November 2021 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 September 2021

For UK financial adviser use only

Introduction

Welcome to the November 2021 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 illustrates that life after lockdown still has its problems as consumers are starting to feel the pinch of rising prices. Consumer sentiment has taken a slight dip from last quarter as concerns are now focused on rising prices and how inflation is eroding their savings.

However, things are still much improved in comparison to the low point at the end of 2020. Incomes are on the rise, and fears of job losses are much lower than this time last year. This quarter, we looked at the impact of the pandemic on consumer debt and we found that nearly a quarter of UK adults say they are in less debt than before the pandemic.

Thinking about rising prices, it is now a difficult time to ensure inflation beating returns on savings. In this report we uncover how many grandparents are saving for their grandchildren's future, though many are still opting to save into low interest savings accounts and cash ISAs.

The length of time grandparents potentially have to build these savings (18+ years if they start when a grandchild is born), plus the current low returns on savings suggests that they should consider discussing different options with their adviser. Investment offers the potential for higher growth, potentially resulting in a higher value gift for the grandchild.

Investing in ESG funds is another area we looked at in this quarter's survey. Currently, awareness of ESG investing is low and many consumers do not know how they would access ESG investments. However, the opportunity is definitely there, especially amongst younger adults, those with higher incomes, and the mass affluent (those with assets of between £100,000 and £500,000 excluding property). These three groups are most interested in learning more about ESG investments, demonstrating that it would be worthwhile for advisers to discuss ESG with their mass affluent clients."

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

Contents

Wealth and Wellbeing Indices

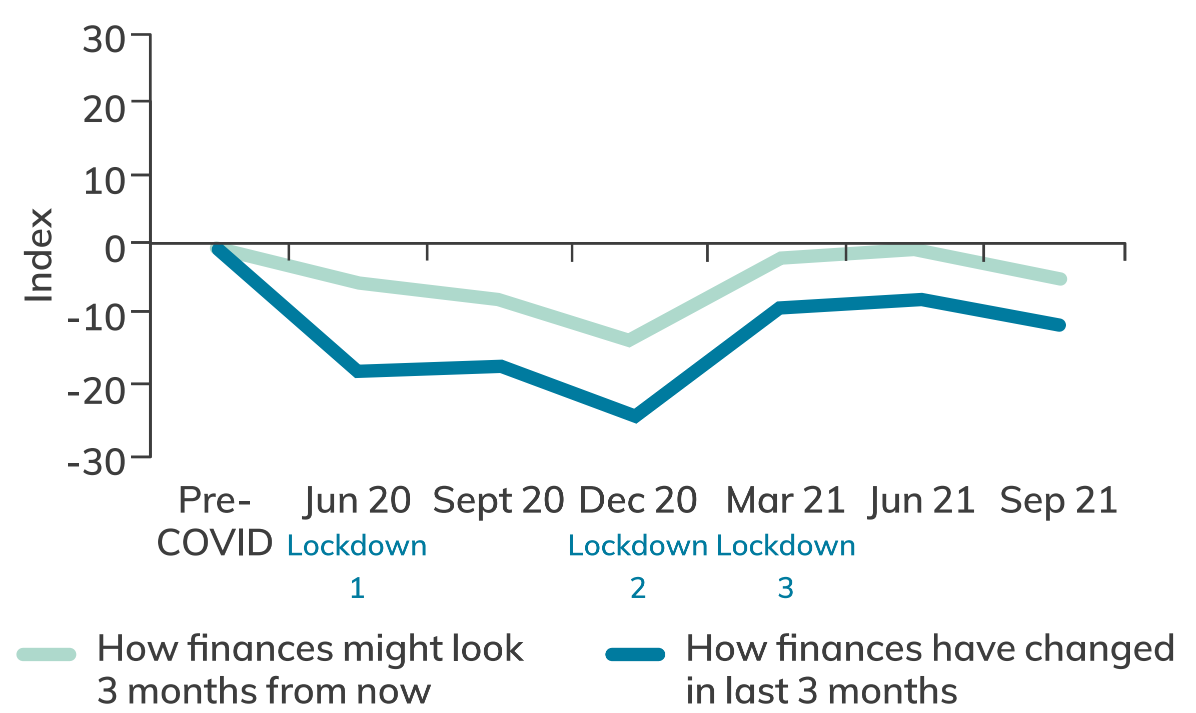
LV= uses indices to track overall changes to spending, saving and finances. The indices are calculated by subtracting the percentage who stated a negative change over the past 3 months (e.g. decrease/worse) from the percentage who stated a positive change over the past 3 months (e.g. increase/better)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

Consumers feel the pinch of increasing costs

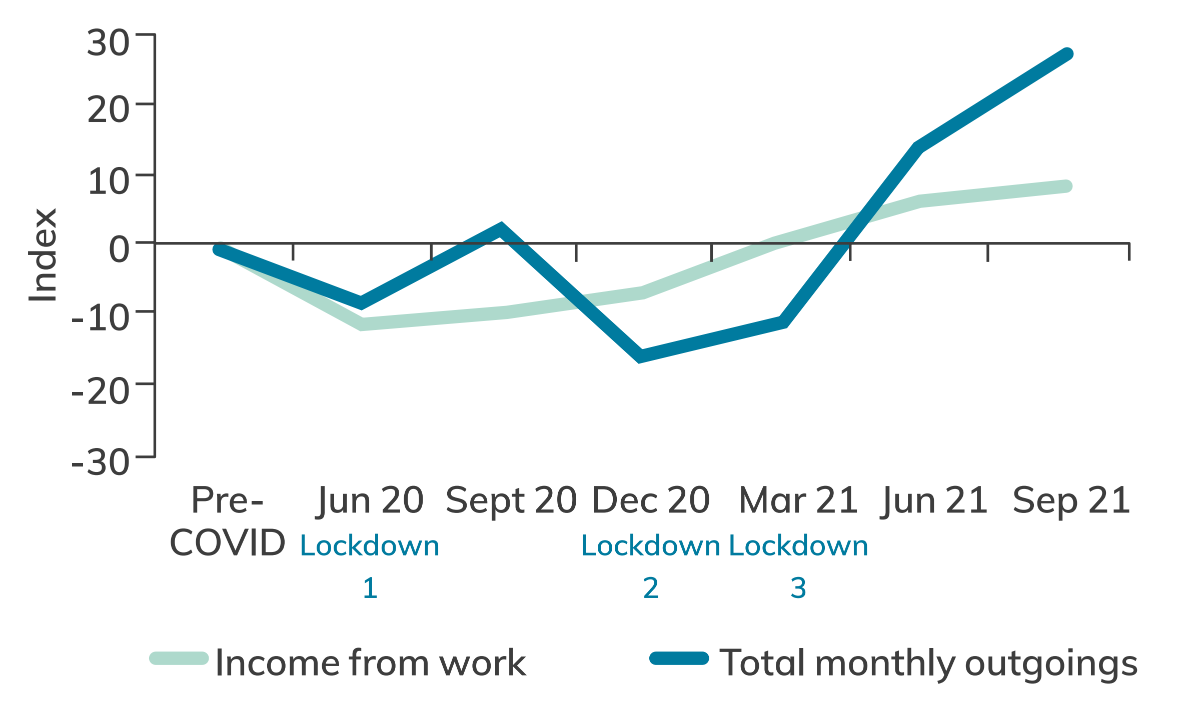
Over the last two quarters, the outgoings index has seen large increases. This is likely due to increased costs for food and other goods, more commuting costs as many return the office, plus increased socialising. The socialising spend index is now the highest we've seen since the study began in June 2020, with good summer weather and the removal of Covid-19 restrictions driving consumers to spend in this area. The supermarket spend index has also increased from last quarter as food prices rise. These increases in outgoings are likely to be the reason why we've seen fewer saving money this quarter.

