



Personal finance choices that pay

Unveiling money management across Europe

An **ING International Survey** on financial behaviour for the Think Forward Initiative

thinkforward



This survey was conducted
by Ipsos on behalf of ING



Table of contents

- 3 About the ING International Survey
- 4 Executive summary
- 5 Infographic

6 Up close and personal on money choices

- › Just one in three feels finances are under control
- › Four in ten across Europe out of pocket in emergencies
- › Decisions on non-essential spend harder to make
- › Retirement saving choices give people less today
- › Managing wealth is less pleasant than budgeting
- › Actual financial decisions more difficult than thought
- › Decision-making difficulty varies between countries

14 Uncertain climb ahead for the young?

- › Tougher choices predicted for younger generations
- › Low growth, fewer jobs afflict financial futures
- › Could financial education help the next generation?

18 I can manage my finances on my own

- › Responsible for own financial decisions – and mistakes
- › Age instils confidence and greater responsibility
- › Bank help not expected if people feel empowered
- › If you help me, please help me keep track of my spending
- › Keeping a detailed budget helps most

24 Disclaimer

About the ING International Survey

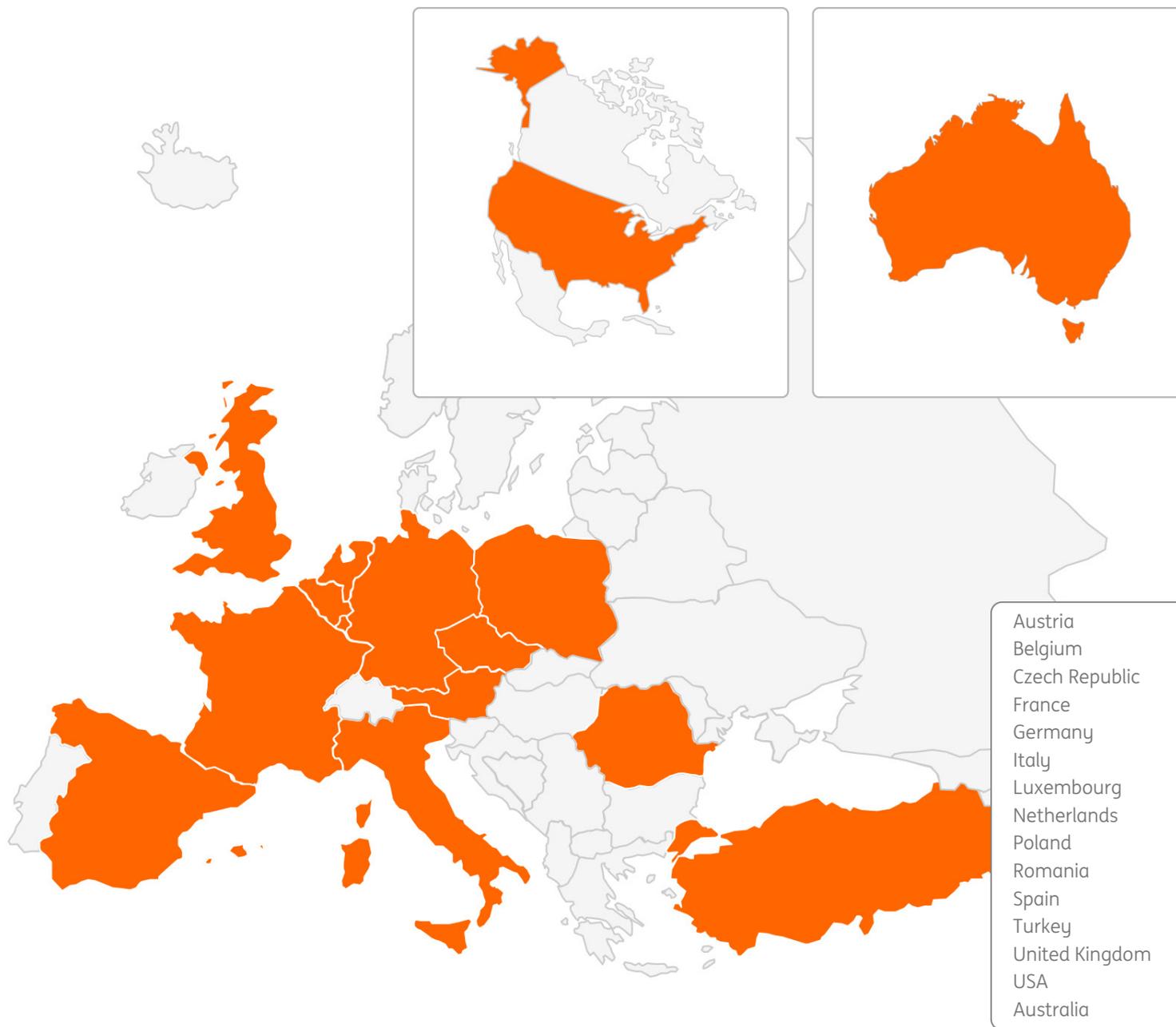
The ING International Survey aims to gain a better understanding of how retail customers – and potential customers – of ING Bank around the globe spend, save, invest and feel about money. It is conducted several times a year, with past reports online at www.ezonomics.com/iis.

This survey was conducted by Ipsos between 26 June and 15 July 2015 using internet-based polling. Data for Poland on pages nine and ten are based on a survey conducted by Ipsos between 8 October and 29 October 2015. European consumer figures are an average, weighted to take country population into account.

15
countries are compared in this report.

1,000
About 1,000 respondents were surveyed in each, apart from Luxembourg, with 500.

14,837
is the total sample size of this report.



Many feel in control of finances – but what happens if things change?

Confidence may evaporate when considering actual decisions and wealth and retirement instead of spending

Feeling out of control with your personal finances can make you feel out of control of your life. In the full data sets supporting this survey, 27% of those who feel their finances are barely or not under control say they regularly argue with their partner, friends or family about money.

The good news is many feel their finances are under reasonable control.

Across Europe, slightly more than one in three (35%) feel their finances to be completely or largely in good condition. About another third (34%) consider their finances to be somewhat under control. This leaves three in ten (30%) who feel their finances are barely or not at all in control.

There are differences between countries. People in Italy, Poland, Spain, Romania and Turkey are least likely to feel their finances are completely or largely under control. Lower incomes combined with slow growth since the global financial crisis may be part of the reason.

However, when asked more detailed questions, people's confidence in personal finances wavers.

What happens if things change?

While about four in ten (41%) across Europe say they have a large enough financial buffer to replace three appliances if they break at the same time, responses vary greatly between countries.

More direct questions cast new light on the replies to the question about feelings of control.

Confidence also fades when people are asked how difficult they find it to make financial decisions.

Wealth choices may be harder

Fewer than one in five (18%) consider decisions about spending difficult. This rises to three in ten (30%) when asked about wealth or retirement savings.

Not only are decisions about wealth and retirement saving more difficult compared with those about spending, they are also more likely to be considered unpleasant and out of their personal control.

When prompted to think about an actual financial decision from the past, respondents typically consider the decision to have been even harder.

“About three in four agree young people today face a more uncertain financial future”

We also examined the financial position of younger generations.

Young people are only slightly less likely to consider their finances under control, although people in Europe overall show concern about the financial prospects of the younger generation.

Two in three agree younger people have to make more financial decisions than older generations did when they were young.

Education more important?

About three in four (76%) agree young people today have a more uncertain financial future and that financial education is more important for the young.

Across all age groups, almost two in three across Europe (65%) say they have the primary responsibility for their financial decisions.

More than half (52%) do not expect their bank to help them with financial decisions.

Of those who do expect help (39%), the most popular option is regular meetings with a financial adviser. Many also ask for help in budgeting and managing spending.

Those who have acted to improve their financial decision-making cite keeping a detailed budget (42%) as helpful.

About one in four (26%) indicate they use mobile banking to monitor finances.

Control over spending is a good thing. But our survey underlines that this may be the easiest part of personal finances for people to manage.



Ian Bright, senior economist, Group Research, ING
Marten van Garderen, senior economist, ING Netherlands

Making financial decisions is not easy

In rapidly changing times, it can be even harder for individuals to choose their best course from a range of options. We asked almost 15,000 people in 15 countries about how they make choices around finance. Our findings suggest financial decision making is difficult for many people, and that the financial future for younger generations in particular may be more uncertain than before.

Young people may face more difficult money decisions.

76% agree young people today have a less certain financial future.

Financial decision making harder than expected.

30% say deciding about wealth and retirement is difficult.

Many find managing money and wealth unpleasant.

35% indicate their finances are "completely" under control.

Four in ten cannot withstand financial emergencies.

65% believe they are primarily responsible for finances.





Up close and personal on money choices

Just one in three feels finances are under control

The condition of an individual's personal finances can influence many aspects of their life.

Across Europe, slightly more than one in three (35%) feel their finances to be completely or largely in good condition.

Good condition is defined as meaning "that you feel you can meet your financial obligations and aspirations both now and in the future".

Across Europe, responses are split into three roughly equal groups. About a third (35%) feel their finances are in good condition, about a third (34%) reply "somewhat" and one in three (30%) reply "barely" or "not at all".

However, these feelings differ widely between countries.

Consumers in Italy, Poland and Spain are least likely to feel their finances are completely or largely in good condition.

