
Just one in two feels financially prepared for retirement

- Confidence in investment market outlook helped by November's stock market rebound
- Saving sentiment stable but attitudes towards saving hit an eight month low
- Retirement Optimism fades, one in two (49%) feel financially unprepared for retirement

The Bank of Ireland/ESRI Savings and Investment Index, which measures sentiment towards saving and investment, rose from **99** to **100** in November 2018. The slight gain in the headline index was driven by an improvement in investment sentiment as confidence in the market outlook recovered from the battering it received during 'Red October'.

In a more dramatic drop, Irish confidence levels around retirement waned in November as the Retirement Optimism Index fell from 105 in September to 99 in November. The key factor driving the index lower was a big drop in perceptions about how financially prepared people felt for retirement. Almost one in two people (49%) said they felt financially unprepared for retirement, the highest reading since the question was first asked in September 2017.

Commenting on the November results for the Bank of Ireland/ESRI Savings and Investment Index, Tom McCabe, Bank of Ireland Investment Markets said *"The Savings and Investment Index stabilised in November thanks to a reasonable pick up in investment sentiment following October's battering. A better stock market performance clearly helped and it was also heartening to see investment attitudes remaining resilient in the face of continued market volatility. In the short term, market conditions and the geopolitical outlook are very likely to remain the key factors shaping Irish investor sentiment."*

"The drop in confidence around retirement provision is significant and just half of respondents feel financially prepared for retirement. With people living longer adequate pension provision is more challenging than ever, and some concern clearly emerged in November."

Investments Index

The Investment Index rose from **99** to **100** with the rise exclusively down to a recovery in investors' confidence following sharp market falls in October. The Investment Environment sub index rose from **96** to **99** in November, helped by a better market backdrop. Although stock markets were again volatile in November, they at least eked out a gain of 1.5% and helped to stem recent losses for Irish investors. 32% of people felt it was a good time to invest in November, down slightly from the 33% reading in October. However the numbers that felt it was a bad time to invest dropped from 26% back to 22%.

Attitudes towards investment were unchanged in November. The percentage of regular investors surprisingly rose to a nine month high of 34% in the month given the continued market volatility. The tax deadline for income tax relief on pension investments could have boosted peoples'

eagerness to invest. However this improvement was offset by less confidence around the amounts people were investing each month, causing the overall Investment Attitudes sub index to be unchanged at **102**.

Savings Index

The monthly Savings Index was unchanged at **100** in November with deteriorating attitudes towards saving offset by a brighter outlook for the saving environment. The Saving Attitudes sub index fell from 102 to 99 in November as regular saving patterns dipped again (47% of people were regularly saving) and people felt less satisfied with the amounts they were saving.

Tom McCabe commented: "The softening in saving sentiment over the past year is puzzling, particularly with the economy, employment and wages all growing healthily. A deeper look at the data shows that saving intentions among certain groups have weakened over the period. However the €2.5 Billion growth in household deposits over the past year still clearly demonstrates that at an economy wide level, people remain very much in saving mode."

Over the past year weaker attitudes toward saving have softened saving sentiment. At an economy wide level this isn't translating into weaker savings volumes though – amounts on deposit held by Irish households rose by €2.5 Billion in the year to the end of September bringing the total to €103 Billion. However, looking at regional and demographic patterns it is noticeable that saving attitudes have deteriorated for certain groups; younger savers, those in professional occupations and those in Dublin. So it is possible that some groups that are benefiting most from the economic recovery are reassessing their broader financial plans.

The Savings Environment sub index climbed from 98 to 101 in November as the percentage of people that felt it was a good time to save rose to 43%, the highest since January. A significant divergence of opinion on the environment for saving remains between younger and older savers though. Older savers remain more downbeat about the savings environment with continued low returns the likely cause.

