

# Momentum UK

Household Financial Wellness Index

# 2016



**momentum**  
for your financial wellness

 **University of  
BRISTOL**

Purposeful collaboration towards Financial Wellness in the United Kingdom

# Enhancing the Financial Wellness of UK households

At Momentum, we have a clear and resolute goal that drives us - to improve the Financial Wellness™ of individuals, households and their communities. Financial Wellness is personal and will have a very different meaning to different people. As a business, we have defined it as when a person or household can sustainably cover their planned and unforeseen expenses, now and into the future.

To truly understand what it means to households across the UK, and to start to paint a picture of our attitudes towards our finances, we partnered with the Personal Finance Research Centre (PFRC) at the University of Bristol to analyse the Financial Wellness of individuals and households in the United Kingdom.

This is the first comprehensive research of its kind in the UK, and we hope the findings will provide invaluable insight (and guidance) for policymakers and businesses within the financial services industry, in a bid to improve the nation's Financial Wellness.

We believe the research highlights a number of pertinent societal issues – one being that a proportion of society are lacking engagement

with their finances. Sadly, talking about our financial matters is still considered 'taboo' in our culture. Our great aspiration is that this report can act as a catalyst to inspire and empower people to engage with their finances and start their own journeys.

Improving Financial Wellness is not a short term process – it will take time and commitment from business, government and individuals. We have made a personal commitment to this process and our intention is to research and publish the Momentum UK Household Financial Wellness Index annually, so that we can start to track significant change for UK individuals and households from year to year. We hope to change people's attitudes towards their finances and empower them to think beyond "will I have enough today, or tomorrow?" but to look to the future, safeguarding for years to come.

Thank you for joining us on the financial wellness journey.

**Ferdi van Heerden**  
CEO – Momentum UK

**Report context:** The approach we have followed took inspiration from work undertaken in South Africa, where Momentum teamed up with the University of South Africa (UNISA) to compile and publish the annual Momentum UNISA South Africa Household Financial Wellness Index since 2012.

In the UK, Momentum owns the trademark "Financial Wellness". Momentum is one of the

client facing brands of the MMI Holdings Group, listed on the JSE. MMI operates in the UK as Momentum Global Investment Management ([www.momentum.co.uk](http://www.momentum.co.uk)) and Momentum Financial Technology ([www.yourwealth.co.uk](http://www.yourwealth.co.uk)) and [www.moneyhub.co.uk](http://www.moneyhub.co.uk)).

*"Financial Wellness is a continuous process of planning and managing your money so that you can afford your expenses and reach your goals over your lifetime."*



# We live in complex times financially

The economic crash of the late 2000s affected many sections of society, and recovery since has been felt unevenly by individuals and families up and down the United Kingdom. At the same time, we have seen a changing landscape in the provision of social support and increasing responsibility on individuals to navigate the financial services industry to provide for their own – and their children’s – financial futures.

In this context, defining individuals’ Financial Wellness presents a particular challenge to researchers and policymakers alike; measuring it even more so. And to develop an index of Financial Wellness which can be repeated to monitor the state of the nation on an ongoing basis is a greater challenge still. I am very pleased that Momentum asked PFRC to do just this, to design and implement the ongoing robust and truthful measurement of the UK’s Financial Wellness.

PFRC’s developmental work has led to the design of a complex – but intuitive – Index, which takes account of seven different aspects of individuals’ Financial Wellness as well as three key indicators of the wider wellbeing of the UK’s economy. This ground-breaking Index

reflects wellness from the perspective of individual households’ material deprivation and hardship to their financial confidence and long term planning, and tangible macroeconomic influences from unemployment to GDP.

In late 2015, the Momentum Index finds that overall Financial Wellness across the UK stands at 67 points out of a possible 100 points, with individual wellness contributing 46 points and the macro-economy contributing 21 points. In other words, the UK as a whole is relatively well financially, but with considerable room for improvement. In particular there is significant work to be done to promote wellness in relation to our nation’s savings and assets provisions.

We look forward to stimulating and informing policy and public debate on societal Financial Wellness through the publication of these results, both now and with future editions of the Momentum Index.

**Elaine Kempson, CBE**  
*Emeritus Professor of Personal Finance and Social Policy at the University of Bristol’s Personal Finance Research Centre*



# The Index

The Momentum UK Household Financial Wellness Index gives an overall score out of 100 representing the average Financial Wellness of the UK population. As shown in the diagram below, 70% of this score is comprised of a 'Micro Index', which reveals the population's financial situation at an individual and household level, while the remaining 30% is given from a 'Macro Index', which shows the overall state of the wider economy.

