Money and Mind Report

Improving the UK's financial health and wellbeing.

Schroders personalwealth

SCHRODERS PERSONAL WEALTH **MONEY AND MIND REPORT**

Contents

Foreword

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

This is our first year of tracking the UK's financial wellbeing, which is an increasingly important element of life.

For us, 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.

We believe that financial wellbeing cannot be looked at in isolation. Having a good level of financial wellbeing and feeling confident about your finances underpins all the other elements of wellbeing -they go hand in hand.

The focus on raising awareness of mental health and general wellbeing has been increasingly apparent over the last couple of years. Like us, many businesses are placing mental health at the top of their wellbeing agendas.

The findings of our report get to the heart of what is important to the nation and shows the financial issues that keep them awake at night.

We can also reveal, for the first time, the Schroders Personal Wealth Financial Health Score. Developed in collaboration with behavioural economists from Lloyds

Banking Group and Warwick Business School, 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.

Our belief is that by understanding these factors underpinning financial wellbeing better, the financial services industry can help clients improve their financial affairs by delivering relevant support at the right time.

The Money and Mind Report tells us that even with the countless challenges brought on by the Covid-19 pandemic, overall the average

UK adult believes they are in a relatively stable position when it comes to paying bills and saving money.

This doesn't equate to good financial wellbeing, however, with around half of UK adults confessing their finances bring on feelings of being stressed or overwhelmed.

The results of Schroders Personal Wealth's Financial Health Score lay bare a contradiction between people feeling confident about their finances and the reality, which is that their finances are not in a great state of health.

Worryingly, this is almost solely down to the fact people are failing to plan for the future and put in place protection against the unexpected.

This report sets a challenge to the financial services industry and the Government to get individuals planning more carefully for their futures.

More needs to be done to encourage stronger engagement with long-term financial planning. We firmly believe this will improve wellbeing.

With such a turbulent year so far – and it's likely there is more to come – there's no doubt there are challenging times ahead.

The ever-present pension savings gap threatens what should be a comfortable and secure retirement and this is made even more urgent by the current economic outlook in the UK.

Ensuring consumers are engaged, seeking support from companies and charities and having open and informed conversations about their finances is crucial.

Financial wellbeing is something everyone can aim to achieve. Whether you engage with your finances on your own or seek support from a professional, we believe that the underlying process is the same. Understanding what's important to you and your current situation is the cornerstone for creating a financial plan.

It centres on you spending and giving money in alignment with your values and what makes you happy. Money can help with this but it isn't everything.

David Thomas
Head of Business Development
Schroders Personal Wealth

SCHRODERS PERSONAL WEALTH **MONEY AND MIND REPORT**

Introduction

Financial wellbeing - an overview

SCHRODERS PERSONAL WEALTH **MONEY AND MIND REPORT**

Overall score
52/100

Schroders Personal Wealth's Financial Health Score: 52/100

Schroders Personal Wealth has developed a unique scoring system, in a collaboration with Lloyds Banking Group and Warwick Business School, to calculate the individual financial health of the nation.

Scores:

Getting the basics right:

20 / 25

Manage my borrowing:

24 / 25

Protect against the unexpected:

3 / 25

Plan for the future:

5 / 25

he methodology has been developed using Lloyds' customer data to identify 20 observable metrics that have been statistically linked to individuals feeling confident in their financial futures.

The methodology takes into account four crucial areas: getting the basics right, managing borrowing, protecting against the unexpected and planning for the future, based on each customer's unique financial circumstances.

The aim is to identify where people need help and support them in improving their financial wellbeing.

The methodology is based on data associated with 10 million customers. We then augmented this with our own primary research to give insights on trends across the UK.

For the first time we can reveal that the nation's financial health score has been calculated as 52 out of 100.

The number has been totalled from four separate scores with 25 as a maximum as shown in the graphic on the left hand side.

The scores reveal that the majority are on top of financial basics, which is the day-today running of household finances, scoring 20 out of a maximum of 25. They are also on top of any debt they have accrued, being awarded an impressive 24 out of 25.

But worryingly the scores plummet when it comes to financial planning. For protecting against the unexpected the nation scored just 3 out of 25 and for planning for the future it was only slightly higher at just 5 out of 25.

Our research shows that whilst 75% of people state they are highly confident when it comes to their finances a number are falling short with their actions around financial health. The chart opposite shows that many are still getting things wrong and fall below the average financial health score. For example as the top left hand box shows 26% of the nation score below average, yet say they are highly confident when it comes to their finances. This is concerning and highlights the need for individuals to understand their finances and plan more carefully for their future.

26%
High financial confidence / below average financial health

43%
High financial confidence / above average financial health

25%
Low financial confidence / below average financial health

6%
Low financial confidence / above average financial health

SCHRODERS PERSONAL WEALTH **MONEY AND MIND REPORT**

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

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

Our findings reveal that financial wellbeing and success are not defined by high levels of wealth or material things.

For the majority, they are associated with enjoying the company of friends and family and being free of money worries.

In line with this 77% of UK adults define financial success as having the financial freedom to do what they want without worrying.

While in general we have found that most people feel like they are coping well with their money matters, stress and finances are closely linked with half (48%) of UK adults feeling regularly or occasionally stressed or overwhelmed due to their financial situation.

Debt is likely to be the biggest cause of financial stress with two thirds of UK adults saying that being debt free would give them peace of mind over their finances.

It's clear to see a conflict between how people feel about their money matters and the true state of their finances.

With the biggest downfall being a lack of long-term planning and protection for the unexpected, individuals are leaving themselves worryingly exposed to financial shocks.

A secure financial future is essential for the very best in financial wellbeing.

The top three ways to achieve financial peace of mind are:

