7 Views

on Saving in the UK

"The Government is withdrawing public provision and putting ever greater onus on individuals to provide for themselves. It is now imperative that the savings barriers and disincentives are dismantled - and people actively encouraged and enabled to save."

Including articles by:

Andy Burrows

Mervyn Kholer

Alan Pickering CBE

Kevin Mountford

Sylvia Morris

Andrew Haldenby

Revd Dr John Strain

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Introduction

Save Our Savers was founded in reaction to the failure of successive governments to support and encourage a savings culture in the UK.

Whilst politicians often make robust statements about the importance of saving, little if anything practical is ever done to encourage it. In fact, time after time savers find themselves worse off as a result of short-term political expediency and meddling. This, coupled with the recent record levels of personal debt, has resulted over the last decade in some of the lowest levels of saving since records began in the 1950s.

When economists, politicians and commentators promote spending over saving as the key to economic recovery, they seem to lose sight of the individual lives that are hidden behind this macro-economic argument. The majority of savers are not hoarders; they are ordinary families and individuals taking responsibility for their own financial situation. They are making sacrifices now in order to make provision for a better future for themselves. It is through encouraging and enabling savers to do this that true long-term economic prosperity lies, not through penalising and squeezing them in the hope that a little more spending now - regardless of the long term consequences - will get the country back on its feet.

The Government is withdrawing public provision and putting ever greater onus on individuals to provide for themselves. It is now imperative that the savings barriers and disincentives are dismantled - and people actively encouraged and enabled to save.

In this booklet we have invited seven experts involved directly with the current issues facing savers to share with us their view on saving in the UK.

Andy Burrows of Consumer Focus dispels the myth that those on low incomes cannot or do not want to save, and explains how millions of people find themselves excluded from financial products, such as a basic bank account, that would make saving much easier for them.

Mervyn Kohler of Age UK describes the difficulties facing elderly savers, such as low interest rates, inflation, means-tested benefits and a lack of trust in financial institutions.

Alan Pickering, who led a recent independent review of the UK pension system, looks to a future where retirement will be more of a process than an event, and the where having a pension will no longer be the be all and end all of your retirement savings strategy.

Kevin Mountford of moneysupermarket.com explains how to go about saving money and getting the best deal for your savings in today's economic climate.

Sylvia Morris, financial journalist, reviews the current state of the cash ISA, which was once the jewel in the crown of government savings policy.

Andrew Haldenby comments on the major political challenges politicians must overcome if they are to improve the level of saving in the UK.

Revd John Strain, spokesperson for Save Our Savers, takes a step aside from the economic issues to remind us that saving is a practical demonstration of our faith in the future, and looks at the moral and ethical side of saving

Together these articles paint a broad picture of the challenges that normal people face in trying to save for the future or live off their savings in the UK.

You can support us by joining Save Our Savers today at www.saveoursavers.co.uk. It need cost no more than a moment of your time, but your support will help us make the case for concrete support for savers to government and to the savings industry.

Jason Riddle
Co-Founder

SaveOurSavers.co.uk

SAVERSFIGHTBACK.co.uk

Visit www.saversfightback.co.uk for articles and discussion on major issues affecting savers

The Forgotten Challenge?
Savings Solutions for Low Income Consumers

It is mistaken to suggest that people on low incomes cannot or do not want to save. But the reality of the financial landscape means that for many consumers –people without a bank account, vulnerable consumers, or low earners who are deterred by retail financial institutions- the barriers to saving can appear considerable.

So what can be done to promote savings among low-income and financially excluded consumers?

Firstly, it is important to remember what happens if consumers on low-incomes find it difficult or are prevented from accessing savings products. 1.75 million consumers don't have a transactional bank account[1] , and while millions more have opened a basic bank account, a significant minority of these are either dormant accounts, or used on a 'withdraw to zero' basis. Building up a cushion of savings is an important means for low-income consumers to avoid getting into high-cost debt. If such consumers are unable to build up this cushion, they are all too often left with no other choice than high-cost options when, for example, the cooker breaks down or their boiler stops working. An unexpected event or household emergency can easily disrupt the finances of low earners for months or even years after the initial problem has been resolved.

