1 in 3 parents using low or 0% interest current accounts to save for their children's future

- *More than a third (34%) of parents have saved money into a bank or building society current account for their children during the past year*
- *Meanwhile, two in five (40%) parents have increased their children's cash savings during the pandemic*
- *Scottish Friendly warns parents are committing to losses by choosing accounts that offer sub-inflation returns*

More than a third of parents (34%) are using current accounts that pay almost zero interest to save for their children's future, new research from financial mutual Scottish Friendly reveals.

Despite the average current account paying just 0.15%[1] interest, they have emerged as the second most popular method of saving among parents, the data shows.

Interest rates have remained at a record low during the pandemic but current accounts and bank or building societies savings accounts have been the two most popular options over the past year (see table below).

Most popular destinations for children's savings during the past 12 months		Scottish Friendly
1.	Bank or building society savings account	37%
2.	Bank or building current account	34%
3.	Cash junior ISA	25%
4.	Stocks and shares junior ISA	20%
5.	Cash ISA	18%
6.	Trust	13%
7.	Stocks and shares adult ISA	12%
8.	Child SIPP	11%
9.	Cryptocurrency	9%
10.	Fixed rate bond	8%

By leaving their money in a current account, parents are potentially missing out on thousands of pounds over the course of their children's childhoods.

For example, parents saving £100 a month into a current account paying 0.15% would accrue just £292.86 in interest after 18 years and would be left with £21,892.86 in total.

[1] Monthly average of UK resident banks' sterling weighted average interest rate – interest bearing current account deposits from individuals and individual trusts, Bank of England.

If, though, the same parents had invested their money in a fund tracking the FTSE 100, they would have made £8,165.31 profit and would be left with a total pot worth £29,765.31 before investment fees[2].

The study of more than 1,200 parents and grandparents found that 40% have increased the amount they save in cash for their children over the past 12 months.

However, there has also been significant investment into stocks and shares by parents during this time. One in five (20%) have saved into a stocks and shares junior ISA and over two thirds (64%) of them intend to increase what they invest into it for their kids during the next 12 months.

Nearly half (46%) of all parents surveyed have invested in some form for their children since the pandemic began.

Plus, when asked whether they had invested more money in the past 12 months compared to previous years, almost half (47%) said they had compared to just 12% who said they had invested less.

The biggest reason for this was the fact that there had been fewer spending opportunities over the past year, according to 45% of parents.

But more than four in ten (41%) said the greatest factor was their motivation to build up a savings buffer for their kids as economic uncertainty surrounding the pandemic grew.

Jill Mackay, savings and investment specialist at Scottish Friendly says: "The current combination of rising inflation and record low interest rates mean people saving in cash are committing themselves to losses.

"The dependency on cash and current accounts in particular is based on inertia and the convenience of knowing you don't have to move your money. But if a current account or savings account is offering you less than the current rate of inflation, which the majority are, then the value of your cash savings is reducing every day.

"The easiest way to protect some of your cash from the threat of rising inflation is to diversify your savings and investments.

[2] FTSE 100 annual return 01/04/03 to 01/04/21: 3.41%

"When it comes to children's savings, this can be done simply through a junior stocks and shares ISA which will give you access to multiple assets that offer greater growth potential in the current climate."

-ENDS-

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Methodology:
The survey of 1,200 parents and grandparents was conducted by 3Gem Research and Insights and was carried out between Friday 7th May and Friday 14th May.

Editors notes:

Remember that the value of investments can go down as well as up and you could get back less than you paid in.

Past performance is not a reliable guide to future performance.

Tax treatment depends on individual circumstances which can change in the future.

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.

In recent years Scottish Friendly has significantly restructured its business. The Group has flourished through a three-part growth strategy of organic growth, mergers and acquisitions, and business process outsourcing.

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