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Financial capability in the UK: Results from the 2018 survey of adults

Technical report

the Money Advice Service

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Contents

Glossary of statistical terms 2

Executive summary 3

This report 3

Levels of financial wellbeing and capability in the UK 4

Determinants of financially capable behaviorsManaging well day-to-day 5

1. Introduction 8

Measuring adult financial capability in 2018 8

Developing financial capability components in 2018 9

2. Components of financial capability 11

Financial wellbeing outcomes 11

Financially capable behaviours 12

Financial capability enablers and inhibitors 14

3. Financial capability among adults in the UK 16

Levels of financial wellbeing and capability 16

Variations in capability scores by key characteristics 17

4. Determinants of financial capability and wellbeing among UK adults 24

Determinants of financial capability 24

Determinants of financial wellbeing outcomes 27

5. Financial capability among working-age adults 34

Levels of financial wellbeing and capability 34

Determinants of financial wellbeing among working-age adults 36

6. Financial capability among retirement-age adults 43

Levels of financial wellbeing and capability 43

Determinants of financial wellbeing among retirement-age adults 45

Appendix 1: Explanation of the main statistical techniques used 52

Appendix 2: Replicating the 2015 components in the 2018 data 54

Appendix 3: Financial capability component scores in 2018 by key characteristics 57

Additional information

Text box 1: Key to component abbreviations 17

Text box 2: Defining income levels 18

Text box 3: The role of parenthood in capability at not borrowing for every day 27

Glossary of statistical terms

Initial composition of the components, using the wide range of survey items available from the data, was explored using principal components analysis and reliability analysis. Where necessary, the composition was then refined and explored further. This ensured that we used a data-driven approach to deriving financial capability components. To strengthen robustness, the resulting components all comprised three or more survey items.

The optimal composition for each component was taken forward to produce the final component. Each item was weighted within each component according to its strength of importance in defining that component, such that individuals' component scores were based directly on the responses they gave to each item and the importance of each item in the given component.

Building block

Building blocks are the concepts defined within the financial capability framework that are expected to be important at each level of the framework. An example of a building block is someone's capability at 'managing credit use' which sits within 'managing well day-to-day' behaviours.

Components

Financial capability components are the composite variables which have been derived to measure capability on each of the building blocks defined within the financial capability framework. They are created and scored using the survey data to represent observed versions of the building blocks.

Confidence interval

A confidence interval is the range in which the true value in a population is likely to lie based on the estimate produced from a sample. The normal convention is that there is a 95 per cent likelihood that the true value will lie in this range. The concept is closely related to statistical significance.

Equivalised income

Equivalised income is income which has been adjusted to take account of household size. See the text box (p18) for more details.

Mean

A mean is a measure of the distribution of scores on a variable which represents the arithmetical average of all scores within a sample.

Median

A median is a measure of the distribution of scores on a variable which represents the middle value if all the scores within a sample were to be placed in ascending order.

Multiple regression analysis

Multiple regression analysis identifies which of a set of characteristics are independently associated with a continuous dependent variable (in this case, financial capability component scores). It also estimates the combined power of the independent variables in predicting scores on the dependent variable. See Appendix 1 for more details.

Principal components analysis

Principal components analysis (PCA) is an exploratory multivariate technique for reducing a large set of variables into a smaller set of underlying components. It is a type of multidimensional scaling which returns a combination of the items included, after a linear transformation. It is the most robust method of its type because it analyses the total variation in the survey item responses, including the error variance. See Appendix 1 for more details.

Statistical significance

Statistical significance is a measure of the likelihood that a finding observed based on a sample is representative of the population from which it is drawn. The usual convention is a threshold of 95 per cent likelihood which is equivalent to a one in 20 chance that the effect observed in the sample is not a true effect in the population

Executive summary

This report presents the findings of analysis of the 2018 Financial Capability Survey of UK Adults, commissioned by Money Advice Service.

It explores the building blocks of financial capability, updating and extending similar analysis conducted in 2015.

There are 21 components altogether encompassing two financial wellbeing outcomes, ten financial capability behaviours (which are divided between managing well day-to-day and planning ahead for life events) and nine financial capability enablers and inhibitors (which reflect different aspects of someone's financial skills, attitudes, knowledge and dispositions that make financially capable behaviour easier or more difficult).

Most of these components apply across all adults. Two – relating to retirement – apply only to adults of working age and one – relating to later life planning – applies to retirement-age adults only.

The components are all scored on a scale from 0 to 10, where 0 indicates not at all capable and 10 indicates highly capable.

Financial wellbeing outcomes	
Current financial wellbeing	Longer-term financial security
Financial capability behaviours	
Managing well day-to-day	**Planning ahead for life events**
Managing credit use	Working towards goals
Not borrowing for every day	Building resilience
Active saving	Planning for retirement (working-age adults only)
Keeping track	
Adjusting spending	Planning for later life (retirement-age adults only)
Shopping around	
Financial capability enablers and inhibitors	
Financial confidence	Savings orientation
Financial numeracy	Spending self-control
Engagement with money	Digital engagement
Engagement with the future	Engagement with advice/guidance
Confidence for retirement (working-age adults only)	

This report

Chapter 2 describes the final components derived in 2018. The composition of each component is described, and any particular considerations made during its construction are discussed.

Chapter 3 explores levels of financial capability and wellbeing in the adult UK population for each of the 21 components. It also considers differences in average scores by key characteristics: of life-stage, income level and the Money Advice Service's financial resilience segmentation. The results highlight considerable variations in average scores by capability component and by key characteristics.

In particular, Chapter 3 finds that levels of financial capability and wellbeing were significantly higher in 2018 among retirement-age adults than people of working-age for many components. These included current financial wellbeing, not borrowing for every day, and spending self-control. Working-age adults scored better on some components, however, and this included the behaviours of shopping around and working towards goals and the enablers of digital engagement and engagement with advice.

Chapter 4 considers the determinants (or predictors) of financial wellbeing outcomes and financially capable behaviours. This includes: how scores on the enabler and inhibitor components independently influence financially capable behaviours; how the enablers and inhibitors and the behaviours independently influence financial wellbeing outcomes; and the influence of broader personal and household characteristics on wellbeing and behaviour.

Chapter 4 finds that financially capable behaviours and enablers played a substantial and important role in predicting financial wellbeing outcomes and that enablers also help to predict financially capable behaviours, albeit more weakly. The role of these components was far greater than any single demographic or socio-economic characteristics of individuals and their households, although some characteristics were still important for capability and wellbeing.

Chapter 5 explores levels of financial wellbeing and capability among adults of working age in more depth, including a comparison of scores by income level among this life-stage and the important determinants of wellbeing.

Chapter 6 explores levels of financial wellbeing and capability among adults of retirement age in more detail, including a comparison of scores by income level within this life-stage, and the important determinants of wellbeing.

The report summarises the findings from extensive analysis. Workbooks which table the detailed results from all of the analyses accompany this report. These can be can be found at www.moneyadviceservice.org.uk/en/corporate/research. References to these Workbooks are given throughout this report.

Levels of financial wellbeing and capability in the UK

Overall, UK adults had much higher levels of current financial wellbeing (with a mean average score of 6.8 out of a possible 10) than longer-term financial security (scoring 4.7 on average).

This most likely reflects that current financial wellbeing is easier to achieve. People scored most poorly on the planning ahead for life events behaviours, scoring, for example, 4.8 out of a possible 10 on working towards goals. Adults in the UK scored much better as a whole at the day-to-day behaviours, scoring, for example, 7.6 on the managing credit use component.

Indeed, mean average scores ranged considerably across all of the components, from a low of 2.9 for building resilience (one of the planning ahead behaviours) to a high of 8.3 out of a possible 10 for not borrowing for every day (a day-to-day behaviour). Average scores on active saving (4.1) and shopping around (4.8) were lower than for some of the other day-to-day behaviours.

Among the enablers and inhibitors, the variation in average scores was more muted. Financial numeracy (5.2) and engagement with advice/guidance (5.5) were at the low end of the range. Capability scores were rather higher for savings orientation (7.8) and financial confidence (7.6).

Differences by income

Income was measured in the analysis by household income, which was equivalised to take into account household size and then divided into quintiles based on life-stage (working age or retirement age). The lowest-income quintile was then compared to the rest (i.e. those with middle and higher incomes).

For every component, levels of wellbeing and capability differed significantly by income level by this measure in the UK in 2018. The direction of the effect was generally consistent: those on middle or higher incomes for their life-stage scored better than those in the bottom quintile of equivalised household income.

For some components, the difference by income level was fairly small. Those with middle and higher incomes scored only 0.3 points higher on the adjusting spending behaviour than those in the lowest-income quintile and the savings orientation enabler and inhibitor.

There were particularly large differences, however, for the active saving behaviour among all adults (with an average score of 3.2 among those in the lowest-income quintile compared with a score of 4.4 among the rest) and the planning for retirement behaviour, which applied only to working-age adults (2.5 compared with 3.9 points). The largest nominal difference overall, however, was for financial numeracy, rising from 3.6 points among those with the lowest incomes to 5.6 on average among those with middle and higher incomes.

The difference was also marked for longer-term financial security, with those on the lowest incomes scoring an average of 3.6 points compared to 5.0 points for the rest. In comparison, the difference was rather more muted, but still significant, for current financial wellbeing, with 6.2 points among those with the lowest incomes rising to 7.0 points on average among those with middle and higher incomes.

Differences by life-stage

In our analysis, working age was defined as ages 18 to 64 and retirement age was defined as everyone aged 65 and over, for men and women. Differences by these life-stage groups in average component scores were statistically significant for all of the components except one: the savings orientation enabler and inhibitor.

Differences in the average scores for the financial wellbeing outcomes are particularly notable. For both components, adults of retirement age scored significantly and substantially better than working-age adults. The difference was most marked in relation to current financial wellbeing (8.0 points compared with 6.5 points), although retirement-age adults still scored a whole one-point higher on average in relation to longer-term financial security than those of working age.

People of retirement age also scored much better than working-age adults on the day-to-day behaviours which relate to borrowing. Perhaps most notably, adults of retirement age scored an average of 9.5 points on the not borrowing for every day component, compared with 8.0 among the working-age adults.

For all other behaviour components, it was the working-age adults who scored significantly better than adults of retirement age. The difference was especially large in relation to shopping around (5.1 compared with 3.5) and working towards goals (5.1 compared with 3.6).

Compared with their scores on many other components, older people scored well on the planning for later life behaviour (with an average of 6.1 points). People of retirement age also tended to score reasonably highly, and better than working-age adults, on the financial capability enablers and inhibitors. Whether this is a generational difference, or the effect of ageing is unclear. Exceptions were digital engagement and engagement with advice/guidance on which working-age adults scored rather better than older people (7.4 compared with 4.2, and 5.8 compared with 4.3 respectively).

