

# What is the future of saving and assets?

Dr Rajiv Prabhakar,  
[r.prabhakar@lse.ac.uk](mailto:r.prabhakar@lse.ac.uk)

21 October 2010

# Introduction

- One of the first acts of the Conservative-Liberal Democrat coalition government was to axe the Child Trust Fund
- The government also cancelled the national roll-out of the Saving Gateway which was due in July 2010
- Tax relief on pension contributions have been reduced
- What is the future of saving and more generally 'asset-based welfare'?

# Assets and saving

- Different arguments can be given for saving.
- Savings provide people with a financial cushion to protect them against shocks
- More long-term, there is a debate about the 'asset-effect'
- Personal saving may become more important as a result of welfare reform

# Challenges for saving

- One debate is whether those on low-incomes are able to save.
- People need money to save (raises issue of appropriate balance between saving and paying debts)
- But barriers to saving also exist
  - Financial capability: people rely on knowledge, skills and confidence to save
  - Financial inclusion: people need proper access to services

# Behavioural nudges

- Coalition government is exploring the role that can be played by behavioural economics in public policy
- This is likely to influence savings policy
- Product design: auto-enrolment
- ‘Big society’: role that credit unions and other third sector organisations
- Big society might be used to create social norms

# Discussion

- ‘We’re In This Together’ or ‘You’re on your Own’?
- Government unlikely to pump-prime saving (e.g. matching schemes)
- But will behavioural nudges deliver increased saving?
- More investigation of how behavioural theory connects with other theories
- Need for more evidence