

ISAs - UK - August 2010

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What is this report about?

This report examines the wider economic conditions influencing the ISA market, the size of the market and provides analysis of the major players. Recent market developments are also considered along with analysis of distribution trends and advertising activity. Mintel's exclusive consumer research provides insight into product ownership, cash ISA market share, attitudes towards and awareness of ISAs and also looks at the motivation behind saving and investment activity.

The amount subscribed in ISAs during 2009/10 reached record levels as consumers adjusted to a new economic and financial climate. Over the last couple of years saving and debt repayment rather than spending and borrowing have become the financial priorities of many households, during which time the savings ratio has risen to its highest level since 1999. The ISA market looks set to increase further during 2010/11 as the annual allowance increases to £10,200 for all savers.

What have we found out?

- The market was boosted by the increase in contribution limits for the over-50s in the last tax year, but the move doesn't seem to have brought any new people into the market - total contributions were up, but the number of new accounts barely changed.
- Investors are clearly tiring of low interest rates, and are prepared to take a few risks with their investments. The value of new investment in stocks and shares ISAs increased by a quarter.
- Mintel forecasts a strong growth in ISA funds in 2010/2011, as people take advantage of raised contribution limits. Post-2011, growth will continue, but at a slower rate.
- By far the most common reason for saving in an ISA is security - more concrete objectives, such as retirement or saving for a specific purchase are some way behind.
- Around 16% of ISA owners are 'ISA Informed': highly savvy savers who make the most of their ISA allowance. Nine in ten plan to increase their ISA savings as a result of the increased allowance.
- For the 63% of ISA holders who are 'Cash Specialists', though, the change will have little impact. Just 3% expect the increased allowance to make a difference.

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