

New saving trends in Spain. A demoscopic study

Miguez Martín, Sergio

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Abstract

This paper shows the results of a “demoscopic” study based on a broad sample of 2,000 savers from Spain and also goes into a more in-depth analysis on the main trends of the average saver. As a result of growing doubts on the sustainability and sufficiency of current retirement system conclusions lead to some positive developments in those trends: a higher awareness of the problematic with public pensions; a more long-term approach to investments; a reasonably disciplined behavior regarding savings practices of respondents, among others. Nevertheless significant shortcomings are also highlighted in key areas like local bias regarding target geographies for investment; type of instruments/vehicles used; negligible consulting with financial advisors, etc. Finally in the opinion of the author investment funds may serve as an appropriate route to guide a potential switch from savers to investors.

Keywords:

Demoscopic study, Savings goals, Pension system, Financial advisor, Investor, Investment funds.

JEL classification:

E21, O16.

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Nuevas tendencias del ahorro en España. Un estudio demoscópico

Miguez Martín, Sergio

Resumen

Este trabajo muestra los resultados de un estudio “demoscópico” basado en una amplia muestra de 2.000 ahorradores españoles y también analiza en profundidad las principales tendencias del ahorrador medio. Como resultado de las dudas crecientes sobre la sostenibilidad y la suficiencia del actual sistema de pensiones, se observan algunos avances positivos en esas tendencias: una mayor conciencia de la problemática con las pensiones públicas; un enfoque más a largo plazo de las inversiones; un comportamiento razonablemente disciplinado con respecto a las prácticas de ahorro de los encuestados, entre otras. No obstante, también conviene destacar algunas deficiencias significativas en asuntos clave como serían, a modo de ejemplo, el sesgo local en el destino geográfico de la inversión, el tipo de instrumentos o vehículos utilizados para canalizarla, y el escaso número de encuestados que manifiesta buscar la guía de un asesor financiero. Finalmente, en opinión del autor, los fondos de inversión pueden servir como una ruta adecuada para guiar un cambio potencial desde ser meros “ahorradores”, hasta convertirnos en “inversores”.

Palabras clave:

Estudio demoscópico, objetivos de ahorro, sistema de pensiones, asesor financiero, inversor, fondos de inversión.

1. Introduction

This demoscopic study consisted of 2000 surveys undertaken throughout the Spanish territory. The following categories were established: 50% by sex; by age (using 5 different age brackets), and finally by Autonomous Community. This was to ensure through pre-established objectives that the sample was sufficiently representative.

As regards the undertaking of the survey, two prior screens were established: one by age, that is to say, only people between 25 and 74 participated; the other, excluding from the survey those who were neither already savers, nor had considered becoming one in the future. Owing to this last criteria, 242 people had to be excluded from the sample.

The 5 considered age brackets were the following: from 25 to 34 years old; 35 to 44; 45 to 54; 55 to 64, and finally 65 to 74.

The surveys were carried out in Spain's 17 autonomous communities (as well as in the cities of Ceuta and Melilla). Additionally, in our analysis the "markets invested in" were grouped in the following options: "Spain", "Europe", "United States", "Other international / global markets", and "Does not invest in any markets". Finally, the study covered the following "Instruments to channel savings": "Deposits", "Shares", "Investment funds", "Pension plans" and "None of the above".

(For greater details concerning the distribution of the survey we recommend consulting the Appendix at the end covering the methodology).

2. Presentation of the results

Long term view and saving

Figure 1. Do you consider long term saving to be necessary?

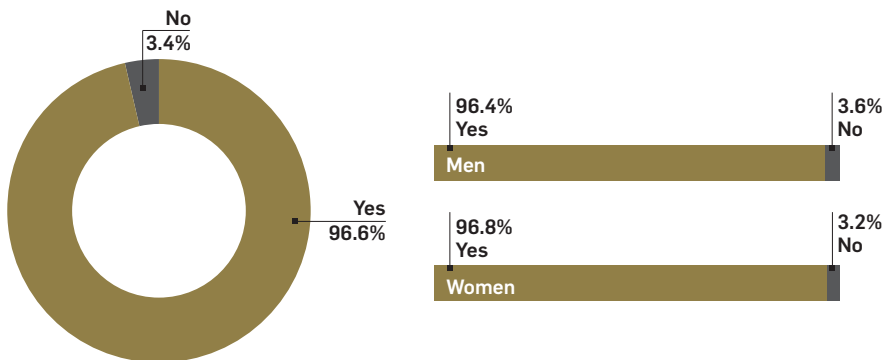


Figure 2. Do you believe long term investment turns out to give the investor better returns?

