Savings comfort – a path to happiness

Examining money choices in Europe, USA and Australia

ING International Survey Savings February 2018

thinkforward

This survey was conducted by Ipsos on behalf of ING

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About the ING International Survey

The ING International Survey aims to gain a better understanding of how people around the globe spend, save, invest and feel about money.

It is conducted several times a year, with reports hosted at **www.ezonomics.com/iis**.

Ipsos conducted this survey between 19 October and 31 October 2017. Sampling reflects gender ratios and age distribution, selecting from pools of possible respondents furnished by panel providers in each country. European consumer figures are an average, weighted to take country population into account.

15

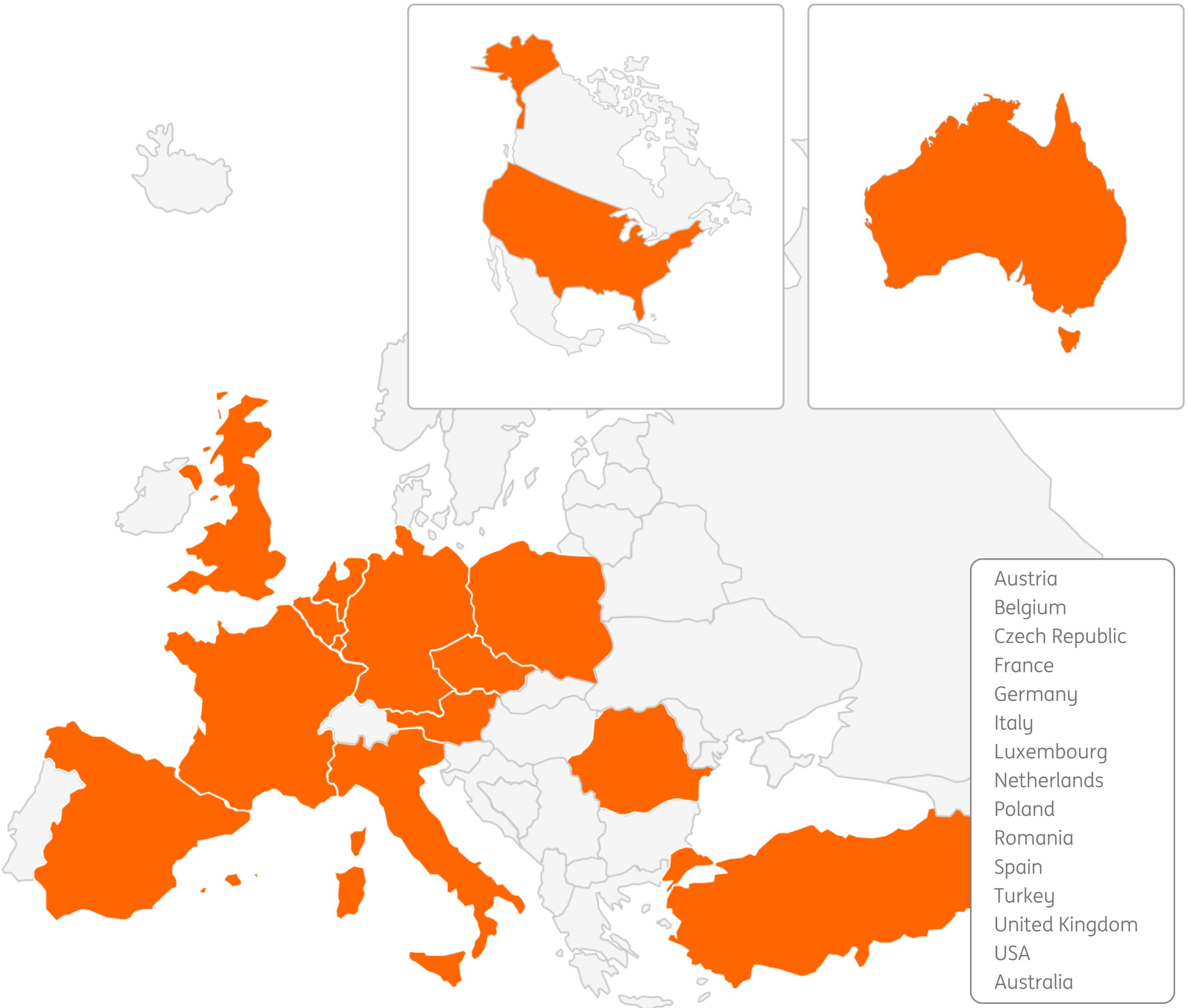
countries are compared in this report.

1,000

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

14,806

is the total sample size of this report.



Shared decision-making a bonus when managing household savings

Comfort with savings correlates with happiness – yet many in Europe, the USA and Australia still put nothing aside

Money might not buy happiness but it can help – that's what the findings imply in our seventh savings survey, the *ING International Survey Savings 2018*.

Fifty-seven percent of respondents across Europe replied either "yes" or "most of the time" when asked if they feel happy in general. Only 10% said "no" or "rarely" and 32% "sometimes".

Forty-seven percent of the happy group reported that they were comfortable with their savings level. Savings comfort was noticeably rarer among those who said they were happy sometimes (21%) and those who said they were unhappy (13%).

Of course, savings comfort may not on its own make a person happy. But our results suggest a link: comfort with the amount of savings one has readily available is clearly one of the many factors that can contribute to overall happiness.

Yet many still have no savings

Unfortunately, many people continue to tell us year after year that they have no readily available savings at all – or only a small amount. In 2018, 26% across Europe say their household has no savings at all; over the seven years of our survey there has been little change to this figure.

At least three to six months of take-home pay is usually recommended as an appropriate buffer for covering emergencies. Having this amount saved could mean, for example, that unexpected car or house repairs can be paid for without going into debt.

The money-savings relationship also appears to reflect the degree of closeness in a couple's relationship. Those who are in a relationship and who report being happy are also more likely to say the pair largely or fully combine their finances.

How do joint finances affect happiness?

Fifty-five percent of people who say they're happy and in a couple in our survey indicated they fully or almost completely combine their finances. Half of respondents in this situation say they're happy sometimes while 46% report unhappiness.

"The money-savings relationship also appears to reflect the degree of closeness in a couple's relationship"

Couples who manage their money jointly are likelier than those who don't to have a joint bank account and regularly receive joint statements. These were much more powerful indicators of joint finances than making specific financial decisions together.

Of those in a duo who consider their finances completely or largely combined, 33% report they have already set up a shared bank account. Only six percent of those in couples with almost or fully separate finances have a joint bank account, a stark 26 percentage point difference.

Another 41% of people in couples who manage their money jointly say they are likely or very likely to open a joint bank account. Just 26% of those with separate finances say the same – a 15 percentage point gap.

Just 10% of those in couples who combine their finances say they're unlikely or very unlikely to open a shared bank account. There's a 32 percentage point gap between this group and the 42% in couples who manage their finances separately. This suggests that those who consider their finances separate from their partner's may be unlikely to change their financial relationships.

Joint decisions link to other choices

Other financial decisions – such as budgeting and making large purchasing decisions (for instance, buying a car) – were noticeably more likely among those in couples who combined their finances.

Fleur Doidge, writer/editor
Ian Bright, senior economist

Working together to nurture your finances

Is it true that money can't buy happiness? The *ING International Survey Savings 2018* asked nearly 15,000 people across Europe, the USA and Australia how they think about their savings. Results reveal a link between good money skills, closeness in relationships, and feelings of individual happiness.

53% fully or largely combine finances

53% of Europeans in a couple say they fully or largely combine their finances - rising to a high of 71% in Romania.