65%
Being debt free

58%
Being in a position to be able to save

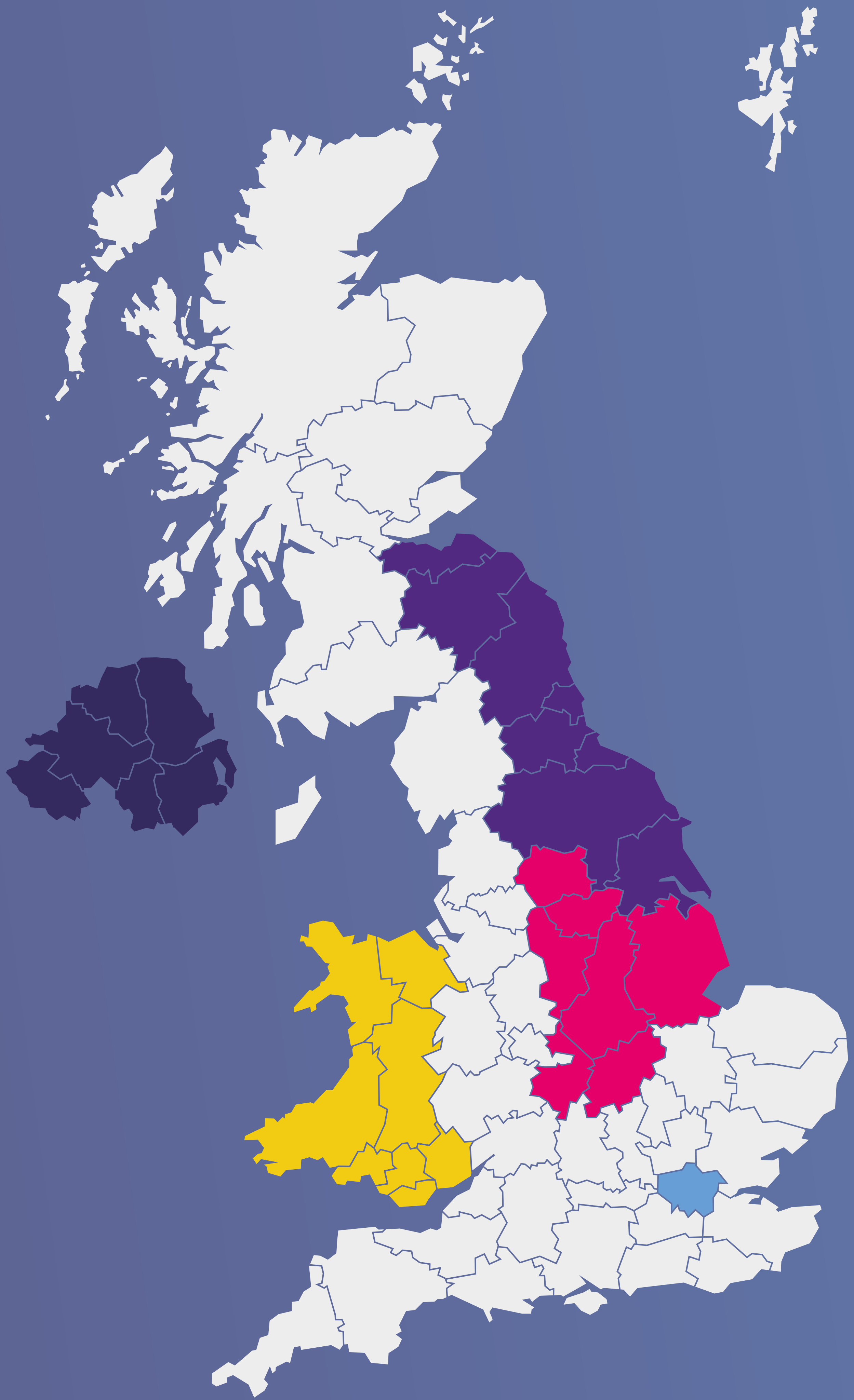
43%
Making sure my family has enough money if anything happened to me

SCHRODERS PERSONAL WEALTH **MONEY AND MIND REPORT**

The top three ways to achieve financial peace of mind are:

Regions (/100)

North West	54
Yorkshire & Humberside	53
Northern Ireland	53
East Midlands	53
South East	52
South West	52
West Midlands	51
Wales	51
East of England	51
Scotland	51
North East	50
London	48



Financial wellbeing across the regions

North East

20%

Those who live in the North East feel less on top of their day-to-day finances than any other region at 20% - compared with a national average of 13%.

Northern Ireland **12%**

People in Northern Ireland, the South East and North East were the least likely to get in touch with a financial adviser at 12%. The East Midlands are the most likely to seek help from a financial adviser with 21% saying the would get in touch about their money worries.

Wales **23%**

Wales is where the highest number of people - almost a quarter (23%) - say they are not managing their money in a way that they can enjoy life, compared with a national average of 12%. The region that is most confident itis managing its money well is the North West at 63% compared to an overall average of 58%.

East Midlands **65%**

The East Midlands are the most concerned about the variability of their income from month to month with 65% of residents worried, compared to a national average of 41%.

London **55%**

London is the region where people let their money worries get on top of them. Some 55% admit they feel stressed or overwhelmed by their financial situation, followed closely by 52% of those who live in the West Midlands. This compares with the national average of 48%.

Financial health and theimpact of Covid-19

Key highlights

Stress levels are high for nearly half of adults worried about money

Yet Covid-19 has not impacted the majority of UK adults' finances

Pensions and investments remain intact

SCHRODERS PERSONAL WEALTH **MONEY AND MIND REPORT**

The majority of 2020 has presented financial challenges in some way to most, and it's taking its toll. Stress and finances are closely linked with half (48%) of UK adults feeling regularly or occasionally stressed or overwhelmed due to their financial situation.

With the UK now firmly in recession it's perhaps no surprise to learn that 41% of workers are concerned about the variability of their income from month to month.

These feelings could have long-term effects on their career with over a quarter (27%) admitting that money worries impact their performance at work.

The effects of the pandemic

Despite how people are feeling, the financial state of the nation appears to be resilient with 71% saying they haven't needed to change anything related to their money matters to support themselves or their family members throughout the pandemic.

Unsurprisingly this differs greatly among the age groups with the over 55s in the most stable position (84%) compared to 67% for the 35-54 age group and 59% for 18-34-year-olds.

While there has been much hardship reported over the last few months, the majority of households are managing to pay bills on time.

However, whilst the majority are showing resilience, we can still see some signs of stress with 25% saying they have missed a bill payment.

Overall just 16% have been forced to draw money from savings to help tide them over during any challenges that the impact of Covid has presented.

This could be down to the Government's furlough scheme which protected many employed workers through the difficult period of lockdown. The selfemployed also had help through the Self-employment Income Support Scheme.

However, in the coming months as support schemes are withdrawn and the full economic effects of the pandemic are felt, individuals may have to turn to savings to see them through tough times.

When it comes to financial priorities, the majority of UK adults say they have not altered them with 60% of people saying the pandemic hasn't changed their focus. Again it's the over 55s that are in the most stable position with more than three quarters (77%) standing firm with their money priorities.

Overall 19% said they were now more focused on day to day spending and paying bills, 19% said financial security was a higher priority since Covid-19, and 13% are now making plans for their financial future.

Since the pandemic hit, the over 55s have resisted raiding their pensions with only 1% needing to take money out of their pension or investments.

This is in line with the latest official figures which show pension withdrawals were at a record low during the second quarter of 2020 at £6,700. This marks an 18% fall from the £8,200 released during the same period in 2019[1].

While investors are often spooked by a market shock and want to pull their money out of the stock market, sitting tight has proved a smart choice for the average saver.

Overall score
52/100

Scores:

Getting the basics right:
20 / 25

Manage my borrowing:
24 / 25

Protect against the unexpected:
3 / 25

Plan for the future:
5 / 25

[1]https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/904548/Pension_Flexibility_Statistics_July_2020.pdf

While pension funds suffered their worst quarterly performance on record during the first three months of 2020, when the average pension fund lost 15.2%, they recovered during the second quarter.

Overall, the average pension fund returned 13.3% during the last three months to the end of June - its best quarterly performance since 2009.

As a result, they have now recovered much of the ground that they lost, although values still remain 4.4% lower than at the start of the year[2].

