9th edition

LV= Wealth and Wellbeing Monitor

For UK financial adviser use only

Introduction

Welcome to the 9th edition of the LV= Wealth and Wellbeing Monitor

Every quarter we survey 4,000 nationally representative UK adults, tracking changes to their income and outgoings, and exploring a variety of wealth and wellbeing subjects.

This quarter's Wealth and Wellbeing research programme illustrates the ongoing impact of the cost of living crisis. Consumers are continuing to struggle, with many now missing payments on their utility bills or taking on unsecured debt. Increasing bills have seriously impacted many consumers' financial resilience, which we think will lead to a significant increase in the number of consumers in vulnerable circumstances.

We found that over a million workers have cancelled insurance policies due to increased living costs. This leaves consumers even more vulnerable, and we must do all we can to help consumers keep their cover. Over a million workers are also now paying less into their pension. The long term impact of this won't be felt until these consumers near retirement and find they don't have sufficient savings to fund the lifestyle they'd wanted.

Younger people have been particularly impacted by the cost of living crisis, possibly as they haven't built up much savings yet. This is also the first time in their adult lives that they will be experiencing a global financial shock. Conversely, many over 65s seem to be faring better as they are the only age group to have index-linked incomes. Many retirees are giving money to their children and grandchildren to help them pay their living costs and bills. We suggest those in retirement looking to financially help friends and family speak to their financial adviser so that they can do this in the most tax efficient way, and lessen the impact on their retirement income.

Research shows the cost of living crisis is now front of mind for many, overtaking the the Covid-19 pandemic. We found that financial advice, like many other businesses, appears to have returned to the levels of face-to-face contact seen before Covid. Those that had received advice in the past 12 months were more likely to have received advice face-to-face than by any other method.

Much of this advice has centred on ways to manage the increased cost of living. Over two and a half million UK adults spoke to an adviser for advice on dealing with rising living costs. In times like these, we could remind consumers that financial advisers aren't just here to help grow money in the good times, but also to help advise on where best to cut costs when necessary to ensure their clients still achieve their long-term goals.

Clive Bolton, Managing Director,
LV= Protection, Savings and Retirement

Contents

Wealth & Wellbeing Indices

LV= uses indices to track overall changes to spending, saving and finances. The indices are calculated by subtracting the % who stated a negative change over the past 3 months (e.g. decrease/worse) from the % who stated a positive change over the past 3 months (e.g. increase/better) to work out the overall impact. The data behind the indices can be found in the appendix.

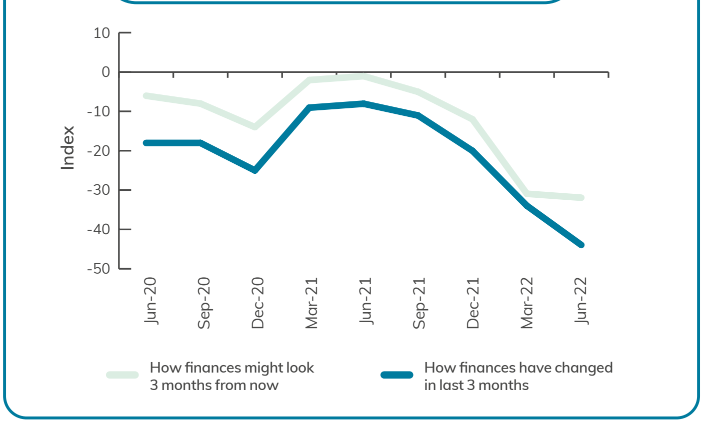
Indices remain negative

This quarter many of the wealth and wellbeing indices are either in a similar place to last quarter, or have worsened further. The current finances index has continued to worsen, as the cost of living crisis continues. The future outlook index continues to be very low. Both indices are worse than any period during the Covid-19 crisis.

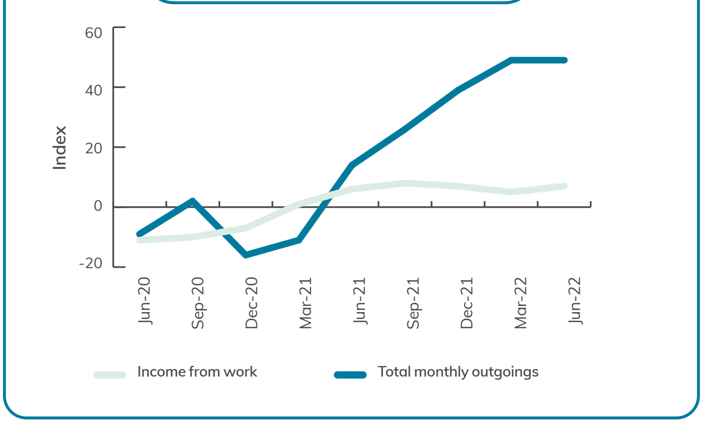
High supermarket spend and household bills have meant that the overall outgoings index remains very high. Incomes remain relatively flat, meaning there is little to offset these increased outgoings.

This quarter the savings index has slightly declined, as has the socialising index, likely due to the need to fund increased daily living costs. Over a quarter of people say they are having fewer days/meals out because of the increase in living costs.

