



Wealth and Wellbeing Research Programme

Edition 14



Introduction

Wealth and Wellbeing Research Programme

Welcome to Edition 14 of the Wealth and Wellbeing Research Programme – providing a unique snapshot of the nation’s financial and emotional health.

For this edition, we asked respondents to share how they feel about the upcoming festive season, their retirement plans, financial knowledge and their level of debt.

As a mutual, we believe we have a responsibility to our members, financial advisers and customers to conduct research that helps us understand the public’s hopes and concerns. Additionally, as a responsible financial institution, we share our research openly so it can inform public discourse and support relevant policy making.

People say that they are a little less worried about rising costs than a year ago. Our research shows slow, small improvements starting to appear from a difficult place. This is reflected in the Consumer Price Index including Housing, reinforcing the validity of our data.

A picture emerged in this report of gaps in financial knowledge for certain groups at key life stages. We are already working to make a difference by highlighting our online resources for financial advisers and consumers. We want to know why this is happening and see if some problems could have been avoided if people had better awareness of options like protection.

Our data also reveals evidence of a financial gender imbalance – a topic that is important to me. The cost of living crisis appears to have a disproportionate impact on women. Our data also reveals a potential lack of knowledge that may be affecting women’s access to financial products and we are committed to finding out more.

I invite you to make use of this report and our data to support better consumer outcomes.



David Hynam
Chief Executive, LV=



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Key Findings

Wealth and Wellbeing Research

1 in 5

working pension holders reduced or stopped contributions



47%

of women are worried about paying their energy bills

59%

of people aged 35 to 54 are struggling or failing to afford day-to-day bills



63%

of workers have one or more type of debt (excluding mortgages)



41%

of retirees would struggle to pay an unexpected £500 bill



27%

of parents intend to spend less on Christmas this year



77%

of women don't know how to take money from their pension in a tax efficient way



45%

of over 50s view holidays and travel as a priority retirement activity

71%

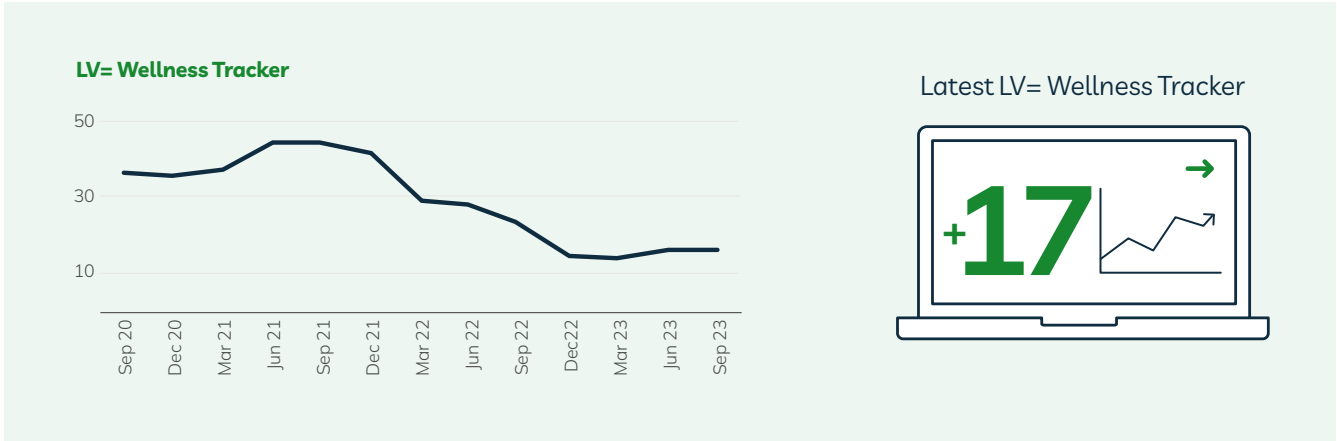
of the stretched middle don't know how they will avoid running out of money in retirement

The LV= Wellness Tracker

A static figure hides disparity between different groups

The LV= Wellness Tracker measures those who say they are comfortable against those who are struggling, indicating the current level of the nation's financial resilience. Scores can range from +100 to -100 where a positive score indicates more respondents feel positive than negative about their finances.

The LV= Wellness Tracker correlates closely to the Consumer Price Index including Housing (CPIH) delivering highly valid insights into consumers' sentiment about their financial wellbeing.