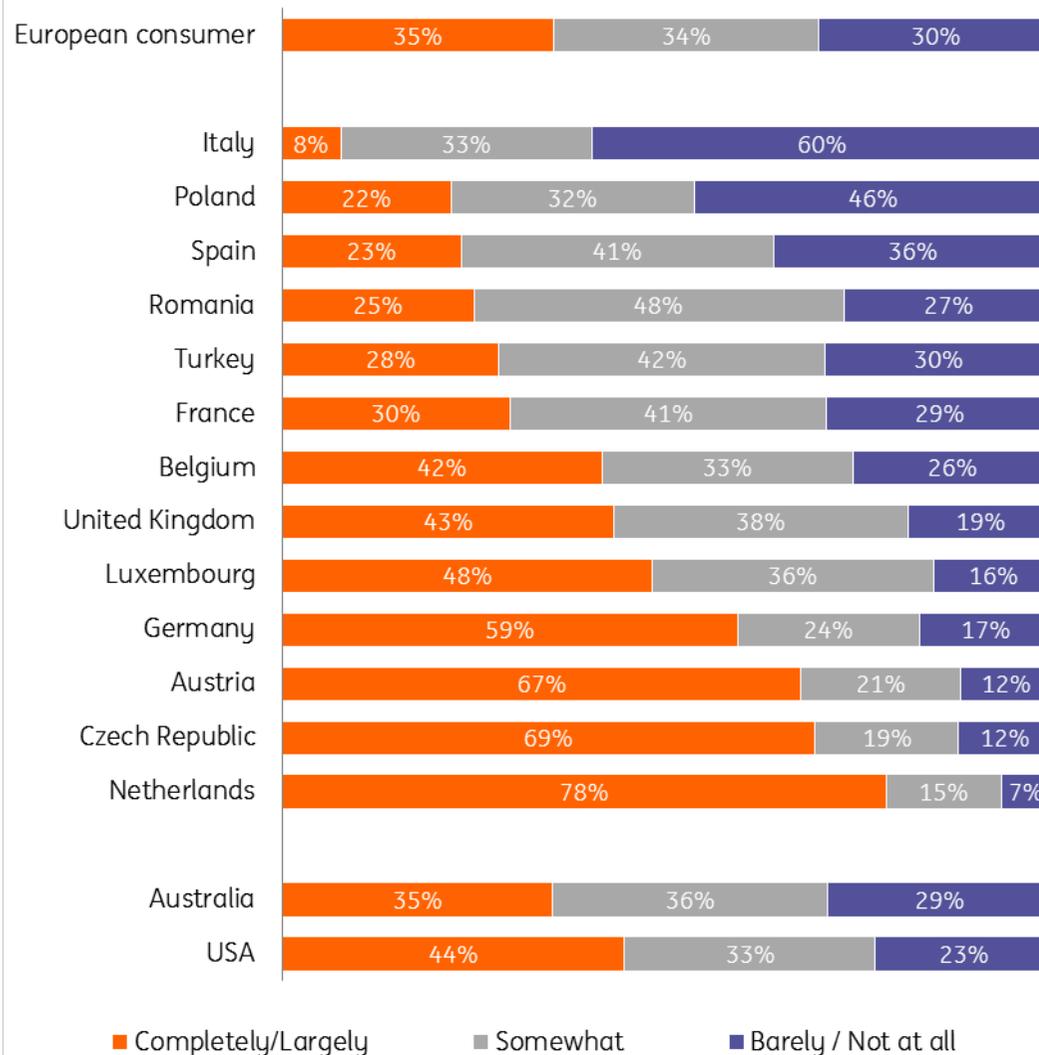
Those in the Netherlands, the Czech Republic and Austria are most likely to feel confident about their finances.

Replies from Australia are similar to the average person in Europe, with those from the USA higher and similar to those from Belgium.

The question

To what extent do you feel your finances are in good condition?

Percent who answered "completely" and "largely", "somewhat" and "barely" or "not at all"



Sample size: 14,837

Four in ten in Europe out of pocket in emergencies

Although a person may feel their finances are in good condition, this feeling can be tested if unexpected expenses occur.

Respondents were asked to imagine a situation where three of their household appliances, such as a washing machine, computer and television, broke down at the same time – a possible but unlikely series of events that could strain personal finances.

At the European level, more (41%) indicate they have enough money set aside to replace these three appliances than feel their finances are in good condition (35%).

Responses at the country level appear to correlate with the feelings of control outlined on p7. The same six European countries are listed as less secure financially for both questions.

Yet when comparing country responses, Italy and Spain stand out. More than 40% in these countries think they certainly or probably can meet the cost of replacing three appliances at the same time. This is 34% higher in Italy, and 18% higher in Spain, than the percent who feel their finances are in good condition.

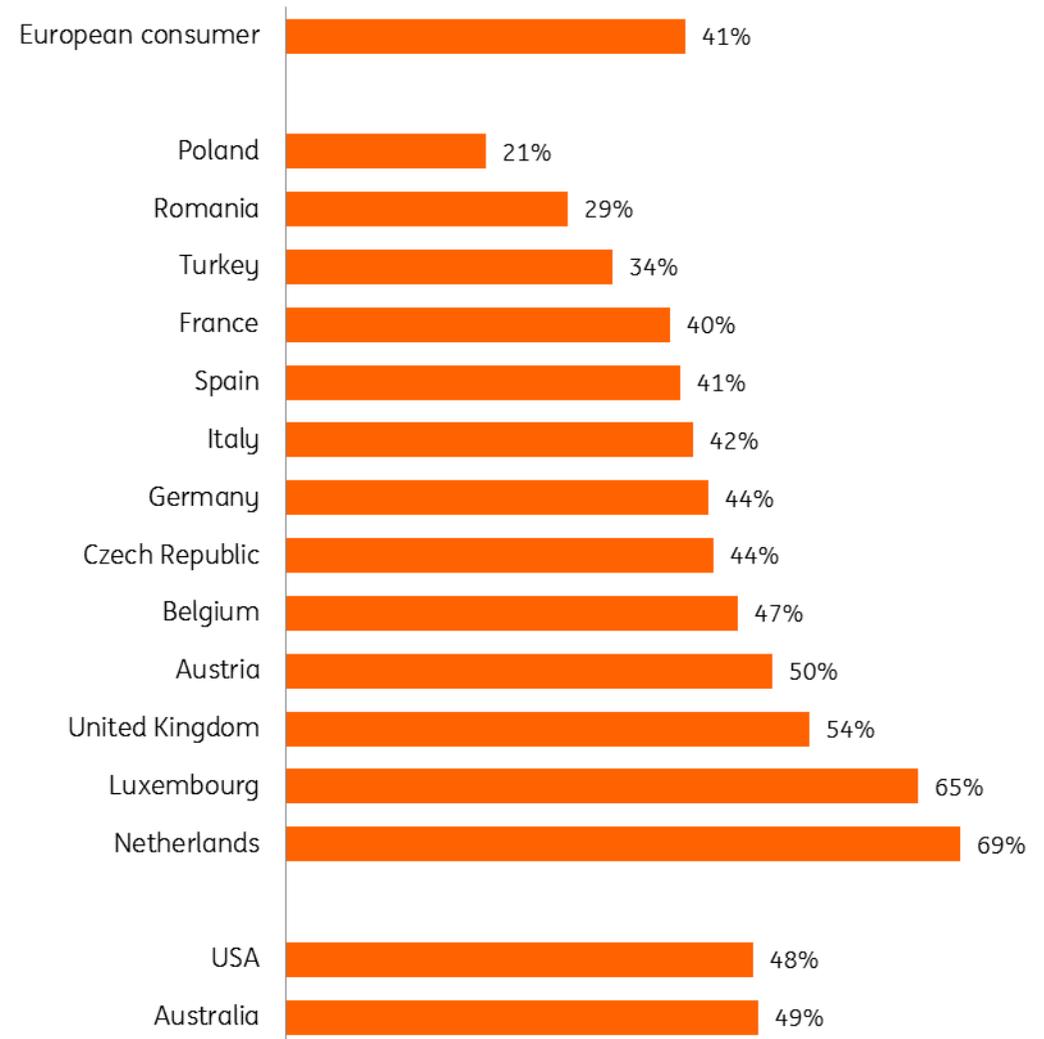
In Germany, 44% feel able to replace three appliances, 14% less than the percentage who believe their finances are in good condition.

Simply keeping enough money aside to meet emergency expenses may not be enough to feel finances are in good condition. Obligations and aspirations for the future may play a key role in whether people feel their finances are in good condition.

The question

Suppose three of your appliances break down almost at the same time. Do you think your financial buffer is large enough to replace all of these devices?

Percent who answered “certainly” or “probably”



Sample size: 14,837

Decisions on non-essential spend harder to make

Confidence that finances are under control may be affected by the perceived difficulty of decisions about spending and saving.

Respondents were asked to consider how difficult they found it to take decisions about their essential and discretionary spending.

Essential spending, by definition, cannot be avoided. Examples may include spending on food, electricity and commuting.

Discretionary spending refers to anything non-essential – from small items to more expensive purchases. Spending on leisure activity, such as eating out or a gym membership, is a good example of discretionary spending,

About one in eight (13%) across Europe find making decisions about their essential spending difficult. However, this nearly doubles to one in four (23%) when deciding about discretionary spending.

This pattern was repeated to a greater or lesser extent in all 15 countries.

