

giving insight

# Hidden Wealth Series:

## Premium Bonds

I came across a news story the other day about a Premium Bonds winner who pocketed a cool £1 million, and it got me thinking. As fundraisers and researchers, understanding more about the source and location of wealth in the UK can help with our major gift fundraising plans and activities. Yet when attempting to estimate a potential prospect's wealth, for example, we tend to think about fairly obvious sources of wealth, like salaries, bonuses, stocks and shares, property and inheritance. But what about other indicators of wealth, which we don't think about....like Premium Bonds?

Here's a quick summary of Premium Bonds for those who aren't too familiar with them. A Premium Bond is a lottery bond issued by the UK government's National Savings and Investments (NS&I) scheme and was introduced by Harold Macmillan way back in 1956. Each bond costs £1 and you have to buy a minimum of 100 Premium Bonds (for £100), but each individual can only hold a maximum of 30,000 Premium Bonds (or £30,000 worth). The government promises to buy back the bond (at any time) for its original price of £1.

The government pays interest on each bond of 1.5 per cent, but instead of the interest being paid into individual accounts, it is paid into a prize fund from which a monthly lottery distributes tax-free prizes, or premiums, to those bond-holders whose numbers are selected randomly. As well as the £1 million jackpot, people can win anything from £25 to £100,000 for each Bond number they hold and each £1 Bond number has a separate and equal chance of winning (at 24,000 to 1).

I can't recall ever having heard Premium Bonds being mentioned in the context of fundraising or prospect research, and having spoken to many friends and colleagues in the sector, I'm not alone. To me it seems that our preoccupation with more 'visible' wealth, as portrayed in publications like our beloved Sunday Times Rich List, does sometimes mean we can overlook other potential indicators of wealth.

What's particularly interesting about Premium Bonds is that it is a form of saving, but one that could be considered a stage beyond traditional savings methods like savings accounts or ISAs. This is because many people buy Premium Bonds if they have money burning a hole in their back pocket and/or have exceeded other means of tax-effective savings. The combination of guaranteeing the value of investment together with the potential to win big is an appealing offer, whatever state the economy is in. Given the staggering figures we'll see shortly, it's not surprising that for some it might be seen as a lottery ticket for the risk-averse.

So why does this matter to us as fundraisers? Well, take a look at some of these statistics and you'll begin to see why I'm interested<sup>1</sup>:

- The grand total number of prizes made since the first draw in June 1957 is around 242.37 million, with a total value of £13.6 billion.
- Around 23 million people own Premium Bonds, over one third of the UK population.

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<sup>1</sup> All statistics taken from the NS&I website <http://www.nsandi.com>

- In July 2012's draw there were 43,733,876,374 eligible Bond numbers, equating to total Premium Bond holdings worth £43.7 billion.
- The July 2012 draw alone paid out over 1.8 million prizes, together amounting to over £54 million in value.
- In total there are over 822,000 unclaimed Premium Bonds prizes worth more than £42 million.

Now I know what you're all thinking – "I wonder what happens to the unclaimed prizes"!? Well, unfortunately there is no time limit for claiming prizes and each unclaimed prize is held until the winner can be tracked down, unlike the National Lottery. Perhaps the sector could campaign to have a time limit installed and then any unclaimed money after the deadline could be given to charity. I'll put it on my list of things to do.

Whichever way you look at it there are some pretty staggering figures here; not least the fact that the government holds £43.7 billion of the UK population's personal wealth<sup>2</sup>. While some of this wealth is owned by non-UK citizens or non-resident UK citizens, it's fairly safe to say that the vast majority of this money comes from the pockets of people living in the UK. Unfortunately, we don't know what proportion of this wealth comes from those considered to be High Net Worth Individuals (HNWIs)<sup>3</sup> as NS&I have an 'Obligation of Secrecy' to protect the anonymity of its customers and not to disclose details of any holdings.