The LV= Wellness Tracker has plateaued at +17 as we head into the winter months.

Winter worries

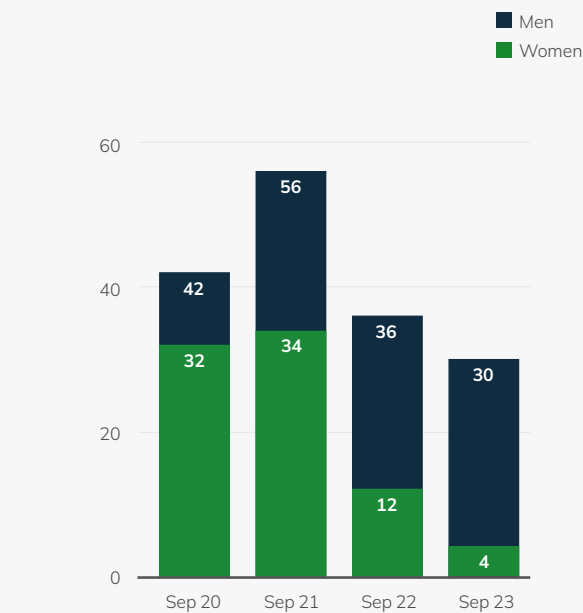
The LV= Wellness Tracker is stabilising at +17 in line with the latest economic data. This figure remains above the trough of December 2022 (+15) but lies significantly below the June and September 2021 peak of +45. Heading into winter, this is the lowest sentiment we've seen since we started tracking in 2020. When viewed in combination with our other data, we are cautiously optimistic that the situation is starting to improve, though many groups continue to struggle.

Women and the 'stretched middle' struggling most

Since we started asking how people would describe their current financial situation three years ago, women have been consistently more concerned about their finances than men. The static result this quarter hides a wide disparity between the genders that appears to be growing.

The only group that feels more negative overall this quarter are people aged 35 to 54 (the 'stretched middle') at -4. This reflects the particular impact the cost of living rises are having on this demographic.

LV= Wellness Tracker – men and women over time



State of the Nation

Many people are less worried than two years ago but key groups continue to struggle

Worries reduced

Around four in ten people report feeling worried about rising food and utility costs, a fall from a year ago. This reflects recent government data around rising wages and slowing inflation. Similar numbers also report feeling stressed, worried and anxious as we head into cold weather season with its increased energy bills and festivities to provide for.

Green shoots of improvement

We are seeing green shoots of improvement in our quarterly indices. The Consumer Price Index including Housing (CPIH) quarterly figures align closely with our findings on outgoings. In the last quarter, fewer people reported an increase in their total monthly outgoings echoing CPIH results and adding confidence to the strength of our data set.

There is a second CPIH correlation with our findings on people's finances over the last three months. As inflation starts to fall from December 2022, we can see a corresponding improvement in respondent's views. At -29, our index shows that UK consumers remain more negative than positive, but sentiment has improved by 23 points from a year ago.

Over 1 in 5 mass affluent facing increased bills

People with investable assets of £100-500k are widely considered to be the mass affluent. Despite the cost of living rises, most mass affluent are comfortably managing day-to-day expenses (77%). However, a significant minority say they can only just afford day-to-day costs (21%) and almost a third (31%) have reduced or stopped pension contributions. However, they are one of only two groups where the proportion who intend to spend more on Christmas this year is higher than those who plan to spend less.

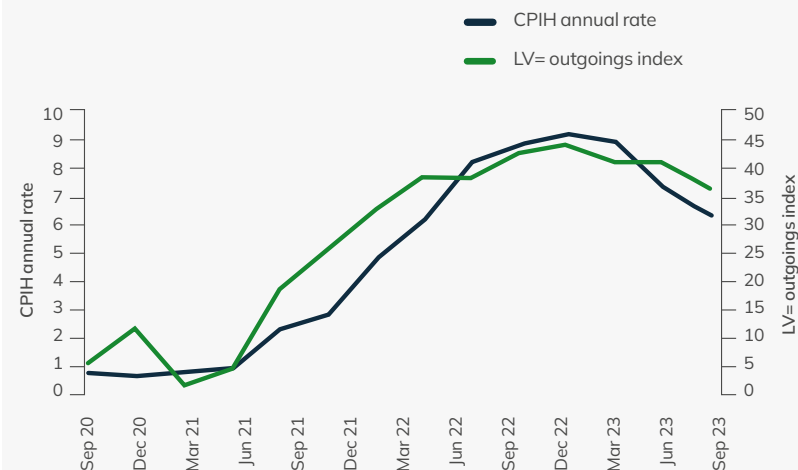
Workers of all ages less comfortable than the majority of retirees

