



February 2022 edition

LV= Wealth and Wellbeing Monitor

LV= surveyed 4,000 nationally representative UK adults
(of which 500+ were mass affluent)

Research conducted via Opinium Research
in December 2021



For UK financial adviser use only

Introduction

Welcome to the February 2022 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 such as their plans for retirement and their mental health.

This quarter’s LV= Wealth and Wellbeing Monitor highlights how inflation is continuing to stretch many people’s finances. The usual money pressures of Christmas were exacerbated by rising prices. Our data shows that people are becoming increasingly anxious about inflation, especially those with limited budgets, such as those on a State Pension. This has led to a negative financial outlook, with 1 in 4 expecting their finances to worsen over the next three months.

The pandemic, and changes to work such as working from home, has prompted many people to reflect on their lives, particularly their careers. For 1 in 10 people this introspection has resulted in a complete career shift; choosing a new role because it gives them more job satisfaction or a better work life balance. Whenever someone is considering a career change, they may need to re-evaluate their personal finances, pension and protection cover. Consulting a financial adviser when changing job is a good way to ensure consumers’ retirement goals stay on track.

At this time where people are considering what is important to them, some are considering their impact on the environment. This is an area that the mass affluent are particularly passionate about, with our data showing they are much more likely than the average person to be using their money in a way that benefits the environment, such as buying solar panels and electric cars, or investing in ESG funds.

It will be interesting to see whether, in these unusual times, people continue to reflect on their lives and what other behaviours change as a result.

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



Contents

Introduction	2
Wealth and Wellbeing Indices	3
Changing career during the pandemic	4
Passing on wealth to future generations	5
Attitudes to investment risk	7
Environmental behaviour & ESG Investments	9
Appendix - Wealth and Wellbeing Indices data	11

