For adviser and employer use only

Our insight into the nation's financial wellbeing 2024

An executive summary of our financial wellbeing index with tips on how you can support your clients and employees

Financial wellbeing isn't just about your financial position here and now - it's also about your long-term ability to be financially healthy

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How financial wellbeing helps people live their best lives

A lot has changed over the last two centuries, especially the way we move through life. People are generally living longer these days which brings a world of opportunities. We're here for everyone who wants to make the most of their time on the planet and leave it a little better than they found it, however grand or humble their ambitions. That's why our purpose is to help our customers live their best lives.

Encouraging positive financial wellbeing is a huge part of this. We do this in partnership with employers and financial advisers like you. Together, we help your employees and clients build confident financial foundations, give them the resilience to navigate life's ups and downs – and unlock the opportunities that a longer life brings.

How this summary can help you

We asked more than 10,000 UK residents a series of questions to better understand the nation's relationship with money.

From this research, we have a clear snapshot of what the financial wellbeing landscape of the UK looks like. Unless otherwise stated, the research referred to throughout this guide was conducted by Aegon in July and August 2023 – in a study that was nationally representative in terms of location, age and gender.

Within this summary we'll highlight the key insights from our research and give some practical guidance on how you can use our **Financial wellbeing index** to better support them.

What we found can change the way clients and employees look at money – for the better. The index scores people based on their answers then shows what opportunities there are to improve their financial wellbeing.

Why financial wellbeing is more important than ever

Firstly, lets firm up what we mean by financial wellbeing. Definitions of financial wellbeing can range from person to person, but can broadly be broken down into two parts:

1. **Having security around money – both now and in the future**
2. **Knowing what makes us happy, and having goals in place to achieve them**

It can be easier for an individual to control their mindset than it is to control how much money they're earning. While this is true, societal circumstances – such as economic instability, or the threat of turbulence – can make a positive mindset challenging. This is especially the case as we navigate the cost-of-living crisis and conflict-related market uncertainty. It's apparent that supporting your employees and clients with their financial wellbeing is more important than ever.

What we're doing to help you

At Aegon, we're committed to supporting you with financial wellbeing. We've updated our research and **Financial wellbeing index**. We've also shared engaging insights and helpful tools for you to use with your employees or clients in this summary.

In addition, we've partnered with the **Institute for Financial Wellbeing (IFW)**, who provide research, insight, content and webinars on all things financial wellbeing.

For employers

Having anxieties around financial matters can be a significant burden on employees' minds. Being pre-occupied with financial concerns can result in reduced efficiency, lack of concentration and other health issues – potentially leading to workplace absences.

Our research has found that this is estimated to cost employers £10.3 billion each year. This is a significant increase from £6.2 billion two years ago and is likely to be a side effect from rise in the cost-of-living. This means the average medium sized company is likely to lose £37,000 every year.[1]

Employer tip

Employees experiencing financial stress often find it hard to think beyond today. Encourage your employees to consider what is, and what's not in their control. For example, while we can't control when a financial crisis, or market volatility will occur, we can control our mindset to better prepare our future selves. Embedding financial wellbeing into the workplace can support your employees with a healthier mindset towards money – you can **use our guide** to help bring employee financial wellbeing into focus.

For advisers

It will already be second nature for you to put clients at the heart of your business and help them meet their financial objectives. You play an essential role in helping improve your clients' financial education – allowing them to make effective, timely and properly informed decisions.

An increased focus on a client's broader financial wellbeing – creating a clearer picture of their future selves and what brings them joy and purpose – is beneficial when making financial decisions so they're more aligned with their life goals.

Our research found that advisers who pursue a financial wellbeing agenda at the heart of their client-adviser relationship (wellbeing maximisers) are more successful than advisers who prioritise a wealth maximisation agenda (performance maximiser).

Adviser tip

In our video series Financial wellbeing: Evolution or Revolution, our Centre for Behavioural Research's Insight Manager, Dr. Thomas Mathar, explores the factors that influence financial wellbeing, and discusses the benefits of becoming a wellbeing maximiser. You'll find the videos on our **financial wellbeing hub**, along with practical tools to help you become a wellbeing maximiser.

Key findings from our research

32%

of the population of the UK has experienced some sort of financial trouble in the past two years

51%

of people couldn't live on their emergency savings for more than three months

58%

of people with debt have seen the amount they own affected by the increased cost of living

Encouragingly, the ability to contribute to pensions or long-term savings does not only depend on income. It also depends on someone's ability to connect to a vision of their future self meaningfully and concretely – while considering what they can and can't control.

Having an understanding of life aspirations affects all sorts of financial decisions – including debt management and level of emergency savings.

54%

of people are confident that they'll be able to manage any financial challenges that come their way throughout their lifetime

55%

believe that their actions have more impact on any outcomes that might happen in their life, rather than external factors

Direct your clients and employees to our **10 rules of thumb**. These simple tips are useful mental shortcuts when making financial wellbeing decisions. Advisers, you can build on these by offering more personalised advice to your clients.

Our Financial wellbeing index

Our financial wellbeing building blocks

As part of our research, we asked people about their finances and their money-mindset.

This is where the two parts of financial wellbeing come into play – a combination of money building blocks and mindset building blocks. This means that even if an individual was to feel confident about their money building blocks, they won't achieve optimal levels of financial wellbeing without a well-considered and focused mindset too.

To help break down the building blocks, we've created a money and mindset scale.

