Money and Mind Report II

Improving the UK's financial health and wellbeing.

Schroders personalwealth

We Change Lives

Contents

Foreword

Welcome to Schroders Personal Wealth's second **Money and Mind Report**.

Back in September 2020, we launched our inaugural Money and Mind Report. With financial wellbeing becoming an increasingly important element of life, the aim of the report was to understand the condition of UK's financial wellbeing.

Our belief is that by identifying the factors that underpin financial wellbeing, the financial services industry can help individuals and their families improve their financial position by delivering relevant support at the right time.

This is why we believe that continuing to track financial wellbeing is essential and so in February 2022 we surveyed 2,000 UK adults to help us remain connected with how people are feeling.

We have also taken this opportunity to update the Schroders Personal Wealth Financial Health Score. Developed in collaboration with behavioural economists from Lloyds Banking Group, it unveils the true state of the nation's financial wellbeing.

The score takes into account financial health across four key areas: getting the basics right, managing borrowing, protecting against the unexpected and planning for the future.

Surprisingly, this year's Financial Health Score has increased slightly compared to our previous results when the COVID-19 pandemic was somewhat in its infancy. This is despite the country being gripped by a pandemic and several nationwide lockdowns for the past two years.

There is huge acknowledgement that the human suffering and loss of life experienced as a result of COVID-19 may have an impact on society far greater and far longer than we can fully appreciate at the moment. We also recognise that at the time of publishing this report the UK is experiencing 30-year high inflation rates, a rise in living costs and interest rates that are slowly increasing, the consequence of which is still to be felt on a national scale.

Despite uncertainties that exist around the world, our findings reveal that a quarter of the UK population have been able to save more as a result of the pandemic. Additionally, 24% say they're now more likely to create a financial plan, and 15% are more focused on improving their financial security.

Even though savings have risen across the board since 2020 certain groups continue to have disproportionately less. Women have £12,213 in cash savings on average, £5,440 less than their male counterparts (£17,653 on average).

The pensions gender gap is also prevalent in our findings. Worryingly, three fifths (61%) of those with a pension say they are either not on track to reach their pension goals, or they don't know if they are. However, this rises even higher to 70% of female pension holders proving that work still needs to be done to support women in saving more for their retirement.

We believe that 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, and our findings confirm that you agree. Four in five (79%) of UK adults define financial success as having the financial freedom to do what they want without worrying.

Consistent with our findings in 2020, our finances and our mental health continue to be closely linked with over half (52%) of UK adults feeling regularly or occasionally stressed or overwhelmed due to their financial situation. This represents a small but present increase in our previous report.

This is why we're passionate about ensuring individuals and their families are engaged with their finances and having regular, open and informed conversations about their personal circumstances. Our objective is to make advice more affordable and accessible to more people so that everyone can experience the power of having a personalised financial plan.

Financial wellbeing is something everyone can aim to achieve, and together, we'd like to help you get there.

Leigh Dunkley
Financial Wellbeing Lead,
Schroders Personal Wealth

Overall score
53/100

Schroders Personal Wealth's Financial Health Score: 53/100

Schroders Personal Wealth has developed a unique scoring system, in a collaboration with Lloyds Banking Group, to measure the true state of the nation's financial wellbeing.

Scores:

Getting the basics right:
19/25

Manage my borrowing:
18/25

Protect against the unexpected:
7/25

Plan for the future:
9/25

The score takes into consideration four key areas of financial health: getting the basics right, managing borrowing, protecting against the unexpected and planning for the future – with 25 as a maximum score for each.

Encouragingly the overall score has increased slightly compared to the first time we did this in 2020 – the year we launched the Financial Health Score.

We can reveal that the nation's Financial Health Score has been calculated as 53 out of 100. This compares to an overall score of 52 out of 100 in 2020, marking a slight improvement.

Looking more closely at the individual categories, the scores reveal that the majority of people are on top of financial basics, which is the day-to-day running of household finances, scoring 19 out of a maximum of 25.

However, the score has fallen from 20 out of 25 in 2020, suggesting that people are struggling more to manage shorter term finances such as monthly budgeting and paying bills.

There's a more significant drop when it comes to keeping on top of debts. In the category of managing borrowing the score was 18 out of 25. This compares to 24 out of 25 in 2020.

There are improvements, however, in the remaining categories of financial planning. In protecting against the unexpected the score was 7 out of 25. This compares to just 3 out of 25 in 2020. In planning for the future, the score this year was 9 out of 25 compared to just 5 out of 25 in 2020.

Despite the improvement in both scores, there's a clear gap in longer-term financial provision across the board.

Our research shows that individuals feel more optimistic about their current finances. The majority feel in control with 62% saying they are on top of their short-term, day-to-day finances.

Most people also feel that they are managing money in a way that means they can enjoy life with 56% agreeing that is the case.

This conflict between sentiment and scores underlines the need for a greater understanding of financial planning – and how it could pave the way for improved financial wellbeing.

What would help you to achieve financial peace of mind?

69%
Being debt free

60%
Being in a position to be able to save

42%
Making sure my family has enough money if anything happened to me

An introduction to financial wellbeing

Schroders Personal Wealth's second Money and Mind Report focuses on the reality of the issues that impact on our overall wellbeing.

We surveyed 2,000 UK adults across a wide range of age groups, regions and levels of wealth to analyse how they feel about their financial situation.

While on the whole the general population appears to be in control of their finances, some still feel the strain of financial pressures. Stress and finances are closely linked with half (52%) of UK adults feeling regularly or occasionally stressed or overwhelmed due to their financial situation.

Day to day finances

Life is getting more expensive. The cost-of-living crisis – with soaring oil prices and political unrest deepening the problem - means households are experiencing higher energy bills, grocery bills and there's likely more to come.

However, so far, the majority of people feel in control with 62% of people saying they are on top of their short-term, day-to-day finances. Most people also feel that they are managing money in a way that means they can enjoy life with 56% agreeing that is the case.

This is a rather hopeful picture, however, compared to the concerns people have about the amount of debt they're in. Debt is the biggest cause of financial stress with seven in ten (69%) of UK adults saying that being debt free would give them peace of mind over their finances.

Savings

On a more positive note, lockdowns during 2020 (and into 2021) brought a rare chance for some families to save money, since there was such little opportunity to spend.

Holidays abroad were off the table for most and even meals out were not an option for much of the time. This time last year estimates[1] suggested that UK households had amassed an additional £180 billion in bank accounts.

This was reflected in our study which revealed that savings across the board were higher than in our last Money and Mind Report in 2020.