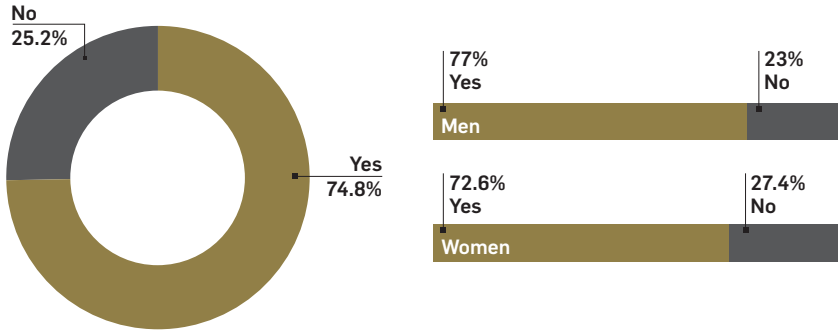
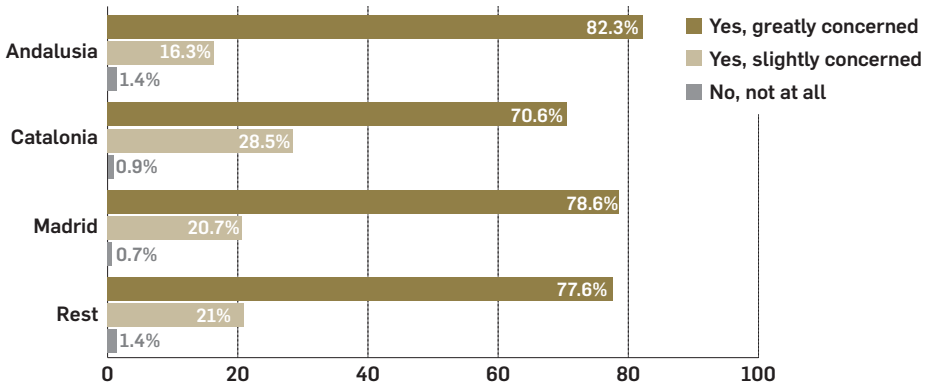
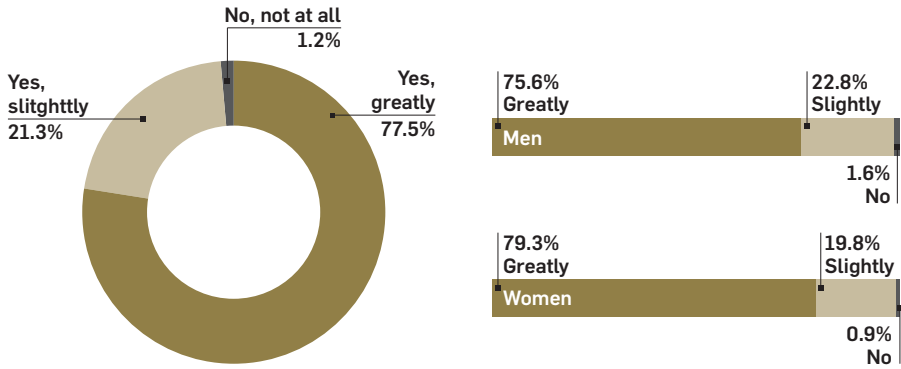
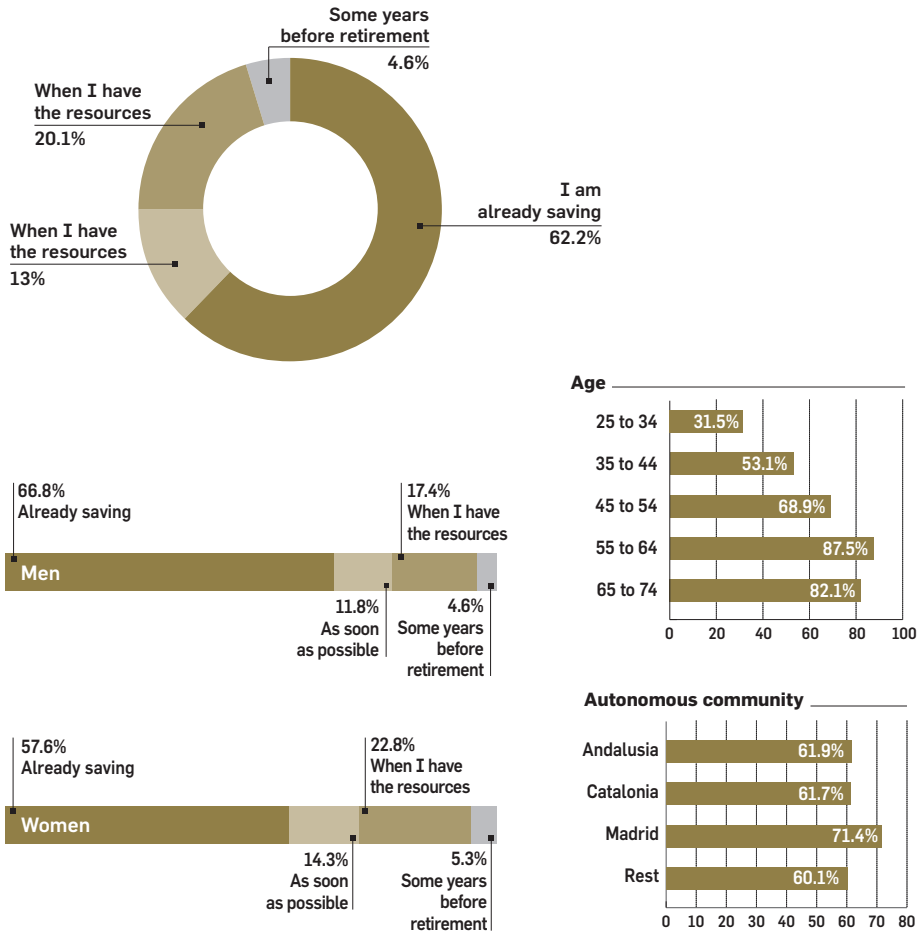


Figure 3. Do you feel concerned about the sustainability of the current pension system in Spain?



