



# Wealth and Wellbeing Research Programme

**Edition 11**



# Contents

<a href="#">Introduction</a>	3
<a href="#">Edition 11 key findings</a>	4
<a href="#">Indices reflect negative outlook</a>	5
<a href="#">State of the nation</a>	6
<a href="#">Mortgage affordability</a>	7
<a href="#">Market volatility decreases risk appetites</a>	8
<a href="#">Investing in ISAs</a>	9
<a href="#">Pension value fluctuations</a>	10
<a href="#">Interest in ESG investments</a>	11
<a href="#">Appendix</a>	12



## Introduction

### Welcome to edition 11 of the LV= Wealth and Wellbeing Research Programme

In this report we share the latest insights from our LV= Wealth and Wellbeing research. Established in June 2020, this longitudinal study has tracked UK adults' behaviours around their finances and wellbeing during a period of exceptional market turmoil and change.

Our longitudinal data shows that whilst there are still a large number of people struggling financially, several indices we track have stabilised or improved compared to the previous quarter, hinting at some consumer optimism. The point of inflexion in economic data is always hard to pin down but we may be seeing a longer term improvement in outlook or at least an increasing view that the slowdown will be shallower than first feared.

We are, however, seeing concern over food prices still gathering pace as it takes over from energy costs as the main driver of inflation; wage increases remain muted by comparison.

Another interesting finding from our longitudinal data is the continual increase in the number of people worried that they will not be able to get the medical treatment they need. We have seen a direct correlation between this data and NHS waiting lists, as consumers appear very aware of the struggles of the NHS and the impact this may have on their treatment.

In edition 11 we have focused on how the current economic environment is changing consumer finances, opinions and behaviour. Many consumers are worried about their ability to pay heating bills and mortgages as their finances come under strain. Nearly 42% of people now describe their financial situation as "struggling", which is the highest we have seen this figure since our study began.

Market volatility appears to have influenced consumers' risk appetites, with increasing numbers feeling uncomfortable with financial uncertainty and pension holders feeling anxious about fluctuations in the value of their pension.

It will be interesting to observe how consumer behaviour changes throughout 2023.

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

# Wealth and Wellbeing Research Programme

## Edition 11 key findings



### Financial outlook remains negative

#### but shows small improvement

Our indices for current finances and financial outlook, despite being negative due to high cost of living, show a small improvement from last quarter. The financial outlook index has increased by 13.

It's too early to say if this is the start of a long-term improvement in people's finances, especially since outgoings and supermarket spend are still on the rise.

### 42% of UK adults

#### now describe their financial situation as "struggling"

The number of UK adults who describe their current financial situation as "struggling" has increased from 29% to 42% in the past year.

Some 17% of UK adults say they are struggling to pay for heating (vs. 10% six months ago) and 15% say they are struggling to pay for food (vs. 8% six months ago).



### Half a million mortgage holders

#### have recently fallen behind on payments

With many households currently experiencing stretched finances, one major financial worry at the moment is being able to continue to pay the mortgage.

In the last three months, 4% of mortgage holders have fallen behind on/missed mortgage payments and many of these people have had to ask for a payment holiday/reduced payments.

### Recent market volatility may have decreased consumers' risk appetites

Two thirds of UK adults say they do not feel comfortable with financial uncertainty, which is an increase of +9% from when we asked this question a year ago.

As we have seen in previous quarters of the research, women and retirees stood out as being particularly risk-averse.

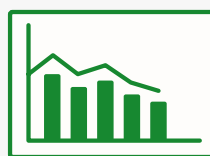


### Only 1 in 10

#### took advantage of their full ISA allowance last year

Our data has shown that many consumers are keen on investing in ISAs. We found that 36% of UK adults invested in an ISA last year.

However, only 11% of UK adults invested their full ISA allowance last tax year, indicating that many aren't maximising potential returns on their money.



### Fluctuations in pension value

#### are making workers anxious

Stock market volatility has been a particular concern for pension holders recently. We found that 54% of workers with a defined contribution (DC) pension are made anxious by the fluctuations in the value of their pension.

This highlights why products such as smoothed pensions (which smooth out stock market volatility in pension values) could give pension holders some peace of mind.

# Indices reflect negative outlook

Since the LV= Wealth and Wellbeing Research Programme began in June 2020 we have asked a number of consumer finance questions to track changes in consumer spending, saving and financial outlook.

Our data is converted into indices by taking the percentage who stated a positive change over the past three months (e.g. increase/better) and subtracting the percentage who stated a negative change over the past three months (e.g. decrease/worse) to work out the overall impact. The data behind the indices can be found in the appendix.

## Financial outlook remains negative but shows a small improvement on the last quarter

Over the past few quarters, a number of our Wealth and Wellbeing indices have been declining, reflective of consumers' stretched finances. This quarter however, some of the declining indices have begun to stabilise or slightly improve.