Significantly more retired people can comfortably pay their bills than people in work. Two-thirds (67%) of retirees say they can comfortably afford their day-to-day costs as opposed to less than half (49%) of the workers we surveyed. The youngest people in work are 10 times more likely to say they can't afford their living costs than people over 65. This may be related to the high proportion (72%) of people aged 18 to 34 with non-mortgage debt. See more in our Indices and Christmas and Debt section.

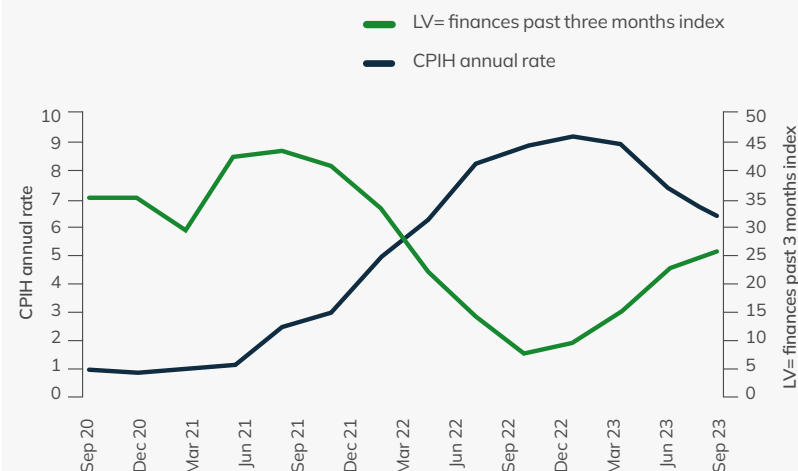
72%

of people aged 18 to 34 have non-mortgage debt

CPIH annual rate vs LV= outgoings index



CPIH annual rate vs LV= finances past three months index



Indices

A nation under prolonged strain

For more than 18 months, people in the UK especially women and the stretched middle, have been feeling under increasing strain and few think it's going to get better any time soon. Rising supermarket costs and other bills are impacting people's ability to save for the future.

- 1 in 10 say pay has declined
- 24% decreased savings this quarter
- 1 in 5 working pension holders reduced or stopped pension contributions

The cost of living crisis continues for most people

More than four in ten people tell us their finances have got worse every quarter since March 2022 and more than half the population say outgoings increased again this quarter (55%).

Current figures are down from their peaks a year ago, but the data tells us many British people continue to face a prolonged period of strain.

1 in 10 say pay has declined

Government figures suggest salary increases are outpacing inflation. However, our respondents say that income hasn't kept up for most people.

In the last 18 months, fewer than two in ten have seen increases in any quarter and 10% have seen decreases. At the same time, there has only been a 2% rise in the proportion of people saying their finances have got better.

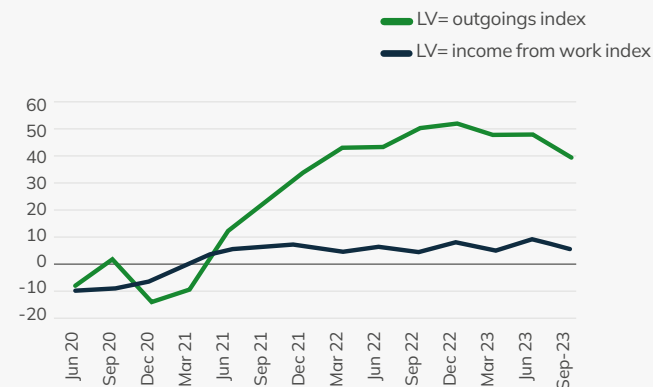
Savings and pension contributions fall

Looking at pensions, one in five working pension holders are stopping or reducing pension contributions, and more than three in ten mass affluent have stopped pension contributions because of the cost of living rise with a similar figure for consumers aged 18 to 34 (30%).

