

TACKLING THE SAVINGS GAP

The True Potential UK Household Finance Index 2017



BACKGROUND

Through detailed analysis of consumers' income, expenditure and financial behaviour, we can pinpoint bright spots, outline emerging or escalating problems and signpost challenges.



By interrogating data with a wide range of indices, the True Potential UK Household Finance Index provides robust insight into the financial decisions, habits and pressures playing out behind closed doors.



The True Potential UK Household Finance Index is part of True Potential's long-running Savings Gap campaign. Since 2013, the campaign has studied the financial behaviour of over 30,000 UK adults. Our hope is that as a financial technology provider we can identify the barriers to saving and produce simple, effective solutions.



With the True Potential UK Household Finance Index, we aim to uncover the pinch points in the economy. The result is a detailed picture of personal finances across the country at a pivotal time for the UK economy; as the government moves forward with Brexit negotiations amid ongoing political uncertainty.

THE FINANCIAL WELLBEING OF UK HOUSEHOLDS IS A REFLECTION OF THE HEALTH OF THE NATIONAL ECONOMY.

HOUSEHOLD INCOME

Household income

Respondents were asked how their household income had changed since 2014. Overall it has remained relatively flat, with an average annual drop of £37, a £122 rise for men and a £189 decrease for women. Notable differences can be seen when analysed by employment status, region, age group and household make-up, however.

By employment status of sole or main earner

The only workers to experience a rise - albeit by a modest £140 - were those in full-time employment, working a single job. Individuals involved in the so-called 'gig economy' (freelance or short-contract work) fared less well.

By region

With a £677 variable between the best and worst performing regions, wages have been relatively static across the country in the last three years. The East of England experienced the highest rise, at £253, with workers in Scotland suffering an average drop of £495.

Region	Av. income change since 2014
East	+£253
North East	+£143
North West	+£83
London	+£67
Northern Ireland	+£45
South West	-£3
West Midlands	-£33
Yorkshire and the Humber	-£54
South East	-£113
East Midlands	-£138
Wales	-284
Scotland	-£495

Working Status	Av. income change since 2014
Full-time, working one single job	+£140
Working full-time with a small side-line	-£112
Employed in multiple part-time jobs	-£229
Self-employed in a single profession / trade	-£339
Self-employed with multiple income streams	-£387
Employed in a single part-time role	-£394

By householder category

Carers and single parents have taken the biggest hit in income since 2014. Parent couples with grown up children living at home have seen their income increase more than adults with no dependents – perhaps indicative of sons and daughters staying at home for longer and therefore contributing more to the family pot.

Members of the household	Av. income change since 2014
Two parents with grown up children (over 18s) still living at home	+\$60
A single adult with no dependents	+\$16
Two adults (married or otherwise) with no dependents	-\$14
Two parents with children below the age of 18	-\$17
A single adult with grown up children (over 18s) still living at home	-\$119
A single adult with dependents below the age of 18	-\$390
Adult(s) with an elderly parent requiring care / supervision	-\$776

By age of main earner in household

Householders at the mid-point of their working life have taken by far the biggest reduction in wages. The most common reasons for this, as cited by 35 to 44-year-olds, is a change in role (36 per cent), followed by a career change (19 per cent) and becoming a parent (10 per cent). Workers in the 25 to 34 category have seen the sharpest wage rise.

Age	Av. income change since 2014
18-24	-\$23
25-34	+\$85
35-44	-\$193
45-54	+\$4
55+	-\$47

RELIANCE ON DEBT

The average household overall took on £560 of debt in the quarter. Our study also found that £1797 is the average debt threshold - the amount of debt people are in before they become concerned about it.

Single parents are statistically the most exposed to debt, while men appear more willing to get into debt than women. 'Just to get by' was the most common reason debt was acquired.

How much debt are you prepared to take on before you realise it is an issue?



£1960



£1645

By employment status of sole or main earner

	Full-time employment, working one job	Self-employed in a single trade / profession	Self-employed with multiple income streams	Employed in multiple part-time jobs	Employed in one single part-time role	Working full-time, with a small side-line
Amount of debt taken on in Q1 2017	£621	£398	£391	£538	£413	£993
Debt tolerance level	£1,959	£1,433	£1,734	£939	£1,622	£1,485
Reason for taking on debt:						
Just to get by	33%	36%	21%	17%	42%	14%
Changing job role	13%	4%	2%	16%	8%	9%
Becoming a parent	8%	10%	10%	10%	6%	9%
Redundancy to household earner	11%	21%	25%	13%	11%	14%
Household earner changed career	9%	5%	2%	7%	2%	9%
Absence through long-term illness by household earner	7%	10%	13%	3%	6%	9%
Parental leave by either parent in household	6%	7%	14%	27%	5%	17%
Other	13%	7%	13%	7%	20%	9%

RELIANCE ON DEBT (CONT'D)