Having enough money to be able to top up savings levels is a priority for most. The majority of people (60%) said that being in a position to save was the second most important thing in terms of achieving peace of mind when it comes to finances.

Retirement concerns

When it comes to day-to-day finances, the average UK adult appears to have stability, however when considering financial planning for later in life, finances look increasingly uncertain.

Three in five (60%) make regular contributions to their pension each month, with the vast majority of these (93%) coming out automatically from their salary.

[1] **www.obr.uk/box/coronavirus-and-the-flow-of-funds** March 2021.

On average, UK adults expect to need about 42% of their current working income in retirement. But for over 65s, nearly half (48%), are at least slightly concerned that their retirement pot won't last their lifetime rising to 55% among females. A further 36% regret not saving more suggesting that many may be underestimating how much they'll need.

Three fifths (61%) of those with a pension say they are either not on track to reach their pension goals (26%), or they don't know if they are (35%), with this rising to 70% of female pension holders.

Additionally, two thirds (67%) of pension holders don't know how much money they will need to live comfortably when they retire. However, this drops to 50% for those who have a financial adviser.

Men vs women

When it comes to money, women are often in a poorer financial position than men.

They generally have less saved, are paid less, have less stashed away in their pension pots and have smaller amounts in their investment accounts.

Pensions are a big part of it, through higher pay and higher prioritisation of pensions, men tend to have far more saved for retirement than woman.

Wellbeing and the wealthy

For this study we surveyed 2,000 UK adults, 1,000 of which have over £50,000 in investable assets, to uncover how they deal with financial concerns.

On the whole they are less likely to feel stressed by their finances, with 27% feeling at least occasionally stressed or overwhelmed. Part of this could be attributed to the fact they are more likely to have a financial adviser. Over a third (34%) of those with over £50,000 invested are currently using an adviser, versus 8% of the general population.

The value of advice

It's clear to see there's a disconnect between how people feel about their money matters and seeking the help of a professional.

We believe a stable financial future is essential for better financial wellbeing. With such uncertain times, it could be a smart idea to take steps to be in the best financial position possible.

Gen Z, Millennials and money management

Overall score
49/100

12%
The minority of this age group know how much money they will need in retirement to live comfortably.

Scores:

Getting the basics right:
18/25

Manage my borrowing:
18/25

Protect against the unexpected:
6/25

Plan for the future:
10/25

It's not entirely certain where the Millennial generation starts and ends, but it's approximately those born from 1980 to 1995[2].

Gen Zs are next in line, though there are a few conflicting ideas about where this generation starts. Pew Statistics says 1997, Statistics Canada says 1993, and the Resolution foundation says 2000.

Key highlights

- Most stressed about money matters
- Majority are inexperienced on financial needs in retirement
- Highest level of interest in responsible investing

Amid pressure on personal finances from a rising cost of living, it's the younger generations that are the most likely to struggle with their financial wellbeing. A worrying 70% of 18-34 year-olds confessed they regularly or occasionally experience stress over their financial situation. This compared to 52% as an average across all age groups.

When it comes to achieving financial wellbeing, many Gen Z and Millennials, associated it with being able to spend money - on themselves, as well as on loved ones and those in need, citing gifting money to friends and charity as important. They also wanted to become more confident in managing finances and having a plan.

Savings

Being in a position where they can save money seems to send stress levels downwards. Overall 60% of people cited this as a way of achieving peace of mind over their finances, rising to 64% among 18-34 year-olds.

It will be no surprise that this age group has the smallest savings pots. In total, UK adults have £14,851 in cash savings on average. The 18-34 year-olds have £8,111 stashed away.

However, in the last year they have saved hard, putting away £1,847 which is more than the age group 35-54 at £1,486, though less than the over 55s who squirreled away £1,943.

Interestingly, this category placed more importance than other age groups on saving money for children or grandchildren's future for things like school fees, university, or a house deposit.

Debts

Paying off debts was another concern for 57% of Gen Z and Millennials.

These generations are in danger of not being able to clear the debts that are troubling them, however, since 21% say they spend more than they earn each month this isn't surprising. This compares with 14% of 35-54 year-olds and 7% of over 55s.

Short and long-term money matters

The 18-34-year-olds are the least on top of their daily finances with only 50% saying they are in control of day-to-day spend, compared to 58% for 35-54-year-olds and 74% of the over 55s.

Looking much longer term, the younger generations are the most inexperienced when it comes to retirement planning. Overall, 67% said they had no idea about how much money they will need in retirement to live comfortably. This rose to 88% for Gen Z and Millennials.

Feeling in control of a situation can bring peace of mind, prompting this age group to feel more stressed than others about having a financial plan in place. Some 38% of Gen Z and Millennials are worried about this compared with just 27% overall.

Going green

It's often the younger generations that are hailed as those most interested in behaving responsibly when it comes to ethical practices in the way they buy clothes, cars and even groceries. They want to see that same impact ethos in the way they invest too.

Indeed, our survey showed that it's the younger generation that's most interested in responsible investing.

The majority (56%) of 18-34s said that knowing their money is making a difference to the planet and society would have a positive effect on their financial wellbeing. This compares to 41% of 35-54-year-olds and just 30% of over 55s.

Secrets of success

For the majority, financial success is associated with having money to allow financial freedom to have choices without worrying. Having a good career and setting up their own business was more important to the Gen Z and Millennials group compared with older peers.

Encouragingly, when asked if they used a financial adviser, a higher proportion of 18-34s reported they would seek help compared to the other age groups. They were also more inclined than the average figure for seeking professional advice to discuss financial worries (17% compared to an overall figure of 16%). However, like other age groups, they would go to a partner, parent or friend first.

[2] www.bbc.co.uk/bitesize/articles/zf8j92p March 2021.

When it comes to financial planning it can be difficult to know where to start, but we believe it's important to take control of your financial life early on. Gavin Casizzi, Personal Wealth Adviser, offers three financial tips to help Gen Z and Millennials get heading in the right direction.

Gavin Casizzi, Personal Wealth Adviser

1

Save for first home

People aged between 18 and 39 can open a Lifetime Isa (Individual Savings Account), which can be used to help buy a first home or save for the future. You can invest up to £4,000 a year and the great thing about it is the government will top up your investment by 25%. So, if you invest £800, then the government add £200, amounting to a total investment of £1,000. But you would have to pay 25% back to the government on sums withdrawn without meeting government conditions, which in the above example would only leave you with £750 (if you assume there was no investment growth).

