

Assessing the investment opportunity of UK savers

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Introduction

UK households favour saving over investing. In 2024, 34% of household financial assets were held in cash, compared with just 16% in investments¹. This has not always been the case: investment participation as a share of household financial assets rose throughout the 1980s, peaking in 1999, but this increase proved temporary, reversing after the dot-com bubble and failing to recover (Figure 1). Although low investment participation is partly explained by liquidity constraints, limited engagement persists even among financially secure and higher-wealth individuals.

Cash plays an essential role in supporting household financial resilience, and financial planning guidance² emphasises the importance of building emergency savings before investing. Yet growing evidence suggests that many individuals hold cash balances beyond precautionary needs.

This research quantifies the scale of this surplus cash held by UK households and examines how it is distributed across individuals. The objective is to provide an evidence-based estimate of the potential household investment opportunity in the UK, supporting efforts to improve long-term investment participation and ultimately help drive greater financial security for millions.

Headline findings:

1. Around 30% of working-age UK adults hold cash above emergency savings needs, corresponding to an investment opportunity of over £200bn. Over half of these individuals do not invest, while the remainder who do invest hold most of their investible assets in cash.
2. Median surplus cash balances exceed one year of essential living expenses, though holdings vary materially across income, age, and household characteristics.
3. Surplus cash holdings are not driven by financial fragility. Most individuals report adequate financial buffers and the ability to meet unexpected expenses. Instead, behavioural factors -such as attitude towards investment risk- play an important role.

1 See [core-components-of-successful-retail-investment-system-pro.pdf](#), Vanguard 2025.

2 See [Vanguard's guide to financial wellness](#), Vanguard 2024.

Figure 1: UK household financial assets in cash versus investments, 1987-2024



Notes: This chart shows the percentage of UK household financial assets held in cash versus investments from 1987 through to 2024 on an annual basis. Cash is defined as currency and deposits. Investments are defined as equity and investment fund shares/units plus debt securities.

Source: ONS UK Economic Accounts.

Research Approach

This analysis draws primarily on the Office for National Statistics (ONS) *Wealth and Assets Survey (WAS)*³, a nationally representative survey that provides detailed information on household savings, investments, and financial attitudes. We use the WAS data to estimate the level of investible assets held by individuals. This is then compared with estimated emergency savings to understand the additional surplus cash held that could be invested. The total UK investment opportunity is the sum of this surplus cash across individuals.

To construct a robust measure of emergency savings, we estimate household essential spending by analysing consumption patterns across demographic groups. We draw on the *Living Costs and Food Survey (LCFS)*⁴ to estimate monthly non-discretionary expenditure⁵, allowing us to predict essential spending for each household. The WAS and LCFS data⁶ are combined using common demographic characteristics, including income, age group, employment status, and family type⁷.

3 We analyse the two most recent survey waves—Wave 7 (2018–2020) and Wave 8 (2020–2022)—but base our headline estimates on Wave 7 to avoid potential distortions in reported behaviour arising from the Covid-19 pandemic.

4 We use LCFS data from 2015–2019 to avoid pandemic-related distortions in our baseline estimations.

5 Non-discretionary expenses include food, clothing, housing (including mortgage and rent payments), furnishings, transport, health, education, and communication.

6 Survey weights are applied throughout to ensure national representativeness, and all monetary values are expressed in 2024 prices.

7 Our baseline sample focuses on employed adults aged 20–59 living in households where the main earner is in full-time employment. To concentrate on economically meaningful balances, the analysis is restricted to individuals with more than £1,000 of estimated surplus cash.



Defining Emergency Savings

One challenge in estimating surplus cash savings is determining the appropriate level of emergency savings, which varies with household spending, family circumstances, and employment risk.

Vanguard’s Guide to Financial Wellness sets out a framework for emergency savings that combines two components (**Figure 2**):

1. Spending protection, to cover unexpected expenses
2. Income protection, to provide a buffer in case of job loss

Figure 2: Defining emergency savings

Emergency savings		
	 Spending protection	 Income protection
Description	Emergency savings for unexpected expenses	A contingency reserve in case of job loss
Example	A flat tyre, heating maintenance or unexpected travel	Unexpected job loss
Value	The greater of £2,000 or half a month of expenses	3-6 months of expenses

Source: [Vanguard's guide to financial wellness](#), Vanguard 2024.