Levels of financial wellbeing and capability among working-age adults varied considerably across the components. Scores ranged from a low of 3.0 for the building resilience life events behaviour to 8.0 at the high end of the range for the day-to-day behaviour of not borrowing for every day.

Average scores on the current financial wellbeing component were two points higher than for longer-term financial security (6.5 and 4.5 respectively). Overall, this highlights an already well-evidenced tendency of people of working-age to focus on today than provide for tomorrow.

Nonetheless, the variation in average scores across the components was far wider among the retirement-age adults. At the low end of the range, older people scored an average of 2.4 points on building resilience. At the high end, adults at this life-stage scored very well on average on not borrowing for every day (9.5) and managing credit use (8.7). Average scores among retirement-age adults were much higher on the current financial wellbeing component (8.0) than for longer-term financial security (5.5).

Determinants of financially capable behaviours

Managing well day-to-day

Managing credit use was well explained by the enablers and inhibitors as a whole (26%). This was even greater for **not borrowing for every day** (49%). These are high percentages, and highlight the important role of financial skills, attitudes, knowledge and disposition on behaviour. For both components, spending self-control appears to be particularly important. The dispositional enabler of engagement with money also had a strong, positive effect on not borrowing for everyday reasons: in other words, as the scores on these enabler and inhibitor components scores increased so did the scores on the behaviours.

For the **active saving** and **keeping track** behaviours, engagement with money, savings orientation and especially engagement with the future had strong positive effects. Not all enablers and inhibitors were important, however. The enablers and inhibitors as a whole explained 27% of the variation in active saving scores. Keeping track was less well-explained, at 14%. This indicates that keeping track behaviours are influenced much more strongly by other, factors than any of the other day-to-day behaviours.

For the final two day-to-day behaviours, **adjusting spending** and **shopping around**, the effects of the enablers and inhibitors individually were generally weaker than they were for other day-to-day behaviours. Together, however, they explained a large share of the variation in the behaviour scores: 25% adjusting spending scores and 28% of shopping around scores. Engagement with the future was important for predicting adjusting spending and shopping around scores. Digital engagement and engagement with advice/guidance were additionally important for predicting shopping around. Spending self-control was associated with lower shopping around scores, perhaps because some people compensate for limited spending self-control by ensuring that they secure the best prices for the goods and services; or vice versa.

Planning ahead for life events

Several of the enablers and inhibitors predicted **working towards goals**. Most of these had a positive influence. The finding that engagement with the future strongly and positively predicted working towards goals appears intuitive, given that both relate to 'tomorrow' rather than 'today'. In contrast, higher scores on spending self-control increased predicted lower scores on working towards goals; this might indicate some compensatory effects of different components. Working towards goals was particularly well explained by the enablers and inhibitors as a whole (40%).

In contrast, engagement with money and spending self-control influenced **building resilience** strongly and positively. Engagement with advice/guidance had a moderate, negative effect on building resilience. Building resilience was still explained well by the financial capability enablers and inhibitors (25%)Determinants of current financial wellbeing

Current financial wellbeing was powerfully predicted by the capability components as a whole. All of the behavioural components – from across managing well day-to-day and the planning ahead of life events domains – contributed significantly to this. The cumulative effect of one-point increases in not borrowing for every day and active saving was over half a point on overall current wellbeing. Most of the enabler and inhibitor components were also important. The effects of financial confidence and engagement with the future were strong and positive.

Keeping track and adjusting spending had moderately strong independent effects; however, these inhibitors had a *negative* influence on current wellbeing. This negative effect has been observed elsewhere and it appears that some of these types of behaviours may be as much outcomes of someone's financial situation as they are predictors of it. The effect of building resilience on current financial wellbeing was also negative, if small.

When demographic and socio-economic characteristics were included, the predictors as a whole explained 64% of the variation in scores. Some of the most marked effects were for: tenure, work status, age group, and income.

Working-age adults

Among working-age adults, most capability components predicted current financial wellbeing scores. The pattern of results for working-age adults is very similar to the one found for all adults. There were strong, positive effects for several components: not borrowing for every day; active saving; financial confidence; and confidence for retirement.

There were also several capability components which had a negative independent relationship with current wellbeing: keeping track, adjusting spending, and engagement with advice/guidance, which all had moderate negative effects. The main differences compared with the all-adult analysis

were the more muted effects for financial confidence and engagement with the future.

The strongest effects of demographic and socio-economic characteristics were found for: work status, life satisfaction, and level of agreement that you are on track for a reasonable income in retirement.

Differences by income level

Financial capability components as a whole were more important for determining current wellbeing scores among middle- and higher-income working-age adults than for their counterparts with the lowest incomes. In addition to the strong, positive effects of the components already noted above, higher scores on engagement with the future predicted higher current wellbeing scores and engagement with advice/guidance predicted lower current wellbeing among the middle and higher-income working-age adults only. The previously observed negative effects of working towards goals and building resilience among all working-age adults disappeared when only those with middle and higher-income were considered.

The positive effect of active saving was particularly strong among those with the lowest incomes. However, demographic and socio-economic characteristics carried greater explanatory power for this group.

Retirement-age adults

Most capability components also significantly predicted current financial wellbeing scores among retirement-age adults. There were strong, positive effects for: not borrowing for every day; active saving; and financial confidence. These were the same components which were important for current wellbeing among working-age adults.

The pattern of findings was also not very different from the findings for all adults. Keeping track, adjusting spending, building resilience, savings orientation and engagement with advice/guidance were once again moderate or weak *negative* predictors of current wellbeing scores.

When demographic and socio-economic characteristics were added, the predictors explained 60% of the total variation in longer-term financial security scores. Particularly strong additional characteristics were: housing tenure; reporting that mental health problems impacted money management; and life satisfaction. Living with family was associated with 2.09 points higher current wellbeing scores than renting from a private landlord.

Differences by income level

The pattern of influence of the capability components was similar for both income groups – and to those of all retirement-age adults. Not borrowing for every day remained a very strong, positive predictor for both income groups, and its effect on those with middle and higher incomes was especially large. The positive effects of active saving and managing credit use were significant for both groups but larger among those with the lowest incomes. Fewer components were significant predictors of current wellbeing among those with the lowest incomes (possibly due to the smaller sample size of this group).

Reflecting this, financial and circumstantial constraints appeared to be more important among retirement-age adults in the lowest-income quintile. This included household composition, for which being a lone parent had a large negative effect on average current wellbeing scores (of -1.67 points). Determinants of longer-term financial security

Several of the financial capability behaviours significantly predicted longer-term financial security scores. The single strongest positive effect was from a planning ahead component: building resilience. Working towards goals, not borrowing for every day and shopping around also had positive, if more modest, effects.

Generally, the patterns of effects were similar for current wellbeing and longer-term security. Key differences, however, include the positive influences of working towards goals and building resilience on and no independent effect of active saving on longer-term security.

Demographic and socio-economic characteristics were good predictors of longer-term financial security. Someone's housing tenure was particularly influential, as it was for current financial wellbeing. There were many other similarities. However, gender, ethnicity, reporting mental health problems impacting the ability to manage one's money and a recent major life event were among the factors that were important for longer-term financial security, but not current financial wellbeing. The predictors as a whole explained 62% of the variation in longer-term financial security scores.

Working-age adults

As we saw for current financial wellbeing, most capability components were independently related to longer-term financial security, significantly predicting scores on this outcome among working-age adults. There were strong, positive effects for two planning ahead behaviours: building resilience; and planning for retirement. There were additional, moderate, positive effects from not borrowing for every day, financial confidence and confidence for retirement. Moderate influences from keeping track and adjusting spending were negative (as for all adults).

The strongest demographic and socio-economic characteristics to influence longer-term financial security scores among working-age adults were: housing tenure; being on track for a reasonable retirement income; and age group. This is a broadly familiar set of characteristics from the analysis of all adults. All of the predictors together explained 64% of the variation in longer-term security scores among working-age adults.

Differences by income level

Overall, the factors which influenced longer-term financial security scores among the higher-income group mirrored the results for all working-age most closely. This was especially true of the financial capability behaviours. However, work status and experiencing a recent major drop in earnings additionally predicted longer-term financial security scores among higher-income working-age adults.

There were far fewer significant predictors of longer-term financial security for lowest-income group, possibly as a result of the smaller sample size. The most notable difference compared with the analysis of all working-age adults, was in relation to having checked benefit entitlements and not being in receipt of benefits or tax credit now. This predicted *higher* financial security scores than for those who had not checked, but among the lowest-income working-age adults only.

Retirement-age adults

Several of the financial capability components, including all of the planning ahead behaviours, predicted higher longer-term financial security scores among retirement-age adults. There were strong, positive effects from: building resilience; planning for later life; and not borrowing for every day.

Active saving had a notable, negative effect on longer-term financial security among this group. This effect was not observed in the analysis of either all adults or working-age adults. This might not be unexpected, however. Building resilience, which was strongly positive, extends the focus of saving behaviour to the longer-term and its effect in this context – where building resilience is already taken into account – is most likely to reduce the measure of active saving to a focus on saving very much for the short-term.

The predictors as a whole explained 61% of the variation in longer-term financial security scores. The large share of this was accounted for by the capability components, indicating that the demographic and socio-economic characteristics were not very important for this group on the whole. There were very few several demographic and socio-economic characteristics which were independently related to longer-term financial security, over and above the effects of the components. The most notable effects were from: housing tenure; work status; and household income.

Differences by income level

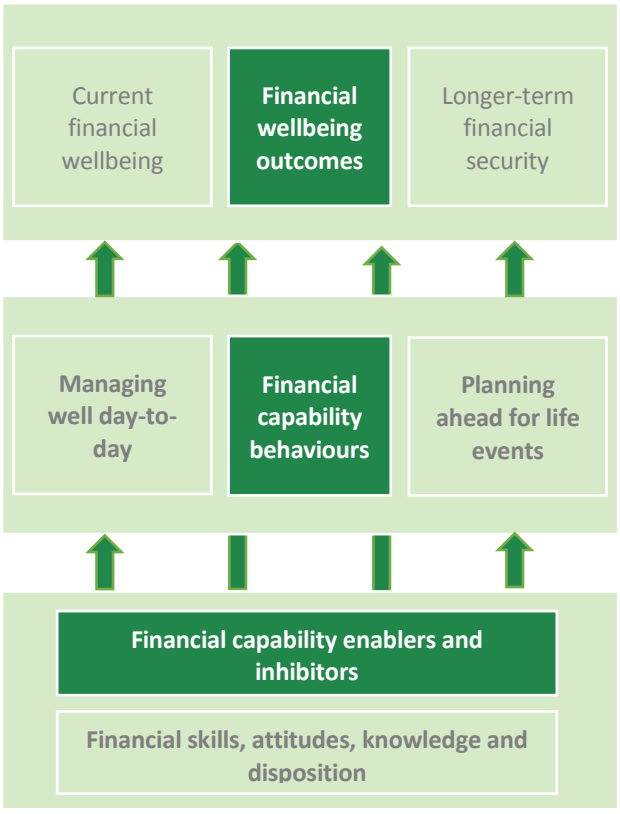
Compared with the findings for all retirement-age adults, the positive effects of not borrowing for every day and building resilience were particularly strong among those on the lowest incomes. The negative effect of active saving was bigger among those with middle and higher incomes.