2

Protect your young family

Young families can struggle financially if one of the parents is unable to work, becomes critically ill or, worse still, passes away. Protection insurance may give you peace of mind by covering you for these possibilities. With income protection insurance, you could receive an income if you are unable to work. Critical illness cover can pay out a lump sum for someone suffering from a debilitating illness. Meanwhile, life insurance can cover a financial shortfall should the policy holder pass away What's more, at Schroders Personal Wealth, we won't charge you payment or commission when you purchase protection products. Please ensure to check your policy conditions.

3

Start saving for retirement early

Putting money into a pension early allows more time for potential investment growth. It could also enable investors to benefit from the effects of compounding. To understand what this means, imagine you invest £1,000 in a pension. Assuming 5% annual growth (excluding any charges), after a year it will be worth £1,050. But after two years it will be worth £1,102.50, meaning in year two you would have had a return of 5.25% on your initial £1,000 investment, due to compounding.

Tax treatment depends on the individual circumstances of each client and may be subject to change in the future.

Protection policies have no cash-in value at any time. If you don't pay your premiums on time your cover will stop, your benefits will end, and you'll get nothing back. If the benefit amount has not been paid out by the end of the selected term, the policy will end and you'll get nothing back.

The value of investments and the income from them can fall as well as rise and are not guaranteed. The investor might not get back their initial investment.

The different scenarios discussed are examples and what is right for each person will depend on individual circumstances.

Gavin Casizzi

Personal Wealth Adviser

"Try to start putting money into investments as early as possible, to aim to benefit more fully from their potential growth."

The scores compared

Gen Z and Millennials have scored below the overall national average in three of the four categories, which chimes with their survey results of feeling most stressed about money matters.

On getting the basics right, managing debt and protecting against the unexpected they are behind the curve by 1 or 2 points, perhaps due to being financially inexperienced compared to older age groups.

44% are more likely to create a financial plan following the COVID-19 pandemic

70% say that their financial situation causes them to feel stressed regularly or occasionally

64% claim being in a position to save would give them financial peace of mind

The mid-life crunch

Overall score
52/100

26%
Just over a quarter of this age group think they're on track to reach their pension goals.

Scores:

Getting the basics right:
19/25

Manage my borrowing:
18/25

Protect against the unexpected:
7/25

Plan for the future:
10/25

Mid way through life, 35 to 54 year olds are sometimes referred to as being at the sandwich stage. Children may still be living at home and are financially dependent at one end of the age scale, whereas elderly parents who increasingly require support are at the other end. For these reasons, the mid-life years may be challenging for many.

Key highlights

- Majority feel in control of day-to-day finances
- Least likely to seek professional help from a financial adviser
- Mid-lifers crave a dream home more than most

Mid-lifers often have significant pressure on finances, most likely with one or more dependants to pay for, and for the younger end of the group they might still be climbing the career ladder and not yet reached peak earnings.

Therefore it's understandable to see that 61% confessed they regularly or occasionally experience stress over their financial situation. This compares to an average of 52% overall.

Short-term finances

A large proportion admit they are poor at managing their money which is hindering their ability to enjoy life to the full. In the main, most people (56%) say the way they are managing their money means they can enjoy life. Yet for 35-54s this drops to 48%.

However, mid-lifers say they are doing well with running their day-to-day finances with 58% claiming to be on top of their short-term money matters.

Savings

Half of mid-lifers said they spend the same as they earn, which limits the amount of money they can save from month to month.

Of all age groups they have saved the least in the past 12 months at £1,486 compared with £1,848 for 18-34s and £1,943 for the over 55s. Though this could reflect a splurge after building up a decent cash reserve during the COVID-19 lockdowns.

They have a middle of the road savings pot. On average the mid-lifers have an average of £12,220 in cash savings – ahead of younger generations with £8,111, but way behind the over 55s who have over £22,000 stashed away.

Debts

To gain peace of mind over their finances, the mid-lifers placed being debt free (66%) and being in a position to save (55%) at the top of their list, in line with other age groups. These were followed closely by making sure their family has enough in case anything happened to them (38%).

It's the mid-lifers, however, that have built up the highest levels of debt through personal loans and credit cards. Monthly repayments for unsecured debts totals £233 which is higher than the other age groups and the overall average of £196.

Secrets of success

The mid-lifers attached more significance than the other age groups to owning their dream house with 42% citing it as a sign of financial success compared with 37% of 18-34s and 32% of over 55s.

This isn't surprising if they're looking to trade up at the moment but feeling stuck while house prices are soaring and stock levels – the number of homes on the market – are low.

One recent index[3] reported that house prices rose 11% in February alone. Another study[4] claims at the start of this year there were 350,980 properties for sale in the UK, 36 per cent fewer than at the start of 2020, and the lowest amount since data collecting began in 2008.

Of all the age groups, however, mid-lifers cited the amount of wealth being less important than the other age groups.

To achieve financial wellbeing, mid-lifers listed having money to spend on themselves as their top priority. Yet of all the age groups they represented the smallest proportion at 52% compared with 58% of Gen Zs and Millennials and 56% of the over 55s.

Half (50%) said that having money to spend on experiences with friends and family would do the trick and 38% cited being more confident in managing finances and having a plan would improve wellbeing.

Long-term finances

The mid-lifers are the most worried about longer term financial planning needs, with just a third (33%) claiming to be on track with future financial needs, compared with 38% of younger generations and 52% of over 55s.

Retirement emerged as a big source of concern for this age group. Half (50%) said that being able to save for retirement would give them peace of mind with their finances, compared with an average of 40% overall.

This was also the age group most concerned with getting their pensions in order, with a quarter (24%) saying this would contribute to peace of mind over their money compared with only 18% of 18-34s and 15% of the over 55s.

Just a quarter (25%) of mid-lifers say they know how much money they will need for a comfortable retirement.

Some 41% said that knowing their money is making a difference to the planet and society would have a positive effect on their financial wellbeing. Though this compares to 56% of 18-34s and just 30% of over 55s.

Help and support

An overwhelming 70% of mid-lifers don't use a financial adviser, though arguably could do with the experience of a professional to help take away some of the angst they feel about their money matters - in particular with their retirement planning.

Instead half (51%) say they would choose to discuss money worries with a partner, a quarter (25%) said they would talk to their parents and just 14% said they would see an adviser.

[3] **www.halifax.co.uk/assets/pdf/february-2022-halifax-house-price-index.pdf**
[4] Figures provided exclusively to the Financial Times by **www.twentyci.co.uk** **www.ft.com/content/3d6c7112-c527-4a62-a964-db6b3d39c886**

The value of investments and the income from them can fall as well as rise and are not guaranteed. The investor might not get back their initial investment.

Pensions are a long-term investment. 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) pain in.