New saving trends in Spain: A demographic study. Miguez Martín, S.
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Figure 4. When do you think you will start to save for your retirement?

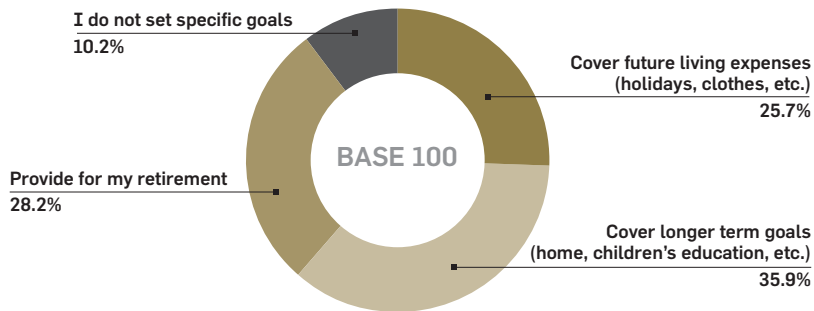


The steps prior to saving

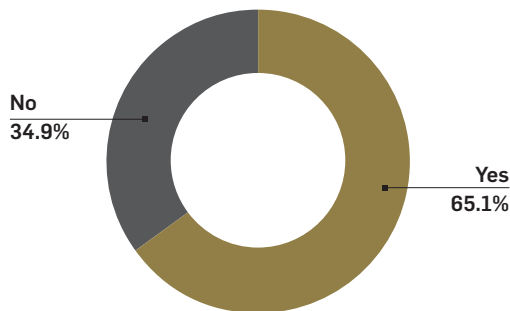
Figure 5. What goals do you pursue when saving?

GOALS PURSUED WHEN SAVING	TOTAL*	SEX		AGE				
		Men	Women	25 to 34	35 to 44	45 to 54	55 to 64	65 to 74
Cover future living expenses (holidays, clothes, etc.)	36.4	36.3	36.5	51.3	35.7	31.3	29.5	35.8
Cover longer term goals (home, children's education, etc.)	50.9	49.3	52.5	72.4	67.8	49.8	21.8	19.2
Provide for my retirement	40	43.9	36.1	24.5	30.1	47.3	58.7	45.8
I do not set specific goals	14.4	12.6	16.3	6.8	12.6	16.4	19.2	19.6

*Supports multiple response, total more than 100.



■ **Figure 6.** Do you consider different investment periods in accordance with the goals you are pursuing?



■ **Figure 7.** Do you periodically analyse the state of your finances?

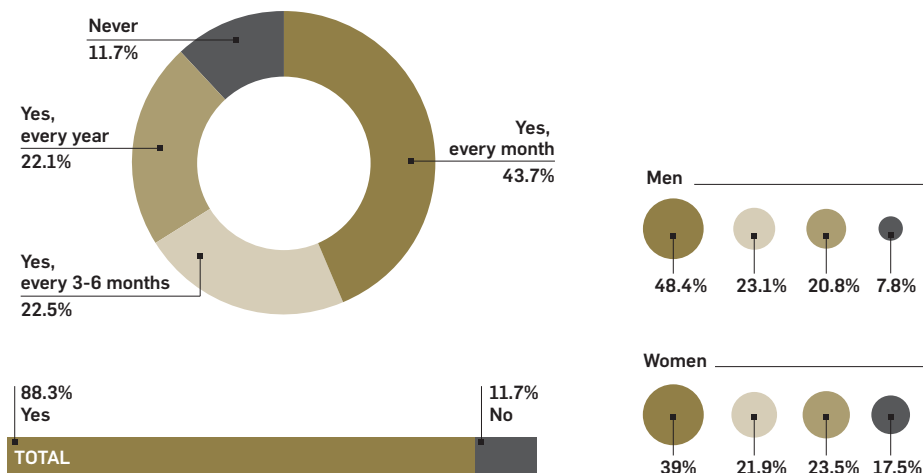
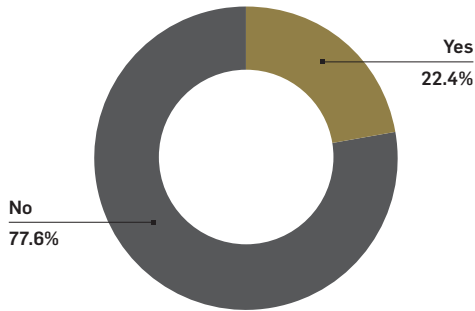


Figure 8. Have you considered looking for a professional advisor to guide you during the saving process?



Diversification and saving instruments

Figure 9. What share of your household budget do you devote to saving?