For example, the indices for current finances and outlook indices, although still negative due to high cost of living, show a small improvement from last quarter.

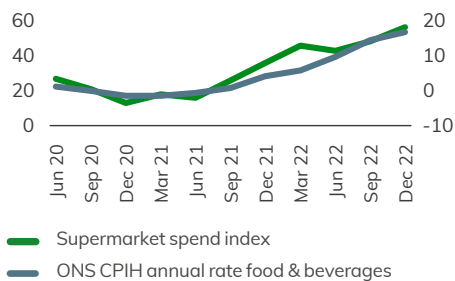
The savings contributions index remains low as the increased cost of living means some are less able to save, but this index is no longer declining.

The socialising spend index remains below zero as some consumers cut non-essential spending, but this decline has levelled off.

The income from work index has increased slightly as some of our respondents see wage increases. But for many this is not enough to offset rising outgoings.

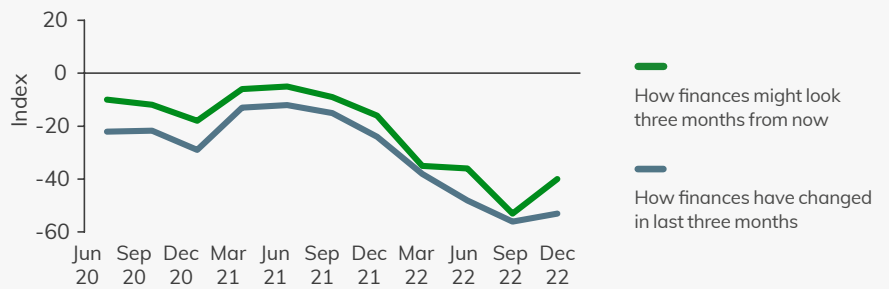
Two indices that do not yet show improvements are the outgoings index (which remains high as many continue to see rising outgoings) and the supermarket spend index (which has increased further with food cost increases and Christmas food spend). Our supermarket spend index correlates with the increases we have seen in the ONS' data on food price inflation.

### Supermarket spend vs. ONS CPIH annual rate food & non-alcoholic beverages

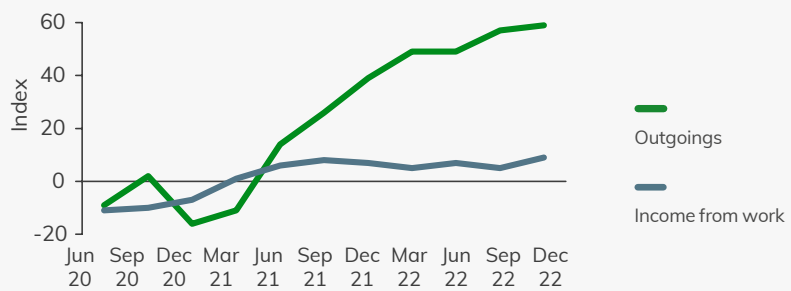


It's too early to say if the improvements seen in some of the indices are the start of a long-term improvement in people's finances. But if the cost of living and inflation begin to ease, people may begin to feel more optimistic about their finances.

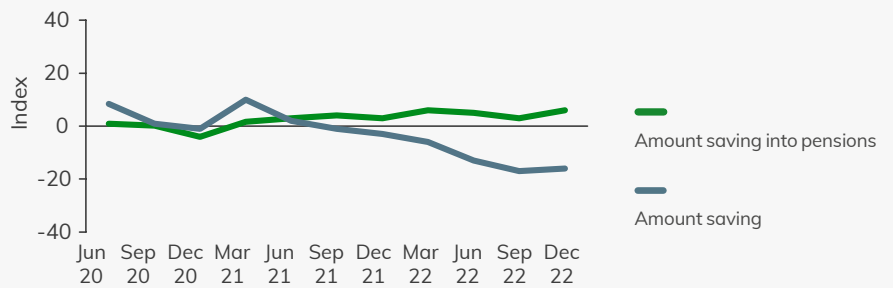
### Current finances and future outlook index



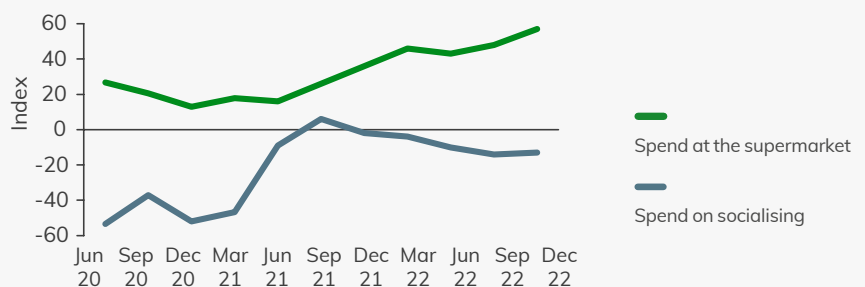
### Income and outgoings index



### Savings and pension savings index



### Supermarket spend and socialising index



# State of the nation

## 42% of the population now describe their financial situation as “struggling”

Our latest quarterly survey shows that the rise in the cost of living is taking its toll on the finances and mental health of millions of people.

