

Money and Mind Report 2023



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Lives

Welcome to our annual Schroders Personal Wealth Money and Mind Report

The increasing awareness in recent years of looking after mental health led us to produce our first report back in 2020. Money worries can have a huge impact on mental and physical wellbeing, and financial conditions for many households have continued to be challenging since then.

“Two-thirds of UK adults we surveyed are concerned about their finances, yet less than 10% have a financial plan in place – we want to change that”

In October 2023, we commissioned further research, surveying 1000 UK adults aged 35 and above to find out how their financial wellbeing has changed since our initial findings. Perhaps unsurprisingly still high, nearly two-thirds (64%) said they are currently concerned or very concerned about their finances.

With the continuing cost of living crisis, it is the disheartening reality that one of the biggest stresses adults in the UK face is financial - paying their immediate bills as well as saving enough for a comfortable future. Our research found that of the 64% concerned about their finances, a staggering 25% were worried that they would not be able to afford the basics such as food.

Even if you have your basics covered, the ‘high inflation, high interest’ rate environment, which has prevailed for most of 2023 and is likely to be with us for some time yet, is squeezing household incomes.

This squeeze lessens the ability to save each month, which means that people may not be able to afford the financial futures they had previously hoped for.

Of those with financial worries, more than a quarter (27%) were concerned that they couldn’t save enough for retirement or for their children/grandchildren, while 18% were anxious that they couldn’t contribute to savings at all.

It is stressful to think that you may need to delay your retirement, or perhaps can’t help children with things such as university costs or other life events. Talking to loved ones about money, or admitting that you are struggling are difficult conversations to have, and not being able to talk to anyone about your financial worries can leave you feeling out of control.

Despite the concerns felt by the majority of those surveyed, only 36% said it was a top priority to sort out their finances.

“Three-quarters of those we surveyed said that the cost of living crisis is affecting their mental wellbeing”

Perhaps this is because people don’t know what options are available to them, or maybe due to the misconception that you need to have millions to access financial advice.

Financial wellbeing doesn’t necessarily equate to being extremely wealthy. We believe it comes from being in control of your finances - knowing how much you need to realise your financial goals, and being confident that you are on the right path to reach them. A great way to take control is by putting in place a well-structured financial plan. Considering only 9% of adults surveyed currently have a financial plan in place, there is huge potential to help lessen the burden that financial uncertainty brings.

Although more than three-quarters (71%) of those surveyed said they might consider putting a financial plan in place, a disappointing one-third said they have not yet done so because they wouldn’t know where to start.

You might be confident enough to budget for your day-to-day finances, but future finances, including how much you need to retire on comfortably and the various tax rules and regulations may feel more difficult to negotiate. This is where a qualified financial adviser could help you put a detailed financial plan in place, yet our research highlights that of those surveyed who are unsure about making a financial plan, 83% don’t see the value of getting professional advice to help them.

“Of those who’d like to put a financial plan in place, one-third have not done so because they don’t know where to start”

In other important financial areas, most people engage an expert to take on those tasks that they deem too complex to do themselves – accountants, lawyers, it is worrying that people don’t attach the same importance to planning their financial futures.

We want everyone to be aware of the importance of having a good financial plan in place, and to understand that being in control of your finances can reduce stress.

I hope you find this report thought-provoking.