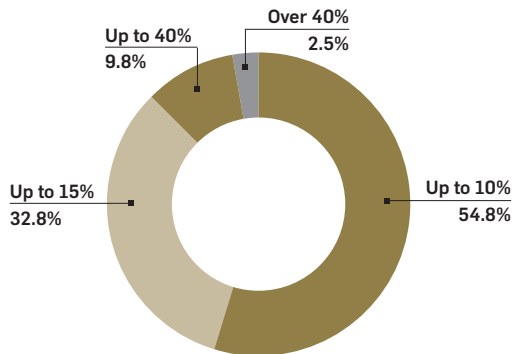
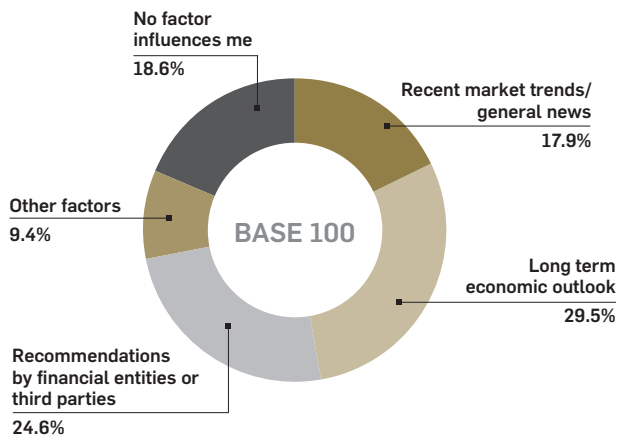


Figure 10. What factors most influence you when saving?



FACTORS THAT MOST INFLUENCE WHEN INVESTING

	TOTAL*
Recent market trends / general news	23.3
Long term economic outlook	38.3
Recommendations from financial entities or third parties	32.1
Other factors	12.2
No factor influences me	24.2

*Supports multiple response, total more than 100.

Figure 11. Do you invest in international markets or do you only consider Spain?

MARKETS INVESTED IN

	TOTAL*
Spain	51
Europe	14.7
United States	6.4
Other international / global markets	6.5
Does not invest in any market	43.6

*Supports multiple response, total more than 100.

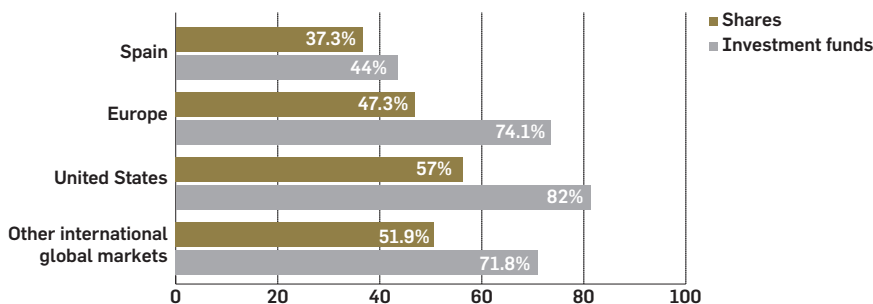
Figure 12. Through which instruments do you channel saving?

INSTRUMENTS TO CHANNEL SAVING

	TOTAL*	Men	Women
Deposits	49	52.2	45.7
Shares	22	27.6	16.5
Investment funds	29.4	32.9	25.9
Pension plans	42.7	46.2	39.2
None of the above	17	12	22

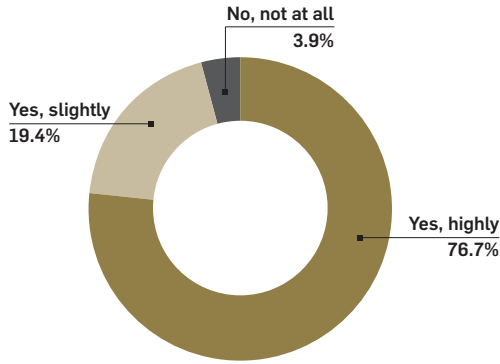
*Supports multiple response, total more than 100.

MARKETS INVESTED IN

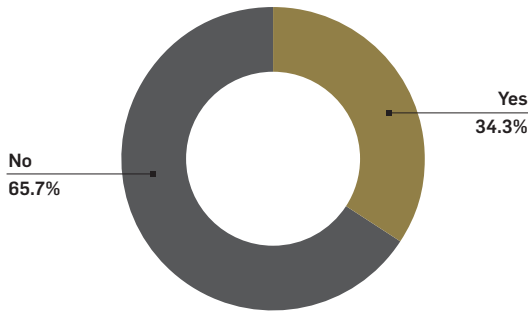


Discipline and risk

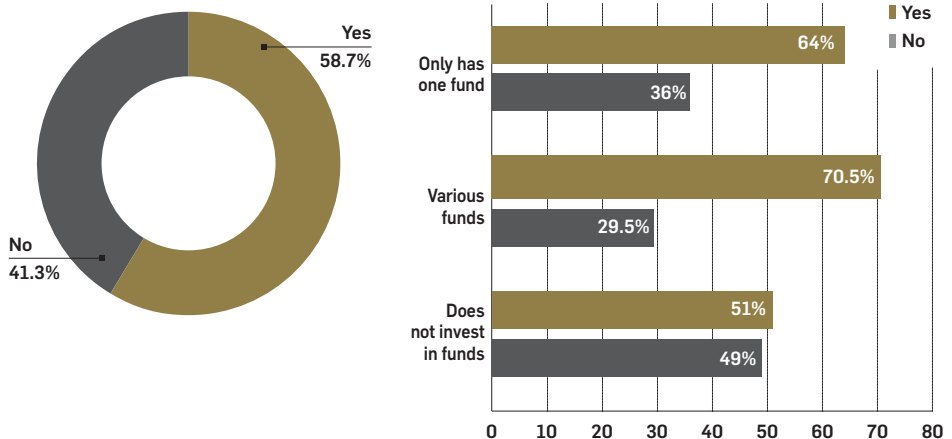
■ **Figure 13.** Are you usually disciplined during your investment?