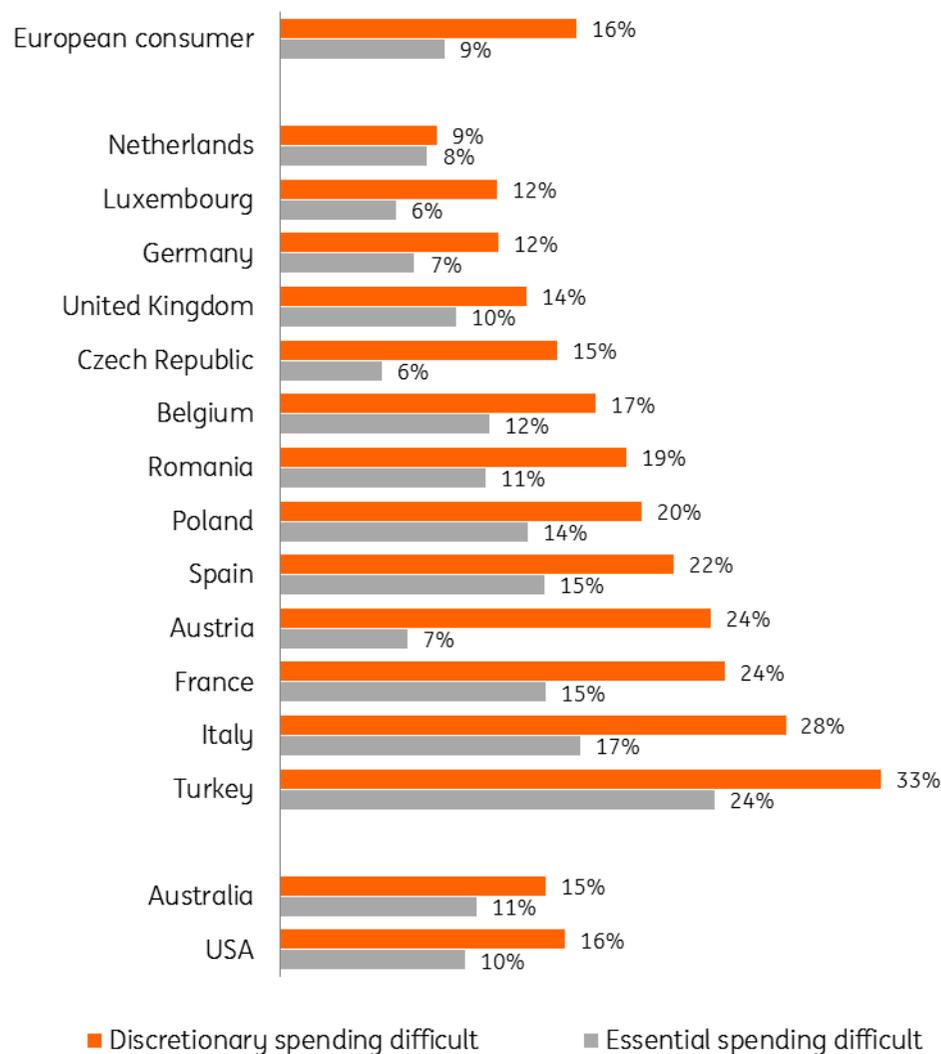
In the Netherlands, fewer than one in ten find it difficult making decisions about spending, whether the spending is essential or discretionary. That compares with Austria and Italy, where the “difficulty gap” between essential and discretionary spending decisions is larger than 10%.

Deciding about essential spending may be easier generally because there is less choice involved. But discretionary spending may require self control and delay the pleasure associated with a purchase.

The question

“Making decisions about my essential / discretionary spending is ...”

Percent who answered “difficult “ or “very difficult”



Sample size: 14,837

Retirement saving choices give people less today

Taking decisions about retirement savings and financial wealth is more difficult than for spending.

In many countries, deciding about financial wealth is considered to be roughly as difficult as making decisions about discretionary spending.

However, making decisions about retirement saving is considered more difficult in every country surveyed.

Financial wealth is defined as “savings and investments, and debts such as personal and student loans”. As noted in the survey, this does not cover wealth held in the value of a house or money held in a retirement fund.

The “difficulty gap” is widest in France (16%), Germany (14%), and the Netherlands (13%). This is even though Germany and the Netherlands reputedly have well-organised retirement saving systems, which should make decisions about saving for retirement easier.

Making choices about financial wealth and retirement saving may be more difficult than taking spending decisions because they are typically made less often.

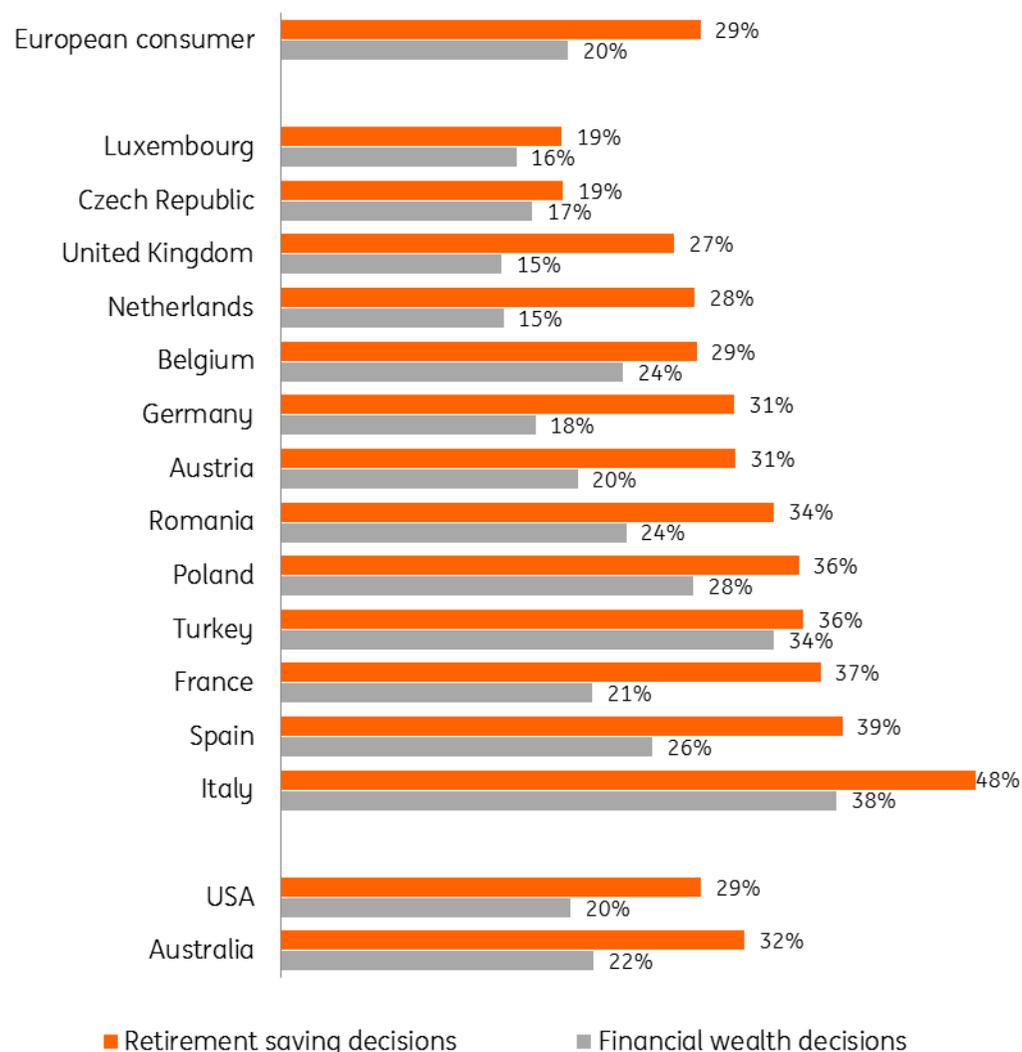
As a result, there are fewer opportunities to learn from previous mistakes. The amounts involved are also generally larger and there is the chance of losing money.

Retirement saving may be particularly difficult because potential benefits may be, or seem to be, far off. Saving for retirement may also mean less money is available now – and many people do not have funds to spare.

The question

“Making decisions about my financial wealth / retirement savings is ...”

Percent who answered “difficult” or “very difficult”



Sample size: Retirement savings = 12,224, Financial wealth = 14,837

Managing wealth is less pleasant than budgeting

All aspects of managing wealth can be difficult. The survey finds that managing wealth, for many people in Europe, is at least as difficult as making spending decisions.

Respondents were asked how easy or difficult they find decisions about essential spending, discretionary spending, financial wealth and retirement saving.

And they were also asked whether they feel these items are under control and also how enjoyable they find the decision-making process.

People are more likely to consider wealth management more difficult than spending decisions. And wealth issues are more likely to be considered out of control and unpleasant.

The graph shows the average responses for both types of spending and wealth for the people in Europe.