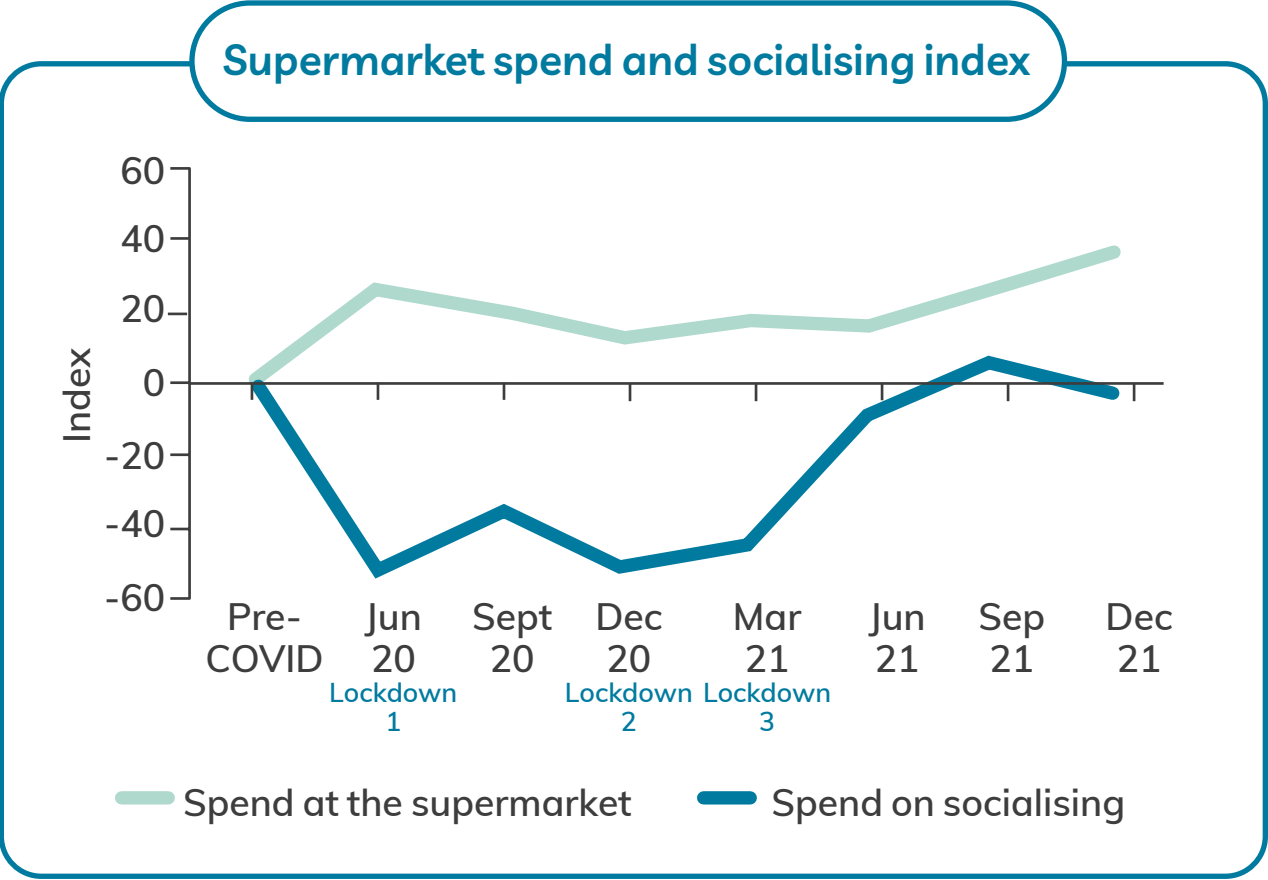
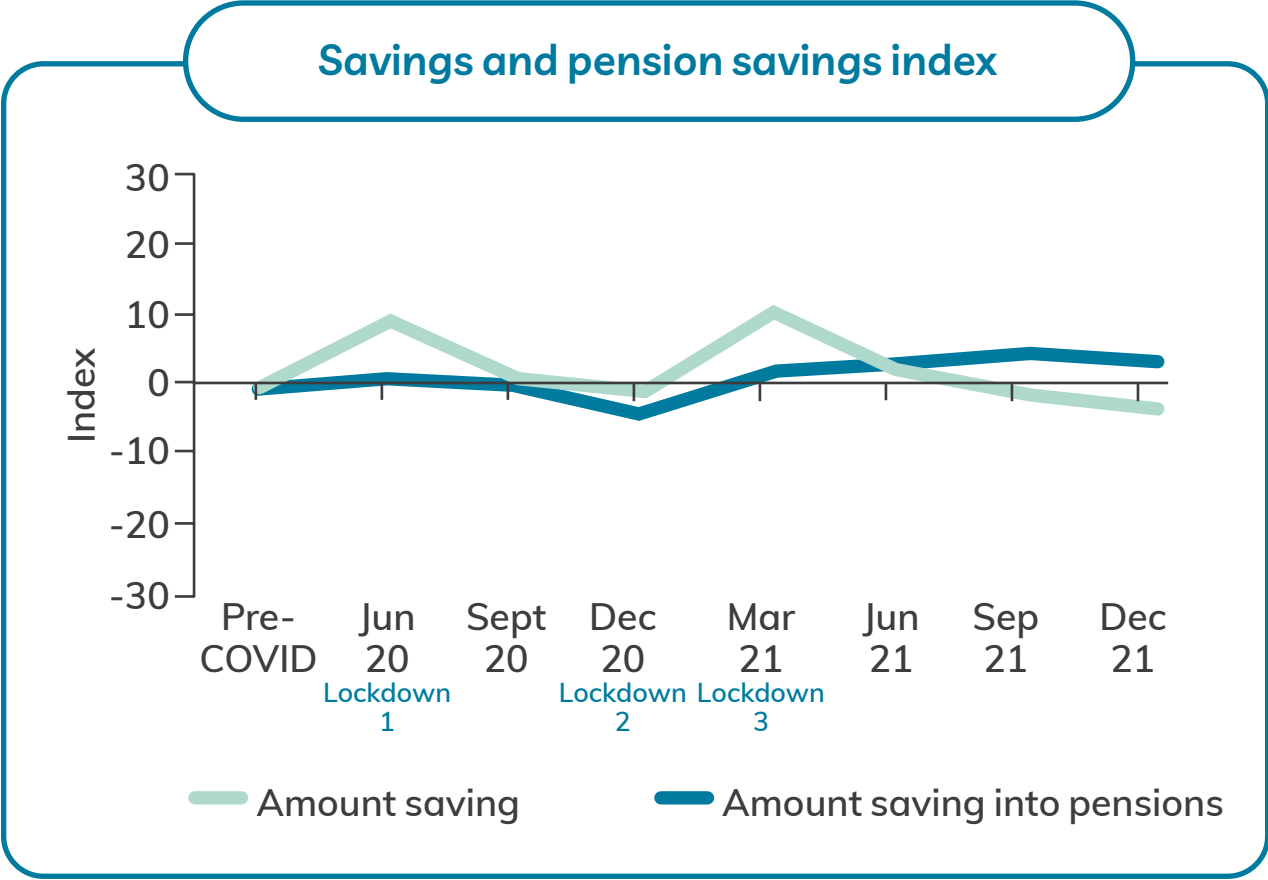
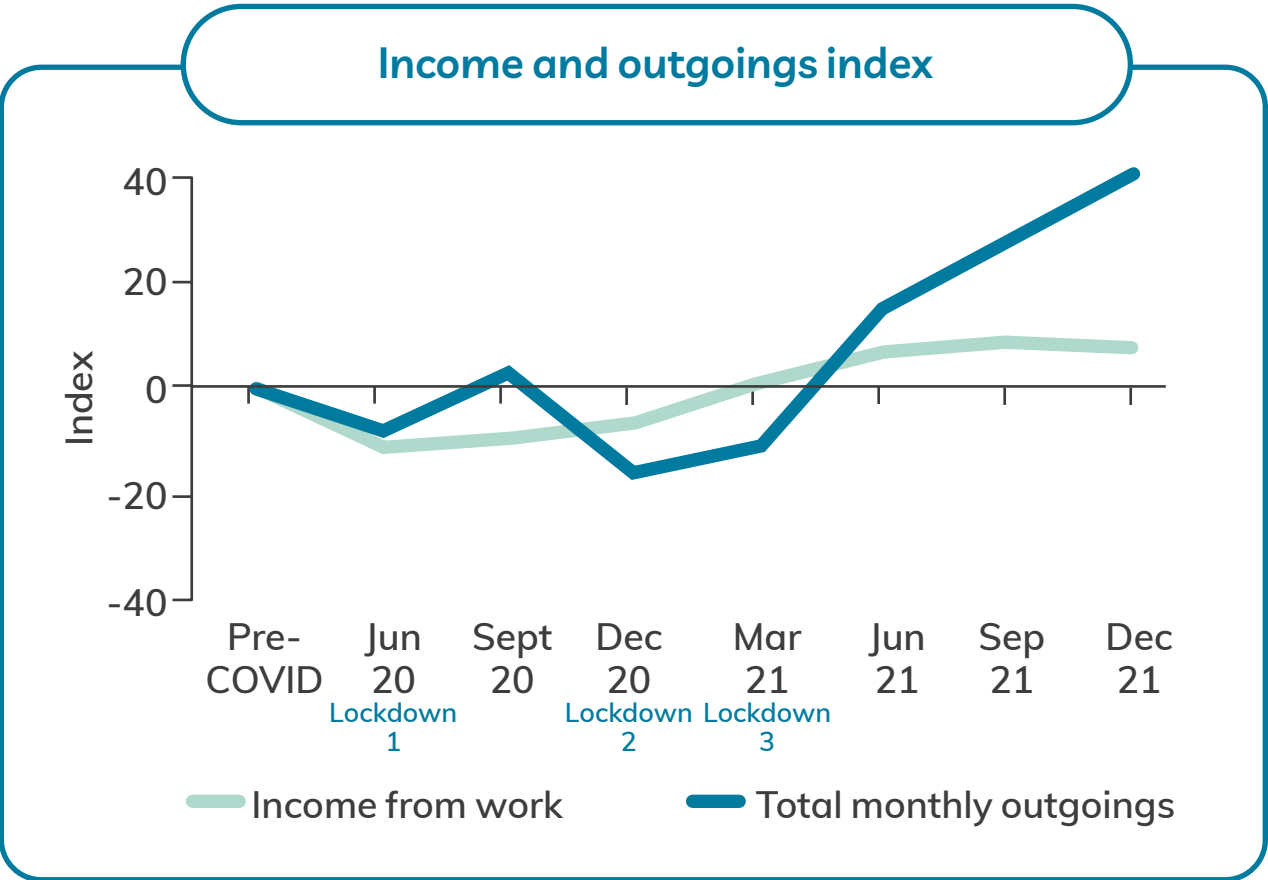
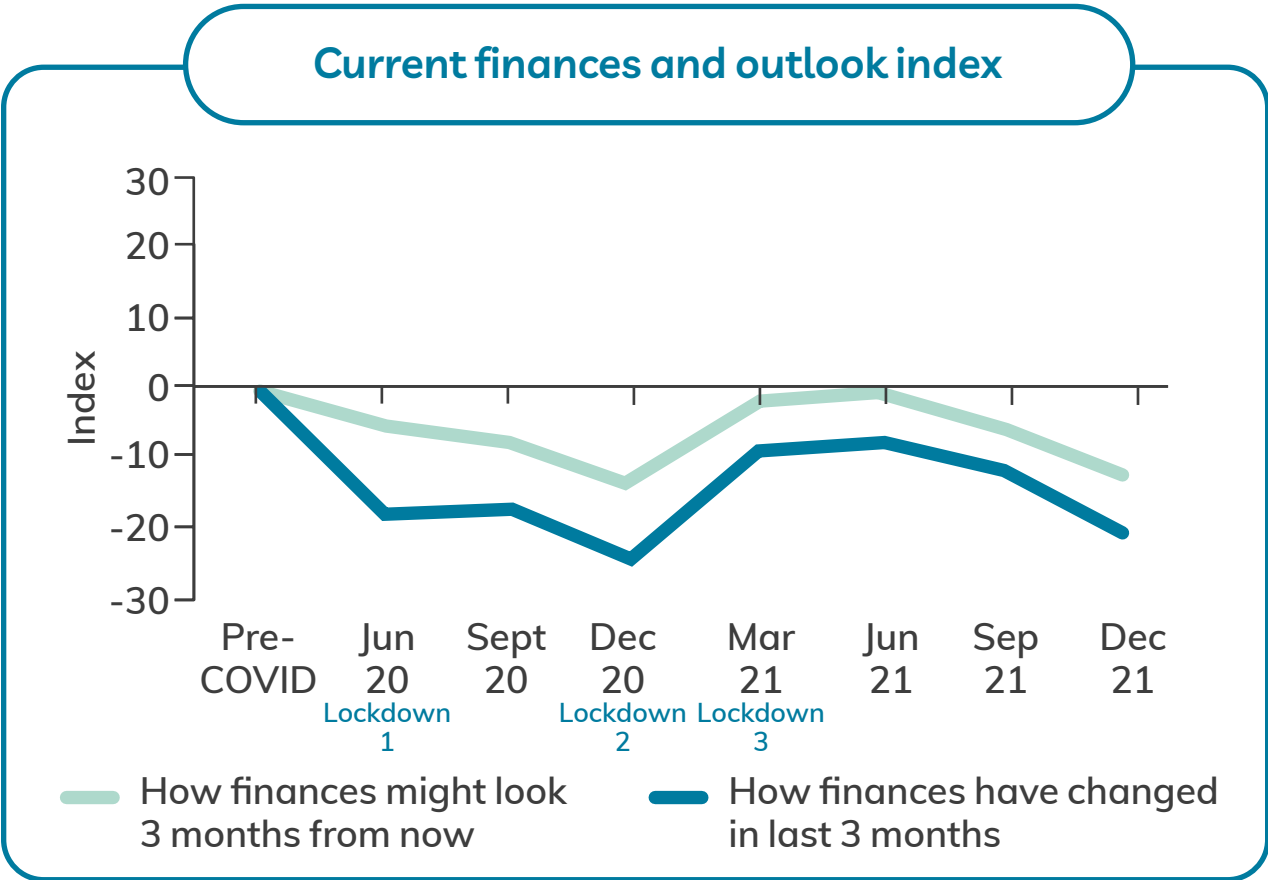
Wealth and Wellbeing Indices

