Survey on Savings and on Financial Choices of Italians
2013

Savers starting to show signs of confidence
by Giuseppe Russo

Summary of the survey

The *Survey on Savings and on Financial Choices of Italians, 2013* is a joint project conducted by the Centro Einaudi and Intesa Sanpaolo, based on a Doxa survey carried out between January and February 2012, involving interviews with 1,044 “heads of households” with bank and/or post-office current accounts. The sample is representative in terms of the various age categories, professions, educational qualifications and geographical areas. The survey allows comparisons to be drawn between different points in time since 1983 to the present day.
Each year, the survey deals with a **specific theme**. This year focus is on **women**, with the addition of a dedicated sample of 408 female respondents which - added to the 277 included in the general sample - make up a representative sample of 685 people, each of whom was asked 14 specific additional questions.
The 2013 survey once again confirms that the propensity of Italian households to save has decreased over the years. This is in part due to a gradual alignment to the dominant consumption and savings model in other European countries. However, **the «no savings»** approach, by choice or because there is no need to save, is a behaviour which involves **just over one-third of the sample (34 per cent).** By contrast, for **two respondents out of three (66 per cent), saving is still a real necessity,** or at least a fundamental goal. However, **in 2012 only 39 per cent of respondents actually managed to save**: a share broadly in line with recent years, but on the decline compared to 10 years ago, and smaller than the share of people who would like to save but cannot.
There is no denying that the 2013 survey highlights the scar tissue left by the crisis on households, and on both savers and non-savers. Of the many facets of the crisis, two in particular impacted Italian households: first, the drop in current income and income expected upon retirement; second, portfolio trends, i.e. the performance of the real and financial assets owned.

■ **Incomes still under fire.** As regards the former aspect, while the survey outlines an overall drop in satisfaction levels with current income (42.4 per cent), and with income expected upon retirement (12.2 per cent), it also detects signals that the crisis may be ending, at least in its most acute phase. **The number of respondents who expect a worsening of their household’s situation this year over last year has decreased compared to the 2012 survey (from 59.3 to 55.6 per cent).** Secondly, alongside spending cuts, signs of a positive reaction to the crisis have emerged, such as **the successful search for a new job or new activity (7.7 per cent).**

A ray of hope seems to be filtering through for pension incomes as well. While most expect them to decline, respondents showed different reactions to the latest reform compared to 2012. Last year malcontent prevailed. This year, although underlying dissatisfaction still lingers, there is **greater propensity to seek out sources of income integration, in the form of insurance and pension investments**. As regards its practical translation into investment choices, however, this propensity is hindered by a still very sluggish income trend.

■ In any case, **portfolios are regaining value.** For what concerns the second aspect of the crisis, the financial one, 2012 marked a clear turning point compared to the previous year. In essence, fears over the fate of Italian government bonds have dissipated, as widely proven by the confidence shown by savers in these instruments (government bonds remain in any case the first option for the investment of liquidity). As a result, the value of investments in government bonds has risen back up, and together with the positive performances of asset management and stock indices, it has raised the value of household portfolios. **The portfolio benchmark calculated by the Centro Einaudi rose by 15 per cent in 2012, as opposed to a three per cent decline the previous year**.

■ **The top priority: security.** While no-one can tell if the crisis will truly be over soon, the survey findings allow for some hope. Uncertainty in this case is a must, and identifies the mood of savers as they are called to make investment choices. As they do not know what the future will bring, they keep opting for safe forms of investments, capable at best of generating some income, albeit limited. Long past are the times when investors were prepared to wait at length for to secure high yields and see their capital grow. Today, **the ideal investment horizon for one-third of savers is one year** (money market); as regards the other two thirds, they rarely look beyond the three-year horizon.

This especially conservative approach to savings reflects two main factors. First of all, **a lack of savings**: whatever is less readily available than in the past, and is harder to generate, must necessarily be better safeguarded from the tantrums of the markets, that everybody now acknowledge as being recurrent. Secondly, greater caution is rooted in the recent change in priorities behind investment motivations. In the past, savings were more abundant and their favoured use was the purchase of a home to live in, or a second home. Now, **the main motivation to save is to offer support to children (14.5 per cent),** to protect their economic future, almost as if to compensate for the fact that the younger generations are the hardest hit by the crisis. The **Disease Index**, calculated for the first time in this edition of the survey, shows that the recession has weighed more on certain categories: **individuals with lower levels of education, residents in Southern Italy, people in their twenties and young adults**. The **second motivation – savings to integrate future pension payments or to cover health expenses in old age (12.7 per cent)** – also advises caution in investment. Savings for future welfare must be protected at all costs from the risks posed by the economic situation, even when, as is often the case, **they are not invested in specialised instruments (chosen by only 19 per cent of the sample)**.