Increased costs are making consumers' budgets feel more stretched, reflected in small downturns in the overall Covid-19 impact index and financial outlook index. However, things are still better than during the pandemic. The number of people worried about losing their job has halved compared to this time last year – now 5% (2.8m people) say they are worried about losing their job compared to 12% (6.1m) in September 2020. Incomes also continue to rise, with the income index increasing again this quarter.

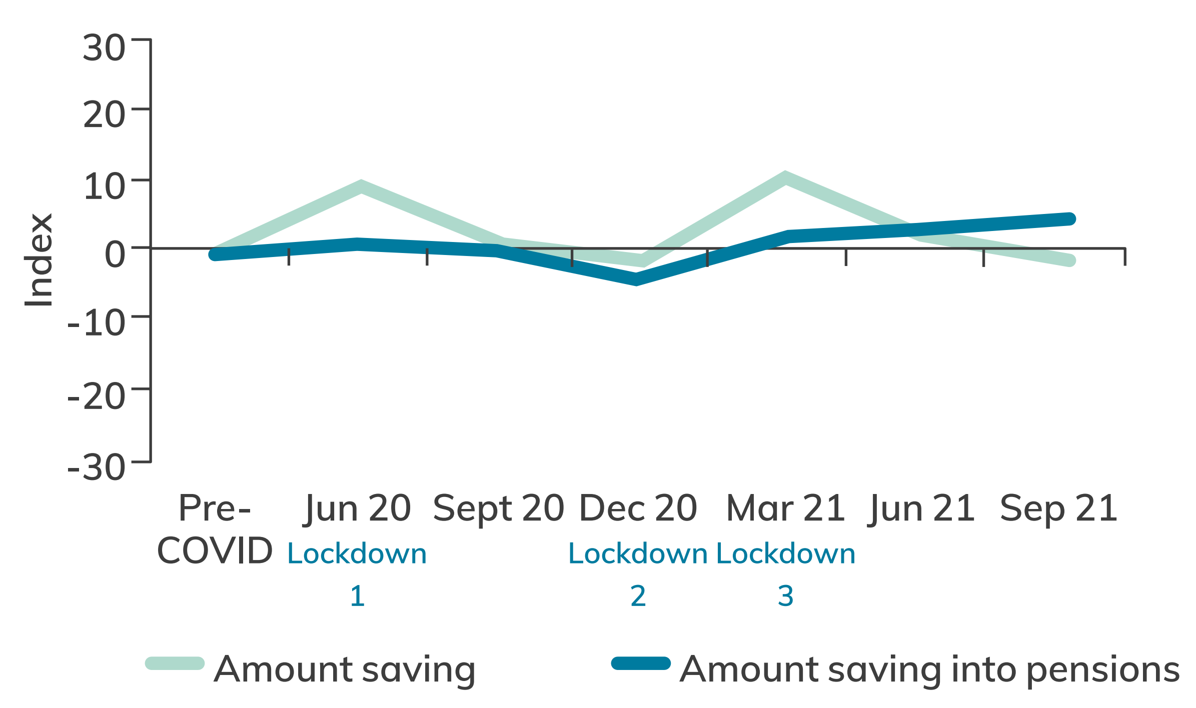
Covid-19 impact and financial outlook index



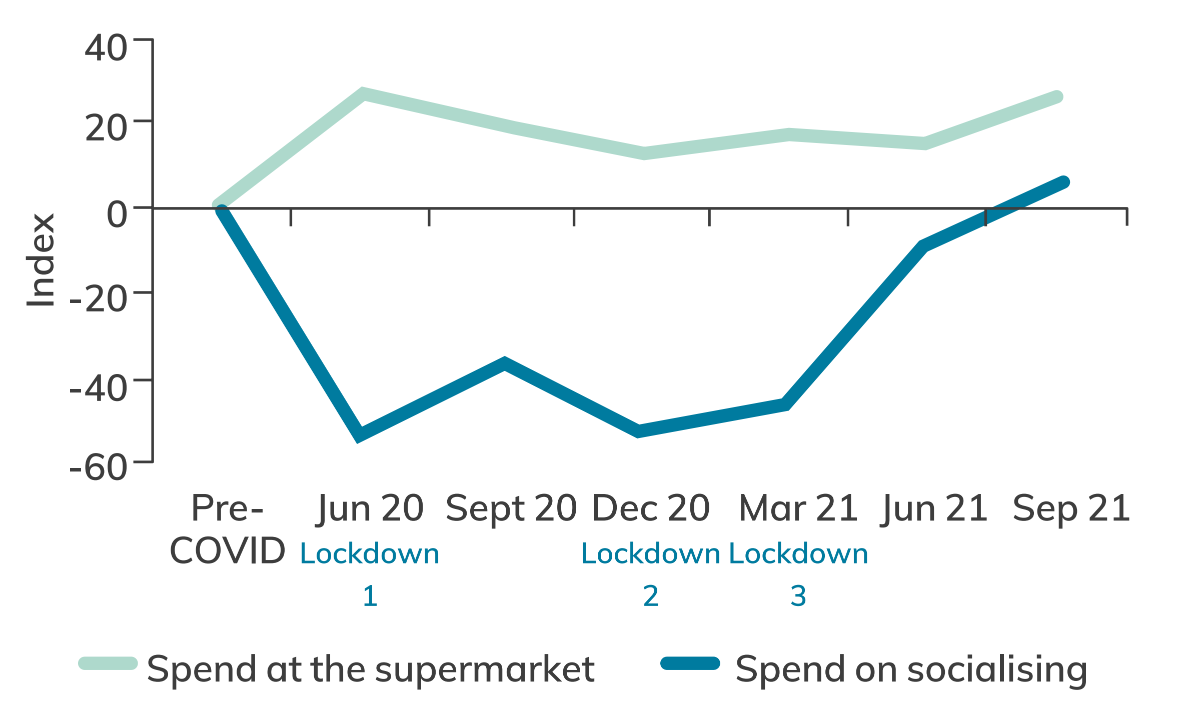
Income and outgoings index



Savings and pension savings index



Supermarket spend and socialising index



Inflation worries increase

Rising prices are becoming a key concern for consumers. 27% of UK adults say they are worried about the rising prices of day to day items (e.g. food, clothing, etc.). This is an increase from 24% last quarter.