ENDS

For media queries or interview opportunities, please contact:

Mark Leech, Media Relations Manager @ Bank of Ireland

Tel: +353 (0)76 623 4773

E: Mark.Leech@boi.com

Table 1 - Investment and Savings Index and sub-indexes, monthly (Base=October 2017)

Month	Savings and Investment Index	Savings Index			Investment Index		
		Overall	Attitudes	Environment	Overall	Attitudes	Environment
Oct-17	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Nov-17	103.4	104.2	107.7	100.8	102.5	106.1	98.9
Dec-17	101.9	102.7	107.7	97.6	101.2	104.2	98.2
Jan-18	101.6	103.3	101.5	105.1	100.0	95.2	104.8
Feb-18	102.0	102.5	103.4	101.6	101.4	104.4	98.3
Mar-18	97.6	98.5	98.7	98.4	96.6	94.2	99.1
Apr-18	101.5	102.9	106.2	99.6	100.1	98.0	102.2
May-18	101.0	103.9	107.3	100.5	98.1	97.7	98.5
Jun-18	100.4	98.9	103.3	94.4	101.8	102.5	101.1
Jul-18	99.5	101.7	103.3	100.1	97.3	97.0	97.6
Aug-18	105.5	105.4	112.0	98.7	105.7	110.2	101.2
Sep-18	102.6	101.8	104.3	99.2	103.4	101.2	105.7
Oct-18	99.4	99.9	102.3	97.6	98.8	102.0	95.6
Nov-18	101.1	100.0	99.2	100.8	100.3	101.8	98.7

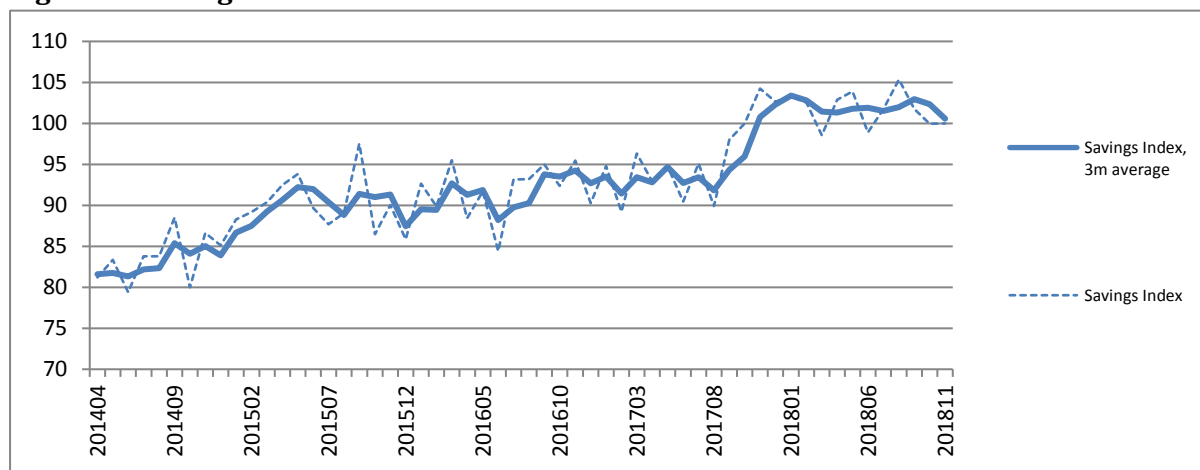
The Savings and Investment Index

- The overall Bank of Ireland/ESRI Savings and Investment Index aims to capture the sentiment of Irish households towards their ability to save and invest as well as the broader savings and investment environment. The Index combines two sub-indices on savings and investments to provide a broad understanding of household's views on their financial decision making.
- The monthly Savings and Investment Index increased slightly to 101.1 points in November from 99.4 points in October 2018. The Investment Index drove this monthly increase while the Savings Index remained relatively level between October and November.
- With the Investment index now in its second year of activity, year-on-year changes can be assessed across the Savings & Investment Index. Both items displayed a year-on-year decline in sentiment for November, suggesting an overall deterioration in confidence has occurred when somewhat accounting for seasonal effects. Should uncertainties intensify in the countdown to Brexit, it is likely that year-on-year declines will persist.