Savings, in other words, no longer stem from additional resources on top of those needed to maintain present and future lifestyles, and as such freely assignable to the purchase of a larger home, even when not pressingly necessary: they have become a resource on which children count and on which to count during old age, and therefore must be invested **guaranteeing first of all the security of capital (54.2 per cent)**.

The positive elements that mark a change also include the overall attitude of savers towards the economic situation. In the 2012 survey, the prevailing sentiments were discouragement and even rejection, in some cases also involving economic institutions as well as savers' confidence in the euro. This attitude has changed in 2013. Albeit with some degree of differentiation within the sample, the European and financial institutions are acknowledged as valid protectors of savings, as opposed to a lingering distrust of national politics. While a large share of the sample continues to feel that the euro has imposed an excessively harsh consolidation path on Italy, it should be noted that – on the other hand – **the percentage of those who believe that the euro is a more solid currency than the lira (23.3 per cent), and that it has already prevented Italy from experiencing more serious recessions (26.6 per cent), has almost doubled**. In other words, rejection of the single currency, a process that represented an element of concern in 2012, has been interrupted.

■ **Choices mostly dictated by caution.** Is the storm definitely over? Not exactly. Savers have excellent memory, and even when the waters seem calm they are wary to test them. Investing in 2012 was like crossing a minefield, a challenge avoided by most; **liquidity was undoubtedly the favoured form of investment** (25.4 per cent of respondents hold over 50 per cent of their assets in liquid form), as is typical when indecision prevails.

Respondents declare that, despite the improved conditions on the markets, they feel disoriented when the time comes to make investment choices. **The main difficulty** is deciding when to invest. i.e. **market timing (51.2 per cent)**; **asset allocation** follows **(46.6 per cent)**; then the **selection of investment instruments (45 per cent)**. These difficulties, combined with the fact that a large majority of Italians (46 per cent) do not devote time or attention to financial news, outline **asset management** as the instrument in which trust is placed, and with which savers are satisfied, regardless of the trend of the markets (in the case of stocks, on the other hand, satisfaction is tied to Stock Market gains). **The diffusion of asset management (10 per cent) is still limited,** and lower than in the other European countries, but all the conditions seem to be in place for it to grow, on condition of market players succeeding in intercepting the needs of households and responding adequately.

If 2012 was a positive year for financial asset classes, the same cannot be said for real asset classes. **Buying a home has always been considered as the ideal investment, and this was confirmed in 2013 (32.1 per cent).** However, propensity to purchase new homes has declined, in part because the uncertainty clouding future income levels makes investors think twice about embarking on such a demanding purchase, and in part because the majority of respondents consider **the taxation of residential property too high.** Based on the responses, 2012 was a year in which portfolio investments excessively skewed to the advantage of homes attempted a rebalancing, thus fuelling sales pressures on the housing market. However, the housing market is notoriously characterised by periodic cycles, and 2012-2013 may well have marked the low-point of the cycle, both in terms of home construction and sales, and of investments.

■ **Women and savings.** The survey provided the opportunity to shed light on some specific aspects of the female universe on topics tied to income, savings and, of course, the recession.
An initial finding – to some extent predictable – is that **women are more economically fragile** than men. This fragility is declared as a present condition and feared looking ahead to retirement. Compared to men, however, fragility is generally concentrated in some specific segments of the sample, in which the percentage is higher of **women that are not economically independent (12.4 per cent).** What's more, **dependence, for a share of respondents estimated at between one-fourth and one-third of the total, is not a choice, but an undesired condition,** resulting from exclusion from the job market, or from insufficient pension income (this is confirmed by the fact that the responses given by working women and women with medium-high education are closer to those given by the male component of the overall sample).
A second finding – important and much less predictable – is that, although in the majority of cases they contribute less to the income of the household, **women manage the family budget.** In other words, **they are the ones who not only make spending decisions (72.6 per cent), but also make most investment decisions (59.6 per cent),** as well as other important decisions of an economic nature. In many ways, this is a rather surprising finding, and provides food for thought for the professionals who design and set forth investment products. For instance, **women show more attention (26 per cent) than men (20.9 per cent) for financial instruments geared to improving the future of their children.**
Thirdly, an investigation of the relation between how time and money are spent, shows that on the one hand women devote more time to running the home and to their loved ones than to paid work; on the other hand, however, **this is rarely a choice**, considering that two-thirds of female respondents declare that, could they choose, **they would opt for higher earned income rather than more time for housekeeping activities**.
Lastly, when broken down, the female sub-sample emerges as including a higher percentage of respondents that are aware of the crisis and feel its effects, but that despite their more fragile situation, are less prone to anxiety and fear than men; in fact, **for one woman in eight (12.3 per cent) the crisis «provides an opportunity for planning and getting back in the game»**.