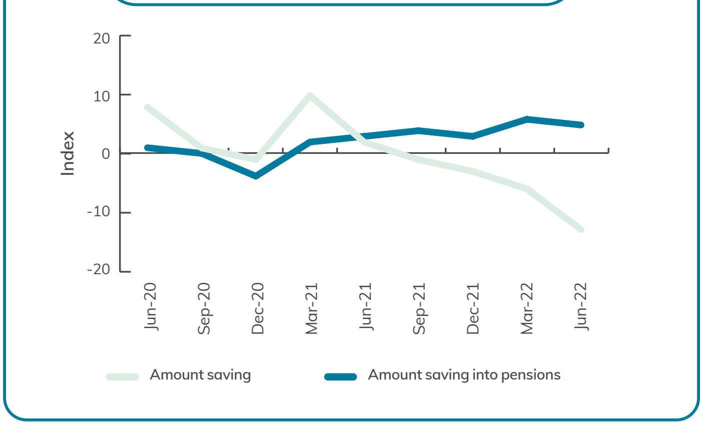
Covid-19 impact & outlook index



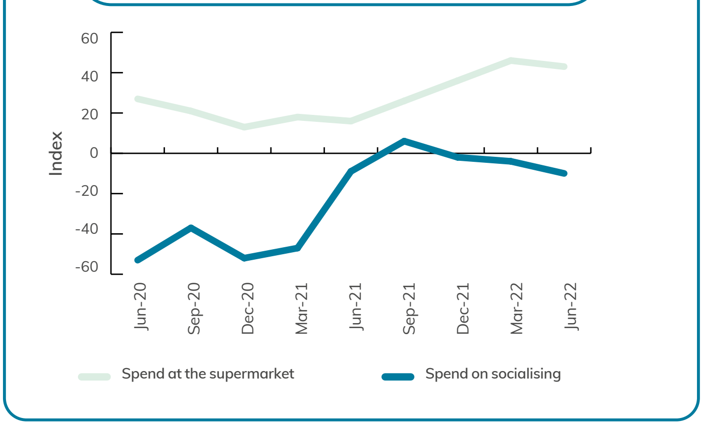
Income & outgoings index



Savings & pension savings index



Supermarket spend & socialising index

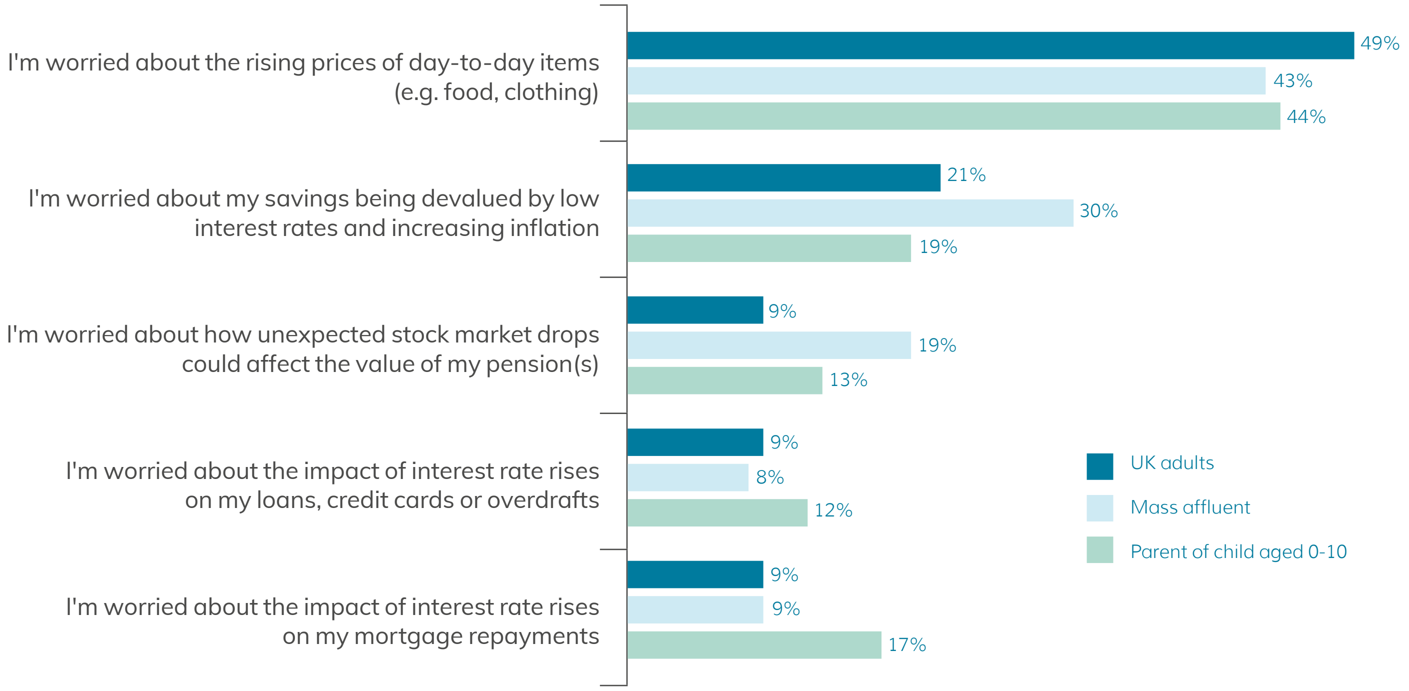


Mass affluent worry about the effect of stock market volatility on their pension

1 in 5 UK adults are worried about their savings being devalued by low interest rates and increasing inflation. This is a particular concern for the mass affluent (those with assets of between £100,000 and £500,000 excluding property) of whom 30% are worried about this. The mass affluent are also twice as worried (compared to all adults) about how unexpected stock market drops could affect the value of their pension(s) (19% vs. 9% of UK adults).