What these figures do show us is that there is a large accumulation of wealth that we rarely, if ever, about. After all, it's not often we get to see indicators of wealth (particularly 'savings') so visibly and for so much of the population. With traditional savings accounts, ISAs or pensions, for example, we can never really find out how much a person has tucked away. Of course, the main benefit of Premium Bonds for us as fundraisers is that they are incredibly liquid and can be 'cashed in' within eight working days.

Show me the money

These top line figures definitely grabbed my attention, but I wanted to find out a bit more about the breakdown of Premium Bond holdings; to see the regional variations and compare them to traditional wealth data in the UK. So I politely asked NS&I (under the Freedom of Information Act 2000) for more detailed data on holdings by county, as well as figures for the maximum number of holdings. Table 1 below shows each county in the UK, the total value of all Premium Bonds held in that county<sup>4</sup>, the total number of individual accounts held and the average holding per account<sup>5</sup>.

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<sup>2</sup> Anyone can buy Premium Bonds but they must be bought in the UK.

<sup>3</sup> Definitions vary and a HNWI can be considered anyone with investable assets of £500,000+. The most commonly quoted figure for HNWIs is \$1 million in liquid financial assets, although in the UK this is sometimes changed to £1 million.

<sup>4</sup> N.B. This data only includes those counties where over 100,000 Premium Bond accounts are held (i.e. by over 100,000 individuals).

<sup>5</sup> This was added by the author.

Table 1. Premium Bond holdings ranked by total holding per account £<sup>6</sup>

Rank	Holding County	Holding Balance £	Number of Individual Accounts	Average holding per account	Number of Max. £30k holding accounts	% of total number of accounts	Total value of £30k holdings	% of total holding balance <sup>7</sup>
1	Outer London	£3,670,067,492	1,772,378	£2,070	46,808	2.6%	£1,404,240,000	38%
2	Essex	£1,710,458,935	718,734	£2,379	20,967	2.9%	£629,010,000	37%
3	Hampshire	£1,691,648,899	698,521	£2,421	21,160	3.0%	£634,800,000	38%
4	Surrey	£1,539,186,965	532,228	£2,891	20,282	3.8%	£608,460,000	40%
5	Kent	£1,538,459,611	687,770	£2,236	19,181	2.8%	£575,430,000	37%
6	Inner London	£1,380,805,168	758,026	£1,821	18,720	2.5%	£561,600,000	41%
7	Greater Manchester	£1,241,583,824	778,996	£1,593	14,480	1.9%	£434,400,000	35%
8	Devon	£1,199,251,408	495,382	£2,420	14,630	3.0%	£438,900,000	37%
9	Hertfordshire	£1,145,771,308	476,215	£2,405	14,356	3.0%	£430,680,000	38%
10	West Midlands	£1,122,911,083	758,449	£1,480	12,964	1.7%	£388,920,000	35%
11	West Sussex	£1,016,366,454	366,628	£2,772	12,913	3.5%	£387,390,000	38%
12	West Yorkshire	£1,000,648,081	636,103	£1,573	11,498	1.8%	£344,940,000	34%
13	Overseas	£969,070,512	1,965,172	£493	10,700	0.5%	£321,000,000	33%
14	Lancashire	£952,548,723	504,130	£1,889	11,149	2.2%	£334,470,000	35%
15	Dorset	£919,077,854	335,881	£2,736	11,785	3.5%	£353,550,000	38%
16	Avon	£902,229,877	407,011	£2,216	10,545	2.6%	£316,350,000	35%
17	East Sussex	£839,337,664	329,890	£2,544	10,724	3.3%	£321,720,000	38%
18	Berkshire	£768,867,637	321,175	£2,393	9,725	3.0%	£291,750,000	38%
19	Norfolk	£768,703,550	343,149	£2,240	8,858	2.6%	£265,740,000	35%
20	Cheshire	£766,148,172	379,840	£2,017	9,413	2.5%	£282,390,000	37%
21	Buckinghamshire	£761,240,863	296,108	£2,570	9,770	3.3%	£293,100,000	39%