The role of demographic and socio-economic characteristics was again bigger those with the lowest incomes. With other factors taken into account, household composition, reporting mental health problems impacting on money management, housing tenure and the social grade of the household's chief income earner were all particularly strongly related to longer-term financial security among the lowest-income retirement-age adults.

1. Introduction

The Money Advice Service last reported on levels of adult financial capability in the United Kingdom based on its 2015 national survey. Extensive exploratory work was undertaken at that time to define and measure a set of financial capability building blocks which would adequately represent a conceptual framework for understanding financial capability and wellbeing (Figure 1, below). Using a data-driven approach, this resulted in the identification of two building block components to represent financial wellbeing outcomes at the top level of the framework, five components to reflect financial capability behaviours in the middle (split between managing well day-to-day and planning ahead for life events) and six enablers and inhibitors (representing different aspects of someone's financial skills, attitudes, knowledge and dispositions that make financially capable behaviour easier or more difficult) at the bottom level of the framework.

Figure 1. 2015 Financial capability framework: building block levels



Further analysis sought to identify the particular influences on financial capability at all three levels of the conceptual framework, including the role of behaviours and enablers and inhibitors on financial wellbeing outcomes (and enablers and inhibitors on financially capable behaviours) and the potential influence of a range of mediating factors (demographic and socio-economic characteristics of an individual and their household) on all of the components. The results of the analysis from the 2015 survey, and a detailed description of the methodology for deriving the building block components, can be found in the full technical report and summary briefing note published in 2016.[1]

This report focusses on the results of a new survey of adult financial capability in 2018.

Measuring adult financial capability in 2018

In 2018, the Money Advice Service commissioned its second national Survey of Adult Financial Capability. The 2018 questionnaire was designed first and foremost to allow for up to date measurement of levels of financial capability in 2018 and, as far as possible, replication of the 2015 components. However, there were some recognised limitations with the 2015 survey questions and the financial capability components which could be produced from them. Therefore, improvements were sought for the 2018 components and the questionnaire for 2018 was developed across two phases to achieve this.

New questions were designed and included in a short version of the questionnaire which was tested in the field in late 2017. Testing included a quantitative analysis which sought to reproduce and improve the components from 2015 across several of the financial capability domains. This testing resulted in a number of recommendations for further development of the 2018 questionnaire. The data collected in the 2018 survey was then subject to further exploration and testing in new analysis – in order to produce the optimal financial capability components for 2018 (reported here).

As part of the validation process for the development of components in 2018, we also sought to replicate the components from 2015 wherever we had the same – or very similar – survey items available in both surveys. We found highly consistent results (see Appendix 2). This gave us confidence that there was stability and reliability in the derivation of the composite measures (i.e. the components) we would be producing for use in 2018.

The same data were then used to explore average capability, using the final (and optimal) 2018 components, across the population and the most important drivers of capability (also reported here).

Data for this survey were collected using a mixed-mode approach (online and face-to-face) in April to June 2018.

[1] A Finney (2016) Defining, measuring and predicting financial capability in the UK: Technical report. London: Money Advice Service; Money Advice Service (2016) Measuring financial capability – identifying the building blocks. London: Money Advice Service.

Our analysis is based on survey data collected from 5,914 adults (aged 18 and over), including 4,668 adults of working age (ages 18 to 64 inclusive) and 1,306 adults of retirement age (defined as aged 65 and over). The reporting of average capability scores for each of the final components and multiple regression analysis to identify the drivers of capability on each component are based on data that has been weighted to be representative of all adults in the United Kingdom, by age, sex and geographical region.

Developing financial capability components in 2018

The first stage to deriving financial capability components using the 2018 survey data was to allocate the relevant survey questions to the relevant financial capability domain and specific component. This was informed by the results from the 2015 analysis and the 2017 quantitative test and the composition. Each component was explored individually in turn: in many cases, specific questions were expected (and known) to fit within a component; in other cases new survey questions needed further exploration to test whether or not they fitted as intended. In contrast to 2015, some components were proposed for working-age adults specifically (ages 18-64), and others for adults of retirement age (ages 65 and over) and questions intended for these had been asked only of the relevant life-stage groups.

As was done in 2015, the second stage involved creating derived variables (items) based on the survey questions. This ensured that all items considered for use within a component could be applied to all adults (i.e. were of universal relevance within a life-stage group), were complete (i.e. missing cases could be assigned a valid response) and were scaled (or at least ordered; i.e. response options ranged from low to high capability). These items were then taken forward into the construction of the components.

Apart from the most straightforward replications of components from 2015, the analysis to produce robust and reliable components for 2018 in the final stage of the process was necessarily iterative. Initial composition of the components was explored using principal components analysis (PCA) and reliability analysis and then, when necessary, the composition was refined based on these results and explored further. This ensured that we retained the data-driven approach to deriving financial capability components that was established in 2015. To strengthen robustness, we were also careful to make sure that the resulting components all comprised three or more survey items.

Our approach means that many of the final components are similar to those produced in 2015, while others have been improved slightly and a small number are entirely new to 2018 to fill previous gaps. There are a total of 21 components across the three levels of the building block framework in 2018 (Table 1). This includes a total of 18 which apply across all adults, 12 of which reflect closely those created in 2015.

Table 1. Final financial capability components in 2018

Financial wellbeing outcomes	
Current financial wellbeing	Longer-term financial security
Financial capability behaviours	
Managing well day-to-day	**Planning ahead for life events**
Managing credit use	Working towards goals
Not borrowing for every day	Building resilience
Active saving	Planning for retirement (working-age adults only)
Keeping track	Planning for later life (retirement-age adults only)
Adjusting spending	
Shopping around	
Financial capability enablers and inhibitors	
Financial confidence	Savings orientation
Financial numeracy	Spending self-control
Engagement with money	Digital engagement
Engagement with the future	Engagement with advice/guidance
Confidence for retirement (working-age adults only)	

The optimal composition of each component did not always reflect the Money Advice Service's expectations for composition. For example, it was not possible to include the full range of insurance items (such as income protection) as hoped in the longer-term financial security (wellbeing) component. We could not include checking of benefit entitlements in the new 'shopping around' behavioural component. And it was not possible to include several identified questions in the new enabler and inhibitor component capturing the 'engagement with advice/guidance' building block. We discuss the issues that surround these further below.

In addition, we explored several possibilities for deriving separate components for the two life-stage groups. In most instances, there was no statistical case for having separate components for adults of working age and adults of retirement age; the same component was supported for both groups. Exceptions were where questions had been asked in the survey only of specific life-stage groups to capture specific building blocks: questions about retirement planning and expectations which were asked only of adults

of working age; and questions about later-life planning which were asked only of those aged 65 and over.

The optimal composition for each component was taken forward to produce the final component. In a departure from the method we used in 2015, these components were then derived directly from the structural coefficients (sometimes called factor loadings) produced in the final PCAs. This effectively weighted each item within each new composite measure (i.e. the component), according to its strength of importance in defining that component, and improves on the approach taken in 2015 (which weighted all of the items equally within a component). Standardised versions of the final items were used, which means that it did not matter how many valid response options there were in the final scaled (or ordered) version of the item.

As such, the resulting components are weighted sums of the standardised items; and individuals' scores on a component are based directly on the response they gave to each item in combination with the importance of each item in the given component. To aid interpretation of the final component scores, and to enable comparisons across components, the components have then been rescaled onto a scale from 0 (not at all capable) to 10 (highly capable).[2]

These components are expected to represent the final financial capability building blocks taken forward in future editions of the Financial Capability Survey. However, further development may be sought to improve the composition of some of the newest components, particularly around engagement with money advice and guidance.

[2] The approach returns absolute scores from the relative component scores PCA produces. It involved subtracting the minimum possible score on the component from the individual's returned component score, and subtracting the minimum possible score from the maximum. The first value was divided by the second to return a score ranging from 0 to 1 and this was then multiplied by 10 to return a final score on a range from 0 to 10. For all components, minimum and maximum possible scores were available for real cases in the data.

2. Components of financial capability

This chapter describes the final components derived in 2018. There are 21 components altogether including two financial wellbeing outcomes, ten behaviours and nine enablers and inhibitors. The composition of each component is shown, and any particular considerations made during its construction are discussed. Detailed information about the composition of the components is given in the accompanying Workbook 1: Final 2018 Building Blocks Composition.

Financial wellbeing outcomes

The financial wellbeing components comprise current financial wellbeing and longer-term financial security.



Current financial wellbeing

Current financial wellbeing is about being able to pay the bills, cover an unexpected expense and not worrying about money. The component designed to capture this building block comprises six survey items: reflecting people's immediate and short-term ability to get by comfortably day-to-day given their available resources and meet moderate unexpected expenses, as well as their subjective experiences of their financial situations (Table 2). All of the items included in the final component carry broadly equal weighting.

Table 2. Composition of Current financial wellbeing

Keeping up with bills and commitments
Burden of bills or credit commitments
Satisfaction with financial circumstances
How often has money left over after food and other expenses
Thinking about my financial situation makes me anxious
How would pay unexpected bill of £300

Note that measures of the levels of borrowing someone has are not included in this financial wellbeing outcome. In early explorations of the financial wellbeing components, we tested several different measures of borrowing levels for inclusion. We found consistently that measures of borrowing levels did not 'fit' with other measures of financial wellbeing or the building blocks as we had otherwise conceived them. This appears to support the notion that the amount someone has borrowed is a means to an end financially rather than an end in itself; that it is reflective of their borrowing behaviour than of their resulting wellbeing.

Longer-term financial security

The component which measures longer-term financial security also uses six survey items (Table 3). These items capture someone's provisions for the future, including their savings safety nets, longer-term savings holdings and insurance. In other words, longer-term financial security is about being financially resilient in the longer term. It is also about having planned far enough ahead to have made provision for your finances after your death, by having a will. The composition of the component is weighted more heavily towards savings provision than insurance.

Table 3. Composition of Longer-term financial security

Biggest unexpected bill the household could pay
Longer-term savings products held (count type)
Savings to income ratio of respondent and partner (banded)
Number of weeks the household could cover living expenses
Whether has a will
Home (contents or buildings) and life insurance (count type)

Originally, it was hoped that longer-term financial security would represent a wider range of insurance protection. Including measures of insurance cover in financial capability components is difficult in practice, for two main reasons. First, many types of insurance are only relevant or available to individuals in specific circumstances. For example, income protection insurance is appropriate only for people with earned incomes, and some schemes are only available to employees; and payment protection is only appropriate for those with certain types of financial commitments. This makes it difficult to apply some types of insurance holding to all adults in the context of universal financial capability measures.

