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Tell Sid and tell him again

Lessons for the UK from overseas in how to encourage healthy retail participation in capital markets

Introduction

Is how we manage our money dictated not just by how much we have, but also by what country we grew up in?

Sociologists and economists have long theorised about the impact of culture and national identity on individuals' attitudes towards money.

It is far more complex than being country specific, and heritage will jostle with the needs and wants of our time. Yet there are tentative learnings that we might take when we compare money habits amongst populations. In Germany, for example, a strong inclination towards cash over credit cards is sometimes said to be an expression of the importance put on personal privacy.[1]

Whether it is cultural or structural, abrdn's analysis suggests that Chinese households have one of the highest savings rates in the world, with around 70% of that being saved as cash. And then there is Britain's love of property.

Of course, trying to unpick international data risks generalisation but arguably there is value in examining these differences.

In light of the UK's looming retirement savings crisis, and the need to boost domestic capital markets, we set out to discover which countries have the highest rates of investing for the long-term and what we might learn from them.

Our own analysis suggests that if UK adults held as much of their wealth in investments as other countries, such as the US, it could eventually unlock up to £3.5tn for capital markets, including domestic stocks.

In the UK, generous defined benefit pensions are increasingly a thing of the past and retirement provision is resting more and more on individuals. With questions around how far Government can support an ageing population, retirement pots will increasingly fall short of what people need and deserve – and personal savings and investments will need to increase to meet this shortfall.

The asset management industry has a huge role to play in helping people to build long-term financial resilience, but we are only one part of the jigsaw. To solve that puzzle, taking a few lessons from our international neighbours is no bad idea.

Xavier Meyer, CEO, Investments, abrdn

[1] Germany Is Addicted to Cash

Cash and property are king in the UK

Following an in-depth analysis of national financial accounts, we found that UK adults hold the smallest percentage of their wealth in investments of any G7 country (8%).

We looked at economic data from all seven countries, analysing how people split their wealth between different types of assets – including property, investments, pensions, and cash.

It showed that, instead of investments, the vast majority of UK adults' wealth is tied up in perceived "lower risk" assets such as property (50%) and cash or cash-type products (15%). The UK has the third highest proportion of wealth held in property and the third highest proportion in cash.

The main message is that housing accounts for around half of household wealth in most European counties, reflecting a more concentrated asset allocation compared to the US. Some of these data points are accounted slightly differently across countries, so we would be wary of looking at small differences and making strong conclusions. .

The UK also has the highest proportion of people's average wealth in pension funds (19%), although it is only two percentage points lower in the US. Both Canada and Japan are also close to the UK's pension figure – while Europe lags.

The low percentage of people's wealth in pensions across the G7 when compared to property wealth reflects the global nature of the retirement savings problem.

How people's personal wealth is split across asset classes, by country

	Housing	Pension fund	Cash (e.g. currency deposits and money market funds)	Debt securities (e.g. bonds)	Equities and mutual funds	Life insurance and other annuities	Other
UK	**50%**	**19%**	**15%**	**0%**	**8%**	**5%**	**3%**
USA	**26%**	**17%**	**10%**	**3%**	**33%**	**1%**	**9%**
Germany	**57%**	**6%**	**16%**	**1%**	**9%**	**6%**	**5%**
France	**52%**	**12%**	**13%**	**0%**	**13%**	**1%**	**9%**
Italy	**46%**	**9%**	**14%**	**2%**	**19%**	**0%**	**10%**
Japan	**37%**	**16%**	**35%**	**1%**	**9%**	**0%**	**2%**
Canada	**43%**	**15%**	**11%**	**1%**	**22%**	**0%**	**8%**

Based on abrdn analysis of data from individual countries' financial accounts. Figures are the latest available data, released in 2023.

This imbalance inspired abrdn's ongoing **'Savings Ladder' campaign**, in which we call on Government to spearhead a culture that gets people on the 'savings and investing ladder', and to keep climbing – much like we see with Britain's engrained 'property ladder' culture.