Protection policies have no cash-in value at any time. If you don't pay your premiums on time your cover will stop, your benefits will end, and you'll get nothing back. If the benefit amount has not been paid out by the end of the selected term, the policy will end and you'll get nothing back.

A mid-life crisis doesn't have to apply to your finances if you have a plan in place.

Anna Sharpe, Personal Wealth Adviser, shares the three things you may want to consider to help you financially plan and potentially build wealth at this time:

1 Make your money work harder

If you're in this age range you may be thinking seriously about retirement and wanting to maximise your savings. Holding money in cash can result in low returns. You may even find that the purchasing power of any cash savings dwindles due to the effects of inflation. Investing in riskier assets such as equities, which offer higher potential returns, could boost your savings. But you should be prepared to hold these assets for the long term, meaning at least five years, to ride out the ups and downs that markets go through.

2 Plan for retirement

Few of us today have jobs for life and many of us may hold a number of pensions from different employers. There can be benefits in consolidating these pensions into one retirement pot, which is easier to monitor and can sometimes result in reduced fees overall. However, transferring pensions can be laborious and may incur additional costs, so you may want to get the help of a financial adviser here.

3 Embrace getting older

Being financially protected can be as important in mid-life as it is in early professional life and for much the same reasons. Protection insurance can give you peace of mind by covering you in case the unexpected should happen. With income protection insurance, you could receive an income if you are unable to work. Critical illness cover can pay out a lump sum for someone suffering from a debilitating illness. Meanwhile, life insurance can cover a financial shortfall should the policy holder pass away. Please ensure to check your policy conditions.

Anna Sharpe
Personal Wealth Adviser

"At a time when you want to ensure your future needs are met, you could potentially benefit from making your money work harder and more efficiently."

The scores compared

Worryingly, when it comes to managing borrowing this age group has dropped from 25/25 in 2020 to 18/25 in 2022. This may be as a result of earning less during the pandemic and the increase in living costs over the past couple of months which has led to more reliance on borrowing.

Arguably it is this group which has the most urgent need to address future planning needs and the good news is that there seems to have been a shift in behaviour since the last report. The score for protecting against the unexpected has increased from 3 to 7/25 and planning for the future has doubled from 5 to 10/25.

75% don't know how much they will need in retirement in order to live comfortably

14% would turn to a financial adviser if they had money worries

52% say having money to spend on themselves would increase their financial wellbeing

Preparing for retirement

Overall score
52/100

89%
of this age group define financial success as having the freedom to do what they want without worrying.

Scores:

Getting the basics right:
19/25

Manage my borrowing:
18/25

Protect against the unexpected:
7/25

Plan for the future:
10/25

Our survey discovered that the average age that people plan to retire is 65 and so from at least the age of 55 retirement planning should become a priority. This should help to reduce the likelihood of any unexpected financial issues when it's time to leave the world of work.

Key highlights

- Least stressed age group about money
- Almost half worried their pension won't last
- Less than half in a position to pass wealth on to their family

When it comes to stress levels and money, those approaching retirement emerged as the most relaxed age group.

Just under a third (31%) of over 55s said that their financial situation caused them to feel stressed or overwhelmed. This compares to 70% of 18-34 year-olds and 61% of those aged 35-54.

Short-term finances

Those approaching retirement are also confident that they have a handle on day-to-day finances with three quarters (74%) saying they are on top of things compared with only 58% of mid-lifers and 50% of Gen Zs and Millennials.

A resounding 64% say they are managing money in a way they can enjoy life and this group are the most confident that they're on track to have enough in the future.

38% currently spend less than they earn each month compared with 31% for 18-34s and 29% for 35-54 year-olds. And 83% say they always pay their bills on time.

Savings

Unsurprisingly the over 55s have the largest cash savings accounts with an average of £22,056 on deposit. This is almost three times the amount of that held by 18-34 year-olds at £8,111 and 55% more than mid-lifers who have on average saved £12,221.

Money worries

An overwhelming majority approaching retirement are worried about levels of borrowing. Some 80% of over 55s said being 'debt-free' would give them peace of mind – the highest proportion of all age groups with the national average at 69%.

It appears that the over 55s are still using unsecured debt with this age group shelling out the second largest monthly repayments for credit cards and loans. They owe £196 a month compared with £233 for the mid-lifers and £151 for the 18-34 year-olds. Though just 7% say they spend more than they earn.

Retirement – the pensions shortfall

Those approaching retirement voiced a strong confidence in their retirement plans and provisions. More than half (57%) say they are on track to reach their pension goals.

However, a third of the over 65s have regrets about how much they've saved for retirement. And almost half are at least slightly concerned that their retirement savings won't last as long as they need them.

This echoes a serious shortfall in pension provision among over 50s recently highlighted by a think-tank[5].

It claimed that those aged 50-64 have saved less than half of what they need to enjoy the standard of living they hope for in retirement and are £240,000 short in their pension pot.

It reported that most households do not have enough knowledge or support to navigate the complex pensions landscape.

Our study showed that many over 55s recognise the need to work longer – perhaps to plug the gap in savings. When asked what age they would retire, on average those aged 18-54 said 65. This rises to 67 for the over 55s who are perhaps better informed about the shortfall in their own pension pots.

Their retirement savings could have taken a hit from the stock market shocks during recent volatility or perhaps younger generations are simply overly optimistic.

Just under half (49%) of over 55s know how much they will need to retire on. That's more than the 25% of mid-lifers and 12% of 18-34s, yet still low. They believe they will need around 30% of their current income in retirement.

On average, based on a 2021 study[6], retired couples need £18,000 a year (after tax) to cover household essentials such as food, utilities, transport and housing costs. This rises to £26,000 when allowing more for leisure activities and £41,000 when including long-haul trips and health club memberships.

These figures are likely to be far higher now with rising inflation and in particular the soaring cost of energy as well as groceries.

Retirement planning – support at work

Given that final salary schemes are a distant memory for most, there is far greater uncertainty surrounding the amount of money that will be amassed when it comes to retirement.

Our survey revealed that just 30% of the over 55s think that their employer offers a good pension scheme. This compares to 45% of Gen Zs and Millennials, and 41% of mid-lifers.

When it comes to offering support on retirement planning, just 21% of over 55s think their employer is doing a good job, compared to a national average of 32%.

Employers have an opportunity to provide greater support for their employees long-term financial planning as well as existing debt management and debt counselling.

[5] **Social Market Foundation report: A guiding Hand Improving access to pensions guidance and advice** February 2022.

[6] **www.press.which.co.uk/whichpressreleases/the-secret-to-a-happy-retirement-26000-per-year-which-research-reveals** June 2021.