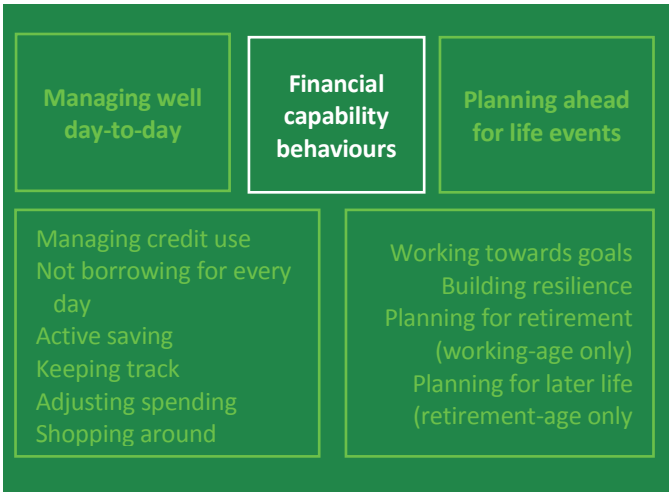
Second, even then, it may or may not be appropriate for someone to carry a particular type of insurance and they might be under- or (due to risk aversion or mis-selling) over-insured. For example, income protection might only be suitable for those whose household situations or fixed living

costs also warrant protecting their income. And payment protection might be excessive where someone already has adequate savings provision to cover their commitments.

These factors make appropriate insurance provision difficult to measure in survey conditions. At the very least it would need a very large number of highly specialised questions to be asked (which is outside the scope of broader surveys) and would ideally involve an independent, qualitative assessment which could determine suitability of insurance cover. Nonetheless, it was possible to retain some of the more representative and universal forms of insurance provision, and home and life insurance are both represented in the final longer-term financial security component.

Financially capable behaviours

The building blocks for financial capability behaviours encompass two domains: managing well day-to-day (sometimes referred to here as 'day-to-day' behaviours); and planning ahead for life events behaviours (sometimes referred to simply as 'planning ahead').



Managing well day-to-day

There were six day-do-day components in 2018, and all of these applied to all adults. **Managing credit use** comprises three survey items which reflect behaviours around credit use and borrowing generally. Managing credit use well can include avoiding borrowing altogether, or it might mean having a responsible approach to the repayment of credit.

The component also includes a statement item ('I hate to borrow – I would much rather save up in advance') which respondents gave their strength of agreement or disagreement with. Although the nature of this item appears to be attitudinal, its content reflects behavioural intention. Its inclusion therefore gives a more rounded perspective to borrowing behaviour, particularly among those adults who did not have any current borrowing.

The items making up the component are listed in Table 4 in in order of strength of contribution to the component (strongest first). The composition of the component is weighted more heavily towards sums owed and repayment patterns than to the preference to save.

Table 4. Composition of Managing credit use and Not borrowing for every day components

Managing credit use	Not borrowing for every day
Total unsecured borrowing (of respondent and partner)	Borrow money to pay off debts
Credit card repayment pattern	How often borrows from friends and family
'I hate to borrow – I would much rather save up in advance'	Borrow money to buy food or to pay expenses
	Overdrawn on current account
	Types of short-term high-cost credit used in last year

Not borrowing for every day comprises five measures which relate more to the borrowing someone might do because of hardship, to help them make ends meet each week or month, or indeed because there are excluded from more mainstream forms of credit. Despite the wording of the survey items, financially capable responses on all measures contributes to high scores on the resulting component. The component is weighted more heavily towards borrowing to pay off debts and the use of informal borrowing than to the use of high-cost short-term credit.

Both active saving and keeping track should support someone's ability to get by on a day-to-day basis (Table 5). **Active saving** comprises three survey items, which encompass how often someone saved (every month, most months etc.) and how many expected and unexpected expenses they were saving for. The items are weighted fairly equally within the component. **Keeping track** comprises four items which relate to whether and how someone monitored their income and spending. The items are weighted fairly equally within the component, although how people kept track of their household budget contributes slightly less than the others.

Table 5. Composition of Active saving and Keeping track components

Active saving	Keeping track
Saving for expected expense	Frequency of checking the current account
Saving for unexpected expense	Whether keep track of incoming
Frequency of saving	How accurately know current account balance
	Household budgeting – method of keeping track

Adjusting spending and shopping around both present ways to make your money go further towards the goods and services you really need (Table 6). For some adults, these might be proactive behaviours – part of their day-to-day toolkit for managing their money well. For others, they might be more reactive behaviours, when money gets tight.

Adjusting spending comprises three items covering proactive and reactive elements of spending adjustments. How much someone changes their spending as a result of keeping track might be constrained by their resources and, perhaps reflecting this, this item contributes slightly more weakly to the component than the other two items.

Shopping around is made up of five similarly-worded survey items about different types of goods and services. Again, the items are listed in order of weighting within the component, though in fact each one contributes broadly equally to it.

Initially, it was hoped that the content of this component (shopping around) would be broader, to include whether or not some had checked their entitlement to benefits and tax credits in the last 12 months and how many sources of money advice or guidance they had used. These additional measures did not fit with the broader composition of this component statistically, however, even when fewer shopping around items were considered. This is possibly because both of these additional items imply specific needs, perhaps in very particular personal or household circumstances, and cannot therefore be applied as measures of universal relevance across all adults. We instead retained a measure of checking benefit entitlement as a separate predictor of financial wellbeing outcomes and capability behaviours (which we expected to be important for some income groups); and we instead included a measure of sources used in the separate engagement with advice and guidance component (enabler and inhibitor).

Table 6. Composition of Adjusting spending and Shopping around components

Adjusting spending	Shopping around
I plan my spending to cover tight months	Shops around for better deals on phone, internet, TV
Adjusts spending on non-essentials when life changes	Shops around for better deals on utilities
How much change spending as a result of keeping track	Shops around for better deals on savings accounts
	Shops around for better deals on credit cards
	Shops around for better deals on insurance

Planning ahead for life events

There were four planning ahead components: two applying to all adults; one to only working-age adults; and one to only retirement-age adults.

Working towards goals and **building resilience** together encompass a wide range of future goals and financial challenges which adults of different ages and circumstances might need to be preparing for. Both components comprise four items and those listed first carry a slightly higher weighting than those at the bottom of the list, but not markedly so. Working towards goals focusses on the specific goals adults have and how well they have planned towards them; while building resilience emphasises the saving behaviours needed to prepare for goals and the future more generally.

Note that the saving for unexpected and expected expense items included in the building resilience component are also used in the active saving day-to-day behaviour. This mirrors the approach taken in 2015, although the testing and further explorations undertaken since then have confirmed that these are the optimal components to represent the two building blocks.

Table 7. Composition of Working towards goals and Building resilience components

Working towards goals	Building resilience
How much thought about financial goals generally	Saving for expected expenses
How much of a plan for financial goals generally	Count of planned expenses saving for
Level of plan to achieve specific goals for the next five years	Saves for unexpected expenses
Count of specific financial goals for the next five years	Total savings (respondent and partner)

Planning for retirement is applied to working-age adults only (Table 8). The three items which comprise it reflect the extent of planning and steps taken towards achieving this, as well as steps taken to ensure adequate pension provision specifically (which is weighted slightly less within the component than the other two items).

The **planning for later life** component applies only to adults of retirement age and is designed to reflect some of the considerations older people might take as the prospects of increasing care needs or their own death approach closer. It is made up of four survey items and is weighted slightly more towards having taken action to ensure one's will is up-to-date than planning for the costs of residential care.

Table 8. Composition of Planning for retirement and Planning for later life components

Planning for retirement (working-age only)	Planning for later life (retirement-age only)
How much done to plan for finances in retirement	Actions taken to update will
How much of a plan for finances in retirement	Actions taken to arrange power of attorney
Actions taken to monitor/improve pension provision	Actions taken to arrange for funeral costs
	Planning for the costs of residential care

Financial capability enablers and inhibitors

There are nine components which make up the enablers and inhibitors: the skills, attitudes, knowledge and personal tendencies which are expected to make financially capable behaviour easier or more difficult. Most of these are relevant to all adults; one (planning for retirement) applies to adults of working age only.



The component which measures **financial confidence** is made up of three survey items (Table 9). These items reflect the confidence needed to work with money day-to-day as well as when making decisions about purchasing financial services. All of the items contribute to the component equally.

Financial numeracy is the combination of three survey items based on a financial quiz. The quiz questions were designed to reflect someone's understanding of key financial concepts (financial literacy) and to make the additional rudimentary mathematical calculations required.

Table 9. Composition of Financial confidence and Financial numeracy components

Financial confidence	Financial numeracy
How confident managing your money	3% interest and 5% inflation
How confident making decisions financial products & services	Interest plus principal
How confident working with numbers in everyday life	Compound interest

The engagement with money and engagement with the future components (Table 10) are intended to capture dispositional aspects of someone's orientation towards money; such as locus of control and time-orientation. The **engagement with money** comprises four items which are broadly equally weighted within the component. It focusses on the more day-to-day attitudes towards money including someone's financial self-efficacy. **Engagement with the future** looks more specifically at someone's disposition towards planning and providing for the future (regardless of their actual planning behaviour, as captured above).

Table 10. Composition of Engagement with money and Engagement with the future components

Engagement with money	Engagement with the future
I prefer to live for today rather than plan for tomorrow	When it comes to money, I focus on the long term
Nothing I do will make much difference to my financial situation	When it comes to money, I make financial plans I do everything I can to succeed
When it comes to money, the future will take care of itself	When it comes to money, I can pretty much determine what happens in my life
I am too busy to sort out my finances at the moment	

Confidence for retirement relates specifically to working-age adults and is measured using three survey items (Table 11). In our exploratory analysis to derive the components, these items were distinct from the retirement planning behaviours. Each item contributes fairly equally to the final component.

Table 11. Composition of Confidence for retirement component

Confidence for retirement (working-age only)
Understand enough to make decisions about retirement
How much of an idea about financial situation when retire
How confident planning for your financial future

Savings orientation reflects the degree of importance someone places on making savings day-to-day and having savings put aside for the future (Table 12). The component is composed of four survey items, each of which asked respondents to rate how important they thought the subject was. They are weighted about equally in the final component for this building block.

Spending self-control reflects someone's tendency towards spending and their ability to curb any spending impulses. Five items make up this component. Disagreeing that 'I tend to buy things even when I can't really afford them' and that 'I run short of money because I overspend' carry a slightly greater weighting within the component than disagreeing that 'I find it more satisfying to spend money than to save it'.

Table 12. Composition of Savings orientation and Spending self-control components

Savings orientation	Spending self-control
How important is it to save money for a rainy day	I tend to buy things even when I can't really afford them
How important is it to keep track of income and expenditure	I run short of money because I overspend
How important is it to put aside money for your retirement	I feel under pressure to spend like my friends
How important is it to shop around in order to make your money go further	I often buy things on impulse
	I find it more satisfying to spend money than to save it

Table 13 shows the composition of the final two enabler and inhibitor components. **Digital engagement** is composed from four survey items which measure breadth, depth and confidence of using the internet. The four items are about equally weighted within the component, and the final item – attitudes towards using the Internet for day-to-day banking – ensures the component retains its focus on *financial* capability enablers and inhibitors.