Our study showed that three quarters of people (73%) said Covid-19 had not shifted their confidence to manage their own money. Yet some 16% admitted their confidence had taken a blow.

This confidence will serve them well with our financial futures being at the mercy of the economic recovery, Government policy on taxation, the housing market, as well as employment levels.

The scores compared

The survey results suggest people have coped well, financially, so far in 2020. But the score

reveals they are in an extremely vulnerable position by not planning for the future.

25%

say they have missed a bill payment

16%

admitted their confidence had taken a blow

48%

Stress and finances are closely linked with half of UK adults feeling regularly or occasionally stressed or overwhelmed due to their financial situation

[2] https://moneyfacts.co.uk/news/retirement/pension-funds-see-signs-of-recovery/

Ask the expert

Amelia is a 38 year old surveyor from London. As a result of lockdown she has been able to cut out commuting costs, had a holiday refunded and generally been spending a lot less. She now has a lot of her savings in cash. She doesn't know much about investing but is worried about doing so whilst the UK is in recession. What should she be looking to do with her extra money?

Richard Chalker, Personal Wealth Adviser, Schroders Personal Wealth (London), says:

"It all depends on what plans you have for this money. If you plan to spend it all in the next five years on home improvements, a new car or holidays then it's best left in a savings account.

However, if you plan to hang on to this money as a nest egg or as part of yourretirement planning, then there are lots of options.

They could include paying down debts (assuming you have any), topping up your retirement provision and or investing it for the future. Being in recession is a worry for all, but eventually we will come out of it and markets will recover. This means that money invested now can take advantage of this recovery as long as you are prepared to leave your money invested for the long term (we would typically suggest this is at least five years)."Wealth Planner in 2019. He has a thorough knowledge of Wealth Management as a Chartered Financial Planner and achieved a MSc in Financial Planning and Business Management to provide personal clients with investments, protection, retirement and inheritance tax planning solutions.

Gen Z, Millennials and money management

Overall score
48/100

Scores:

Getting the basics right:
18 / 25

Manage my borrowing:
23 / 25

Protect against the unexpected:
2 / 25

Plan for the future:
5 / 25

Key highlights

Lowest levels of feeling in control

Uncertainty is main driver to improve finances

Financial health score is under the overall average

Only 13% would speak to a financial adviser

[1]https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/904548/Pension_Flexibility_Statistics_July_2020.pdf

Stress levels about money matters are the highest in the youngest generations.

Some 48% confessed they regularly or occasionally experience stress over their financial situation. This rose to 61% for the 18-34-year-olds.

Feeling in control of a situation can bring peace of mind. Yet the 18-34-year-olds say they are the least on top of their finances at 55% compared to 58% for 35-54-year-olds and 76% of the over 55s.

Worryingly, Generation Z and Millennials feel that their financial wellbeing is affecting their ability to do their job, more so than other age groups.

Around a quarter (27%) of UK consumers say that financial worries affect their performance at work, with this rising to over a third (36%) among 18-34-year-olds.

Nearly half (46%) of those under 35, who have felt financial stress, say that having a financial plan would improve their financial wellbeing, but only 13% said they would speak to a financial adviser about any financial concerns.

Most in this age group admitted they were most likely to turn to a partner (43%), parents (42%) or friends (25%) for advice.

However, the current economic uncertainty has driven 24% of 18-34 year olds to become more focused on making a plan for their financial future.

Some 27% are now more focused on day to day spending and 28% are concentrating on improving their financial security.

Making a savings plan, however, is unknown territory for 14% who admit they don't know how to get started.

Savings struggles

Unsurprisingly, Gen Z and Millennials have struggled the most when it comes to increasing their savings pots over the last 12 months. They have managed to increase their nest egg by £59 per month on average, compared with £63 for the 34-54 age group and £106 for the over 55s.

Nearly half (49%) of respondents admitted that over the last year they did not always have enough savings to cover three months of essential spending. This rises to 62% for the 18-34-year-olds.

It's also the group that have had to call on savings more than any other generation over the past few months.

Nearly a quarter (23%) of 18-34-year-olds had to draw money from rainy day accounts to support themselves and / or family. For 35-54-years old the figure is much lower at 17% and just 9% for the over 55s.

While the wide majority of UK adults are in control of their outgoings with 69% saying they've never missed paying a bill, the younger generations are less likely to be on top of their monthly commitments. Some 29% of 18-34s reported that they have missed a bill compared to just 15% of over 55s.

Overall score

52/100

Scores:

Getting the basics right:

20 / 25

Manage my borrowing:

24 / 25

Protect against the unexpected:

3 / 25

Plan for the future:

5 / 25

Broadly speaking, payday lenders are not commonly used by the general population. Just 1% of UK adults say they use a payday lender often with 7% saying they use one sometimes.

Yet younger generations are more likely to be using a payday lender with 18-34s being 90% more likely to use one than the rest of the nation (17% vs 9%).

Helping hand through Covid

Younger generations have relied on state support more than any other age group. The 18-34-year-olds are four times as likely to have taken government support than those over 55 (12% vs 3%).

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 the least in control of all the age groups.

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 inexperienced with money matters.

They are in line with the rest of the nation, however, in their score of 5 out of 25 for planning for the future.