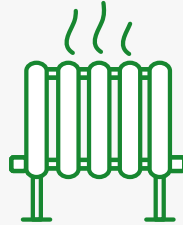
Every quarter over the past year we have seen an increase in the number of people who describe their financial situation as “struggling” (from 29% in December 2021, to 42% in December 2022).

40% of UK adults say they are currently worried about money, compared to 29% 12 months ago. These financial worries are taking their toll on the nation’s mental health, with rising numbers seeking mental health support. 9% of UK adults sought face-to-face mental health support between September and December 2022 compared to 7% a year earlier.

Rising energy bills are a huge worry for UK consumers (53% are worried about this), particularly for those aged over-55 and people with household incomes below £25,000 (63% are worried). Some 17% of UK adults say they are struggling to pay for heating – a large rise on six months ago (10%). One in four (24%) parents with children aged 0-10 say they are struggling to pay for heating.

Some 15% of UK adults say they are struggling to pay for food compared to 8% six months previously. Over one in four (26%) of parents with a child aged 0-10 say they are struggling to pay for food. 6% said they have had to use a food bank (vs. 3% six months ago) doubling of the use of food banks in just 6 months.

How increase in living costs has impacted UK adults



I'm struggling to pay for heating

10% vs 17%



I'm struggling to pay for food

8% vs 15%



I've had to use a food bank

3% vs 6%

■ June 22   ■ December 22

## 10m UK adults are worried they will not be able to get the medical treatment they need

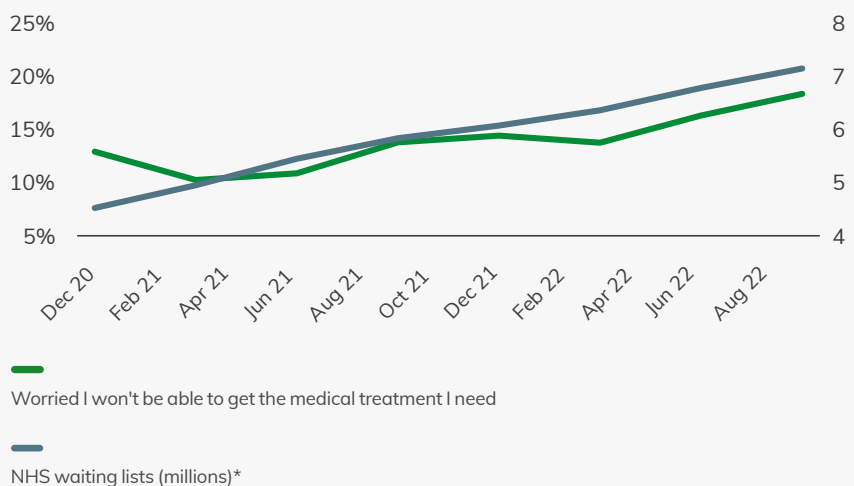
NHS challenges have left increasing numbers of people worrying about access to medical treatment.

11% say that they or someone in their family had a medical diagnosis/ treatment/ operation delayed (up from 8% a year ago).

Nearly one in five (19%) worry they will not be able to get the medical treatment they need – up from 14% a year earlier. This equates to 10m UK adults who are worried they will not be able to get the medical treatment they need. We have seen a direct correlation between this data and NHS waiting lists, as shown in the graph.

Worries about getting medical treatment are higher for retired people than those who are working (31% vs 14%).

Worries about treatment vs. NHS waiting lists



# Mortgage affordability

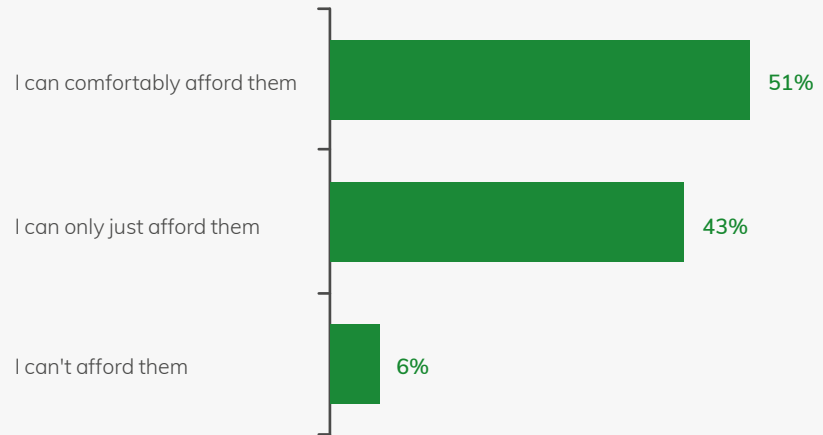
## 7m mortgage holders cannot comfortably afford their mortgage payments

With many households currently experiencing stretched finances, one major financial worry at the moment is being able to continue to pay the mortgage.