55% of the happy join forces on money

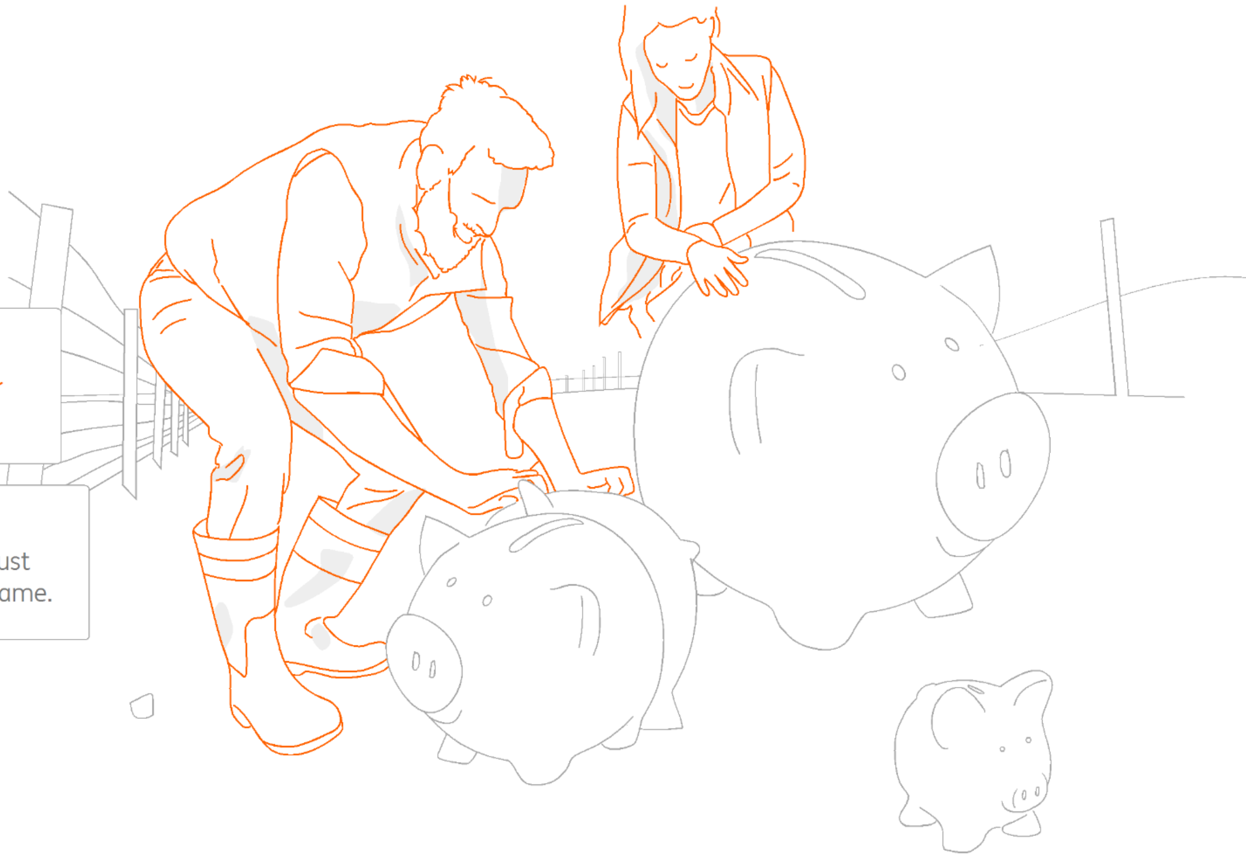
55% of Europeans who say they're happy and in a couple combine their finances; just 46% are unhappy.

75% agree regular finance meeting is useful

75% of couples in Europe agree a regular finance meeting is useful - and 69% say it's helpful for their relationship.

72% of couples in Europe with joint finances feel close to their partner; just 45% with separate money say the same.

72% with joint finances feel close to partner



Savings, happiness, relationships

"Happy – and comfortable with my savings, thanks"

Our *ING International Survey Savings 2018*, seventh in an annual series covering 13 countries in Europe, the USA and Australia, shows a correlation between people's happiness levels and whether they are comfortable with the amount of money they have managed to save.

Correlation isn't causation, so happy people may be likelier to say they're comfortable anyway. Nevertheless, 47% of the happy group are comfortable with their savings level. Just 19% of those who are happy say they are uncomfortable.

That compares with the 62% of the unhappy group who are uncomfortable with their savings level. Among those who are unhappy, just 13% say they are comfortable with the amount they have managed to save.

Those who indicate they are only happy "sometimes" are more likely to be "neither comfortable nor uncomfortable" with their savings.

The full data set shows that overall 57% of Europeans say they are generally happy, 32% are "sometimes" happy, and just 10% are unhappy. Results from the USA and Australia were similar.

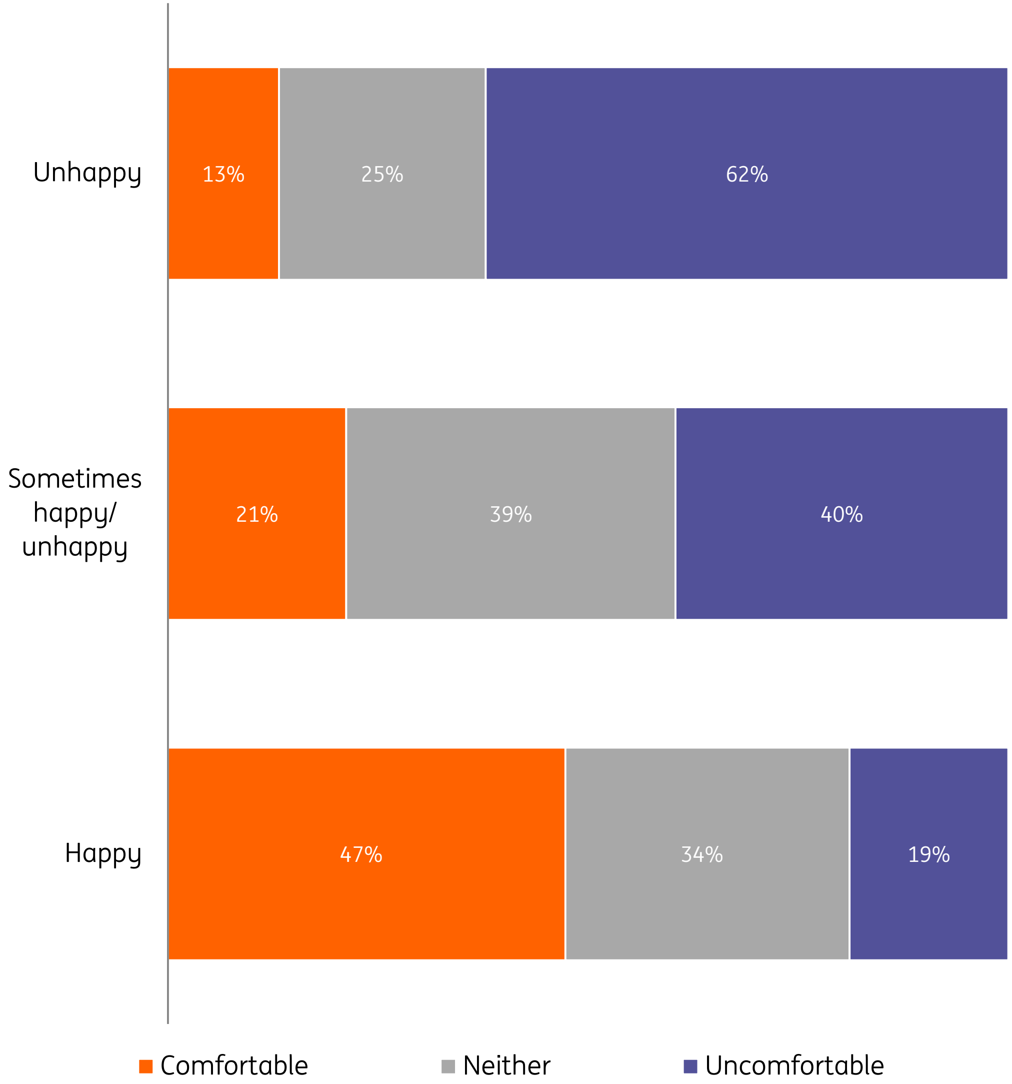
Unhappy people and debt comfort

Comfort with debt (excluding mortgage debt) has a weaker link with unhappiness. The correlation between higher savings comfort levels and happiness was stronger. We also did not find significant differences in how people respond based on age or whether the respondents were men or women.