Secondly, we need to better understand how and in what form consumers want to save. Understandably, while many on low-incomes may not have the money to make regular deposits into a standard account, we know many low earners choose to save by using savings clubs – schemes built around and responsive to their needs. The collapse of Farepak underlines the importance of low-income consumers being able to trust such schemes, and feel their savings are secure. Others simply want to set aside a relatively small amount each week. Yet mainstream financial providers have failed to offer tailored, no-frills savings products built around the needs of these customers. Now is the time for them to do so.

1 Financial Inclusion Taskforce (2010) *Mainstreaming Financial Inclusion: Managing Your Money and Access to Banking*

Recent research undertaken for Consumer Focus showed that low-income groups had been enthusiastic to open accounts as part of the Savings Gateway scheme[1]. Almost two-thirds of unbanked consumers, and three-quarters of low-income consumers more widely, were interested in a Savings Gateway account . Even though the Government has recently announced it is unable to proceed with the scheme this summer as envisaged, there is clearly potential in looking to revive it at a later date. As similar approaches in the USA and elsewhere show, incentivised savings schemes can play a key role in developing a savings culture among low income groups.

But the problem isn't only about products, it's also about the institutions that offer them. We know that many low-income consumers feel daunted or uncomfortable using bank branches, something the banks continue to need to tackle[2] . Many financially-excluded people don't trust mainstream banks to look after their cash, or as the Chair of the Financial Inclusion Taskforce has rightly noted, simply 'feel uncomfortable saving with mainstream financial institutions and can be embarrassed at the idea of depositing small amounts of money with them'[3] . Banks must improve the poor customer service given to low-income consumers, which in turn deters their take-up of mainstream financial products.

But there is another way. The growing presence of credit unions across the country underlines the appetite of low income groups to build up savings in an institution and environment they trust. On a nationwide level, the post office network should be a key part of the solution. With their universal reach and strongly trusted brand, post office branches are well-placed to meet the needs of, and appeal to, low-income consumers. Consumer Focus envisages that the post office should become a 'neighbourhood bank', a concept that lends itself strongly to offering a range of everyday, no frills products, such as products already offered by some credit unions and by the Sparkassen savings banks which have helped to mainstream universal banking in Germany. Sparkassen play a key role in tackling financial exclusion[4]. This includes the deployment of tailored strategies to promote the take-up of bank accounts among groups traditionally poorly served by banks operating on a wholly commercial as opposed to universal basis.

The logic of applying the same universal principles in the UK, through the post office network, seems strong. Post Office Ltd (POL) could effectively follow the Sparkassen model – while operating on a commercial basis and working with credit unions introduce

1 ICM (2010) *Banking for Low Income Consumers at the Post Office.* Prepared for Consumer Focus

2 Consumer Focus (2010) *Opportunity Knocks: Providing Alternative Banking Solutions for Low Income Consumers at the Post Office.*

3 Pomeroy, B (2010) *Making Financial Services More Inclusive: What Can be Done About the Poverty Premium?* Discussion paper for Consumer Focus

4 Bresler, N et al (2007) The Role of German Savings Banks in Promoting Financial Exclusion. In Anderloni, L (ed.) New Frontiers in Banking Services. Springer: Berlin

a range of targeted accounts aimed at specific consumer groups, including low-income consumers.

If the Post Office were to offer these accounts, this would facilitate the widest possible access to tailored savings products, but would also reinforce the universality of the post office brand. The time is right to unlock the potential of the post office network to deliver the benefits of a savings culture for the millions of low-income consumers left behind by mainstream banks. Along with credit unions and other third sector organisations, and actively supported by the banks, these trusted, accessible providers can effectively reduce barriers to low-income saving in Britain.

Andy Burrows

Andy Burrows, Principal Advocate – Community and Public Services

The Reality for Elderly Savers

A lot of the savings wealth in the UK is in the hands of a small number of older people. The staggering thing is that most older people have very little in savings and investments.