Estate planning

Half of over 55s say that making sure their family has enough money if anything happened to them would give them peace of mind. Yet only around 45% of over 55s say they're in a position to pass wealth on to their family.

Understanding how to pass on wealth in the most tax efficient manner could potentially reduce the amount that HM Revenue & Customs (HMRC) can claim when it eventually comes to assessing inheritance tax (IHT).

A benefit of passing on money while you're still around could be to reduce the overall value of your estate and the potential IHT liabilities.

Pensions can be one of the most tax- efficient ways to pass on wealth. Under changes introduced in 2015 alongside the pension freedoms, untouched defined contribution pensions can be passed on tax-free to beneficiaries if you die before age 75.

If you die after 75 the money will be taxed in the same way as income when it is withdrawn.

There are plenty of other measures that can potentially reduce IHT liabilities to ensure wealth goes to where and who you want it to – and not towards paying tax bills that could have been prevented.

Though tax is just one thing to consider when thinking about financial help for loved ones.

With mounting further education costs and soaring house prices, helping younger generations could be vital for their future financial health.

Equity release is another way that could supplement your own income or help to support your family.

Many of those approaching retirement have benefited from the rise in property prices over the years.

Older homeowners released a record £4.4 billion[7] in property wealth during 2021 at a rate of more than £12 million a day as they helped family and secured their own finances by repaying debt or re-mortgaging existing borrowing.

This was attributed to runaway house price increases, which meant homeowners had more equity to access from their homes, as well as lower interest rates.

[7] Key Equity Release Market Monitor, **www.keyadvice.co.uk/about/press-release/older-homeowners-release-a-record-4-4-billion-in** January 2022.

Investments

The over 55s are most concerned about their wealth being managed, as 'knowing their investments were being looked after' would give peace of mind to more over 55s than any other age group.

Yet the older generation is the least interested in ethical investing. Just 30% of over 55s said that knowing their money is making a difference to the planet and society would have a positive effect on financial wellbeing.

Seeking help

The over 55s are most likely to seek counsel on money problems from their partner with 53% saying that would be their first port of call. The next most popular choice (23%) was to keep it to themselves. Some 17% said they would get help from a financial adviser.

Currently, 11% say they use a financial adviser – higher than the other age groups.

When it comes to estate planning, getting the right plans in place means you and your family could potentially keep more of the wealth you have worked hard for – instead of having unnecessary IHT liabilities.

A professional can help you put plans in place, checking that you have enough capital and income for your own lifetime, whilst making provision for children and grandchildren so that potentially more assets can be passed on.

Retirement planning is another important area an adviser can help with, assisting with action needed for any pension shortfall and advice on tackling minimising tax bills.

Tax treatment depends on individual circumstances and may be subject to change in the future.

Pensions are a long-term investment. 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.

The value of investments and the income from them can fall as well as rise and the investor may not get back the initial investment.

The different scenarios discussed are examples and what is right for each person will depend on individual circumstances.

Tax treatment depends on individual circumstances and may be subject to change in the future.

Pensions are a long-term investment. 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.

Retirement is traditionally a time for kicking back and relaxing and having a financial plan in place aims to provide valuable peace of mind.

Andrew Gabriel, Financial Planning Director, explains how you can aim to reach your retirement with style and financial stability.

1 Passing on wealth

Estates larger than £325,000 can be subject to 40% inheritance tax (IHT), although if your estate comprises your main residence, then up to £500,000 can be passed on free of IHT. By using trusts, life insurance and gifting during your lifetime, you can potentially reduce the IHT liability on your estate substantially. The rules regarding passing on your wealth are complex but a financial adviser can give you the support you need to do so tax-efficiently.

2 Income in retirement

The pension freedoms introduced in 2015 gave many of us full autonomy as to how we spend the pension pots we accumulated during our working lives. But with freedom comes responsibility, and the onus is now on us to ensure we are adequately funded during retirement. How best to take advantage of these freedoms will depend on your circumstances and your aspirations. But getting the support of a financial adviser could give you the peace of mind that you are well placed to live comfortably after working life ends.

3 Long term care

Quite understandably, few of us want to consider the possibility that we or our partners may at some point have to go into long-term care. But the reality is that people are living longer, many of us will need long-term care and this can be expensive. The challenge for us is to overcome our natural reticence and plan for the possibility of long-term care. Financial advisers can support you in this endeavour, help you understand what long-term care options might be available to you and plan to help you have adequate provisions in place.

Andrew Gabriel
Personal Wealth Adviser

“Financial retirement options have become more complex in recent years, but an adviser can help you find an arrangement that's right for you.”

The scores compared

The over 55s score on par with the national average in all four categories, with a slightly higher overall score of 56/100 compared to 53/100.

Although the scores are still low for the longterm planning aspects, reassuringly the score for planning for retirement, which is fast approaching, has increased from 6/25 to 10/25.

There has also been a huge rise from 3/25 to 9/25 when it comes to planning for the unexpected. Arguably this has never been so important with the COVID-19 pandemic demonstrating just how uncertain the future is for us all.

51% don't know how much money they will need to live comfortably in retirement

48% of over 65s are at least slightly concerned that their pension pot won't last their lifetime

36% of those at retirement age wish they had saved more for their future

How men and women approach finance

Overall score

Women 51/100

Men 55/100

37%

of women aged 65 and over wish that they'd saved more for their future.

Scores:

Getting the basics right:

Women **19/25**

Men **20/25**

Manage my borrowing:

Women **18/25**

Men **19/25**

Protect against the unexpected:

Women **7/25**

Men **8/25**

Plan for the future:

Women **10/25**

Men **10/25**

The financial gender gap persists with women often routinely saving less and amassing smaller pension pots. While it is true to say that things are improving to reduce financial ineqalities between men and women, there is still a lot more to be done.

Key highlights

- Women are saving less and more stressed than men
- Men most likely to see a financial adviser
- Men repay more on loans and credit cards

When it comes to stress levels and money, those approaching retirement emerged as the most relaxed age group.

Just under a third (31%) of over 55s said that their financial situation caused them to feel stressed or overwhelmed. This compares to 70% of 18-34 year-olds and 61% of those aged 35-54.

Short-term finances

Our research indicates that women are consistently on the back foot when it comes to savings and investments as they typically take more time off work to raise children than men which can leave gaps in their earnings.

They may also suffer from the gender pay gap – in other words, being paid less than their male counterparts.

Research[8] from Kings College London shows that working parents, especially mothers, sometimes sacrifice important elements of job quality such as pay and progression to secure other elements, particularly flexibility.