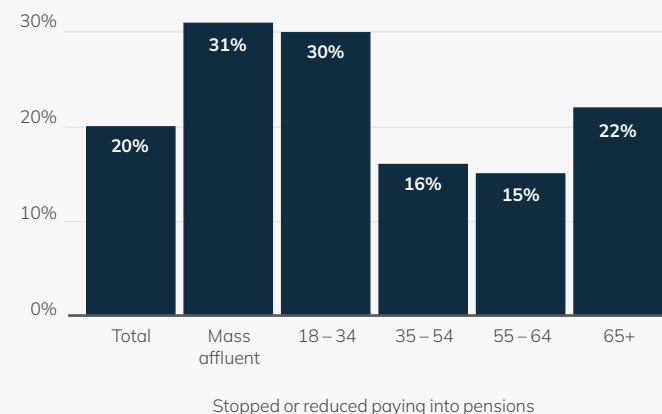
55%

more than half the population say outgoings increased again this quarter

LV= income index and LV= outgoing index



Cost of living: impact on paying into your pension



Christmas and Debt

More families cutting back again this Christmas

Key finding

27%

of parents intend to spend less on Christmas this year

Empty stockings for many in 2023

With Christmas around the corner, our data paints a bleak picture for many parts of our community. More than a quarter of parents say they'll need to spend less this Christmas and nearly 10% say they need to cut back a lot compared to last year.

These figures come on top of a significant amount of people who said they planned to cut back on presents a year ago.

- 1 in 3 people aged 35 to 54 spending less on Christmas than last year
- 63% of working people have one or more types of debt excluding mortgages
- 33% of retirees have one or more types of debt excluding mortgages

A nation in debt

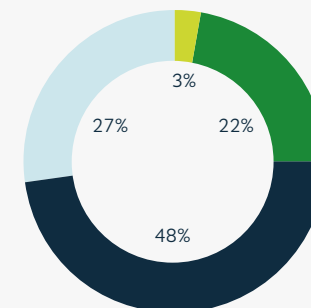
It's not surprising many are cutting back on festivities when so many people of all ages are in debt and 16% have over £20,000 of non-mortgage debt to contend with. Not counting mortgage debt, nearly two thirds of workers and a third of retirees owe money on cards and loans. For pensioners living on a fixed income with costs still rising steeply, this is likely to be a particular worry for many.

16%

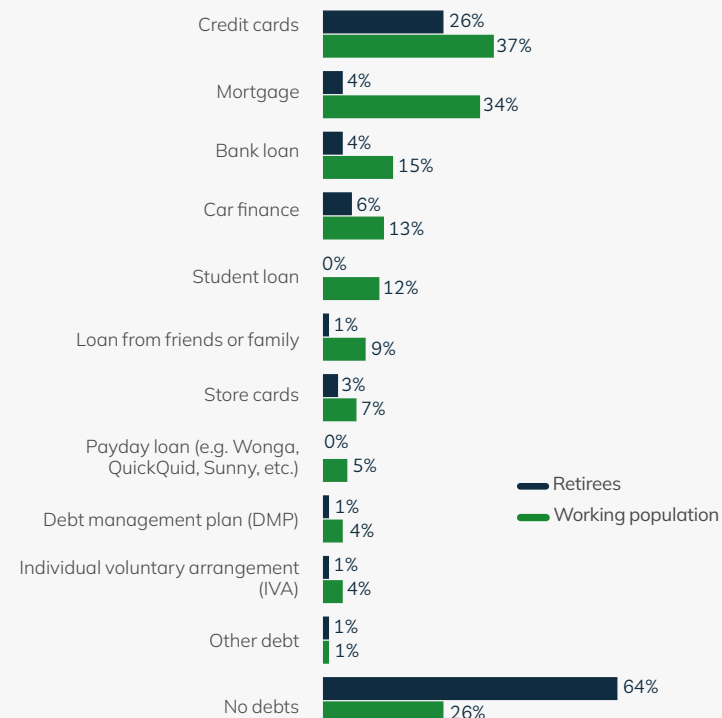
have over £20,000 of non-mortgage debt

Parents planned spend on Christmas

- More than last year 22%
- Roughly the same as last year 48%
- Less than last year 27%
- NA – I do not celebrate Christmas 3%



Debt holdings: working population vs retirees



The Stretched Middle

More people aged 35 to 54 feel pessimistic than positive

Key finding

59%

of people aged 35 to 54 are struggling or failing to afford day-to-day bills

Continued financial difficulties for mid-career workers

The majority of middle aged people face current financial difficulties. Over half (52%) of them agreed they were struggling financially, while almost 60% said they either can't afford their day-to-day bills or are barely making ends meet. In a prolonged slump, that leaves little left for savings and a lot of room for stress and anxiety (51%).