Our **own consumer research found** that almost half of UK adults think that property is a better long-term investment strategy than pensions, with a quarter undecided and 10% choosing neither option.[2]

[2] Research conducted for abrdn by Opinium research in Q1 2024 amongst 2,000 UK adults weighted to be nationally representative.

The international picture

The UK was not the only country with a significant skew towards supposedly lower risk assets. In Germany and Japan, people are also likely to hold a significant amount of their wealth in cash and/or property and little in investments.

Research by the Centre for Economic Policy Research (CEPR) on attitudes to investment risk across 15 countries found that Germans, alongside Austrians and the Dutch, are some of the most risk-averse with their money.[3]

As mentioned previously, cash – particularly physical cash – is king in Germany. According to Deutsche Bundesbank, in 2023 half of all payments in Germany were made using cash (51%). Debit cards accounted for 27% and credit cards just 6% of transactions.[4]

The CEPR research also showed that people who are more risk averse towards investing are also typically less likely to hold shares, bonds or funds.

But the prize for the country where cash is truly king is Japan. Japanese adults hold by far the largest proportion of their savings in cash across G7 countries – more than double their counterparts in Germany or the UK (the closest comparisons).

Many Japanese consumers were burned by the collapse of the domestic stock market bubble in the 1980s. Concerns around investing were not helped by the fact that Japan went through a 25 or so year period where prices were stagnant or falling – meaning that savers did not have to worry about the value of their money being eroded by holding it in cash. However, as inflation has begun to pick up in Japan, the government has tried to incentivise individuals to invest their cash by offering new tax incentives for doing so.[5]

A more risk-friendly approach across the pond

The starkest comparison between these three countries is with the US. There, wealth is much more skewed towards investments and far less proportionately is held in property than in most other G7 countries.

UK adults hold approximately double the amount of wealth in property than their American counterparts (50% of their total assets vs 26%). By contrast, in the US people hold almost four-times more of their wealth in investments compared with the UK (33% vs 8%).

Interestingly, the CEPR's research showed that Americans had the highest investment risk tolerance across the 15 countries it looked at. They also had significantly higher expectations around the financial benefits of investing than any other country.

European governments have tended to build a more generous welfare state which reaches a larger share of citizens, so there may be an element of 'needs must' in this approach.

A significant factor that could be contributing to this is the prevalence of '401(k) culture' in the US. The 401(k) is an employer-sponsored personal pension account and one which has been around since 1978, adapting along the way. It wasn't for another 20 years before the UK private workforce moved away from Defined Benefit schemes where the employer took the risk and responsibility. It was to be ten years before personal pension plans were launched, 12 years before the **first self-invested personal pension** was taken out, and 37 years before Pension Freedoms in 2015. Essentially, Americans had a strong head start on getting comfortable with the idea of being personally responsible for investing for their futures.

Anecdotally, the idea of the 401(k) has become embedded in US culture, a symbol of an aspirational retirement. It has even been mentioned in films from The Wedding Date to the Die Hard franchise and appeared in a song by Coldplay & rapper Big Sean as an example of a life goal, alongside "get a degree, good job".[6]

There are other countries that have enjoyed great success in building up a culture of retail investing – Sweden being a notable case in point. Reforms to boost the attractiveness of investing meant that, between 2002 and 2021, the percentage of their household assets that Swedes hold in equities and investment funds rose from 32% to 50%, according to New Financial, the think tank.[7]

However, for the purposes of this report, we have looked specifically at trends in the G7.

[3] Cross-country differences in risk attitudes towards financial investment | CEPR

[4] Payment behaviour in Germany 2023

[5] **Can Japan's legendary savers spark a stock market boom?**

[6] **Coldplay - Miracles (Someone Special) Lyrics | AZLyrics.com**

[7] **Widening retail participation in equity markets - New Financial**

Why is the UK so averse to investing?