Looking at the most recent data (Family Resource Survey 2008/09), there were 3.8m pensioners (33% of all pensioners) with liquid capital savings of between zero and £1500, and 3.3m (29%) with savings over £20,000 - leaving 4.3m (39%) in the middle range. So at first blush, when savings rates tumble and the popular press get exercised about how this will impact on the older population, the answer is:- well, not a lot. The elderly widow struggling to survive on the interest accruing in her building society accounts is rather fictional, and she could only see that potential income as a minor part of her income at best.

It is, of course, elderly widows whose numbers on the demographic map help to shape these figures. Historically, they relied on their husband's income and pension saving strategies. They had little exposure to the workplace and so little opportunity to build up independent income and savings streams. There was an expectation that the State looked after older people - no-one told them that the basic state pension, when locked to prices, would lose purchasing power from about 25% of average earnings in 1980 to today's 15%, or that social care would become increasingly rationed and means-tested, requiring cash payments to secure the most basic of services. Neither they nor their husbands thought through the savings agenda at a time when they might have been able to build up a savings cushion.

Those older people who have saved are vociferous and have a lot to complain about. The main complaints probably accrue in four areas.

- Interest rates have become quite detached from the rate of inflation which pensioners experience. Energy prices have risen by 125% in the last half decade, food prices have similarly increased - the staples to stay alive demand far more money than the investment markets are returning to savers. Saving is looking like a mug's game - your prudence is simply being thrown back in your face.

- Saving also looks a mug's game if you are likely to end up embroiled with means-tested benefits – and over 40% of pensioners are entitled to such benefits. Pension

Credit was a brave attempt to address pensioner poverty, and the associated Savings Credit was designed to 'protect' people with modest savings from losing all their entitlements in the benefit system, but it adds to a complex and incomprehensible edifice which seems to punish small savers.

- The investment providers keep changing the rules and terms of their account offerings, and communicate poorly with their investors. Unless you buy The Times you might miss the advertisement announcing the change of rates on your account, and if you are not diligently online to check the internet announcements (and only two thirds of older householders are online), you are probably losing track of what your investor is doing with your money. Poor information and pretty abysmal customer care has wrecked a lot of confidence in the savings and investment industry.

- The closure of local bank branches plus the demise of the local bank manager, as the commercial banks seek more aggressive ways to market bank assurance products, has taken a trusted local financial adviser out of the system. The local bank branch manager might not have been the sharpest financial brain on the planet, but at least provided a solid point of call, and a reference point to visit when thinking of savings strategies. Who are the trusted advisers today?

Part of the way forward seems to be encapsulated in the pension reform architecture and NEST, due to be introduced in 2012. The National Employment Savings Trust builds upon behavioural economics, whereby unless you deliberately opt-out you will be enrolled into the national pension scheme. This process is expected to lead millions of non-savers into the saving environment. Add the experience emerging from the Money Guidance projects (which the Coalition Agreement committed the new Government to keep developing), and we may end up with a better platform for promoting savings.

Mervyn Kohler

Mervyn Kohler is Special Adviser at Age UK, having been Head of Public Affairs at Help the Aged since 1984. His original role was to manage the Charity's links with Parliament, Government and the outside world, and to develop the policy position of Help the Aged. As the political and social agenda involving older people has mushroomed, Mervyn Kohler has increasingly focussed on income and financial issues (which underpins so much of the well-being of older people), but he retains an overview of the broad policy field. This, plus his years of long service, means he plays a part too as a public face for the Charity, at conferences, seminars and in the media. He is, and has been, on the trustee board of a number of charities and on several public bodies, and currently serves on the Fuel Poverty Advisory Group.

Pension Schemes Should Not Be Pensioned-off

There are many reasons for saving. There are many ways in which we can save. A traditional reason has been to provide financial security in later life. The main vehicle for achieving this has been a pension scheme.