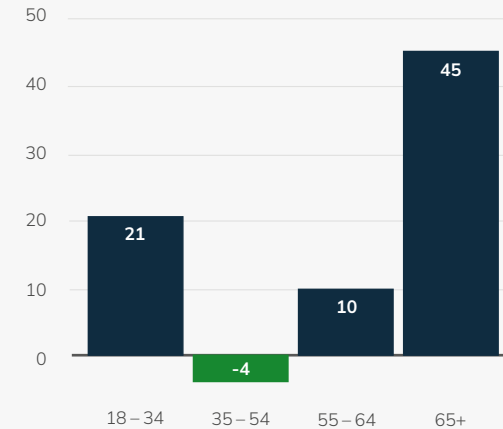
Almost half of this group (46%) say their finances got worse in the last quarter, which could also explain why a third of this group are spending less than last year on Christmas.

- The stretched middle has the only negative LV= Wellness Tracker figure (-4)
- 46% say finances have worsened in the last quarter
- 71% don't know how they will avoid running out of money in retirement

Who are the stretched middle?

LV= refers to people aged 35 to 54 as the stretched middle. They are the group most likely to face strain on their resources as many will have started a family, bought a home with a mortgage and they may also have aging parents who need support. This group is therefore the most susceptible to changes in the Bank of England interest rate and the impact of mortgage rate changes. Our data shows that these combined pressures on time and resources appear to have a demonstrable impact on their financial and emotional wellbeing.

LV= Wellness Tracker – by age



A generation risking their future to save their now

40% of the stretched middle are worried about the future and our data suggests they have good reason to be concerned.

A sizeable minority of people are cutting back on savings and pensions to cover costs now, which could affect their chances of a secure retirement in the future. Overall, our savings index has remained negative for the past two years with more people having to decrease the amount they save versus those increasing savings. We also see 20% of working pension holders reducing or stopping their pension contributions in the last quarter with many of them in the stretched middle (16%).

The debt picture is also not good for this demographic. This age group are the most likely to have a mortgage in addition to credit card debt and 7% of the stretched middle have missed payments on their utility bills in the past three months.

Retirement and Investment Planning

Most people don't know enough to plan for a comfortable retirement

Key finding

41%

of retired adults say they would struggle to pay an unexpected cost of £500

Unexpected bills would cause retirees hardship

More than four in ten pensioners would have problems finding the resources to pay for a low budget washing machine. We asked respondents if they could cover an unexpected £500 outlay in retirement and, while most said they could manage, a significant proportion of current retirees could not. However, two thirds of retired people under 65 were confident they could easily afford such a payment.

- Only 6% of people over 55 feel they know a lot about lifetime annuities
- 83% of non-retired people did not know how much the current state pension is
- 22 million working people have never heard of smoothed fund investments

People don't know enough to plan well

Our research shows that more protection, savings and retirement education is needed. Our data reveals a country where most people are underprepared for old age – 60% of adults over 50 think they'll struggle in retirement and 41% of current retirees say they would struggle to pay an unexpected £500 bill.

Many lacking basic pension knowledge

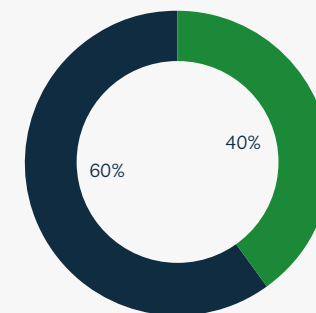
Large numbers of men and women heading towards state pension age are risking a secure retirement because they don't know how different financial decisions could impact their future. They haven't heard of products like annuities or smoothed investments. Many in this key group don't know how much the state pension is or have a plan for how they'll avoid running out of money when they finish working. This could put people at risk of making choices now that they might regret later.

Majority of investors interested in lowering stock market volatility impact

Some people with investments still lack knowledge around smoothed products. They know more about pensions than the wider population – but most did not know what smoothing meant. However, 63% were interested in products that reduced the impact of stock market volatility suggesting better education could help them achieve their goals.