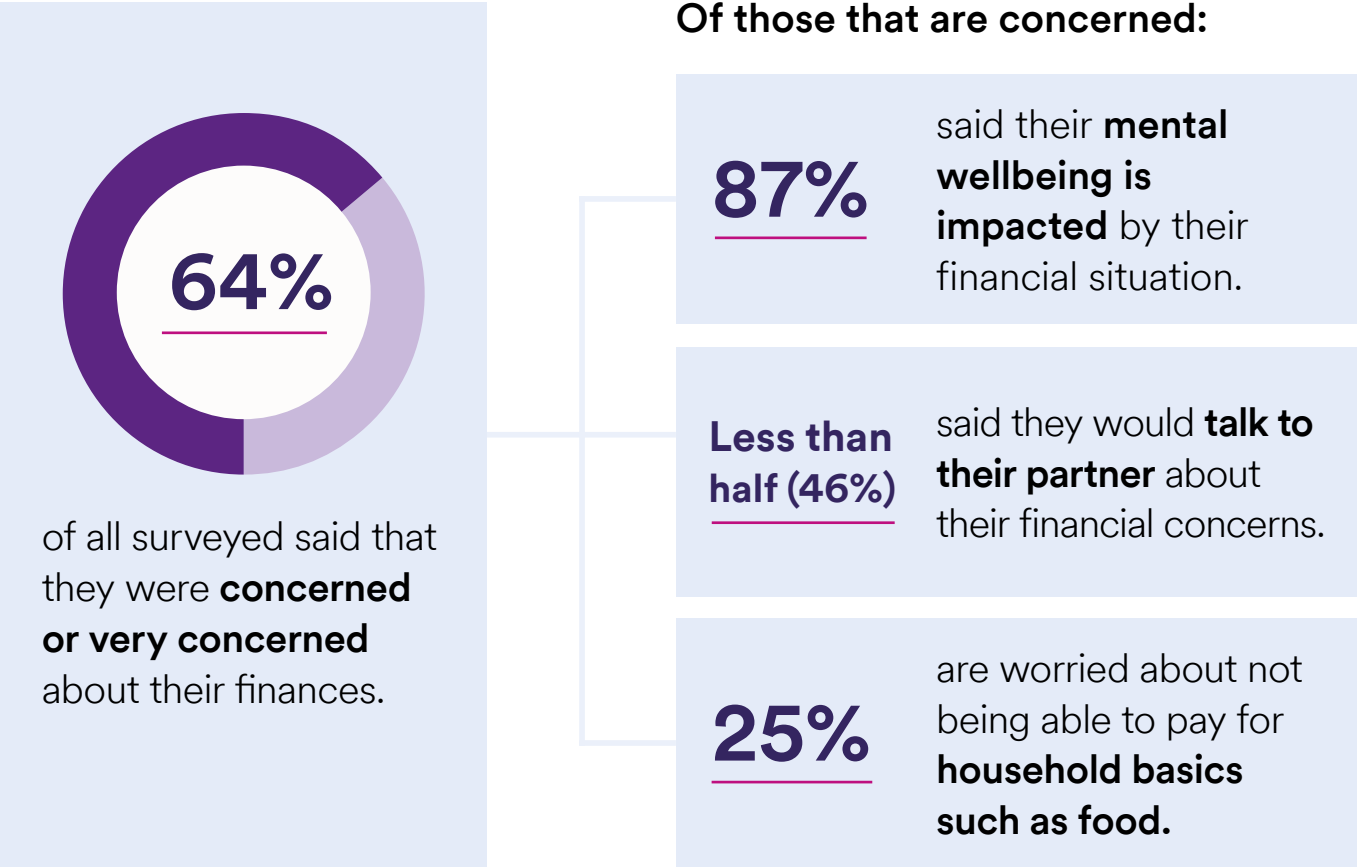


Ben Waterhouse
Chief Client Officer
Schroders Personal Wealth


Key findings

For this year's Money and Mind Report, we surveyed 1,000 UK adults aged 35 years and above. We asked a series of questions to see how they feel about their finances, how money matters are affecting their wellbeing, and what they are doing about it, if anything.

Here are the key findings from our research.