5 money building blocks

Income

Long-term savings

A strong safety net

Debt

Assets

5 mindset building blocks

Happiness

Future self

Written plans

Social comparisons

Long-term perspective

Snapshot of the UK's financial wellbeing score

Every person has different priorities and ambitions that are unique to them. Helping your employees and clients recognise where they fall on our index (their persona) is a great way to visualise what their money and mindset position is right now.

Identifying where they are on our index now will help them see what areas – and what building blocks – they can improve on.

Direct your clients and employees to find out what their financial wellbeing score is by answering ten simple questions using our **financial wellbeing tool**

The UK’s financial wellbeing score

With all this data at our fingertips, we wanted to quantify our research findings into something more concrete – making the insights relevant to you. Out of this, our Aegon Financial Wellbeing Index was born.

Here’s how it works

Our index gives people a score out of 100 based on their success with each of our 10 building blocks.

Each of these 10 blocks carries a maximum of 10 points. So there are up to 50 points available for the money building blocks and 50 points available for the mindset building blocks.

- Income
- Long-term savings
- A strong safety net
- Debt
- Assets

- Happiness
- Future self
- Written plans
- Social comparisons
- Long-term perspective

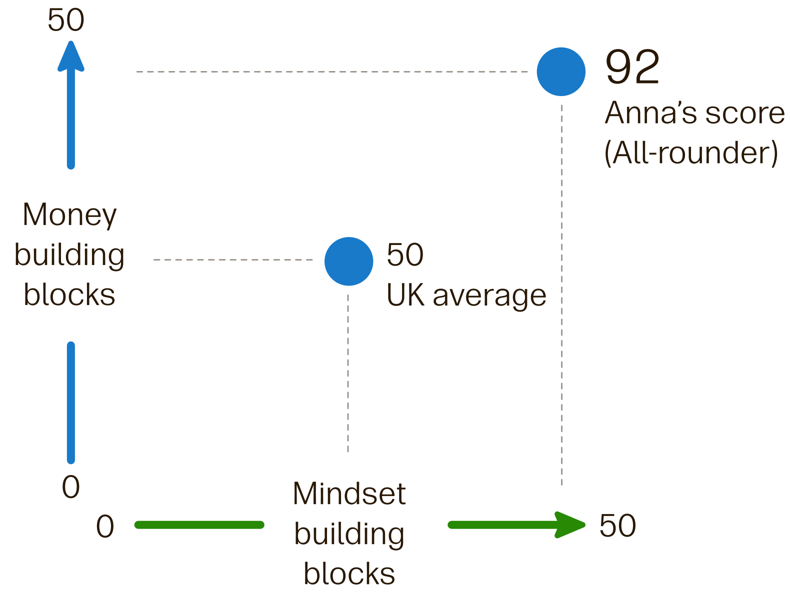
What we found could change the way we look at money – for the better. People with the best financial wellbeing scores did well in both the money and mindset blocks.

All money and no long-term plan for happiness was no better overall for financial wellbeing than having a plan but with no money.

The average score across the UK was 50, meaning on average, we fall in the middle of scoring on the mindset and money axis. Let’s take a look on the next page at an example score from ‘Anna’, and how she compares to the UK average.

Anna’s financial wellbeing score

The best possible combination is to score highly in the top right of the graph. These are the All-rounders. At 92 points, Anna’s one of them. These people are financially comfortable and have a plan for their future happiness.



Here’s how Anna’s score is made up (out of 100), across both money and mindset building blocks:

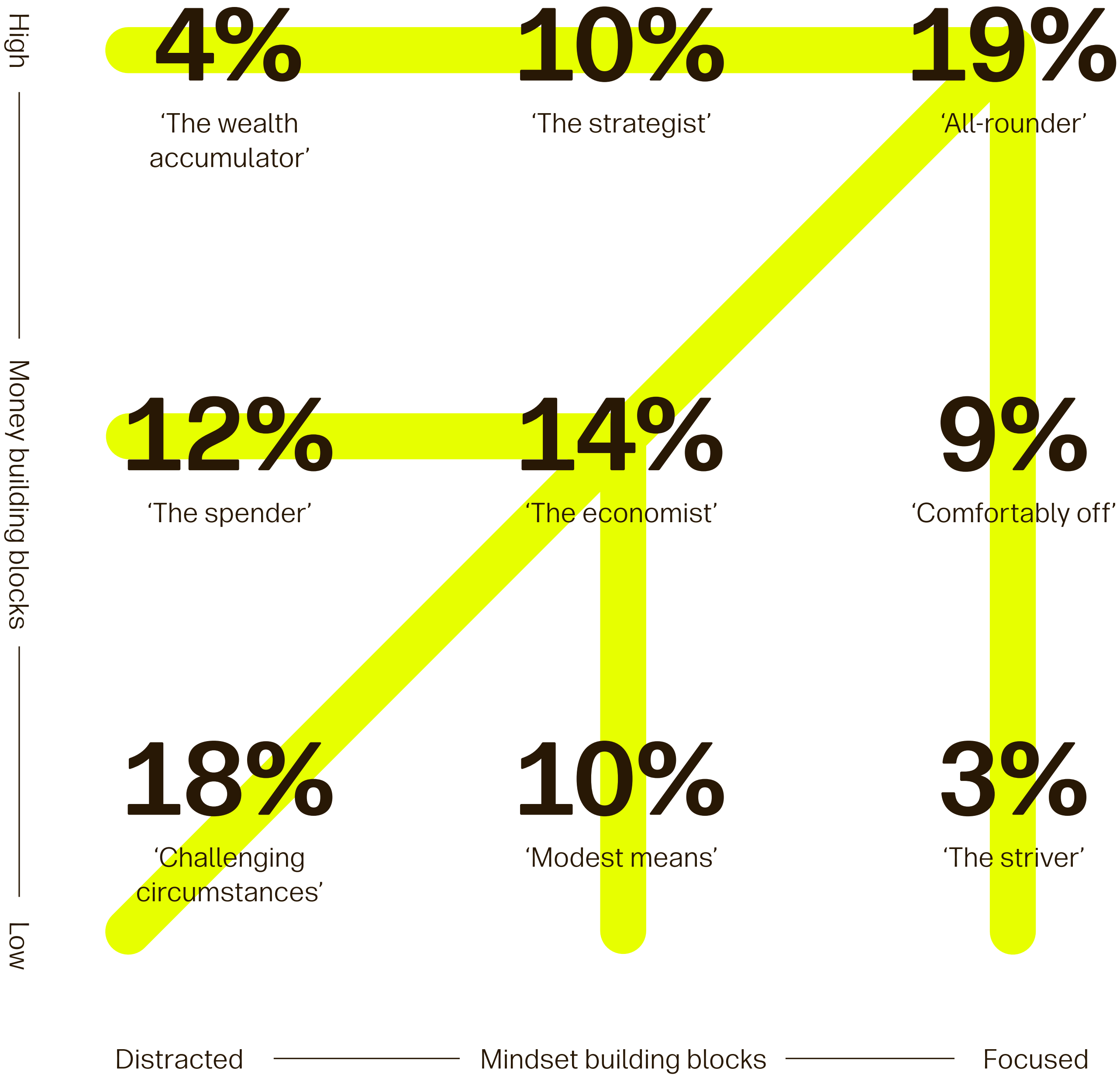
Money			Mindset
Income	50	50	Happiness
Long-term savings	50	50	Future self
A strong safety net	50	50	Written plans
Debt	50	50	Social comparisons
Assets	50	50	Long-term perspective
	48	**44**	