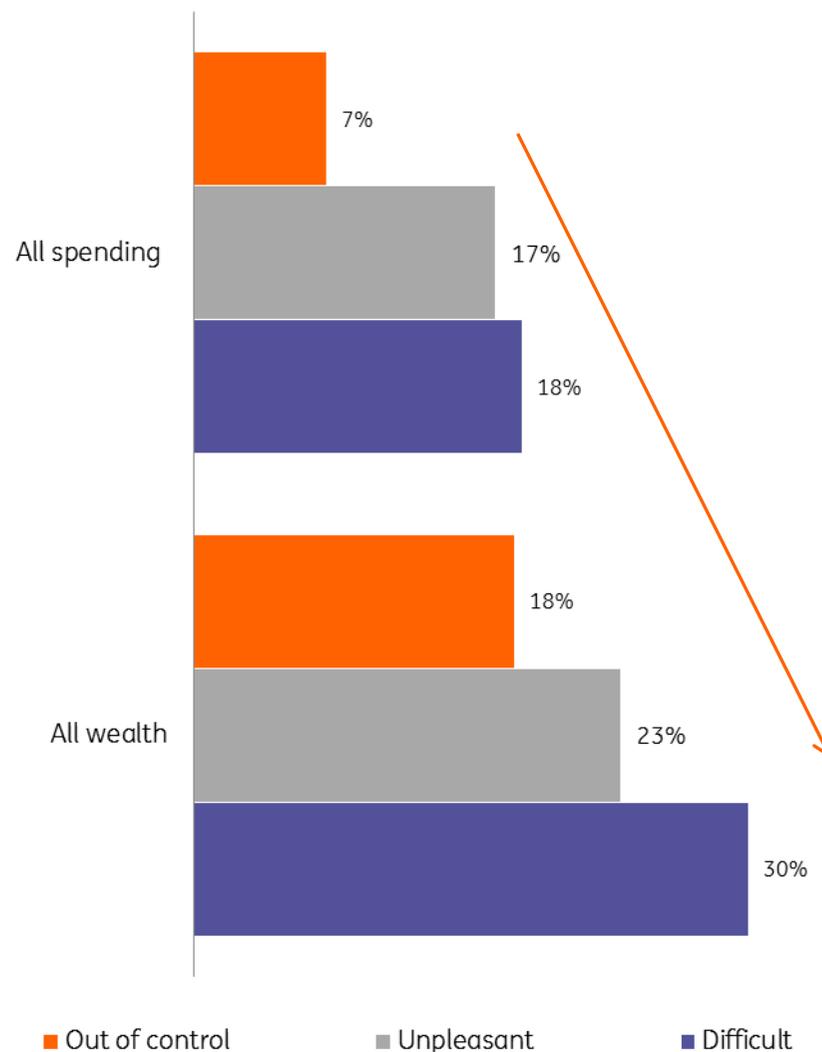
Although a smaller share than 50% has negative feelings about managing spending and wealth, the divide in negative feelings between wealth and spending mirrors the relationship between control and difficulty.

This indicates that many people find making financial decisions difficult in a range of ways.

The question

Managing spending / wealth is ...

Percent who answered “very much out of control” or “out of control”, “very unpleasant” or “unpleasant” and “very difficult” or “difficult”



Sample size: Spending and financial wealth 12,788, Pensions 10,641

Actual financial decisions more difficult than thought

It can be harder to actually make a major financial decision than to simply think about how it feels to manage spending and wealth.

Respondents were asked to recall a major financial decision they made in the past. Then they were asked how difficult they had actually found this decision.

When prompted this way, nearly four in ten (38%) in Europe report that the decision was difficult or very difficult. This is higher than the perceived difficulty level that people report for any single aspect of managing personal finances.

Prompting people to think about a major financial decision may help them remember the difficulties they faced. This may alter their confidence in their financial decision-making ability.

It could be noted that while this may expose overconfidence it may not expose the true extent of the difficulty faced.

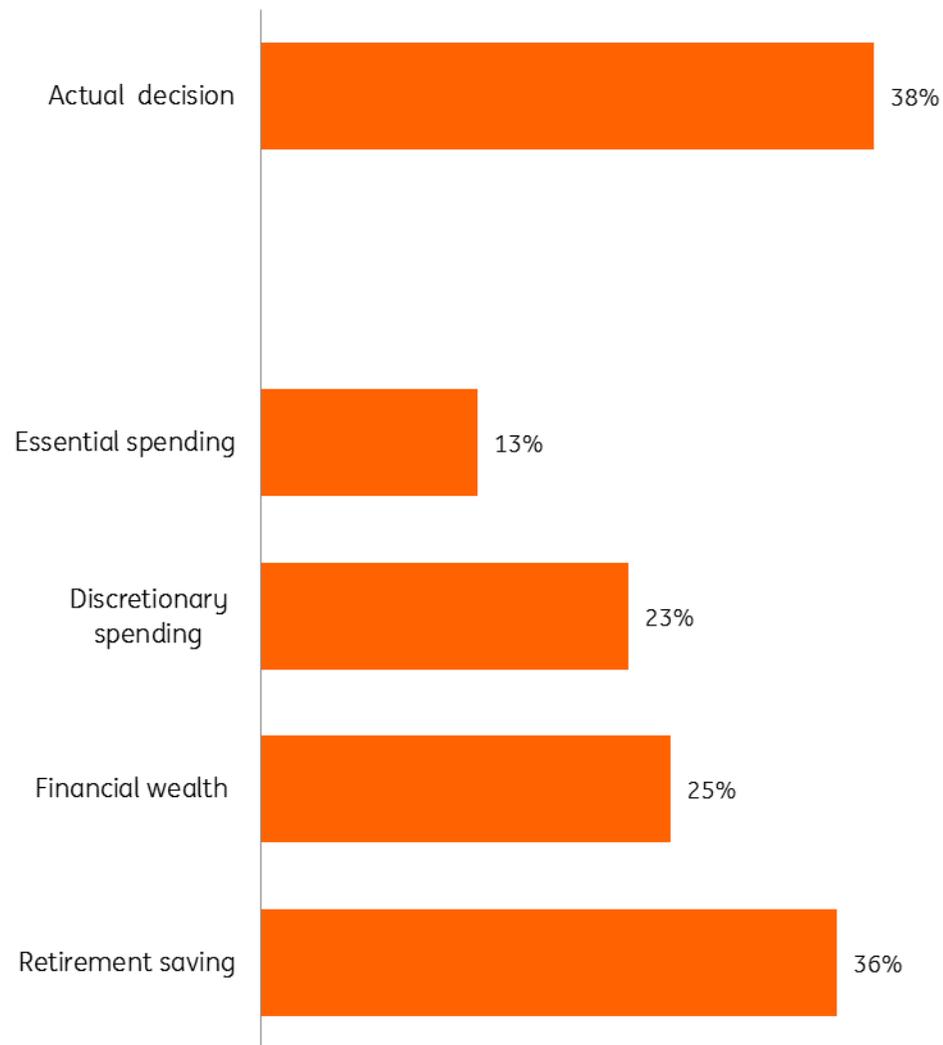
Memories can be unreliable and coloured by the end result. The difficulty of the actual decision making process may be simply discounted or forgotten.

For this question, examples given of possible major financial decisions were a major purchase (such as a car or kitchen), accepting a new job, building up a retirement fund, or buying, renting or renovating property.

The question

“Did you find making a financial decision was ...”

Percent who answered “difficult” or “very difficult”



Sample size: 12,788 except for retirement savings at 10,641

Decision making difficulty varies between countries

The percentage of respondents who find actually making a major financial decision difficult varies between countries.

For 12 of the 15 countries surveyed, actually making a major financial decision is considered harder than any aspect of managing personal finances.

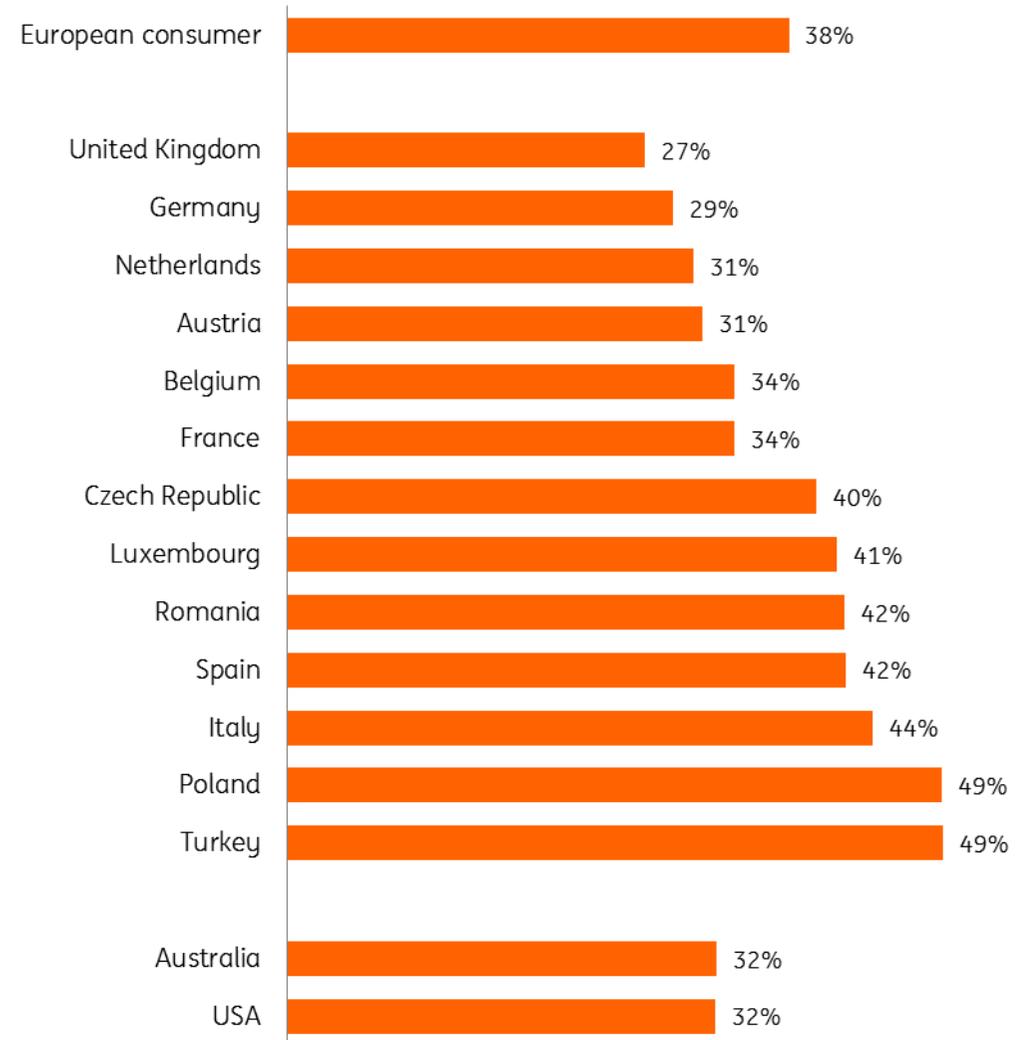
The three exceptions are France, Germany and Italy, where people feel saving for retirement is more difficult.