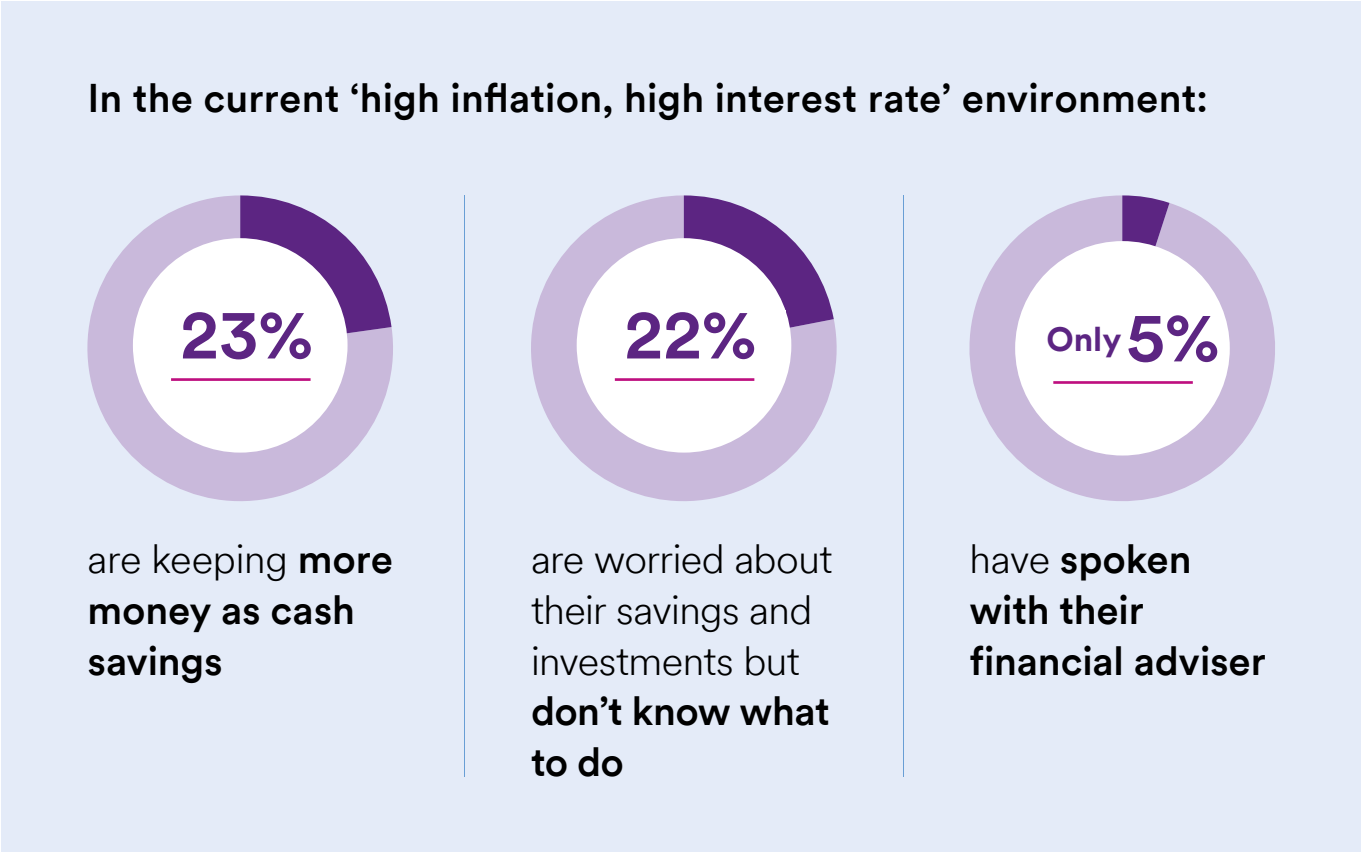
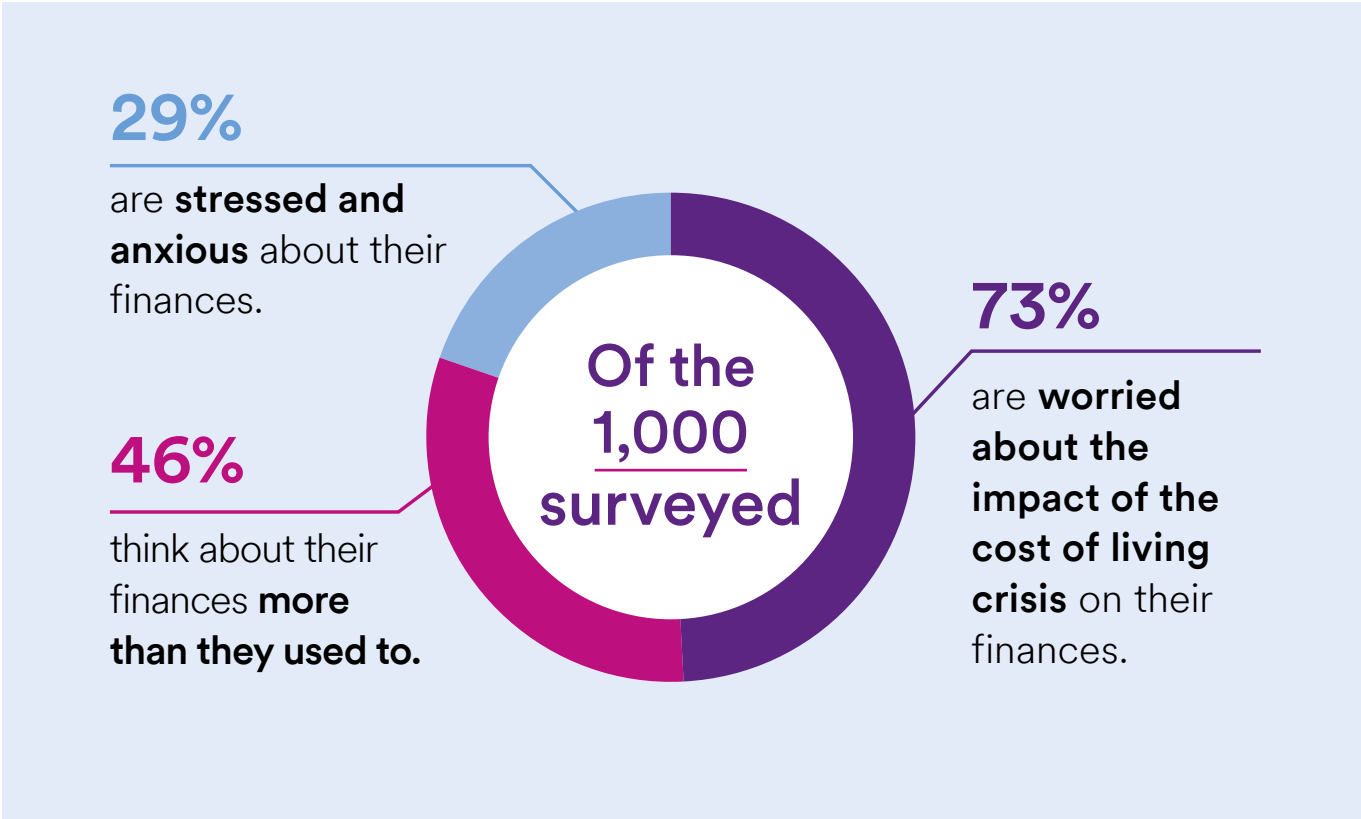
From all those surveyed:
Only 36%
said it is a **top priority to sort out their finances**.