Parents with young children (aged 0-10) are more worried than average about the impact of interest rate rises, in particular their effect on their mortgage repayments (17% vs. 9% of UK adults), loans, credit cards or overdrafts (12% vs. 9% of UK adults). It's understandable that they are worried, since this group is particularly struggling financially at the moment, with many missing payments on their utility bills or taking on high interest unsecured debt (such as payday loans, buy now pay later, or loan sharks).

Which of the following statements would you say represent your current anxieties/worries?



1 in 5 UK adults
are worried about their savings being devalued

The mass affluent are
twice as worried
about unexpected stock market drops

Response to rising costs

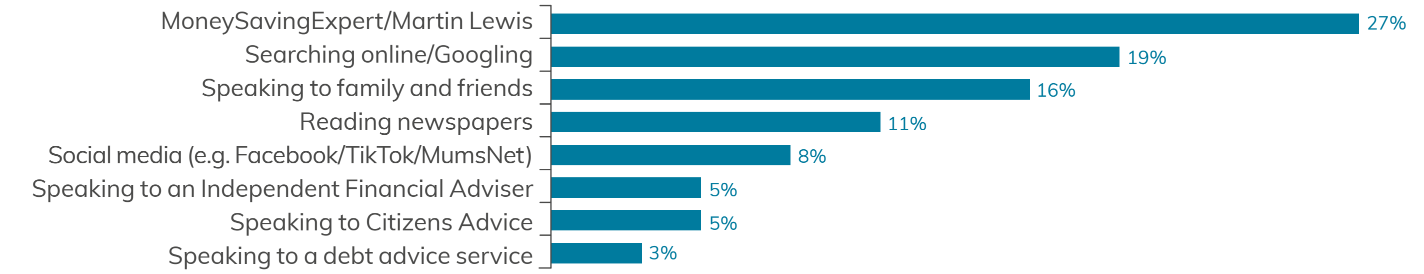
Nearly 27m UK adults sought information on ways to manage the increased cost of living

In this quarter's survey we continued to explore consumers' response to increased living costs. We found that 51% (26.9m) of UK adults have sought advice on ways to manage the increased cost of living.

Money Saving Expert was the most popular source of advice overall – over 1 in 4 (27%/14.3m) have sought advice from there. Many people also searched the internet and spoke to friends for advice. Interestingly, younger people are looking to social media for advice on ways to manage the increased cost of living (18% of those aged 18-34 did so).

Just 5% (2.6m) of UK adults spoke to an adviser for advice on dealing with rising living costs. 9% of the mass affluent and 10% of parents with young children did this.

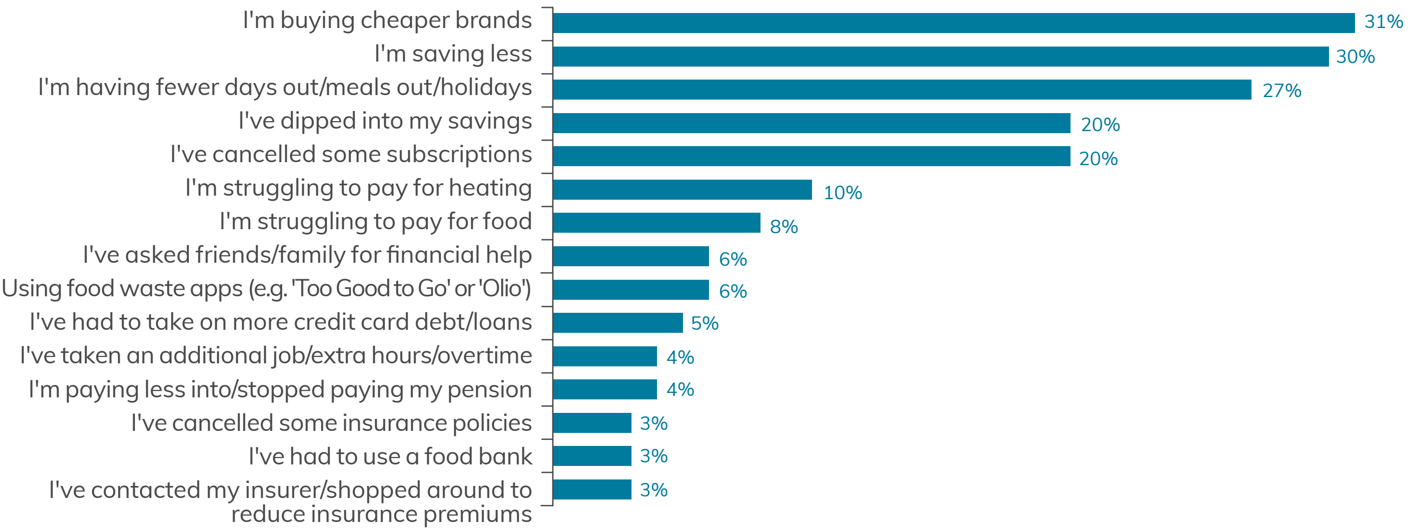
Through which of the following have you sought advice on ways to manage the increased cost of living?



1.5m workers are paying less into their pension in response to increased living costs

We asked how the increase in living costs had impacted people. Some said they were buying cheaper brands, saving less or are having fewer days out.

How has the increase in living costs impacted you personally?