The countries where actually making a major financial decision is most difficult tend to be those with lower incomes and that suffered significant falls in income in the global financial crisis.

The question

“Did you find making a financial decision was ...”

Percent who answered “difficult” or “very difficult”



Sample size: 14,837



Uncertain
climb ahead
for the young?

Tougher choices predicted for younger generations

It is sometimes suggested that the younger generation has to make more financial decisions and has a more uncertain financial future than older generations faced.

This survey suggests these views are widely held.

More than half the respondents in all countries surveyed agree that young people today have to make more financial decisions than the older generation did when they were young.

This view is especially strong in Central and Eastern European countries such as Romania, the Czech Republic, Poland and Turkey. This may reflect changes in the political structures of these countries since the 1990s.

The view is widely held irrespective of age or gender.

Government support and social security are under review in many countries and younger people may have less government support than in the past.

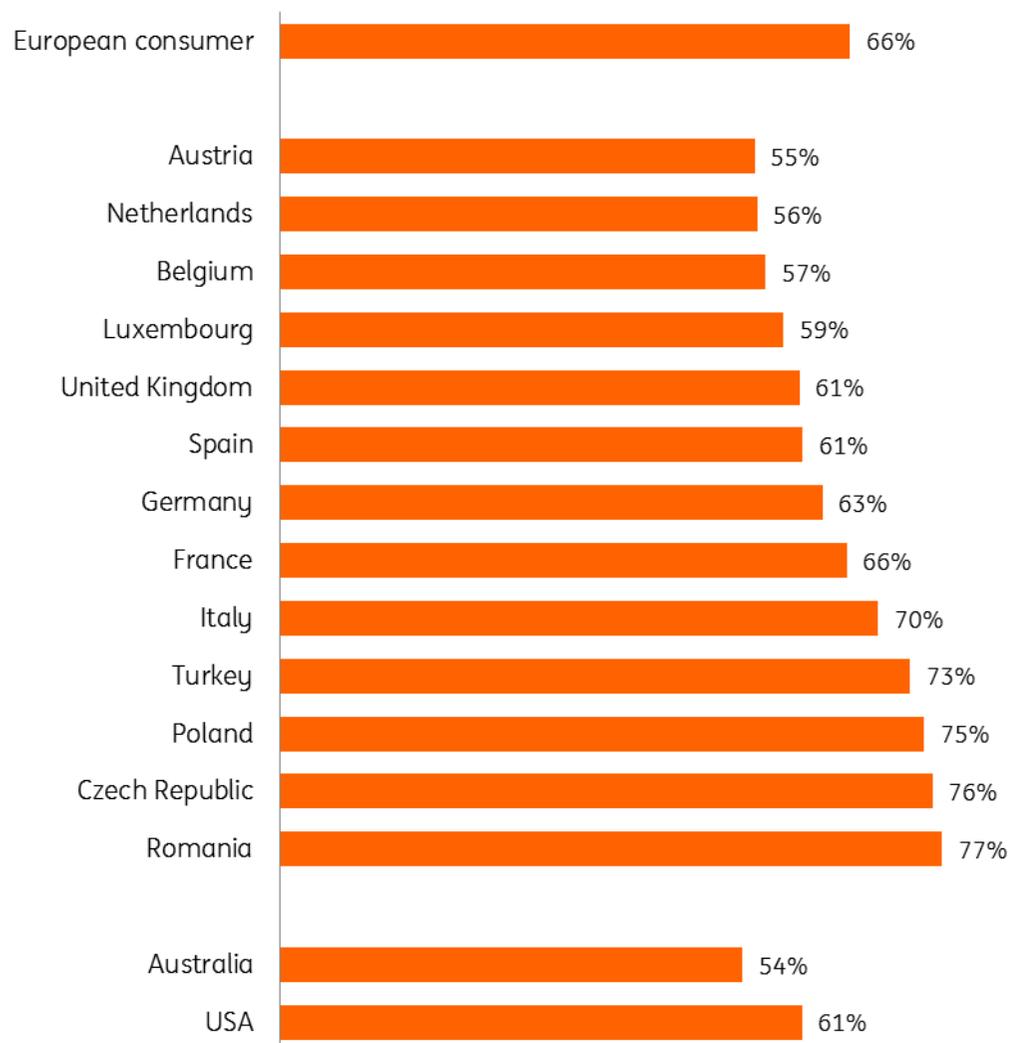
Fees are now charged for tertiary education in many countries where previous generations had much cheaper access to further education.

Technological change may have made more financial products available. Choice may have increased but people can find it difficult to choose between many, sometimes complex, products.

The question

“Young people today have to make more financial decisions than the older generation faced when they were young”

Percent who answered “strongly agree” or “agree”



Sample size: 14,837

Low growth, fewer jobs afflict financial futures

Still more concern is expressed about the financial prospects of the younger generation. Around three in four respondents (76%) in Europe agree young people have a more uncertain financial future than older generations did when they were young.

Seventy-eight percent of respondents aged 55 or more agree with this statement. The share falls progressively to 72% among 18 to 24 year olds.

Older generations are more likely to have benefited from rises in house prices, as well as generous pension arrangements and cheap or free higher education that are no longer widely available. This may have influenced the responses from different age groups.

People from Italy and Spain are most likely to agree with the statement, perhaps reflecting the economic difficulties these countries have faced since the 2007-2012 global financial crisis.

However, replies from Spain do not differ much from those in France or Luxembourg. Low growth and high youth unemployment across Europe may also be contributing factors here.

More than 40% of people under 24 in Italy and Spain are unemployed at the time of writing, according to official figures. Italy and Spain also have the highest levels of uncertainty, as shown in the graph.

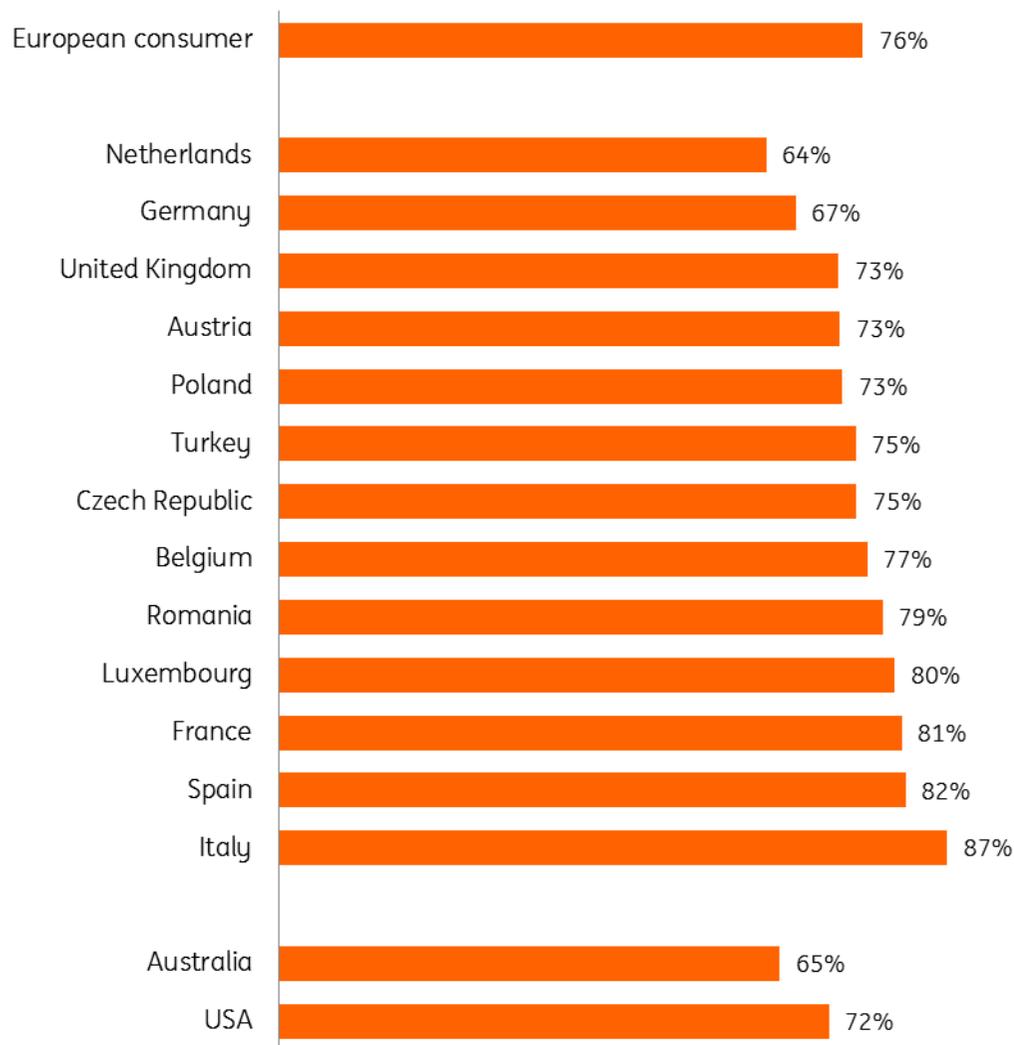
Youth unemployment in the Netherlands and Germany is low compared with the other countries surveyed. The correlation coefficient between the youth unemployment rate and the responses indicating young people have a more uncertain financial future is 0.77.