Approximately half (49%) of all mortgage holders say that they cannot comfortably afford their mortgage payments. This equates to 7m UK adults. This 49% is comprised of 43% who can only just afford their mortgage payments, and 6% who say they can't afford them.

The demographics most likely to be struggling to pay their mortgages are those aged 18-34, those with an annual household income of under £25k and those with young children. 57% of parents with a child aged 0-10 cannot comfortably afford their mortgage payments.

How easily can you currently afford your mortgage payments?



## Half a million mortgage holders have recently fallen behind on their mortgage payments

In the last three months, 4% of mortgage holders have fallen behind on/missed mortgage payments. This equates to half a million people. The majority of these have had to ask their mortgage provider for flexibility (e.g. asked for a payment holiday or to reduce payments).

The next year is a worrying time for many mortgage holders. A quarter (24%/ 3m) of people with a repayment mortgage have a fixed term ending in the next 12 months. A third (32%) of mortgage holders are worried about the impact of interest rate rises on their mortgage repayments.



### Half a million mortgage holders

have fallen behind on/missed mortgage payments in the last three months.

### 1 in 3 mortgage holders

are worried about the impact of interest rate rises on their mortgage repayments.

# Market volatility decreases risk appetites

## Consumers are increasingly uncomfortable with financial uncertainty

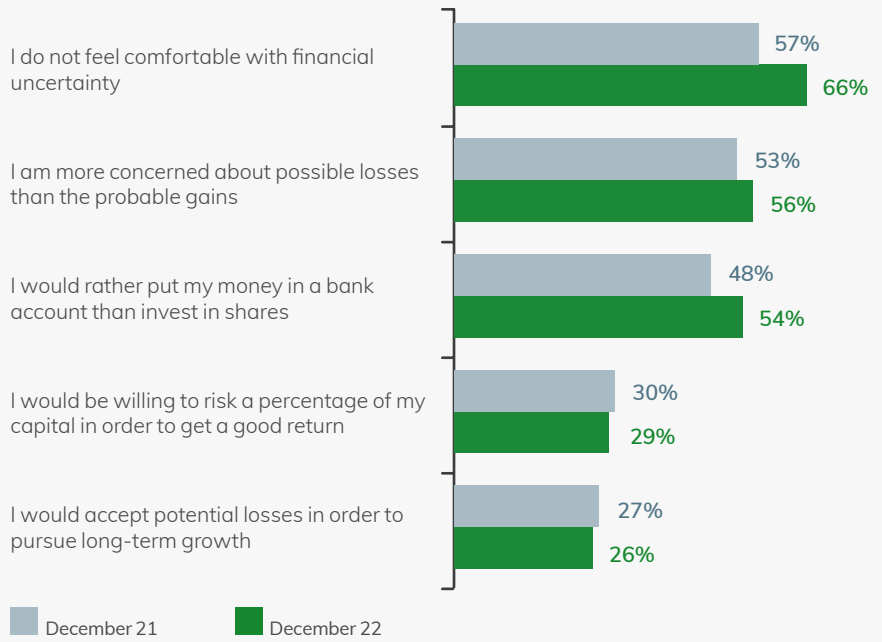
Our latest data suggests that recent global market volatility may have decreased consumers' risk appetites. We found that two thirds of UK adults say they do not feel comfortable with financial uncertainty, which is an increase of 9% from when we asked this question a year ago.

We also found that when faced with a financial decision, 56% are more concerned about the possible losses than the probable gains. This is an increase of 3% from a year ago.

Over half (54%) said that they would rather put their money in a bank account than invest in shares. This is an increase of +6% from a year ago

As we have seen in previous quarters, our results indicated that women were more risk-averse. 75% of female respondents said they do not feel comfortable with financial uncertainty (vs. 56% of men). 63% of female respondents said they are generally more concerned about the possible losses than the probable gains (vs. 48% of men).