The mass affluent (those with assets of between £100,000 and £500,000 excluding property) are also worried about inflation. Their top worry this quarter is that their savings are being devalued by low interest rates and inflation. 24% of mass affluent consumers are worried about this vs. 15% of the overall population.

Worried about the rising prices of day to day items

June 2021 **24%** **vs** **Sept 2021** **27%**

Financial advice during the pandemic

Friends and family prompting 18-34 year olds to seek advice

This quarter's Wealth and Wellbeing research explored consumers' experiences of financial advice during the pandemic. Nearly a quarter (23%) of UK adults said they had received financial advice in the past 18 months (i.e. since the pandemic started).

The top 4 prompts for those getting financial advice were:

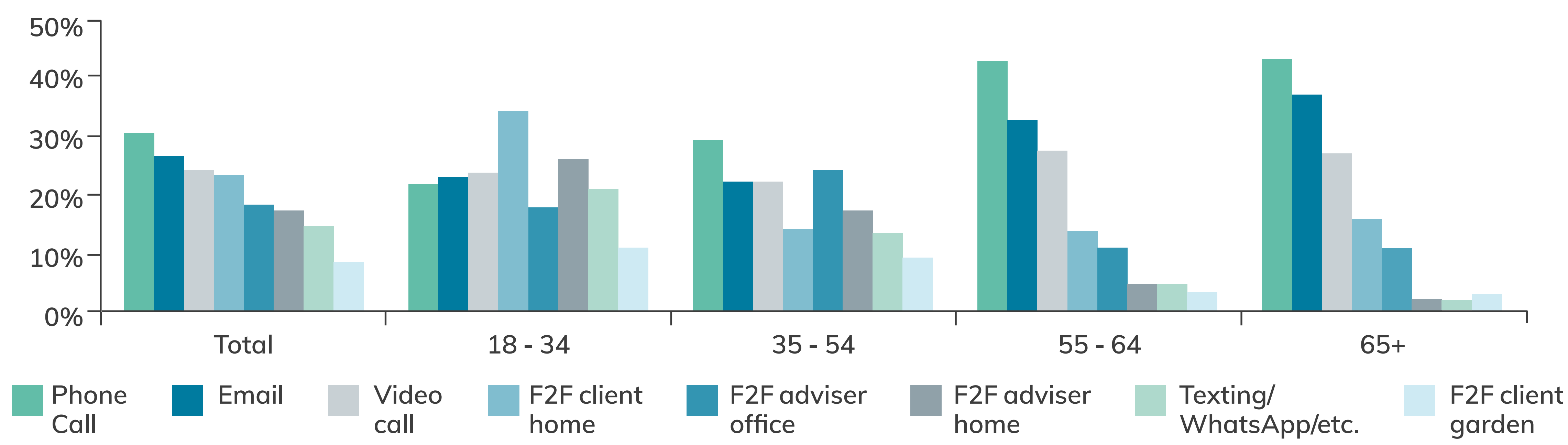
- Annual review 21%
- Suggested by friends/family 18%
- Suggested by my adviser 17%
- The pandemic made me more aware of my mortality 14%

Advice prompts varied by age, with 18-34s most likely to be prompted by suggestions from friends/family (28%), whereas 55-64s were most likely to be prompted as part of an annual review (36%).

Over 55s less likely to have communicated with their adviser face to face during the pandemic

The pandemic meant that many used remote methods to communicate with their adviser. Phone calls (30%), emails (26%) and video calls (24%) were most popular.

How did you communicate with your financial adviser in the last 18 months?

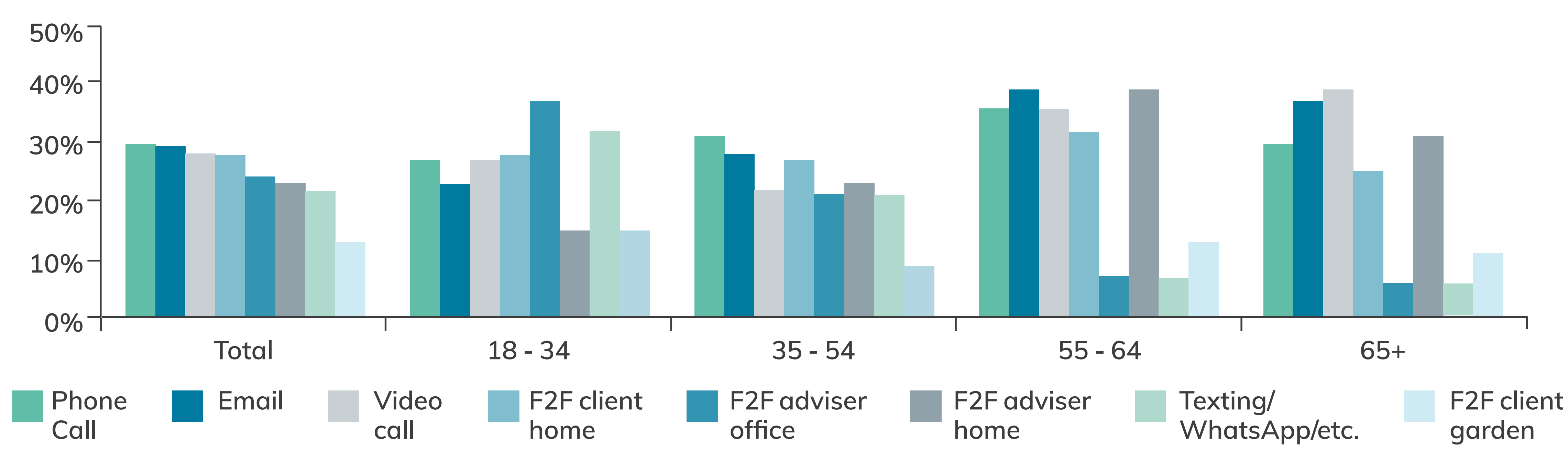


Those aged over 55 in particular tended to use more remote communication (including video calls) rather than face to face. In fact, over 55s are more likely to have used video calls with advisers than under 55s. This could be explained by older people adhering to Covid-19 guidance for their age group and avoiding non-essential contact during the pandemic. Also their communication with an adviser is more likely to be routine (e.g. an annual review of their pension) compared to younger consumers who might need the reassurance of a more in depth face to face meeting.