Total score **92** All-rounder

Anna falls into our ‘All-rounder’ category, but there’s still improvements she can make across her money and mindset building blocks. Anna’s lowest scoring building blockis written plans. Together, you can use **the sections** from our index to find out how she can improve.

Here's a snapshot of what the UK's financial wellbeing looks like. These figures are based on a sample size of 2,000 respondents.

We've rounded up data, so percentages won't always add up to 100%.



We can see most people in the UK fall outside of our 'All rounder' category. This means most people will have some improvements they can make towards improving their financial wellbeing. Recognising where your clients or employees are on this scale could help you identify ways to help them towards becoming an 'All-rounder'.

‘The wealth accumulator’

Scoring well on money points, this group has a high level of wealth now (and probably still will have in the future). When it comes to creating a healthy financial mindset – they might not have spent the time thinking, ‘what’s it all for?’.

‘The spender’

Earning a decent income, ‘spenders’ are getting by ok, but often can display here and now tendencies. They score poorly when it comes to our ‘mindset’ building blocks – perhaps because they haven’t given any thought to what truly gives them joy or purpose and often can make poor societal comparisons.

‘Challenging circumstances’

This group has the least ‘money’ and ‘mindset’ points. Earning a low income can make achieving financial security much harder. Worrying about money and how to cover everyday expenses also means their focus could be less on preparing for the future or knowing what brings them joy and a sense of purpose.

‘The strategist’

These people tend to earn well and probably have rainy day funds to rely on. They score better than their ‘wealth accumulator’ peers when it comes to ‘mindset’ blocks – but strategists might not have as robust a picture of their future selves as they could. Their goals are likely to be largely centred around security and probably on what makes them happy or gives them purpose.

‘The economist’

People in this category are relatively well off – their pay cheque tends to be reasonable. They have enough to comfortably cover all bills and are likely to be saving adequately. ‘The economist’ might have given some thought to their future, but perhaps don’t have concrete goals or a written plan.

‘All-rounder’

This is the highest possible scoring group of people on our index. These people are very financially comfortable and can enjoy life now – whilst planning for their future.
The all-rounders balance the importance of money and mindset well – and are ready for what the future holds.

‘Modest means’

They like to focus on the little things in life and typically have decent financial mindset behaviours. Likely on a low income, saving for retirement feels really tricky. This group might not need to count every penny, but would probably struggle to cover an unexpected expense.

‘Comfortably off’

They’re comfortable with their current financial situation as it meets their lifestyle now. Scoring middle of the road when it comes to mindset – they’re able to focus on what gives them joy and purpose in life now. But they might need more financial freedom into retirement.

‘The striver’

These people balance their typically low incomes and savings by having a clear financial outlook. They don’t need to spend lots on flashy items and probably have a plan to improve their limited finances. With a long-term perspective, they’re likely to know what they want their future self to look like.

Money building blocks explained

What our research tells us about each building block – what they mean and why they matter.

We believe that financial wellbeing is a journey. As you have a part to play in helping individuals improve their financial wellbeing throughout their lives, we've highlighted some adviser and employer insights to get you thinking on how you can help.