<sup>6</sup> As of May 2012. All data is provided by NS&I under the Freedom of Information Act 2000

<sup>7</sup> Rounded up

22	Strathclyde	£723,884,896	588,265	£1,230	8,326	1.4%	£249,780,000	35%
23	Suffolk	£694,528,196	301,056	£2,306	8,151	2.7%	£244,530,000	35%
24	North Yorkshire	£692,270,825	314,098	£2,203	8,389	2.7%	£251,670,000	36%
25	Merseyside	£676,933,716	445,682	£1,518	7,893	1.8%	£236,790,000	35%
26	Hereford and Worcester	£659,530,040	300,064	£2,197	7,923	2.6%	£237,690,000	36%
27	Derbyshire	£617,757,061	322,044	£1,918	7,194	2.2%	£215,820,000	35%
28	Wiltshire	£603,327,373	268,260	£2,249	7,117	2.7%	£213,510,000	35%
29	South Yorkshire	£591,906,513	403,119	£1,468	6,626	1.6%	£198,780,000	34%
30	Nottinghamshire	£588,247,157	335,073	£1,755	7,008	2.1%	£210,240,000	36%
31	Leicestershire	£586,351,329	319,936	£1,832	6,801	2.1%	£204,030,000	35%
32	Lincolnshire	£581,516,820	276,100	£2,106	6,887	2.5%	£206,610,000	36%
33	Oxfordshire	£568,380,569	246,705	£2,303	7,176	2.9%	£215,280,000	38%
34	Staffordshire	£568,291,404	347,813	£1,633	6,707	1.9%	£201,210,000	35%
35	Cornwall and Isles of Scilly	£561,966,387	232,391	£2,418	6,805	2.9%	£204,150,000	36%
36	Gloucestershire	£561,712,608	251,161	£2,236	6,732	2.7%	£201,960,000	36%
37	Somerset	£554,063,207	238,926	£2,318	6,449	2.7%	£193,470,000	35%
38	Cambridgeshire	£538,590,229	234,485	£2,296	6,480	2.8%	£194,400,000	36%
39	Humberside	£509,388,661	308,765	£1,649	5,904	1.9%	£177,120,000	35%
40	Tyne and Wear	£436,340,278	303,975	£1,435	5,014	1.6%	£150,420,000	34%
41	Northamptonshire	£418,326,929	229,340	£1,824	4,844	2.1%	£145,320,000	35%
42	Bedfordshire	£416,124,827	211,700	£1,965	4,860	2.3%	£145,800,000	35%
43	Warwickshire	£399,661,167	196,415	£2,034	4,851	2.5%	£145,530,000	36%
44	Cumbria	£384,393,214	207,558	£1,851	4,458	2.1%	£133,740,000	35%
45	Lothian	£377,011,523	244,693	£1,540	4,638	1.9%	£139,140,000	37%
46	Grampian	£353,343,290	191,339	£1,846	4,413	2.3%	£132,390,000	37%
47	Shropshire	£338,522,722	160,103	£2,114	3,984	2.5%	£119,520,000	35%

48	Dyfed	£309,923,532	163,463	£1,895	3,689	2.3%	£110,670,000	36%
49	Durham	£290,638,522	194,912	£1,491	3,288	1.7%	£98,640,000	34%
50	South Glamorgan	£279,587,678	157,366	£1,776	3,280	2.1%	£98,400,000	35%
51	Gwent	£267,102,958	169,233	£1,578	3,084	1.8%	£92,520,000	35%
52	Mid Glamorgan	£262,038,454	181,614	£1,442	2,874	1.6%	£86,220,000	33%
53	Clwyd	£261,240,367	148,793	£1,755	3,013	2.0%	£90,390,000	35%
54	Cleveland	£238,230,484	167,211	£1,424	2,745	1.6%	£82,350,000	35%
55	West Glamorgan	£220,279,294	145,059	£1,518	2,578	1.8%	£77,340,000	35%
56	Northumberland	£207,095,047	114,864	£1,802	2,491	2.2%	£74,730,000	36%
57	Tayside	£183,666,405	130,204	£1,410	2,156	1.7%	£64,680,000	35%
58	Fife	£133,455,836	109,272	£1,221	1,559	1.4%	£46,770,000	35%
Total		£42,560,013,598	22,722,843	£1,873	517,015	2.3%	£15,510,450,000	36%