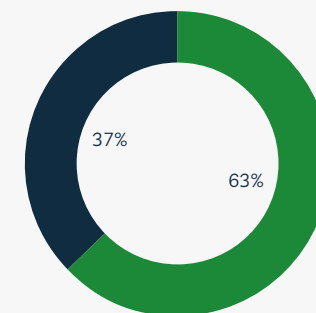
Investors awareness of smoothed investments

- Never heard of 60%
- Aware 40%



Investors interest in smoothed investments

- Not interested 37%
- Interested 63%



Unlocking our Retirement

People want to travel, dine out and decorate their homes in retirement

- Twice as many retirees (34%) as workers (15%) plan to live solely on their state pension
- More UK adults would use additional retirement funding from equity release for travel than any other purpose
- 35% of workers would consider equity release in the future compared to 7% of those who are currently retired

British workers want to enjoy retirement

As part of this edition's retirement focus, we asked people aged 50 and over the different ways they planned to spend their time. Most wanted to do the things that bring them joy. Top of the list were hobbies (58%) with time with loved ones (51%) and travel (45%) close behind. People who had consulted financial advisers were more likely than average to want to pursue favourite pastimes and visit other countries.

More workers planning for a better retirement

When asked how they would fund their retirement, more than twice as many current retirees as workers said they would only use the state pension. When people finish working, they often have lower outgoings as mortgages and debts are typically repaid by this point. However, the cost of living continues to rise and relying solely on the state pension could mean fewer opportunities to pursue retirement goals. It is indicative of changing attitudes that workers are far more likely to look at more diverse sources of income.

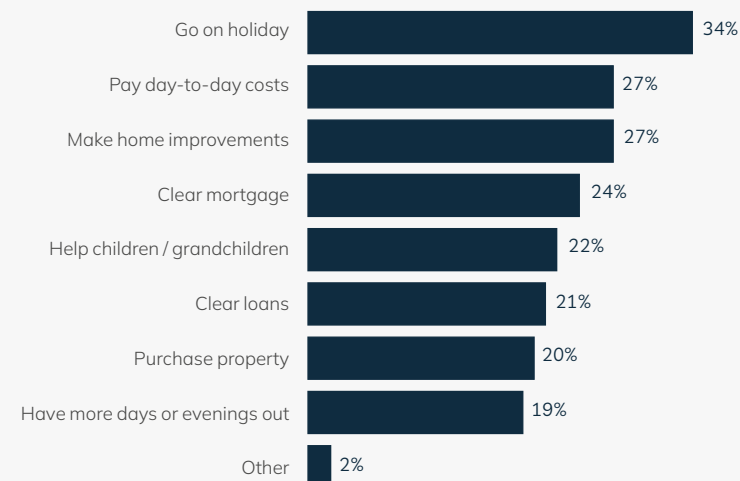
Can we afford the retirement we want?

Talking to working people over 50, we found that more people expect to be struggling a bit (41%) or struggling a lot (19%) than those who expect to be comfortable in retirement suggesting the majority may be unable to pursue ambitions like holidays and hobbies. This may be connected to the number of people interested in using equity release to enjoy a better retirement or simply to manage the cost of living. When asked, respondents said they would use the money funded by equity release to travel (34%) make home improvements (27%) and pay day-to-day costs (27%).

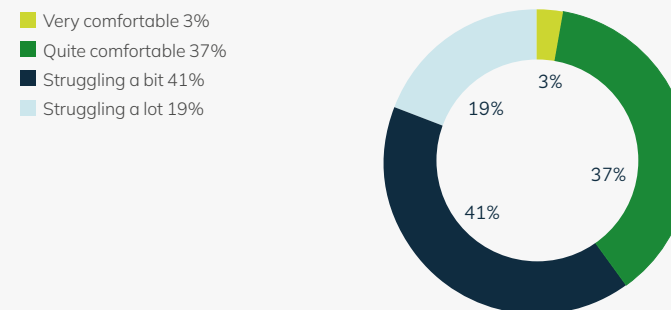
58%

of people aged 50 and over would like to focus on hobbies when they retire

What might you do with money borrowed from equity release?