Video calls are here to stay

In the future, many advised customers (of all ages) seem to want face to face meetings with their advisers. However, video calls are here to stay, with over a quarter (28%) saying they would like to communicate via video calls in future. A key difference by age group is that the under 35s are keen to communicate with their adviser via texting/WhatsApp (32% vs. 22% of the total population), whereas over 55s are significantly more likely to want to communicate via email.

How would you like to communicate with your financial adviser in the future?



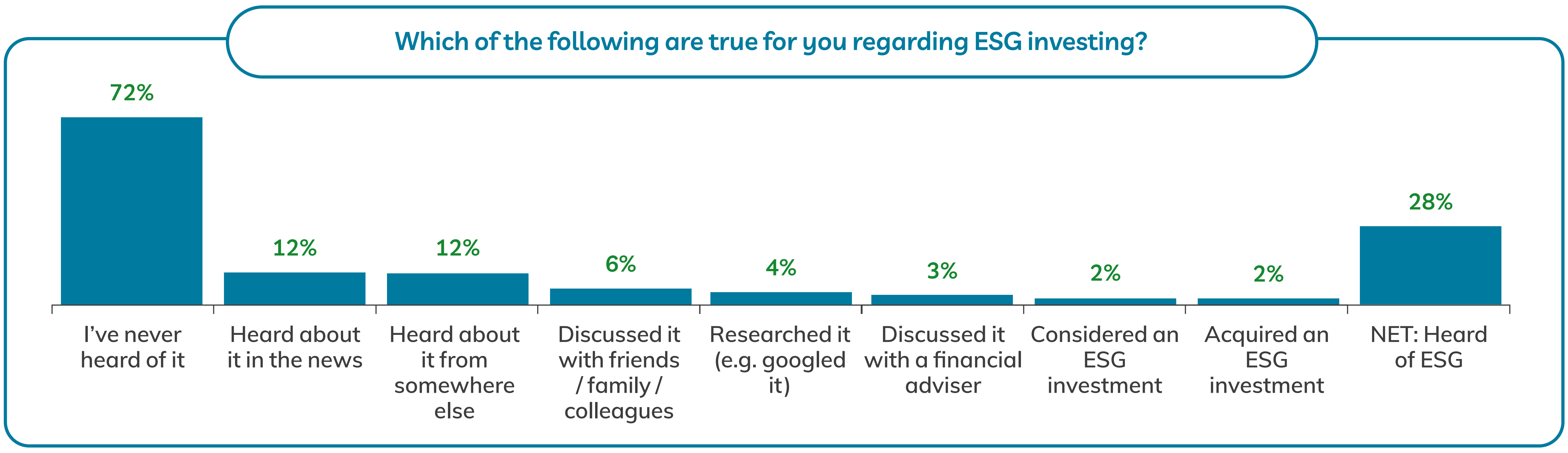
ESG investments

Awareness of ESG investments is still low

One area of investment that has seen a lot of media coverage lately is ESG investment. However, when we asked UK consumers about ESG, we found that 72% of UK adults have never heard of ESG investments.

Those with a high household income (£100k+) and those who regularly see an adviser are most likely to have heard of ESG investments, while those aged 55+ were least likely to have heard of ESG investments. Also, of those who regularly see an adviser, only 13% say they have discussed ESG investments with their adviser.

With prevalent coverage of climate change and sustainability initiatives, it is possible that consumers are simply not familiar with the term ‘ESG’, but would be familiar with the underlying themes. These findings would suggest that explaining the real-world impact of ESG and responsible investing is essential for clients.

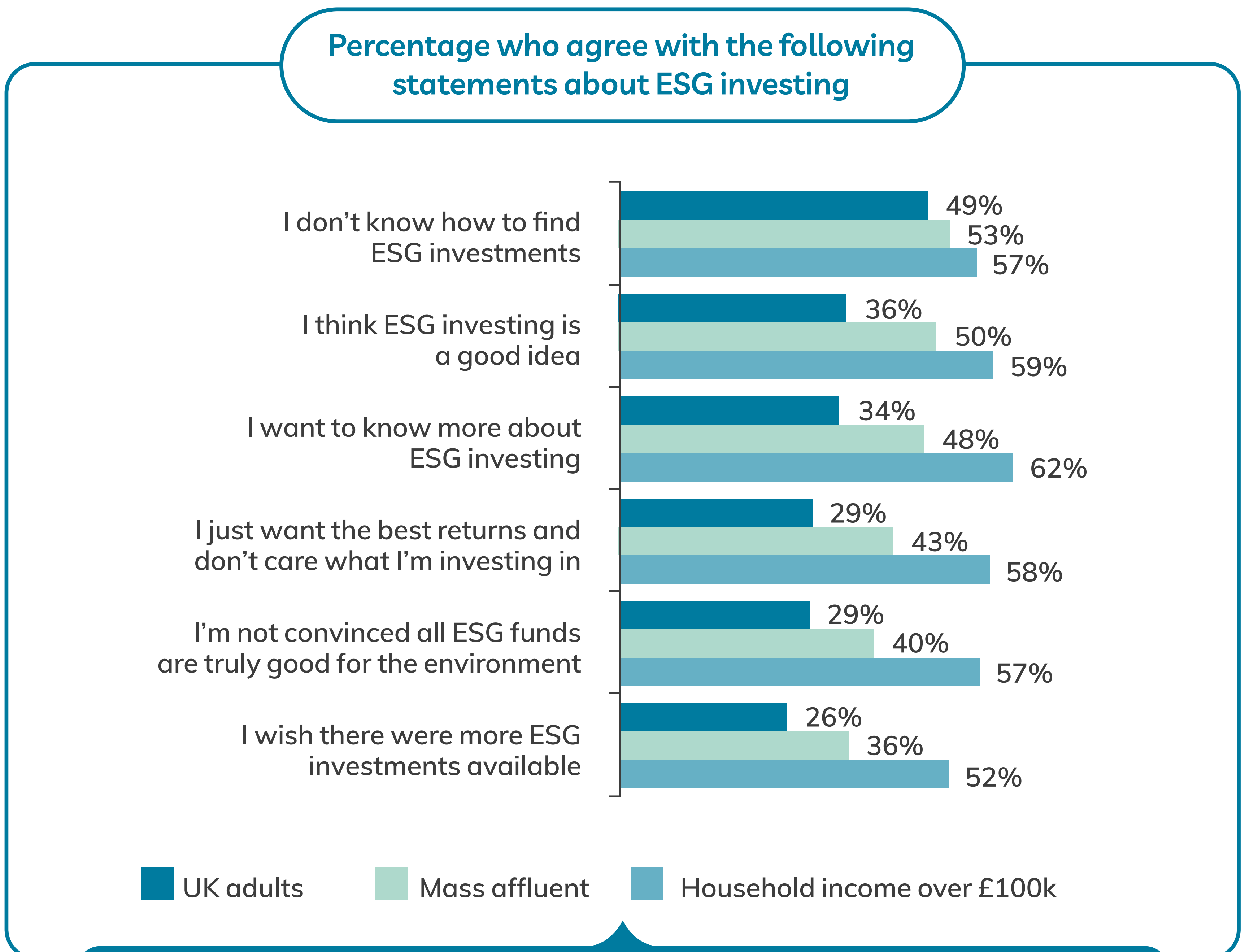


Younger, high income and mass affluent consumers want to know more about ESG investing