Our **own abrdn research** suggests that UK adults have a particularly low financial risk tolerance, which would help to explain our low levels of retail investment.

abrdn's **Savings Ladder Index,** released in summer 2024, found that the majority of UK adults (55%) have a "low risk tolerance" when it comes to investing, which would see them holding their savings mostly in cash or bonds.[8]

The CEPR came up with a slightly different result. It found that UK adults had above-average investment risk tolerance – but that did not necessarily translate into holding investments. For example, people in Italy perceived investing in stocks, bonds and/or funds as much riskier than people in the UK did, and yet were similarly as likely to hold those assets.

Arguably, then, the UK's low levels of financial education play a role too. Financial literacy is crucial to being able to take considered and informed risks with your money, with the understanding that it could provide better long-term returns. It is why abrdn is working with MyBnk, the UK's largest specialist financial education charity for children and young people in the UK, to support their money management and financial empowerment programmes.

The abrdn **Savings Ladder Index** included a first-of-its-kind, on-going barometer for UK adult financial literacy. It found that 44% of UK adults (23.3m people) could not answer more than one of the 'Big 3' financial literacy questions – meaning they'd be classified as having poor financial literacy. The Big 3 questions come from the Global Financial Literacy Excellence Centre and are considered the gold standard for testing adult financial literacy.

It is difficult to compare this to other countries. This is because, unlike 39 other countries, the UK doesn't participate in the OECD's study on adult financial literacy. But anecdotally, it appears to be a problem.

Case study

'Own your share'

the campaign that got everyday Americans investing – and what the UK can learn

When looking at the origins of America's much more ingrained retail investing culture, it's hard to overlook the public relations (PR) campaign that ran for almost 15 years in the mid-20th century, centred around 'Own Your Share of American Business'. The British equivalent, 'Tell Sid', by contrast, was a brief TV campaign in 1986 focused on a single stock. So, what can we learn from America's success?

'Own Your Share of American Business' was a New York Stock Exchange (NYSE) PR campaign that ran from 1954 to 1968, which sought to create a positive attitude towards buying shares among everyday citizens.

At that time, many people still associated the stock market with the speculative frenzy and subsequent Wall Street crash of the 1920s. 'Own Your Share' landed two powerful messages that would help to ingrain a long-term investing culture in US society:

1. Buying shares can help people meet their or their family's life goals, such as saving for retirement
2. Investing is a form of patriotism and is part of a virtuous circle, whereby funding domestic companies improves the economy and, in turn, everyone's prospects

Initially, NYSE ran the campaign in department stores, donning window mannequins with the 'Own Your Share…' slogan and sending amenable stock traders onsite to approach customers and educate them about investing.

The campaign was also supported by an advertising film, **'What Makes Us Tick',** which showed the direct links between companies raising capital and that capital being used to produce everyday goods and services that consumers would be familiar with.

[8] Research conducted for abrdn by Opinium research in Q2 2024 amongst 2,000 UK adults weighted to be nationally representative

Although any modern campaign would rely less on these Don Draper-style tactics, the underlying aim – to change people's fundamental beliefs about investing – and help educate – is something that the UK could learn from.

"If you see Sid, tell 'im"

Perhaps the closest equivalent on this side of the pond was the 'Tell Sid' campaign of 1986, when the general public was encouraged to invest in British Gas' initial public offering (IPO).

Through a series of TV adverts, everyday Britons – sporting a variety of regional accents – instructed each other to "Tell Sid" (if they saw him) that he could purchase shares in the newly privatised energy company.

Sid's face never appeared onscreen – rather, the mysterious character represented the idea that viewers should spread the word among their own family, friends and neighbours.

Although 'Tell Sid' launched during the sweeping privatisation of the 1980s, there was no broader campaign to create an investing culture in the same way as 'Own Your Share' in the US. The advertisements focused solely on British Gas, rather than the benefits of investing more widely, and lacked a sense of patriotic duty to support the British economy.

Viewed in isolation, the initiative was a success. But the narrowness of the messaging seems to have failed to spark in the UK the retail investing culture now prevalent in the US (not that we should blame it all on Sid).

To change the British public's attitude will take more than a simple publicity campaign. But arguably policy changes alone will also not bring about the cultural shift that the UK needs. Measures to boost financial literacy, supported by a sustained effort to educate the UK public in the way the US did could go a long way towards changing attitudes.

