ANALYSIS **21 AUGUST 2014**

Savings industry faces uphill battle to unleash "Generation Y's" potential and build a sustainable future

New research sponsored by Hermes and conducted by Green Alliance, a charity and independent think tank focused on ambitious leadership for the environment, has highlighted that Generation Y – the demographic most vital to the future of the savings sector - has very little interest in long term saving or challenging unsustainable investment practices.

The research report entitled, *'The future savings challenge: The implications of Generation Y's attitude to finance and sustainability'*, is based on focus groups with 37 young professionals, looks at the implications of the financial and environmental attitudes of people born between 1980 – 2000 (Generation Y) for the future of the investment industry.

Every year since 2005, under 30s have on average saved and invested more than they have spent repaying debt, with the exception of 2011[1]. Whilst this creates a huge opportunity for the savings and investment industry, a combination of poor understanding about financial services, low levels of interest in personal finance and disillusion with the financial services industry following the credit crunch means this generation overwhelmingly prefers to keep its savings as cash.

There are 14.5 million adults in the UK aged between 18 and 34[2].This generation is set to bear a heavy financial burden in the years to come. Moreover, the UK's ageing population will require increasingly significant financial contributions from its workforce over the coming decades to fund incomes for retirees. Between 2012-13 and 2062-63 public spending on the state pension is projected to rise from 6.0 per cent of GDP to 8.4 per cent[3].

Saker Nusseibeh, CEO, Hermes commented: "Auto enrolment will go some of the way to solving Generation Y's financial problems. However, few are aware their workplace pension plan may not be sufficient to guarantee a decent income in retirement. As it is a largely passive process, many employees have little input or control over their asset allocation. Hence, this will do nothing to tackle entrenched negative attitudes towards the financial sector."

Those surveyed also questioned whether a financial proposition could make a credible, sustainable and ethical difference to their future environment. A strong aversion to risk and distrust of the financial services industry has led to Generation Y becoming highly sceptical of the benefits of investing, both from a personal finance perspective and in terms of greater sustainability.

Nusseibeh continues: "This lack of understanding hasn't been addressed by the financial services industry, which has failed to communicate the benefits of investing in sustainable infrastructure."

Matthew Spencer, Director, Green Alliance adds: "If Generation Y are to enjoy decent pensions, their savings need to be resilient to climate change. A $1 trillion opportunity exists for investment into green infrastructure. Helping Generation Y to understand this would create a win-win for savers and the environment."

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[1] Office for National Statistics (ONS), 2000 – 12, *Average weekly household expenditure*
[2] Office for National Statistics (ONS), 2013, *Population pyramid for the United Kingdom, mid-2012 compared with mid-2001*
[3] ONS, December 2013, *Pension trends 2013,* Chapter 5

Spencer concludes: "Sustainable investing can help the financial sector rebuild trust among young adults, by showing how finance can be a long-term force for good. This will need more effective communication of the financial risks of climate change. However there is also a role for government in making sure that auto enrolment works in the long term interests of young workers, by making sure their pensions aren't invested in unsustainable ways."

To view the full report please click here: http://www.greenalliance.org.uk/page_1568.php

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Notes to Editors:

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Green Alliance
Green Alliance is a charity and environmental think tank focused on ambitious leadership for the environment.
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