24%

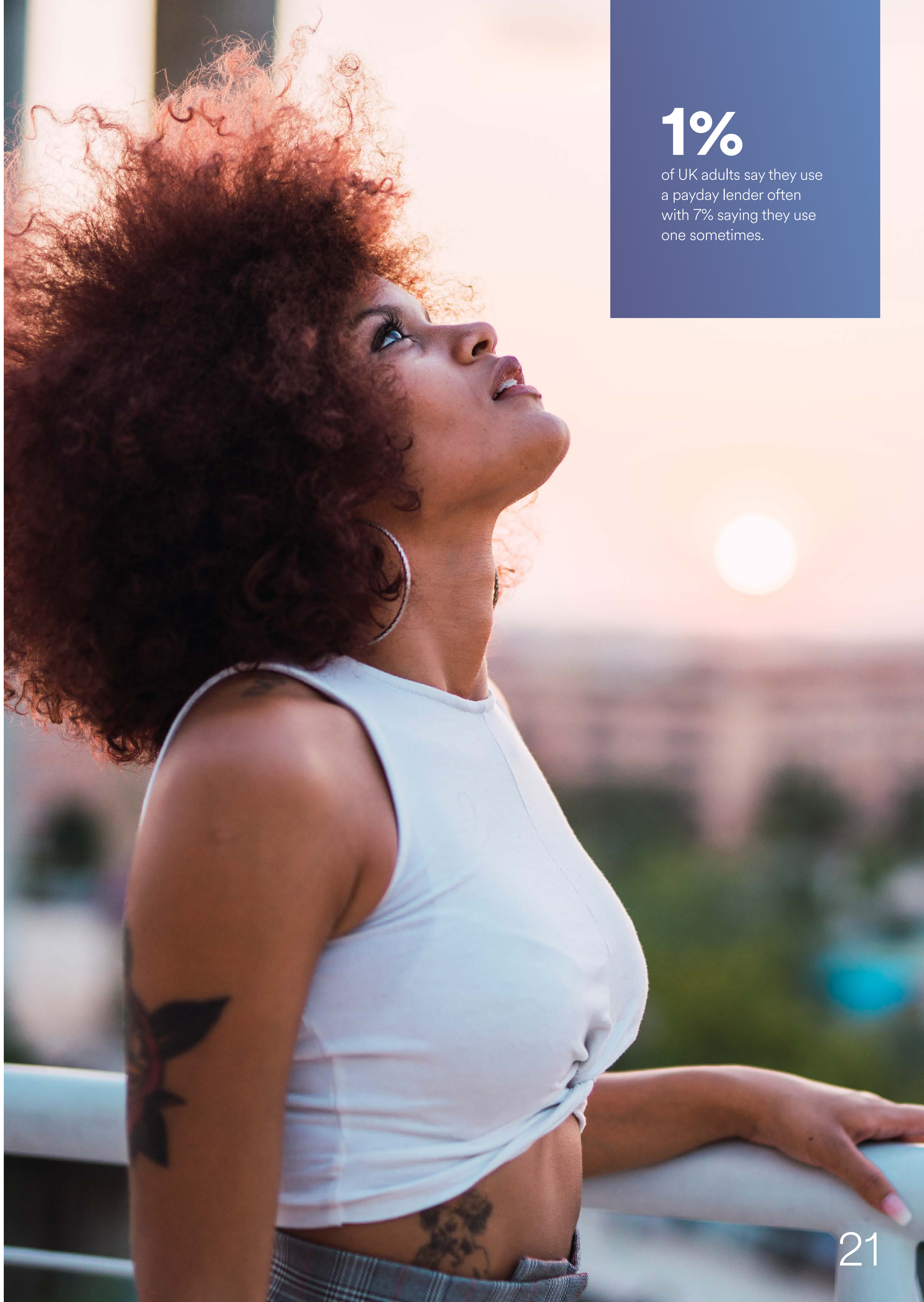
have become more focused on making a plan for their financial future

27%

are now more focused on day to day spending

36%

say financial worries have affected their performance at work



1%

of UK adults say they use a payday lender often with 7% saying they use one sometimes.

Case Study

Why I wanted to speak to a financial adviser

Alexandra Butterworth, a 19 year old Economics student at Warwick University, explains why she decided to speak to a financial adviser.

"After finishing my A-Levels I took a gap year and spent 12 months working before taking up my place at Warwick University. I was very lucky to be living at home during this time and thanks to a pretty frugal lifestyle I managed to save a significant amount of money.

Working as an intern at an asset management company made me feel more aware of my financial situation.

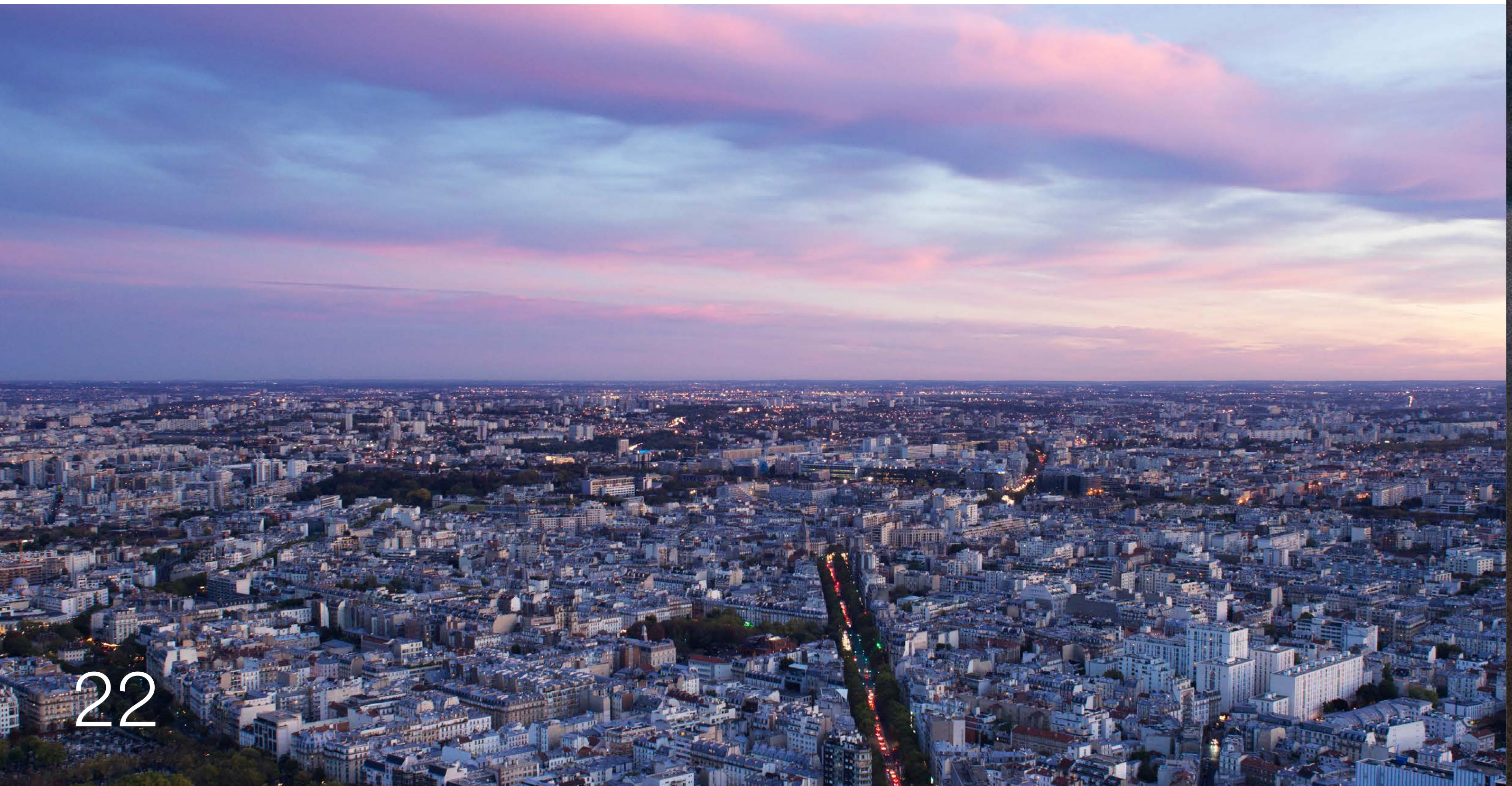
Having just left college I had no idea about saving or investing but I knew that I wanted to see my hard earned gains grow. One of my ambitions is to be financially independent and be able to buy a house on my own.

Despite working in the investment industry I was still confused by the number of financial products and what I should do with my money to reach my goal of becoming financially independent. I made the decision to book an appointment with a financial adviser at my local bank to get some expert advice.

The financial adviser started off by asking me what my financial goals were and suggested we took a minimum five year outlook to fit in with these. He explained the different products I could look to invest in and didn't try to push me into one particular product.