Money building blocks

(paying for what makes us happy – now and in the future)

	What it means	Why it matters
Income	Covering the costs of living and things that make an individual happy in the here and now.	Just under 3 in 10 people have less than £50 left at the end of the month.
Long-term savings	Covering the cost of living, any future goals and things that'll make an individual happy in the future.	63% of today's 55-64 year-olds have saved less than £100,000 in their long-term savings.
A strong safety net	Ideally a minimum of 3 months of an individual's income in an easy access savings account.	26% of people could only live off their cash savings for less than a month if they lost their jobs.
Debt	Keeping debts at a level at which an individual's income can comfortably pay for while leaving enough to live.	Debt can be managed and repaid with some long-term planning but 1 in 10 people owe 'too much' debt in relation to their income.
Assets	Owning property and other fixed assets can build financial security into a person's life.	57% of retirees require around 70% of their pre-retirement income. However, for those with fewer fixed assets, only 44% could sustain their lifestyle on 70% of their pre-retirement income.

Money – employer insight

- **Income** – help your employees balance what makes them happy with the income they have. They can control spending with a free **budget planner** from MoneyHelper.
- **Long-term savings** – help your employees understand more about their workplace pension. Communicate about contributions – including the contribution you make to their pension. You could go one step further by offering enhanced contributions. Remember, they might get tax relief on this and the value of tax relief will depend on individual circumstances.
- **A strong safety net** – consider bringing in a trained professional – this could be your scheme adviser – to offer some budgeting training. Teaching some budgeting skills is a great preventative strategy to help stop your employees falling into debt. It can also help them build up emergency savings, so they feel better prepared for the future.
- **Debt** – financial advice and guidance is highly recommended to help decide what's best for your employees and their circumstances – but please note they might need to pay for this. They can find one through **MoneyHelper** – a government sponsored financial guidance organisation that can help with debt, money and pensions. You can also let your employees know if they have access to a scheme adviser for their pension plan.
- **Assets** – consider offering salary sacrifice. This is a tax-efficient way for employees to make pension contributions – it allows an individual to give up some of their gross salary in exchange for a non-cash benefit such as an employer contribution. You can use our **salary sacrifice calculator** to calculate the benefits that can be achieved through an agreed arrangement. Please note salary sacrifice isn't always suitable for everyone. If you want more information on the suitability of salary sacrifice, consider referring your employees onto financial advice.

Money – adviser insight

As experts, we acknowledge that you might already feel comfortable with our money building blocks. This is why we've focused more on providing you with more meaningful insights on our mindset blocks. Money and mindset come hand in hand – so you might find that these tools and resources help improve more than one building block.

You can also find insightful and engaging articles on our **insights hub**.

Money building blocks explained

What our research tells us about each building block – what they mean and why they matter.

Mindset building blocks

(paying attention to things that matter to us)

	What it means	Why it matters
Happiness	Experiencing joy and purpose every day.	Just 1 in 4 people are very aware of the day to day experiences that give them joy and purpose in life.
Future self	Having a firm picture of what a person wants to be in the future can help them achieve it.	1 in 4 of people have a concrete vision of the things and experiences their future self might want.
Written plans	People who write out a financial plan save more regularly and do better financially.	Only 17% of people have a plan to achieve our long-term money goals
Social comparisons	A person's financial wellbeing can be changed by how we compare ourselves to others.	Regardless of how much an individual earns, they're more likely to compare ourselves to those who appear better off.
Long-term perspective	Bad news can make people panic and make bad investment decisions.	1 in 5 of those asked feel nervous when markets and their investments fall in value – with some of them reacting in ways they might later regret. pre-retirement income.

Mindset – employer insight

- **Happiness** – encouraging your employees to think about what brings them happiness is really important – and shows them that you care. Share our **How happy do you want to be?** resource with them. They can use this to identify what makes them happy in life – but also reveal opportunities for planning their future.
- **Future self** – to help your employees connect with their future self, share our **Picture your best life tool** with them. By selecting a few images they can create a gallery wall of what their future could look like. They can download a personalised image to work towards.
- **Written plans** – encourage your employees to write down a plan. They can use our **written plan template** to get them started.
- **Social comparisons** – we've partnered with the **Centre of Business Economics and Research (CEBR)** to release new research that identifies the real cost to businesses of employees with low financial resilience and a poor money mindset.
- **Long-term perspective** – financial advisers can help manage investments closely and provide reassurance when it's needed. They're experienced and trained professionals who deal with the complexity of financial markets on a daily basis. If your employees are nervous or unsure about any investments, encourage them to seek financial help.

Mindset – adviser insight

- **Happiness** – understanding what your clients do in life because they enjoy it, (their intrinsic motivations), is important to identify their joy and purpose and helps you create a plan to strike balance in their life. You can capture their scores on our editable PDF table – **How happy do you want to be**? and consider asking them to complete this every so often to highlight planning opportunities.
- **Future self** – we know you're very successful at improving your clients' money building blocks. But as we've discussed – money is only half of financial wellbeing. Consider asking your clients about how they picture their life in the future. If they're unsure, direct them to our **Picture your best life tool** – you could even work through this together.
- **Written plans** – help your clients identify their long-term goals. Building a long and steady mindset to become more financially resilient will lead them to better financial wellbeing. They can use our **written plan template** to get started.
- **Social comparisons** – social comparisons are problematic when they make us feel as though others have more money. They become powerful and inspiring if they show us a way to plan. Poor societal comparisons can influence the amount of debt people have, as well as their overall life satisfaction. So, try to encourage clients to choose a healthy financial role model. These should be individuals who are slightly ahead of them (in terms of achieving goals) and who your client finds relatable.
- **Long-term perspective** – as you help manage your clients' investments closely, keeping them well informed and reassured can help them beat investment panic.
- **Deeper client conversations** – **use our templates** to help you with your client conversations. Find out how to help your clients identify what brings them joy and purpose and gain insight into your client's biases.