Our baseline measure of household-level emergency savings is grounded in this framework but adopts a slightly more conservative approach. We scale the £2,000 spending-protection allowance by household size to account for multiple earners, and assume households should hold cash equivalent to six months of essential living expenses for income protection, consistent with current UK guidance.

We also conduct sensitivity analysis using alternative definitions of emergency savings, including varying the required number of months of living expenses and removing the household-size scaling of the £2,000 spending-protection measure⁸.

Headline results

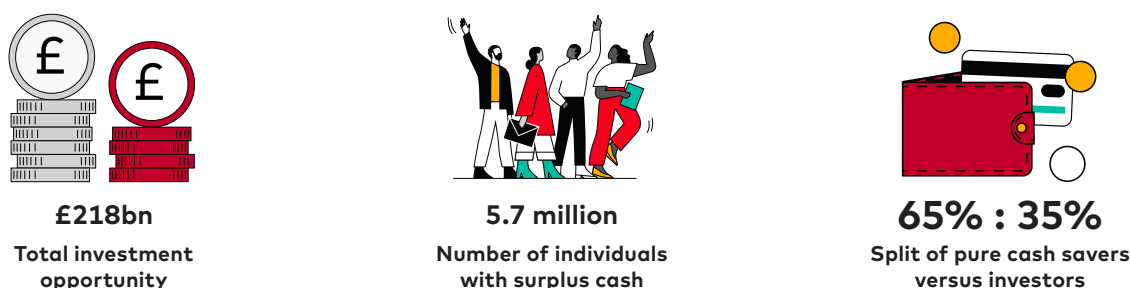
1. A £200bn+ investment opportunity

Under our baseline definition of emergency savings, UK households hold an estimated £218bn of cash in excess of precautionary needs. 27% of employed working-age adults – roughly 5.7 million people – hold surplus cash balances⁹.

Surplus cash is not limited to non-investors. While around half of total surplus cash is held by individuals with no investments, the remainder

is held by investors who hold the majority of their investable assets in cash. Depending on the emergency savings assumptions applied, the estimated aggregate surplus ranges from £175bn to over £460bn¹⁰, indicating that excess cash holdings remain economically significant even under conservative definitions.

Figure 3: The total UK investment opportunity is substantial



Note: Total investment opportunity (surplus cash) is total amount of cash held in excess of emergency savings for employed adults aged 20-59. The sample is restricted to individuals with surplus cash of more than £1,000 and households where the main earner is full-time employed. All values are expressed in 2024 prices.

Source: Calculations based on data from the ONS WAS (Round 7, 2018-2020), and LCFS, 2015-2019.

⁸ See Appendix Figure A.1 for the results of the sensitivity analysis.

⁹ Analysis using Wave 8 of the WAS yields a similar picture: 32% of employed working-age adults in the UK are estimated to hold surplus cash, corresponding to a total investment opportunity of approximately £235bn.

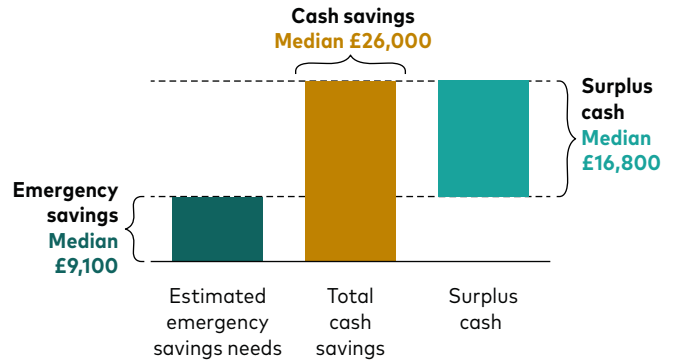
¹⁰ See Appendix Figure A.1 for the results of the sensitivity analysis.

2. Surplus cash is widespread

The median individual holds £16,800 of surplus cash – equivalent to around seven additional months of living expenses on top of the six months covered by emergency savings (Figure 4). In total, typical cash balances would therefore cover more than a year of essential spending.