\* See Table 3 in the Appendix for a list of counties that don't have over 100,000 holdings in them.

Table 1 shows us that the total value of all Premium Bond holdings is some £42.5 billion<sup>8</sup>, with over 22 million individuals holding Premium Bond accounts, at an average value of £1,873 per person. If we look at the holding balance, we can see that there are twelve counties where the holding of Premium Bonds is – staggeringly – over £1 billion; with Outer London holding over £3.5 billion in Premium Bond assets.

It's clear from the average value of holding that there will be many millions of people holding minimal value accounts (of £100 - £1,000) but it's the potential numbers of HNWI's which we're all interested in. Although the data doesn't specifically categorise HNWI's, by looking at the data on maximum holdings, we can see that in each county a small percentage of the population holds more than one third of all wealth held in Premium Bonds.

So, for example, in Outer London where the total value of all Premium Bond holdings is £3.6 billion, £1.4 billion of that comes from accounts holding the maximum of £30,000 Premium Bonds. Perhaps more surprising is that the number of individuals with this maximum holding is nearly 47,000. It's probably worth pointing out that adults can purchase Premium Bonds for their children etc. so a percentage of the 47,000 account holders are likely to be children...the future generation of philanthropists.

<sup>8</sup> This is slightly lower than the overall total as there are a number of counties that don't meet the 100,000 rule, where there are less than 100,000 accounts in some 36 counties in the UK (many in Northern Ireland for example). Data for these is not provided by NS&I.

If we look at Table 2 below, which shows the ranked average holding per account, we can see that the Top 20 counties are quite different from Table 1 above. While Outer London has the highest total value of Premium Bond holdings (£3,670,067,492), Surrey has the highest average holding per Premium Bond account in the UK, with an average of £2,891 per account - 54 per cent higher than the UK average. In fact all of the top 20 counties have a higher than average value of holdings compared to the UK average as a whole.

Table 2. Premium Bond holdings ranked by average holding per account £<sup>9</sup>

Rank	Holding County	Holding Balance £	Number of Accounts	Average holding per account
1	Surrey	£1,539,186,965	532,228	£2,891
2	West Sussex	£1,016,366,454	366,628	£2,772
3	Dorset	£919,077,854	335,881	£2,736
4	Buckinghamshire	£761,240,863	296,108	£2,570
5	East Sussex	£839,337,664	329,890	£2,544
6	Hampshire	£1,691,648,899	698,521	£2,421
7	Devon	£1,199,251,408	495,382	£2,420
8	Cornwall and Isles of Scilly	£561,966,387	232,391	£2,418
9	Hertfordshire	£1,145,771,308	476,215	£2,405
10	Berkshire	£768,867,637	321,175	£2,393
11	Essex	£1,710,458,935	718,734	£2,379
12	Somerset	£554,063,207	238,926	£2,318
13	Suffolk	£694,528,196	301,056	£2,306
14	Oxfordshire	£568,380,569	246,705	£2,303
15	Cambridgeshire	£538,590,229	234,485	£2,296
16	Wiltshire	£603,327,373	268,260	£2,249
17	Norfolk	£768,703,550	343,149	£2,240
18	Kent	£1,538,459,611	687,770	£2,236
19	Gloucestershire	£561,712,608	251,161	£2,236
20	Avon	£902,229,877	407,011	£2,216

### Regional patterns of wealth

What these figures show is the pattern of regional differences in wealth. Of the Top 10 counties by total holding value, 8 counties are located in the South of England, 1 in the North-West and 1 in the Midlands. Yet if we look at the Top 10 counties by average holding, all are located in the South of England. Similarly, those counties in the Bottom 10 by total holding value come from Wales, Scotland and North-East England.