Parents with young children are doing a number of things in response to increased living costs, as this group is particularly financially stretched. 1 in 10 is taking on more debt, and a similar number are asking friends or family for help.

We found that over a million workers (1.1m) have cancelled insurance policies in an effort to cut their outgoings to meet rising costs. This leaves consumers even more vulnerable and we must do all we can to help consumers keep their cover so that they remain protected from financial shocks caused by having an accident, encountering health problems or even in the event of damage to their homes through weather events.

1.5 million workers are also now paying less into their pension. This is a worrying statistic, the impact of which may not be felt until these consumers near retirement and find they don't have a sufficient pension pot to fund the lifestyle they wished for in retirement.

Adviser tips

Clients' cash flows are looking materially different to 6 months ago. Now might be the time that they are looking to reset plans as, in the short term, household finances will get worse. Retired mass affluent clients are most likely to be badly hit as they will see no wage increases come through.

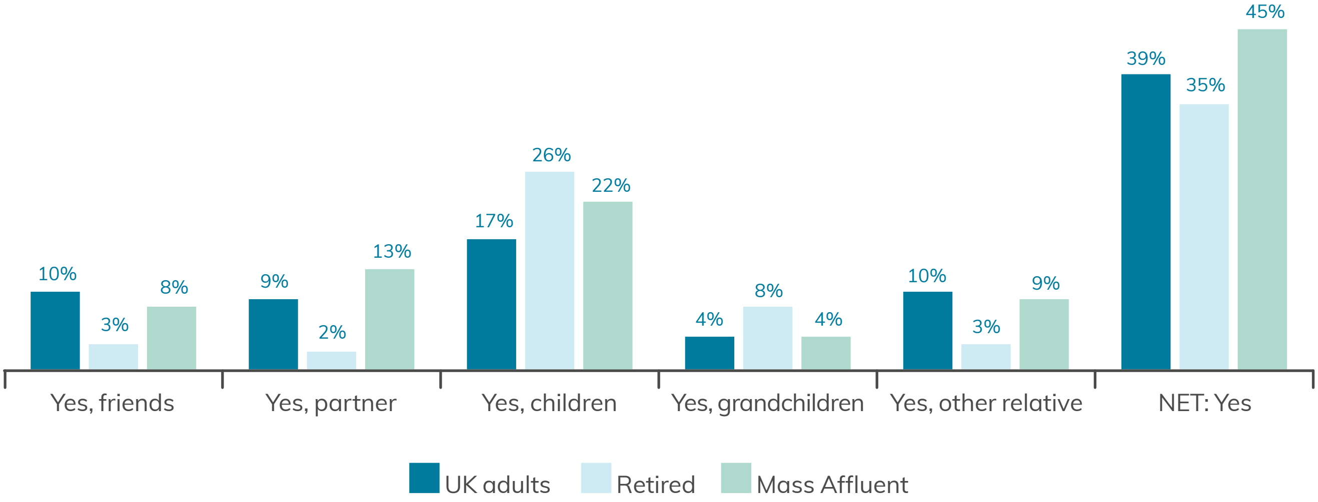
Bank of gran and grandad

Over 4m retirees have helped out friends or family financially in the last 6 months

With so many struggling with the high cost of living, many are turning to friends and relatives for help. We found that 39% (20.7m) of UK adults have financially helped out friends or family in the last 6 months. The mass affluent (those with assets of between £100,000 and £500,000 excluding property) were more likely than average to be helping out friends or family, with 45% doing so.

Many retirees are helping out their family. 35% (4.3m) have helped out friends or family financially in the last 6 months. 26% have helped out their children, and 8% helped grandchildren.

Have you helped out any friends or relatives financially in the last 6 months?

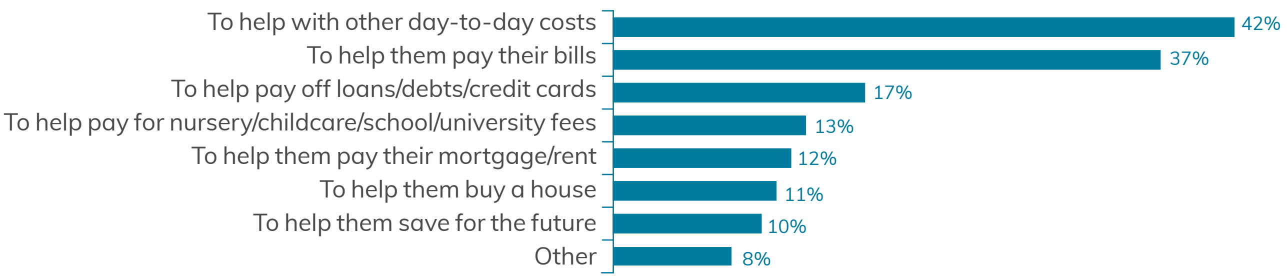


Day-to-day costs and bills were the main reasons for assisting

We asked why they helped out friends or family financially. The main reasons were to help with the cost of living e.g. helping with day-to-day costs (42%) and helping with bills (37%). These same reasons came top for all demographics.

Those helping out grandchildren were not only helping with the cost of living, but some were also helping them to buy a house (24%), helping to pay off debts (22%) and pay for childcare or education fees (23%).

Why have you given money to friends/family in the last 6 months?



Of the retirees that helped out friends and family financially, 51% gave over £1,000 in the last 6 months. We suggest those in retirement looking to help out friends and family financially speak to their financial adviser so that they can do this is the most tax efficient way, and lessen the impact on their retirement income.