More insights – helping people improve their financial wellbeing

Improving the UK's financial wellbeing means working together on the essentials:

Ask your employees/clients to focus on how/why they spend – do they spend to satisfy a need? Are there cheaper ways to satisfy the same need? This isn't about asking them to justify what they spend their money on but to draw more focus on money in and money out as it might help them to rebalance the scale.

Teach them how to think long-term – this plays a big part in achieving financial wellbeing. Experts have calculated people should be putting away roughly 15% of their income a month into their pension contributions (including employer contributions).[2]

Ask them to describe their joy and purpose – things your clients do to relax (joy) and things they do to feel competent, engaged or useful (purpose). Tuning into this can also help them focus on how/why they spend money.

Encourage them to think about their future self – what does their future look like? They could think 'where will I be 10 years from now? or 'what will my priorities be?' to get them started.

“All-rounders are financially comfortable and can enjoy life now whilst planning for the future.

They balance the importance of money and mindset well and are ready for what the future holds”.

Improving long-term savings

We’ve found that overall, people aren’t saving enough for their retirement. 63% of today’s 55 – 64 year-olds have saved less than £100,000 in their long-term savings. For most of them, this is very likely to be far too little to be able to live a moderate lifestyle in retirement.

We’ve created a ‘How much do you need in retirement?’ checklist for you to share with your employees or work through with your clients.

Employer tip

You can refer your employees onto our **Retirement income planner** tool for further insight and support.

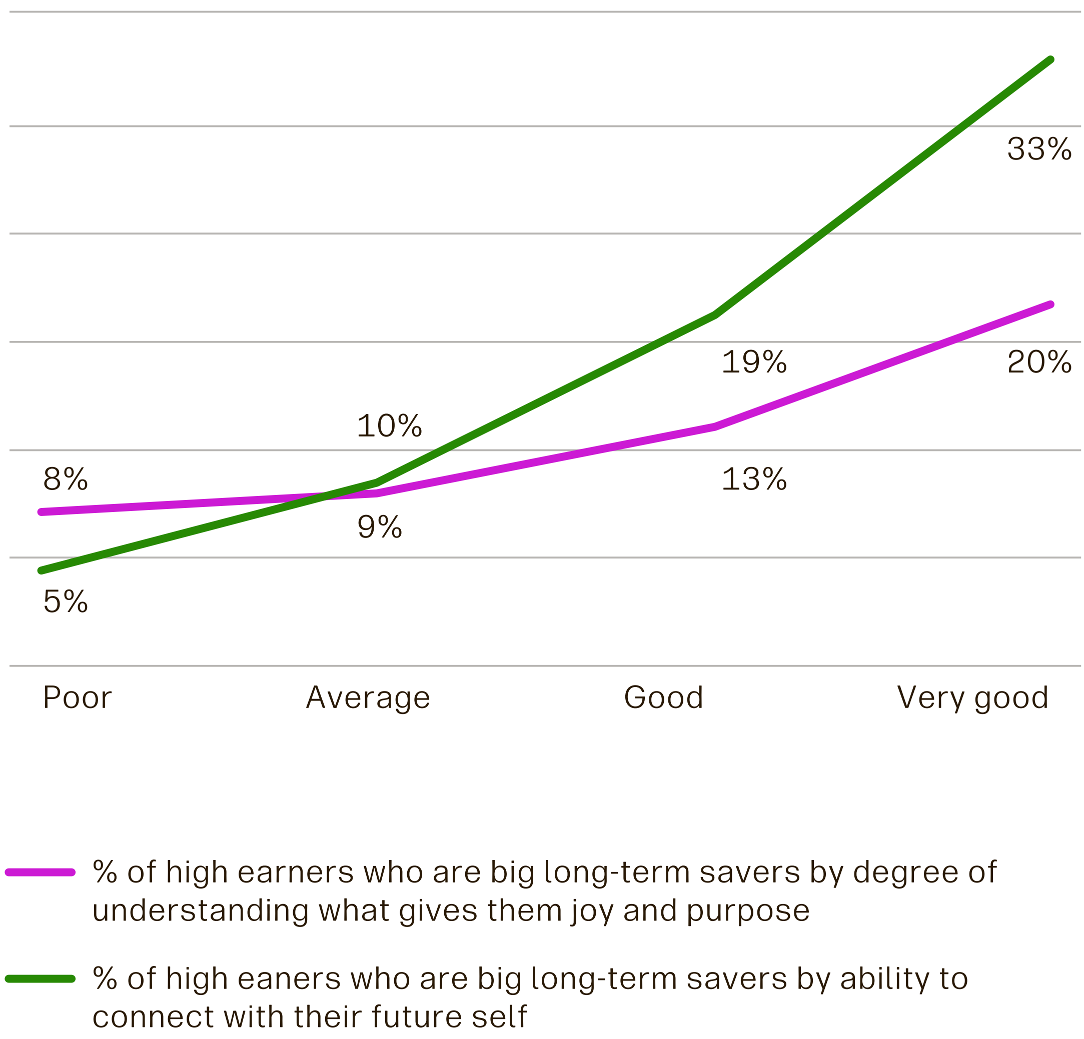
How much do you need in retirement?