### Agree with the following statements



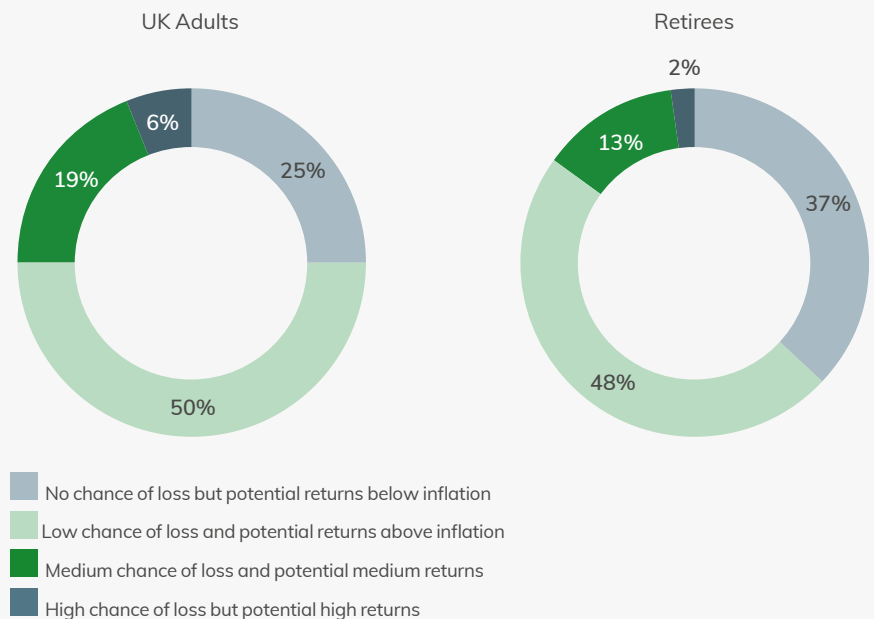
## Retirees are particularly risk averse

We asked consumers their preference towards potential losses vs. returns when choosing savings or investments. A quarter of all UK adults were very risk averse, preferring no chance of loss but potential returns below inflation. 37% of retirees were in this group.

Half of consumers chose a low chance of loss and potential returns above inflation.

85% of retirees preferred low risk or no risk savings or investments. Only 15% of retirees said they would take a medium or high risk on their investments.

### Preference towards potential losses vs. returns when choosing savings or investments



**85%**  
of retirees

preferred low or no risk savings or investments



# Investing in ISAs

## Only one in 10 UK adults took advantage of their full ISA allowance last tax year

Our data has shown that many consumers are keen on investing in ISAs. We found that 36% of UK adults invested in an ISA last year.

However, only 11% of UK adults invested their full ISA allowance last tax year, indicating that many aren't maximising their potential returns on their money, by shielding it from income tax.

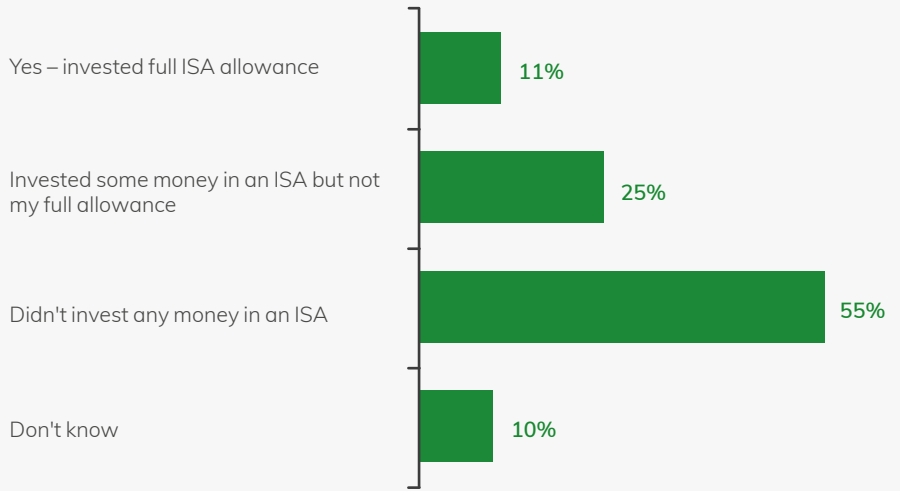
24% of mass affluent consumers (those with assets of between £100,000 and £500,000 excluding property) invested their full ISA allowance last tax year.

We explored which type of ISA was appealing to ISA investors.

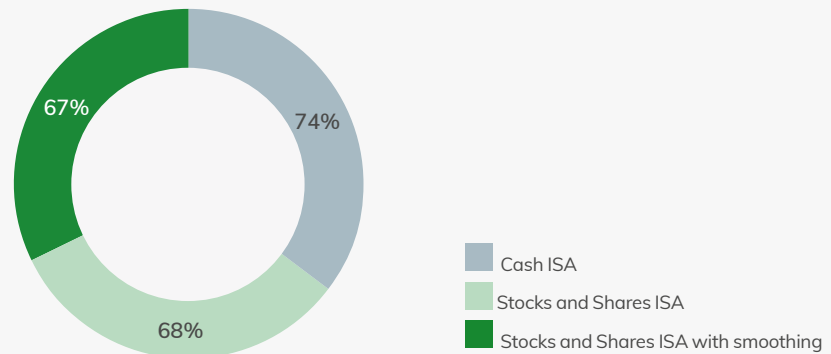
- **74%** were interested in cash ISAs.
- **68%** of ISA investors were interested in Stocks and Shares ISAs
- **67%** of ISA investors were interested in Stocks and Shares ISAs with smoothing.