Adviser tips

Many people underestimate their own life expectancy, often basing their estimation on the ages parents lived to. This can lead to a risk of overspending in earlier years and running out of money later on. The ONS provide a life expectancy calculator which can be a useful tool to help you frame conversations with clients, and to educate them about making their money last.

Of the retirees that gave money to family/friends

51%

gave over £1000

Consumers in vulnerable circumstances

High cost of living drives increase in vulnerable circumstances

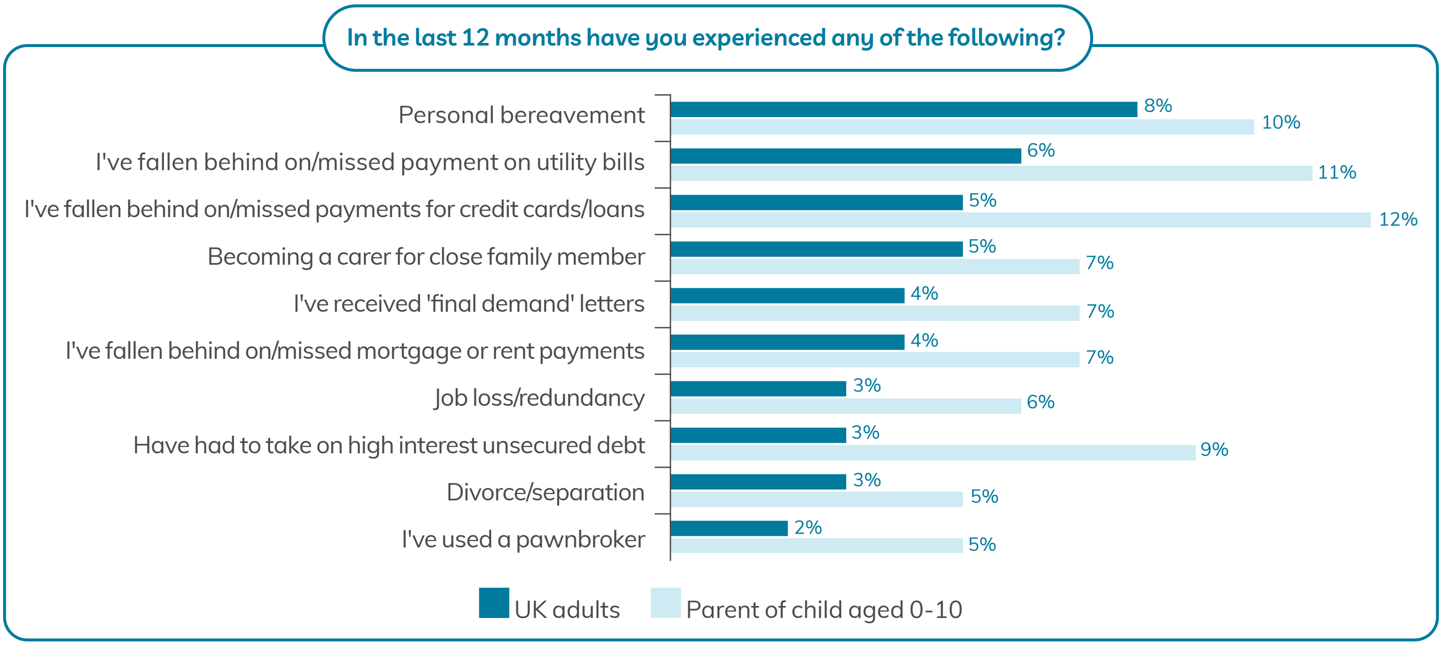
This quarter's survey explored how many consumers met the FCA's definition of vulnerable circumstances. This definition includes:

- having low financial resilience e.g. over-indebtedness, low savings, or low or erratic income
- having a long term physical or mental health condition that limits your ability to carry out day-to-day activities
- experiencing a major life event such as bereavement, job loss, divorce/separation or becoming a carer for a close family member
- having low digital or financial capability e.g. low confidence in managing financial matters, or poor or non-existent digital skills

The cost of living crisis has seriously impacted many consumers' financial resilience. We found that 3m UK adults have fallen behind on/missed payments on utility bills in the last 12 months. Parents with young children appear to be particularly struggling, with over 1 in 10 having fallen behind on/missed payments on utility bills, and on credit cards/loans. 9% have had to take on high interest unsecured debt (such as payday loans, buy now pay later, or loan sharks).

Those aged under 55 were much more likely to be have missed payments and taken on debt. Younger people have been more impacted by the cost of living crisis as they are less financially resilient – they are likely to not have a safety net of savings built up, nor have they experienced such an economic shock before. Conversely the over 65s seem to be faring better against the cost of living crisis as they are the only age group to potentially have index-linked income.