We then provided a short explanation of ESG investing to our respondents. The results show that, even once ESG is broadly explained, another key barrier to growth of ESG investing is that nearly half of UK adults (49%) don’t know how to find ESG investments. This was high across all demographic groups (even those who regularly see an adviser or already have investments).

Once an explanation was provided, over a third of UK adults think ESG investing is a good idea (36%) and over a third would like to know more about ESG investing (34%). Younger, high income, and mass affluent consumers (those with assets of between £100,000 and £500,000 excluding property) are most likely to think ESG investing is a good idea and are most interested in learning more about ESG investments.

Last quarter’s wealth and wellbeing research found that these groups (younger, high income and mass affluent) were also most likely to say they were planning to be more environmentally conscious. This demonstrates that it could be worthwhile for advisers to discuss ESG in real terms with their mass affluent clients.



Adviser tips

Are you breaking down what E S and G means in the real world for clients? This presents an opportunity for you to positively engage clients on ESG, help them understand and navigate it, and make a positive impact through their savings and retirement plans.

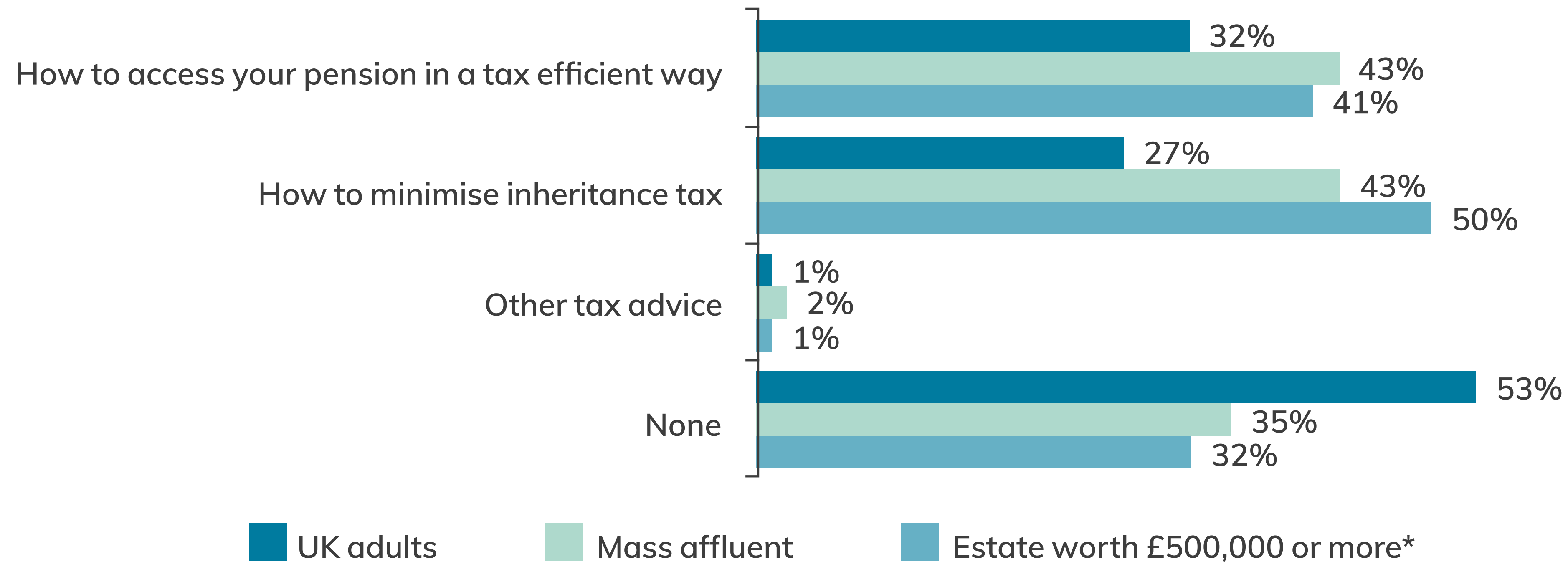
Financial advice on inheritance tax

Many mass affluent consumers would value tax advice

We asked consumers what kind of tax advice they would find valuable. 32% said they would find advice on how to access their pension in a tax efficient way valuable, rising to 43% amongst the mass affluent. 27% would find advice on how to minimise inheritance tax valuable, this again rises to 43% amongst the mass affluent.

Despite being liable for inheritance tax, only half of those with estates over £500,000* say they would find advice on how to minimise it valuable.

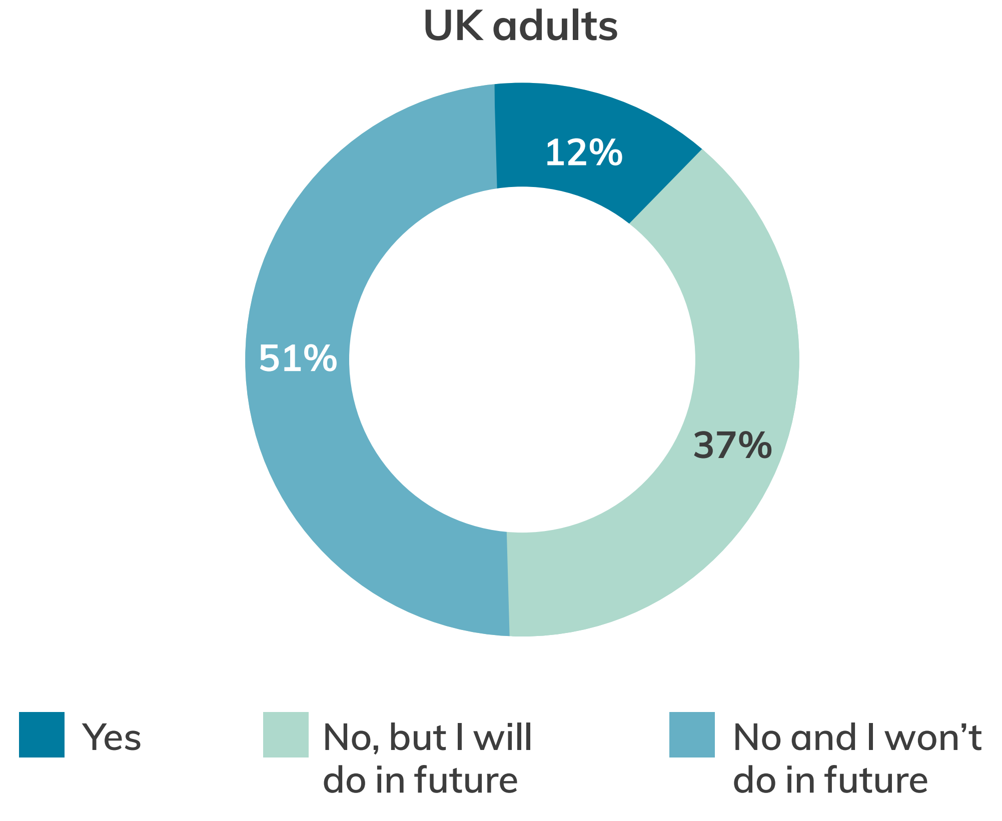
What kind of tax advice would you find valuable?

