

## **Debt is the biggest cause of financial stress reveals report from Schroders Personal Wealth**

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Being debt free is the main priority when it comes to achieving financial wellbeing according to a survey from Schroders Personal Wealth (SPW).

The latest Schroders Personal Wealth Money and Mind Report reveals that seven in ten (69%) state that debt is the biggest cause of stress when it came to their finances and that being debt free would help give them peace of mind.

This was followed by having enough money to be able to top up savings levels, with 60% saying that being in a position to save is the second most important thing in terms of achieving peace of mind when it comes to finances.

The report, which surveyed 2,000 UK adults, focuses on financial wellbeing, managing money, the impact of COVID-19 and the other financial issues that keep the nation awake at night.

### **Financial wellbeing 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. However, this period presented some serious financial challenges for many households.

The report shows that 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 compares to 48% in 2020 when we first issued the report.

Despite the many hardships suffered, our report shows that many people's finances were rather resilient during this period. When asked about the impact of COVID-19, 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. In addition, 64% say they have not had to change their financial priorities, and many admit they are now giving more attention to their finances. Some 18% say they are more focused on day-to-day budgeting as well as on monthly household bills.

More than a third of people (36%) say the pandemic resulted in improved finances. This included a quarter (25%) who state the COVID-19 situation allowed them to save more money. Others claim 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.

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.

### **Schroders Personal Wealth Financial Health Score**

Alongside the report, SPW can also reveal the findings of its Financial Health Score. Working in collaboration with behavioural economists from Lloyds Banking Group, SPW has developed a unique scoring system to calculate the financial health of the nation.

The methodology takes into account four crucial areas:

- Getting the basics right
- Managing borrowing
- Protecting against the unexpected
- Planning for the future

Each area carries a maximum score of 25 to give individuals their overall Financial Health Score.

The scores reveal that the majority are on top of the financial basics, which is the day-to-day running of household finances, scoring **19 out of a maximum of 25**. Worryingly, and as reflected in the main survey, people are not on top of their debt, scoring **18 out of 25** (down from 24 out of 25 in 2020).

The scores continue to fall when it comes to financial planning, however there are improvements from 2020. For protecting against the unexpected the nation scored **7 out of 25** (compared to 3 out of 25 in 2020) and for planning for the future it was only slightly higher at just **9 out of 25** (compared to 5 out of 25 in 2020). This gives the nation an **overall score of 53 out of 100**, this is up from 52 out of 100 in 2020.

### **Commenting on the survey and the financial health scores, Leigh Dunkley, Financial Wellbeing lead at Schroders Personal Wealth said:**

*“Our Money and Mind report reveals that 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 there being a slight increase in the overall financial health score, over half (52%) of UK adults admit to feeling regularly or occasionally stressed or overwhelmed due to their financial situation.*

*This conflict between sentiment and scores underlines the need for a greater understanding of financial planning. It's concerning that people aren't doing enough to protect against the unexpected and plan for the future. A lack of planning means people might think they are on track with their finances but could be leaving themselves exposed to financial shocks and unable to do anything about this.*

*We believe more needs to be done to support people when it comes to planning for the future. We are passionate about helping families and individuals to engage with their finances and encourage them to have regular, open and more informed conversations about their personal circumstances. We firmly believe this will help improve their wellbeing."*

## ENDS

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### **Notes to Editors**

Schroders Personal Wealth is a joint venture between Lloyds Banking Group and Schroders – two of the UK's largest names in banking and asset management.

We were created to help more people across the UK benefit from financial advice. We have the advantage of solid foundations and a strong heritage. But we take a fresh, transparent and personal approach to financial planning.

We aim to provide clients with clarity and transparency in everything we do. This includes using technology to explain how long-term financial planning can add value to peoples' lives; to give people access to information about their financial wellbeing, and to communicate with their adviser when it's convenient for the client. Our heritage may be 400 years old, but our approach is built for the future.

For more information visit <https://www.spw.com>

### **About the survey**

This data set contains responses from 2,000 UK Adults (18+). The data has been weighted to be nationally representative of the UK population. Data collection was conducted between 23<sup>rd</sup> to 28<sup>th</sup> February 2022.

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