Engagement with advice/guidance is the final financial capability enabler and inhibitor in the framework. The component which measures it is made up of three survey items which capture someone's recent exposure to advice or guidance and, crucially, their awareness of and receptiveness to using money advice or guidance. The items contribute to the component broadly equally.

Although a component around advice and guidance engagement was not included in 2015 it is an important part of the financial capability framework. Previous models of financial capability, developed in the UK and elsewhere, have incorporated a measure of advice and engagement. For example, in the 2005 UK Baseline Survey of Financial Capability, awareness of advice sources was captured in a 'staying informed' domain and sources of information used were part of a 'choosing products' domain. In Norway, an 'informed product choice' component included searching, checking, and getting informed behaviours. And aspects of advice engagement have been included in studies in Canada (as part of 'financial knowledge), the US ('financial skills'), and Australia ('financial resilience').[3]

There is still scope to improve this component in future years by including more questions in the survey that are of relevance to all adults, regardless of their need for advice.

Table 13. Composition of Digital engagement and Engagement with advice/guidance components

Digital engagement	Engagement with advice/guidance
Breadth of internet use	Sources of guidance used in last year
Hours spent using Internet in last week	Whether would consult external advice organisation
How confident as an internet user	How aware of organisations and websites that offer free advice/guidance
Happy to use the Internet to carry out day-to-day banking	

[3] See: Personal Finance Research Centre (2006) Levels of Financial Capability in the UK: Results of a baseline survey. FSA Consumer Research 47. London: Financial Services Authority. E Kempson, A Finney and C Poppe (2017) 'Financial Well-Being: A Conceptual Model and Preliminary Analysis'. Project Note no. 3-2017. Oslo: Forbruksforskningsinstituttet SIFO; Y Simhon and S Trites (2017) Financial Literacy and Retirement Well-Being in Canada. Ottawa: Financial Consumer Agency of Canada. CFPB (2015) Financial well-being: the goal of financial education. Washington, D.C.: Consumer Financial Protection Bureau; K Muir, R Reeve, C Connolly, A Marjolin, F Salignac F and K Ho (2016) Financial Resilience in Australia 2015. Centre for Social Impact (CSI) – University of New South Wales, for National Australia Bank.

3. Financial capability among adults in the UK

This chapter explores levels of financial capability and wellbeing in the population of the UK as a whole in 2018 on each of the 21 components. Within this, it also considers differences in average scores by key characteristics: of life-stage, income level and the Money Advice Service's financial resilience segmentation. The results highlight considerable variations in average scores by capability component and by key characteristics. Detailed results from this chapter can be found in the accompanying Workbook 2: Final 2018 Building Blocks Summary Statistics.

Levels of financial wellbeing and capability

This section explores levels of financial capability and wellbeing across the 21 components, first in the population of the UK as a whole and then by two key characteristics: life-stage and income level.

Mean average scores ranged considerably from a low of 2.9 for building resilience (one of the planning ahead behaviours) to a high of 8.3 out of a possible 10 for not borrowing for every day (a day-to-day behaviour; Table 14). Other components on which adults scored highly on average included the day-to-day behaviours of managing credit use (with a mean of 7.6) and keeping track (7.2), and the enablers and inhibitors savings orientation (7.8) and financial confidence (which scored 7.6 out of 10 on average).

Notably, UK adults had much higher levels of current financial wellbeing on average (6.8 out of a possible 10) compared with their levels of longer-term financial security (scoring 4.7 on average). This finding is consistent with the findings from the 2015 survey. It most likely reflects that current financial wellbeing is easier to achieve and the additional lead-in time and persistence normally needed to secure longer-term wellbeing, as well as the challenges of securing longer-term security if current wellbeing is already low.

Overall, people scored most poorly on the planning ahead behaviours, for which only planning for later life among retirement-age adults scored an average of more than five points out of 10 (with a mean of 6.1), the rest each scoring less than five points on average. This again appears to reflect the longer time horizons and persistence needed to plan ahead for life events compared with managing the balance sheet day-to-day.

The median score for current financial wellbeing was slightly higher than the mean (at 7.1 points; CFWB in Figure 2), which indicates that the typical current financial wellbeing score among UK adults was high, but that there was a minority of adults who scored very poorly for this component.

Table 14 Mean average wellbeing and capability scores, by component

Financial wellbeing outcomes	Current financial wellbeing	6.8
	Longer-term financial security	4.7
Behaviours: Managing well day-to-day	Managing credit use	7.6
	Not borrowing for every day	8.3
	Active saving	4.1
	Keeping track	7.2
	Adjusting spending	6.3
	Shopping around	4.8
Behaviours: Planning ahead for life events	Working towards goals	4.8
	Building resilience	2.9
	Planning for retirement*	3.6
	Planning for later life**	6.1
Enablers and inhibitors	Financial confidence	7.6
	Financial numeracy	5.2
	Engagement with money	5.8
	Engagement with the future	6.6
	Confidence for retirement*	5.7
	Savings orientation	7.8
	Spending self-control	6.4
	Digital engagement	6.8
	Engagement with advice/guidance	5.5

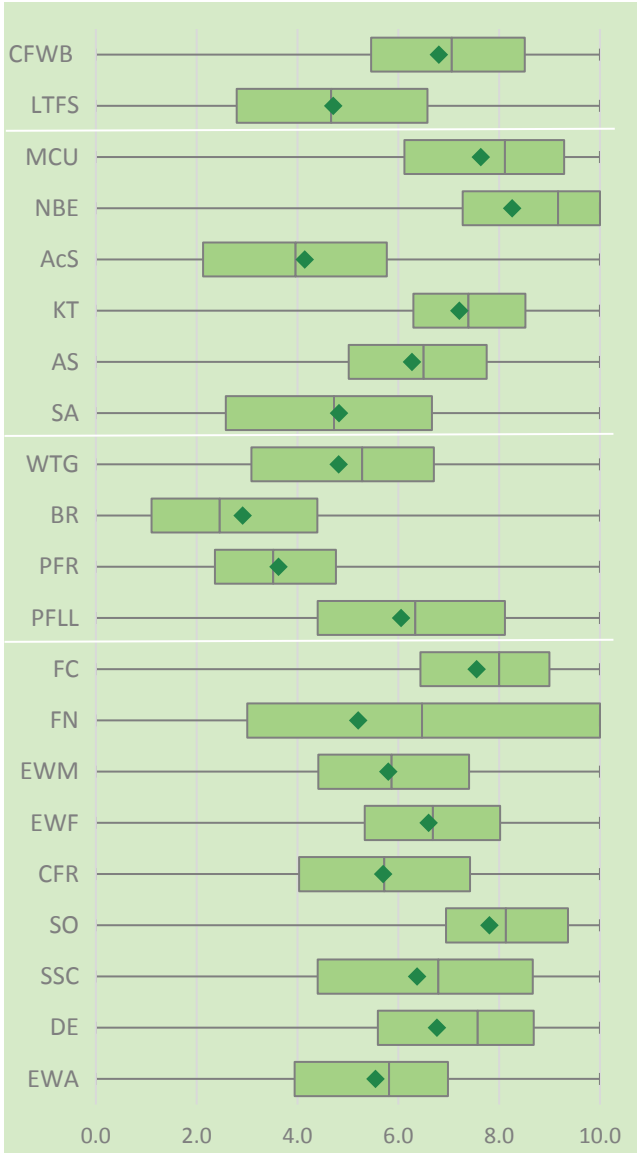
Notes: 5,974 adults. *based on 4,668 working-age adults. **Based on 1,306 retirement-age adults.

This was also the case for several of the managing well day-to-day behaviours (managing credit use and not borrowing for every day being most notable), and the median score (5.3) was markedly higher than the mean (4.8 points) for working towards goals, from the planning ahead behaviours.

In contrast, the median score was lower than the mean for a few components, most notably the building resilience behaviour (with a median of 2.5 points compared with the mean of 2.9); for these components, the typical capability score was low with a minority of adults scoring very highly in comparison.

Variation in scores across adults was greatest overall for the financial numeracy enabler and inhibitor, as given by the wide inter-quartile range (shown by the green box) in the chart. It was also comparatively wide for the shopping around and planning for later life behaviours and spending self-control.

Figure 2. Wellbeing and capability scores, by component



Notes: 5,974 adults, except planning for retirement (PFR) and confidence for retirement (CFR) which is based on 4,668 working-age adults and planning for later life (PFLL) which is based on 1,306 retirement-age adults. The mean score is shown by the diamond, the median is shown by the vertical line inside the box which gives the inter-quartile range.

Variations in capability scores by key characteristics

Average capability scores are broken down by three key characteristics. First, our analysis compares levels of wellbeing and capability among those with the lowest household incomes against the rest (i.e. those on middle or higher incomes; see the text box on page 18 for our definitions). Then we consider how scores varied by life-stage (working-age compared with retirement-age adults).

Text box 1: Key to component abbreviations

Financial wellbeing	
CFWB: Current financial wellbeing	LTFS: Longer-term financial security
Behaviours	**Enablers and inhibitors**
MCU: Managing credit use NBE: Not borrowing for every day AcS: Active saving KT: Keeping track AS: Adjusting spending SA: Shopping around WTG: Working towards goals BR: Building resilience PFR: Planning for retirement PFLL: Planning for later life	FC: Financial confidence FN: Financial numeracy EWM: Engagement with money EWF: Engagement with the future CFR: Confidence for retirement SO: Savings orientation SSC: Spending self-control DE: Digital engagement EWA: Engagement with advice/guidance

Lastly, we consider the differences by the Money Advice Service's financial resilience segments.

Income level

For every component, levels of wellbeing and capability differed by income level in the UK in 2018 (Figure 4). In statistical significant testing, the mean average scores were significantly different by income level for every component.[4] The direction of the effect was generally consistent: those on middle or higher incomes for their life-stage scored better than those on the lowest incomes.

For some components, the difference by income level was fairly small: for example, those with middle and higher incomes scored only 0.3 points higher on the adjusting spending behaviour (AS in Figure 4; 6.3 compared with 6.0) and the savings orientation enabler and inhibitor (7.9 compared with 7.5).[5] In contrast, there were large differences for the active saving behaviour (AcS) among all adults and the planning for retirement behaviour among working-age adults, among others. The largest nominal difference overall was for financial numeracy, rising from 3.6 points among those with the lowest incomes to 5.6 on average among the rest. The difference was also rather more marked for longer-term financial security (with those on the lowest incomes scoring 3.6 points compared with an average of 5.0 for the rest) in comparison to current financial wellbeing (6.2 compared with 7.0 points).

[4] At the 95% level of confidence (p<.05).