■ **Figure 14.** Have you even been obliged to redeem your investments to meet other specific liquidity needs?

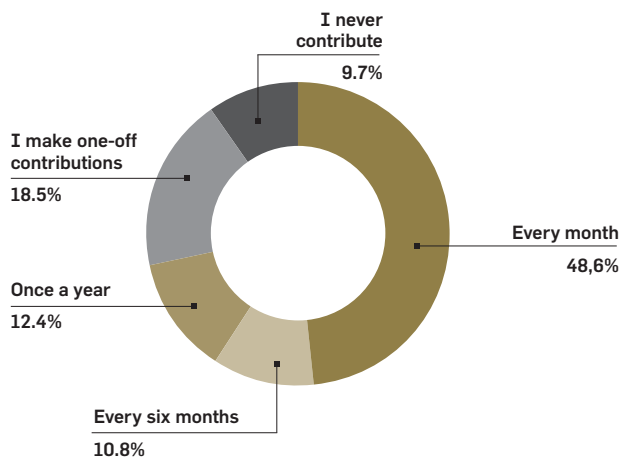


■ **Figure 15.** Do you adjust the risk level of your investment as the moment of achieving your financial goals approaches?

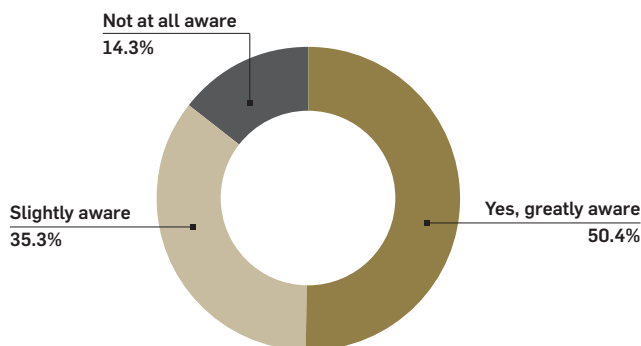


Periodic contributions and assessment of results

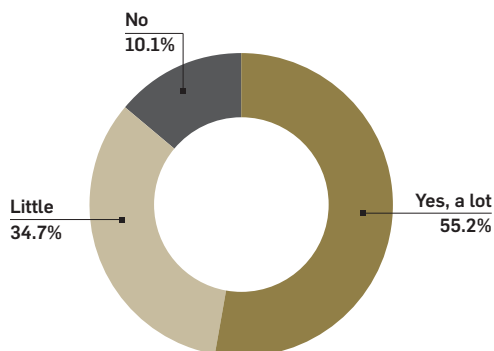
■ **Figure 16.** Roughly with what frequency do you make periodic contributions?



■ **Figure 17.** Are you aware of the impact of inflation on your investment?

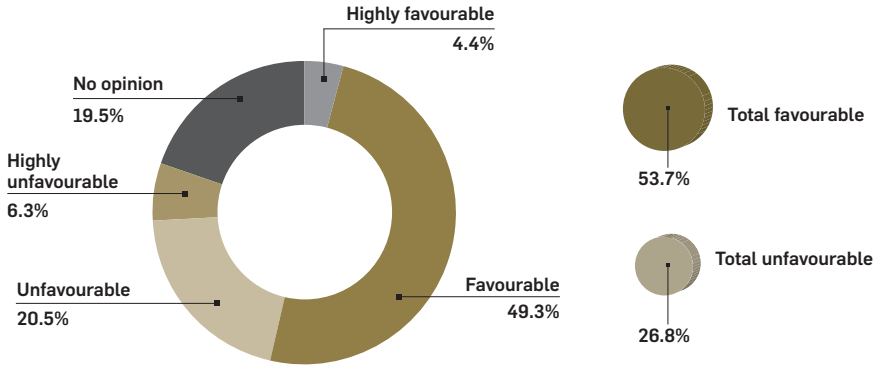


■ **Figure 18.** Do you take fiscal issues into account when planning your saving?



The advantages of investment funds

■ **Figure 19.** What opinion do you have concerning investment funds as a popular saving investment?



■ **Figure 20.** In your opinion, what is the main benefit of an investment fund over other methods of saving?