Expected financial situation in retirement



Women and Finance

Women report less financial knowledge and more financial worries than men

Key finding

77%

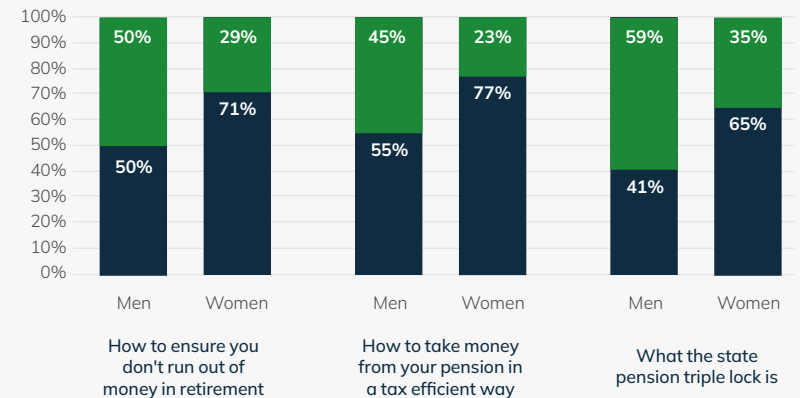
of women don't know how to take money from their pension in a tax efficient way

There is a noticeable disparity in the level of pension knowledge between men and women, according to our data. While around four in ten men (41%) say they don't know anything about the triple lock, this rises to almost two thirds of women (65%). Women are also at least twenty per cent more likely to say they don't know how to stay financially secure in retirement or how to access retirement funds in a tax efficient manner.

- 47% of women are worried about paying their energy bills
- Women told us they lack awareness of financial products that could make their lives better now and improve retirement in the future
- Women have a much lower Wellbeing Tracker figure than men (4 vs 30)
- There is a cost of living gender gap of approximately 10% between those who can comfortably afford their bills
- On average, around 10% more women are worried about energy bills, day-to-day costs and the future

Retirement knowledge

■ Know quite a lot / a lot
■ Don't know much / anything



Women and Finance

continued...

Money worries

Women have reported a significantly lower sense of financial wellbeing than men since we started asking how comfortable or struggling people felt in early 2020. Their current figure is marginally above zero, but there appears to be an ongoing issue of stress, exhaustion and anxiety since our records began.

Women's financial knowledge

Women's perceived knowledge of the financial products that could improve their lives remains lower than men's across the board. Women have around half the awareness of the term 'smoothed investments' than men.

75% of women who have never had a quote for income protection or critical illness cover think protection is too expensive. These types of protection could help take the strain during difficult periods instead of turning to debt, which may negatively affect their life for years to come. Increasing knowledge and enabling better forward planning could have a beneficial impact on financial concerns.

Debt

35% of women think they will need to spend less on Christmas this year compared to just 20% of men. This reflects that women are more worried about their finances in general. However, these worries don't match the financial reality. More women (40%) are debt-free than men (36%) and, of those with debt, almost 50% of women have less than £5k while men's average is almost £20k.

Retirement planning

Women are not thinking about retirement as much as men. Almost two thirds of women with direct contribution pensions, self-invested personal pensions (SIPP) or workplace pensions don't know how they will use it to fund their retirement compared to fewer than 50% of men. Men aged 55+ are significantly more aware of all types of annuities than women of the same age.

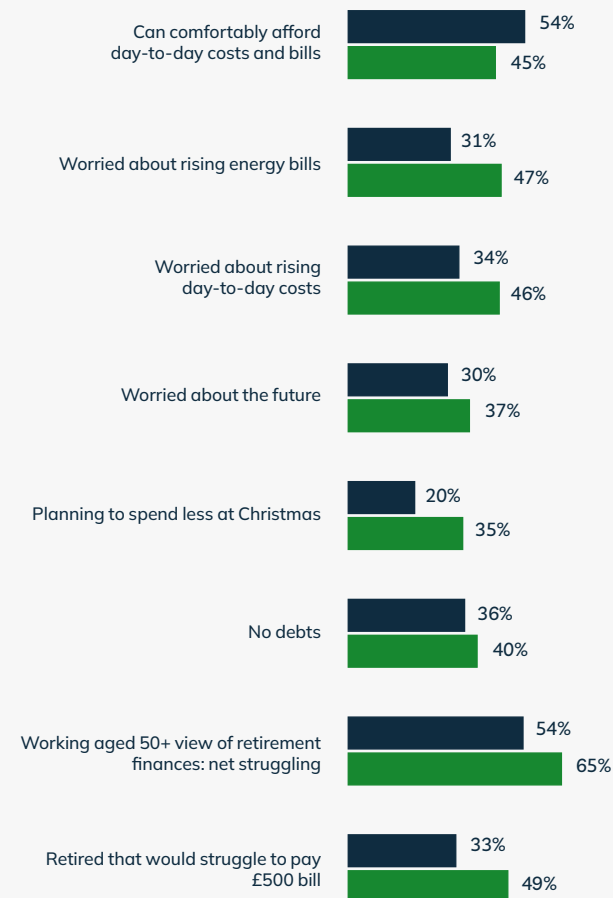
At the same time, women aged 50+ (65%) worry more than men aged 50+ (54%) about struggling financially in retirement. Once in retirement, women are also noticeably more likely to say they would struggle to pay an unexpected cost of £500 on their retirement income than men (49% vs 33%).