[5] Figures may not appear to subtract correctly due to rounding.

Text box 2: Defining income levels

The lowest incomes are defined as being in the bottom fifth of equivalised household incomes for someone's life-stage (quintile one). Those defined as having middle and higher incomes are those in the second lowest to the highest fifths of respondents by household income for their life-stage (quintiles two to five).

Equivalising is the process by which income is adjusted for household size, to make income more comparable (or equivalent) across households of different sizes. Equivalising was undertaken using the modified OECD scale within each life-stage, which assigns an index value to each adult and each child in the household and divides the households reported income by the total (summed) index value for that household. Respondents who were missing income level information – because household size could not be accurately estimated based on the survey responses – were excluded from our measure.

The measure of equivalised income used here was additionally based on banded income information only (across 17 categories), and therefore point estimate values had to be assumed to allow for the calculation by household size (the mid-points of each band were used). For some respondents who could not give detailed income information, the mid-point is calculated from seven broader income bands. This added inaccuracy to the resulting measure. Equivalised income was used in preference to relative poverty measures (for example below 60% median income) because there was insufficient information in the data to calculate income against a specific threshold accurately.

Income quintiles divide the sample into five equally-sized groups based on their equivalised household incomes. This process was undertaken within someone's life-stage group (working age and retirement age) to improve the comparison by income (since income normally reduces substantially at retirement). In our analysis, these quintiles were divided further to produce two broad income levels: the lowest income quintile compared with the rest (i.e. quintiles two to five, representing those with middle and higher incomes).

The table below shows the minimum and mean income values for each income quintile, separately for each life-stage group. These use weighted values to represent incomes in the population and are indexed to single-adult households.

£	Working-age adults		Retirement-age adults	
	Minimum	Mean	Minimum	Mean
Lowest income quintile (quintile one)	360	1,700	1,500	6,880
Quintile two	3,450	5,440	9,000	9,870
Quintile three	7,260	9,880	10,830	14,010
Quintile four	13,300	17,220	16,250	19,490
Quintile five	22,440	37,520	22,500	33,780

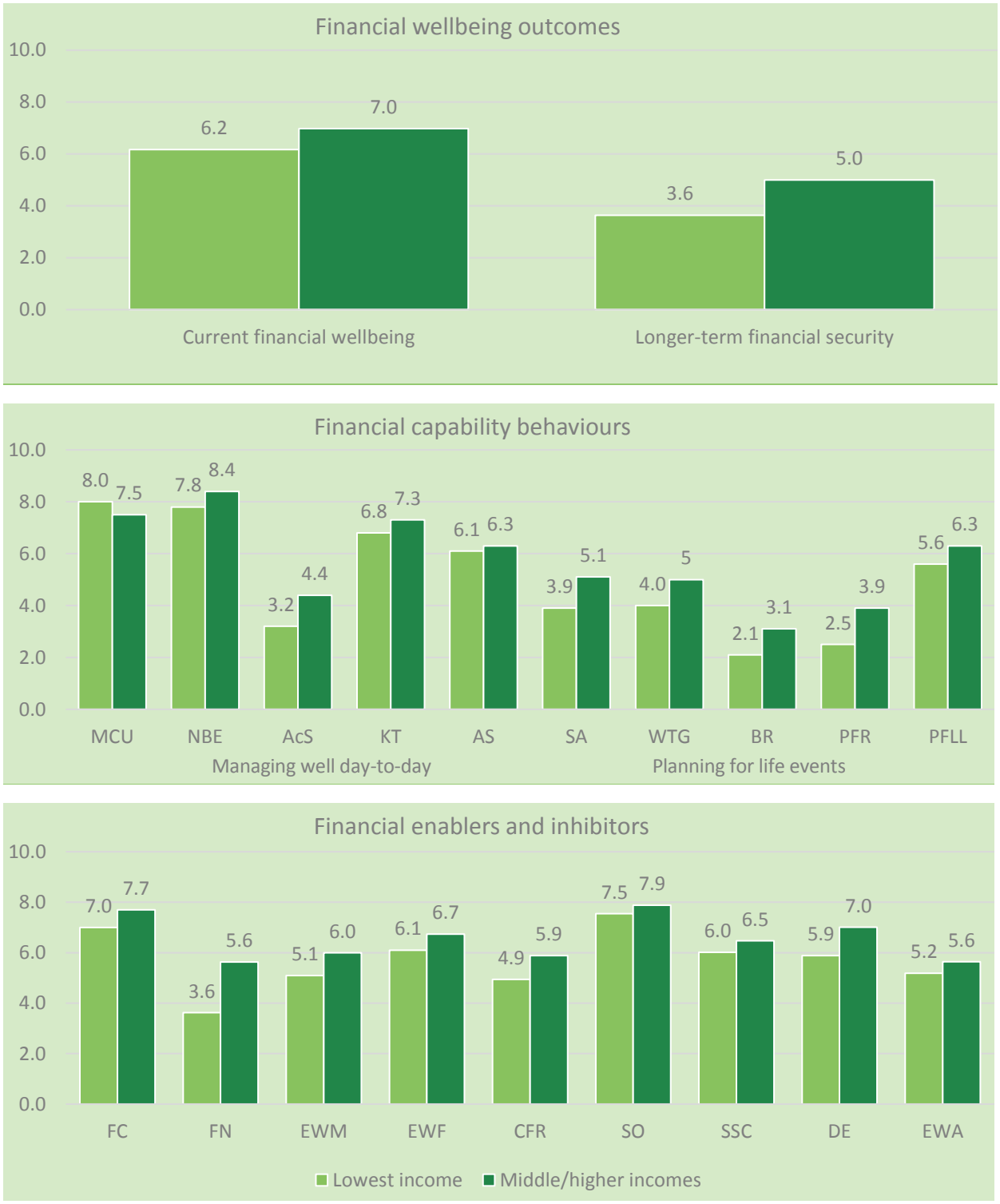
Notes: Based on 1,344 adults with the lowest incomes and 4,630 with middle/higher incomes. Excludes cases with missing. Figures have been rounded to the nearest £10.income level information.

The table shows that working-age adults in the lowest income quintile had average (equivalised) household incomes of £1,700 per year, rising to £37,520 per year for those in the highest income quintile. The level of income which distinguishes the lowest income quintile from the rest (i.e. middle and higher incomes) is £3,450, such that those with the lowest incomes had the equivalent of less than this, and quintiles two to five had this amount or more. Among retirement-age adults, mean average equivalised income ranges from £6,880 for quintile one to £33,780 for quintile five. The threshold value which distinguishes the lowest income quintile from the rest is £9,000. The much higher threshold for retirement-age adults will partly reflect comparatively larger incomes relative to the smaller household size at this life-stage, on average.

The finding that people living in households with middle and higher incomes scored better on a range of financial wellbeing and behaviour measures (Figure 4) seems reasonable: those with more income should be better placed to act in ways that are more consistent with financially capable behaviours and experience more positive financial wellbeing outcomes. What is notable, however, is that this extends to their financial skills, attitudes, knowledge and disposition as measured by the enabler and inhibitor components.

There was a single exception to this overall pattern of differences, however. For managing credit use (MCU in Figure 4), those with the lowest incomes scored slightly better than those with middle and higher incomes (8.0 compared with 7.5 points). This might reflect a greater need for the close and careful management of credit use among adults with the least disposable incomes whereas those with middle and higher incomes may be better able to 'afford' to keep less of a close eye on their borrowing.

Figure 4. Wellbeing and capability scores, by income level



Notes: Based on 1,344 adults with the lowest incomes and 4,630 with middle/higher incomes. Excludes cases with missing income level information. The key to the component abbreviations is shown on page 17.

Life-stage

For the average scores by life-stage, we have compared levels of wellbeing and capability among adults of working age (ages 18 to 64) against those of retirement age (ages 65 and over; Figure 5). We again find that there were differences in average component scores and these were statistically significant by life-stage group for all of the components except one: someone's savings orientation (SO). The comparisons for planning for retirement and planning for life events are not available because these components apply only to working-age and retirement-age adults respectively.

In relation to financial wellbeing outcomes, the differences in average scores by life-stage are particularly notable. For both components, retirement-age adults scored substantially better than working-age adults, and the difference more marked in relation to current financial wellbeing (8.0 points compared with 6.5 points). We might reasonably expect this to be the case, given the concomitant responsibilities of working life, which often include career-building, moving on or up the housing ladder and raising a family.

When we turn to financial capability behaviours we find a more mixed picture. Older people scored better on the day-to-day behaviours which relate to borrowing; perhaps most notably, adults of retirement age scored some 1.6 points higher on the not borrowing for every day component (9.5 compared with 8.0 among the working-age adults).

The pattern for all others behaviours, however, is reversed, such that it was the working-age adults who scored better. The difference was especially large in relation to the shopping around (5.1 compared with 3.5 points) and working towards goals (5.1 and 3.6 points) behaviours. Perhaps older people struggle more than working-age people to shop around or prefer to remain with trusted suppliers for essential goods and services. And perhaps people of retirement age ease up their focus on financial goal-planning (and might even have achieved their main goals). This suggests, overall, that adults of working age are better placed to act in ways that are consistent with financially capable behaviours.

That said, compared with their scores on many of the other components, older people scored well on the planning for later life behaviour, scoring 6.1 points out of a possible 10. This could suggest that people of retirement age are, in general, focussing on some of the more significant financial goals as they move towards later life.

People of retirement age also tended to score reasonably highly, and score better than working-age adults, on the financial capability enablers and inhibitors. They scored particularly well on financial confidence (at 8.1 points compared with 7.4 points for working-age adults) and on spending self-control for which, at 8.0 points, they scored 2.0 points better than working-age adults. Whether this is a generational difference, or the effect of ageing (including the number of pressures on day-to-day expenditure easing) is unclear.

Conversely, people of working age fared markedly better than older people for two of the enabler components: digital engagement (7.4 compared with 4.2 points) and engagement with advice/guidance (5.8 compared with 4.3). Digital exclusion is known to be age-related,[6] so this finding might not be surprising in itself, although the size of difference is nonetheless striking; and low levels of advice/guidance engagement among adults of retirement age could highlight an important risk for older people's financial wellbeing.

Financial resilience

The comparison by financial resilience level uses the Money Advice Service's market segmentation.[7] This was developed using CACI's Ocean consumer database and GfK's Financial Research Survey, and refined using the 2015 Financial Capability Survey. The final segmentation is based on consumers' demographic and socio-economic profiles, financial attributes, and attitudes and behaviours. The macro segmentation comprises three groups of adults: those classed as 'struggling', the 'squeezed' and the 'cushioned' (Figure 6).

The variation in average scores across these three groups was statistically significant for every component. That said, some of the variation in scores by group was quite modest, particularly compared with some of the other key breakdowns already considered. For example, levels of current financial wellbeing ranged from 6.2 among struggling adults, to 6.4 among those classed as squeezed and 7.3 points among the cushioned. And the variation for keeping track (KT in Figure 6) was very small: ranging from 7.2 among squeezed and cushioned adults to 7.4 among those classed as struggling.