During the last couple of decades, pension schemes have not enjoyed a good press. While some of the negative coverage has been deserved and self-inflicted, most has been wide of the mark and counterproductive. The Maxwell debacle was a fraud perpetrated on a pension scheme and not a home grown pension misdemeanour. Increased life expectancy, while being good news for those who benefit from it, makes the pensions challenge even more daunting. The unwillingness of many employers to shoulder open-ended pension risk is not necessarily a reflection of a return to Dickensian parsimony. It may be seen as an understandable reaction to well-intentioned but costly consumer protection obligations imposed by successive governments.

A NEW LOOK RETIREMENT

Although the "job for life" has always been a myth for most of us, life was, in the past, much easier to compartmentalise. We used to acquire all the knowledge we required in our first 20 years. We would then put that 20 years of knowledge to work for our next 40 years in employment. Then, one day in our 60's we would turn our back on employment and become a full-time pensioner for the next 15 or 20 years. It is not like this anymore.

No matter how much we learn in our first 20 years, we will need to top-up our skills frequently if we are to remain employable. Throughout our working lives, learning and earning will be inseparable bedfellows. Retirement will no longer be an event but will be a process. In later life, we will mix and match work and retirement, pay and pension.

A SAVINGS PLAN FOR LIFE

Will pensions continue to have a role to play even though the nature of retirement is changing? When most members of pension schemes were in final salary arrangements, it was possible for such a scheme to be the centre-piece of someone's savings strategy. Not only was a good quality pension on offer, death and disability benefits were an integral part of the package. What is more, the tax rules meant that it was difficult to make up for lost time if you were not lucky enough to be in a final salary scheme from the day you started work.

The number of workers who have access to final salary pension schemes is diminishing by the week. This means that a wholesale reappraisal is necessary.

I believe there will always be a place for an employee benefit or financial product whose principal aim is to provide us with an income stream in later life. This income may supplement earnings from work or replace those earnings once we retire completely. However, a pension cannot be the be-all and end-all of our savings strategy.

FINANCIAL PLANNING

We all need a plan for life with a savings strategy at its heart. The best way of ensuring a financially secure old age is to remain employable for as long as possible. Gaps in our working life will mean that we not only have less money to save for the future but that we have to draw-down existing savings to make ends meet.

Once we have done all that we can to maintain our employability, we need to get our financial ducks in a row. Existing debts need to be reviewed and a strategy towards future debts must be determined. Rainy day money is important as is cover against those life eventualities that might have financial implications for ourselves and those who might depend on us. While we must never ignore the need to save for retirement, such savings may not always be a priority. Before we lock away money for later life, we need to make sure that short and medium term requirements are covered off.

WHO DOES WHAT?

The role of government is under intense scrutiny. Government is proposing to withdraw from many aspects of our lives. However, there are somethings which the government, or more particularly, the taxpayer can do best. A case in point is the provision of a guarantee against absolute poverty in old age. Obviously, politicians must, on behalf of the taxpayer retain the right to review what is meant by "absolute poverty" and "old age". Unless this foundation is there, workplace and marketplace pensions will not run smoothly. The continuation of means- tested top ups for an inadequate state pension will mean that, for millions, it will not pay to save. We cannot base a savings culture on such a premise.

The government will have two other functions to fulfil. First, the creation of a labour market which is blind to age since barriers to employment will torpedo the winning triumvirate of lifelong learning, earning and savings opportunities. Secondly, the government needs to establish a regulatory framework which acknowledges that there will always be a knowledge gap between those who provide pensions and those who depend on them.

Employers, too, have three roles to play. First, they must offer learning and earning opportunities for people of all ages. Secondly, they should help employees set aside some of the wealth which is created today for consumption tomorrow. A pension scheme should be an integral part of this offering. Finally, employers can play their part in helping increase financial literacy.

The financial services industry has a vital role to play. There will be many more ways in which it can interact with its customers in future. Hopefully, however, the workplace will become an increasingly important market place. Product design, administrative systems and communication programmes can then be tailor-made to meet the needs of particular groups of people. Financial service companies, too, have an important role to play in improving the financial acumen of our citizens.