Further away, in Australia and the US, results are broadly similar.

The question

“Young people today have a more uncertain financial future than the older generation faced when they were young”

Percent who answered “strongly agree” or “agree”



Sample size: 14,837

Could financial education help the next generation?

The opinion that the young have a more uncertain financial future is widely held.

Consistent with this, three in four (75%) people in Europe agree it is more important for young people today to learn how to manage money.

Older respondents were somewhat more likely to agree. Seventy one per cent of those aged under 25 agree with the statement while 77% of those older than 55 agree.

Despite the widespread support for people to learn how to manage money, research on the most effective methods of learning has been disputed.

Some argue financial education will help.

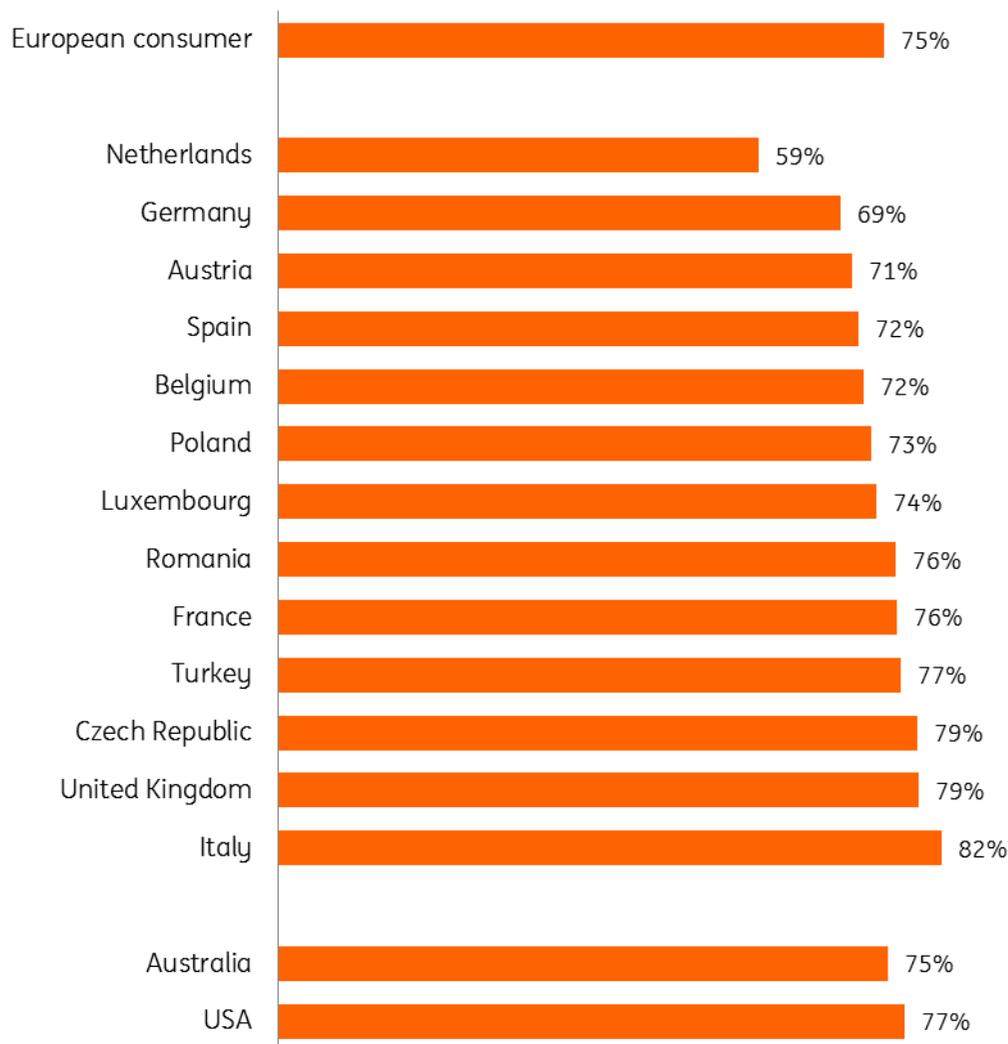
Assessing many studies on the effectiveness of financial education, a Royal Society for the encouragement of Arts, Manufactures and Commerce (RSA) paper *Wired for Imprudence* argues “there is little evidence that generic financial education affects the financial outcome of its recipients.

“Narrowly targeted interventions seem more promising, especially in the areas of saving and keeping track of money.”

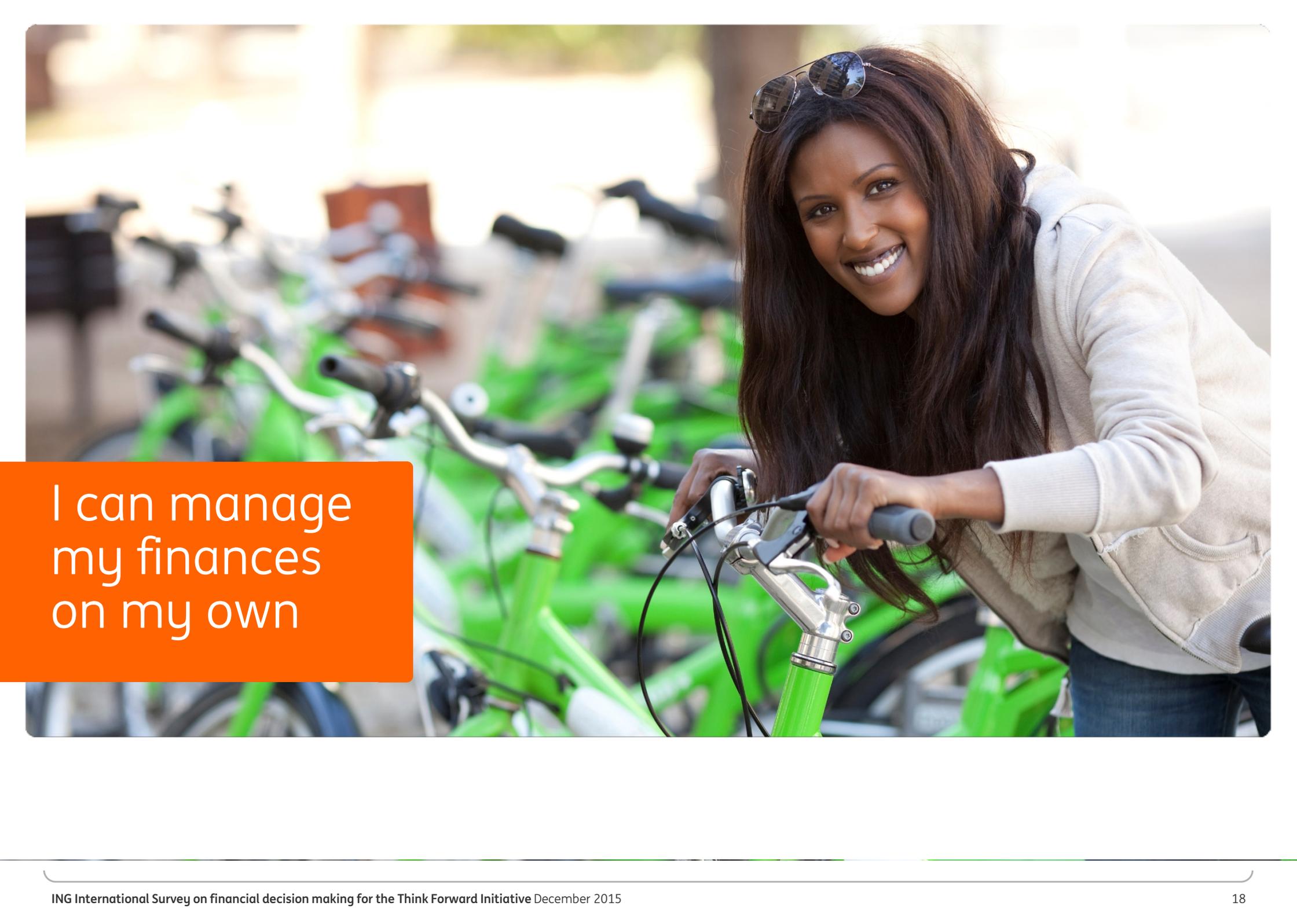
The question

“It is more important for young people today to learn how to manage money than it was for the older generation when they were young”

Percent who answered “strongly agree” or “agree”



Sample size: 14,837



I can manage
my finances
on my own

Responsible for own finance decisions – and mistakes?

