PRESS RELEASE

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New wealth gap emerges as lower earners half as likely to invest than those in top managerial positions

- Junior managers and manual workers miss out on growth potential as research reveals those in higher managerial positions more than twice as likely to invest

- *Misunderstanding about how stocks and shares ISAs work the most common reason people choose not to invest, despite higher long-term returns on offer*

Lower income households are at least half as likely to invest as those in higher managerial positions, raising fears of a growing wealth gap, research from Scottish Friendly reveals.

A survey of 2,000 people shows nearly one in three (31.5%) people in managerial positions, such as lawyers, doctors, architects and accountants have invested into a stocks and share ISA at some point. However, the proportion of people who have invested through a stocks and shares ISA falls dramatically outside of senior management positions.

In fact, the vast majority of savers in other occupations have never invested. This may not come as a surprise at first glance, however, with interest rates on many cash accounts being lower than the current rate of inflation, the value of people's money sitting in cash accounts is actually diminishing over time.

Just 16.1% of those in junior managerial positions, such as teachers, retail managers and legal secretaries, said they had invested through a stocks and shares ISA, compared with 10.5% of skilled manual workers (eg. electricians, mechanics, plumbers, emergency services) and 12.3% of other manual workers such as cashiers, labourers and cleaners.

The findings show that even fewer people invest regularly, with a fifth (20.6%) in managerial positions putting money into a stocks and shares ISA on a monthly basis. This falls to just 8% for junior managers, 5.9% of skilled workers and 5.3% of other manual workers.

The findings raise concerns that the UK's lowest earners are being left behind due to their apparent reluctance to invest in the stock market. Research from Scottish Friendly also showed that in the past 19 years, British cash savers lost a combined £127 billion as a result of low rates and the rising cost of living, which eats into the value of savings.

More than a quarter of those in junior management positions (28.2%) and skilled manual workers (25.1%) say they choose not to invest because they do not understand how stocks and shares ISAs work.

By comparison, just one fifth (20.2%) of those in senior managerial positions said they do not understand ISAs, highlighting an education gap between society's highest and lowest earners.

A fifth of higher earners (19.9%) and those in junior managerial positions (19.2%) choose not to invest over fear of losing money, with that figure rising to 23.4% for skilled and 23.1% for other manual workers.

Scottish Friendly wants to encourage people working in all professions to consider investing, even if it is a just a small amount each month. For people who are new to investing or regard themselves as beginners, Scottish Friendly has the following tips to help get people started:

- Set long-term goals for your reason for investing (for your children, retirement etc)
- Work out how much you can save while keeping enough aside for emergencies
- Do your homework on the various different types of investment available
- Determine how much risk you are willing to take
- Seek the help of a financial adviser if you're unsure what to do

Kevin Brown, savings specialist at Scottish Friendly, said: "There is quite clearly an investment education gap between the highest earners in society and those on most modest incomes. The worry here is that those in more junior positions are missing the opportunity to secure a better financial future for themselves.

"Clearly, the message the industry is using to educate people is not working, so we must go back to the drawing board. Investing will never be for everyone, but when more than one in four people say they are scared to invest because they don't understand it, as an industry we must be doing something wrong."

Brown added: "Savers who keep their money in a cash type account are being stung by a combination of low rates and rising inflation, meaning the value of their savings can actually decline over time. That is why it's important we educate people about investing and its benefits. It needn't be scary and there are products out there for people who are worried about losing money. Examples include products that have the potential to grow money faster than cash accounts, while also offering peace of mind and security with built-in guarantees that investors will receive at least what they put in after a set period of time, say 10 years."

-ENDS-

The value of shares can fall as well as rise and investors may not get back the value of their original investment. Savings in a cash ISA or deposit account with a bank or building society are generally secure and accessible.

Methodology

Our consumer survey was conducted by 3Gem Research, and was undertaken in early October 2018. The total sample size was 2,000 UK adults and nationally representative by age, region and gender.

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About Scottish Friendly:
Scottish Friendly is a leading UK mutual life and investments organisation. It provides investors and their families with a wide range of investment and protection solutions and provides life and investment products and services to other financial organisations.

Scottish Friendly has roots stretching back to 1862. Established as the City of Glasgow Friendly Society, its name changed in October 1992 when it took over Scottish Friendly Assurance.

Scottish Friendly's overall strategy is well-established and is based on a three-part growth plan composed of organic growth, business process outsourcing, and mergers and acquisitions.

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