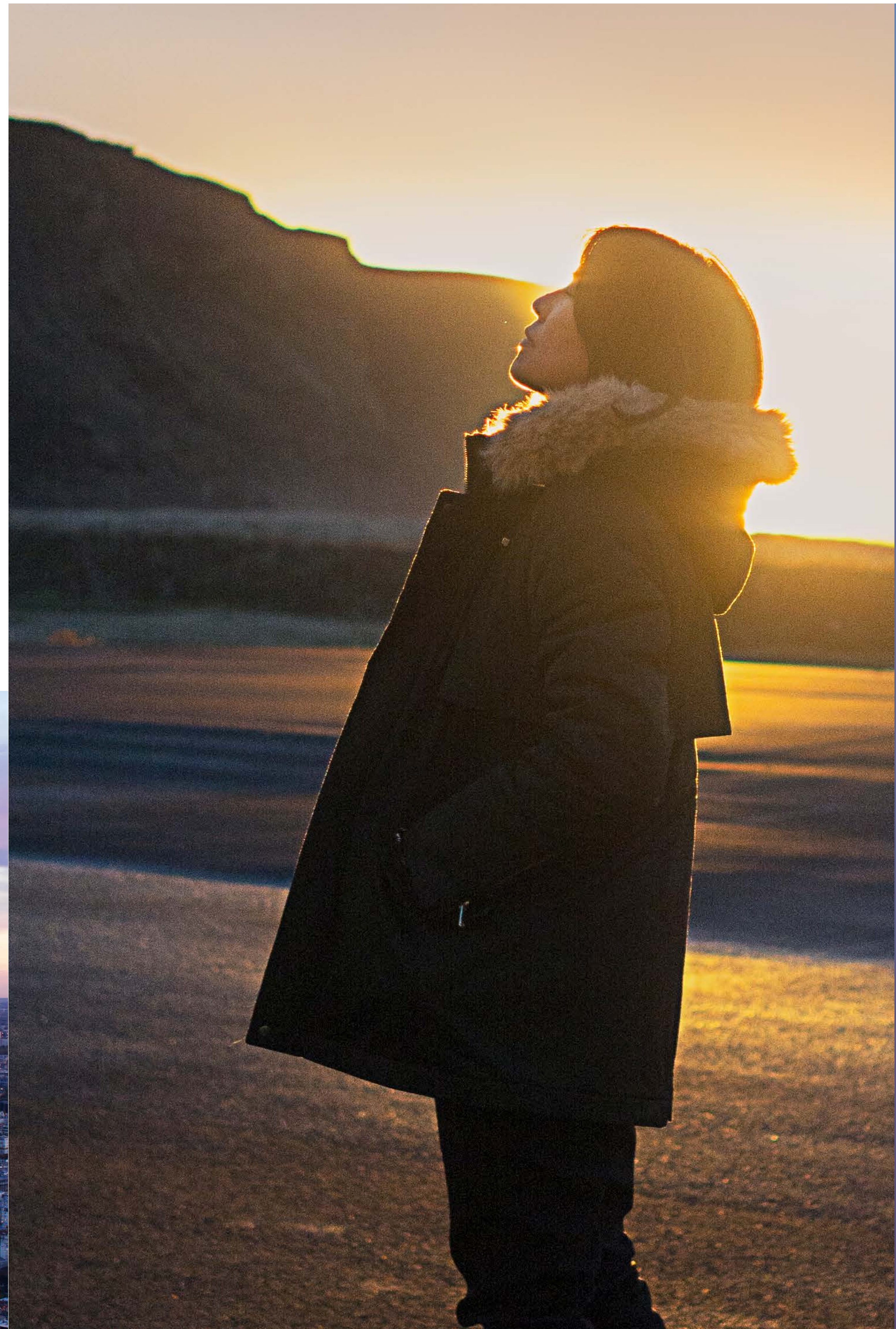
The financial adviser also took me through the onboarding and paperwork process and explained the breakdown of fees in a way that was easy to understand.

I would definitely encourage others who are a similar age to me to start thinking about their finances or seek expert help. I'm a bit nervous about investing my money in the current climate but I know its for the best over the longer term and am excited to see my money grow."Anna is a Personal Wealth Adviser at Schroders Personal Wealth covering the London area. She has over 15 years' experience in the financial services industry. Anna became a Private Banking Manager in 2010, a Private Banking and Advice Manager in 2014 and took up the role of Personal Wealth Adviser in 2019. She has a thorough understanding of Wealth Management and is qualified to provide personal customers with investments, protection, retirement and inheritance tax planning solutions.



The mid-life crunch

Overall score
51/100



Scores:

Getting the basics right:
19 / 25

Manage my borrowing:
25 / 25

Protect against the unexpected:
3 / 25

Plan for the future:
5 / 25

Key highlights

Least confident in being on track for the future

Lowest levels of savings in the last 12 months

Most want to retire early

Overall score
51/100

Confidence in being on track to have enough money for the future is the lowest in the age group 35-54. Just 37% say they are on course, compared with a 47% average.

Stress levels about money matters are high in this group with 59% admitting they regularly or occasionally experience stress over their financial situation.

Mid-lifers have the most pressure on finances, perhaps with a number of dependants to pay for. They are the least likely to save their disposable income with just 56% saying they would stash away money left over after essentials were paid for, compared to a 62% overall average.

They are the most likely to spend it on family with over a third (35%) saying this is where their money goes.

Indeed, this age group have saved the least of all age groups in their ISAs over the past 12 months. The 35-54s saved £1,179 compared to £1,242 in the case of the 18-34s and £2,117 for the over 55s.

The main barrier is not earning enough to save more than they do (36%) – perhaps as a result of having a

higher level of outgoings to look after their family.

The mid-lifers attached more significance than the other age groups to having too much debt to pay off to save any more (16% against a 11% national average) and that their outgoings are too high (25% compared to an overall national average of 18%).

Mid-lifers have the least confidence in being able to say that the way they are managing their money means they can enjoy life at 51% compared to 54% of 18-34s and 67% of over 55s.

Yet they were also the group that attached the most significance to having money to spend on experiences with friends and family as a way of combatting financial stress (53% compared to a 51% national average).

What mid-lifers want Mid-lifers attach the most importance to retiring early when it comes to financial success (57%) compared with 35% of 18-34-year-old and 54% of the over 55s.

When revealing what might give them peace of mind, being debt free (61%) and being in a position to save (54%) came top, in line with other age groups. Midlifers were more interested than others in being able to save for retirement at 51% compared with 35% of Gen Z and Millennials and 30% of over 55s.

Despite the focus on retirement, having investments looked after was a priority for just 14% of mid-lifers.

16%

report the main barriers to saving were too much debt to pay off (against an 11% national average)...

25%

...and that their outgoings are too high (compared to an overall national average of 18%)

37%

say they are on track to have enough money in the future

The scores compared

Mid-lifers score in line with the national average in three of the four categories.

