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University of BRISTOL
Personal Finance Research Centre

THE UK FACES SAVINGS CRISIS, SUGGESTS FIRST-EVER FINANCIAL WELLNESS INDEX

10 March 2016

- **Momentum UK Household Financial Wellness Index** highlights strong financial confidence and an ability to avoid financial difficulty and debt…
- …but in actuality, half of all UK adults (50 per cent) do not have any savings
- Surprisingly, despite being the financial capital of the UK, London has one of the lowest overall financial wellness scores
- Ahead of the Budget announcement, the first-ever **Financial Wellness Index** raises worries for the welfare of UK

While the UK population is exhibiting strong levels of financial wellness overall, there are concerns that consumers are struggling to save or build up the necessary assets which they desperately need to secure their financial future, according to the first **Momentum UK Household Financial Wellness Index**.*

The Index, commissioned by **Momentum UK** and conducted by the **University of Bristol's Personal Finance Research Centre** is the first research of its kind to look at the overarching financial wellness of the UK. **[definition of Financial Wellness in Notes to Eds]**

The Index measures key elements such as financial confidence and short-term planning combined with measures of the UK's macro-economic wellness to give an overall score out of 100. Today's Index score at 67 represents the average financial wellness of the UK population. While the UK as a whole is relatively financially well, the Index has raised concerns that we are heading towards a savings crisis. **[full details in Notes to Eds]**

Overall Index Score: 67.4									
Overall Micro Index Score							Overall Macro Index Score		
46.2							21.3		
Financial confidence and satisfaction	Financial capability: short-term planning	Financial capability: long-term planning	Savings, assets and security	Steering clear of financial difficulty & debt	Financial inclusion	Avoiding deprivation and hardship	Unemploy ment rate	GDP per capita	Income inequality
7.0	6.7	6.2	3.9	9.0	5.9	7.5	7.3	7.3	6.7

Fig. 1: Results of the Momentum UK Household Financial Wellness Index 2016

Savings struggle could devastate UK households

The UK's high level of financial confidence may actually be misguided as households are actually failing to accrue the necessary savings and assets to adequately protect their future. Half of all UK adults (50 per cent) – nearly 26 million people – do not have any savings or investments and seem to struggle to put money away in case of a rainy day. Two out of five (40 per cent) also do not have any long term assets, such as pensions or property, to fall back on in case of personal calamity, putting countless families at risk.

One in five UK adults (20 per cent) admit that they have not been able to make adequate provisions for their retirement, which could lead to a potential crisis when you consider the wider implications of a greying population without any adequate retirement income. While steady increases in UK wages and gradual easing of the cost of living provides hope that consumers can begin to build for their financial futures there are also concerns that new measures may impede them further, such as the speculation that the Government may slash pension tax breaks in the imminent Budget announcement.

UK adults are working hard to make ends meet

However, despite the brewing savings crisis, the UK has scored particularly well in areas relating to their management of day-to-day finances. 19 million (39 per cent) penny-pinchers can now measure their exact spending 'within the nearest pound or two', compared to just seven per cent who don't monitor spending at all.

UK adults score highest on the Index when it comes to steering clear of (short term) financial difficulty and debt with over a quarter (27 per cent) managing their money so well that they have no loans or credit commitments to worry about. Of those that do have regular credit commitments, the vast majority (75 per cent) are always able to meet minimum repayments.

These findings suggest that UK consumers have learned vital and valuable lessons following the financial crisis, with a particular emphasis on controlled spending and achievable borrowing. Consumers also seem able to make sacrifices of 'luxuries' in order to maintain their financial wellness, including axing the annual holiday (19 per cent) and turning down the opportunity to socialise with friends and family (16 per cent). As a result, almost two-thirds (61 per cent) think they would find it very or fairly easy to meet the cost of an unexpected major expense should they need to.

Ferdi Van Heerden, CEO, Momentum UK comments on the report: "Sadly, talking about financial matters is still considered 'taboo' in our society. Our great aspiration is that this report can act as a catalyst to inspire and empower people to engage with their finances and start their own journeys.

Improving financial wellness is not a short term process – it will take time and commitment from business, government and individuals alike. We hope that raising awareness of financial wellness will lead to meaningful change at both a national and individual level. We want to encourage people to think beyond 'will I have enough today?' and to look to the future, to safeguard their families and their aspirations now and into retirement."

Professor Elaine Kempson CBE, Director, Personal Finance Research Centre, University of Bristol added: "We live in complex times financially. The economic crash of the late 2000s affected many sections of society, and recovery since has been felt unevenly by individuals and families up and down the United Kingdom. At the same time, we have seen a changing landscape in the provision of social support and increasing responsibility on individuals to navigate the financial services industry to provide for their own – and their children's – financial futures.

"In this context, defining individuals' Financial Wellness presents a particular challenge to researchers and policy makers alike. The UK as a whole may be relatively well financially but there is significant work to be done to promote wellness in relation to our nation's savings and assets provisions."