Those with a high income, parents of young children, younger adults and men were the demographic groups most interested in a Stocks and Shares ISA with smoothing.

### Did you take advantage of your full ISA allowance last tax year?



### Investors who used all/some of their ISA allowance last tax year – Interest in types of ISA



## Only one in five annually review their savings and/or investments before tax year end

As we approach tax year end, this quarter's survey explored whether those who hold savings or investments tend to review these in the run up to tax year end. We found that only one in five people with savings or investments always review them in the run up to tax year end.

Mass affluent investors (those with assets of between £100,000 and £500,000 excluding property) or those with a high income are most likely to always review their savings and investments in the run up to tax year end.

Female investors were least likely to ever review their savings and investments in the run up to tax year end.

### Do you typically review your savings and investments in the run up to tax year end?

**22%**

I do this every year

**17%**

I do this most years

**21%**

I have done this in some years

**35%**

I have never done this

**5%**

don't know



# Pension value fluctuations

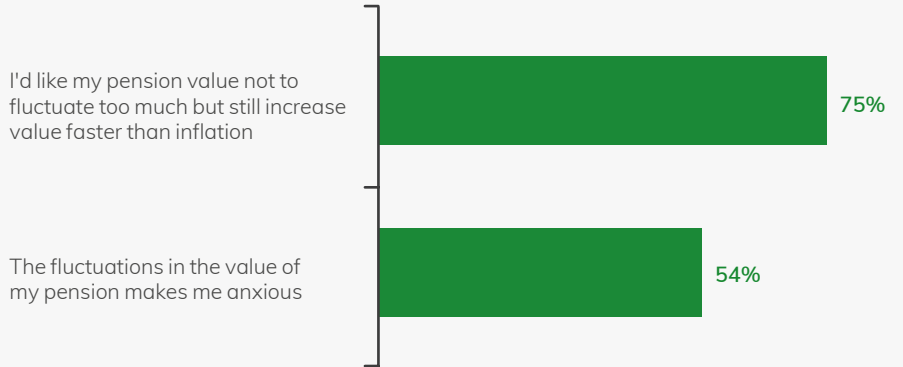
## Over half of workers say that fluctuations in their pension values makes them feel anxious

Stock market volatility has been a particular concern for pension holders recently. One in five personal pension holders are currently worried about how unexpected stock market drops could affect the value of their pension.

We asked workers with a defined contribution (DC) pension how they felt about fluctuations in their pension value. We found that 54% are made anxious by the fluctuations in the value of their pension. Three quarters said that they would like their pension value not to fluctuate too much but still increase in value faster than inflation.

This highlights why smoothed pension products (which smooth out stock market volatility in pension values) could help give pension holders the peace of mind they desire.

Percentage of people who agree with the following statements



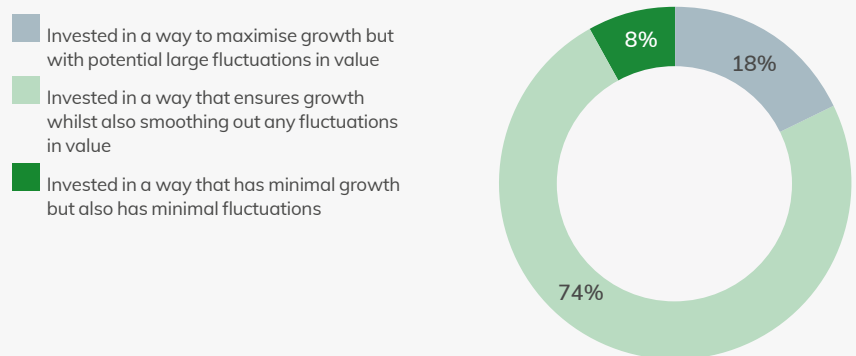
## Three out of four workers would prefer their pension to smooth out any fluctuations in value

We asked a further question which highlights the desire for smoothed products. Of all workers with a DC pension, three out of four (10m) would prefer their retirement savings were invested in a way that ensures growth whilst also smoothing out any fluctuations in value.

Mass affluent (those with assets of between £100,000 and £500,000 excluding property) and females were particularly interested in smoothed pensions, but there were no groups who indicated they didn't like the idea of a smoothed pension investment.

We also asked workers with a DC pension how they'd like to receive their income. Over a third (37%) of workers with a DC pension say that in retirement their preference would be to receive both a set income and have a pot of money to draw from. Those close to retirement (aged 55-64) were particularly keen on this option.