- Think about how much you'll need to live the lifestyle you'll want in retirement. You might want to start by aiming for a retirement income that's about 70% of what you make now. Our research finds that more than half of UK retirees said that's all they needed to live comfortably.
- Check in regularly on your savings and investments – at least every year or when your circumstances change. More often if you're closer to retirement.
- Check your State Pension entitlement. Are there any gaps that you could fill between now and your State Pension age?
- Decide your target retirement date, then check that's likely to be possible based on when you'd be able to withdraw private pension funds and how long you're expecting to be retired for. Remember that there are no guarantees, and you could get back less than you invested come retirement.

Why finding the right mindset is so important

We know from our research that just because someone is a high earner, it doesn't mean that the same person is a long-term saver. However, we do know that if a saver has the right mindset – a connection to their future self and an understanding of what gives them joy and purpose – they're able to find long-term perspective. This then has an impact on their ability to save in the long-term.

There's a connection between understanding what brings joy and purpose and having a connection to your future self, based on an earners long-term savings

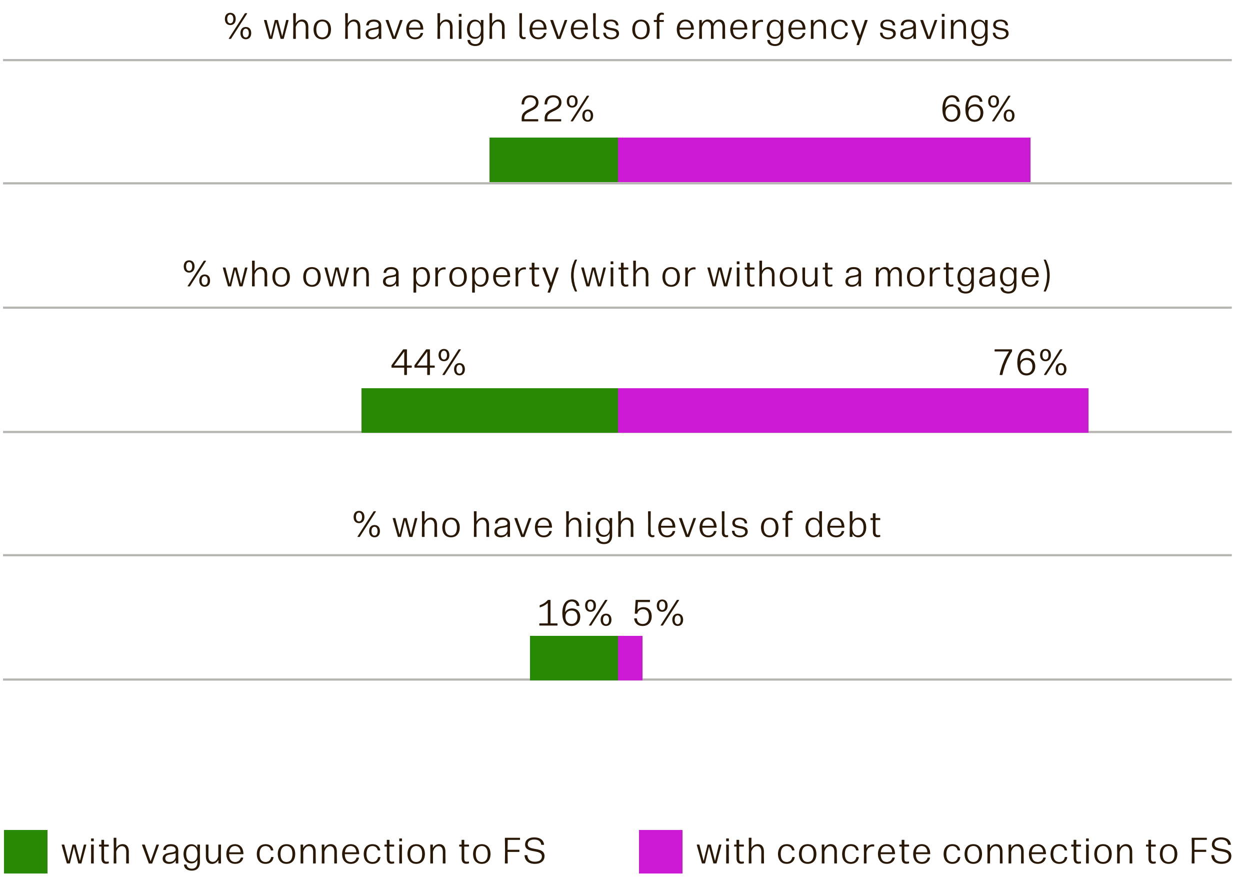


Key takeaway

Having a concrete and meaningful connection to their future makes it much more likely for people to contribute higher amounts into their pensions and long-term savings. Understanding deeper motivations makes them twice as likely to do so.

Our research finds that this trend applies to other income groups, not just high earners. We've also found that this applies to more than just long-term savings – but also to people building emergency savings, debt-management or home-ownership status.

The power of the connection to your future self



Key takeaway

Overall, those who have a strong sense of their future self, are less likely to have high levels of debt. They're also more likely to have a plan, be closer to paying off their mortgage and have emergency savings in place.

How investing responsibly impacts financial wellbeing

Environmental, social and governance (ESG) issues are a concern for many people. For some, their financial wellbeing could improve by knowing how their savings are invested.