AN AGE OF REALISM

Even if governments, employers and the financial services industry all play their part, we cannot leave it to them. We all have to take responsibility for getting our financial affairs in good order. We can take a lead from the animal kingdom. We cannot, ostrich-like, close our eyes to the reality of increased life expectancy. Although we are not all blessed with this benefit to the same extent, most of us are living much longer than our parents. We need to factor this into our working plans and savings habits. While squirrels may not be the most loveable of creatures, they do know quite a lot about saving for the future. Whilst squirrels might not need a pension, the rest of us do. Pension schemes should certainly not be pensioned-off.

Alan Pickering CBE

Alan Pickering CBE, Chairman of BESTrustees and non-executive director of the Pensions Regulator.
Chairman of the Plumbing Industry Pension Scheme and of the financial literacy charity, Life Academy.
Occupational Pensions Board from April 1991 until April 1997 serving as its Deputy Chairman during 1993.
Chairman of the National Association of Pensions Funds, 1999 - 2001
Chairman of the European Federation for Retirement Provision (EFRP).
In 2001, he was asked by Alistair Darling, Secretary of State for Work and Pensions to lead a review into the possible simplification of the rules governing the operation of all forms of private pension provision. His report "A Simpler Way to Better Pensions" was published in July 2002.

The Age of Austerity Should Highlight the Importance of Saving

As the coalition government battles to control and reduce the UK's debt levels, one thing that has become evident from the financial crisis is that as a nation we are heavily reliant on credit in order to fund our lifestyles. In many cases, we have been living way beyond our means, and only now are we paying the price for this – the age of austerity is truly upon us!

Although credit is a good thing if used wisely, it is also a dangerous tool for those who have a 'live now pay later' mentality – something previous generations would have frowned upon. I can remember my own grandparents saving for a rainy day, and they would cringe at the thought of taking out credit. The one thing we can learn during these lean times is the importance of saving, and this is where the problem really lies. In a low base rate environment, saving really doesn't seem that exciting, so unless you are reliant on your savings pot for an income, there is very little incentive to put money away for the future. Ask someone in their twenties whether they would prefer to buy the latest gadget or fund a pension for their future, then sadly we can easily guess what the answer would be.

The government needs to do more to encourage saving among Brits, but with budgets being cut; this is the one area in which we are unlikely to see any major changes. The appetite among banks for savers cash has been limited in 2010 so there has been very little innovation in this space. Having said that, there are good products to be had for those who are willing to shop around and although the rates appear to be low, they are extremely competitive.

With public spending cuts coming thick and fast, it is difficult to predict where we are heading as a nation. Unemployment levels are expected to rise and some economists predict the possibility of a double dip into recession. Rather than wait for what might happen, consumers can be proactive and become their own 'Chancellor' and take action to make sure they survive the financial crisis. Reviewing your outgoings and maximising your investments is a simple way of making sure your finances work harder for you. Utilising your tax free savings allowance is a no brainer, and making sure you are on the best interest rate available is essential, no matter how low it looks. The tough times will

continue for some time so you need to be proactive and look for the best product which meets your needs. Moving £10,000 from a savings account paying just 0.1 per cent to a market leading Cash ISA paying 2.75 per cent would earn you an addition £265 in interest over a year – not an insignificant sum!

For many people, saving is luxury they simply cannot afford. However, by looking at your outgoings on everyday bills and moving to a cheaper alternative can help to free up some essential cash – and that is where comparison sites like moneysupermarket.com can help. In an ideal world, people should look to save 3-months of outgoings for a rainy day, but if this is not possible, then try and put aside something - no matter how small.

Like credit, savings can open the door to many opportunities. Unlike credit, it takes longer to get there but the reward of saving for something and owning it outright without the worry of debt hanging over your head is surely a great incentive to get saving. Let's hope the current climate changes people's mindset and savings become more of a priority.

Kevin Mountford

Kevin Mountford is head of banking at Moneysupermarket.com

The ISA Fiasco

Savers have been keen to make use of tax breaks offering on cash ISAs. To date 17.5 million savers have put £168 billion to earn tax-free interest.