Many Britons remain unconvinced that buying shares can play an important role in achieving financial security. One potential lesson from the US experience is the benefit of showing people the connection between investing and the real economy. Do UK consumers know enough about the diverse range of innovative and impactful companies that are listed in the UK, from our world-leading healthcare companies to businesses at the cutting edge of renewable energy provision?

Case study

Investing culture in the UK vs US

By James McCann,
Deputy Chief Economist at abrdn

Investing culture is a very real part of American life. As an economist who has lived and worked in both the UK and the US, I have seen first-hand the stark differences in attitudes towards between the two countries around participating in financial markets.

Equity ownership is more common in the US, where households hold a much greater share of their wealth in stocks and shares compared to their UK peers. This gap is clear in the data, but also anecdotally. Watercooler conversations about the performance of your 401(k) are an everyday, uncontroversial occurrence in the US. Whereas in the UK the idea of discussing your pension pot or investment returns over a lunch break would be almost unthinkable.

Culturally, there is a greater focus on using financial markets to build financial independence in the US. I have been particularly struck by the prominence of the FIRE movement – Financial Independence Retire Early. This movement looks to help people build their saving and investment strategies to achieve their financial objectives and retire earlier, or more comfortably. There is a huge range of popular books, podcasts and YouTube channels devoted to sharing the FIRE knowledge and toolkit.

The role of social media cannot be ignored either. Platforms like Reddit host vast investing communities where millions exchange insights, share portfolios, and debate strategies. A unique lexicon has even emerged around investing among social media users, with phrases like HODL and stonks proliferating.

Of course, these aren't necessarily best-in-class examples of how to invest, but they do go to show how deeply embedded investing is in American popular culture.

Pensions and investing are inherently long-term commitments. Building a culture of engagement and openness, akin to that seen in the US, could transform how we approach financial planning in the UK – benefiting both individuals and the wider economy.

The benefits of a healthier culture of retail investment

There is great debate at the moment about the health of UK capital markets. Once the envy of the world, recent experience has been very different, with consecutive months of outflows, a drought of IPOs, and a series of companies being taken private.

A big contributor has been reallocation of capital by institutional investors. According to New Financial, the think tank, over the past 25 years allocations by UK pension funds to UK equities have fallen sharply from just over half of all assets to a mere 4.4% today.

Ownership of UK stocks and shares by UK-resident individuals has also been falling. Data from the Office for National Statistics shows that in 1963 UK individuals owned around 55% of all UK quoted company shares. This has been falling and, by 2022, was down to 10.8%.[9]

A resurgence in retail participation in stock markets among the UK population could play a meaningful role in supporting domestic capital markets.

Our own analysis suggests that if UK adults held as much of their wealth in investments as their US peers (33%) it could unlock up to £3.5tn for capital markets over time, including UK stocks. This is based on government data showing UK adults hold c£14tn in total assets. To put that in context, the combined share value of all the companies in the FTSE 100 stock market index is just £2tn (as of November 2024).[10]

Such a jump in retail share ownership would obviously be a huge adjustment and would likely take decades. One potential way to fund a reallocation would be from short-term cash deposits. UK households hold a disproportionately large share of these at 15%. A five percentage point reduction to match US cash levels would imply a £700bn infusion into markets.

Of course, not all this capital would go into UK stocks and shares but it's fair to expect that a proportion would. Measures to boost the UK's competitiveness would also encourage more of that money to go into domestic companies – enabling them to grow and innovate.

The benefits of these kinds of shifts would be both economic and personal. Greater allocations to investments by UK adults should boost long-term financial resilience too, because of the enhanced returns you would usually expect from stock markets over cash.

Case study

Financial literacy – a UK vs US comparison

By Quentin Nason, Founder, City Pay it Forward

When considering how to create a culture of long-term retail investing, you cannot overlook the importance of financial literacy.

This is such an important life skill, yet it is amazing to me how little, if at all, the subject is covered in school settings. Young people face an increasingly complex financial world but are ill-equipped to navigate it.