By Region

	East	LDN London	East Mids.	North East	North West	N Ireland	Scot	South East	South West	Wales	York	West Mids.
Amount of debt taken on in Q1 2017	£411	£652	£538	£956	£505	£786	£502	£450	£472	£532	£519	£723
Debt tolerance level	£2352	£1831	£1968	£2664	£1618	£2088	£1833	£1694	£1379	£2261	£1297	£1531
Reason for taking on debt:												
Just to get by	44%	26%	36%	32%	33%	38%	34%	38%	32%	33%	42%	19%
Changing job role	7%	12%	10%	6%	11%	12%	14%	9%	11%	8%	9%	18%
Becoming a parent	6%	12%	9%	6%	9%	6%	5%	9%	11%	0%	4%	16%
Redundancy to household earner	7%	16%	13%	17%	10%	13%	8%	12%	16%	15%	13%	10%
Household earner changed career	10%	8%	7%	8%	4%	3%	11%	6%	3%	13%	6%	8%
Absence through long-term illness by household earner	10%	8%	3%	8%	10%	0%	8%	9%	5%	8%	4%	11%
Parental leave by either parent in household	1%	11%	8%	6%	4%	6%	9%	4%	9%	10%	4%	10%
Other	14%	7%	13%	17%	19%	22%	11%	13%	13%	13%	18%	8%

By household type

	A single adult with no dependents	A single adult with dependents below the age of 18	A single adult with grown up children (over 18s) still living at home	Two adults (married or otherwise) with no dependents	Employed Two parents with children below the age of 18	Two parents with grown up children (over 18s) still living at home	Adult(s) with an elderly parent requiring care / supervision
Amount of debt taken on in Q1 2017	£623	£930	£940	£350	£595	£456	£383
Debt tolerance level	£1485	£1381	£1297	£1995	£2150	£1535	£1443
Reason for taking on debt:							
Just to get by	35%	30%	15%	31%	35%	41%	33%
Changing job role	15%	14%	8%	12%	8%	9%	0%
Becoming a parent	1%	10%	15%	5%	16%	9%	8%
Redundancy to household earner	14%	11%	26%	15%	9%	9%	25%
Household earner changed career	13%	11%	3%	6%	5%	2%	9%
Absence through long-term illness by household earner	10%	7%	13%	8%	7%	6%	8%
Parental leave by either parent in household	2%	6%	9%	8%	9%	5%	17%
Other	10%	11%	11%	18%	11%	19%	0%

RELIANCE ON DEBT (CONT'D)

By Age

	18-24	25-34	35-44	45-54	55+
Amount of debt taken on in Q1 2017	£837	£730	£624	£381	£301
Debt tolerance level	£748	£1418	£2013	£2299	£2076
Reason for taking on debt:					
Just to get by	20%	26%	39%	47%	38%
Changing job role	20%	13%	8%	6%	7%
Becoming a parent	10%	14%	7%	7%	1%
Redundancy to household earner	21%	15%	9%	6%	11%
Household earner changed career	7%	11%	6%	4%	4%
Absence through long-term illness by household earner	7%	6%	9%	8%	8%
Parental leave by either parent in household	11%	9%	6%	3%	2%
Other	4%	6%	16%	19%	29%

Ability to save for the future.

The successful launch and ongoing expansion of auto-enrolled pensions is helping to encourage workers to save for their future. Yet the UK remains in the throes of a savings crisis, with many people's savings habits on track to leave them short of funds in retirement. Our research shows that an income of £23,000 is needed annually in retirement to live comfortably; but based on actual saving behaviour, people in the UK are on course to receive an income of just £6,000 per year from their retirement fund.

Households are also advised to save for the shorter term, building a financial buffer to protect against unwelcome surprises like redundancy or illness. Our latest study measures the many factors that influence UK households' ability to prepare for their short and long-term financial future.

On average, UK households put £355 into pension pots per quarter, while setting aside £427 into general savings and investments. At the same time, households dipped into their savings an average of just over once a month to make ends meet.



RELIANCE ON DEBT (CONT'D)

By employment status of sole or main earner

	Full-time employment, working one job	Self-employed in a single trade / profession	Self-employed with multiple income streams	Employed in multiple part-time jobs	Employed in multiple part-time roles	Working full-time, with a small side-line
Amount saved in pension in last 3 months	£415	£367	£300	£242	£169	£280
Amount added to general savings in last 3 months	£479	£468	£314	£305	£291	£247
Av. No. of times per month that households dip into savings or overdraft	0.99	0.72	1.19	1.44	1.21	1.07

By Region

Topic	East	LDN London	East Mids.	North East	North West	N Ireland	Scot	South East	South West	Wales	York	West Mids.
Amount of debt taken on in Q1 2017	£301	£495	£290	£253	£344	£298	£410	£379	£265	£237	£312	£397
Amount added to general savings in last 3 months	£368	£581	£361	£308	£470	£461	£433	£408	£328	£326	£418	£458
Av. No. of times per month that households dip into savings or overdraft	1	1.09	0.92	0.97	0.98	0.96	0.86	1.01	0.76	1.13	1.02	1.48

By household category

	A single adult with no dependents	A single adult with dependents below the age of 18	A single adult with grown up children (over 18s) still living at home	Two adults (married or otherwise) with no dependents	Two parents with children below the age of 18	Two parents with grown up children (over 18s) still living at home	Adult(s) with an elderly parent requiring care / supervision
Amount saved in pension in last 3 months	£326	£298	£358	£362	£416	£298	£274
Amount added to general savings in last 3 months	£416	£310	£294	£503	£435	£422	£279
Av. No. of times per month that households dip into savings or overdraft	1.15	1.45	1.29	0.8	0.96	1.14	1.05

By age

	18-24	25-34	35-44	45-54	55+
Amount of debt taken on in Q1 2017	£294	£334	£384	£376	£356
Amount added to general savings in last 3 months	£447	£427	£436	£379	£460
Av. No. of times per month that households dip into savings or overdrafts	1.31	1.45	1	0.78	0.66

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