The question

Do you feel happy, in general? / Are you comfortable or uncomfortable with the amount your household has saved?

Europe totals only. Self-reported happiness versus feelings of comfort with savings level.



Sample size: 12,794

Can joining forces on money make you happy?

Our results suggest that comfort with savings correlates with overall happiness levels. We also find that people who are happy and in couples are somewhat more likely (by nine percentage points) to completely or largely combine their finances, compared to unhappy people who are part of a couple.

People may keep their finances separate because they are unhappy – for example, if there is a lack of trust. It's equally possible that combining finances may directly boost overall happiness.

Most individual countries follow the above pattern, but there are exceptions. In Austria, for example, happy and unhappy people answer similarly whether they manage their finances jointly or not.

In Romania and Spain, people in couples with separate finances are much less likely to say they are happy than those who combine them.

Beyond Europe, figures for the USA resemble the European average.

In Australia the shares who combine their finances are similar among the happy group (43%) and the unhappy (46%) group.

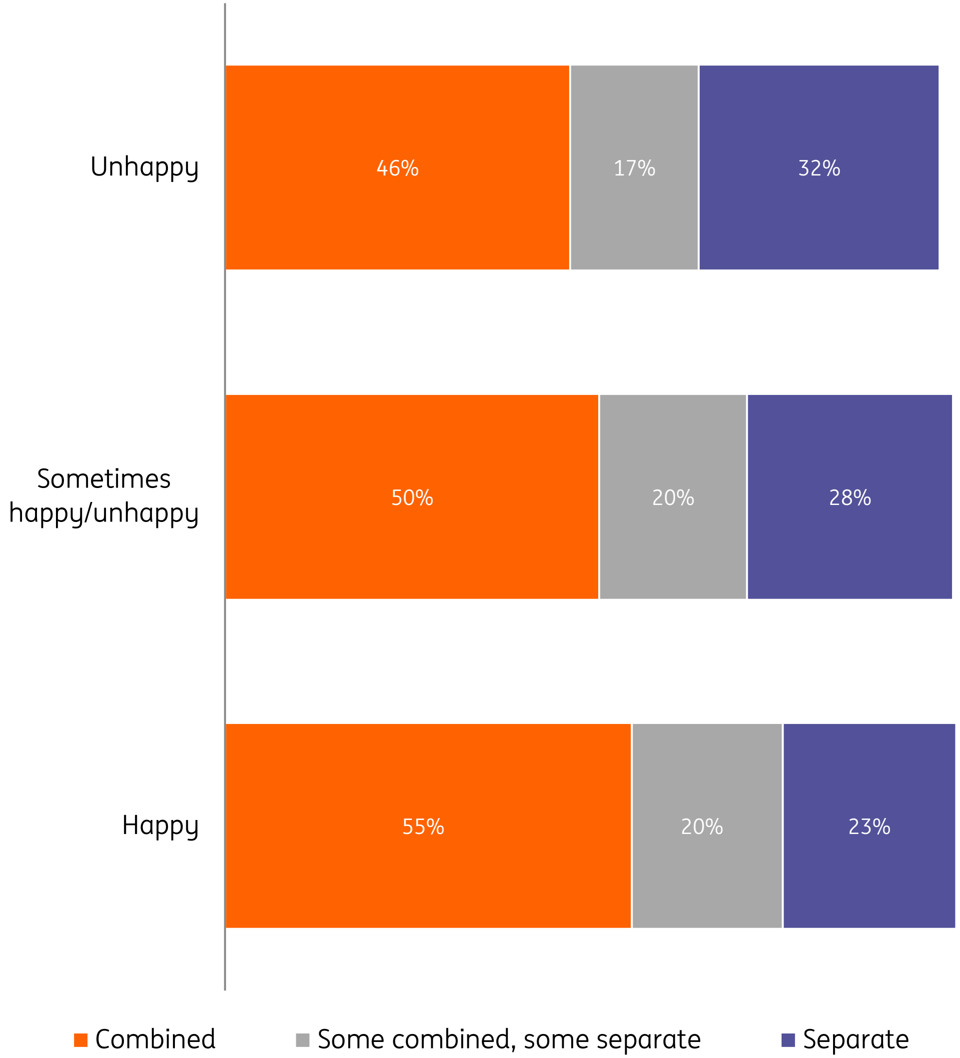
How we defined a "relationship"

In our survey, we asked people about their living arrangements. We counted respondents who said that they were part of a couple who lived together, whether they had children or not and lived in a house with other people or on their own, as romantic partners for the purposes of our research on savings in 2018.

The question

Do you feel happy, in general? / Select the option below that best describes your situation with your partner.

Europeans who are in a relationship; their overall happiness; and whether they almost or completely combine their money, partly combine them, or manage them almost or completely separately.



Sample size: 7,829

Teaming up to fight the big financial battles

A problem shared is a problem halved, or so the saying goes. Results on the previous page suggest that managing your money as a couple or household can be good for your emotional wellbeing.

Sixty-one percent of all 14,806 respondents in Europe, the USA and Australia indicate they are part of a couple or other romantic partnership.

More than half (53%) in that group say their finances are either completely or largely combined. The proportion is smallest in Austria (36%), with the UK (39%) next.

Higher proportions of people who are in couples say they combine their finances in Romania (71%), the USA (65%), the Netherlands (64%) and Spain (63%).

Two percent in Europe selected "prefer not to answer".