Individuals with surplus cash tend to be older, higher-income, and more liquid-wealthy than the average full-time employed adult. For example, the median amount of investable assets held by surplus cash holders is £32,000, compared to just £3,000 for all adults in full-time employment. Despite this, investment participation remains limited for surplus cash holders, who typically have just 33% of their investable assets actually held in investments compared to 50% for the broader population of employed adults.

Figure 4: The typical individual holds more than a year of living expenses in cash savings

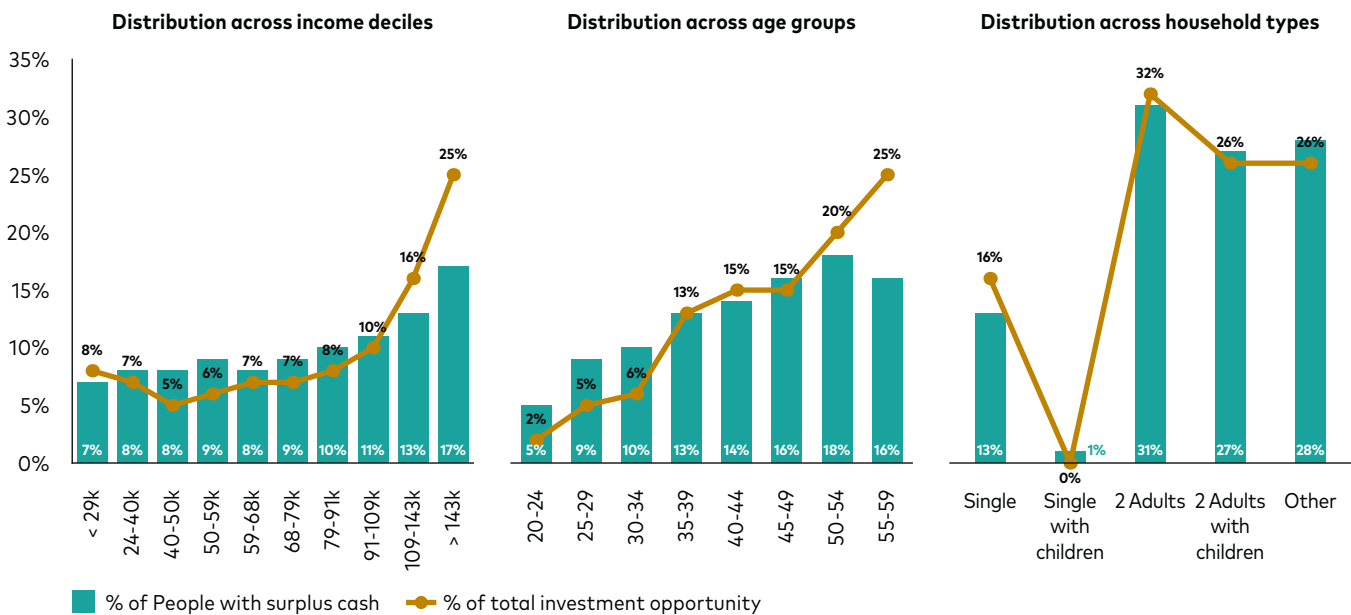


Notes: The investment opportunity (surplus cash) is the amount of cash held in excess of emergency savings for employed adults aged 20-59. All values are expressed in 2024 prices. The estimates are the median amounts and provided for people with surplus cash of more than £1,000. The sample is restricted to households where the main earner is full-time employed.

Source: Calculations based on data from the ONS WAS (Round 7, 2018-2020), and LCFS, 2015-2019.

Surplus cash rises with income and age, with the largest balances held by older and wealthier individuals. However, meaningful surplus cash is evident across all income and age groups. Family structure also matters: two-adult households, with and without children, account for a substantial share of total surplus cash, consistent with higher combined incomes and saving capacity (Figure 5).

Figure 5: Surplus cash rises with income, age, and for two-adult households, but significant balances are seen for most cohorts.