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.

Consumers feel the pinch of rising costs

The December survey revealed a continued increase in supermarket spend as food costs continued to rise. Inflation, plus Christmas spending, meant that the outgoings index also increased in December. Increased pressure on consumers’ finances has led to more people seeing their finances worsen (reflected in the current finances index declining for the second quarter in a row). Consumers are also feeling negative about the next 3 months, as the outlook index has also declined.

The savings index saw a small decline, possibly due to higher spending over the Christmas period. Socialising spend also saw a slight dip, possibly due to money being tighter overall combined with concerns about the Omicron variant. In December, 1 in 4 (25%) of UK adults were worried they might contract Covid-19, compared to 17% in June.



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.

Inflation worries increase

In December, a third (33%) of UK adults said they were worried about the rising prices of day to day items (e.g. food, clothing, etc.). This is an increase from 27% last quarter (September) and 24% in June.

Women were particularly anxious about rising prices as well as those aged 55+, as it can be harder to absorb unexpected price increases when on a static pension income. Even 28% of the mass affluent (those with assets of between £100,000 and £500,000 excluding property) said they were worried about rising prices.

Worried about the rising prices of day to day items

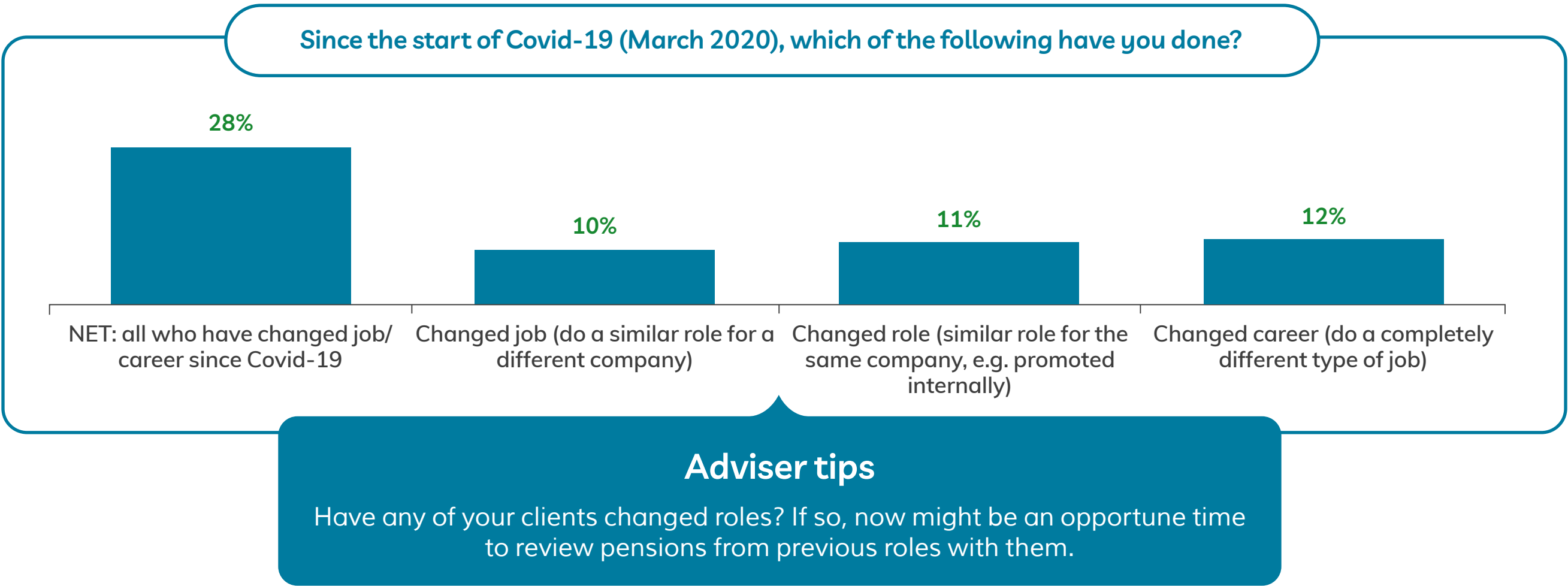
24% → 27% → 33%
June 2021 Sept 2021 Dec 2021

Changing career during the pandemic

More than 1 in 10 working adults completely changed career during the pandemic

This quarter’s Wealth and Wellbeing research explored job changes since the start of the pandemic. We found that 28% of working adults (9m) have changed job or career during that time. For some this was due to a promotion (11%) and some chose to do a similar role for a different company (10%). More than 1 in 10 (12%) working adults chose to completely change career.