# 70%

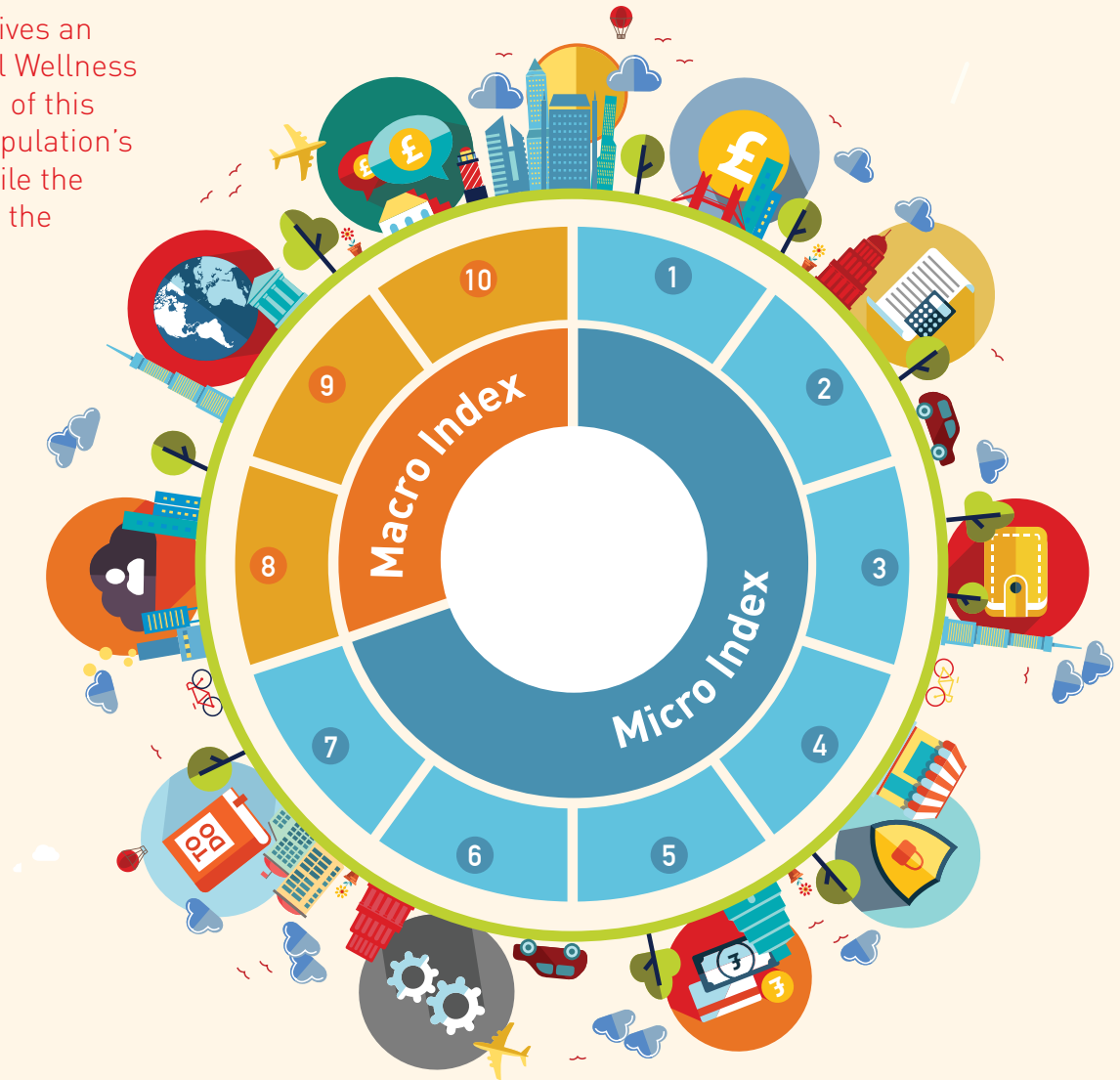
## MICRO INDEX

- 1 Financial confidence and satisfaction
- 2 Financial capability - short term planning
- 3 Financial capability - long term planning
- 4 Saving, assets and security
- 5 Steering clear of financial difficulty and debt
- 6 Financial inclusion
- 7 Avoiding deprivation and hardship

# 30%

## MACRO INDEX

- 8 Unemployment rate
- 9 GDP per capita
- 10 Gini Coefficient of income inequality



# Factors that influence Financial Wellness



## Financial confidence and satisfaction

This domain features questions on individuals' confidence in their short- and long-term financial situation, as well as their satisfaction with their current income and general standard of living.