Notes: Total investment opportunity (surplus cash) is total amount of cash held in excess of emergency savings for employed adults aged 20-59. The bars represent the share of people with surplus cash belonging to each income group. The line reflects the share of total investment opportunity generated by each income group (left panel), age group (middle panel), household type (right panel). All values are expressed in 2024 prices. The sample is restricted to households where the main earner is full-time employed.

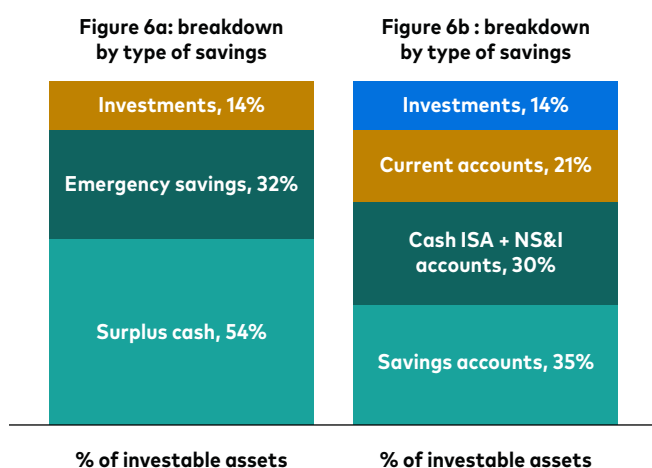
Source: Calculations based on data from the ONS WAS (Round 7, 2018-2020), and LCFS, 2015-2019.

3. Cash dominates portfolios – even among investors

For individuals with surplus cash, excess balances represent a large share of investable assets. At the median, more than half of investable assets are held as surplus cash. Overall investments make up just 14% of the typical portfolio (**Figure 6a**). And even among surplus cash holders who invest, the median portfolio allocation to cash is 64%, with the remainder invested.

Savings accounts are the primary savings vehicle, followed by cash ISAs and National Savings products (**Figure 6b**). These patterns suggest that surplus cash reflects persistent portfolio choices rather than temporary liquidity needs.

Figure 6: Allocation of investable assets



Notes: Investable assets are defined as cash plus risky assets, where cash includes current accounts, saving accounts, cash ISAs and national saving products and investments includes shares, bonds, investment ISAs, employee shares and options, units and investment trusts, other investment and fixed term investment bonds.

Source: Vanguard calculations, based on data from the ONS WAS (Round 7, 2018-2020), and LCFS, 2015-2019.

4. Behavioural factors, not fragility, explain under-investment

The persistence of large cash allocations raises an important question: if many households already possess adequate financial buffers, what explains continued under-investment?

There is limited direct evidence on individual motivations to invest in the surveys used for this analysis. However, responses to some attitudinal questions available offer important insight into the drivers of under-investment.

Survey evidence indicates that surplus cash holders are generally financially secure (**Figure 8**). Most respondents report they have money left over at the end of the month, are able to meet financial commitments, have sufficient savings to cover potential income shocks, and an intention to continue saving. This suggests that surplus cash is not primarily driven by financial fragility.

Instead, behavioural factors appear to play an important role. The only behavioural dimension directly observable in the current survey data relates to attitudes towards investment risk. Some 75% of surplus cash holders agreed that it is better to “play it safe” with their savings, even if investing would generate higher returns – indicating a strong preference for safety and a reluctance to accept risk, despite awareness of the risk–return trade-off. These patterns are consistent with behavioural explanations – such as loss aversion and elevated risk perception – rather than liquidity constraints or short-term financial vulnerability.

Figure 7: Attitudinal questions suggest cash savings not driven by financial fragility

Statement relating to financial resiliency	% in agreement
Have money left over each month “always” or “most of the time”	79%
Could meet all their financial commitments	90%
Intend to save next year	86%
Could make ends meet for at least 6 months if they lost their main income source	77%
Statement relating to risk attitudes	% in agreement
“it is better to play safe with your savings even if investing in higher risk investments could make you more money”	75%
“You can’t expect to get a good return on your money if you don’t take certain risk?”	68%

Notes: This table shows the percentage of respondents who agreed with each attitudinal statement. 23% of surplus cash holders were not asked attitudinal questions, and the results are re-weighted to keep the answers representative.