This means many may get 'stuck' in flexible roles with little opportunity for pay rises or promotion. This leads to the fact that levels of savings and retirement provision are much lower among women.

Attitudes

Our study shows that women feel more stressed out by finances than men. Over half (58%) feel stressed or overwhelmed by their financial situation, compared with just 45% of men.

Women revealed that they feel underprepared for their short-term and long-term finances. Just 60% of women feel on top of their day-to-day finances, compared to 65% of men.

And 36% of women feel they're on track to have enough money for future needs, compared with 49% of men.

This translates to a feeling they're missing out with less women than men having confidence that the way they are managing their money means they can enjoy life (51% vs 60%).

When it comes to achieving financial success, women are more likely to place emphasis on having financial freedom to do what they want, owning their dream home and being able to afford luxury holidays as a way to define financial success than men.

Meanwhile more men than women defined success as having the option to retire early, the amount of wealth and having their own business.

Savings compared

Despite savings having risen across the board since 2020 and at a total population level the average UK adult appears to have sufficient savings, certain groups continue to have disproportionately less.

The regular savings habits of women lag that of their male counterparts.

Women have £12,213 in cash savings on average, £5,440 less than men who have stashed away £17,653. Over the past 12 months, women have managed to save £1,290 into an ISA - 43% less than men who saved £ 2,264.

Debt

Women owe smaller amounts on credit cards and loans than men with their monthly repayments at £173 a month compared with £219 for men.

Although more men always pay off their credit card in full each month than women (47% vs 39%).

Pensions gender gap

When considering financial planning for later in life, money matters look increasingly uncertain for women.

Our study shows that men contribute an average of 4.4% of their salary to their pension, compared to women who pay in 3.7%.

But the gap will be wider than the 0.7 percentage point margin here, because men are typically higher earners than woman so are saving bigger proportions of a bigger salary.

The compound effect of earning consistently less, as well as taking time out for things like maternity leave and other caring responsibilities, or working part-time in order to accommodate childcare, means women are far behind male counterparts.

One study claimed that the average 20-year-old woman is on course to have £100,000 less in pension savings than the average man by the time she retires[9].

Our study revealed that women are worried by the prospect of not having enough money on which to retire.

Over half of women aged 65 and over (55%) admitted they were at least slightly concerned that their retirement savings wouldn't last as long as they need them to, compared with just 38% of men.

Workers can qualify for the higher-paying New State Pension if they've paid 35 year's qualifying National Insurance contributions. To qualify for the Basic State Pension you need to have made 10 years' contributions.

8 **www.workingfamilies.org.uk/wp-content/uploads/2021/11/Working-parents-flexibility-and-job-quality-what-are-the-trade-offs.pdf** (Key findings).
9 Scottish Widows Women and Retirement Report 2020 **www.scottishwidows.co.uk/knowledge-centre/gender-pension-gap**

However, women tend to get paid less because they're more likely to work part-time (38%), compared to men (13%). This means they are likely to pay less into a pension and will also build up smaller state pensions[10]. Because of this disparity in working lives, women receive an average pension of £145.87 per week compared with £172.64[11] for men. Figures correct at time of publishing.

Men also appear more prepared for retirement than women. Some 38% of men said they know how much money they will need to live comfortably in retirement compared with 26% of women.

Long-term money management

Women cite having money to spend on friends and family as the top way to increase financial wellbeing (55%). However, men chose having money to spend on themselves as their number one (59%).

When it comes to investing, men emerged as the most interested in responsible investing.

Some 44% said that knowing their money is making a difference to the planet and society would have a positive effect on their financial wellbeing, compared to 38% of women.

More women than men (23% vs 18%) said they would discuss financial problems with their parents. Though like men, women chose to seek advice from their partner for help with any money worries. Some 19% of men would choose a financial adviser compared with 14% of women.

By not engaging with a qualified professional who can offer financial advice on long and short-term planning, men and women – are missing out on the crucial opportunity to potentially maximise their savings for both short and long-term goals.

Though it's women who are likely to lose out more because of the disadvantages faced, that we've detailed above.

[10] House of Commons Library | Women and the Economy | 04 March 2022: Page 4 **www.researchbriefings.files.parliament.uk/documents/SN06838/SN06838.pdf**
[11] **www.ftadviser.com/pensions/2022/03/11/pension-gap-glaring-but-change-is-underway-ifa-states**

This probably won't come as a surprise, but when it comes to money, women may face more challenges and tend to struggle more than men. Katie Nutting, Personal Wealth Adviser, offers some tips to help women aim to take control of their finances.

Katie Nutting, Personal Wealth Adviser

1

Talk about finances with your partner (if applicable)

As a society we are presented with the idea that women don't need to make financial decisions or understand financial planning, while many women are the primary carer of children. Unsurprisingly, then, many women lack in confidence in money matters. A good way to address this is for women to discuss their financial situation with their partner, if they are in a relationship. It is also beneficial for women to accompany their partners to meetings with financial advisers, so they more fully understand their financial situation.

2

Save for retirement: don't rely on your partner's pension

The average pension pot for women, at £51,000, is much smaller than that for men, at £157,000. Working women can counter this gender gap by increasing their pension contributions. They can also check out if their employer will increase their pension contribution rates if the employee pays in more. Moreover, a woman's partner can also make pension contributions on their behalf, although this is limited to £3,600 a year if the woman is not undertaking paid work.

3

Have an emergency fund

We could probably all benefit from setting money aside for emergencies. This can help us cope with troubling situations we may all sadly face, such as redundancy. But women are more likely to work part time or take time off paid employment to bring up children. This can make them particularly vulnerable if they face a relationship break-up, when they may have a lack of ready funds. Building an emergency fund can provide a financial cushion at an emotionally challenging time.

Katie Nutting
Personal Wealth Adviser

"Women often continue to face financial inequalities, but can partly redress this by gaining a greater understanding of their finances. Having financial awareness can help to empower women to take control of their money matters."

Scores compared to last report

In 2020, 54% of women told us that they often feel stressed or overwelmed by their financial situation. This has increased to 58% this year.

There are many factors that may have atrributed to this rise in money worries in the last two years, yet women are still reluctant to turn to a financial adviser for advice at just 14%.

30% of women compared to 48% of men are sure that they're on track to reach their pension goals

58% of women regularly or occasionally feel stressed about their finances compared to 45% of men

30% of women feel like they're in a position to pass on their wealth to their family compared to 43% of men

Wellbeing and the wealthy

1,000 people with over £50,000 in investable assets were included in our survey.