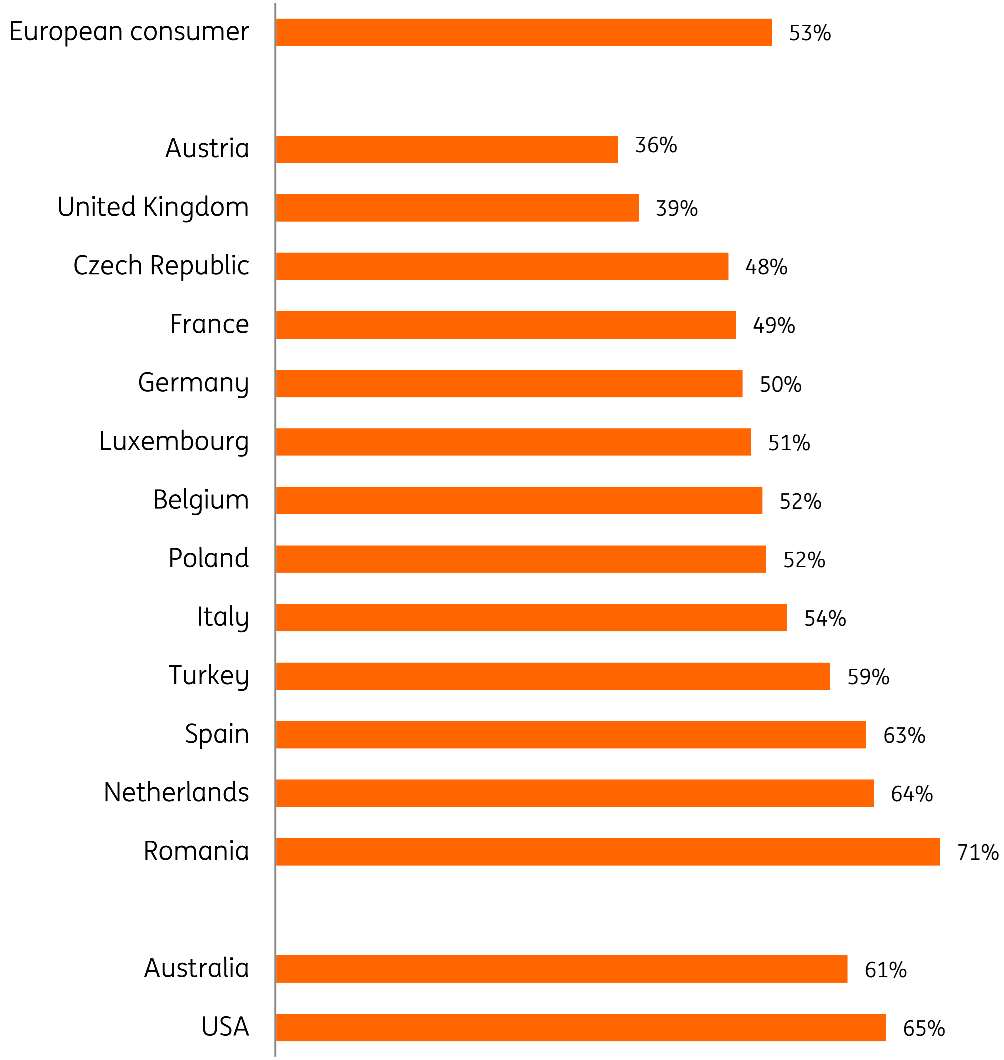
Differences by age and gender

Across the European countries surveyed, the 18-24 age group is likeliest to say their finances are completely separate (28%), with the share falling with age to 13% among the 65+ group. Among those who are 55+, 42% have fully combined their finances. Men and women answer similarly, regardless of age.

The question

Select the option below that best describes your situation with your partner.

Shares of people with partners who say their finances are fully or largely combined. Options were "completely separate", "largely separate", "some separate, some combined", "largely combined", "fully combined" or "prefer not to answer".



Sample size: 9,028

Managing money and the state of your relationship

We were interested in how choosing to manage finances jointly might relate to the closeness of a couple's relationship.

With that in mind, we presented respondents with a picture showing a series of seven pairs of circles which overlapped by different degrees.

They were asked to select the pair of circles that "best describes your current relationship with your romantic partner", where circle A stood for the individual respondent, and circle B represented his or her partner.

Results are shown on the chart opposite.

We can see that people in a couple who say their relationship mostly or completely overlaps tend also to say they mostly or fully combine their finances.

To learn the types of money decisions that couples choose to make together, see the following page.

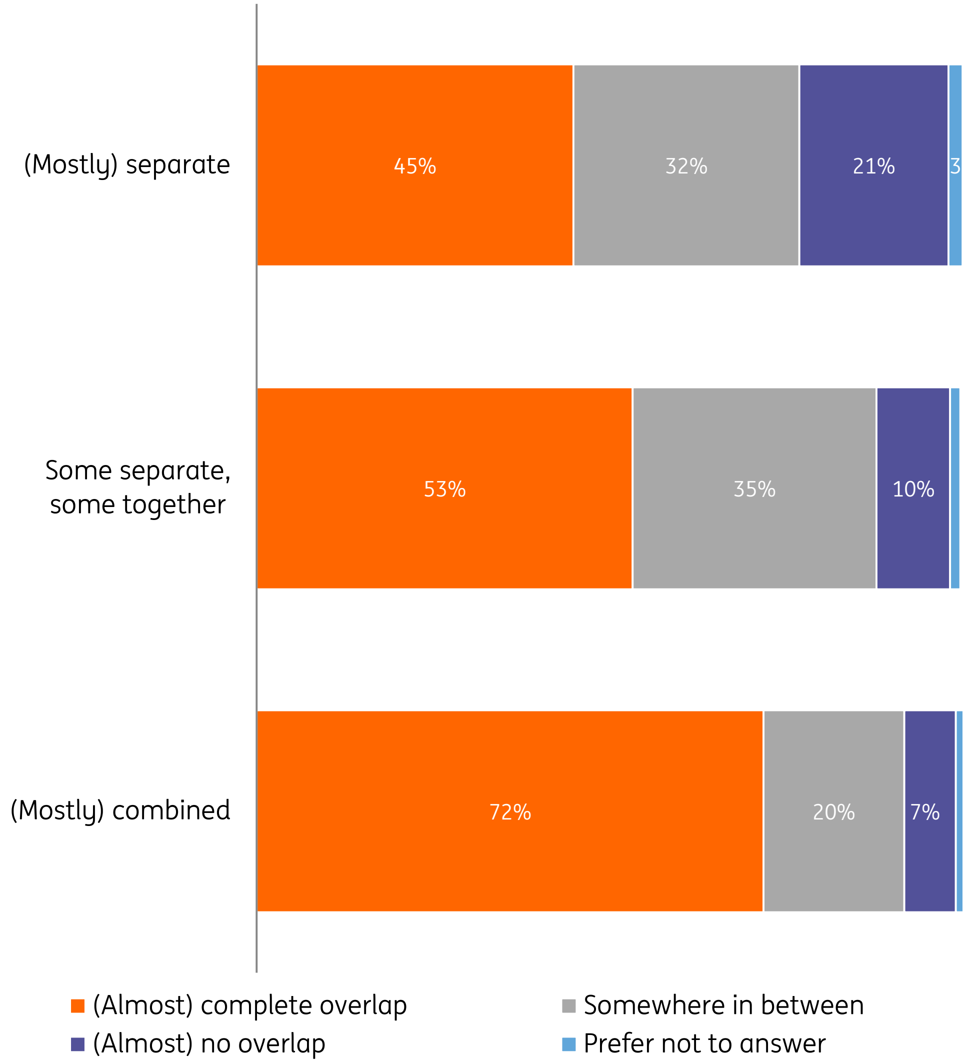
Overlapping circles signify closeness

When we asked people to rate the degree of overlap in their relationship we allowed the survey respondents to interpret the question the way they wish. Answers will tend to represent their feelings of closeness in a relationship – whether that be emotional closeness, how "in sync" the couple feel, or in terms of decisions and making plans together for their future.

The question

How do you and your partner choose to manage your finances? / How much overlap is there in your relationship?

Europe only. Chart shows the self-reported degree of overlap in couples' relationships versus whether they manage their money together or separately.



Sample size: 7,829

Two heads better on a range of financial decisions

We find that people in couples who mostly or completely combine their finances are likeliest to have a joint bank account and receive regular statements.

The chart opposite compares the responses of people in couples who manage their finances jointly with those in couples whose finances are mostly or totally separate. The figures on the bars represent the difference between their responses.