They lag by just 1 point when it comes to getting the basics right. So while they display a lack of confidence and have the lowest levels of savings, their score tells us they are keeping up with the rest of the nation.

Arguably it is this group which has the most urgent need to address future planning needs sooner rather than later.

Ask the expert

Peter is a 50 year old accountant from Bristol, until now he has had a healthy pension pot and was looking to retire in the next 5-10 years. Unfortunately the value of his pension has dropped significantly since the crash in March. Should he be worried about the hole in his savings?

Richard Allan, Personal Wealth Planner, Schroders Personal Wealth (South West), says:

"There have been a number of stock market downturns over the years which have affected the values of pensions.

It's understandable you feel a drop in the value of your savings is cause for concern.

But we would expect 5-10 years to be enough time for it to recover, though there are no guarantees. Now could be a good time to consider reviewing the investments within your pension to check they still match your attitude to investment risk."

SCHRODERS PERSONAL WEALTH **MONEY AND MIND REPORT**

Preparing for retirement – the over 55s

Overall score

57/100

Scores:

Getting the basics right:

21 / 25

Manage my borrowing:

24 / 25

Protect against the unexpected:

3 / 25

Plan for the future:

6 / 25

Key highlights

The over 55s crave financial freedom

Worrying numbers are not on track for retirement

Financial health score shows older people are better protected – but still lacking

Being in a position to put money aside each month is the route to achieving 4wwall-important peace of mind for the majority of UK adults approaching retirement (59%).

Yet the goal of financial freedom, rather than the level of wealth, is closest to their hearts, with 89% of over 55s defining financial success as having the freedom to do what they want without worrying, compared to a national average of 77%.

Those approaching retirement voiced a strong confidence in their current financial situation with 84% claiming they haven't needed to change anything due to Covid-19, compared to a national average of 71%.

This might be a sign of false hope, as the Covid-19 pandemic has already forced many to shelve plans, perhaps through loss of income or suffering a hit to the value of their pension in the stock market crash[3].

With final salary pensions becoming a distant memory and the fact we are all living longer, we need a robust retirement plan.

On average, retired couples need £17,000 a year to cover household essentials such as food, utilities, transport and housing costs. This rises to £25,000 when allowing more for leisure activities and £40,000 when including long-haul trips and health club memberships[4].

Pensions savings gap

The pensions savings gap is often attributed to individuals failing to engage and not prioritising providing for their financial futures.

Yet our findings show a gap in the knowledge of savers who don't know how much they will need in retirement.

The cost of living in retirement is a complete mystery for the majority of the UK with 63% admitting they don't know how much money they will need to live comfortably when they quit the workforce.

This only drops to 43% for the over 55s who admitted they were uncertain about how much they would need.

However, this drops significantly to 24% among those who have a financial adviser, indicating that increased financial support can provide better guidance to those who are uncertain about retirement planning.

Setting the right goal will help enormously in securing a comfortable retirement – and ensuring people do not run out of money.

Managing cash flow during retirement is crucial to ensure pension savings last as long as they're needed whether that be for paying the bills, a new car, helping family members or long-term care costs.

Pension targets

Our study showed that 76% of over 55s feel on top of day-to-day finances (against a national average of 64%) - but it's a different story when it comes to retirement.

Some 41% of over 55s with a pension say they are either not on course to meet their retirement goals or they don't know if they are, compared with a national average of 60%.

Failing to have a financial plan in place is likely to be a key contributor here, as such a plan would set goals and targets which would be revisited regularly to ensure everything remains on track.

There's a suggestion that those approaching retirement are worried about levels of borrowing, as being 'debtfree' would give peace of mind to more over 55s than any other age group. Some 76% said this was what would help be worry-free compared to a national average of 65%.

Intergenerational wealth

The over 55s are the most concerned with making sure family has enough money if anything happened to them.

Over the next 30 years, an estimated £5.5 trillion is due to be passed between generations in the UK[5].

Yet much of this transferring of wealth will be done without professional advice.

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

Pensions are 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 reduce IHT liabilities to ensure wealth goes to family – and not towards paying tax bills that could have been avoided.

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

With mounting education costs, house prices, furloughs and now redundancies, 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.

[3] https://www.legalandgeneralgroup.com/media-centre/press-releases/15-million-people-plan-to-delay-retirement-because-of-covid-19/
[4] https://press.which.co.uk/whichpressreleases/spending-by-retirees-falls-in-response-to-coronavirus-crisis-which-reveals/
[5] Passing on the Pounds report, Kings Court Trust, 2017 https://www.kctrust.co.uk/partners/inheritance-economy

17%

of over 55s were the group most likely to speak to a financial adviser about money concerns.

19%

of over 55s still in the workforce say the support their employer provides is good, compared to a national average of 30%.

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

Those retiring in 2020 own property worth more than £142.5 billion with an average of £388,900 each[6].

Collectively, the over-65s have more than £1 trillion pounds worth of unmortgaged housing equity[7].

Meanwhile younger family members are struggling even to get onto the property ladder.

The intergenerational wealth divide means that more and more families are thinking of passing on wealth while they are still alive as well as leaving cash, assets and property to family in their will.

Many choose to release that equity – via equity release - and pass it onto younger family members.

Getting advice on the timing of transferring assets could also help you decide what's best for you and your family.

Our study showed that the over 55s were the group most likely to speak to a financial adviser about money concerns at 17% compared to a national average of 15%.

Retirement planning - support at work

Employees today are less likely to benefit from the peace of mind brought by being a member of a final salary pension with many closed to new members.

While employers can support workers with their financial planning, it seems confidence in work-based financial support is low – especially among those closest to retirement. Only 19% of over 55s still in the workforce say the support their employer provides is good, compared to a national average of 30%. And just 33% say their employer offers a good retirement plan, compared to a national average of 40%.

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

[6] Key "Retirement Class of 2020" research, January 2020
[7] Key "Retirement Class of 2020" research, January 2020

SCHRODERS PERSONAL WEALTH **MONEY AND MIND REPORT**

Overall score

51/100

Providing a wider range of support and education to employees could plug this important gap in helping understand retirement options.

Deciding what to do with a pension pot at retirement can be daunting with more options than ever thanks to the pension freedoms, which allow savers access to every penny of their retirement savings. It's important to consider managing the tax paid and crucially, to make savings last as long they're needed.