In terms of average holding, 5 of the bottom 10 counties are the same as these and include Fife, Tayside, Cleveland, Mid Glamorgan and Durham<sup>10</sup>. This tends to corroborate most

<sup>9</sup> As of May 2012. All data is provided by NS&I under the Freedom of Information Act 2000.

<sup>10</sup> Excluding overseas holdings.

wealth analyses of the UK population's wealth<sup>11</sup>, with the North-East being the least wealthy area, followed by Yorkshire, Wales and Scotland.

Take for example Cardiff, which has 109,348 Premium Bonds holdings worth more than £173 million. That's an average holding per person of £1,582. In Dorset, there are over 337,000 Premium Bonds holdings worth more than £887 million, which is an average holding per person of £2,632 – 66 per cent more. Apart from the obvious regional variations in wealth we all know about, I was still surprised that the average holding of Premium Bonds, in what might be considered less wealthy areas, was still relatively high.

### Donating to charity

Throughout this little investigation, I couldn't help wonder why Premium Bonds didn't feature more heavily in the fundraising sector. After all, people can donate shares to charities, so why not Premium Bonds? Unfortunately, under the terms and conditions of Premium Bonds, not only are they non-transferable, but they can only be held by individuals and therefore cannot be held in trust.

Consequently charities are not allowed to buy or even hold Premium Bonds, so they cannot be given or transferred to a charity. An individual would have to cash in their Bonds and then give the money to a charity, which seems a shame to me. I have to question the logic behind this, given the government's attempts to promote 'Big Society' and wonder if there is good reason for these conditions or whether they are simply the result of restrictions dreamt up in the 1950s. Surely, anything that helps make donating easier and simpler would be beneficial for us all.

### And finally...

So what does all this mean for fundraisers and prospect researchers? Well, firstly it's a good reminder for us all that there are often less obvious places to look for wealth than the Sunday Times Rich List. The complexities of wealth are such that we can never really know how much someone is worth, or indeed how much 'liquid' wealth they have, and that's important to remember when fundraising from HNWIs in particular. The other important thing to remember is that where there are assets, there are also debts. If people's debts were included in wealth analyses, personal fortunes definitely wouldn't look so rosy.

The aim of this series is to highlight some of the hidden stores of wealth we don't often think about, to help evolve our thinking with regards to wealth estimation. But it also acts as a good opportunity to remind ourselves that in major gift fundraising (or indeed in individual fundraising at any level), wealth forms only one part of the jigsaw.

Although wealth gives us an indication of a capacity to give, we must also remember that affinity to a cause, underlying motivations for giving, as well as connections and networks,

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<sup>11</sup> 'Wealth in Great Britain', Office for National Statistics

all play a vital role in engaging donors and developing long-term relationships with them. Getting the balance right is key to successful major gift fundraising.

Matt Ide  
Director  
Giving Insight

# giving insight

## who we are

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Giving Insight is a research-led fundraising consultancy with a difference. We passionately believe in fundraising research that provides added value to your fundraising activities and your organisation as a whole.

We have over 15 years' experience in providing the very best research to the not-for-profit community, both in-house and as consultants.

## what we do

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Giving Insight works with a diverse range of organisations including NGOs, arts, heritage, disability, health and children's charities, as well as universities here in the UK and internationally.

We help not-for-profits identify new sources of funding and understand the giving landscape and its implications.

We offer extensive experience of researching HNWIs, corporate philanthropy & partnerships, trusts and foundations and statutory funders.

In particular, we specialise in:

- International market research
- Benchmarking research
- Major gift research
- Knowledge management
- Training & mentoring

Visit us at: [www.givinginsight.org](http://www.givinginsight.org)