Here are some factors that the UK public consider when making everyday decisions:

44% **Environmental impact**

42% **Waste management**

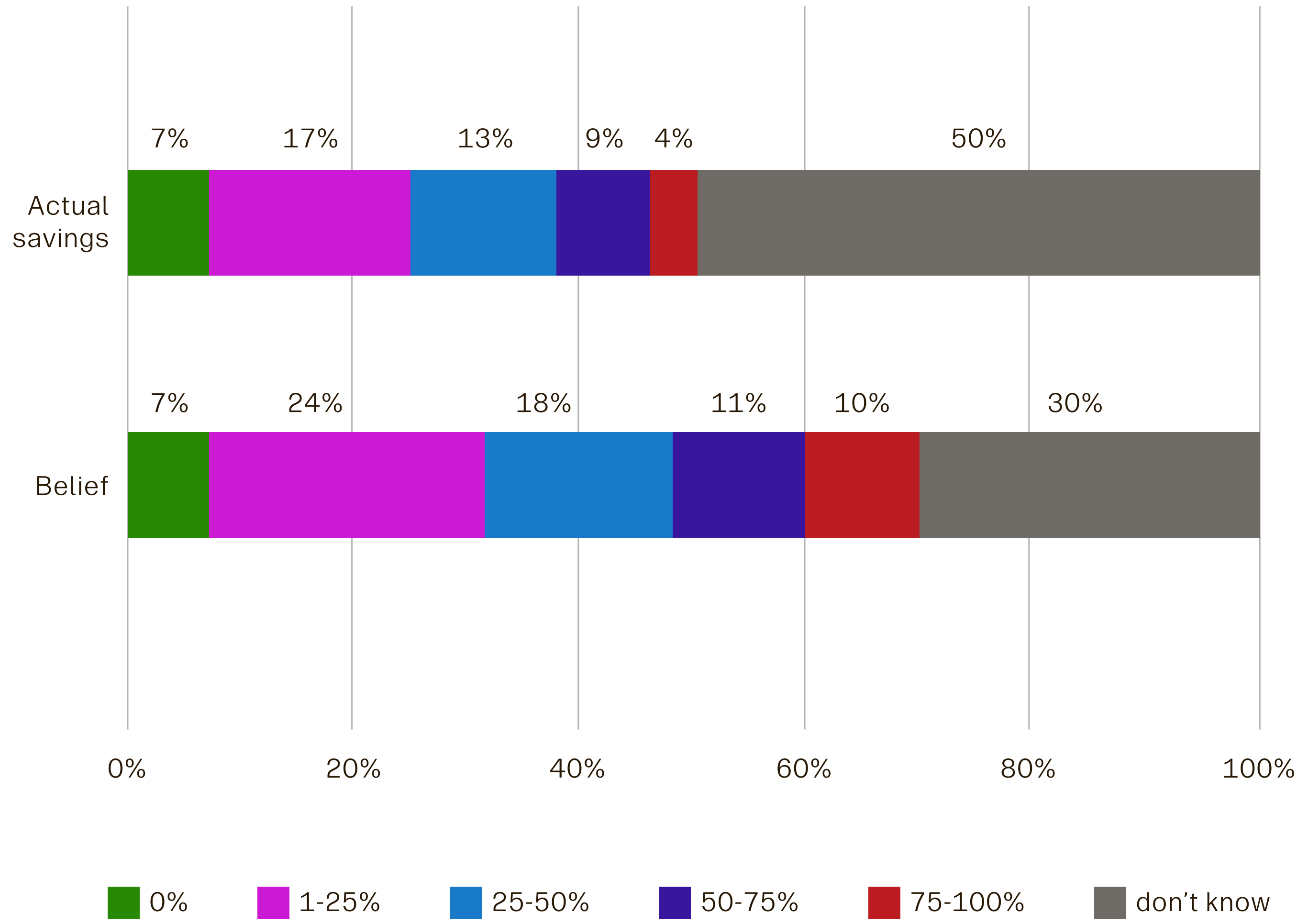
36% **Biodiversity**

We know from our research that when interacting with companies, data protection and privacy, human rights, labour standards and workplace safety and other ethical standards are important to more than two-thirds of the UK public.

When we ask people directly about their investment plans, we've found there's a mismatch between people's desire to invest sustainably and how they actually invest their savings.

Our research showed 64% believe they should be invested in sustainable funds to some degree – whereas in reality, only 43% say they are.

Amount people invest/think they should invest sustainably



The high proportion of 'don't know' answers suggests a lack of confidence and/or engagement with savings. Lending weight to this theory, our 2022 Financial wellbeing research found that 55% of those asked weren't aware of or didn't understand the terms 'responsible investment', 'sustainable investment' or 'ESG investing'.[3]

So, how can you help bridge this gap?

There's growing awareness of the global challenges we're facing (such as climate change, environmental destruction and social injustice), but it's more difficult to connect these issues with pensions and other investments. We're looking to bridge this gap.

Start the conversation by focusing on day-to-day values. Most people struggle to visualise long-term, abstract ideas such as pension investing.

So, start with how people feel and act today. Questions such as 'did you know that your savings can support your beliefs?' are likely to peak someone's interest more than 'let me tell you how responsible investing works'. The idea is to get people thinking about saving responsibly.

Employer tip

Most scheme members will tend to be invested in the scheme default fund, and many won't be aware of how it's invested. Given that many default funds have now integrated responsible investment targets into their approaches, make sure that you highlight to employees where this has happened. This provides reassurance that the scheme is acting on their behalf. It also might be a route to improving pension scheme support and engagement more widely.

Want to find out more about Responsible investing?

You can find out more about the link between responsible investing and financial wellbeing – as well as support materials to use with clients or employees – on our responsible investment webpages:

- **Responsible investing for clients and employees**
- **Responsible investing for advisers**
- **Responsible investing for employers**

What’s next?