Looking at our full data set, we see that 33% of people in couples who almost or completely combine their finances have already set up a joint bank account. Just six percent of the pairs who manage their money separately have done so. This is a big difference: 26 percentage points (ppt).

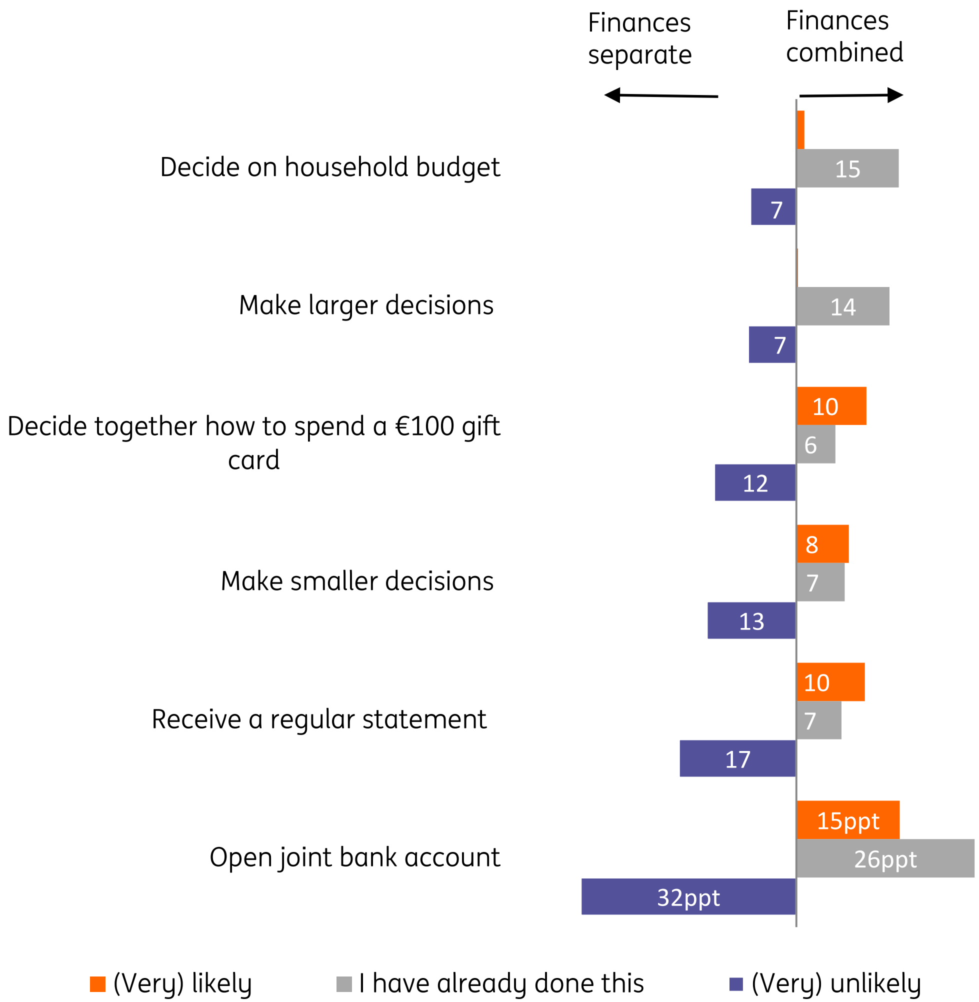
The difference between the 41% of people in couples who essentially combine their finances and the 26% who are part of duos who keep them separate and say they are "likely" or "very likely" to set up a joint bank account is 15 percentage points.

We can see also that the difference between the 10% in duos who have combined their finances and say they are "unlikely" or "very unlikely" to open a joint bank account and the 42% who are in couples who keep their finances separate and say they are "unlikely" or "very unlikely" to open a joint bank account is 32 percentage points.

The question

How do you and your partner choose to manage your finances? / How likely or unlikely are you to do the following?

Figures are percentage-point differences between the replies of Europeans in a couple who almost or completely combine their finances and those who keep their finances almost or completely separate.



Sample size: 6,138

Talking money? Not always boring, and can be helpful

Surveys sometimes find that families don't talk enough about money. The idea has been posited as a reason for poor financial literacy among adults.

Family financial discussions can benefit children's money habits and planning abilities, teaching them how to control their own finances.

In our results, most Europeans in a couple felt it is both useful for finances (75%) and beneficial for their relationship (69%) to hold regular household finance meetings. Different age groups and genders answered similarly.

Residents of Poland are more likely (83%) to say regular money discussions are useful for finances than people in any other country surveyed. Luxembourgers and Czechs are least likely to agree with this – but the difference is small.

We also asked whether household finance meetings are boring or exciting. Encouragingly, only 34% of people in European couples said "boring"; 42% said "exciting". Twenty-four percent were neutral.

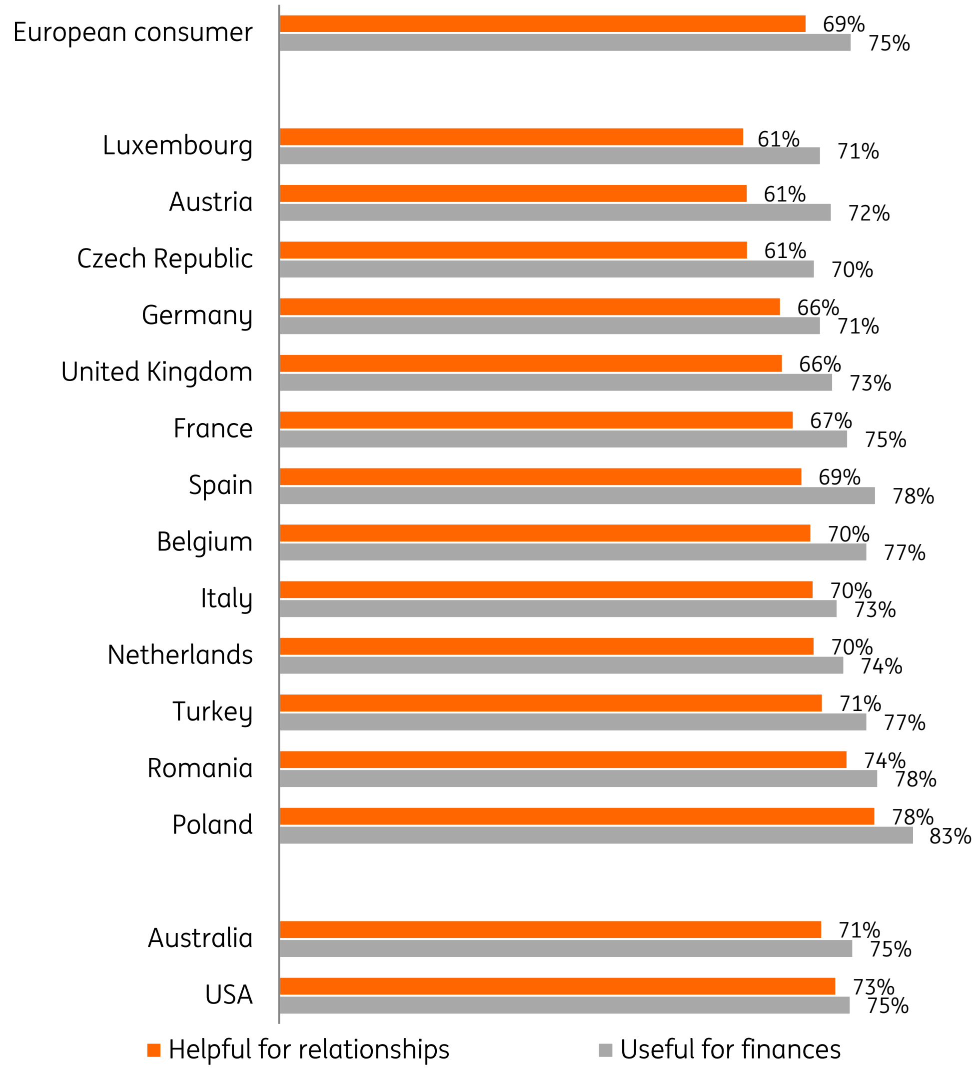
Subjects for the money discussion

Our full database reveals that on average 49% of respondents in European couples who combine their finances say they are "likely" or "very likely" to make smaller decisions together, such as purchasing clothing. The share rises to 59% when it comes to making larger financial decisions, such as buying a car.