## Financial capability: short term planning

This domain considers how well respondents manage their money on a day-to-day basis, including how closely they keep track of their money and how well they budget.



## Financial capability: long term planning

This domain considers how much money people have saved for a rainy day, as well as provisions for their retirement.



## Savings, assets and security

This domain takes into account the number of savings products and other assets respondents have, as well as the total amount of money they have saved. It also includes a question on the number of different insurance products respondents have.



## Steering clear of financial difficulty and debt

This domain looks at use of alternative credit, whether respondents have been able to make the minimum repayments on credit commitments, and whether or not they have been able to pay household bills at final reminder.



## Financial inclusion

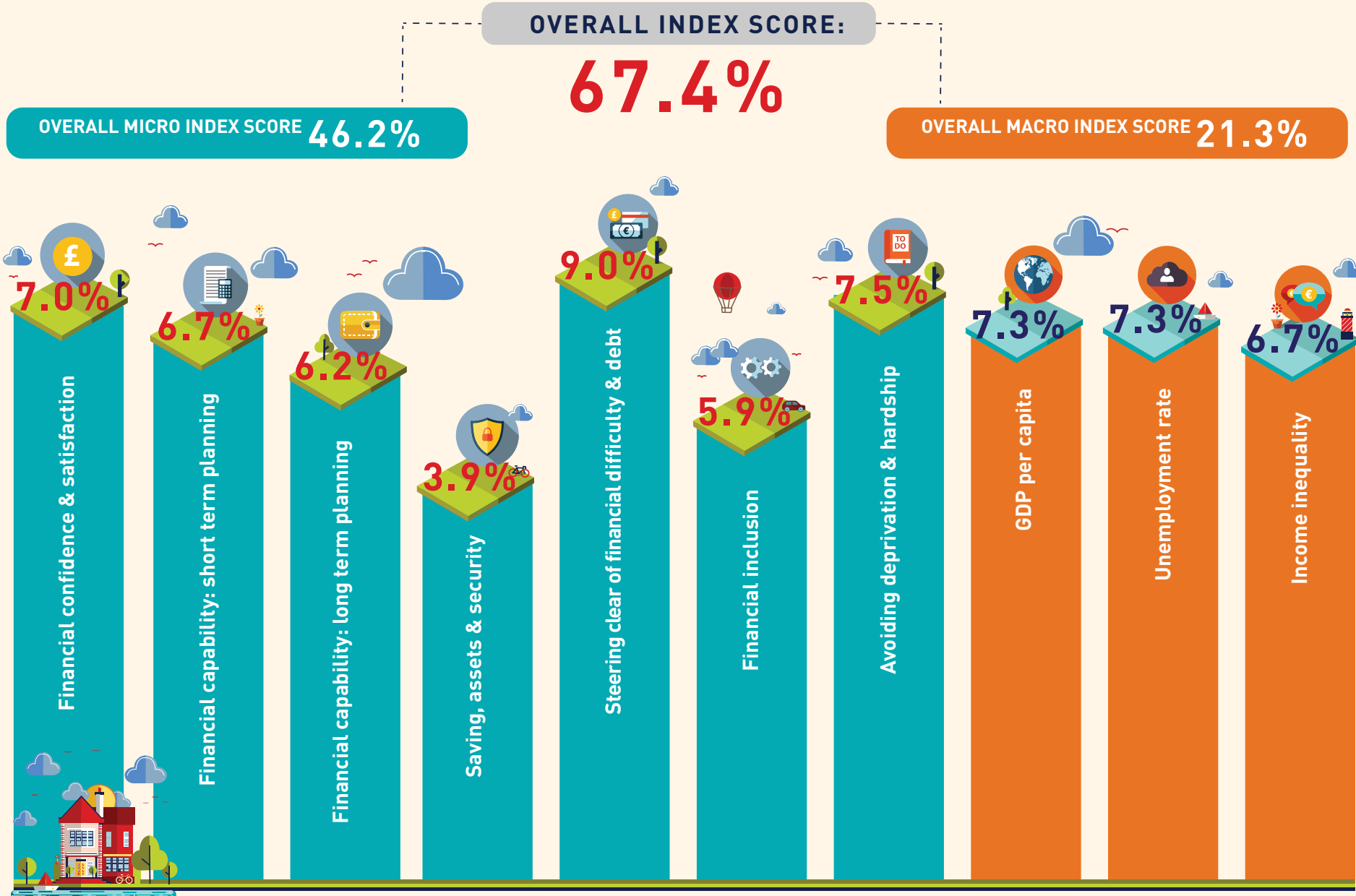
This domain looks at respondents' access to various banking, savings and insurance products.