Although many people find it hard to make financial decisions and there are concerns about the young, there is a strong sense that people should be responsible for their own finances.

Nearly two in three (65%) in Europe believe they retain primary responsibility for their own financial decisions.

People were asked to indicate the degree of responsibility they have for their own money choices on a scale of one to ten, where one indicated the most personal responsibility, and ten the least.

Forty-three percent of people in Europe selected one on the response scale – indicating a belief they themselves have total responsibility for their financial decisions.

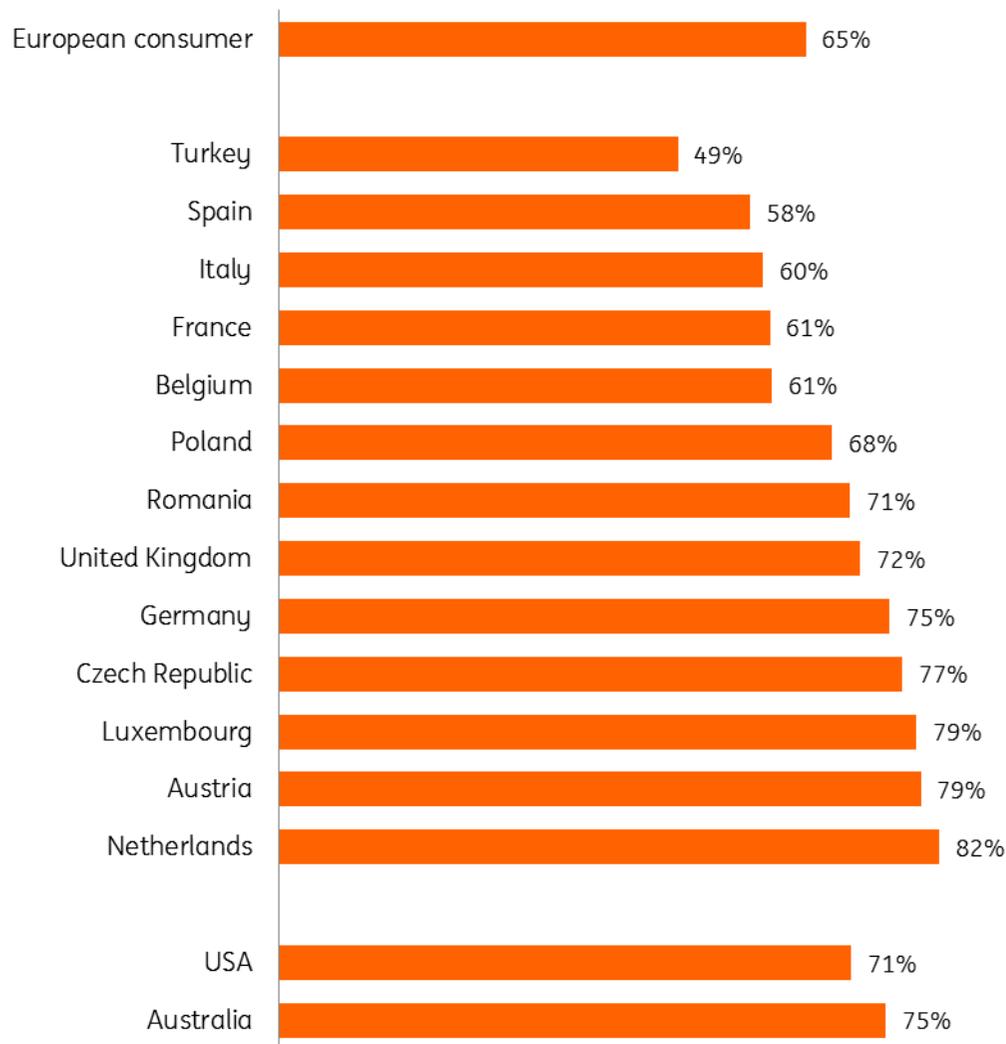
The majority – in all countries but Turkey – opt for a high degree of personal responsibility, selecting one, two or three on the response scale.

Replies suggesting a belief in personal responsibility rise noticeably with age. Just 53% of 18 to 24 year olds say financial decisions are their own responsibility – compared to 74% of those aged 55 and older.

The question

“I believe the primary responsibility for my financial decisions lies with...”

Percent who indicated “me”



Sample size: 14,837

Age instils confidence and greater responsibility

The opinion that people are responsible for personal financial decisions appears to increase with age.

Across Europe, slightly more than half those aged 34 or less indicated responsibility lies with themselves. This rises steadily to almost three in four (74%) when 55 or older.

Many factors could account for this pattern.

Younger people may be more uncertain of their financial future than older generations and may also think they need to make more financial decisions than their parents did when they were young. The responses to other questions in this survey provide support for this idea.

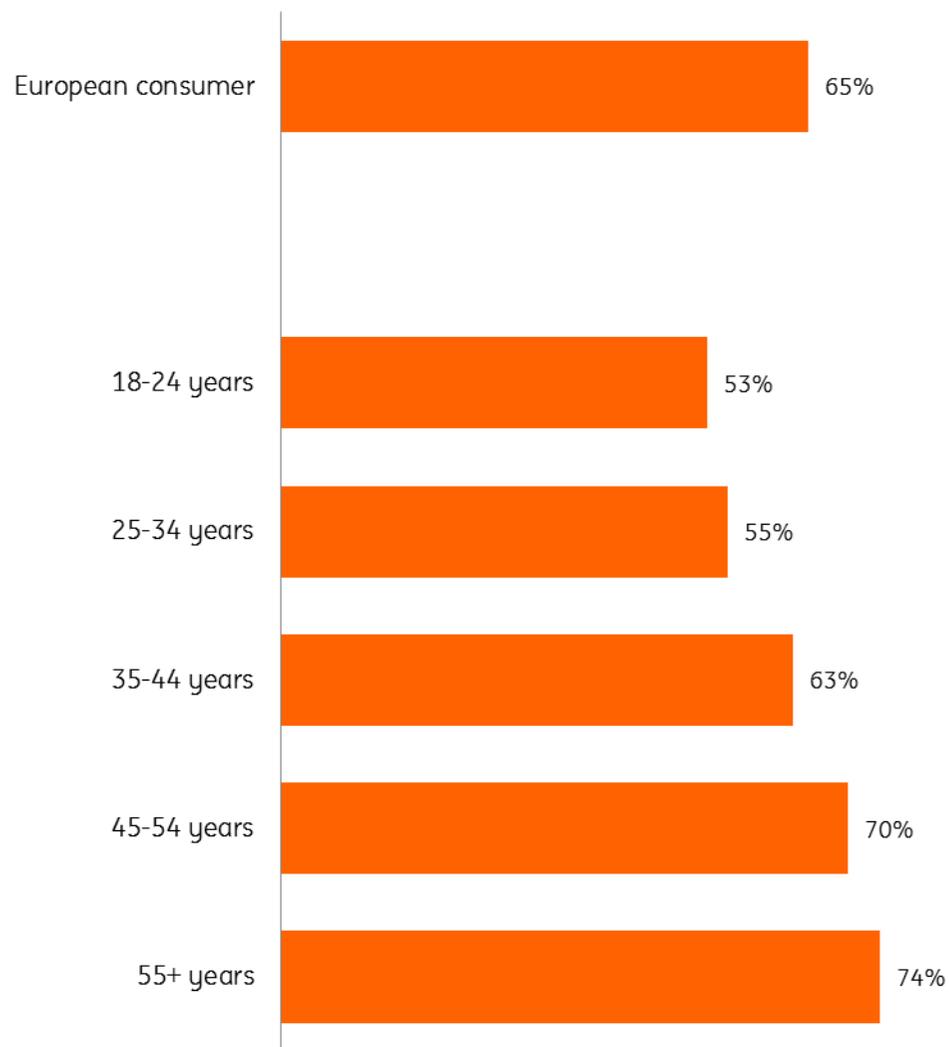
Being aware of the comparative weakness of their finances, younger people may realise that mistakes in making financial decisions may affect them for a long time.

Older generations are more likely to have made a number of important financial decisions and developed greater confidence in managing their finances.

The question

“I believe the primary responsibility for my financial decisions lies with...”

Percent who indicated “me”, split by age



Sample size: 12,788

Bank help not expected if people feel empowered

Most people in nine of the 15 countries surveyed say they do not expect their bank to help them with financial decisions.

This is consistent with the belief, held by two in three, that people have the primary responsibility for their own financial decisions.

This supports two findings: that one in four find making decisions about financial wealth difficult; and that more than one in three find making decisions about retirement savings difficult (see p10).

The survey also finds that when people are prompted to remember a major financial decision they actually made, their perception of difficulty rises to 38% (see p13).

A noticeable share do expect help from their bank.