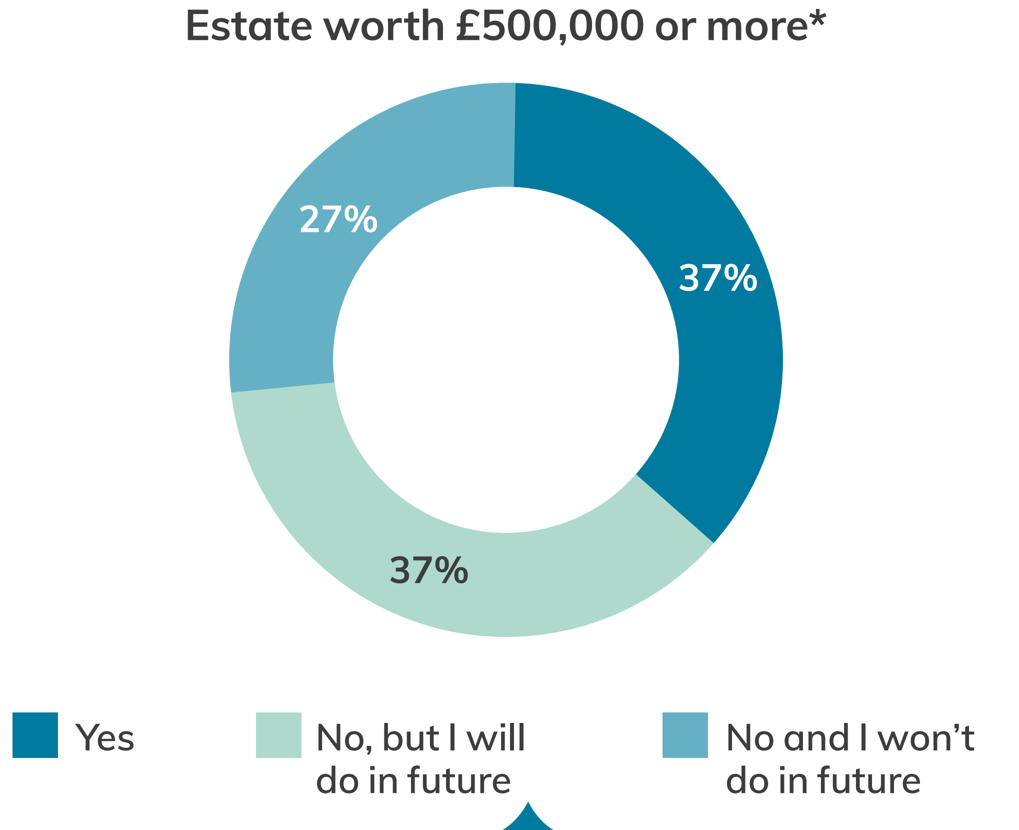


Nearly 3 in 10 who will be liable for inheritance tax don't plan on getting any advice

We found that just under half the UK population have already sought, or plan to seek, inheritance tax advice. This is comprised of 12% who have already sought financial advice on how to minimise inheritance tax, plus a further 37% who plan on doing so the future.

Have you ever sought advice from a financial adviser on how to minimise inheritance tax?





As you'd expect, the larger a person's estate, the more likely they are to seek inheritance tax advice. 37% of those who have an estate worth over £500,000 have already sought inheritance tax advice. But worryingly, nearly 3 in 10 (27%) don't plan on getting any advice.

Adviser tips

There are still huge opportunities for advisers to target and engage with both existing and new clients, since 30% of those affected by inheritance tax still do not intend to seek inheritance tax advice from an adviser.

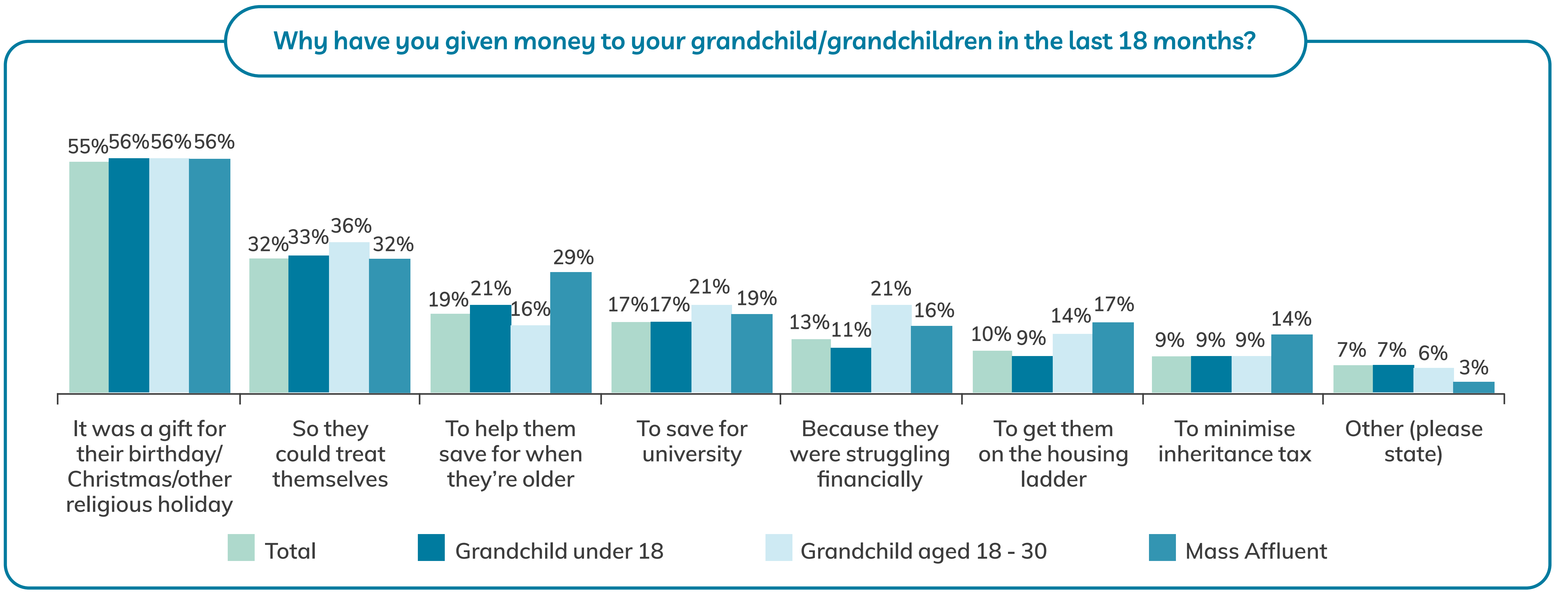
*The inheritance tax nil rate band is £325,000, but consumers can also get a further residence nil rate band on the first £175,000 of a home.

