglindoiu	+40 3 1406 7118	ana.oglindoiu@ing.ro
Spain	Marisol Mobellán	+34 9120 67756	mariadelsol.mobellan@ingdirect.es
Turkey	Buket Okumus	+90 21 2335 1079	buket.okumus@ingbank.com.tr
UK	Ian Bright	+44 20 7767 6656	ian.bright@uk.ing.com
Ipsos	Nieko Sluis	+31 20 607 0707	nieko.sluis@ipsos.com

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Money the “hot topic” for 2014 resolutions

Stopping smoking and losing weight are often thought of at the start of a New Year, but for almost eight-in-ten – or 79% – people in Europe who are making a New Year resolution, their goal for 2014 is about money.

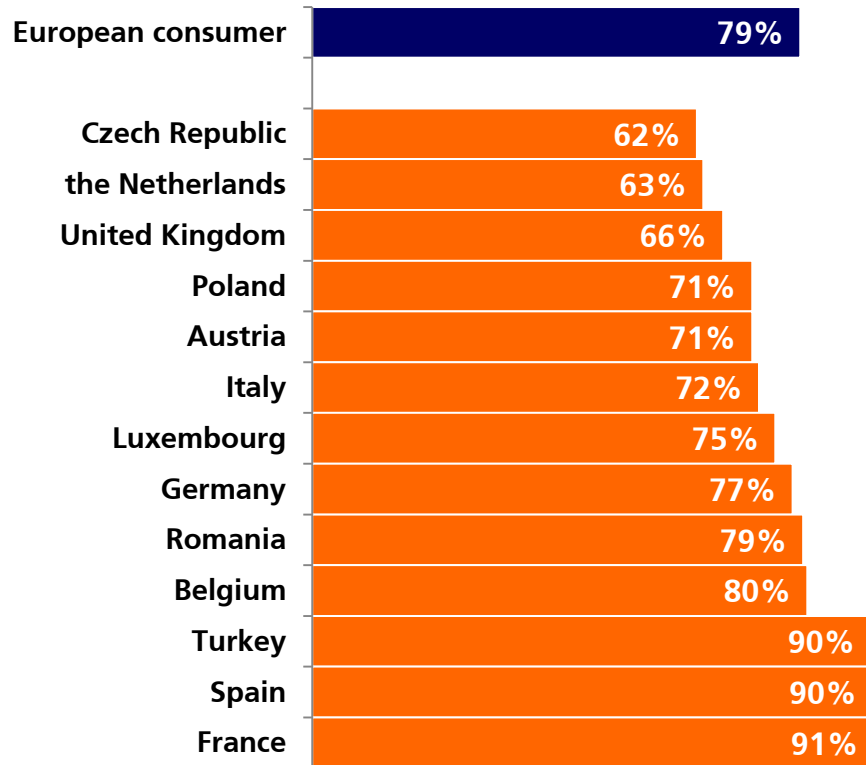
Reducing debt, saving more and other financial matters are particularly hot topics in France, Spain and Turkey.

The figures in the chart (right) are calculated by taking the group who answered they are making New Year resolutions for 2014, and of that group what share intended to make a resolution on financial matters.

THE QUESTION

Do you have any resolutions for 2014?/intend to have any New Year resolutions for 2014 on financial matters?

Percent who answered “yes” and “yes”



2014 will be the year I ...

Among those who do intend to make a New Year resolution for 2014 on financial matters, the most popular among European consumers is to save more.

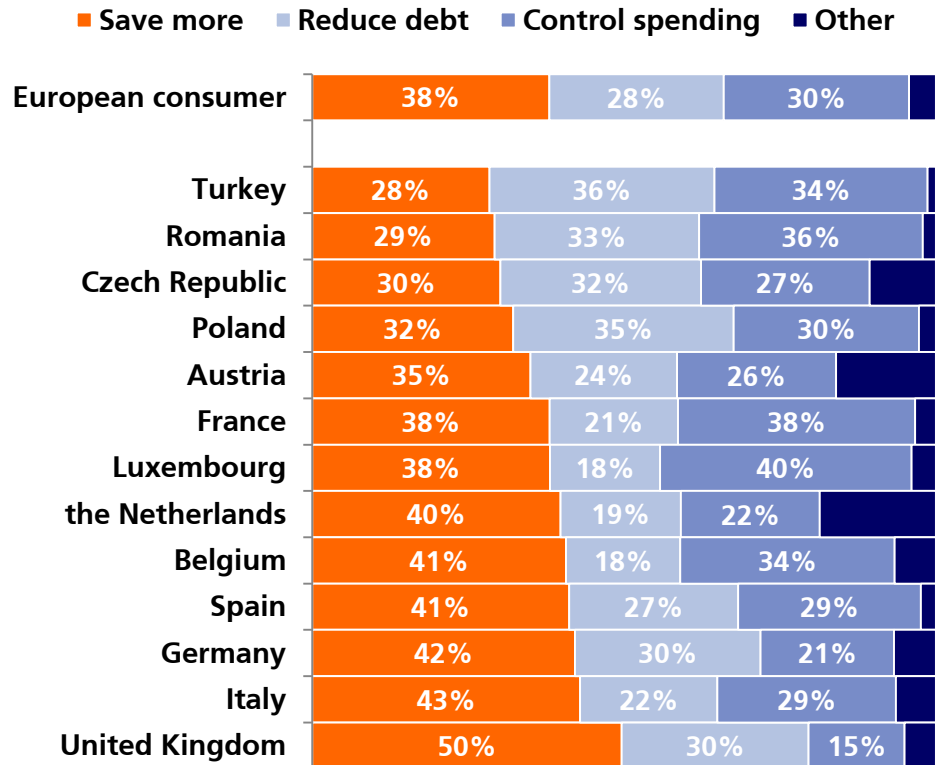
There are differences between countries, however, with controlling spending the most often cited answer in Luxembourg and Romania.

Reducing debt is top in Poland, Turkey and the Czech Republic. In the "other" category, popular answers include finding a job and earning more, paying off property, investing and giving more to charity. Spending more was also mentioned as a goal for the coming year, with one respondent in the Netherlands writing: "Enjoy more of my savings, for example, buy a house, vacations, healthy food, going out, pampering myself."

THE QUESTION

Which of the following resolutions do you prefer most?

Percent who answered "I want to save more", "I want to reduce my debt", "I want to manage my money better by controlling the amount I spend" and "other"



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