76%

of over 55s feel o n top of their day-to-day finances

41%

of over 55s with a pension are not on track to meet retirement goals

17%

of over 55s are more likely to speak to an adviser, (17%)compared to national average

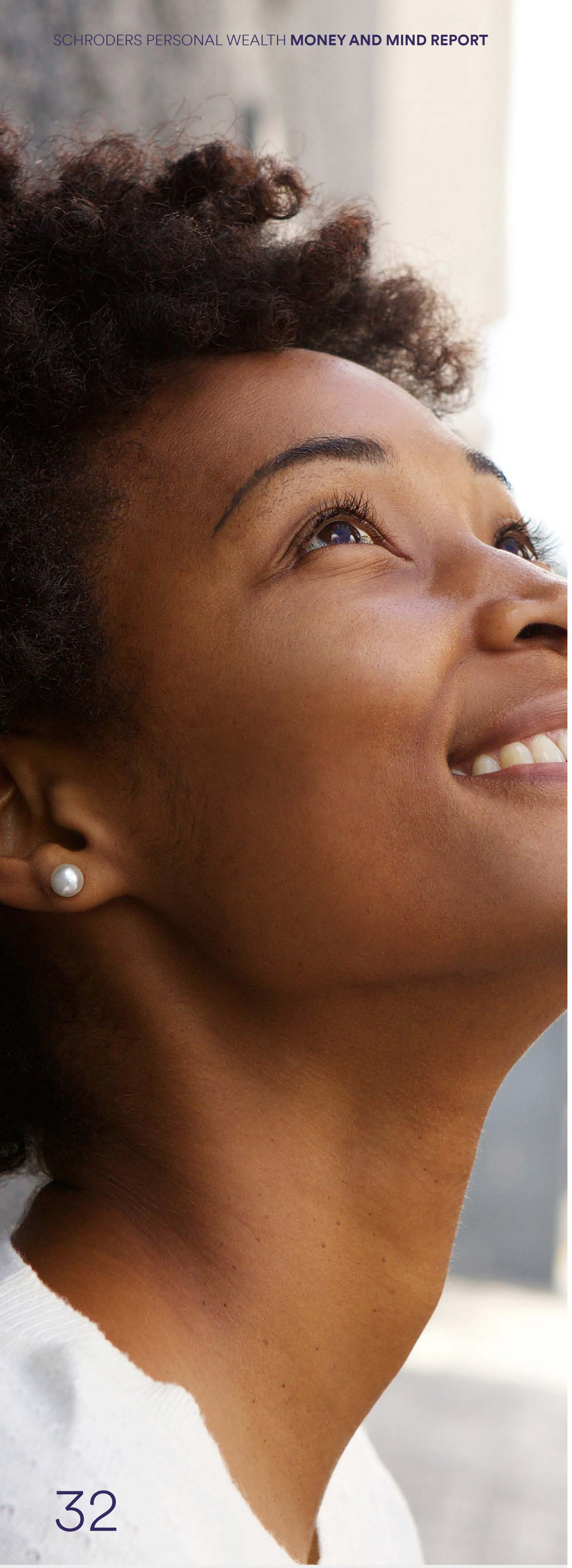
The scores compared

The over 55s achieve higher scores in three out of the four categories, indicating this group is the most in control of all the age groups.

Yet the scores are still low for the long-term planning aspects which shows there is still a worrying gap in their planning for retirement, which is fast approaching.

In most cases people know what they need to do – save more. But the scores reveal that there is a dramatic gap in what people need to do, and what they're actually doing.

Preparing for retirement – and the tax-efficient passing on of wealth - has arguably never been as important, as the nation prepares for a rocky ride ahead with the recession and the Covid-19 pandemic creating a very uncertain future for all.



Ask the expert

Tony and Olivia's granddaughter, **Sophie**, is looking to buy her first property. Unfortunately her parents aren't in a place to help her with this. Tony and Olivia are in a good financial position and were wondering what they can do to help Sophie get onto the property ladder.

Richard Allan, Personal Wealth Planner, Schroders Personal Wealth (South West), says:

It's understandable you feel a drop in the value of your savings is cause for concern.

"The simplest way for you to help Sophie is for you to gift her some money to help her buy her first property. Before making any decisions on how best to help your grandaughter, it would be advisable to have a review of your own personal finances. A financial adviser who can use long term cash flow modelling can help ensure that any gift that you give her doesn't impact on your immediate and future financial wellbeing. You also may want to consider the impact that this has when considering all your assets.

Your financial adviser can talk to you about the impact of this when considering areas of financial planning such as inheritance tax."

How men and women approach finance

Overall score
Women
51/100
Men
52/100

Scores:

Getting the basics right:

Women **20 / 25**
Men **19 / 25**

Manage my borrowing:

Women **24 / 25**
Men **24 / 25**

Protect against the unexpected:

Women **3 / 25**
Men **4 / 25**

Plan for the future:

Women **5 / 25**
Men **6/ 25**

Key highlights

Financial health scores for men and women are largely equal

Men say they are more on top of their finances and retirement planning

Women feel more stressed by their finances

The gender gap in finances has been a talking point for many years, with women lagging behind men in their levels of saving and retirement provision.

Part of this can be attributed to more women taking time off work to raise children and because they typically earn less than their male counterparts.

However, women are now more likely to go back to work after having children with dual-earner households now the norm in the UK.

The latest figures show that in three quarters (76%) of couple families with one child, both parents work[8].

But this hasn't resulted in women feeling more in control of finances.

Our study shows that women let money worries turn to stress more so than their male counterparts.

Over half (54%) of women feel stressed or overwhelmed by their financial situation, compared with just 41% of men.

And only 58% of women feel on top of their day-to-day finances, compared to 70% of men.

When it comes to achieving financial success, men are more likely to consider 'amount of wealth' as an important measure of financial success than women

(41% vs 34%), whereas for women, having the financial freedom to do what they want without worrying was more of a priority for women (80% vs 74%).

Women are more likely to consider owning their dream home an important factor than men are (41% vs 33%)

When it came to improving financial wellbeing amongst those who have financial stress, having enough money to spend on experiences with friends and family was more of a priority for women than men (55% vs 45%).

Peace of mind for men and women was attainable from the same sources – being debt free, being in a position to save and making sure family were looked after. However more women at 64% were concerned with being in a position to save compared to 53% of men.

Savings compared

Regular savings habits are far more prominent with men who have squirreled away more money than women.

As a result, only a third of women (34%) are happy with their level of savings – compared with 43% of men.

For many years the gender pay gap has prevented many women from saving as much as they would like.

This gap could be to blame for savings levels being lower, as more women report that earnings prevent them from putting more money aside (37% vs 29%). More women also cite that their outgoings are too high (20% vs 15%).

Failing to save enough could mean women lose the opportunity to maximise their future financial wellbeing.

34%
only a third of women are happy with their level of davings.
vs 43% of men

64%
of womwn were concerned with being in a position to save
vs 53% of men

54%
Over half of women feel stressed or overwelmed by their financial situation
vs 41% of men

Numbers are rounded to 0 decimal places.

[8] https://www.workingfamilies.org.uk/wp-content/uploads/2019/02/BH_MFI_Report_2019_Full-Report_Final.pdf

A focus on
Retirement

50%

Women in their late 50s currently have around 50% less pension savings than men.

48%

Women were less concerned than men with being able to retire early to demonstrate financial success.

vs 51% of men

Money management

Retirement in focus

The differences in approach to saving for retirement by men and woman have long been debated. The amount of money women put aside for later years typically lags the amount men have saved. This has led to the so-called pensions gender gap where women start retirement with less to live on than their male counterparts.

Women in their late 50s currently have around 50% less pension savings than men.

Part of this could be attributed to a lack of engagement, which harks back to the traditional roles of men taking the lead in long term finances.