75%

of women who think protection is too expensive have never had a quote for income protection or critical illness

Money worries

■ Men
■ Women



Appendix

Wealth and Wellbeing indices data

How finances might look three months from now

	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23
Improve	14%	12%	18%	17%	15%	14%	10%	11%	8%	10%	12%	14%	14%
Worsen	22%	26%	20%	18%	20%	25%	42%	43%	57%	46%	40%	31%	30%
Index	-8	-14	-2	-1	-5	-12	-31	-32	-49	-36	-28	-16	-16

How finances have changed in last 3 months

	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23
Better	14%	11%	18%	16%	15%	13%	10%	9%	7%	9%	9%	12%	12%
Worse	32%	36%	27%	25%	26%	33%	44%	53%	59%	58%	51%	46%	41%
Index	-18	-25	-9	-8	-11	-20	-34	-44	-52	-49	-42	-33	-29

Total monthly outgoings

	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23
Increase	25%	19%	22%	31%	38%	48%	58%	61%	67%	69%	63%	62%	55%
Decrease	23%	35%	33%	18%	12%	9%	9%	12%	10%	10%	8%	8%	9%
Index	2	-16	-11	14	26	39	49	49	57	59	54	54	46

Income from work

	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23
Increase	10%	13%	16%	18%	17%	17%	16%	17%	17%	19%	15%	20%	17%
Decrease	20%	20%	15%	12%	9%	10%	11%	10%	12%	10%	10%	9%	11%
Index	-10	-7	1	6	8	7	5	7	5	9	5	10	6

Amount saving into pensions

	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23
Increase	8%	9%	10%	10%	10%	11%	13%	14%	13%	14%	11%	13%	13%
Decrease	8%	13%	8%	7%	6%	7%	6%	8%	10%	8%	8%	7%	7%
Index	0	-4	2	3	4	3	6	5	3	6	3	6	6

Amount saving

	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23
Increase	19%	23%	27%	21%	18%	16%	18%	17%	16%	17%	15%	16%	15%
Decrease	18%	24%	17%	19%	19%	20%	23%	30%	33%	33%	28%	25%	24%
Index	1	-1	10	2	-1	-3	-6	-13	-17	-16	-13	-9	-9

Spend at the supermarket

	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23
Increase	35%	30%	33%	29%	36%	46%	56%	58%	63%	68%	63%	66%	57%
Decrease	14%	18%	15%	13%	10%	10%	10%	15%	14%	12%	10%	8%	10%
Index	21	13	18	16	26	36	46	43	48	57	53	58	47

Spend on socialising

	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23
Increase	11%	8%	7%	22%	28%	21%	20%	21%	19%	19%	17%	19%	18%
Decrease	48%	61%	54%	31%	22%	23%	24%	31%	33%	32%	28%	26%	24%
Index	-37	-52	-47	-9	6	-2	-4	-10	-14	-13	-12	-7	-6

About this report

This report was developed by LV=. Each quarter, it draws on public data (where indicated) and independent research conducted by Opinium Research among 4,000 UK adults.

All figures quoted are for September 2023 unless otherwise stated. Population estimates based on UK adult population of 53.2m.

While care is taken in the compilation of the report, no representation or assurances are made as to its accuracy or completeness.

About LV=

LV= is one of the leading life and pensions mutual insurers, serving over 1 million members and customers across the UK. As an investment, retirement and protection specialist, LV= offers a range of products, services and advice to help members and customers protect their income while they're working and maximise it when they stop.



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