Bank of Gran and Grandad

Many grandparents want to save for their grandchildren's future

This quarter's research found that in the last 18 months 53% of grandparents gave money to their grandchildren (as cash or by saving/ investing it for them).

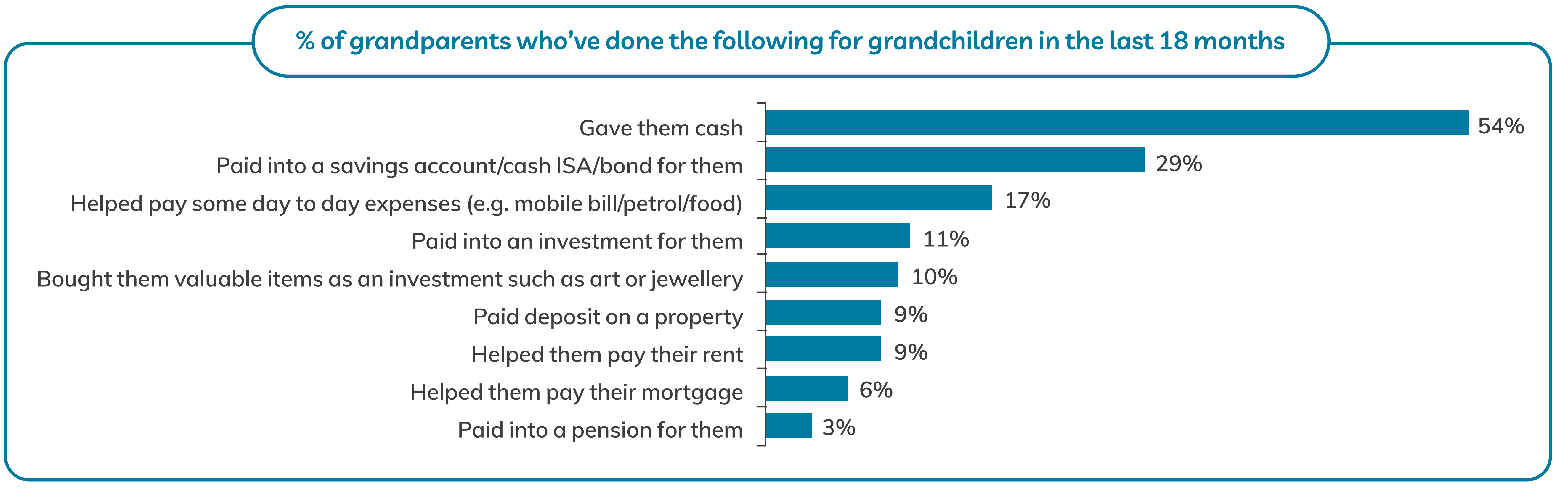
For those that gave money to grandchildren, their reasons varied depending on the age of the grandchild. 21% of grandparents with adult grandchildren (aged 18-30) gave them money because their grandchild was struggling financially. This echoes what we have seen in our research throughout the pandemic, with younger adults being most likely to ask for financial help, and those 65+ most likely to provide it.



Some grandparents have been helping their grandchildren save for their future. 19% gave money to help their grandchildren save for when they are older. The mass affluent (those with assets of between £100,000 and £500,000 excluding property) were particularly keen to help grandchildren save for when they are older, with 29% doing so.

Mass affluent grandparents preferring cash savings over investments

We found that many grandparents were not getting the best returns when saving for their grandchildren's future, with most choosing to save into low interest savings accounts and cash ISAs rather than investment accounts.



Even the mass affluent preferred paying cash into their grandchildren's savings over making investments for them, with 39% of mass affluent consumers paying into savings/cash ISAs/bonds for their grandchildren, whereas only 19% had invested the money.

Those who regularly saw a financial adviser were one of the few groups who recognised the benefits of the investing for their families' future, with 26% of that group paying into an investment for their grandchildren.

Grandparents gave grandchildren £9,000 on average over the last 18 months

Those who gave money to/paid for things for grandchildren were asked how much they'd given in the last 18 months.

46% of grandparents who gave money to their grandchildren gave £1,000 or more. The average amount they gave was over £9,000. Those that gave more were those with adult grandchildren, the mass affluent, and those who regularly see an adviser.

How much have given to your grandchild/ grandchildren in the last 18 months?

Base: all who gave money to/paid for things for grandchild/grandchildren	Total	Grandchild aged under 18	Grandchild aged 18 - 30	Mass affluent	Regularly see financial adviser
Average amount given	£9,276	£8,524	£13,028	£12,690	£24,243

Adviser tips

There has never been a better time to talk to your clients about the possible added benefits of diversifying the tax wrappers. For example, splitting the £9,000 gift between an investment in an ISA and a Personal Pension. The added tax benefits of both can help these younger generations to start saving and accumulating wealth much younger than normal.