The main goal
was to **build an emergency savings fund**.





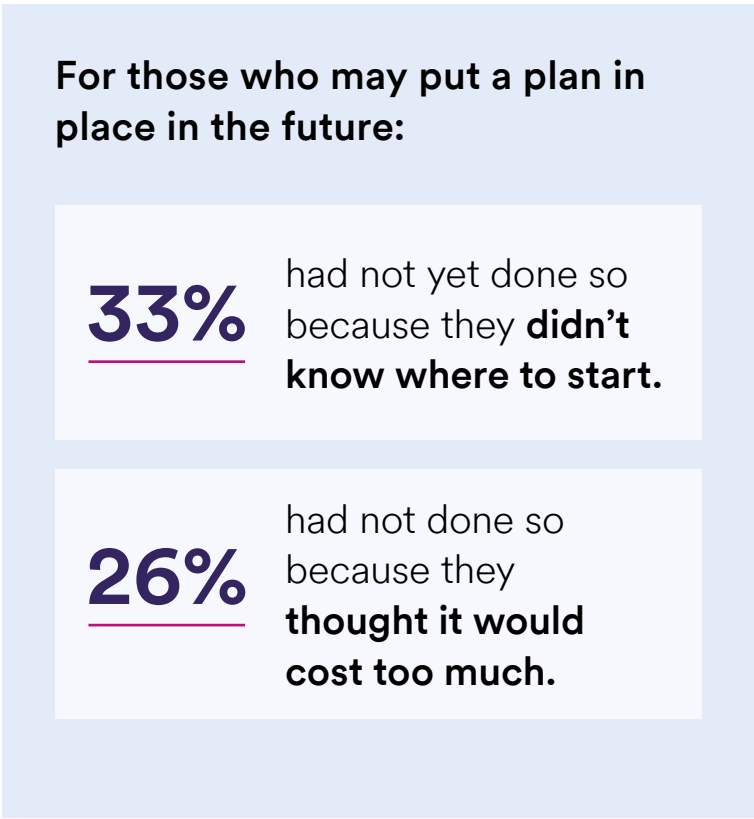
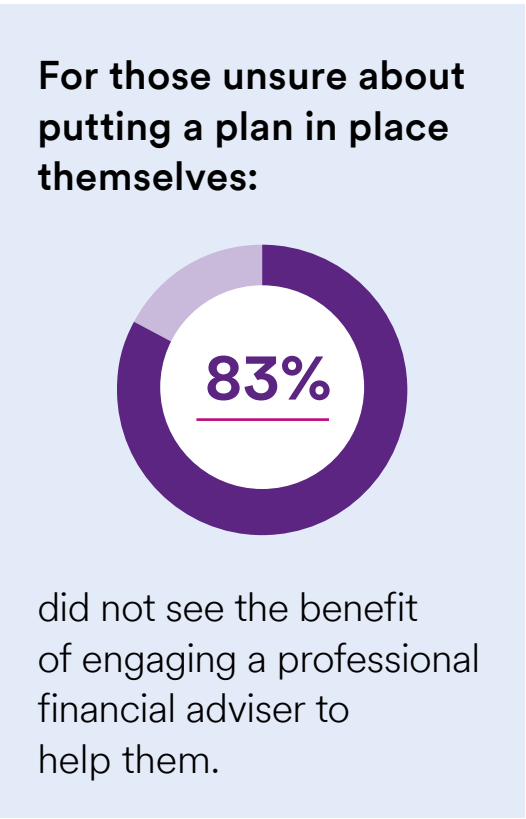
Key findings





Key findings

Out of all of those surveyed:



Your financial wellbeing

“Are you OK?”

When most people answer this question, they tend to reflect on how they’re feeling from a physical perspective. Recently there has been an increased focus on raising awareness of our mental health which is starting to have a positive effect with people now taking this into consideration.

