PRESS RELEASE
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Younger investors pull back from stocks and shares ISAs as older savers continue to increase investments

- *Scottish Friendly's Investor Index reveals a surge in the value of new investment into stocks and shares from older investors in the UK*
- *The total value of new investment from 50 to 64-year olds increased by +20% between Q3 2019 and Q3 2020*
- *Meanwhile, the value of investment from savers aged 18 to 34 has fallen by -31% quarter-on-quarter*

Investment in stocks and shares ISAs by older investors in the UK continues to rise sharply following a slow start to the year, but contributions from younger savers has fallen by -31% quarter-on-quarter as they pulled back from the market during Q3 2020, new research from Scottish Friendly's *Investor Index* reveals.

The easing of Covid-19 lockdown restrictions concurred with a quarterly +7% increase in the value of new investments among investors aged 50 to 64 in the three months to September, which marks a +20% rise on the same period in 2019.

Despite a quarterly increase in contributions from older investors, the total value of investments in stocks and shares ISAs among all customers in the UK decreased by -9% in Q3, Scottish Friendly's *Investor Index* reveals. This was largely driven by a reduction in the value of new investments among investors aged 18 to 34, which decreased by -31% between Q2 and Q3 2020.

As well as tracking the value of all new investments into adult stocks and shares ISAs, the index also measures the number of new investments into stocks and shares ISAs among Scottish Friendly's customers, with all quarterly activity measured against a base rate of 100.

The quarterly index reading of 120 for the UK signals a +7% increase in new policy sales during Q3 2020. This uptick was driven again by older investors with the number of policy sales rising by +14% among 50 to 64-year olds in the three months to September. In contrast, younger investors aged between 18 to 34, stepped back from the stock market during that period with policy sales falling by -14% in Q3.

Official data from the Office for National Statistics[1] reveals that younger adults, particularly those aged under 24, were hit hardest by unemployment during the second wave of the pandemic. In the

[1] Employment in the UK: December 2020, Office for National Statistics

three months to October, employment decreased by 90,000 to a record low of 3.51 million for this proportion of Britons.

The impact the pandemic is having on younger people's jobs and income explains why the level of investment from 18 to 34-year olds has fluctuated more heavily in the past 12 months than it has among older investors.

Since Q1 2019, the Index reveals three instances when investment among 18 to 34-year olds has fallen quarter-on-quarter, whereas among 35 to 45-year olds and those aged 50 to 64, investment fell only in Q1 2020 when the pandemic first struck.

In the next six months, inflation could rise closer to the Bank of England's +2% target which could lead to further increases in stocks and shares investment as it could be one of the few options for savers to generate above inflation returns.

Kevin Brown, savings specialist at Scottish Friendly said: "The overall uptick in new investment is a positive sign that Brits' confidence with investing is beginning to return. The first three months of the year proved a difficult time for markets, and the level of investment in stocks and shares reflected this.

"The easing of lockdown restrictions in Q3 seems to have gone some way to reassuring investors to return to stocks and shares. Some people have been able to set a little extra aside, which may have contributed to the surge in investments. However, we are not seeing this upward trend right across the board as younger investors, particularly those aged 18 to 34, have bowed away from investing.

"There are several factors that could be at play here, including the fact that these adults are more likely to have young dependants and therefore have less money to continually save and invest. In these uncertain times, a more irregular approach to saving could prove a better method for younger families. Putting away a small amount whenever possible can still be an effective way to build up a significant pot over the long-term.

"As lockdown measures fluctuate and we approach the end of the year, we expect total UK investments to decrease, with an upsurge during the first half of next year as people begin to rebuild their finances after Christmas."

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

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

-ENDS-

Figure 1: Total UK stocks and shares ISA sales

Quarter	New Policy Sales	New Policy Value
Q1-2019	100	100
Q2-2019	96	94
Q3-2019	103	102
Q4-2019	102	101
Q1-2020	80	72
Q2-2020	112	119
Q3-2020	120	108

Figure 2: Total UK stocks and shares ISA sales by gender

	New Policy Sales			New Policy Value		
Quarter	Females	Males	Female vs Male	Females	Males	Female vs Male
Q1-2019	100	100		100	100	
Q2-2019	91	101	90	98	89	110
Q3-2019	103	103	100	110	98	112
Q4-2019	105	99	107	114	93	123
Q1-2020	77	82	93	73	70	105
Q2-2020	104	120	87	119	118	101
Q3-2020	121	117	103	120	98	122

Figure 3: Total UK stocks and shares ISA sales by age

	New Policy Sales			New Policy Value		
Quarter	Aged 18 to 34	Aged 35 to 49	Aged 50 to 64	Aged 18 to 34	Aged 35 to 49	Aged 50 to 64
Q1-2019	100	100	100	100	100	100
Q2-2019	95	89	107	75	90	108
Q3-2019	91	99	116	88	94	120
Q4-2019	93	96	119	85	102	118
Q1-2020	74	77	87	62	74	76
Q2-2020	112	105	126	111	112	135
Q3-2020	97	117	143	76	106	144

Methodology (defined by Union Data):

The Scottish Friendly New Investor Index measures the quarterly status of the UK savings and investment market using adult stocks and shares ISA sales data from Scottish Friendly.

The Index was initiated in Q1 2019 and this quarter was scored as 100, providing a benchmark for future editions of the New Investor Index. A score greater than 100 indicates performance higher than in Q1 2019 while a score lower than 100 will indicate contraction in the savings and investment market vs that quarter. Similarly, a lower index than a previous quarter indicates market contraction while a larger index score indicates an increase in the savings and investment market.

This index is designed to be as reflective of the whole of the UK savings and investment market as possible. To ensure that any observed changes in the Index are not directly associated to Scottish Friendly's specific market performance or marketing strategies our data analytics partner, Union Data, have converted the raw sales data to indices using models to:

- Protect commercial sensitivities within the data
- Remove seasonality inherent within the data, for example, ISA sales tend to peak at the beginning and end of the tax year (April 5th)
- Remove factors specific to Scottish Friendly's performance within the wider savings and investment market including the size of the customer base and marketing budget

More technical details available on request.

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Editors notes:

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.

www.scottishfriendly.co.uk