But bungling banks and building societies make it as difficult as possible in these low interest times for ISA savers to make the most of their money by:

- Taking months to transfer your savings from a poor paying account into a better deal.
- Bringing out new issues of cash ISAs with top rates and pay a pittance to loyal savers.
- Launching new accounts but will not let their existing savers transfer into the new issues.
- Paying less interest to savers in ISAs than in taxable accounts, effectively taking part of your tax relief.

Banks and building societies have 30 days to transfer your cash ISA savings from one account to another – but despite this long period, they are failing to do it. Some take three months as they lose the paperwork and fail to keep track of where your money is.

Then they blame each other for the hold-up, leaving you to try and sort out what has actually happened to your money.

The failings in the transfer system are estimated to have cost savers £3 billion in lost interest.

The system is so cumbersome that only one-in eight people switch. Mike O'Connor, chief executive of campaigning group, Consumer Focus says: 'Banks claim transferring ISAs is now quicker and easier than in the past – this doesn't match with what consumers are telling us. We believe these unnecessary delays are one of the reasons why the cash ISA market is failing consumers.'

Consumer Focus spurred the Office of Fair Trading to demand banks improve on the transfer system. It has demanded that banks halve the time taken to 15 working days by December, pay interest for ever day of the transfer and if there is a delay, they must sort it out for you rather than passing your from pillar to post.

They also have to print the ISA interest rate they pay on annual statements by 2012.

The industry is littered with once-top paying accounts from leading providers taking advantage of loyal savers by paying them a pittance while luring in new savers with top rates.

Some will not let their existing savers switch to the better deals.

Every year, to coincide with the end of one and the start of the next tax year in April they launch new accounts – often with similar sounding names to older ones with top rates of interest. They then eat away at the rate over time and start the whole process all over again the following year.

They hope that savers will not notice their old account is earning a poor rate.

So savers tempted in by top rates of interest on cash ISAs a couple of years ago now earn next-to-nothing on their money. Some pay as little as 0.05 per cent or just £5 interest a year on £10,000 savings. The average rate is just 0.7 per cent

If you want to move, you face the tortuous switching process. . .

Some banks add insult to injury by paying lower interest rates to ISA savers than on their similar taxable deals. It means banks are effectively pocketing at least part of the tax boost that should go to you. While the bank pays 4 per cent before tax to savers in a three year fixed rate taxable account, a cash ISA saver in a similar account will be paid considerably less.

Sylvia Morris

Sylvia Morris has been a financial journalist for more than 25 years. She is the savings expert at the Daily Mail's Money Mail and its sister website thisismoney.co.uk

The State of Saving in the UK

Let's start from the idea that the poor state of saving in the UK is an absolutely rational response by savers to their situation. As Frank Field has pointed out, why should people save for their retirement when means-tested benefits for pensioners are so generous? As authors for the Royal Society of Arts have pointed out, why should people save into pensions when the charges levied can reduce the value of their fund by 40 per cent? Why should people save when eminent economists from David Blanchflower to Martin Wolf tell them that they must borrow and consume to keep the economy going? Why should people save when interest rates are all but zero? It is a wonder that anyone is still saving at all.

The new Government has rightly argued for a new economic model based on higher savings and lower debt. But at the same time, it has said that the value of the basic state pension should be increased in line with earnings and it has increased the value of some benefits for families on low incomes. Savers need clarity if they are going to put their resources away, and I don't think the early decisions of the new Government will transform their confidence.

In other words, the Great Financial Crisis (GFC) has not yet changed political attitudes to saving in the way that we might have thought. The GFC happened because we were borrowing too much as private individuals (and the regulatory framework wasn't up to speed). The GFC revealed that we were borrowing too much as a nation (and the Treasury's public spending framework wasn't up to scratch). But we have yet to decide on a radical new change of direction. The new Personal Accounts won't salvage the situation because they won't provide a sufficient level of saving to prevent many people being eligible for means-tested benefit.