The majority of the time, regardless of how we’re feeling, we’ll answer with the words “I’m fine”. Whether this is through politeness, embarrassment, or habit, sadly, this isn’t always the case.

As well as physical and mental issues, another factor which has a huge influence on how we’re feeling is our financial wellness.

We believe financial wellbeing isn’t about having the most money, it’s about having enough money to enjoy the things in life that make you happy. It’s also about being in control, having financial freedom and prioritising what’s important to you.

This is where professional financial advice could help to improve your wellbeing. Financial advisers can help you build your financial future by pinpointing areas that might need improvement – and set you an actionable plan which aims to get you there.

Having your finances organised and being in a comfortable position could help you feel more in control of your money, giving you one less thing to worry about. Things are tough for many right now and so advisers could guide you through life’s financial changes and challenges – whether they be external factors such as stock market volatility or inflation, or personal, such as job changes or the cost of having children for example.

By identifying and keeping in mind what makes you happy, you could be on the path to achieving better long-term financial wellbeing.

25%

of those who are concerned about their finances said that they are **worried about not being able to afford food or basic household bills.**

87%

said their **mental wellbeing is impacted** by their financial situation.





Making finances a priority is on most people's to do list

The good news is that the majority of UK adults understand the importance of making their finances a priority. But why people choose to prioritise their finances varies hugely.

Our research found that a higher emphasis is placed on shorter term goals such as saving and paying off debt compared to longer term goals like investing, passing on wealth and making a will.

Yet it is these longer term goals that could have the biggest impact on your financial wellbeing.

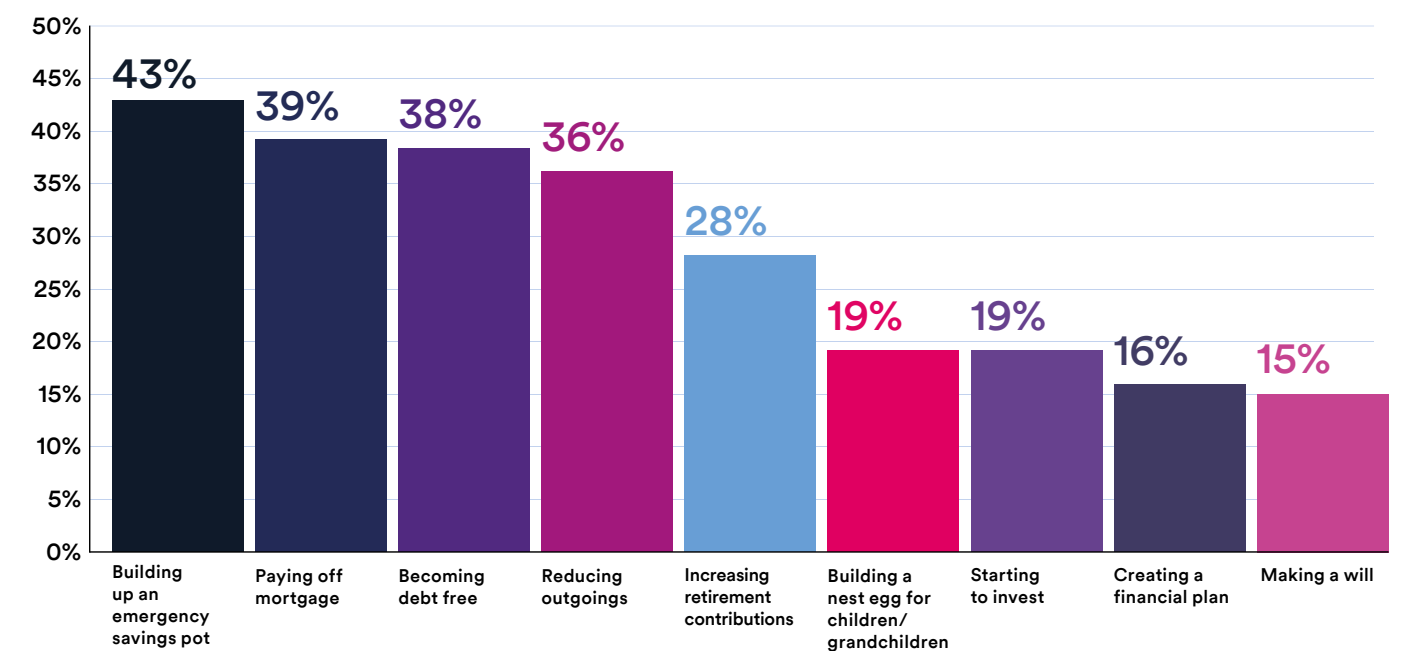
89%

of those surveyed said that **sorting out their finances was a priority.**

While saving and paying off debt are essential short-term goals that provide immediate relief, planning for longer-term objectives like making a will and investing can offer a sense of peace of mind in the long run. When you have a well-thought-out plan in place for the future, you could gain a powerful sense of control over your financial destiny, which can significantly reduce anxiety and stress.