The Savings Index

- The two sub-indices that compose the Savings Index are the Savings Attitudes and the Savings Environment. In November 2018, the Savings Index remained relatively stable, increasing by 0.1 percentage points to 100. This is largely attributed to another month of changes in attitudes being offset by changes in the perceived savings environment.
- The overall Savings Index is presented in Figure 1. As the Index continues the old ESRI/Nationwide UK monitor, it is possible to track its evolution from early 2014. The chart presents the level of the Index as well as a three month moving average to provide more insight into the trend.

Figure 1 - Savings Index

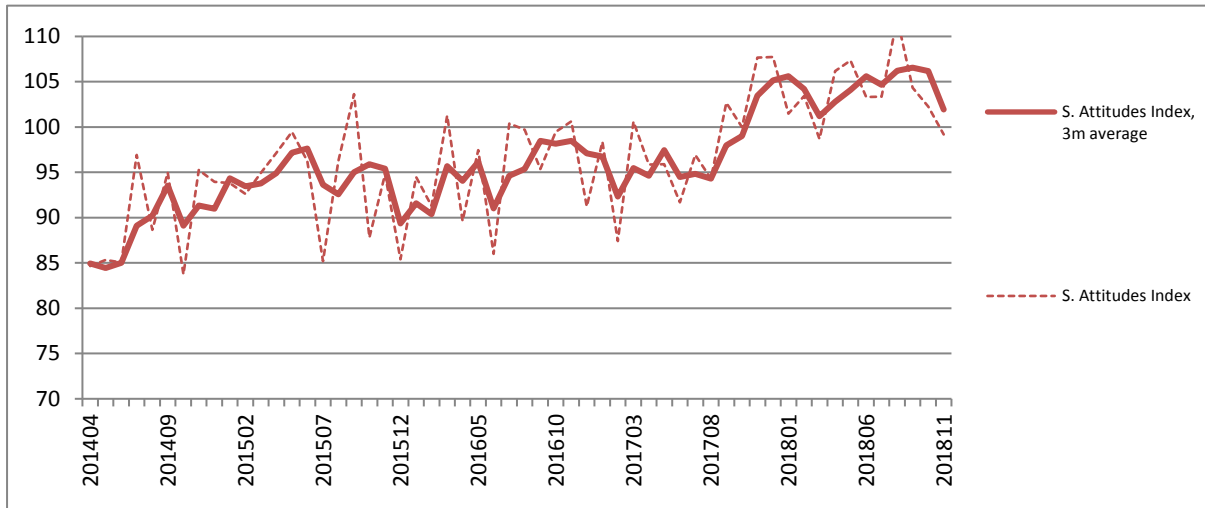


- The Savings Attitudes Index experienced its fourth consecutive decline, from 112 points in August to 99.2 points in November. This has been largely driven by a reduction in satisfaction regarding the amounts respondents have saved. Individuals below 50 and those outside of the Dublin region most strongly embodied this downward trend.
- The Savings Environment Index increased by 3.2 index points to 100.8 in November, as views towards saving, both today and 6 months in the future, improved by similar margins. This improvement was more pronounced among younger respondents and those within the Dublin region. Those under the age of 50 were 20 per cent more likely to feel it was a good time to save now than in the previous month. Those over the age of 50 on the other hand, were 7 per cent less likely to feel it was a good time to save now than in the previous month.