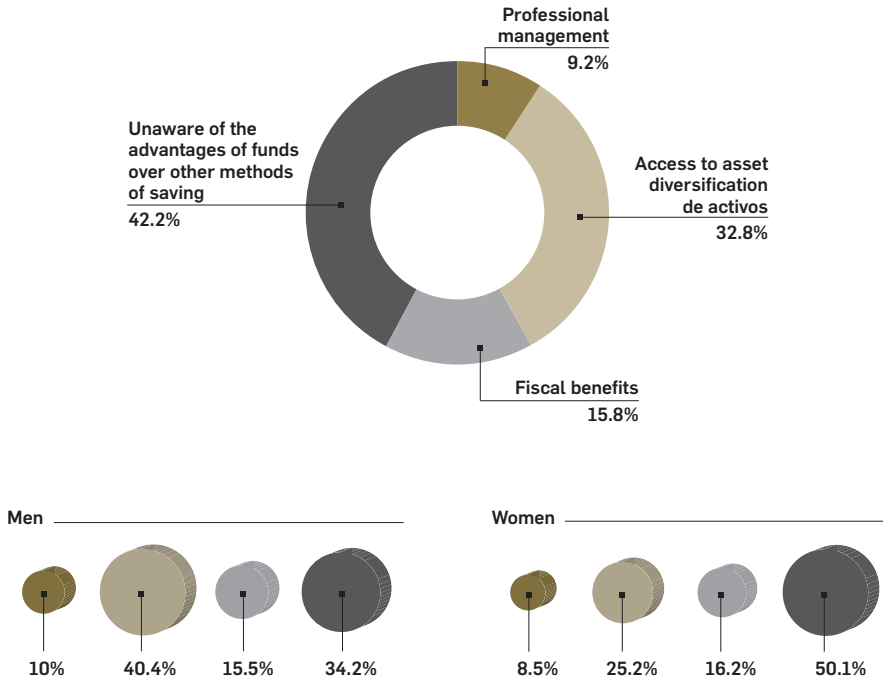
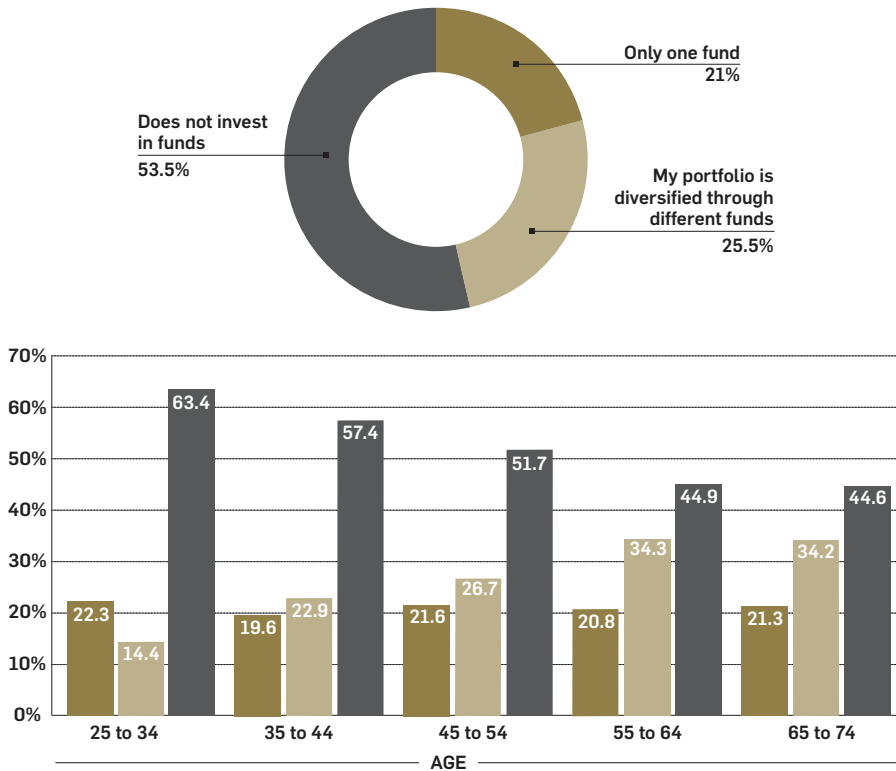


Figure 21. How do you diversify your investment portfolio?



3. Findings

The Observatory for Long-term Saving was created to analyse the changes in saving that should take place in our country to overcome the big challenges being faced (savers’ “short-termism”, over-reliance on real estate investment, lining up with the investment philosophy and customs of other advanced countries, etc.) in the midst of growing doubts over the sustainability of the public pension system, more specifically the sufficiency of the retirement model. A crisis in the real estate sector that shattered all previous paradigms and the ever more complex situation of interest rates and markets to obtain attractive yields from the savers’ point of view (low return on deposits, traditional savings instruments) only makes the situation more challenging.

Some key aspects, such as the need to appropriately plan saving and its impact on covering future needs were considered to be of “global” scope, not only of Spain. Developed countries, particularly European ones, were facing (and are now facing) progressive aging of their population (inverted demographic pyramids) which reduces contributions to public systems while increasing the number of people requiring cover. In addition, longer life expectancies further exacerbate the problem.

The need to “take control of our future” was consequently expressed, seriously deliberating the best way of covering our future needs and of reaching a level of income that would allow us to maintain a reasonable lifestyle during retirement. While not necessarily being the only ultimate goal of a saver, it is certainly one of the most relevant.

The main goal of our previous studies for the Observatory consisted of presenting a “new road map for saving” and, once the biggest challenges had been discussed, coming up with concrete proposals to put it into practice. To do so, a guide was presented in the form of a list (“the decalogue for long term saving”), showing the fundamental principles, actions and conclusions we deemed necessary.

In the current study we sought to analyse whether Spanish savers are adopting this new road map for saving, and, consequently, whether any changes can be perceived in their behavioural patterns or saving habits. Consequently, a demoscopic study was undertaken by means of 2 000 surveys of savers throughout the Spanish territory.

