

10th April 2003

MARKS & SPENCER FINANCIAL SERVICES BUDGET COMMENT

“This Budget seems to have been about what was not included, rather than what was, but it still offers opportunities for the Government to tackle the ‘savings gap’ issue”.

Alan Rensch, Technical Manager, Marks & Spencer Financial Services.

While we support the concept of the Child Trust Fund as a means of giving young people a financial head start in life, we believe that today's announcement could have gone further.

We are still awaiting details of how the Child Trust Fund will work - whether it can be invested in equities or simply as a deposit account, or indeed as both options to offer more choice. It will not be available until 2005, and although it will be backdated, children who qualify now will miss out on the potential growth of their investment over the next two years at least.

Furthermore today's Budget did not address the current savings gap, the pensions crisis or incentivising people to save. Our own research shows that four fifths of young people expect to retire early but nearly half of adults under 35 have no interest in saving for the future.

There was also no reference to calls to review the abolition of the ISA dividend tax credit next year. This is disappointing, as investors view tax benefits on ISAs as an important part of their total return and this has contributed to the popularity of equity ISAs which are again part of getting people to save.

However, the Child Trust Fund provides a great opportunity to raise the profile of financial education among children in schools and with young parents, many of whom will have had no previous experience of financial products. We hope that the Government will take advantage of the opportunity to launch the Child Trust Fund as part of a high profile campaign to raise consumer awareness and understanding of the need to save.

To speak to Alan Rensch, Technical Manager, Marks & Spencer Financial Services, or for further research details, please call the press office on 01244 686068