It's important to remember that making a will is not just about distributing your assets; it's about ensuring your loved ones are taken care of and your wishes are respected. Knowing that your estate is organised and that your family will be provided for even after you have gone could bring you huge comfort.

Top financial goals



Similarly, investing for the long term provides the opportunity for your money to grow and provide for you in retirement or other significant life events. It's like laying bricks today that have the potential to develop into financial foundations for tomorrow. However, remember when investing, the value of investments and the income from them can fall as well as rise and is not guaranteed and you may get back less than you invest. This forward-thinking approach can help you weather economic uncertainties and potentially ensure a more stable financial future, ultimately allowing you to enjoy the present with confidence.



It's good to talk

In our fast-paced lives, we often overlook the importance of discussing money and financial matters with our family and loved ones.

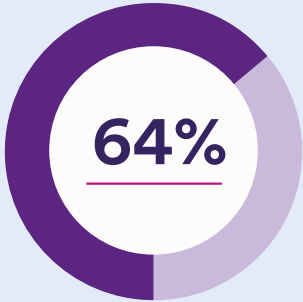
These conversations can be challenging, but they are necessary for our financial wellbeing. By breaking the silence and having conversations about finances, we can build a stronger foundation for our financial future.

We understand that there is still a reluctance amongst UK adults to discuss money matters with their families. We believe more needs to be done to encourage stronger engagement with long-term financial planning as well as promoting family money discussions.

By addressing topics like wills, inheritance, and life insurance, families can ensure that their financial legacy is protected and that loved ones are provided for in times of need.

Talking about money with children is also an invaluable educational opportunity. By involving them in discussions about budgeting, saving, and investing, parents can instil financial responsibility from a young age. This prepares the next generation to make informed financial decisions.

By talking openly about money, you can strengthen your family's financial wellbeing and help to ensure a brighter financial future for generations to come. So, don't hesitate to start the conversation today – your financial wellbeing may depend on it.



of UK adults are **concerned or very concerned** about their finances, yet **less than half (46%) of these say that they would talk to their partner** about their money worries.



How couples can talk about money

Katie Nutting, Financial Planning Director at Schroders Personal Wealth, shares her top tips on how to have open conversations with a partner about financial concerns, challenges, and goals to help reduce stress. When issues are addressed collectively, it becomes easier to find solutions and provide emotional support.

1

Communication is key

How couples deal with joint finances varies enormously. I see some who have one bank account and share every penny, while others keep money very separate and split their bills. Many couples fall between these two extremes, with a mix of shared and sole finances.

The takeaway for me is there's no right or wrong way for couples to deal with their finances. It's about what works for you both and what makes you feel most comfortable. The key is communication, so you know you are both on the same page with the same shared long-term goals.

2

Know the full picture

All relationships can benefit from sharing information. You may find yourself taking care of your partner's finances or having to look at your future plans on your own. My advice is threefold:

- Open up the conversation on a high level, so you're clear about each other's life goals and financial aspirations
- Understand your partner's thoughts towards savings, budgeting and building up assets
- Have a broad understanding of your partner's financial position along with your own.

3

Express your money concerns

Money can feel like a taboo subject, one to avoid raising with friends and family. So we often keep worries or concerns to ourselves. These concerns can spill over into our working life, social activities and general health.

It's important to have a space where you feel comfortable opening up about any concerns you may have. If it feels too difficult to ask questions to those closest to you I would suggest engaging with a financial planner for expert advice.





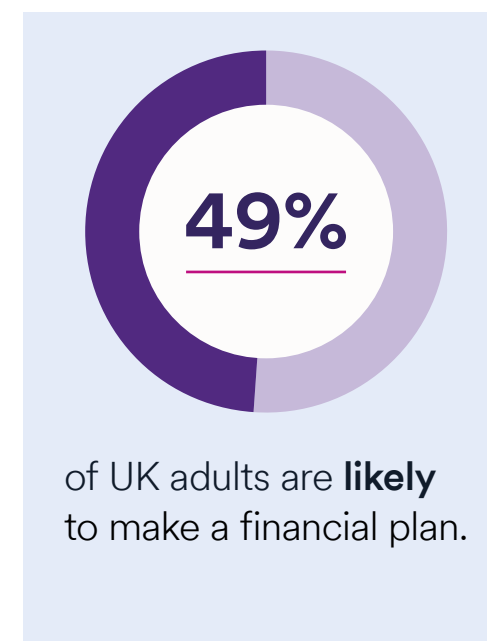
The importance of financial planning on your wellbeing

In an ever-changing world, helping to give your family financial stability is more important than ever.