Key highlights

Wealthier investors with an adviser on hand feel more in control

The majority are on track for retirement

Having a financial plan in place is a high priority

SCHRODERS PERSONAL WEALTH **MONEY AND MIND REPORT**

Investors with over £50,000 in investable assets are less likely to feel stressed by their finances, with 27% feeling at least occasionally stressed or overwhelmed. This compares to 52% of UK adults in the wider population.

An impressive 86% of investors feel on top of their finances, compared to 62% of the general population. Part of this could be attributed to the fact they are more likely to have a financial adviser. Over a third (34%) of those with over £50,000 invested are currently using an adviser, versus 8% of the general population.

Savings

On average investors have put away £6,379 into an ISA in the past 12 months, compared with just £1,766 for the rest of the nation. The average cash savings balance for this group is £100,904 compared with £14,851 for the wider population.

Automating savings could be one route to squirreling more money away. Some 47% of those £50,000 of investments use a standing order to regularly save, compared to a third (33%) of the general population.

In line with the national average, in this category of wealthy investors men have more money saved than women. Men have an average balance of £103,450 compared to woman who have savings worth £96,173 – a difference of £7,277.

Investments

Knowing their investments were being looked after to bring peace of mind was cited by 17% of the general population. For those with over £50,000 in investable assets this figure more than doubled to 42%.

When it comes to how money is invested, wealthier people emerged as slightly more interested in using their savings to support social and environmental change.

Some 43% said that knowing their money is making a difference to the planet and society would have a positive effect on their financial wellbeing, compared to 41% of investors overall.

Out of the general population, men are more interested than women (44% vs 38%). But for those wealthier investors it's the women who are more taken with investing for the good of the planet and people (46% vs 42%).

Retirement plans

Investors are far more prepared for retirement than others. While 39% of those with a pension are on track to reach their retirement goals, this rises to three quarters (75%) among those with over £50,000 in investable assets.

They are also twice as clued up than the wider population when it comes to knowing how much they will need in retirement to live comfortably. Some 66% of investors said they know exactly how much they will need compared to a national average 33%.

Early retirement carries more value for investors with 58% considering it a key element for financial success compared with 54% for the national average.

Money worries

Those with higher levels of wealth are not exempt from concerns about finances.

Some 30% of investors are worried about their variability of income month on month, only slightly less than the 39% for the wider population.

Three quarters of investors (85%) define financial success as having the freedom to do what they want without worrying, in line with the broader population (79%).

Having a financial plan in place is a high priority for 31% compared with 27% for the wider population.

The value of financial advice

There's a clear pattern of this group of investors feeling more in control of their money, more prepared for the longer term and retirement, with an overall greater sense of wellbeing.

Much of this could be attributed to having a financial adviser working with them. As we have highlighted above, some 34% of those with over £50,000 invested are currently using an adviser, versus 8% of the general population.

Those with over £50,000 are more than twice as likely to use an adviser to address financial concerns than the general population (38% vs 16%).

The value of financial advice is not always easy to quantify. One study illustrates how taking financial advice could help wealth grow at a faster pace[12]. Receiving professional financial advice between 2001 and 2006 resulted in a total boost to wealth (in pensions and financial assets) of an impressive £47,706 in 2014/16.

The value of investments and the income from them can fall as well as rise and the investor may not get back the initial investment.

Past performance is not a reliable indicator of future results. The value of investments and the income from them can fall as well as rise and are not guaranteed.

Pensions are a long-term investment. 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.

[12] **www.ilcuk.org.uk/wp-content/uploads/2019/11/ILC-What-its-worth-Revisiting-the-value-of-financial-advice.pdf**

Financial health and the impact of COVID-19

Two years after the emergence of COVID-19, the relaxing of restrictions offers real hope that we're over the very worst of the pandemic. This period presented some serious financial challenges for many households:

- **A quarter managed to save more during the pandemic**
- **Majority say financial priorities have not been impacted**
- **COVID-19 means a quarter of people more likely to create a financial plan**

Despite the many hardships suffered, our study showed that many people's finances were rather resilient.

When asked about the impact, three quarters of people (74%) say they haven't needed to change anything related to their money matters to support themselves or their family members throughout the pandemic.

While the COVID-19 pandemic has not changed financial priorities for the majority (64%) of people, on average, many admit they are now more focused on finances. Some 18% say they are more focused on day-to-day budgeting as well as on monthly household bills.

For the 18-34 age group, this rises to 25%, then gradually tapering for older age groups – 20% of 34-55s and just 12% of over 55s.

More than a third of people (36%) admitted that the pandemic resulted in improved finances.

This included a quarter (25%) who said that the Covid-19 situation allowed them to save more money.

Others claimed they started investing for the first time (4%) and made investments that grew during the pandemic (4%). Others revealed that they had more time on their hands to make money (4%).

Improving financial security has become more important for 15% overall – though highest among 18-34s at 24%. Almost 10% say they are now more concerned with making long-term financial plans, rising to 14% for the youngest age group in the survey.

A quarter (24%) of people also said that COVID-19 has made them more likely to create a financial plan. A long-term view marks a positive step towards financial goals of building wealth and hopefully creating a more stable future.

Despite all the positive sentiment, there are those that have needed a helping hand with finances. Overall, 15% needed to draw money from savings, rising to 21% for 18-34-year-olds, 15% for 34-54 and just 10% for over 55s.

Just 6% say that they have taken up government support packages and schemes. This figure rises to 11% for the 18-34 age group, 7% for those aged 34-54 and just 3% of over 55s.

On average just 3% have needed to call on investments or draw on pension pots to help.

Improving financial wellbeing

An improvement in financial wellbeing could be activated by a positive change in behaviour.

Schroders Personal Wealth recommends the following six steps for aiming to improve financial wellbeing throughout 2022 and beyond:

Be prepared

We believe having a financial plan is deemed as an essential ingredient for increasing financial wellbeing. Having a plan in place was listed as one of the top five most important ways to get peace of mind about money, in our research.

A clear financial plan can give you a clear path to work towards and may result in a stronger sense of financial stability. And when life changes – as it does – your plan can easily be reviewed and updated to reflect those changes.

It pays to talk

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 people make better financial decisions. Worryingly, just one in five (20%) consumers said they would keep financial concerns to themselves and not discuss problems with anyone.

Once you have awareness of your financial position you should be able to identify any areas where you feel like change is needed and who you may need to seek support and guidance from.

Speak to a professional

Before taking any major decisions it could be a good idea to consider getting financial advice. Only 16% of UK consumers would talk to a financial adviser if they had money worries.

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

Know the value of advice

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

A study[13] shows taking financial advice can help your wealth grow at a faster pace. It claimed that receiving professional financial advice resulted in a total boost to wealth (in pensions and financial assets) of £47,706.