Changing career may have changed how much they can afford to pay into their pension, or changed the protection needs that they have. Therefore, it may be worthwhile speaking to a financial adviser after, or even before, a big career change.



Over 1 in 5 changed jobs because they wanted a job they enjoyed more

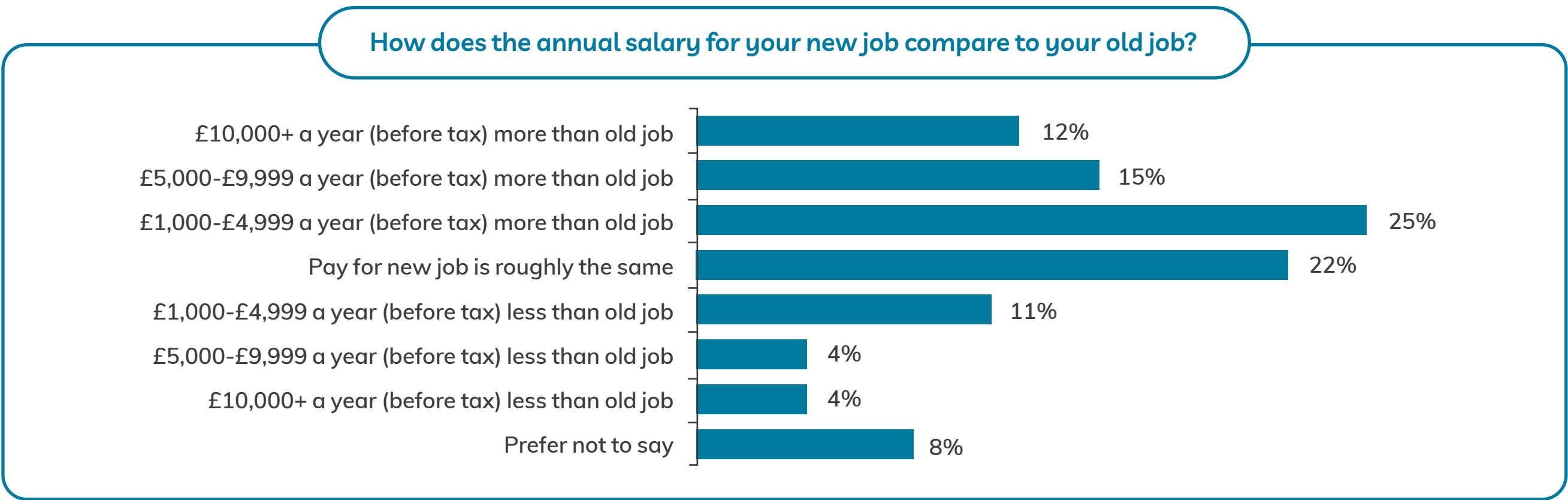
When asked why they changed jobs, the top reason was the desire for a higher income (27%). However, the second highest reason was less financial and more emotional - 22% wanted a job they enjoyed more.

Working from home during the pandemic has caused many people to reconsider what they want from a job. Wanting to work from home more drove 16% of job changes, and a desire for flexible hours (15%), a shorter commute (14%), and wanting more time with family (14%) were also important drivers.

Many people also experienced job loss/redundancies during the pandemic, and for around 1 in 5 (19%) this is why they changed jobs.

1 in 5 took a pay cut in their new role

While over half (52%) of those that had changed job were now on a higher salary, nearly 1 in 5 people (19%) actually took a pay cut in their new role.



Receiving a pay rise is often a good time to consider increasing pension contributions, as consumers would be able to maintain their current living standards (based on their previous salary) while boosting their potential retirement income. However, for those that took a pay cut, boosting pension savings could still provide an opportunity to maintain their overall income if salary sacrifice and/or greater employer matching become available.

When taking on a role with a lower salary one may need to identify some cost savings. If someone is considering cancelling their insurance or decreasing pension contributions, it is worthwhile to first speak to a financial adviser or their product provider, to help clarify the full ramifications. For example, if someone cancels their life insurance, then reacquires it a year later, their new premiums might be much higher. They could instead consider asking their provider for a payment break, or reduced cover. Cutting pension contributions may feel like an easy cost saving, but paying a reduced amount for any period of time could impact their income at retirement.

Passing on wealth to future generations

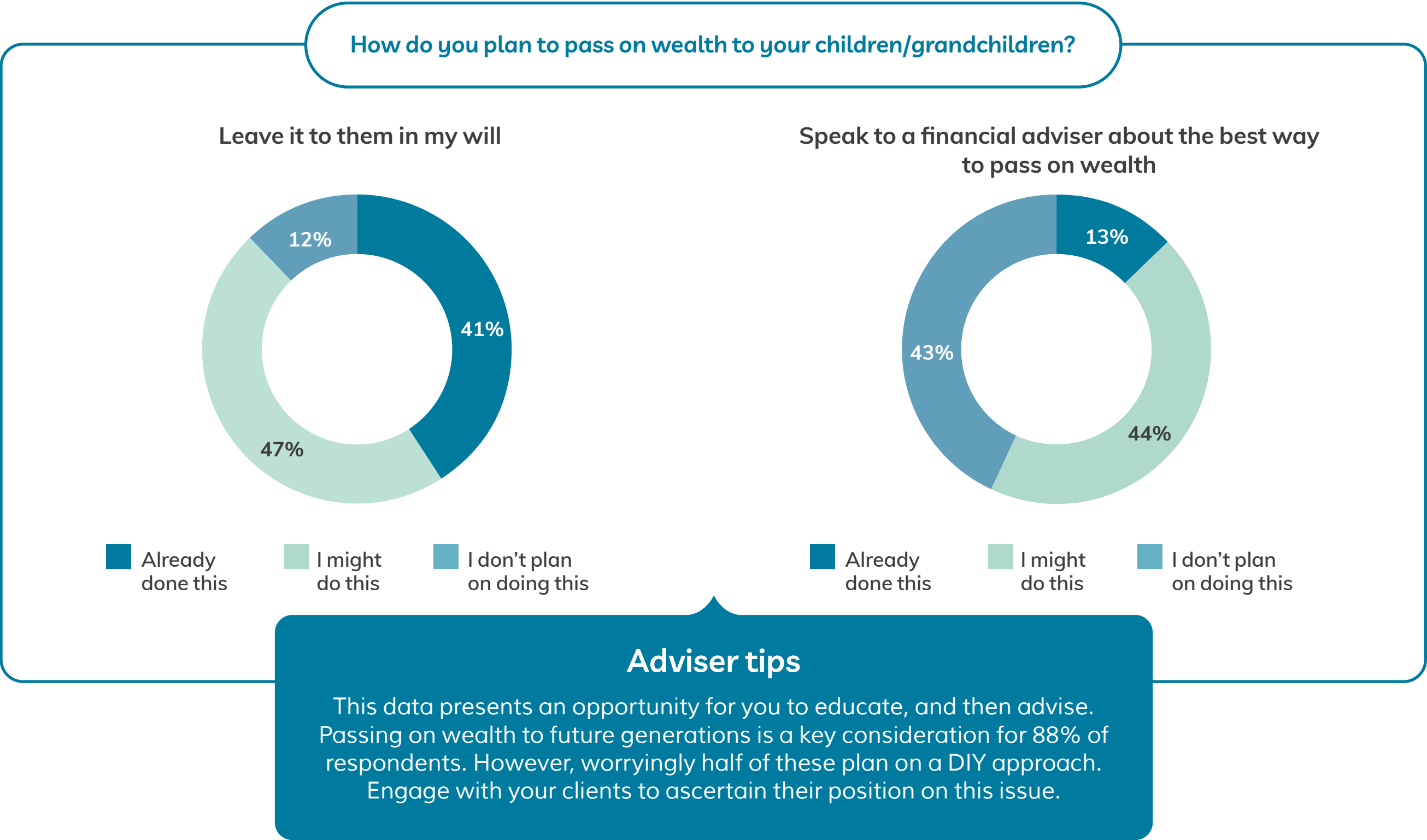
60% of parents with a child under 18 plan to write a will but haven't yet