[9] Ownership of UK quoted shares – Office for National Statistics
[10] https://www.londonstockexchange.com/indices/ftse-100

This gap in the school curriculum inspired me to create City Pay it Forward over ten years ago. While we have to be realistic about what we can do as a grassroots organisation made up of volunteers, we are proud to have so far reached more than 30,000 students across the UK and major school districts in the US. Recognising that children form attitudes toward money as early as age seven, we focus on early years interventions, particularly with Year 6 students (age 11). This is a transitional year before secondary school and is therefore ideal for impactful learning.

While there has been a broad-based push to make financial literacy compulsory in the UK, progress is hindered by curriculum constraints. Yet the US going the opposite direction, with 26 of 50 states now mandating financial literacy to graduate from high school – more than 50% of US states.

Anecdotally, I have found openness towards and knowledge of investing is already much higher in the US than in the UK. As financial education begins to make big strides forward in the US, this divide will only grow.

The focus that the New York Stock Exchange put on making investing relatable in its 'Own Your Share' campaign remains as relevant today as ever.

At City Pay it Forward, we too link investing to everyday experiences – like grocery shopping or visiting a coffee shop.

We find young people will have a view when asked to compare Tesco versus Sainsbury and Ocado, or Apple versus Samsung and many other listed companies. Little do they know that these insights are the basis for investing.

As the saying goes: "invest in what you know".

Lessons from Australia in building a national investing culture

By Verona Kenny,
Chief Distribution Officer, abrdn Adviser

While Australia is outside the scope of abrdn's G7 analysis, as a proud Aussie, I believe there is a lot the UK can learn from my home country's pensions success story.

Since it was introduced more than three decades ago, compulsory superannuation (Australia's version of a pension) has meant the country now has one of the highest rates of retirement savings per capita in the world. It has created an AUD $4 trillion pool of capital and taken pressure off the Age Pension (Australia's state pension).

Larry Fink, CEO of investment firm BlackRock, admitted even the US has a lot to learn from the success of the Australian 'super'.[11]

And when I first moved to the UK in 2003, I was surprised just how far behind its pensions industry was compared with my home country.

Admittedly, being automatically enrolled into a pension or a super is not an active choice to invest but it does begin everyone's investing journey. Saying that if we want people to invest more broadly, then we need to get them engaging with the topic and with their financial futures.

No one country has solved this problem completely. But Australia is taking tentative steps in the right direction with its Quality of Advice review[12] – now being implemented via the 'Delivering Better Financial Outcomes' package of reforms. The review proposes a range of changes to help both financial advisers deliver advice more efficiently and superannuation trustees should be able to provide members with personalised nudges, such as prompting people approaching retirement to consider how they may wish to draw down on their super.

By getting people engaged with their personal finances and helping them to make complex financial decisions, this should, in theory, boost confidence, improve knowledge and get more people saving and investing for the long-term.

11 Why the whole world is suddenly paying attention to Aussie super – Investment Magazine

12 Government issues its final response to the Quality of Advice review

In the UK, the Financial Conduct Authority is looking to do a similar thing with its Advice Guidance Boundary Review. Under these proposals, financial services companies would be able to nudge people towards good decisions – called 'targeted support'.

While this will certainly not be a replacement for fully-fledged financial advice, it would at least provide a stopgap for those people who have fallen into the 'advice gap'.

The FCA plans to start rolling out 'targeted support' with pensions first – allowing firms to provide support to individuals. But the idea is eventually to implement it more widely, which might include nudging people towards investing some of their savings if they've built up significant reserves of cash.

These 'nudges' will not trigger an overnight shift in behaviour – but over time they have the potential to be incredibly powerful.

And the more people engage with these kinds of decisions, the more they will realise they need additional help – which should, over the long-term, increase demand for fully-fledged financial advice.

The need for a savings movement – supported by Government

By Richard Wilson, COO, abrdn, and CEO, interactive investor

As this report shows, the US has been particularly successful in creating a culture of retail investment. So, how can we channel a similar attitude in the UK?