In your retirement, would you prefer that your pension savings were...



**37%** of workers with a DC pension would prefer to receive both a set income and have a pot of money to draw from in their retirement



# Interest in ESG investments

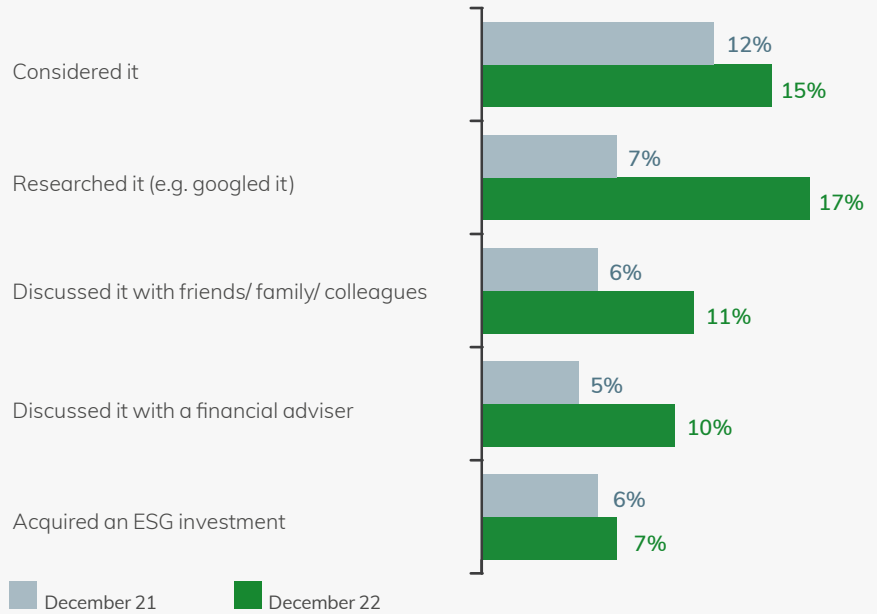
## 9m UK adults researched an ESG (Environmental, Social and Governance) investment

A theme that we have explored previously in our research is the theme of responsible investing. Our data indicates that there were a lot more people researching and discussing ESG investments this year, compared to last year. 17% (9m) of UK adults researched an ESG investment in Dec 2022, compared to 7% in Dec 2021. Double the amount of consumers discussed an ESG investment with a financial adviser (10% in Dec 2022, compared to 5% in Dec 2021).

Despite this increased interest, there has only been a small increase in acquisitions (7% acquired an ESG investment, compared to 6% last year).

Those with a high household income, those who are mass affluent (those with assets of between £100,000 and £500,000 excluding property) and parents with young children are the groups most likely to hold an ESG investment. These groups are also the ones most likely to be discussing and researching ESG investments.

Which of the following are true for you regarding ESG investing?



## Three in four consider it important that their provider considers the impact of their investments

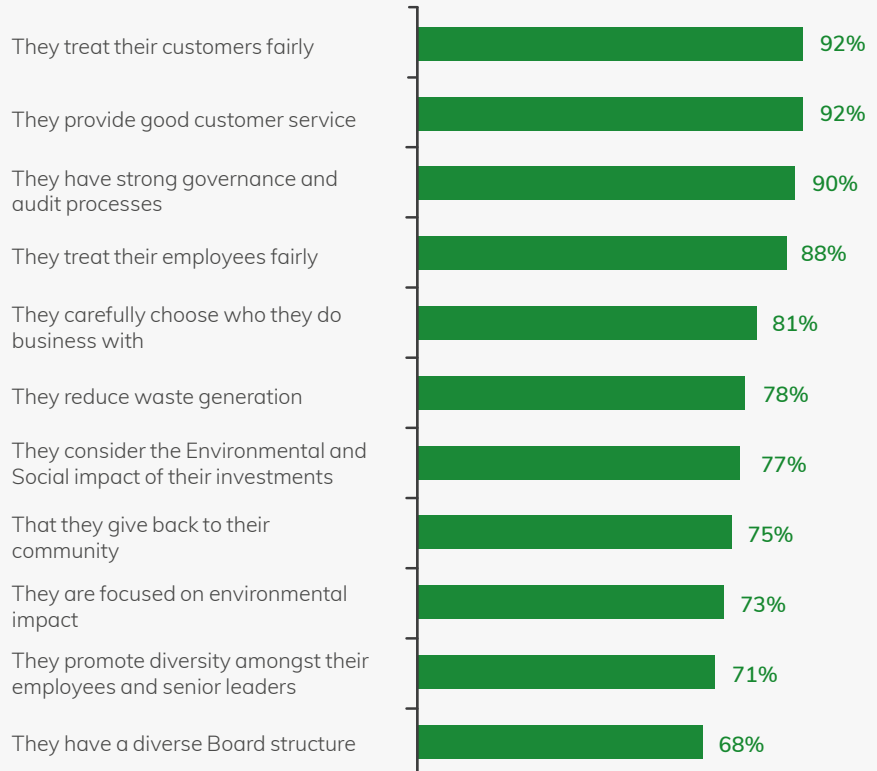
When choosing a financial services provider for their investments and/or insurance, approximately nine out of 10 consumers consider it important that the provider is treating customers and employees fairly, has good customer service and a strong governance/ audit process.