We asked parents (of children of any age) how they have planned, or were planning, to pass on wealth to their children or grandchildren.

The majority either had planned to, or thought they might, leave money to their children/grandchildren in their will (88%). However, whilst 41% of parents have written a will, 47% say they might write a will, but haven't yet. This is even higher amongst parents of young children – 60% of parents with a child under 18 plan to write a will but haven't yet. Only 28% have.

It's a challenge as an industry to find ways to prompt parents into action to ensure they don't put it off for too long, and look after the interests of their children should they pass away.

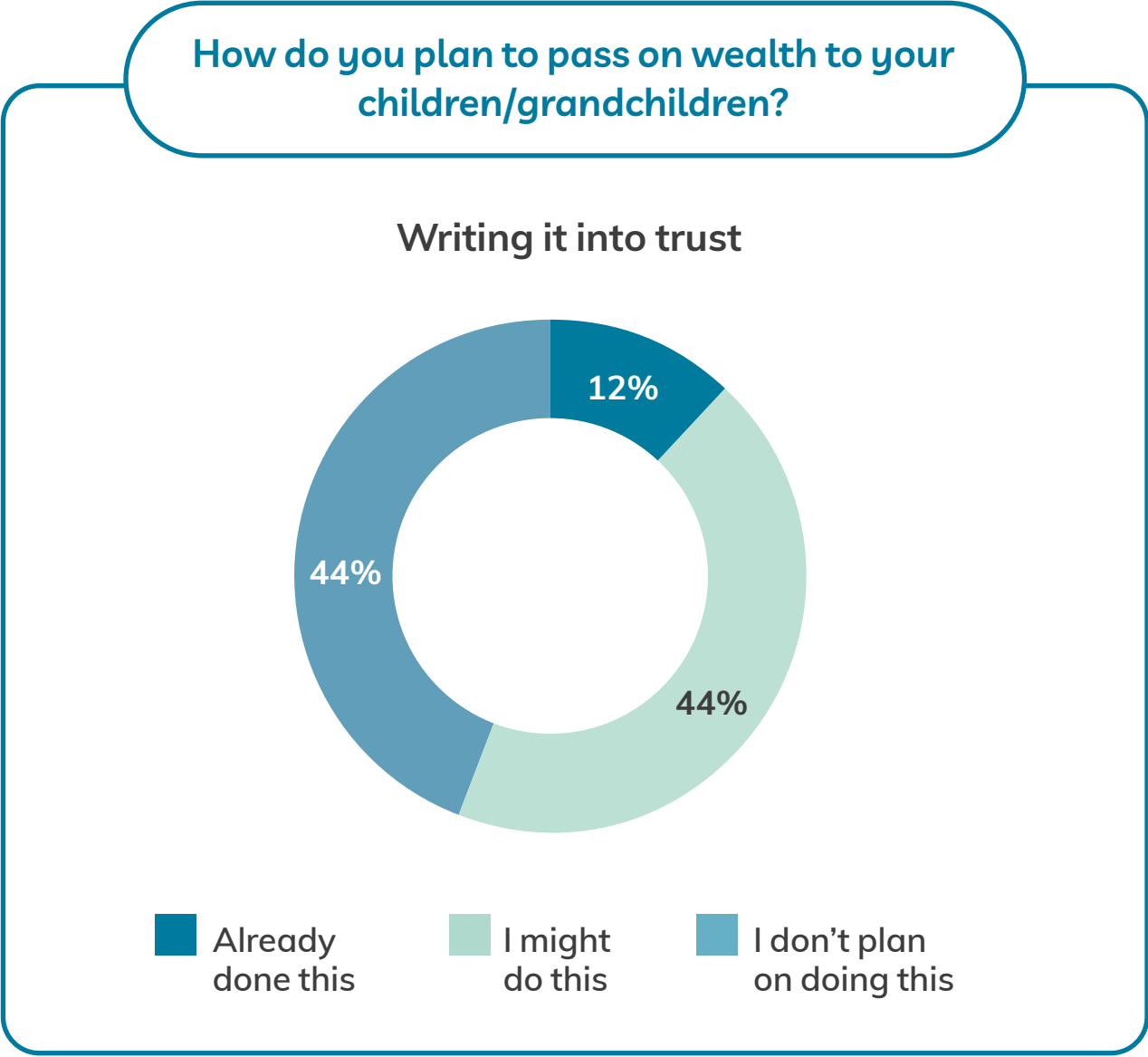
Over half (57%) of parents have, or are considering, speaking to a financial adviser about the best way to pass on wealth. Only 13% of parents have actually done this, with another 44% considering it. However, older age groups seem less inclined to speak to an adviser – only 12% of those aged 65+ have spoken to an adviser and just 22% would consider it.