[6] Office for National Statistics (2018) Internet use, 2018. Newport: Office for National Statistics

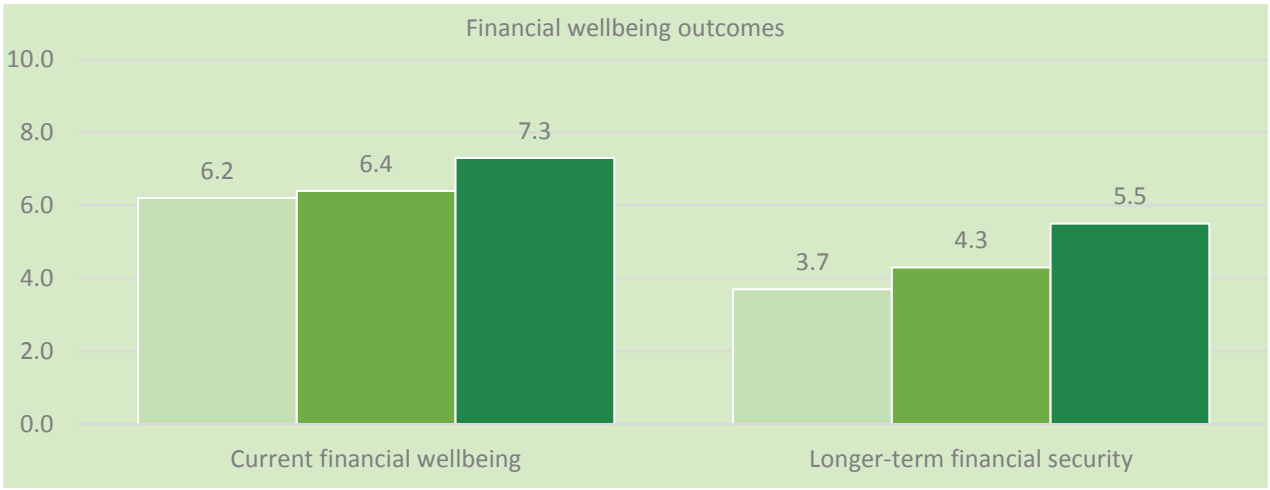
[7] See Money Advice Service (2016) Market Segmentation: An Overview & Market Segmentation Technical Report. London: Money Advice Service.

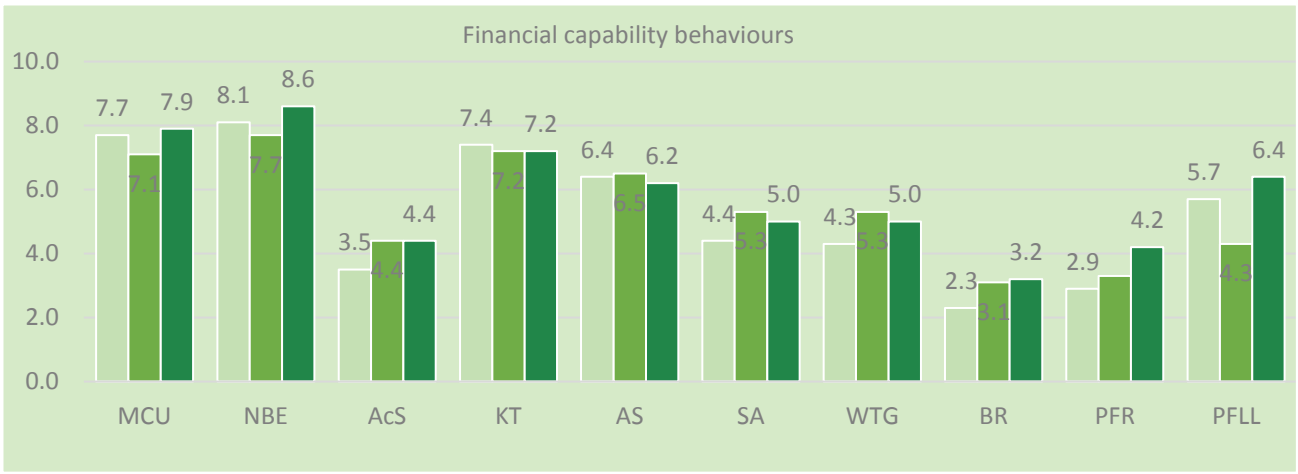
Figure 5. Wellbeing and capability scores, by life-stage

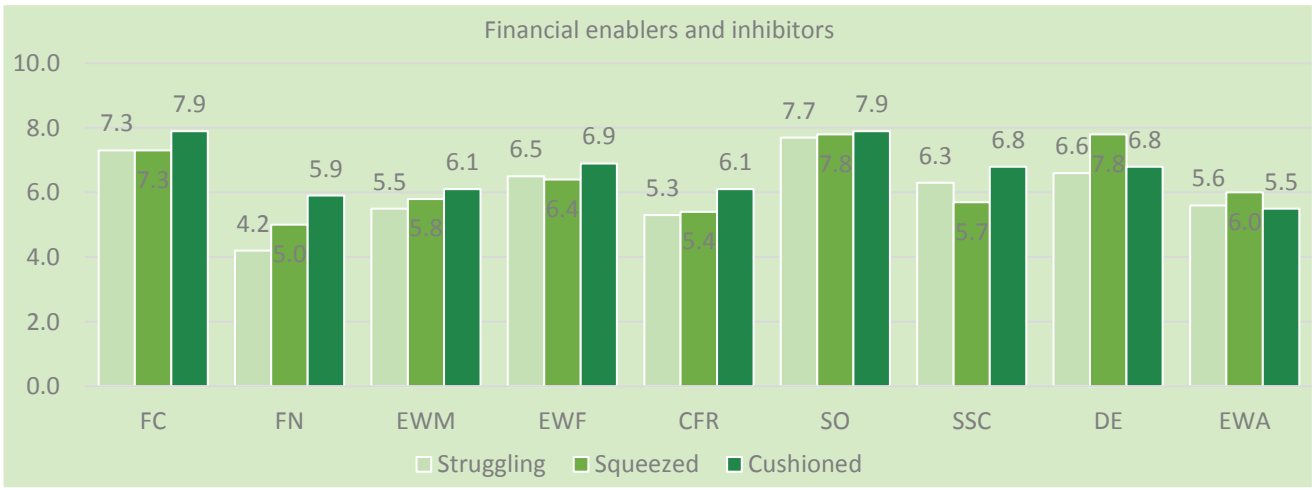


Notes: Based on 4,668 working-age adults and 1,306 retirement-age adults. The key to the component abbreviations is shown on page 17.

Figure 6. Wellbeing and capability scores, by financial resilience segment







Notes: Based on 1,237 Struggling, 1,347 Squeezed and 1,306 cushions adults. Excludes cases with missing segment information. The key to the component abbreviations is shown on page 17.

There were some more notable differences, however. Longer-term financial security scores ranged from 3.7 among the struggling adults to 5.5 among the cushioned (with the squeezed scoring in between at 4.3 points). Financial numeracy scores also ranged quite markedly, from 4.2 among the struggling, through 5.0 for the squeezed to 5.9 among the cushioned. Bearing in mind that the planning for later life behaviour only applied to adults of retirement age, scores on this component were polarised, with struggling and cushioned older people both scoring well (5.7 and 6.4 points respectively), while the squeezed adults in the middle scored far less well on average (4.3).

For most aspects of financial capability behaviour, it was the cushioned, or at least the squeezed, adults who scored towards the high end of the range – for example, in relation not borrowing for every day and working towards goals respectively. It was only for keeping track, already noted, that struggling households scored (marginally) better. Of the components on which squeezed adults scored at the high end of the range, the advantage is perhaps most striking for digital engagement: for which squeezed adults scored 7.8 on average compared with 6.6 among struggling adults and 6.8 among cushioned adults.

The next chapter explores how financial capability enablers and inhibitors influence financial capability behaviours, and how these both, in turn, influence financial wellbeing.

4. Determinants of financial capability and wellbeing among UK adults

This chapter considers the determinants (or predictors) of financial wellbeing outcomes and financially capable behaviours. This includes exploring: how scores on the enabler and inhibitor components independently influence financially capable behaviours; how the enablers and inhibitors and the behaviours independently influence financial wellbeing outcomes; and the influence of broader personal and household characteristics on wellbeing and behaviour.[8] We find that financially capable behaviours and enablers play a substantial and important role in predicting financial wellbeing outcomes and that enablers also help to predict financially capable behaviours, albeit more weakly. The role of these components is far greater than any single demographic or socio-economic characteristics of individuals and their households although some characteristics are still important for capability and wellbeing. Full results for this chapter can be found in Workbook 3: Final 2018 Building Blocks Regressions AllAdults.

Determinants of financial capability

In this section, our focus is on whether – and the extent to which – someone's enabler and inhibitor scores predict their financial capability behaviour scores.[9] First, we can consider this in terms of the individual enablers and inhibitors. This means identifying whether or not there is an independent relationship between an enabler and inhibitor component and a behaviour component when the potential effects of other enablers and inhibitors are controlled (by holding them constant).[10] The results are shown in Figure 7. Second, we discuss the combined influence of the enablers and inhibitors by considering the percentage of variance (variation in scores) explained by the enablers and inhibitors as a whole for each behaviour.[11]

Managing well day-to-day

The values shown in Figure 6 give the change in score for the managing well day-to-day behaviour components for every one-point increase in score on the enabler and inhibitor. Only those enablers and inhibitors which statistically significantly influenced the behaviour are shown.[12] The effects of the remaining enablers and inhibitors mostly appear to be very modest; however, on a scoring scale ranging from 0 to 10 for each of the components, the cumulative effect of change within and across enablers and inhibitors can potentially add up to quite large effects.

In relation to the **managing credit use** and **not borrowing for every day** components, spending self-control (SSC in Figure 7) appears to be particularly important. Its effect in each case was to increase capability on the behaviour by around 0.3 points for every one-point increase in spending self-control. The dispositional enabler of engagement with money also had a strong, positive effect on not borrowing for everyday reasons (0.25 points).[13] The effects of other enablers and inhibitors were more muted but still significant.

In addition, for both of these behavioural components, digital engagement and especially engagement with advice/guidance had negative effects on the scores independently of the other enablers and inhibitors. So for every one-point increase in the scores on these enablers and inhibitors there was a predicted decrease in behavioural capability. This seems counterintuitive. However the direction of any causal effects is not known: it is possible that greater digital and advice/guidance engagement results from poor credit use management and from borrowing too much for every day purposes (i.e. to make ends meet) rather than engagement influencing borrowing. That said, it is also possible that high levels of digital engagement facilitate access to a wider range or larger sums of credit, as measured by the managing credit use component. The current analysis cannot clarify these relationships further.