## Avoiding deprivation and hardship

This domain looks at respondents who have had to 'cut back', 'go without' or find extra sources of income to make ends meet. Scores are also affected by respondents' ability to pay their bills and by common problems in their home, such as damp, mould or a leaky roof.

# The Financial Wellness of the UK



# Headline stats

**39%**

KNOW THEIR EXACT SPENDING  
WITHIN THE NEAREST POUND  
OR TWO COMPARED TO JUST



**7%**

WHO DON'T MONITOR  
SPENDING AT ALL

HALF OF THE NATION

**50%**

HAVE NO SAVINGS  
OR INVESTMENT PRODUCTS  
AND NO FORMAL SAVINGS HABIT



TWO IN FIVE UK ADULTS

**40%**

HAVE NO ASSETS SUCH AS PENSIONS,  
SECOND PROPERTIES, MONEY HELD IN  
TRUST



OVER A QUARTER

**27%**

HAVE MANAGED THEIR MONEY SO  
WELL THAT THEY HAVE NO LOANS  
OR CREDIT COMMITMENTS AND OF  
THOSE THAT DO, THE VAST MAJORITY

**75%**

ARE ALWAYS ABLE TO MEET  
MINIMUM REPAYMENTS



# Financial Wellness categories defined

## 27%



### Financially well

The household is Financially Well in the current political/ economic/ social climate. However, negative developments may cause the household to become Financially Exposed. This group are managing well day-to-day, and in most cases have made suitable provisions for the future.

## 48%



### Financially exposed

The household has more opportunities to improve its financial wellness. Although the financial situation is not unwell, negative/positive changes will cause households to become either Financially Unstable/ Financially Well. This group represents almost half of the UK population, and can be seen as representing the 'average' UK individual (as borne out by the analysis of this sub-group in the main report).

## 22%



### Financially unstable

The household is not entrenched in a Financially Distressed position, but remains in an unwell situation. Adverse events and wrong decisions can easily change its position to Financially Distressed. These people are getting by, but frequently cut back their spending to make ends meet.