52% of mass affluent are interested in writing wealth into trust

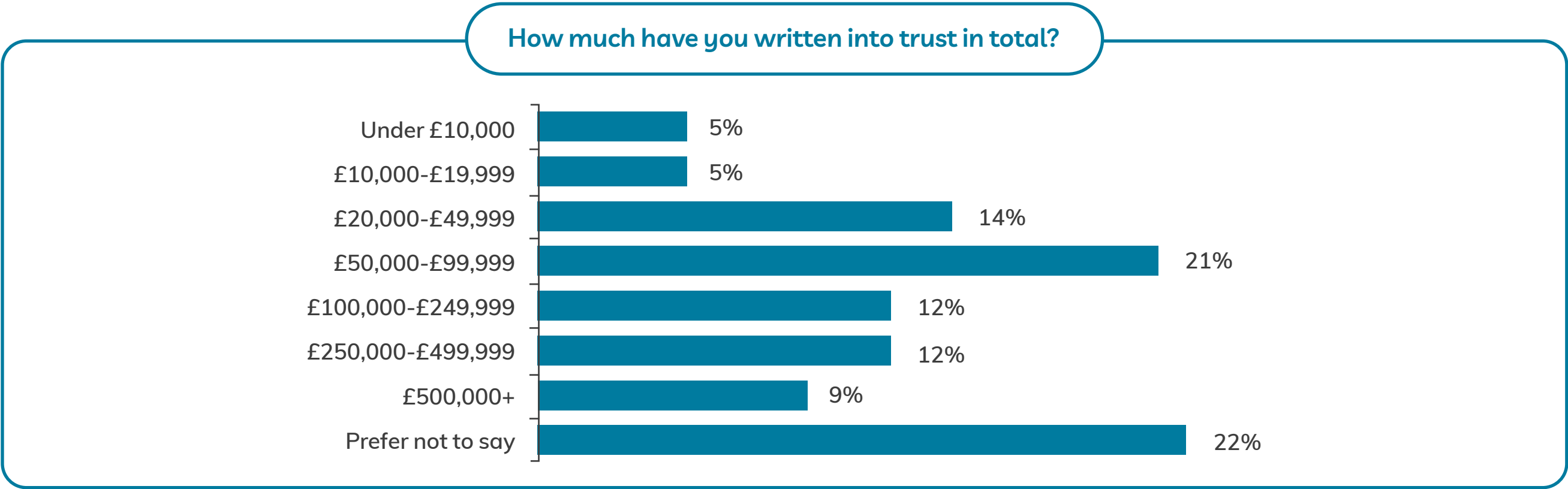
Over half of parents (56%) are considering writing wealth into trust (or already have). However, only 12% have actually done it. Those aged 65+ appear less open to writing wealth into trust, with only 40% considering it.

Only 13% of mass affluent consumers (those with assets of between £100,000 and £500,000 excluding property) have written any wealth into trust for their children/grandchildren, although 52% are interested in doing so. Advisers may benefit from speaking to their mass affluent clients about this as an option.



The average amount written into trust was £184,000

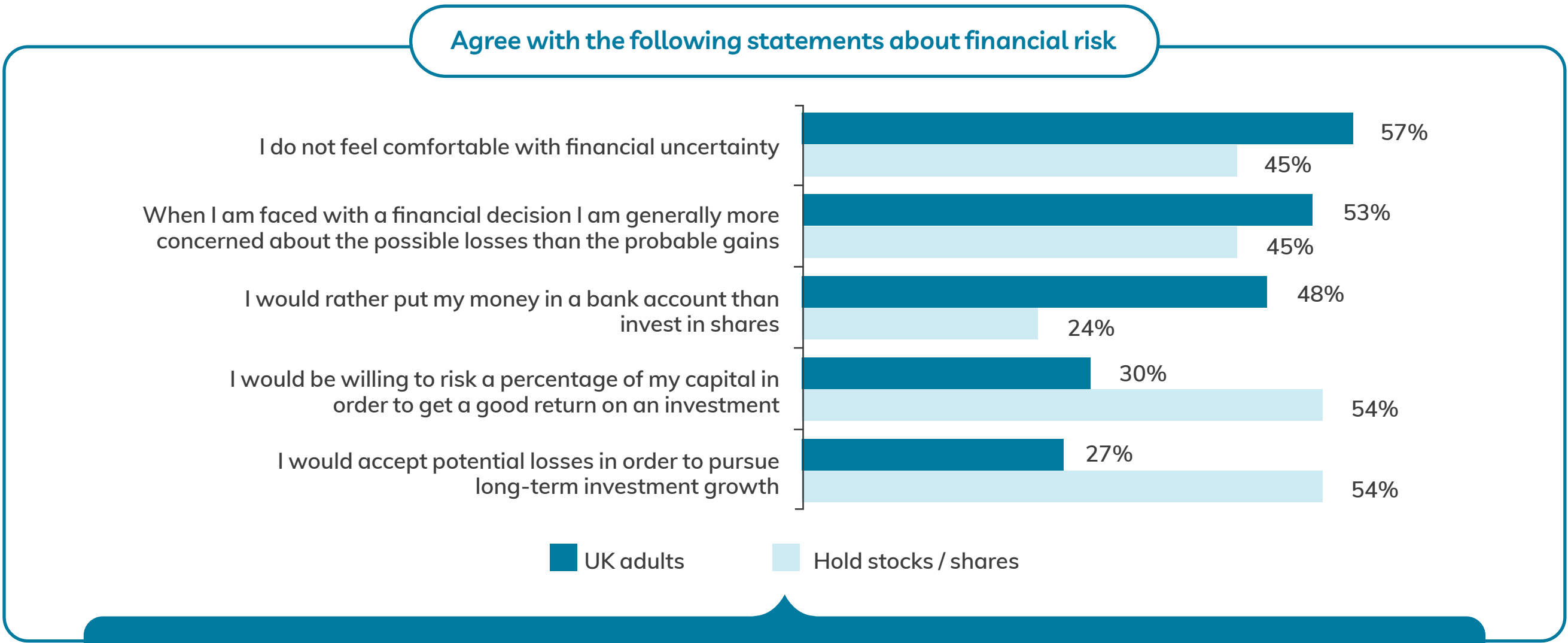
For those who had written money into trust, we asked how much they had written into trust in total. Over half have written over £50,000, with the average amount written into trust was £184,000.



Attitudes to investment risk

53% of UK adults are more concerned about possible losses than probable gains

This quarter we explored consumers’ attitudes to investments risk. 53% of UK adults felt that when faced with a financial decision they were more concerned about the possible losses than the probable gains. Women were more likely to feel this way than men (57% vs. 48%), suggesting that some female investors might find products such as smoothed investments appealing, as this would enable returns whilst helping to allay their worries about losses. Interestingly, nearly half (45%) of investors (those with stocks or shares) were more concerned about the possible losses than the probable gains and the same amount also stated that they do not feel comfortable with financial uncertainty.