The question

What do you think about a couple/household having a regular finance meeting?

Respondents in a couple who selected 1 or 2, where 1 was highest, on scales of 1 to 5 to indicate whether they feel such meetings would be useful/useless for finances or helpful/harmful for couple's relationships.



Sample size: 8,419

“Don’t tell – but I have something hidden away”

For some people in a couple, though, there can be aspects of their finances they might hide from their partner. Among European couples, a tiny share – three percent – say they have a money secret.

We asked this small three percent group why they have kept some spending, saving or debt from their spouse or partner. Their answers are displayed on the chart opposite.

About one in three (34%) of this three percent responded simply that they “like to keep some things private”.

Twenty-eight percent argue rather that they are “better at managing finances” than their partner.

About one in four say they don’t want to bother their partner, or suggest that they like to surprise them sometimes with a gift.

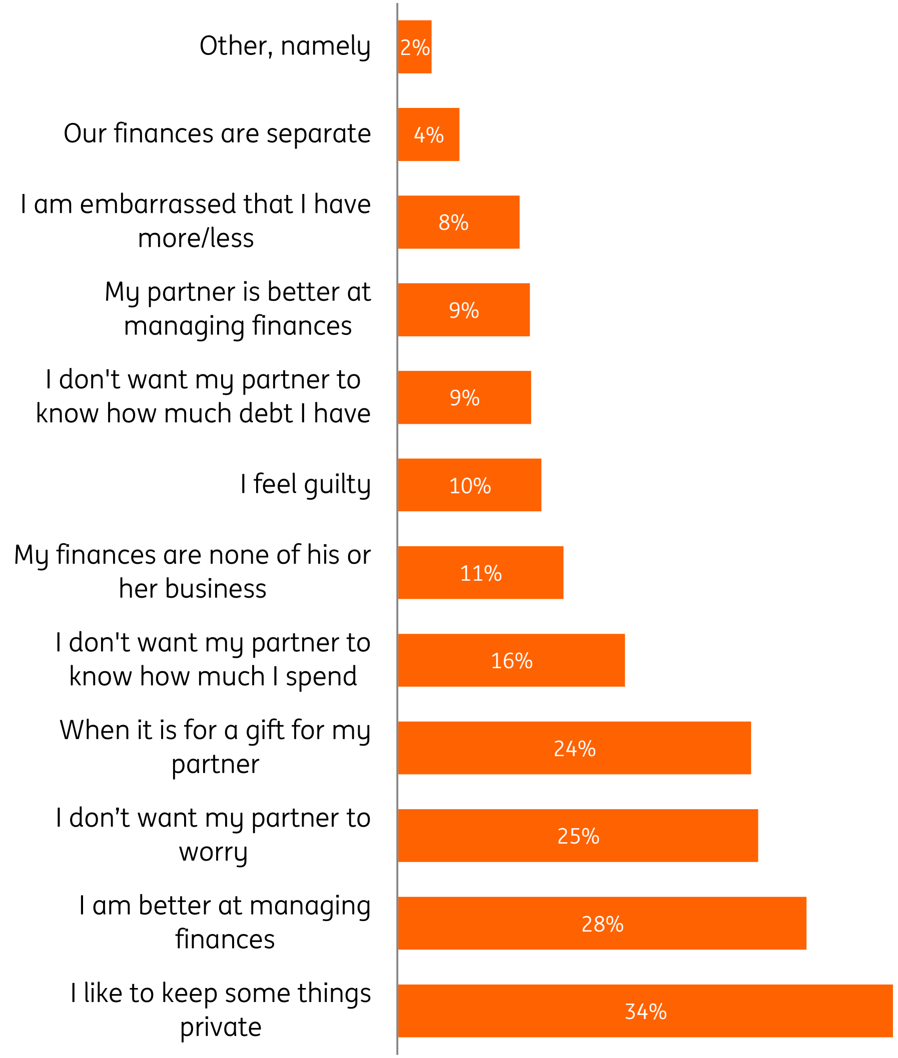
Roughly one in 10 give more negative answers, such as feelings of guilt or inferiority, or hiding debts, or simply that they feel they have poorer money skills than their partner.

Another 21% in Europe indicate they might potentially keep a money secret from their partner. Answers were similar in the USA and Australia.

The question

What are the reasons you would keep some spending, savings or debt secret from your partner?

Chart shows answers from the three percent of respondents across Europe who are in a couple and have kept a financial issue secret from their partner. Multiple selections possible.



Sample size: 1,483

Are you happy with your finances?

About one in four across Europe have no savings

In our 2018 survey, 26% of respondents on average across Europe admit their household has no savings at all. Most countries are close to the average, with Luxembourg and Romania the notable exceptions.

The primary reason people don't save is that they just don't have enough money. And even if they can spare the cash, changing behaviour from a default position of saving only a little, or even not saving at all, can be difficult.

Present bias and apathy can encourage inertia. A few may feel a social welfare "safety net" will be available to support them – but systems can and do change. Lack of education can play a role.

There are multiple possible causes of an inability to save.

European Central Bank (ECB) monetary policy has in recent years kept interest rates low, reducing the incentive to save. And consumer confidence has been at very high levels, suggesting an appetite to spend rather than save in late 2017 and early 2018.

With employment continuing to rise, household incomes may grow; savings may start to rise too if households are in a better position to put money aside. Nonetheless, wage rises remain muted at the time of writing, indicating any increase may be modest in the near-term.