So-called 'British reserve' around money is open to challenge, with cryptocurrency a case in point. While speculative and largely unregulated, 12% of UK adults now own it, according to the **Financial Conduct Authority**. Family and friends are the most likely information source for first-timers, which begs the question - are we having the right conversations?

In the UK, when it comes to investing, we clearly aren't getting the message across. I'm certain we can help build an investing culture, but it won't happen without effort, and Government need to be part of it. Some long-term seeds have been sewn, from pension freedoms through to auto enrolment, but we are not there yet.

The single biggest, and most simple, near-term boost would be to scrap stamp duty on UK shares – a 'big bang' moment to get Britian investing - and a vote of confidence in UK PLC. Our own abrdn research bears this out. Over two fifths of the British public say they would be more inclined to buy UK shares if they did not have to pay 0.5% stamp duty.[13]

While what we say, and what we do might not always align, it's nevertheless a pretty good indication. If stamp duty wasn't a barrier to investing, why is it that we are losing systematically to the markets that don't apply it? Neither the US nor Germany levy tax on share purchases in their home market, and in China, the Ministry of Finance and the State Taxation Administration halved stamp duty on securities transactions from 0.1% to 0.05% in August 2023.

Sweden, famed for its personal investing culture, applied a Financial Transaction (FTT) Tax of 0.5% between 1984 – 1991. Since removing FTT, the market has grown and the burgeoning activity in Swedish capital markets is enough to make the rest of Europe blush, if figures compiled by New Financial earlier this year are anything to go by. In Switzerland, stamp duty on shares is just 0.15% for domestic securities - far lower than the UK's 0.5% (and it's 0.30% for non-domestic securities, split between buyer and seller).

Scrapping stamp duty on UK shares could also direct savings to productive assets in the real economy, like our smaller companies.

And it is fair because scrapping stamp duty doesn't discriminate on your wealth. It would bring down the cost of investing for all and go that bit further towards democratising the stock market.

[13] Research conducted for abrdn by Opinium research in Q3 2024 amongst 2,000 UK adults weighted to be nationally representative

Ultimately, stamp duty on UK shares makes no logical sense. It is akin to taxing home-grown products, while giving overseas goods a free pass – the ultimate act of economic self-sabotage. Yet that's what happens on the London Stock Exchange every single day.

Ultimately, to raise money, the stock market is reliant on demand, and like any market needs liquidity and depth to succeed, arguably now more so than ever. In the first half of 2024, the number of British firms acquired by private equity firms increased by more than 50%, according to the Centre for Private Equity and Management Buyout Research.

While we have much to gain from creating a savings and investing culture, it is in everyone's interests to get more people investing. That's particularly the case for the Government, which needs to solve how we might support the millions of Britons who are heading for a difficult retirement as demographic divide shifts ever wider. Longer-term, we need to start a national conversation. Imagine a dedicated Government push to tell the story of why investing for our future is so important.

We should also ensure that the process of starting investing is as simple and frictionless as possible. The UK's cumbersome ISA system has arguably been a big barrier here. By simplifying this, the Government could create a smoother, clearer path for first-time investors.

And we need an urgent shake up of financial education in UK schools to help people to understand the benefits of taking considered risk with their money.

No one has all the answers, and this is our starter for seven. The UK must face up to the question of how it can encourage a culture of long-term investing among the public. In doing so, there is much we can and should learn from overseas.

We told Sid once in 1986. It's time to tell him again.

About abrdn

abrdn is a global investment company that helps clients and customers plan, save and invest for the future. Our purpose is to enable our clients to be better investors. abrdn manages and administers £506.7bn worth of assets for clients (as at 30 September 2024). As one of Britain's largest, listed, asset managers and an investment platform owner spanning retail and intermediated retail, abrdn plays a central role in helping people achieve the financial future they deserve. With that comes a passion and duty of care to advocate for better tools, better outcomes, and better engagement. A more financially resilient and engaged consumer also means more investment in UK growth, vital to both the economy and capital markets, issues which abrdn is fully committed to. Our strategy is to deliver client-led growth. We are structured around three businesses – Investments, Adviser and ii – focused on their changing needs.

More information

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