Table 2 - Savings Index and components, monthly

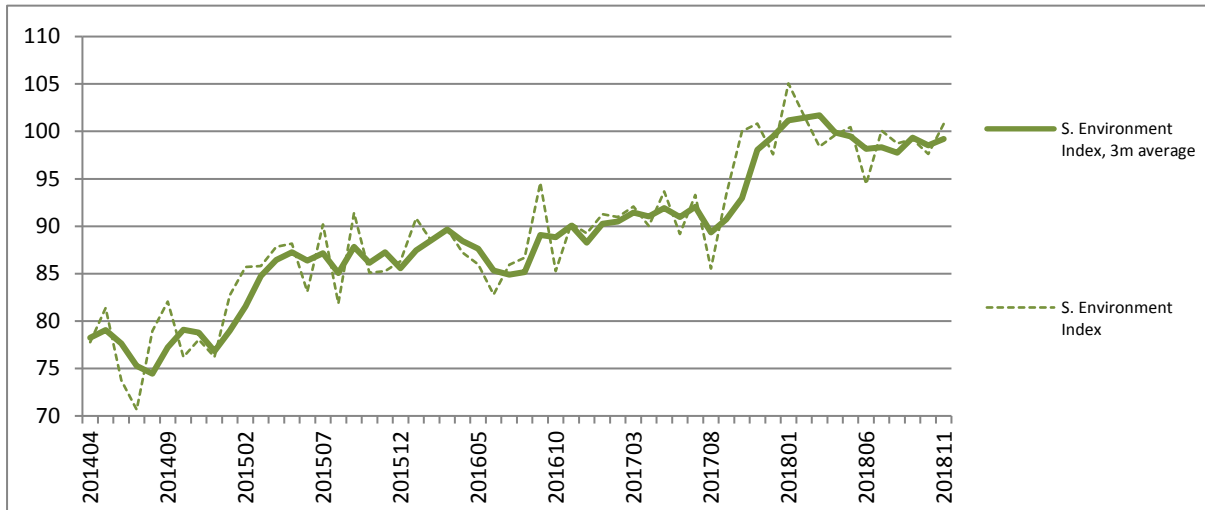
Month	Savings Index						
	Overall	Sav. Attitudes Index			Sav. Environment Index		
		Sav. A. Index	Do You Save	Savings Amount	Sav. E. Index	Good Time Save Now	Good Time Save 6 Months
Oct-17	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Nov-17	104.2	107.7	105.6	109.8	100.8	98.8	102.8
Dec-17	102.7	107.7	105.8	109.7	97.6	97.7	97.5
Jan-18	103.3	101.5	104.3	98.7	105.1	106.3	103.8
Feb-18	102.5	103.4	101.4	105.5	101.6	102.4	100.8
Mar-18	98.5	98.7	98.8	98.6	98.4	97.0	99.8
Apr-18	102.9	106.2	107.9	104.5	99.6	98.1	101.1
May-18	103.9	107.3	103.9	110.8	100.5	100.3	100.7
Jun-18	98.9	103.3	101.0	105.6	94.4	94.3	94.6
Jul-18	101.7	103.3	103.9	102.8	100.1	98.4	101.8
Aug-18	105.4	112.0	104.0	120.0	98.7	99.1	98.3
Sep-18	101.8	104.3	102.8	105.9	99.2	99.2	99.2
Oct-18	99.9	102.3	99.8	104.7	97.6	96.8	98.4
Nov-18	100.0	99.2	98.3	100.1	100.8	99.8	101.8