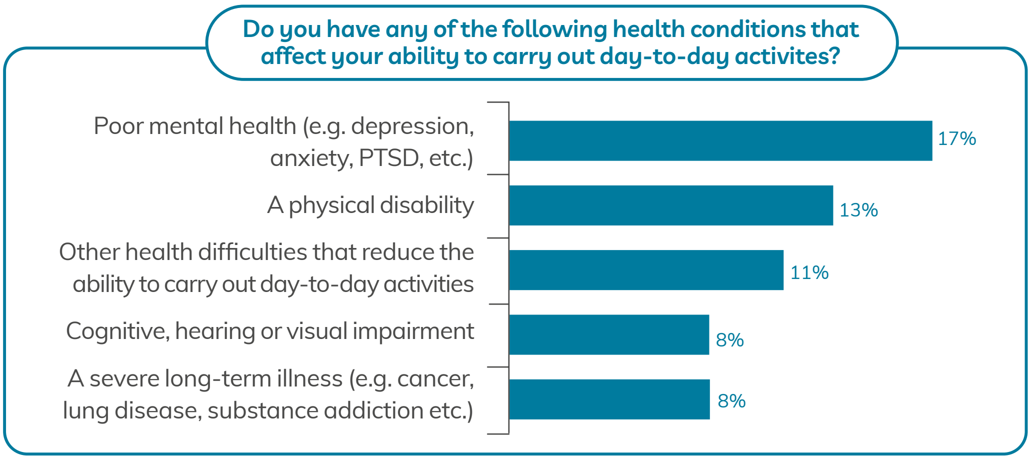
We also found that those with one or more health conditions were more likely to also be financially vulnerable (falling behind on payments or having to take unsecured debt).



20m UK adults have a health condition that affects their ability to carry out day-to-day activities

We found that 38% of those surveyed had one or more health conditions that affect their ability to carry out day-to-day activities. This equates to 20m UK adults.

Younger age groups were more likely to suffer from poor mental health, whereas older age groups were more likely to have a physical disability.

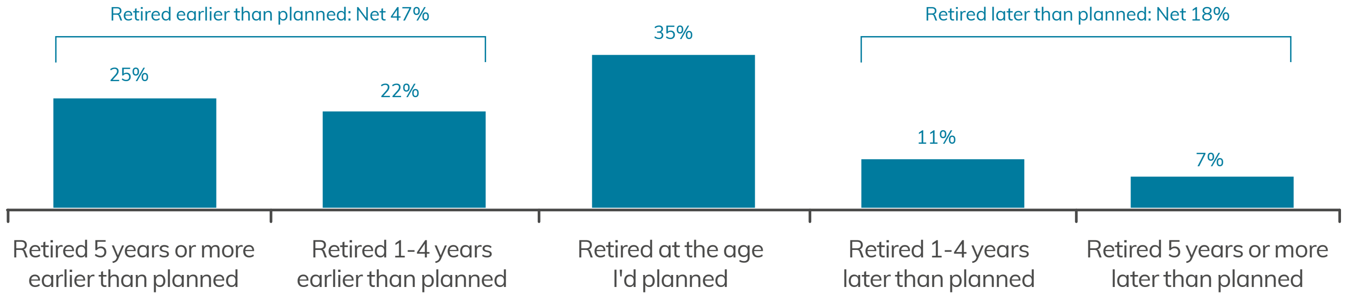


Retiring earlier than planned

Nearly half of retirees retired earlier than planned

In this quarter's survey we looked at how many people are retiring before they are financially ready. We found that 47% of retirees retired earlier than planned.

Was the age that you retired different to the age you had originally planned to retire?



Men were more likely than women to have retired at least 5 years earlier than planned. 20% of women retired later than planned (some of these had their State Pension date pushed back).

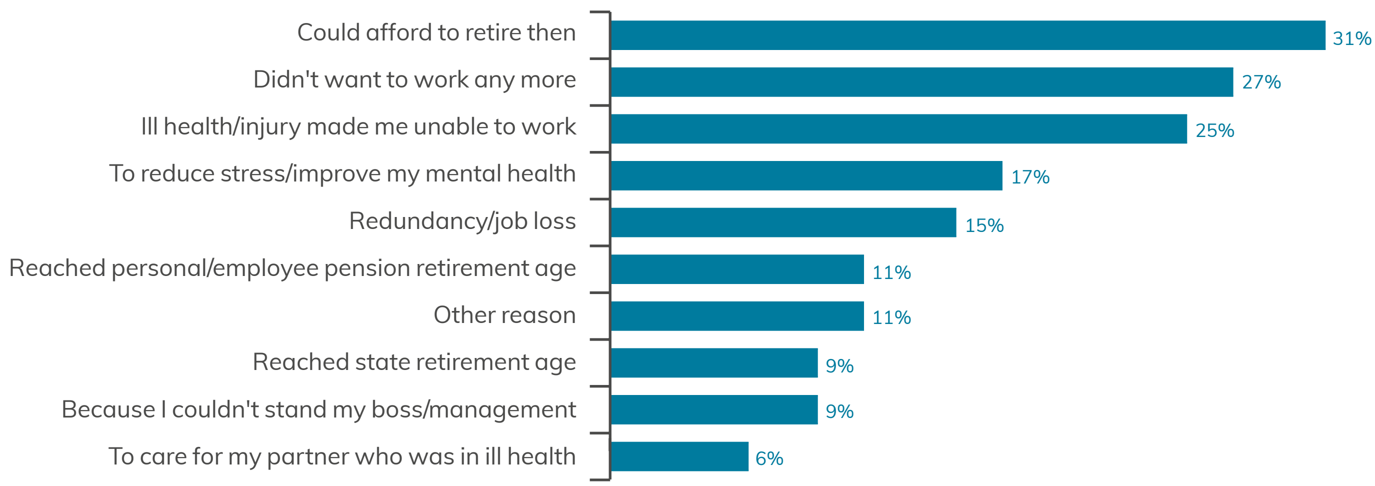
Adviser tips

With a high percentage of people retiring earlier than planned, the longevity of their income will be key, as will the investment journey. Smoothed funds could provide a solution for these clients by lessening the impact of market fluctuations and reducing sequence of returns risk as clients take an income from their fund.