Adviser tips

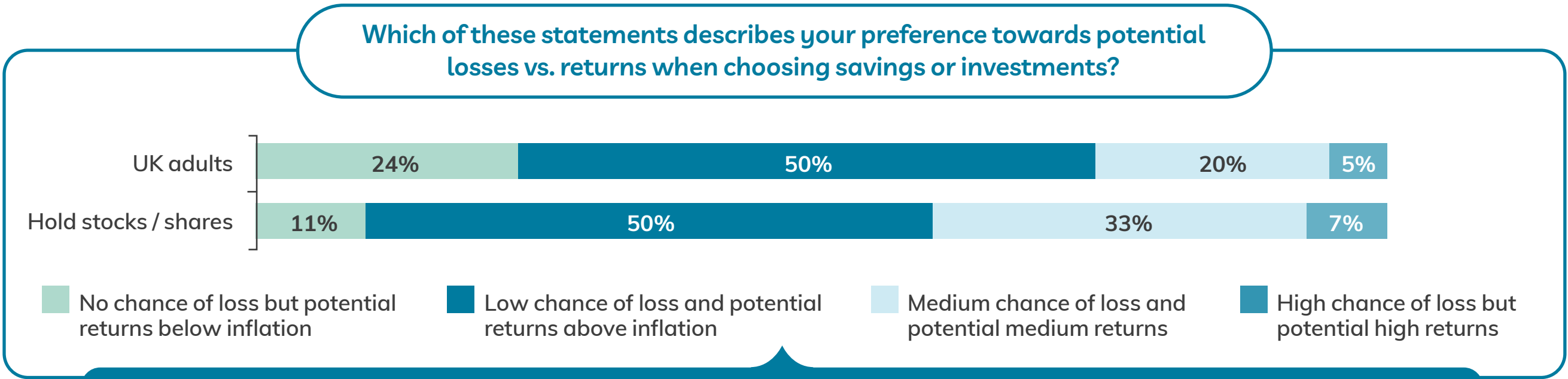
Consumers are faced with a big conundrum – they are concerned by rising prices, yet continue to save in huge volumes in cash accounts where inflation and low interest rates will surely devalue their cash savings. Investment in stocks and shares could provide a solution, but we see 1 in 2 respondents would be put off by the possibility of losses (higher still for women, 57%), with only just over 1 in 4 saying that they would accept potential losses in order to pursue long-term growth.

Could smoothed funds bridge this gap for your clients?

Half of investors want a low chance of loss and potential returns above inflation

We asked our survey respondents to rate their willingness to risk potential losses in exchange for higher returns (when choosing savings or investments). 50% of investors preferred investments that offer a low chance of loss and potential returns above inflation (the same amount as UK adults in general). A third (33%) of investors wanted investments that offer a medium chance of loss for potential medium returns (higher than UK adults, for whom only 20% were interested in this option).

Only 7% of investors are willing to accept a high chance of loss for potential high returns.



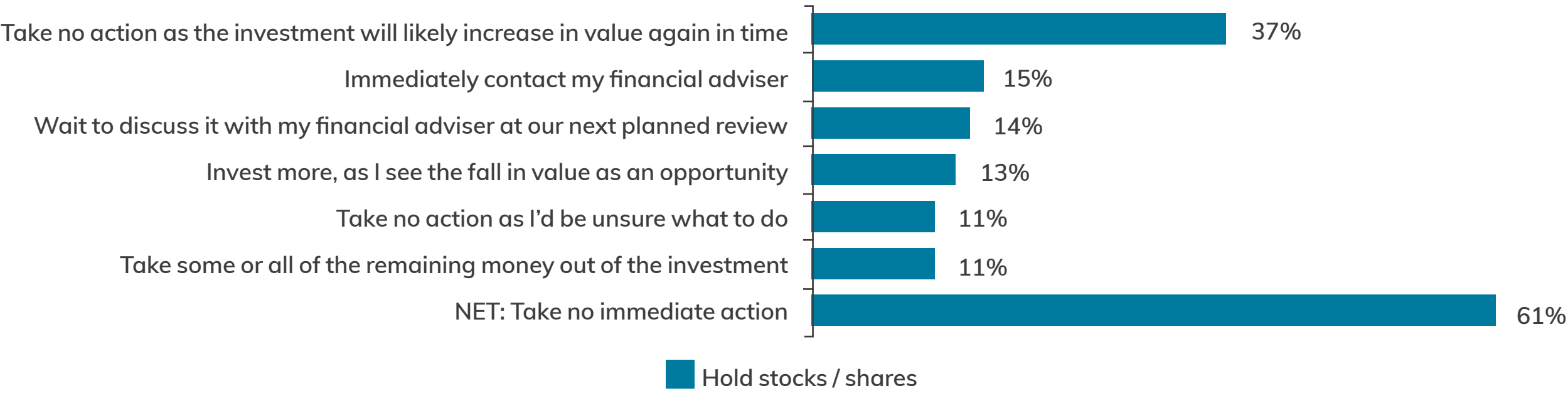
Adviser tips

What can advisers do? Help clients better understand the risk that they take on by investing. For those who only have psychological capacity for a small loss a smoothed fund solution can help provide emotional comfort along their investment journey and, for these more anxious clients, that could just help equip them with the best plan they could realise in practice.

1 in 10 investors would have a knee-jerk reaction to a market fall

We next asked our respondents what they would do if the value of their pensions or investments ever fell substantially. 61% of investors said they would take no immediate action. However, 1 in 10 (11%) would take some or all of the remaining money out of the investment.

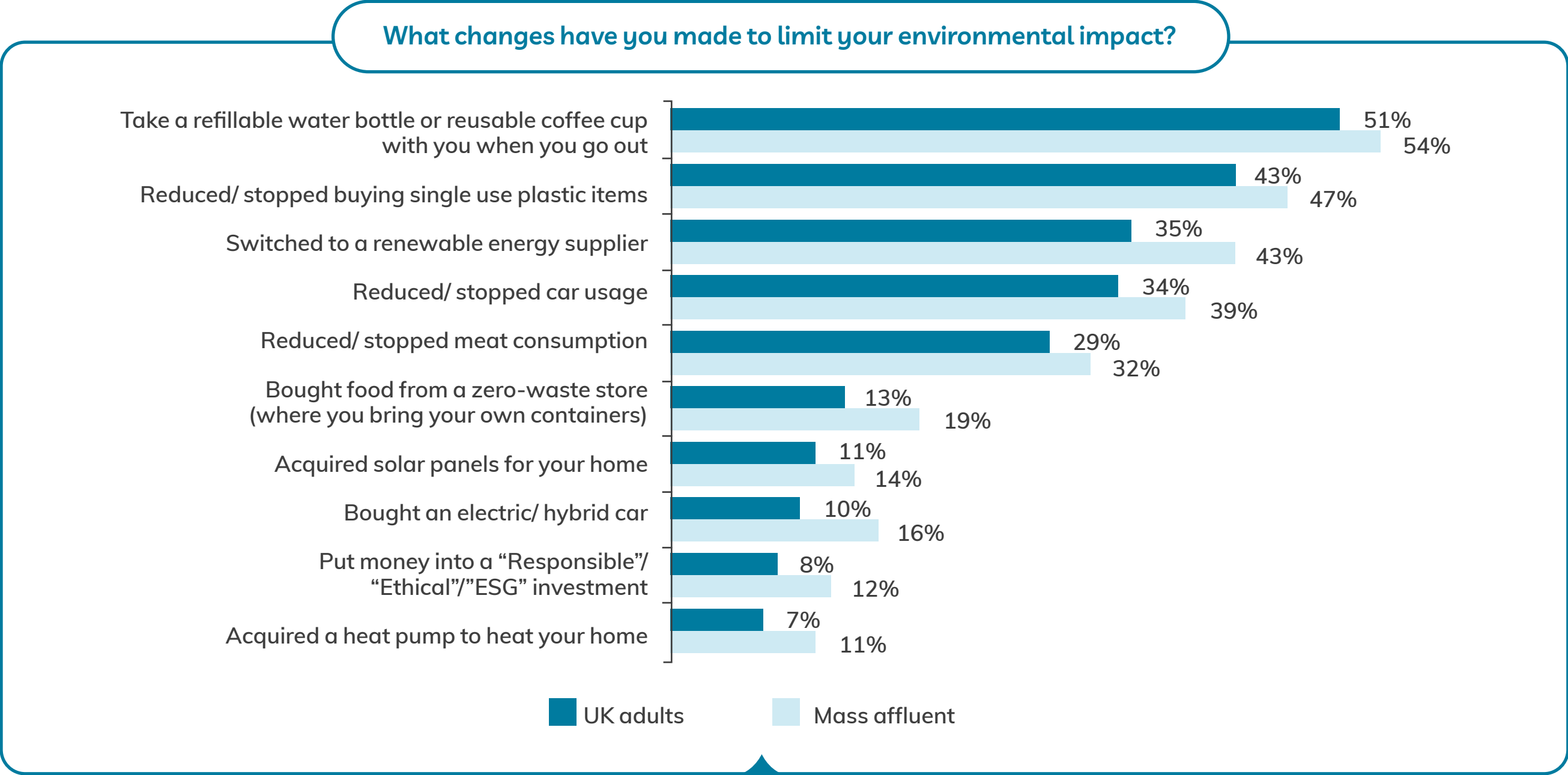
If the value of your pensions or investments ever fell substantially, how would you respond?