With the complexities of modern life, from investments to taxes and retirement planning, managing your finances can often be a daunting task. This is where a well-structured financial plan may come to the rescue, providing a roadmap for your financial future.

One of the primary benefits of crafting a financial plan is that it helps you set clear and attainable financial goals. Whether you're aspiring to buy a home, send your children to university, retire comfortably, or travel the world, a financial plan could help you reach these objectives.

As well as planning for the future, a well-structured financial plan could also help to minimise your tax liabilities, optimising your financial resources for growth and protection. Of course, also remember that tax treatment depends on your individual circumstances and may be subject to change in the future.



And for those who may put a plan in place in the future:

33% had not yet done so because they **didn't know where to start.**

26% had not done so because they **thought it would cost too much.**

Beyond your own financial stability, financial planning also considers your legacy. Considering things like wills and a Power of Attorney could help to preserve your wealth and ensure it is transferred efficiently to your heirs whilst minimising the impact of inheritance taxes.

Life is dynamic, and your financial situation evolves over time. A financial plan is not a one-time event but a living document that should be reviewed and adjusted regularly to accommodate changing circumstances, goals, and market conditions.



How to create a financial plan

Makala Green, a Personal Wealth Adviser at Schroders Personal Wealth, explains her views on the value of financial planning and provides some tips on how to create a plan.

1 Understand your financial circumstances

The first step to creating a robust financial plan is to understand your financial circumstances. Clarity about these circumstances is vital for your long-term financial stability.

2 Establish your goals

Once you have identified your short-term, medium-term and long-term goals a plan can be devised to help you achieve them. Setting out your goals is crucial to securing peace of mind so you can aim to create the life you want.

At Schroders Personal Wealth we define short-term as being money you might need immediately, medium-term as money you might need to access within the next one to five years and long term as things like savings to be held for five years or more.

3 Get help from an adviser

Personal finances often involve many moving parts and it can be challenging to make financial decisions with so many options. A trusted adviser can help create a plan that offers a balanced perspective on your multiple financial demands and life goals. This can give you confidence in your financial decisions. So an adviser could potentially help improve your overall financial wellbeing as well as help you prepare for unexpected financial emergencies.





Is cash really king?

We are all familiar with cash.

We may have our wages paid in cash. We may receive benefits paid in cash. We buy things in cash. We hold cash in our bank accounts.

We understand that if you hold £10,000 in a high interest paying account, it will grow above £10,000. And, as long as you don't draw money out of the account, it won't fall below £10,000.

So, we know where we are with cash. Or at least we think we do.

Unfortunately, while the numerical value of £10,000 cash held in a bank account may remain static, the amount you can buy with that cash does not. This is because prices of the goods and services we pay for have a habit of going up over time, an effect we all know as inflation.

For example, £1 would have bought you 20 pints of milk (at 5p each) in 1975, but can only buy you one and a half pints (at 65p each) today.* This shows how inflation can lead the real value of cash to dwindle over time.

Inflation wouldn't be a problem for cash holders if the interest rate on their bank account matched the inflation rate. Unfortunately, the interest rate on cash accounts is often less than the inflation rate meaning that cash holdings would buy fewer goods and services over time, leaving cash holders worse off.

Investing in the markets can be daunting for many of us. But a good financial adviser can guide you on your investment journey and provide support and reassurance where needed including explaining that the value of your investments and the income from them can fall as well as rise and is not guaranteed and you may get back less than you invest. They will also explain that there is no guarantee by investing money it will keep level or beat inflation, particularly when inflation is high.

73%

of UK adults say that they are **worried about the impact of the cost of living crisis** on their finances.

23%

are saying that they are keeping **more money as cash savings** right now.

***Source:** Office for National Statistics, 'RPI: Average price - Milk: Pasteurised, per pint', 18 October 2023.



Cash versus Investing

Alice Harmer, a Personal Wealth Adviser at Schroders Personal Wealth, shares her thoughts on how a good financial adviser is able to identify which blend of investments matches your unique requirements and is balanced with your cash needs.



1 Take a long-term view

Do you need access to all your savings in the next five years? If not, then putting all your money into cash accounts could mean missing out on the long-term growth potential offered by stock market investing. Trying to pick the right moment to move out of cash and into investments can be very difficult. That is why, at Schroders Personal Wealth, we believe in spending time in the stock market rather than trying to time the market. Remember, the value of investments and the income from them can fall as well as rise and is not guaranteed and you may get back less than you invest.