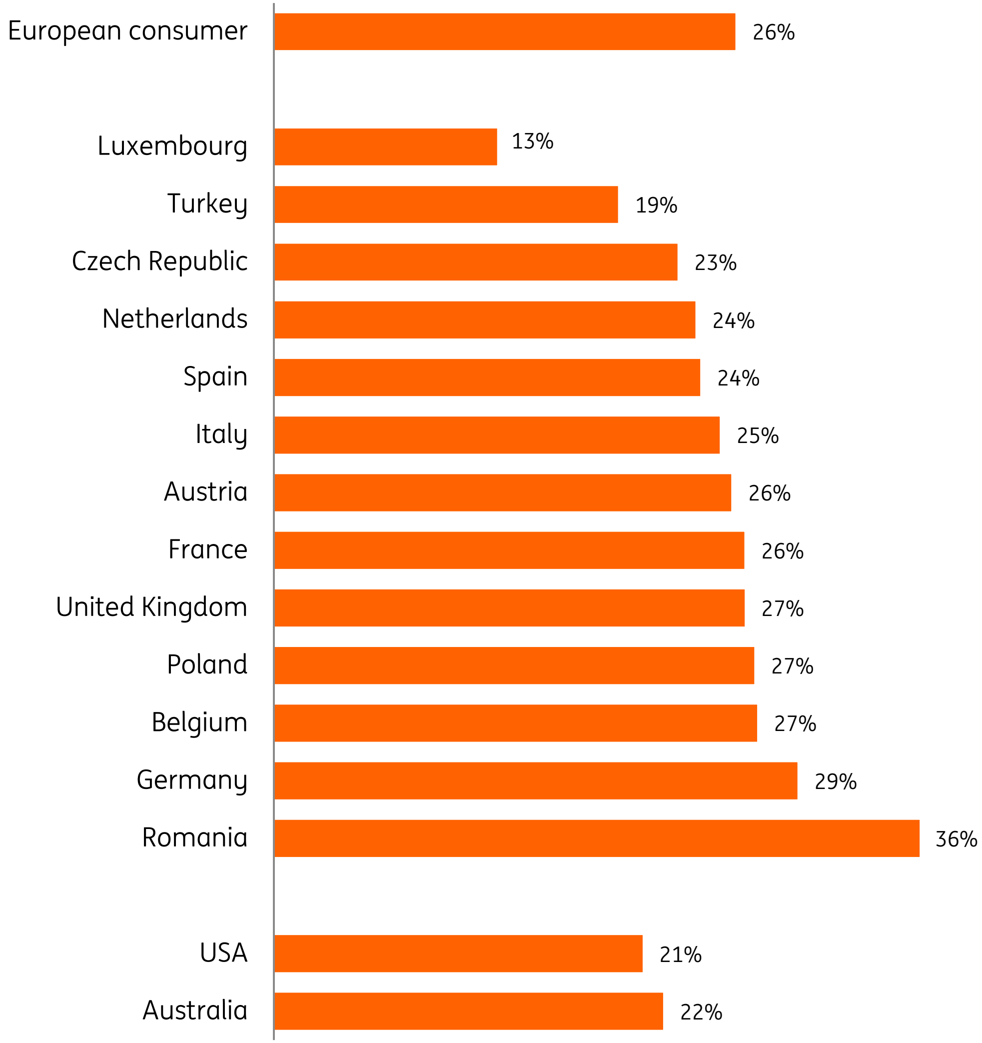
Nearly five percent in Europe chose "prefer not to answer".

In 2017 we asked whether individuals had any savings; this year we asked about households. The wording was also displayed differently to respondents online. For these reasons, we cannot compare our results year on year.

The question

Does your household have any savings?

Shares in each country who answered "no". These figures exclude those who replied "prefer not to answer".



Sample size: 14,088

A connection between having money and happiness

Overall, respondents residing in Europe are less likely to say they feel happy in general if they also agree that they sometimes run out of money.

Among those in Europe who say they do not run out of money – and perhaps feel better able to pay for the wide range of circumstances that life may throw at them – 68% indicate they feel generally happy.

But a much smaller share (46%) of the people in Europe who agree they sometimes run out of money say they are happy overall.

People may naturally feel happier if they feel in control financially and have a degree of security.

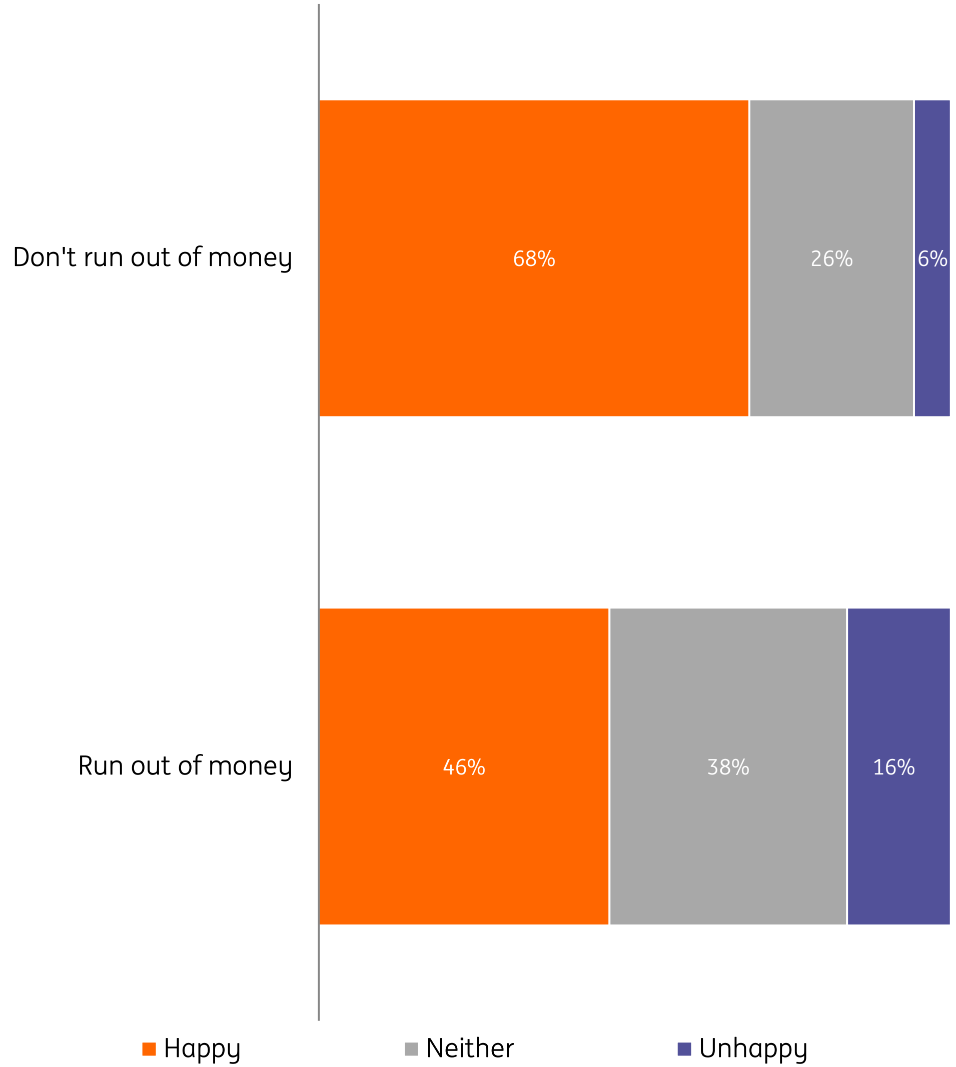
And it is also possible that unhappy folk may be likelier to spend more money than they should in an attempt to boost feelings of wellbeing.

Results were similar in the USA and Australia.

The question

I/we sometimes run out of money / Do you feel happy, in general?

Chart shows the correlation between whether a household runs out of money and self-reported general happiness levels. Europe only.



Sample size: 12,794

What happens when you have run out of money?

It can be difficult to get people to reveal they are in financial trouble, that they have more debt than savings put aside, for example. Across Europe, 48% say their household has no personal debt.

In our survey, the largest share who say this is in the Netherlands (59%). The smallest shares who say they have no personal debt are in Turkey (24%) and Luxembourg (33%).

As in previous years, the most common debt type in most countries is a personal loan. This may be from a bank or another type of financial services provider.

Exceptions are Turkey, USA, Australia and the UK, which all have much larger shares with credit card debt than with personal loans. In Turkey, about half (51%) say they have credit card debt.

Given the typically high interest rates levied from personal credit card accounts, this is worrying.

Two specific types of debt are not shown on the chart opposite, due to the very small shares represented. Four percent have payday loans in the UK and Poland – the only two European countries in our survey that cite this type of borrowing.