Go holistic

Financial planning is not just about what to do about your pensions or just looking at investments. Your adviser will look at the bigger picture which means looking at the needs of you and your family now and in the future.

It might even include some intergenerational wealth planning – which could potentially reduce your tax bill.

Bespoke wellbeing

Making sure you have ticked the boxes of having a rainy-day savings account, a pension plan and wider investments isn't necessarily enough. Identifying the things that could bring you happiness and putting a plan in place aiming to achieve them should be the end goal.

Creating a truly tailormade financial plan could bring peace of mind that all elements of providing a stable future for your family have been addressed including tax planning and savings for children.

Tax treatment depends on individual circumstances and may be subject to change in the future.

The value of investments and the income from them can fall as well as rise and the investor may not get back the initial investment.

Past performance is not a reliable indicator of future results. The value of investments and the income from them can fall as well as rise and are not guaranteed.

[13] **www.ilcuk.org.uk/wp-content/uploads/2019/11/ILC-What-its-worth-Revisiting-the-value-of-financial-advice.pdf**

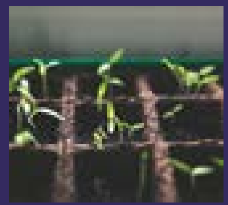
About us

Backed by 400 years' experience

We're a financial planning business backed by Schroders and Lloyds Banking Group, created to help more people across the UK benefit from financial advice. Our aim is to help you build a better financial future.

400 years of heritage

We're built for the future, but through our parent companies we bring 400 years of experience.



£14.2bn+

In funds under our management (as at 30 March 2022).

11 regional hubs

Regional hubs across the United Kingdom so that your adviser is local to you.

270+

Advisers located around the UK.

We want to create a society where everyone sees the value of a great financial plan

With our clear, simple, transparent, and unbundled pricing on all services and products, we hope to make financial advice more affordable and accessible for all.

We have 11 regional hubs across the country, bringing our advisers and support teams closer to our clients so financial information can be accessed when they want it – and they can communicate with an adviser when it's convenient for them.

Together we'll unlock the power of financial planning. After all, your dream is only a plan away.

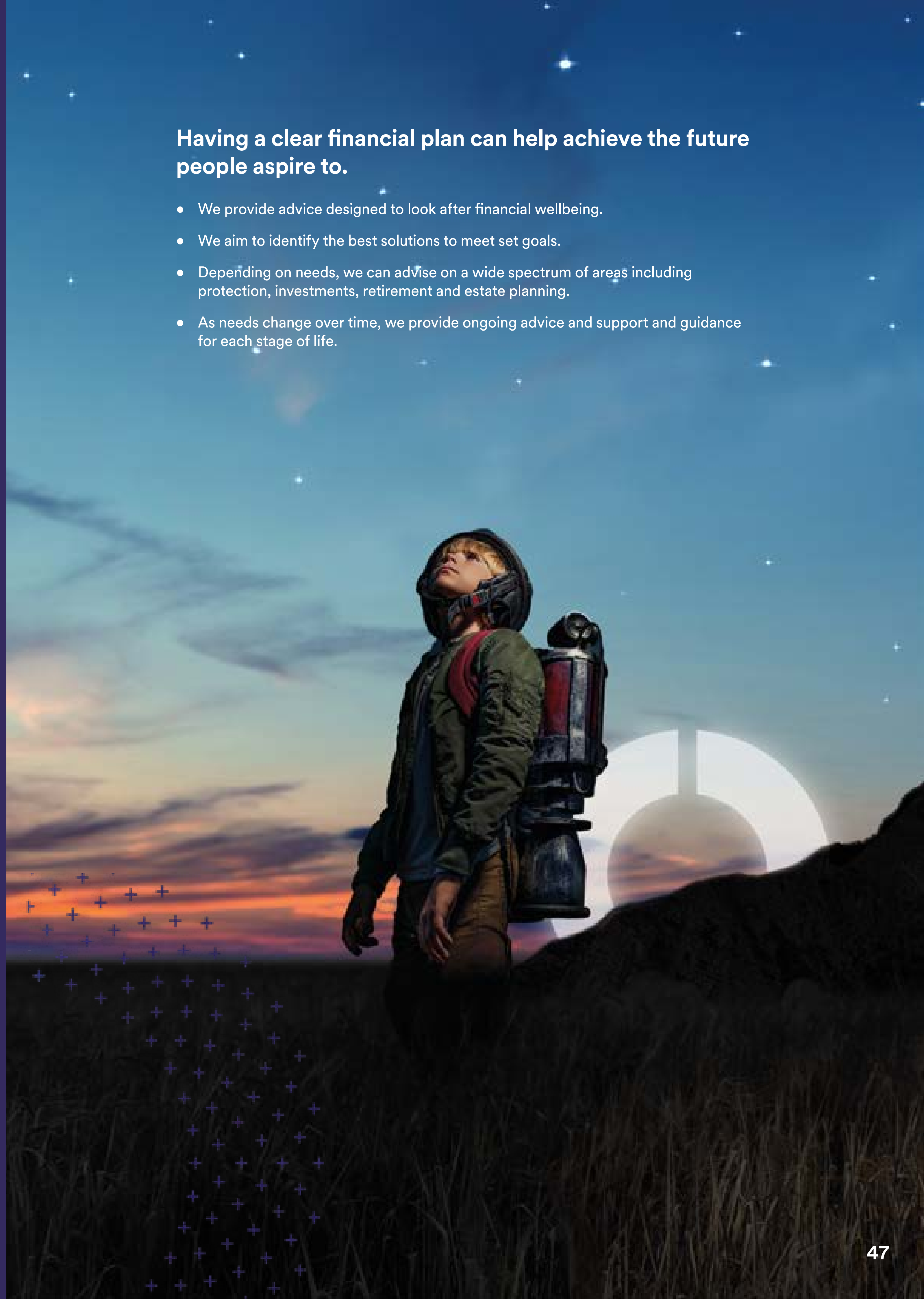
What we do

Investing for the financial future

Family protection

Planning for retirement and managing retirement income

Passing on wealth



Having a clear financial plan can help achieve the future people aspire to.

- We provide advice designed to look after financial wellbeing.
- We aim to identify the best solutions to meet set goals.
- Depending on needs, we can advise on a wide spectrum of areas including protection, investments, retirement and estate planning.
- As needs change over time, we provide ongoing advice and support and guidance for each stage of life.

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Please go to **spw.com**
or call us on **0345 366 2725**

Please contact your Personal Wealth Adviser if you'd like this information in an alternative format such as Braille, large print or audio.

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