London falling: Nation's capital suffers due to high cost of living

The findings indicate that Londoners, who despite living in a city described as the centre of the UK's wealth and with the highest average salary, actually exhibit below average levels of financial wellness in large part due to its high cost of living and city-dwellers' inability to build up their assets. Areas such as Northern England fared significantly better than London, perhaps suggesting that the Government's 'Northern Powerhouse' proposal to stimulate economic growth in the region might be starting to have a material impact on northern consumers.

People in Northern Ireland are the least financially well overall, while those in the South East report the highest levels of Financial Wellness (73 Index points). Wales also performs well above the national average of 67 Index points.

To find out more and get your own financial wellness score visit:
yourwealth.co.uk/financial-wellness

ENDS

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Notes to Editors:

About Momentum / University of Bristol
In 2015 Momentum teamed up with the University of Bristol's Personal Finance Research Centre to launch the **Momentum UK Household Financial Wellness Index.** This is the first independent, credible and comprehensive research of its kind in the UK and its findings present an invaluable and unprecedented benchmark in understanding the state of the nation's financial wellness.

Researched and presented in collaboration with the University of Bristol, the results will provide financial service professionals and consumers with a meaningful overview to better understand and interpret the current state of financial wellness of UK households. It will also provide policy makers with insight needed to improve the financial wellness of households.

Financial Wellness™
A continuous process of financial planning, management and behaviour adjustment with the aim of affording your expenses and reaching your goals over your lifetime

***The Momentum UK Household Financial Wellness Index**

The **Momentum UK Household Financial Wellness Index** brings together macro- and micro-level data to paint a picture of individual and household finances in the UK. The Index runs from a scale of 0 to 100, where higher scores represent greater Financial Wellness. 70 per cent of the Overall Index score is based on a Micro Index, calculated from the results of a UK-wide survey of approximately 2,000 individuals (conducted in late 2015). The remaining 30 per cent consists of a Macro Index that is constructed using the results of three key national economic indicators: the unemployment rate, annual change in GDP per capita, and the Gini coefficient of income inequality. The Overall Index score is calculated by summing the Macro Index results with survey respondents' individual Micro Index scores. The results are weighted so that they are nationally representative. Financial Wellness is best viewed as a latent construct that is measured indirectly and holistically through a range of measures or indicators.

Micro Index includes measures of:

• **Financial capability: short-term planning** – this domain considers how well respondents manage their money on a day-to-day basis, including how closely they keep track of their money and how well they budget.

• **Financial capability: long-term planning** – this domain considers how much money people have saved for a rainy day, as well as provisions for their retirement.

• **Savings, assets and security** – this domain takes into account the number of savings products and other assets respondents have, as well as the total amount of money they have saved. It also includes a question on the number of different insurance products respondents have.

• **Steering clear of financial difficulty and debt** – this domain looks at use of alternative credit, whether respondents have been able to make the minimum repayments on credit commitments, and whether or not they have been able to pay household bills at final reminder.

• **Financial inclusion** – this domain looks at respondents' access to various banking, savings and insurance products.

• **Avoiding deprivation and hardship** – this domain looks at respondents who have had to 'cut back', 'go without' or find extra sources of income to make ends meet. Scores are also affected by respondents' ability to pay their bills and by common problems in their home, such as damp, mould or a leaky roof.

Macro Index includes measures of:

- **Unemployment Rate –** the proportion of the economically active population aged 16+ that is unemployed. A low unemployment rate of 4 per cent scores 10 on the Index (very financially well), while an unemployment rate of 9 per cent scores 0 on the Index (very financially unwell).
- **Gross Domestic Product (GDP) per capita –** a measure of average income per person in the country. This is adjusted for Purchasing Power Parity, which takes into account the cost of living in different countries. The specific data used, taken from the World Bank, is also held in constant 2011 international dollars to ensure that different years are comparable, regardless of exchange rates. As GDP per capita in the UK tends to only rise in the long-term in absolute terms it was deemed necessary to use the annual percentage change in GDP per capita in the construction of the Index. This means that the Index looks at the pace of growth (or decline) with annual growth of 5 per cent scoring 10 Index points and annual decline of 5 per cent scoring 0. A static economy, with no annual growth or decline, therefore scores 5 on the Index.
- **Gini coefficient of income inequality –** an internationally used measure of income inequality within a country. It is based on how equally or unequally income is distributed across a population and is calculated by comparing the actual distribution of income with a theoretical perfectly equal distribution of income. A Gini coefficient of 0 represents perfect equality (in which 10 per cent of the population receive 10 per cent of the national income, 50 per cent receive 50 per cent, etc.) whilst a coefficient of 100 represents perfect inequality (in which just one person receives 100 per cent of the income). Based on the coefficient's highest and lowest values since 2000 (±10 per cent), it was calculated that a Gini coefficient of 39.6 (relatively high inequality) should score 0 on the Index, while a coefficient of 28.9 (relatively low inequality) should score 10.

About Momentum UK

Momentum UK is the British incarnation of South African financial services brand Momentum. Comprising of six specialist providers, united by a common purpose, to enhance the lifetime financial wellness of people, their communities and their businesses.

These include: Momentum Global Investment Management (MGIM), Momentum Financial Technology (Momentum YourWealth, Moneyhub) and Momentum Investment Solutions and Consulting (MISC).

For more information, please visit:
www.momentum.co.uk