Detailed analysis of the answers to this study gave rise to the following conclusions that indicate certain favourable changes in our saving habits:

1. 96.6% of those surveyed consider long term saving to be necessary, an overwhelming percentage that shows up in the specific habits of the saver. In addition, 74.8% consider that long term investing turns out to give better returns, (in the case of investing in investment funds, this opinion stands at 84.5% of the sample).
2. The majority of participants in the study (77.5%) say they feel greatly concerned about the sustainability of the pension system in Spain, and, indeed, 62.2% declare they are “already saving for their retirement”. This appears to indicate that the average saving citizen is aware there may be a problem in the future and is beginning to act.
3. As regards putting this into practice, we should also emphasise that 88.3% of the sample declares that they periodically analyse their current state of finances and 43.7% do so every month. Moreover, the figure of those who consider different investment periods in line with their goals (buying an apartment, retirement, etc.) is as high as 65.1%. Furthermore, over half those surveyed, 54.8%, say that they devote up to 10% of their household budget to saving and nearly a third devotes up to 15%.

● OBSERVATORY RECOMMENDATION

“Saving should not be just the difference between the income and the expenses of a person but should be included in household budgets as a need or additional expense to be considered. This implies shifting current consumption towards future consumption.”

4. 76.7% of those surveyed declare themselves to be “highly disciplined” when investing, and over half, 58.7%, claim to adjust the risk level as they approach the achievement of their investment goal (however, we cannot rule out the fact that for the average saver some of these concepts might be too difficult to understand).
5. It is quite positive to see that nearly half of those surveyed 48.6% declare that they make “monthly” contributions to their savings.
6. The opinion about investment funds is favourable for 53.7% of survey participants.

● OBSERVATORY RECOMMENDATION

“An investment fund is a basic instrument to channel long term saving in developed countries. For example, in the USA nearly 50% of the assets in retirement accounts (corporate defined contribution plans and IRA accounts) are invested through investment funds. That is to say, the direct or final presence of the investment fund is highly important. Moreover, 73% of their investors mention retirement cover as their main goal.”

The previous findings are quite encouraging, both concerning the “principles” (general long term view) and their practical application in many cases (“actions”). However, the obtained replies also allow the drawing of conclusions that reflect that certain subjects remain pending as concerns saving habits, some of them particularly relevant:

1. THE FIGURE OF THE FINANCIAL ADVISOR: 77.6% of those surveyed do not consider the possibility of consulting an “advisor” to guide them during the saving process. This highlights the “average” savers fairly generalized unawareness of the potential added value of expert financial advice, especially in the current investment environment.

● OBSERVATORY RECOMMENDATION

“Individuals need to take control of their own destinies and start planning and saving for the long term. To do so, they should be aware both of their investment goals and the strategy they will follow to achieve them. Investment is a life-long process with many milestones along the way: buying a house, paying for their children’s studies, maybe setting up a business, and finally, paying for their retirement. Investors should meet their saving requirements within certain assigned risk parameters. To achieve this, the figure of the advisor should be enhanced, so like a good GP they can guide during the entire planning process.”

2. LOCAL BIAS: 51% of the sample say they invest in Spain, 14.7% in Europe, 6.4% in United States and 6.5% in other international markets. Despite a favourable trend in this factor, a clear “domestic bias” remains in our saving habits.

3. SAVING INSTRUMENTS: among the instruments to channel savings, deposits remain the favourite instrument in our sample. 49% state they use deposits to save as opposed to 29.4% through investment funds.

4. PERIODIC CONTRIBUTIONS: as regards the tendency to make periodic contributions, nearly 40% of those surveyed say that either they do not do so (9,7%), or they do so on odd occasions (18.5%) or a maximum once a year (12.4%).

5. OTHER RELEVANT IMPACT: nearly half of savers declare themselves to be either little or not aware of the impact of inflation or fiscal issues when investing.

6. INVESTMENT FUNDS: 26.8% of study participants say they have an “unfavourable” opinion of investment funds and 19.5% say they have no opinion about them. Furthermore, 42.2% claim they are not aware of their advantages over other saving instruments. Consequently, a lot of work remains to be done in terms of information (communication) and education to demonstrate the multiple advantages of investment funds.

7. DIVERSIFICATION: finally, when asked about portfolio diversification, 53.5% declare they do not invest in funds and 21% say they only hold one fund in their portfolio.

We believe that this findings paragraph should pay special attention to the possible different results shown by savers replies according to their gender. Effectively, various significant gaps can be appreciated in some of them, more specifically the following:

- “Already saving for retirement” 57.6% of women versus 66.8% of men.
- “Investing long term gives better returns ” for 72.6% of women against 77% of men.
- Monthly analysis of financial situation: 39% of women (vs. 48.4% men). Moreover, the number of women who declare they “never do an assessment” doubles that of men (17.5% vs. 7.8%).
- The most influential factor when investing for both sexes is “long term economic outlook”, although the difference in weighting is relevant (33.6% against 43%).
- As regards the instruments to channel saving, the weight of the men’s answers is heavier in all the presented options. Consequently, the exclusion option (none of the above) is 10 points higher for women.