At least one in five (more than 20%) in every country and more than one in three (35%) across Europe expect help.

Help is most likely to be expected in Luxembourg and least likely to be expected in Australia.

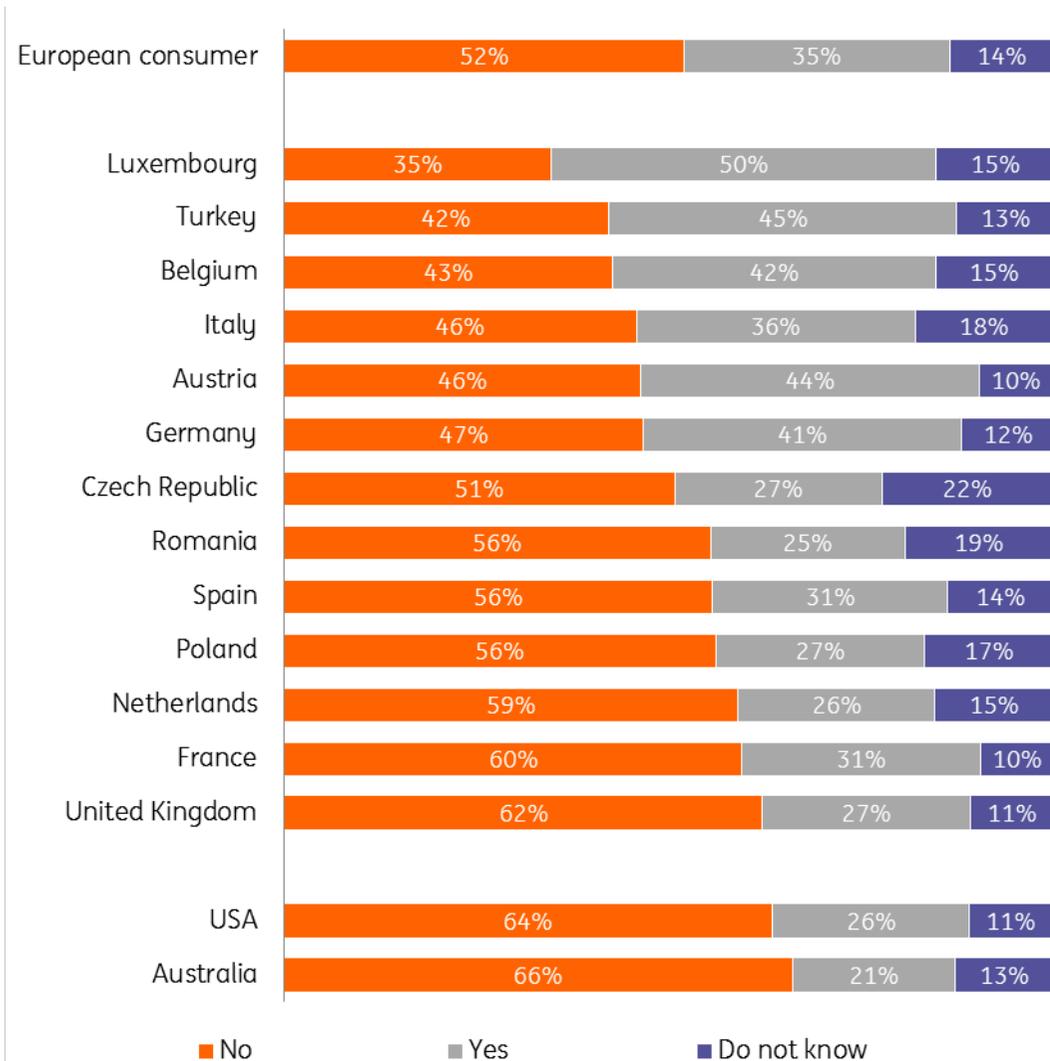
Most may feel confident about an ability to make financial decisions and do not expect help from their bank.

But there's a chance that confidence may fade when actually faced with making a financial decision.

The question

Do you expect your bank to help you with your financial decisions?

Percent who answered "no", "yes" and "do not know"



Sample size: 14,837

If you help me, please help me keep track of spending

When asked what help banks can provide, the people surveyed have strong views – and personalised help may be appreciated.

Of those in Europe who indicate they expect their bank to assist them to make financial decisions, the three top responses, in order, are:

1. Allow regular meetings with a financial adviser
2. Allow mobile banking to keep track of money
3. Provide coaching on spending

People could select multiple answers from a total of eight options.

The most popular choices support the idea that people do want help to manage their money, and reflect the finding that making decisions about discretionary spending is difficult.

Being able to keep track of money using mobile banking, being coached on spending, and detailed assistance with budgeting may ease the path to good spending decisions.

This seems especially likely if people are trying to decide on discretionary spending – how to spend any money left over after essentials have been accounted for.

A relatively small (14%) proportion say they expect to be offered courses on financial literacy.

Perhaps education options need to be presented at appropriate times and by making reference to practical issues such as budgeting.

The question

How do you expect your bank to help you with your financial decisions?

Percent choosing each option



Sample size: 4.356

Keeping a detailed budget helps most people

The theme of budgeting comes through strongly once again when people in Europe are asked what they have done to improve their financial decision making.

More than four in ten (42%) have kept a detailed budget with a view to making better financial decisions.

This can be a simple and practical way to see where money is going.

The popularity of this response may help explain why people find making spending decisions less difficult than decisions about financial wealth and retirement saving.

People may benefit here from developing more detailed plans alongside a financial adviser, or by taking courses on financial literacy – the two least popular answers to the question.

Nearly one in four (23%) say they have done nothing – but this means of course that a much larger share have taken some steps to improve their financial decisions.

“Kept a detailed budget” was the most common response in eight of the 13 European countries surveyed. Nearly one in four say they use mobile banking to help with this.

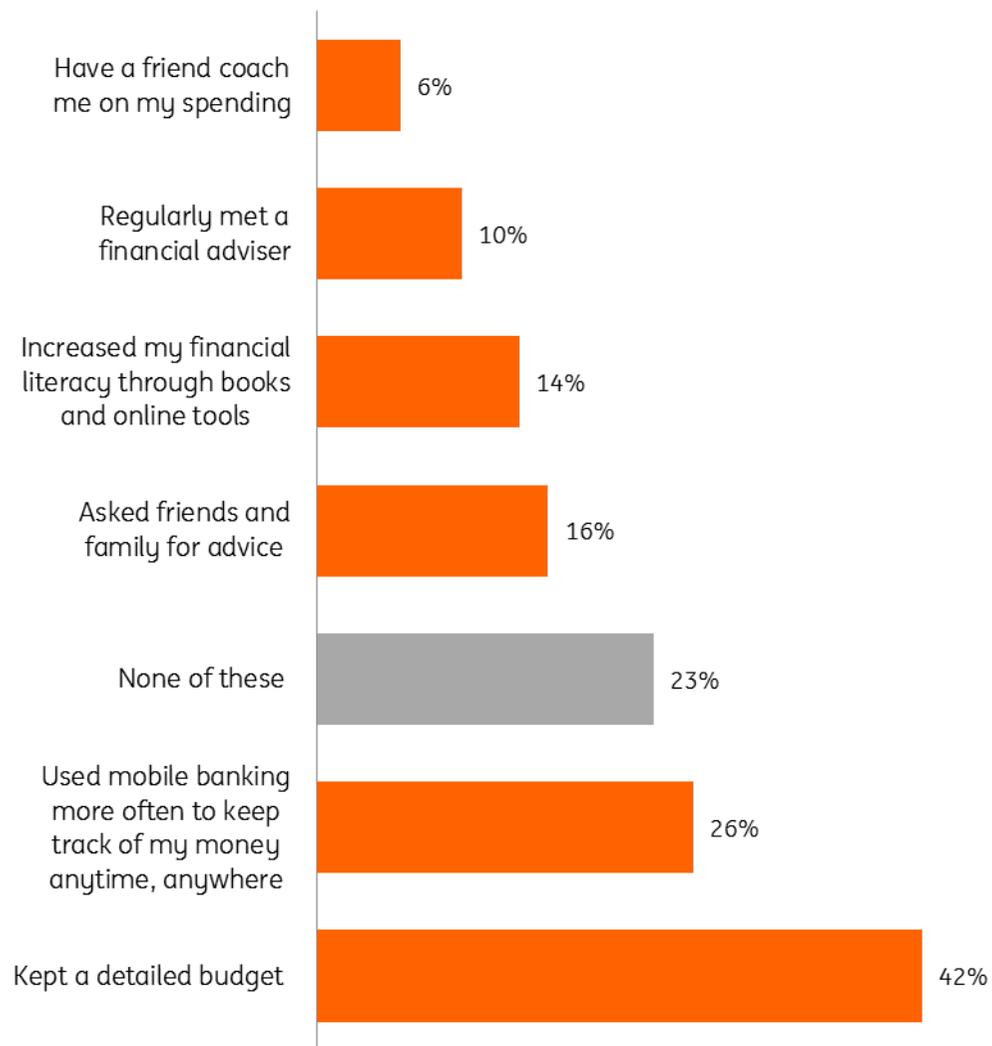
However, in Austria, Luxembourg and Poland using mobile banking to keep track of money was the top response.

People could make multiple selections when answering this question.

The question

Which of the below actions have you taken to improve your financial decision making?

Percent choosing each option



Sample size: 12,788

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