Environmental behaviour & ESG investments

Over 1 in 10 mass affluent already have an ESG investment

We asked UK adults which environmental behaviours they were doing, or were interested in doing. The environmental behaviours people were most likely to already be doing were relatively low cost, and involved reducing waste (e.g. reducing plastic use or using reusable cups). Things that had the largest financial outlay (e.g. heat pumps, solar panels and electric cars) had relatively low uptake currently (7%-11%) but still had a good amount of interest (over a third were interested).



Adviser tips

Our data shows the mass affluent have a significant interest in limiting their negative environmental impact. When it comes to commonly known ways of doing this, they display higher uptake than the average UK adult. With more information and education from advisers on ESG investments that 12% uptake could easily increase. In particular, if they are aware of solutions that support the environment without compromising on returns.

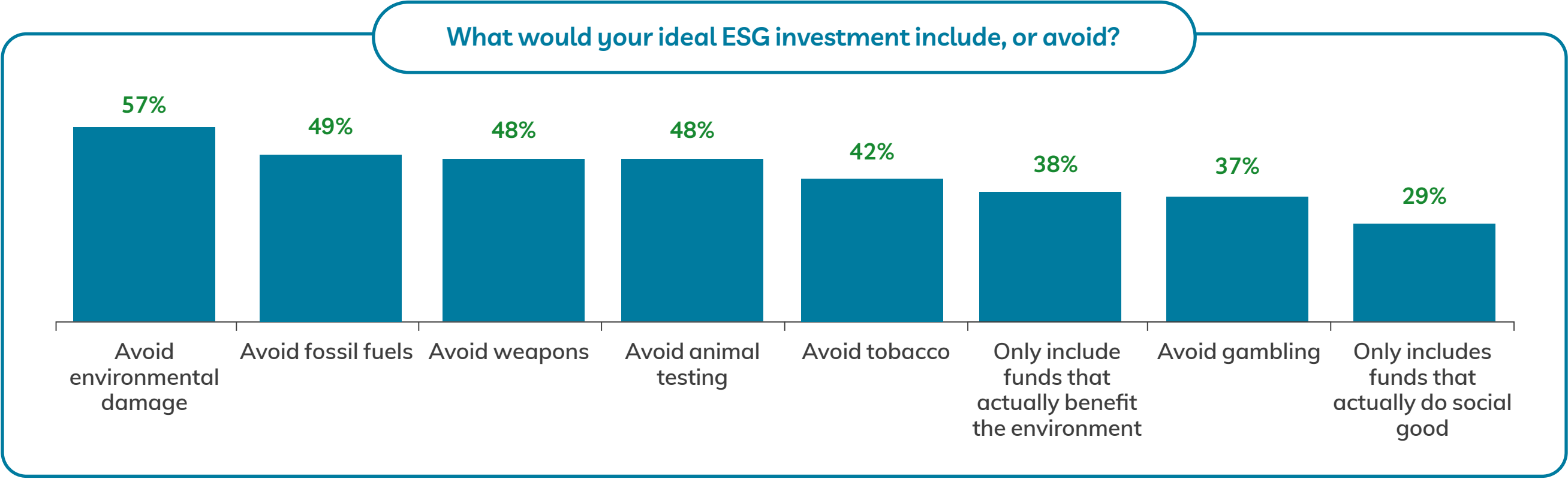
We found that women were more likely than men to use a refillable water bottle/coffee cup, reduce single-use plastic items and be reducing their meat consumption.

As we saw in previous Wealth and Wellbeing research, the mass affluent are very interested in protecting the environment, and were more likely than average to engage in each of the environmental behaviours. Londoners, men and the mass affluent were most likely to have acquired the items that had largest financial outlay (e.g. heat pumps, solar panels and electric cars).

Over 1 in 10 (12%) mass affluent said they already have an ESG investment (compared to 8% of all UK adults). Londoners were also keen on ESG investments, with 17% having one.

Over half of potential investors want ESG investments to avoid environmental damage

We asked those who had acquired an ESG investment, or were interested in doing so, what their ideal ESG investment might include. Over half (57%) would want their ideal ESG investment to avoid environmental damage. This was the most popular option for all ages and genders.



The mass affluent were particularly interested in environmental issues, with 65% wanting their ideal ESG investment to avoid environmental damage (vs. 57% overall) and nearly half (46%) were interested in an investment that only includes funds that actually benefit the environment (vs. 38% overall).

Social concerns appeared less important to potential investors, with “Only includes funds that do social good” being the least popular option, with less than a third (29%) choosing it.

Other types of funds suggested in the verbatim comments included: Avoiding human rights/slavery issues, only including companies that offer a living wage and avoid poor employment practices.

Appendix

Wealth & 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
Better	17 %	14 %	12 %	18 %	17 %	15 %	14 %
Worse	23 %	22 %	26 %	20 %	18 %	20 %	25%
Index*	-6	-8	-14	-2	-1	-5	-12

Income from work

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

Amount saving

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
Increase	23 %	19 %	23 %	27 %	21 %	18 %	16 %
Decrease	14 %	18 %	24 %	17 %	19 %	19 %	20 %
Index*	8	1	-1	10	2	-1	-3

Spend at the supermarket

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
Increase	42 %	35 %	30 %	33 %	29 %	36 %	46 %
Decrease	15 %	14 %	18 %	15 %	13 %	10 %	10 %
Index*	27	21	13	18	16	26	36

How finances have changed in last 3 months

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

Total monthly outgoings

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

Amount saving into pensions

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

Spend on socialising

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

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 December 2021 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.



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