2 Put your money in three pots

Money you might need immediately ('short-term money') should generally stay in cash and be easily accessible. Money you might need to access within the next one to five years ('medium-term money') should in many cases also be held in cash. But it could be held in accounts offering higher interest, perhaps at a fixed rate, although these generally offer restricted access. Savings to be held for five years or more ('long-term money') can make a real difference to your financial future and may benefit from being invested in the stock market. If you're unsure how to invest these long-term savings, then you may want to seek advice. Good financial advice can be key to helping position yourself to achieve your life goals.

3 Consider prioritising your pension

Interest rates have risen strongly in the past couple of years, making cash accounts a more viable option for many of us. But paying into a pension offers tax relief on your income, which you don't get with cash accounts. Income put into a pension by a basic rate taxpayer will receive 20 percent tax relief, along with relief on national insurance contributions. And relief on income that would be taxed at the higher rate will receive 40 percent tax relief. Cash accounts won't match those benefits. Tax rates may also be subject to change in the future.

The retirement benefits you receive from your pension plan depend on a number of factors including the value of your plan when you decide to take your benefits which isn't guaranteed and can do down as well as up. The benefits of your plan could fall below the amount(s) paid in.

Financial wellbeing checklist

“ As our research shows, people have become more concerned about their finances since 2021, but many are unwilling to discuss this with a financial adviser.

At Schroders Personal Wealth, we believe good financial advice has the power to really change people’s lives. We believe it can provide reassurance and improve financial wellbeing in troubled times.

Some small changes in your behaviour could make a big difference. I recommend the following six steps to help improve your financial wellbeing.

Bruno Celimon
Personal Wealth Adviser



Have you made a financial plan?

A clear financial plan can give you a path to work towards and may result in a stronger sense of financial stability.



Do you share your financial concerns with others?

An important part of improving overall wellbeing is to have someone to talk to. It’s no different when it comes to money matters. Talking more openly about money could help you make better financial decisions.



Have you spoken to a professional?

Financial advice could go a long way to helping provide the peace of mind that you are addressing the needs of you and your family.



Do you know the value of advice?

The fees charged for advice could be a barrier to some people seeking the help of a professional, but it’s important to recognise that it can be money well spent.



Do you consider your finances holistically?

An adviser can look at the bigger picture, which means looking at the needs of you and your family now and in the future.



Have you considered tailor-made advice?

Creating a bespoke financial plan could bring you peace of mind that all the financial planning needs of your family have been addressed, including tax planning and savings for children.



About Schroders Personal Wealth

We change lives

Our aim is to improve the way financial advice is offered, by making it simple, affordable and accessible to more people.

We believe that a good financial plan can help change people's lives, giving you and your loved one's peace of mind.

We want to make a positive impact to people's lives.

We want to change lives for the better.

At Schroders Personal Wealth, there are no hidden fees and charges, and you'll only pay if you choose to go ahead with the recommendations in your personalised financial plan. We will explain the costs and charges of the products and services you choose before they're incurred. You can then make an informed choice about which services you take.

“At Schroders Personal Wealth we help people make plans which aim to get them to where they want to be in their lives. That's a great responsibility and it clearly points us towards a really important purpose.”



Mark Duckworth
Chief Executive Officer
Schroders Personal Wealth

Our standards

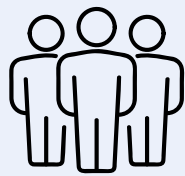
We want a culture that is right for our colleagues, one they feel proud of, motivated by and one they feel they have helped to create.

We asked our colleagues to define the words that would articulate a culture they wanted to be part of and have listened to their feedback. From this, we created a set of behaviours that resonate across the organisation and articulate the way we expect ourselves to behave.



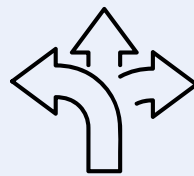
We collaborate

We work together to help our clients and colleagues achieve their goals. We seek out opportunities to assist our colleagues and share our knowledge. We are open to accepting advice and support from others to benefit our shared goals.



We put our clients first

We consistently ensure that every action we take benefits our clients, putting them first to provide the best possible experience. We challenge ourselves to think differently and always seek to improve by finding new ways to help our clients.



We change

We seek new ways to grow and develop our personal capabilities and know we will be supported. We consistently adapt and find new ways of working brilliantly together, being open to new ideas and welcoming challenge.



We are responsible

We each take accountability to get it right. Every single day. We are crystal clear on our responsibilities as individuals and as a team and work together to provide full and complete confidence in our delivery for the benefit of our clients.



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Calls may be monitored or recorded to meet regulatory requirements, to check we have carried out your instructions correctly and to help improve our quality of service. Not all telephone services are available 24 hours a day, 7 days a week. Please speak to your Adviser for more information. Call costs may vary depending on your service provider.

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