- The percentage of women who say they adjust their portfolio's risk level is also slightly lower than that of men (56% vs. 61.3%).
- The percentage of women who say they are unaware of the advantages of investment funds is far higher than that of men (50% against 34.2%). Moreover, the proportion of men who say they can identify a benefit in holding a diversified portfolio of assets (through investment funds) is also significantly higher.

The following are some specific characteristics that are the result of the age bracket of the person surveyed:

- Recommendations from financial entities or third parties weigh significantly less (19.2%) in the decision process of the youngest age bracket (covering between 25 and 34). The behavior of so-called “millennials” appears to reflect a far lower loyalty to traditional entities and channels, the opposite to what occurs in the oldest age bracket. This bracket thinks the factor is critical when taking decisions in over 40% of cases.
- The youngest sector of the sample has a markedly less favourable opinion of investment funds than any other bracket.
- Other circumstances, such as already saving (or not) for retirement, follow a logic directly related to the age of the person surveyed, that is to say, the older the person, the more sensitive they are. Likewise with current consumption (holidays, clothes, etc.) which presents a statistical association with the youngest bracket as opposed to other longer term objectives. The fact that older surveyed people present a more significant “local” bias in their investment should also be noted.

Finally, we can deduce from the demoscopic study that “investment funds” can represent a key factor when undertaking the newly envisaged road map for the following reasons:

- In the current environment this saving instrument allows the following transition: no longer being mere “savers” to become “investors”. Indeed, 84.5% of the sample that invest through investment funds claim they receive greater returns in the long term.

● OBSERVATORY RECOMMENDATION

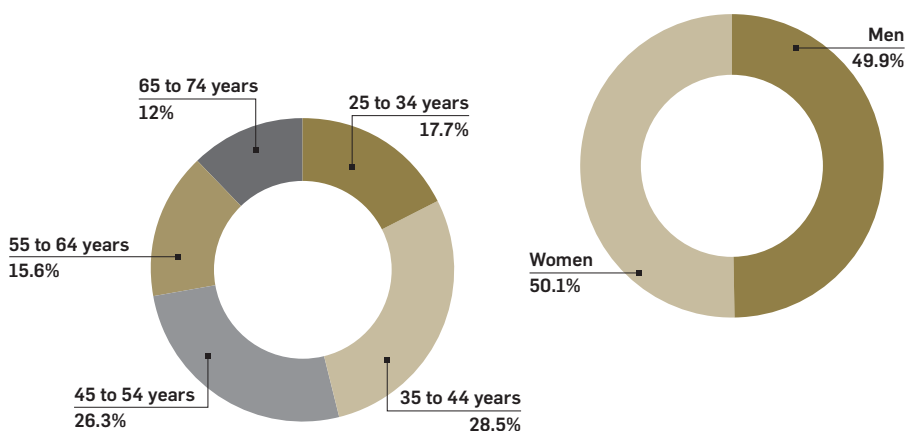
“It becomes more and more necessary to renounce safe short term investments in order to obtain potential long term results, This process often requires a great effort of transparency, information and even education by those guiding it.”

- Investors in investment funds are more likely to rely on the service and added value of a financial advisor.
- Those who devote up to 15% of their household budget are more likely to invest through investment funds than any other alternative.
- Investors in investment funds are “also more inclined to rebalance their portfolios to adjust the risk level” when investing in various funds (70.5% of those who use them as a portfolio investment instrument).
- In general, an association exists between the “investment fund” instrument and a greater degree of saver sophistication, investment in international markets or in Europe, or the diversified allocation of assets (investment portfolio).
- In the case of investment funds, great potential exists thanks to its link with the practice of making periodic contributions (or “investment plans”). Unlike the case of pension plans that are associated with monthly contributions, investment funds are used for more one-off investments.

● OBSERVATORY RECOMMENDATION

“Instead of being concerned by the short term movements of markets or by the return of soon to mature financial instruments, we should focus on achieving our own personal goals. The real risk for savers is not meeting their objectives. Holding only one investment is not recommendable, it should be a portfolio.”

■ Appendix. Methodological standards of the poll



AGE

	Objective	Finished	Unfinished
25 to 34	354	356	0
35 to 44	570	571	0
45 to 54	524	527	0
55 to 64	312	312	0
65 to 74	240	240	0
Total	2000	2006	0

SEX

	Objective	Finished	Unfinished
Men	1000	1001	0
Women(2)	1000	1005	0
Total	2000	2006	0

GEOGRAPHIC LOCATION

Autonomous community	Objective	Finished	Unfinished
Andalucía (1)	362	363	0
Aragón (2)	56	56	0
Principado de Asturias	46	46	0
Illes Balears (4)	50	51	0
Canarias (5)	96	98	0
Cantabria (6)	26	26	0
Castilla y León (7)	106	107	0
Castilla-La Mancha	88	88	0
Catalunya (9)	316	316	0
Comunitat Valenciana	214	214	0
Extremadura (11)	46	47	0
Galicia (12)	118	119	0
Madrid (13)	276	276	0
Murcia (14)	62	63	0
Navarra (15)	26	25	1
País Vasco (16)	92	93	0
La Rioja (17)	14	14	0
Ceuta (18)	3	3	0
Melilla (19)	3	1	2
Total	2000	2006	0