Debt

A third of people aged 65+ have debts which may be difficult to pay off on a retirement income

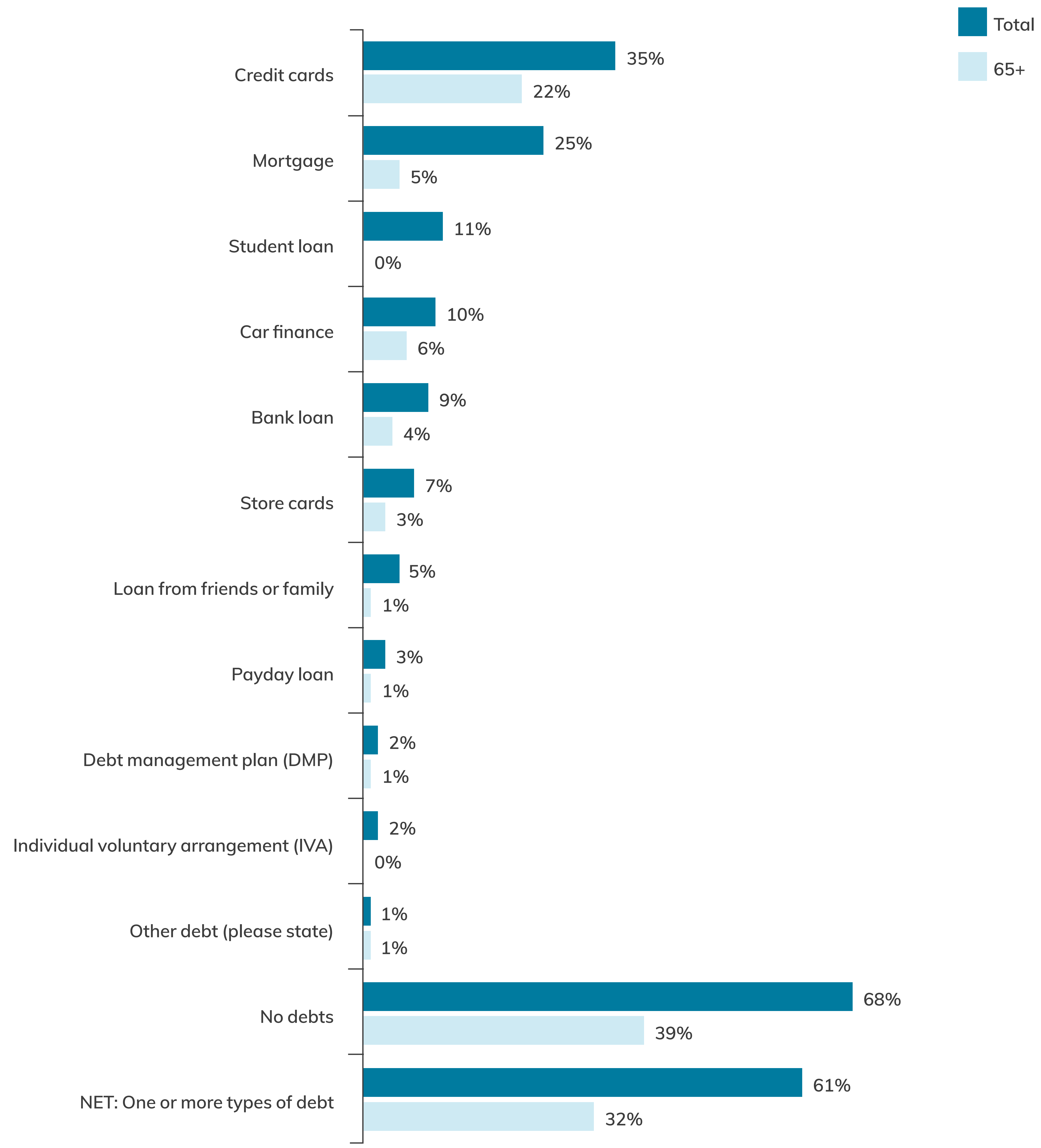
This quarter, we found that 61% of UK adults have at least one form of debt. 18-34 year olds were weighed down by multiple forms of debt, being the most likely of all age groups to have car finance (13%), store cards (13%), loans from friends & family (10%) and (as we would expect for this age group) the highest percentage of student loans (28%).

Some people approaching retirement are still struggling with debts. Half (49%) of 55-64 year olds have debts which could make saving for their retirement harder, and 32% of those aged 65+ have debts which may be difficult to pay off on a retirement income.

A group that is particularly burdened with debt is parents. 79% of all parents have debts. Parents with young children (aged 10 or younger) are most stretched, with 82% having debts. Many parents with young children have credit cards and mortgages, plus over one in ten have store cards, bank loans or car finance. 10% have even taken loans from friends or family to help make ends meet.

One in ten mass affluent consumers appear to have taken on debt to fund their lifestyle (e.g. car finance/store cards). Whilst they may currently have the means to make repayments they could become vulnerable in unexpected circumstances (e.g. job loss).

Which of the following types of debt do you currently have?



40% of parents in debt owe over £20,000

When looking at those with debt other than mortgages, over a quarter (28%) had debt of over £20,000. We also found that not only are parents more likely to be in debt, but 40% of parents are in more than £20,000 of debt.

Excluding any mortgages, how much debt in total do you currently have?

Base: those with debt other than mortgages	Total	18-34	35-54	55-64	65+	Mass affluent	Parents of children 10 or younger	Parents of children under 18
£1-£4,999	42 %	29 %	42 %	59 %	65 %	36 %	30 %	32 %
£5,000-£9,999	15 %	13 %	16 %	17 %	18 %	12 %	13 %	14 %
£10,000-£19,999	14 %	14 %	16 %	13 %	10 %	11 %	12 %	14 %
£20,000+	28 %	44 %	26 %	12 %	7 %	42 %	45 %	40 %
Average	£16,988	£24,689	£15,312	£8,990	£7,261	£24,102	£26,262	£23,553

Older age groups had lower levels of debt on average. However, of those aged 65+ who did have debts, the average owed was £7,000, and 7% owe more than £20,000. Debts of this size may be difficult to pay off on a pension.

Nearly a quarter of UK adults are in less debt than before the pandemic

It's not all bad news. We asked our respondents whether they were in more or less debt than before the pandemic (excluding any mortgages).

Nearly a quarter (24%) said they are in less debt than before the pandemic, equating to 12.6m UK adults. Similar levels of debt reduction were seen across all age groups and genders. The Wealth and Wellbeing Monitor has recorded decreased outgoings for most consumers throughout the pandemic and it appears some of these savings may have gone towards improving debt levels.

Just over one in 10 people (12%) said they were in more debt than before the pandemic. Only 6% of those 55+ took on more debt during the pandemic, compared to 16% of those 18-54. Parents were the group most likely to have taken on more debt. 21% (3m) of parents of children under 18 took on more debt during the pandemic. Some parents took on debt to make home improvements, whereas others did so through necessity as Covid-19 caused many to be furloughed or left consumers struggling to find work. The demands of home-schooling might also have brought a requirement for new equipment.

24%
of UK adults
in LESS debt
than before the pandemic.
Only 12% in MORE debt.

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

How finances have changed in last 3 months

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

Income from work

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

Total monthly outgoings

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

Amount saving

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

Amount saving into pensions

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

Spend at the supermarket

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

Spend on socialising

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

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 September 2021 unless otherwise stated. Population estimates based on UK adult population of 52.6m.

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 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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