Our study revealed that men are much more engaged with retirement plans than women, with 45% of

men on track to meet their pension goals compared to 35% of women. Further, some 41% of men said they knew how much money they needed to live comfortably when they quit the workforce, compared to 32% of women.

However, a driver behind the divergence in saving patterns between the sexes is working patterns. Women are far more likely than men to stop working, or work part-time, to look after children or care for other family members.

In 2018, 1.81 million (around 9%) of working age women were classed as 'economically inactive' because they were looking after family or the home, compared to 223,000 men[9].

Our study showed that men listed getting their pension sorted as more of a priority than women when it comes to things that will give them peace of mind (22% vs 18%).

Women were less concerned than men with being able to retire early to demonstrate financial success (48% vs 51%).

Over the longer term, not making pension provisions and failing to get up to speed on retirement plans will make life difficult when they stop working.

The good news is that as women take up a greater proportion of the work force and changes to policy such as auto enrolement take affect, the gap in pension savings is likely to decline.

Money management

Women are much more focused on the day to day finance management, rather than longer-term strategies such as retirement – as we have just explored.

Following Covid-19, day-to-day spending and household bills are the top area of focus for women (21%) where men have mostly been concerned with improving financial security (18%).

Women are much more likely to go to their parents for financial advice than men (23% vs 18%) though in line with male counterparts, chose talking to a partner as their first port of call. Some 17% of men would choose a financial adviser compared with 14% of women.

By not engaging with financial advice, women – and men – are missing out on the crucial opportunity to maximise their savings for both short and long-term goals.

[9] https://www.pensionspolicyinstitute.org.uk/media/3185/20190604-the-gender-pensions-gap-can-it-be-closedpub.pdf

The scores compared

Men and women scored similarly in all four areas, meaning the overall totals were close with women at 51 and men, 52. Men lagged behind women very slightly on managing the basics, scoring 19 out of 25 and woman nudging ahead at 20. Both sexes scored 24 out of 25 for managing their debts. While the scores were low across the board for longer term financial planning, men were slightly ahead with 4 out of 25 for protecting against the unexpected compared to 3 for women, and 6 out of 25 for planning for the future compared with 5 for women.

So while men are far more confident in the survey than women, their overall financial wellbeing is largely the same. This overconfidence in men could leave them dangerously exposed to a financial shock in the future.

Ask the expert

Helen is 50 years old and has recently inherited some money. Her husband has always taken care of their investments but she has decided she would like to invest this herself but doesn't know where she should look to start?

Richard Chalker, Personal Wealth Adviser, Schroders Personal Wealth (London), says:

"First, you need to consider whether your inheritance

has already been subject to inheritance tax or if it could create an inheritance tax issue for your family? If you don't know the answer to this, an adviser can help. You should then consider whether you have any plans to spend any of your inheritance for example on moving home, home improvements, new car, booking a dream holiday or helping out your family.

Once you have decided what plans you have for your inheritance and what you would like it to do for you, an adviser can suggest a number of suitable options. These could include making gifts to the family either as direct gifts or using a trust as well as considering a tax efficient investment in your own name or within a trust whilst retaining potential access to your inheritance."

SCHRODERS PERSONAL WEALTH **MONEY AND MIND REPORT**

Improving financial wellbeing

The Schroders Personal Wealth Money and Mind Report looks in detail for the first time at the finances of UK consumers and explores just how closely connected they are to their own wellbeing.

Our unique scoring system shows how the majority of individuals are very capable when it comes to managing their day-to-day finances as well as debts; this is not the case when it comes to longer term planning. This impacts heavily on their overall financial wellbeing score.

SCHRODERS PERSONAL WEALTH **MONEY AND MIND REPORT**

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

When it comes to enhancing their financial wellbeing, half (51%) of UK adults, who feel stressed over their finances, feel that being able to spend money with family and friends is most important.

Having a financial plan is also deemed as an essential ingredient for increasing financial wellbeing. Over a third

(37%) indicated that having a sense of control and foresight over finances could help boost their wellbeing.

Schroders Personal Wealth recommends the following six steps for consumers to improve their financial wellbeing in 2020 and beyond:

Remember that it pays to talk

Some 16% of consumers said they would keep financial concerns to themselves and not tell anyone. Yet financial wellbeing is ultimately achieved when you feel confident and have a clear understanding of what your financial priorities are. 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.

Plan for the future

The main benefit of financial planning is really peace of mind through a detailed understanding of your finances now and a future plan. When you have a clear financial plan, it gives you a clear path to work towards and you may feel a stronger sense of financial stability.

Seek guidance from a professional

Financial advice can go a long way to provide peace of mind that you are addressing the needs of you and your family. Good financial planning is not just about solving problems. It is about working together with your adviser to help identify their objectives and life goals and then creating a plan for your finances to help you achieve these.

Know the value of advice

Only a quarter (24%) of UK consumers would talk to a financial adviser if they had money worries. Knowledge and understanding are very powerful and following

a financial plan over time should put you in a better financial position and peace of mind. A study shows taking financial advice can help wealth grow at a faster pace. Receiving professional financial advice between 2001 and 2006 resulted in a total boost to wealth (in pensions and financial assets) of £47,706 in 2014/16[10].

Think big picture

Financial wellbeing cannot be looked at in isolation. Having a good level of financial wellbeing and feeling confident about your finances underpins all the other elements - they go hand in hand.

Tailor-make your wellbeing

Understanding what's important to you and your current situation are the cornerstones for creating a financial plan. Identifying the things that will bring you happiness and putting a plan in place to achieve them should be the end goal.

[10] https://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.

£13bn+

In funds under our management (as at 30 November 2019).

Expert analysts

Our 200+ support team brings deep knowledge and analytical capability to our products and investments.

300+

Advisers located around the UK.

Wealth is personal

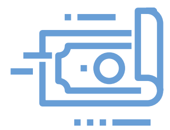
We understand that wealth is personal, so we work with people to build savings, buy a property, fund family events, retire early or leave a nest egg to children or grandchildren, we develop financial plans which reflect their unique outlook on life.

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.

Glossary

The financial world is full of jargon, particularly when it comes to estate planning. The below covers some of the terms you may come across when dealing with:

Long term care:

Home care

This allows someone to live safely in their home, whilst receiving professional support to help with their daily routine.

Intermediate care

A short term service provided by the NHS, usually following hospital discharge, to help someone regain their independence. It can be received in your own home or a care home.

Respite care

Designed to give people a break from caring. This allows the person they care for to be looked after by someone else, either in their home or in a care home.

Care home

Provide accommodation and personal care for people who need extra support in their daily lives.

Wills:

Intestate

Dying without leaving a will in place

Bona vacantia

If you die without a will in place and no known next of kin, your whole estate could pass to the Crown or to the government.

Probate

The legal process of managing and settling someone's estate according to their will.

Executor

A person or persons appointed in the Will to administer the estate.

Beneficiary

A person who benefits from the will

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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.

Calls may be monitored or recorded in case we need 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.