Source: Calculations based on data from the ONS WAS (Round 7, 2018-2020).

Conclusion

Many UK households hold substantial cash balances beyond their emergency savings needs. This surplus is found among both non-investors and those who invest but keep most of their investable assets in cash. While concentrated among older, wealthier individuals, meaningful surplus cash balances are evident across the population.

The evidence points away from affordability constraints and towards behavioural barriers as a key factor limiting investment participation. There is no single silver bullet to drive engagement with investing. Instead, a combination of *product* and *policy* designed with the *person*¹¹ mind will be crucial to help turn more savers into investors.

To capture this opportunity and improve outcomes over time, providers and policymakers in the UK should prioritise the following actions:

- 1. Deliver targeted support at scale:** Implement and expand proposed frameworks so more savers can access affordable, regulated help – building confidence and improving follow-through.
- 2. Improve investor risk communication to build confidence:** Regulators and firms should test and adopt clearer, more decision-useful risk disclosures¹² that improve understanding and reduce misperceptions that deter participation.

- 3. Reduce barriers to entry for new investors:**

Encourage simple, low-cost all-in-one portfolios and managed solutions with clear pathways from cash – designed for people who may not have the confidence, interest, or time to do it themselves.

- 4. Focus on the unlocks:** The barriers to investing are well documented; greater focus on the triggers that get people investing would help shift attention from what prevents participation to what enables it – informing interventions that are more likely to move savers from intent to action.

- 5. Education and awareness:** Strengthen investing education and public awareness to build understanding of long-term investing and set realistic expectations – for example through initiatives such as the Retail Investment Campaign.

The findings in this report underline both the scale of the UK investment opportunity and the importance of both policy- and industry-led interventions to demystify investing, help people get started, and support existing investors to manage cash savings in line with their long-term financial goals.

11 See *Core components of a successful retail investment system*, Vanguard, 2025 for an overview of the Pathways to Investing model, which organises the factors that influence participation in the capital markets into a three-part framework of Person, Product and Policy.

12 Vanguard research finds that clearer, supportive and more balanced risk disclosures can help investors better understand the risks involved and make more confident long-term decisions, while meeting regulatory expectations. See *Building consumer confidence: Reframing risk and guiding investor behaviour*, Vanguard, 2026.

References

Vanguard (2025). *Core components of a successful retail investment system*. Vanguard Research. <https://www.vanguard.co.uk/professional/research/core-components-of-a-successful-retail-investment-system>

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Appendix

Figure A.1: The investment opportunity is sensitive to assumptions

Sample restrictions applied	Definition of Emergency Savings					
	6 Months of After-Tax Income	Baseline definition 6 Months of Expenses + (£2,000 * N of employed members)	6 Months of Expenses + £2,000	6 Months of Expenses	3 Months of Expenses + £2,000	Max (£2,000, 0.5 Months of Expenses)
1 >75% of Liquid Wealth in Cash	£134	£164	£168	£174	£189	£211
2 Exclude Business Owners	£161	£199	£203	£211	£229	£256
3 Liquid Assets > £10k & Gross Income < £250k	£170	£207	£211	£218	£233	£253
4 Gross Labor Income < £250k	£171	£208	£213	£221	£240	£267
5 Liquid Assets > £10k	£176	£217	£221	£228	£244	£264
6 Employed Adults, aged 20-59	£177	£218	£223	£231	£250	£278
7 Restrictions 1,2,3,4,6,7 combined.	£236	£266	£271	£279	£294	£313
8 All Employed Adults, age 20+	£334	£382	£389	£401	£426	£463

Notes: Total investment opportunity (surplus cash) is total amount of cash held in excess of emergency savings for employed adults aged 20-59. All values are expressed in 2024 prices. The estimates of the number and share of people are provided for people with surplus cash of more than £1,000. The sample is restricted to households where the main earner is full-time employed.

Source: Calculations based on data from the ONS WAS (Round 7, 2018-2020), and LCFS, 2015-2019. Most recent available data where responses not impacted by the Covid-19 pandemic.

Investment risk information

The value of investments, and the income from them, may fall or rise and investors may get back less than they invested.

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