Figure 2 - Savings Attitudes Sub-Index



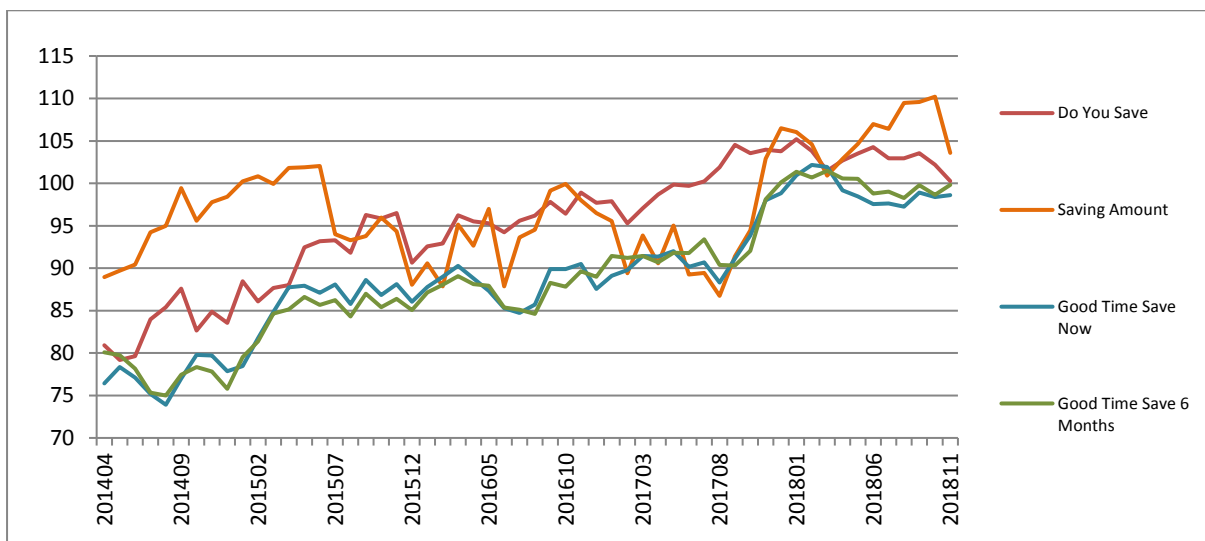
- The Savings Attitude Index is built on two questions which ask respondents about their saving behaviour and how they feel about the amount they save.
- The proportion of savers decreased for the third consecutive month, falling from 71 per cent of respondents in August to 67 per cent in November. 47 per cent of the households indicated they saved regularly in November 2018 relative to 53 per cent the previous year. This annual decline seems to be evenly distributed between shifts towards occasional saving and no saving at all.
- Looking between age groups, younger respondents have consistently been more likely to save. While the gap between percentages of younger and older respondents saving has normally maintained a double digit percentage point gap, November marks the first month in which this gap has closed to a single percentage point.
- Across regions, the BMW region experienced an increase in savings rates from 54 per cent in October to 60 per cent in November. Dublin and the Rest of Ireland have seen saving rates fall to 69 and 70 per cent, respectively.
- In terms of Savings Amounts, those who indicated they saved more than enough fell by 2.4 percentage points in November. This negative feeling was most prevalent among those from the BMW region which saw dissatisfaction rise from 50.8 per cent to 52.5 between October and November. This marks the fifth consecutive monthly rise in dissatisfaction among savers for the BMW region, hinting towards perceptions of increasingly tense financial circumstances further North in the country.
- The change in sentiment across age groups saw the share of younger individuals experiencing dissatisfaction shift from 54.8 per cent in October to 57.2 in November. Older individuals experienced a mild improvement, from 36.5 per cent in October to 34.1 per cent in November.

Figure 3 - Savings Environment Sub- Index



- The Savings Environment Index is built on two questions which ask whether or not respondents believe that the current period is a good time to save and whether or not they believe that in 6 months' time it will be a good time to save.
- Sentiments about whether it was a good time to save now or in 6 months' time improved on a monthly basis. The 'Good Time to Save Now' sub index increased by 2 index points to 99.8, while the 'Good Time to Save in 6 months' index increased by 3.4 points to 101.8.
- There was an increase of 9.1 percentage points in those from the BMW region who believed it was currently a very good time to save. Dublin exceeded this boost to confidence, reflected by a monthly increase of 15 percentage points. A similar trend emerges for savings in 6 months' time, with both regions far more optimistic about this prospect.
- The share of those under the age of 50 which believe it is a very good time to save, both in the present and in 6 months' time increased to 48 per cent and 50.6 per cent, respectively. In comparison approximately 35 per cent of older respondents see these periods as a good time.