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1 There are many ways to measure the inadequacy of saving in the UK. The National Association of Pension Funds, amongst others, have said that 12 million people are not saving enough for their retirement. In a major speech in January 2010, Mervyn King, the Governor of the Bank of England, described the UK as a "low-saving country" and that the country needs to "rebalance" towards higher saving.

2 See Pitt-Watson, D. (2009), Tomorrow's Investor – Pensions for the people: addressing the savings and investment crisis in Britain. RSA.

3 Authors for the Bank of International Settlements have estimated that the current entitlements to health and pensions will push the national debt to 200 per cent of GDP in the UK by 2010. At that level, the annual cost of servicing the debt will approach the annual cost of the NHS.

In my view the fiscal situation facing the UK (and other economies such as the US) is so great that the fundamentals of the welfare state will have to be reappraised. As it stands, we are in the worst of all worlds. The state pension doesn't provide enough for people to retire on yet it is still high enough to destroy the public finances in years to come. Reducing the value of the state pension would make it affordable and increase incentives to save, as would reducing the value of means-tested benefits for future pensioners. But ideas such as these are light years away from the current political debate, and society will only discuss them if it is confident that pensioners' living standards will always be acceptable and fair.

The savings ratio is rising quickly in the UK, but that is a normal response to a recession and hard economic times. The state of saving in the long term will only improve if we are ready to debate our most basic economic policies and assumptions.

Andrew Haldenby

Andrew Haldenby is a Director of Reform and a founder member of Save Our Savers

Saving is Our Faith in the Future

We frequently speak of saving as a topic for economists and bankers. Others better qualified than me can speak of the benefits to the economy brought by saving and investment in the future. I wish to make what is perhaps a more obvious point, that saving is ethically important for ourselves, for our communities and for society at large. It is inconceivable that we should teach our children, as a general truth, that we should ignore tomorrow, spend now and ignore the consequences of debt. We know perfectly well that we teach our children the plain virtues of thrift, prudence and common sense. And yet, as nations, as businesses and as individuals we have pretended for too long that we can ignore these truths without peril.

We are sometimes rightly reminded that it is possible to save too much. The famous economist John Maynard Keynes is frequently invoked to remind us that there are particular circumstances when it is particularly important for governments to incur debt and for individuals to focus on spending, In our own lives, it is little more than obvious that wholesome long term borrowing is sometimes essential and desirable and that if we are saving so much we are starving our children we are saving too much. But Keynes was the first to recognise two things; First, saving is a habit to foster in everyone's lifetime. He set a fine example amassing a considerable fortune for himself and for the Cambridge College for which he was Bursar for many years. Secondly, Keynes recognised that national economies need to be in balance with one another. If a government borrows there must be savers somewhere who are in a position to lend. If every government and every individual saves and never spends then economises grind to a halt as Martin Wolf of the Financial Times frequently reminds us.

But none of these economic issues begin to detract from the importance of a positive, long term commitments to saving. Saving is the expression of our faith in our future to flourish as human beings, individually and corporately. We save for our good futures with those we care for and for the communities that matter to us. Saving is not about the institutionalisation of greed. Saving is about living ethically and well. The give us clues about how we should save. We should save virtuously. We should save with temperance to recognise that consumption tomorrow may be better, wiser, more rewarding than consumption today. We should save with courage to recognise that we don't need to be certain about exactly how things will turn out in the future to be sure of the value of saving. We should save with prudence to recognise that careful and sometimes difficult

decisions have to be made, balancing the different demands upon us in saving.

The frenzy of debt we have witnessed over the last decade by individuals, by companies and by governments has deluded us into losing sight of some basic truths. The silly illusion that it there is no limit to how much nations can borrow to avoid the sacrifices we must sometimes have to make to save needs to be shown for the lie that it is. We need to proclaim the basic moral virtue of saving once again and encourage a framework of values in which saving is encouraged.

Revd Dr John Strain

Revd Dr John Strain, Parish Priest, Ethics Lecturer, Adviser for Work, Economics and Business to the Diocese of Guildford, spokesperson and founder member of Save Our Savers

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