A quarter of those who retired earlier than planned did so due to ill health or injury

We asked those that retired early why they did so. We found that nearly a third (31%) retired because they could afford to. However for others, retirement was not a choice. 25% of those who retired earlier than planned did so due to ill health or injury. For others who retired early, stress/mental health and redundancy also played a role. Those forced to retire early risk running out of money in retirement if they haven't saved enough.

Why did you retire earlier than planned?



A third of those that retired earlier than planned said they weren't in a good financial position to retire when they did. When asked why that was the case, 42% said they hadn't planned for the possibility of retiring early and 35% hadn't saved enough.

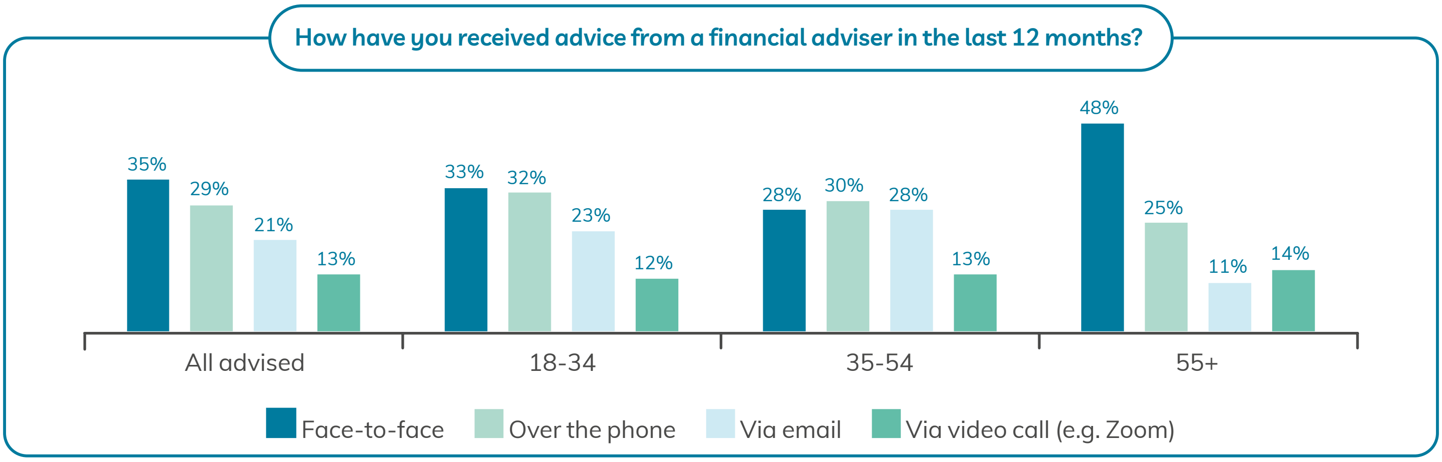
It is important for us to educate workers that redundancy or ill health can happen unexpectedly and lead to a retirement date earlier than planned. Therefore, it is important to financially prepare for the possibility of early retirement.

Financial advice post-pandemic

Advised customers return to face-to-face

The pandemic made many of us do day-to-day activities differently. Things such as working from home, online shopping and remote doctors' appointments all became much more commonplace. Financial advisers also found ways to give advice whilst keeping their clients Covid-safe, such as using video calls. However, now that many businesses have returned to face-to-face, we wanted to explore whether financial advice has followed suit.

We found that those that had received advice in the past 12 months were more likely to have done so face-to-face than by any other method. Overall, 35% of those that had received advice in the past 12 months had received it face-to-face.



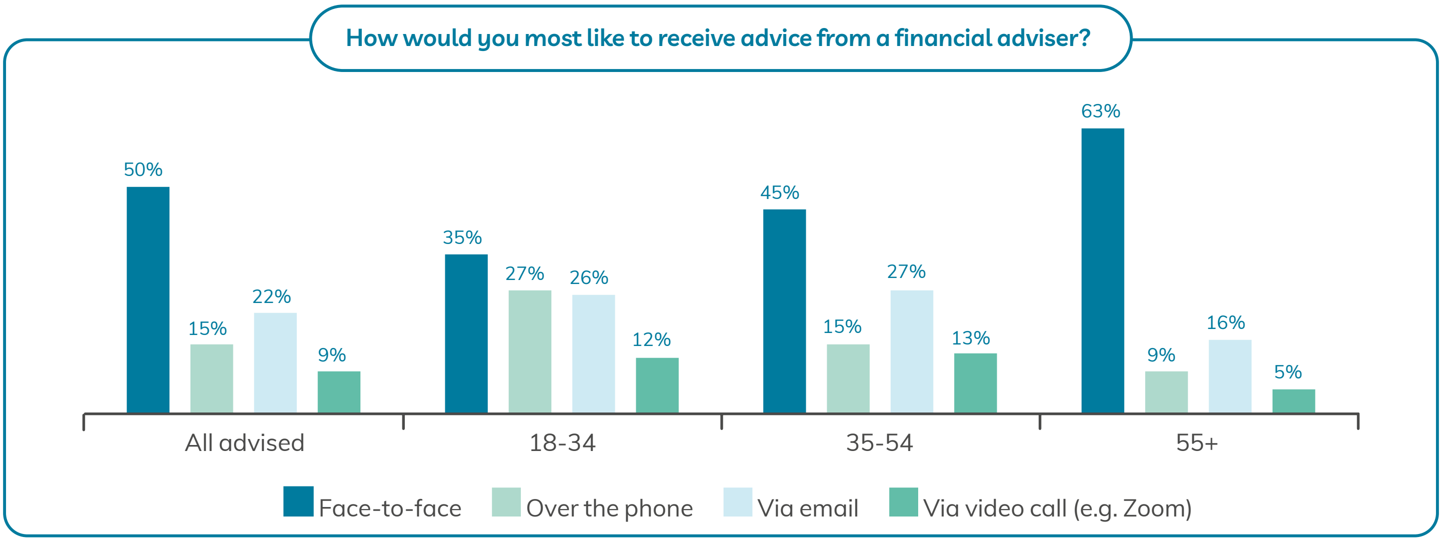
Those 55 and over were particularly likely to have received advice face-to-face. Whereas for those aged 35-54 a similar number received advice over the phone, face-to-face, and via email. We found that the communication method also varied depending on the type of advice received. We found that retirement advice was more likely to be face-to-face, whereas protection advice tended to be through a variety of channels.