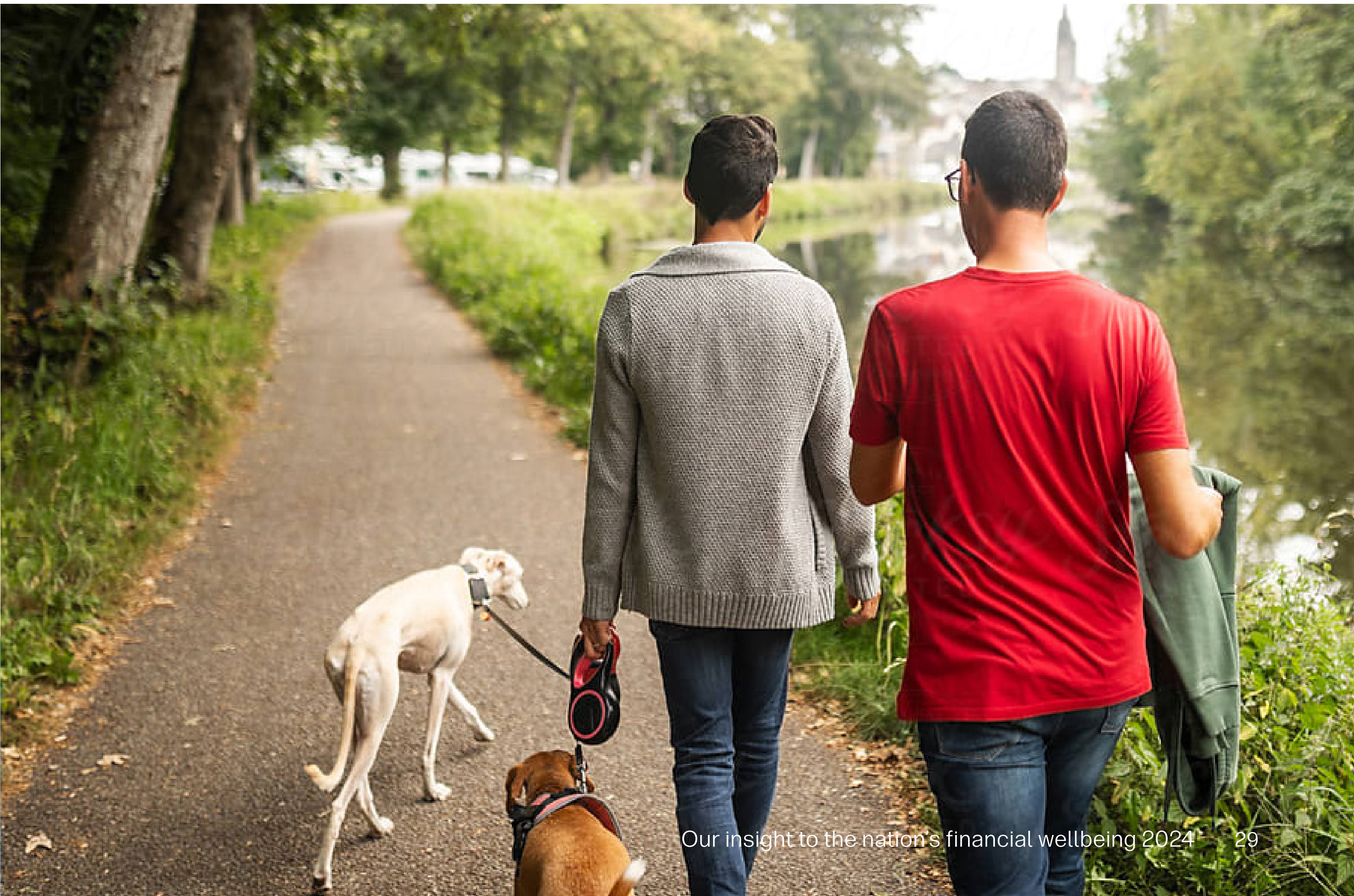
To achieve financial wellbeing, it’s important to be able to pay for the things and experiences that make us happy – now and in the future. The path to financial wellbeing begins with knowing and understanding ourselves.

By supporting your employees and clients, you’re giving them an extra hand, or boost in confidence while they’re on their own journey.

A note to remember

Times are tough financially for many people in the UK right now. The cost ofliving crisis continues on and financial uncertainty creates additional pressure. Be prepared and ready to provide extra support during these turbulent times. Bear in mind that not everyone will be able to put these tips from our flipbook into practice right now for whatever reason – and this is ok.

We look forward to continuing to work in partnership with you to help enhance the financial wellbeing of your employees/clients, and help them live their best lives.



For more information and other resources, please visit:

Our **Financial wellbeing flipbook**, which you can share with your clients and employees. Encourage them to think about what they need to live a happy and fulfilled life – and then consider how to fund it.

Our **Financial wellbeing guide** for more resources you can share with your clients and employees such as our **Financial wellbeing** and **Picture your best life tools**.

We also have dedicated Financial wellbeing hubs for **employers**, and **advisers** with more information on how you can embed financial wellbeing into your workplace pension scheme or client support.

Methodology

Unless otherwise stated, the figures referred to within this flipbook are based on research conducted with 10,040 UK residents. The research was carried out online by Aegon's Centre for Behavioural Research in July and August 2023. The study was nationally representative in terms of location, age and gender.

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2. **Independent review of retirement income:** we need a national narrative: building a consensus around retirement income. Data source, Pensions Institute, David Blake, March 2016.
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