Figure 4 - Savings Questions Indexed (3 Month Rolling Average)



Investment Index

- The Investment Index measures how consumers feel about their ability to invest and monitors their investment patterns.
- The monthly Investment Index increased by 1.5 index points to 100.3 between October and November. This rise can be attributed to a sudden increase in appetites for investment, with both participation rates and expected returns up from October. The amount of investment falling may be attributed to seasonal demands placing disposable income on prior commitments.

Table 3 - Investment Index and components, monthly

Month	Investment Index						
	Overall	Inv. Attitudes Index			Inv. Environment Index		
		Inv. A. Index	Do You Invest	Investment Amount	Inv. E. Index	Good Time Invest Now	Good Time Invest 6 Months
Oct-17	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Nov-17	102.5	106.1	103.1	109.2	98.9	96.4	101.3
Dec-17	101.2	104.2	105.8	102.7	98.2	97.4	99.0
Jan-18	100.0	95.2	95.9	94.5	104.8	104.6	104.9
Feb-18	101.4	104.4	112.6	96.2	98.3	96.1	100.5
Mar-18	96.6	94.2	90.7	97.7	99.1	99.2	99.0
Apr-18	100.1	98.0	101.6	94.3	102.2	100.7	103.6
May-18	98.1	97.7	97.5	98.0	98.5	95.5	101.5
Jun-18	101.8	102.5	101.2	103.9	101.1	97.2	105.0
Jul-18	97.3	97.0	101.3	92.8	97.6	95.1	100.2
Aug-18	105.7	110.2	100.4	120.0	101.2	99.0	103.3
Sep-18	103.4	101.2	98.0	104.3	105.7	104.1	107.2
Oct-18	98.8	102.0	98.0	106.1	95.6	95.1	96.1
Nov-18	100.3	101.8	107.4	96.1	98.7	98.0	99.4

- The Investment Attitude index asks respondents about their investment behaviour and how they feel about the amount they invest.
- Investment participation jumped to its highest level since February 2018 at 107.4 index points. Breaking down observations by region, there was significant increase the share of investors among respondents in the BMW area from 25 per cent in October to 35 per cent in November. In terms of age, while those above 50 years of age are less likely to invest than their younger counterpart of respondents, the share of older investors increased by 6.5 percentage points to 35 per cent in November 2018.
- Examining the investment amount sub-index, dissatisfaction spread in November, suggesting investors wish to invest further than they already have. The index fell to 96.1 points as a result. Dissatisfaction among the young was particularly high in November, growing by 12.3 percentage points to 47.4 per cent in November.
- While Dublin and the BMW region remained relative passive about these amounts, the Rest of Ireland saw a 14.1 percentage point reduction in satisfaction levels with more than a third of respondents from the region signalling their desire be investing nowhere near enough funds.

- Both the sub-indexes composing the Investment Environment, now and in 6 months' time, recovered, following a sudden fall in October. Improvements in present conditions resulted in a 2.9 index point rise to 98 points in November, while anticipated improvements in 6 months' time increased by 3.3 index points to 99.4 points.
- Improved expectations for both forms of investment improved in quite a balanced manner across age groups. The older category of those above 50 took a slight lead regarding current investment prospects but overall the two groups appear to have moved in a similar manner.
- Similarly to Savings Environment's previously mentioned, prospects have strongly improved in the perspective of residents in the BMW and Dublin regions whereas the Rest of Ireland countered this movement with a double-digit decline in the share of individuals anticipating good investment opportunities.