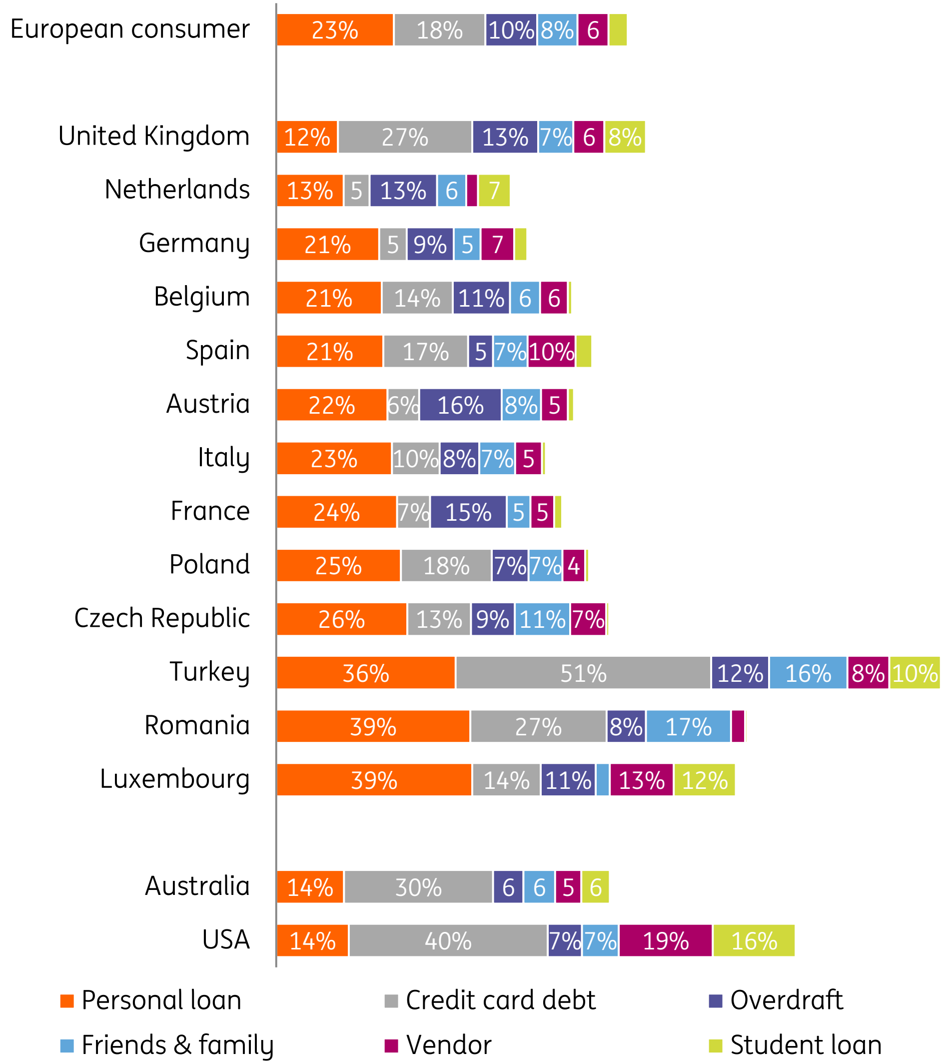
One percent in Europe admit to debt with a pawnbroker, especially in the Czech Republic (8%), Spain (3%), and Turkey (2%). A few also have this type of debt in the USA (3%) and Australia (2%).

Five percent in Europe reply “prefer not to say”.

The question

What types of personal debt does your household have? Select all that apply (please note that this excludes mortgage debt).

Asked to everyone. Other possible answers include: “I/we have no personal debt”; “loan from a ‘payday’ lender”; “loan from a pawnbroker”; or “prefer not to say”.



Sample size: 14,806

Many with debt to struggle as interest rates rise

Interest rates are predicted to rise over the next 12 months – in some countries they have already done so.

Sadly, although rising interest rates might be good news if you have savings, servicing any debts will usually become more costly.

Our survey reveals that 34% – about one in three – of the people who have debts feel they'll struggle to pay these off if interest rates rise.

This rises to 56% in Romania, 48% in Turkey, 47% in Spain and 47% in the USA.

That compares to only one in five (19%) of Dutch residents, 21% in the Czech Republic, and 22% in Italy.

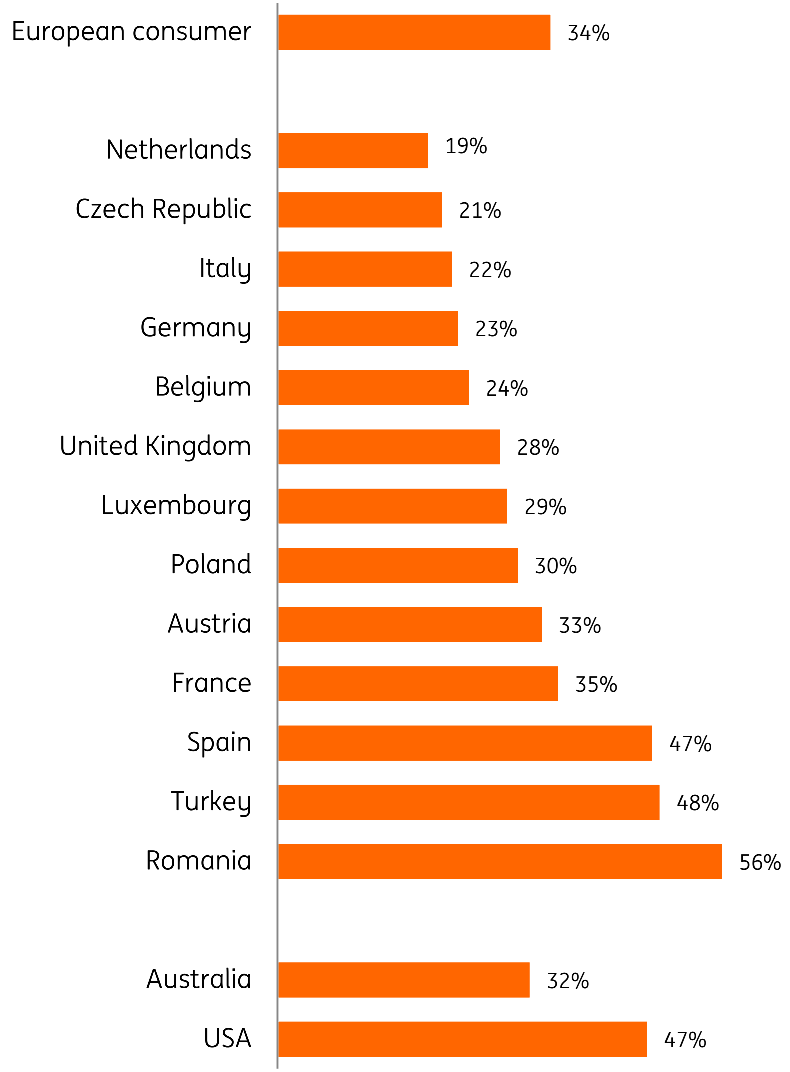
What's on the interest rate horizon?

The monetary policy from the European Central Bank (ECB) has been keeping interest rates low, reducing the incentive for individuals and households to save. There are signs this is changing, in the UK, for example. However, many economists don't expect larger policy shifts across Europe until 2019.

The question

To what extent do you agree or disagree that: "If interest rates increase, I/we will struggle to pay down my/our debt"?

Shares below are of those who "agree" or "strongly agree" with the above statement and who also indicate they have debts.



Sample size: 7,858

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