We asked why they communicated via that particular method and found that many advised customers speak to their adviser face-to-face simply because it is what they've always done, but for 38% it's what they prefer.

For those who spoke to their adviser over the phone, via email or via video call, convenience is the top reason given. Speed is also a top reason for choosing email.

Younger customers want a range of communication channels

When asked how they would most like to receive advice in future, 50% of advised customers chose face-to-face. Those aged 55 and over were particularly keen on face-to-face advice. Whereas those under 55 had their preferences spread across face-to-face, over the phone and email.



This data indicates that providing the option of face-to-face is important, but so is also offering your clients a good range of communications options, so they can choose the one that best fits their circumstances and preferences.

Appendix

Wealth and Wellbeing Indices data

How finances might look 3 months from now

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
Better	17 %	14 %	12 %	18 %	17 %	15 %	14 %	10 %	11 %
Worse	23 %	22 %	26 %	20 %	18 %	20 %	25%	42 %	43%
Index*	**-6**	**-8**	**-14**	**-2**	**-1**	**-5**	**-12**	**-31**	**-32**

How finances have changed in last 3 months

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jan-22
Better	17 %	14 %	11 %	18 %	16 %	15 %	13 %	10 %	9 %
Worse	35 %	32 %	36 %	27 %	25 %	26 %	33 %	44 %	53 %
Index*	**-18**	**-18**	**-25**	**-9**	**-8**	**-11**	**-20**	**-34**	**-44**

Income from work

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
Increase	10 %	10 %	13 %	16 %	18 %	17 %	17 %	16%	17 %
Decrease	21 %	20 %	20 %	15 %	12 %	9 %	10 %	11 %	10 %
Index*	**-11**	**-10**	**-7**	**1**	**6**	**8**	**7**	**5**	**7**

Total monthly outgoings

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jan-22
Increase	23 %	25 %	19 %	22 %	31 %	38 %	48 %	58 %	61 %
Decrease	32 %	23 %	35 %	33 %	18 %	12 %	9 %	9 %	12 %
Index*	**-9**	**2**	**-16**	**-11**	**14**	**26**	**39**	**49**	**49**

Amount saving

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
Better	23 %	19 %	23 %	27 %	21 %	18 %	16 %	18 %	17 %
Worse	14 %	18 %	24 %	17 %	19 %	19 %	20 %	23 %	30 %
Index*	**8**	**1**	**-1**	**10**	**2**	**-1**	**-3**	**-6**	**-13**

Amount saving into pensions

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jan-22
Increase	8 %	8 %	9 %	10 %	10 %	10 %	11 %	13 %	14 %
Decrease	7 %	8 %	13 %	8 %	7 %	6 %	7 %	6 %	8 %
Index*	**1**	**0**	**-4**	**2**	**3**	**4**	**3**	**6**	**5**

Spend at the supermarket

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
Better	42 %	35 %	30 %	33 %	29 %	36 %	46 %	56 %	58 %
Worse	15 %	14 %	18 %	15 %	13 %	10 %	10 %	10 %	15 %
Index*	**27**	**21**	**13**	**18**	**16**	**26**	**36**	**46**	**43**

Spend on socialising

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jan-22
Increase	7 %	11 %	8 %	7 %	22 %	28 %	21 %	20 %	21 %
Decrease	60 %	48 %	61 %	54 %	31 %	22 %	23 %	24 %	31 %
Index*	**-53**	**-37**	**-52**	**-47**	**-9**	**6**	**-2**	**-4**	**-10**

About this report

This report was developed by LV=, drawing on public data where indicated and independent research among 4,000 UK adults each quarter conducted by Opinium Research.

All figures quoted are for June 2022 unless otherwise stated. Population estimates based on UK adult population of 52.9m.

While care is taken in the compilation of the report, no representation or assurances are made as to its accuracy or completeness. Please note, all percentages quoted are rounded to the nearest whole number.

About LV=

LV= is a leading financial services provider. When we started in 1843 our goal was to give financial security to more than just a privileged few and for many decades we were most commonly associated with providing a method of saving to people of modest means.

Today we follow a similar purpose, helping people to protect and provide for the things they love, although on a much larger scale and through a wide range of financial services including insurance, investment and retirement products.

You can get this and other documents from us in Braille or large print by contacting us.

Liverpool Victoria Financial Services Limited: County Gates, Bournemouth BH1 2NF.

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