Retirement Optimism Index

- As Ireland's population is ageing it is important for households to plan for their financial future. To understand better how Irish consumers are preparing for their retirement, a new Retirement Optimism Index has been developed which tracks the degree to which households feel they can live comfortably, and are prepared financially, for old age.
- The Index rose from 105.2 index points in September to 98.6 index points as of November 2018. While both anticipated comfort improved this month, a decline in perceived financial preparedness appears to have completely outweighed this gain, falling by 16.5 index points. See Chart 1 and Table 4 for a visual breakdown.
- The greater lack of preparedness among respondents seems to be most strongly embodied among those below 50 years of age and among groups outside of the BMW region. Younger respondents saw a lack of preparation increase in share from 19 per cent in September to 31 per cent in November 2018. A 14.3 percentage point rise in the share of unprepared respondents within Dublin shifts the region to being the most unprepared across regions at 55 per cent of respondents from 40 per cent in September.

Chart 1 – Retirement Optimism Questions

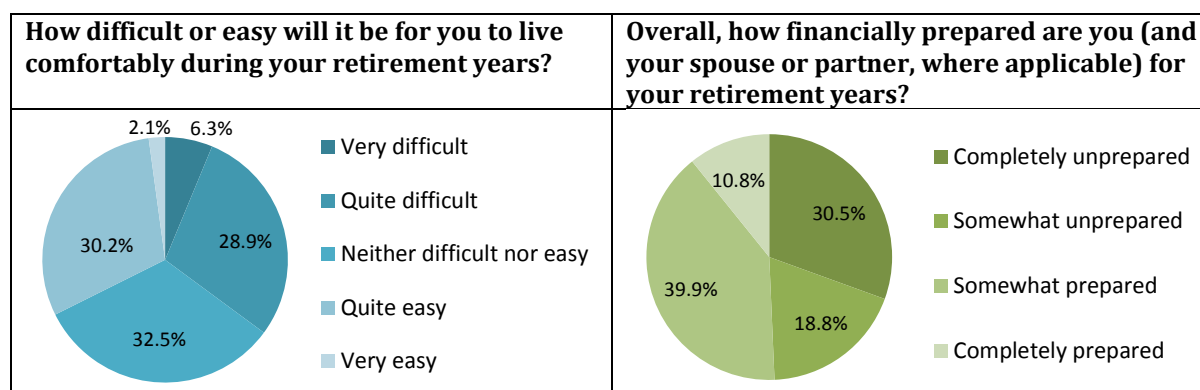


Table 4 – Retirement Optimism Index, bi-monthly

Month	Retirement Optimism Index		
	Overall	Comfort in Retirement	Financially prepared in retirement
Nov-17	100.0	100.0	100.0
Jan-18	91.6	90.6	92.6
Mar-18	100.2	99.1	101.4
May-18	103.6	104.2	102.9
Jul-18	93.7	88.8	98.5
Sep-18	105.2	101.2	109.1
Nov-18	98.6	104.7	92.6

About the Index: The Bank of Ireland/ESRI Savings and Investment Index tracks household views on attitudes towards savings and investment as well as understanding their perspectives on the current and future savings and investment environment. Understanding savings behaviour provides insight into how households smooth consumption, plan to make big purchases and build up buffers which can be drawn down in times of economic stress. Monitoring household investment patterns gives an understanding of how they are putting their money to work, their financial diversification, and their appetite for risk. The Bank of Ireland/ESRI Savings and Investment Index also provides a risk barometer and a retirement optimism index to give insight into household risk taking and the retirement planning. These will be presented on alternate months. For October, only the Savings Items will be published until a sufficient dataset is developed on investment.

The Bank of Ireland Savings and Investment Index is produced monthly from a minimum sample of 800 consumers aged 15 years and above. The ESRI carries out the Savings and Investment Index research to ensure the indices represent a national sample.

For further information contact:

Tom McCabe – Bank of Ireland – tom.mccabe@pb.boi.ie

or

Matthew Allen-Coghlan – ESRI – matthew.allencoghlan@esri.ie

Conor O’Toole – ESRI – conor.otoole@esri.ie