## 3%

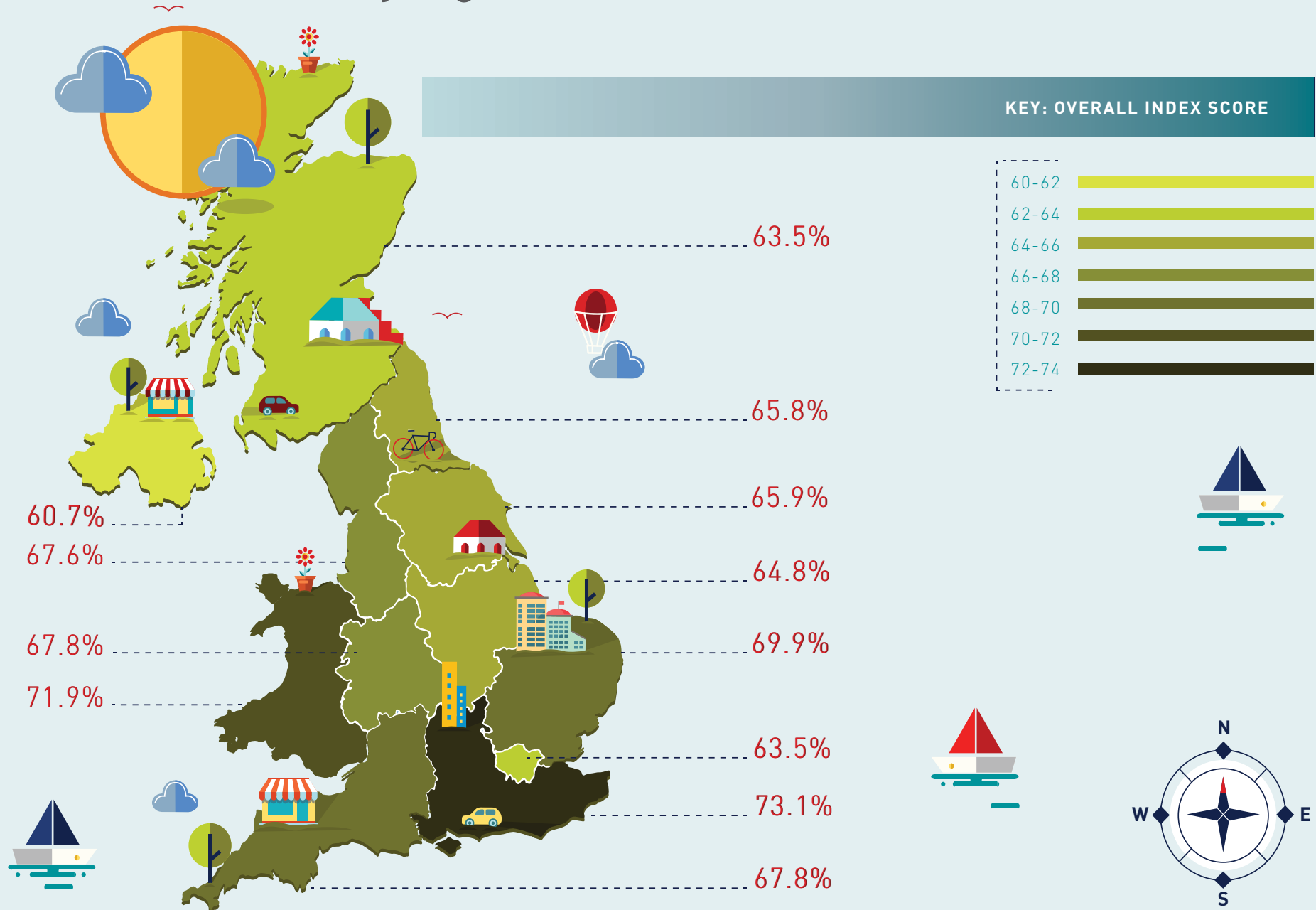


### Financially distressed

The household is deeply rooted in a Financially Distressed position. Major outside assistance is required for improvement. These are the people most at risk of missing fixed payments and resorting to high-cost credit.



# Financial Wellness by region



# 10 Steps to get you on the road to Financial Wellness



Find out your personal Financial Wellness score at [www.yourwealth.co.uk](http://www.yourwealth.co.uk)

## 01 Start with budget

The first step on any journey to financial wellness is making a budget. Know exactly what your income is, and take the time to realistically work out how and where your money is spent. Once you have all the information at your fingertips, you can start to understand where you can make changes.

## 05 Plan for emergencies

Having an emergency fund set aside for sudden or unexpected expenses can be a lifeline. Without an emergency fund in place, you may need to divert your planned spending, dip into your savings or borrow to cover unexpected costs. It's a good idea to have at least three months' salary set aside.

## 09 Invest in education

Education is a key factor in how financially well you are. If you or your children want to go to university, plan ahead for how you will cover the cost. Even if you don't pay your children's tuition fees, you'll probably need to support them financially while they study.

## 02 Set your goals

The next step in creating a financial plan is to understand where you want to be and what you need to do to get there. Being financially well means that your money allows you to maintain the lifestyle you want – think about what this means to you. Try to keep your goals clear and achievable.

## 06 Plan for retirement

Whenever you intend to stop working, it's important to have a plan in place. This means working out what retirement income you need, and saving towards it as early as possible. A pension is a good way to get started.

## 10 Protect your loved ones

No one likes to think about it, but it's crucial to consider how your family would cope financially if you were to die. Being financially well means ensuring that your loved ones could still meet their living costs if the worst should happen. Work out what this means for you, and consider taking out a life insurance policy.

## 03 Make time for Financial Wellness

Set aside a regular time to work on your finances. Using your budget, look at ways to improve your financial wellness, and take the time to develop new money habits. If you need to, consider using a financial adviser to help you create and stick to a plan.

## 07 Stay on top of debt

If you have debts, regularly evaluate how much they are costing you, and prioritise paying off the most expensive first. If you need to borrow, make sure you shop around for competitive interest rates and terms that are suitable for your needs. If you find that you need to borrow to meet your living costs, consider making adjustments to your spending.

## 04 Learn to prioritise

Know the difference between "wants" and "needs". Evaluate your money motivations, and use what you learn to inform your spending habits. Don't forget to pass these lessons onto your children.

## 08 Review your financial products

The financial products you use – like your mortgage, bank accounts and credit cards – can have a big impact on your Financial Wellness. Make sure you regularly compare deals to make sure you're getting a competitive rate, and evaluate your deal again if your circumstances change.





# Momentum UK

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For more information:



**Visit:** [www.momentum.co.uk](http://www.momentum.co.uk)  
**Contact:** [info@momentum.co.uk](mailto:info@momentum.co.uk)  
**For press:** [Press@Momentumft.co.uk](mailto:Press@Momentumft.co.uk)

To get your Financial Wellness score visit:  
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