Environmental concerns were also important to many, with 77% of those who hold an investment or insurance product saying it is important that their provider considers carefully the environmental and social impact of their investments. 78% think it is important that they reduce waste generation through prevention, reduction, recycling and reuse.

Young adult consumers, parents of young children, and those with a high household income are the groups most likely to feel it is important that their provider considers carefully the environmental and social impact of their investments.

**78%**  think it is important that their provider reduces waste generation

Important factors when choosing a financial services provider for investments/insurance



# Appendix

## Wealth and Wellbeing Research Programme indices data

### How finances might look three months from now

	Dec 20	Mar 21	Jun 21	Sep 21	Dec 21	Mar 22	Jun 22	Sep 22	Dec 22
Improve	12%	18%	17%	15%	14%	10%	11%	8%	<b>10%</b>
Worsen	26%	20%	18%	20%	25%	42%	43%	57%	<b>46%</b>
Index*	-14	-2	-1	-5	-12	-31	-32	-49	-36

### Amount saving

	Dec 20	Mar 21	Jun 21	Sep 21	Dec 21	Mar 22	Jun 22	Sep 22	Dec 22
Increase	23%	27%	21%	18%	16%	18%	17%	16%	<b>17%</b>
Decrease	24%	17%	19%	19%	20%	23%	30%	33%	<b>33%</b>
Index*	-1	10	2	-1	-3	-6	-13	-17	-16

### How finances have changed in last three months

	Dec 20	Mar 21	Jun 21	Sep 21	Dec 21	Mar 22	Jun 22	Sep 22	Dec 22
Better	11%	18%	16%	15%	13%	10%	9%	7%	<b>9%</b>
Worse	36%	27%	25%	26%	33%	44%	53%	59%	<b>58%</b>
Index*	-25	-9	-8	-11	-20	-34	-44	-52	-49

### Amount paying into pensions

	Dec 20	Mar 21	Jun 21	Sep 21	Dec 21	Mar 22	Jun 22	Sep 22	Dec 22
Increase	9%	10%	10%	10%	11%	13%	14%	13%	<b>14%</b>
Decrease	13%	8%	7%	6%	7%	6%	8%	10%	<b>8%</b>
Index*	-4	2	3	4	3	6	5	3	6

### Income from work

	Dec 20	Mar 21	Jun 21	Sep 21	Dec 21	Mar 22	Jun 22	Sep 22	Dec 22
Increase	13%	16%	18%	17%	17%	16%	17%	17%	<b>19%</b>
Decrease	20%	15%	12%	9%	10%	11%	10%	12%	<b>10%</b>
Index*	-7	1	6	8	7	5	7	5	9

### Spend at the supermarket

	Dec 20	Mar 21	Jun 21	Sep 21	Dec 21	Mar 22	Jun 22	Sep 22	Dec 22
Increase	30%	33%	29%	36%	46%	56%	58%	63%	<b>68%</b>
Decrease	18%	15%	13%	10%	10%	10%	15%	14%	<b>12%</b>
Index*	13	18	16	26	36	46	43	48	57

### Total monthly outgoings

	Dec 20	Mar 21	Jun 21	Sep 21	Dec 21	Mar 22	Jun 22	Sep 22	Dec 22
Increase	19%	22%	31%	38%	48%	58%	61%	67%	<b>69%</b>
Decrease	35%	33%	18%	12%	9%	9%	12%	10%	<b>10%</b>
Index*	-16	-11	14	26	39	49	49	57	59

### Spend on socialising

	Dec 20	Mar 21	Jun 21	Sep 21	Dec 21	Mar 22	Jun 22	Sep 22	Dec 22
Increase	8%	7%	22%	28%	21%	20%	21%	19%	<b>19%</b>
Decrease	61%	54%	31%	22%	23%	24%	31%	33%	<b>32%</b>
Index*	-52	-47	-9	6	-2	-4	-10	-14	-13

### 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 2022 unless otherwise stated. Population estimates based on UK adult population of 53.2m.

While care is taken in the compilation of the report, no representation or assurances are made as to its accuracy or completeness.

\* Source: NHS England

<https://www.bma.org.uk/advice-and-support/nhs-delivery-and-workforce/pressures/nhs-backlog-data-analysis>

### About LV=

LV= is a protection, investment and retirement specialist and one of the UK's leading life and pensions mutual insurers. 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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