Managing credit use was well explained by the set of enablers and inhibitors as a whole. Some 26% of the variation in scores on this component was explained by enabler and inhibitor scores. The percentage of variance in scores on not borrowing for every day was even greater at

[8] The personal and household characteristics used in this analysis and the analysis in the remainder of this report exclude the Money Advice Service's financial resilience segmentation reported in Chapter 3. This is a composite measure derived from across many of the individual characteristics. Instead, the analysis allows the role of the individual characteristics to be explored.

[9] The results are based on multiple regression analysis.

[10] This analysis does not take into account someone's other (i.e. demographic and socio-economic) characteristics and so some of the effects observed here may be the indirect effects of these other factors.

[11] As measured by the adjusted R-squared value.

[12] At the 95% level of confidence ($p<.05$).

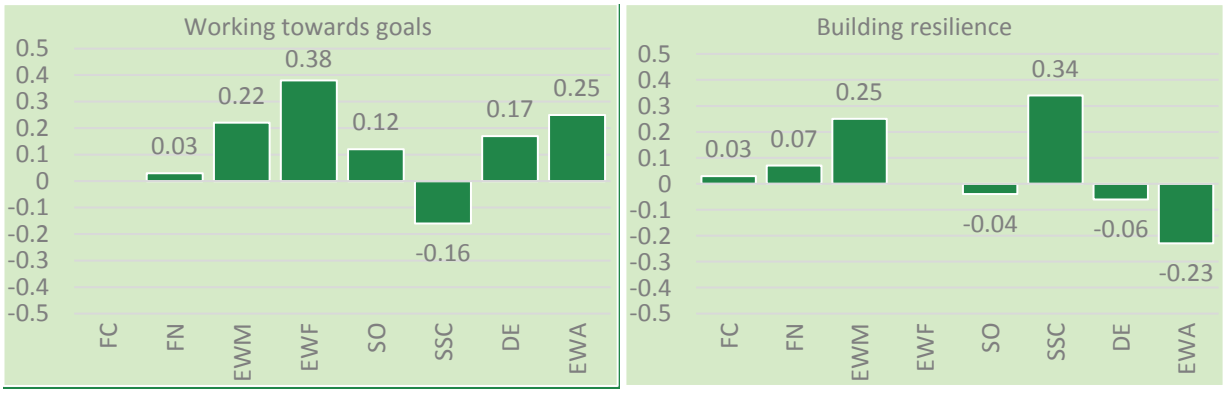
[13] When interpreting the effects of the predictor components, our convention has been to describe significant effects of less than 0.10 points as weak, of 0.10 but less than 0.20 as moderate, and of 0.20 points or more as strong.

Figure 7. Predicting behaviours, enablers and inhibitors (all adults)

Managing well day-to-day



Planning ahead for life events



Notes: 5,974 adults. Planning for retirement, planning for later life are excluded from the planning ahead behaviours and confidence for retirement is excluded from the enablers and predictors because they do not apply to all adults. The key to the component abbreviations is shown on page 17.

49%. These are high percentages, and while the large share of the variance in each case is explained by other, unobserved factors, they nonetheless highlight the important role of financial capability skills, attitudes, knowledge and disposition on behaviour. The results of not borrowing for every day are explored further in the text box on page 27 in relation to the role that parenthood plays.

For **active saving** and **keeping track** behaviours (Figure 7), the influence of the enablers and inhibitors was positive in each case. In other words, as enabler and inhibitor component scores increase so do the behaviour scores. Not all enablers and inhibitors were important, however: spending self-control did not influence active saving independently of the other factors; and engagement with money and the future did not relate to keeping track, all other things being equal.

Other enablers and inhibitors typically had weak or moderate effects on these behaviours, although the effects of engagement with money, savings orientation and especially engagement with the future had rather stronger effects. A one-point increase in engagement with the future was associated with a 0.31-point increase in active saving, all other things being equal (Figure 7).

The enablers and inhibitors as a whole explained 27% of the variation in active saving scores. Keeping track was less well-explained, at 14%. This indicates that keeping track behaviours are influenced much more strongly by other, unobserved factors than any of the other day-to-day behaviours.

Turning to the final two day-to-day behaviours, **adjusting spending** and **shopping around**, there is again a mix of enablers and inhibitors which influenced behaviour, positively and negatively, independently of the other enablers and inhibitors. For every one-point increase, engagement with the future predicted a 0.39 point increase in adjusting spending and a 0.24 point increase in shopping around scores. Digital engagement and engagement with advice/guidance each predicted a 0.28 point increase on shopping around. The effects of other enablers and inhibitors were weaker, however the percentage of variation explained by the enablers and inhibitors as a whole was high for both behaviours (explaining 25% adjusting spending scores and 28% of shopping around scores).

The most notable enabler and inhibitor to influence the adjusting spending and shopping around component scores negatively was spending self-control; a one-point increase in spending self-control was associated with -0.17 decrease in shopping around scores. This could suggest that some people compensate for limited spending self-control by ensuring that they secure the best prices for the goods and services; or vice versa. Whatever the explanation might be, these findings are a reminder that complexity often belies simple conceptual models and that causal pathways can be direct or indirect, reversed and even spurious.

Planning ahead for life events

Our analysis of the planning ahead for life events behaviours across all adults considers just two components; the other components being limited to working-age and retirement-age adults (these are considered instead in Chapters 4 and 5 respectively). Figure 7 also shows the results of regression analysis for working towards goals and building resilience.

Several of the enablers and inhibitors predicted **working towards goals**. Most of these had a positive influence, all other things being equal, although this ranged from weak (0.03) for financial numeracy (FN in Figure 7), to strong (0.38) for engagement with the future. The finding that engagement with the future strongly and positively predicted working towards goals does appear to be intuitive: both inherently relate to our 'tomorrow' rather than our 'today'.

Only one enabler and inhibitor had a negative association with working towards goals independently of the other enablers. Spending self-control predicted a moderate 0.16-point decrease in working towards goals per one-point increase. This is difficult to interpret, but might suggest that poor spending control day-to-day encourages a focus on goals for the longer-term: a way of locking-in longer term goals to compensate for poor control. Alternatively, it could suggest that people with low self-controlled spending have more (and less realistic) goals (since the number of goals someone has forms part of the definition of the working towards goals component).

In comparison, higher levels of capability on three of the enabler and inhibitor components predict lower capability on the **building resilience** behaviour. Two of these – someone's savings orientation and their digital engagement – had relatively weak effects, but the influence of engagement with advice/guidance scores were fairly moderate (with a 0.23-point decrease in building resilience for every one-point increase in engagement).

These negative effects are offset by the moderate and strong positive influences of engagement with money (which predicted a 0.25-point improvement in building resilience for every one-point increase on this enabler) and spending self-control (0.34 points). The latter is interesting because it contrasts with the negative influence of spending self-control on working towards goals. From a policy and practice perspective, this would appear to emphasise the importance of considering both types of planning ahead behaviours together, rather than in isolation.

Working towards goals was particularly well explained by the enablers and inhibitors as a whole (40%). Building resilience was still explained well (25%). This indicates that while other, unobserved factors are important, financial capability enablers and inhibitors do play a significant role.

Text box 3: The role of parenthood in capability at not borrowing for every day

In additional analysis of the not borrowing for every day component (shown in Workbook 3), households with children scored significantly worse on this day-to-day behaviour than non-parent households, all other things (including the enablers and inhibitors and a wide range of demographic and socio-economic factors) being equal. Compared with a reference category of couple households without children, couples with children scored 0.43 points lower on this component on average, and lone-parent households scored 0.36 points lower. Multi-adult households with dependent children scored lower still in comparison, at 0.66 less than couple households without children. The difference was larger still compared with single-adult households. **Overall, households with children scored significant less on the not borrowing for every day component than those without children, by an average of 0.48 points.** We explored these findings further to identify the particular characteristics of parent households which influenced scores in relation to the age and number of dependent children present and their income levels.

Compared with households with no dependent children, there were significant lower scores in households where the youngest child was aged three to four years old, five to nine and 10 to 14 years, but not where the youngest child was aged from birth to two, or from 15 to 17 years old. This held true when the analysis was limited to parent households and the comparison was against households with a youngest child aged under two: households in which the youngest child was aged three to 14 scored significantly worse than those with the very youngest children. Among the parent households, there was no differences in scores depending on the number of dependent children present.

Among the parent households, those with middle and higher incomes score moderately better (0.23 points higher) than those in the lowest income quintile. However, the strongest influences came from the enablers and inhibitors, with engagement with money and spending self-control continuing to exerting strong effects on not borrowing for every day even in the presence of a wider range of factors (of 0.26 and 0.32 points respectively). In other words, attitudes remained more important. In addition, there was no difference when the income quintiles were split by low to middle income (quintiles one to three) compared with the rest. And when the comparison was made against the middle income quintile (quintile three), the only effect was from being in the lowest-income quintile, which was independently associated with 0.29 lower component scores.

A final analysis was run which included an interaction between income and household composition. Compared with non-parent middle and higher-income households, component scores were significantly lower among parents with low incomes (-0.87 points) and, to a lesser extent, parents with middle/higher incomes (-0.48 points). The positive effects of engagement with money and spending self-control – and the negative effect of engagement with advice/guidance – remained the more important influences.

These findings highlight that there are important negative effects of the presence of children in a household – particularly where the youngest child is aged between three and 14 years old – on individuals' capability at not borrowing for every day. This effect is moderated – but not entirely extinguished – by having a middle or higher income, and attitudinal factors remain the more important drivers.

Determinants of financial wellbeing outcomes

For the wellbeing outcome, the findings are explored in three stages. First, for each outcome component, we consider the independent influence of financial capability components when just the components are included. This encompasses the behaviours and the enablers and inhibitors – included together in the analysis – although we also note any important differences when the behaviours and enablers and inhibitors are considered separately. These results are given in Figures 8 and 10; again only those components which were statistically significant predictors are shown in the charts. Second, we consider the independent influence of financial capability components when demographic and socio-economic characteristics are also included, and the role of these additional characteristics (given in Tables 14 and 15). Finally, we summarise the findings for each outcome component by considering the relative contribution of each group of predictors – behaviours, enablers and inhibitors, and other characteristics – to financial wellbeing outcomes (Figures 9 and 11).

Current financial wellbeing

Current financial wellbeing is explained well by the capability components and other available characteristics.

We start by considering the influence of the capability components on the current wellbeing outcome.

Considering components of financial capability

Current financial wellbeing was powerfully predicted by the capability components as a whole. Some 55% of the variance was explained by the behaviours and enablers and inhibitors combined.

All of the behavioural components – from across managing well day-to-day and the planning ahead of life events domains – contributed significantly to this. The independent influences of these behaviours ranged from weak (managing credit use, shopping around, working towards goals and building resilience) to strong (not borrowing for every day and active saving). The cumulative effect of one-point increases in not borrowing for every day (0.26 points) and active saving (0.25 points) was over half a point (0.51) on overall current wellbeing.

Keeping track and adjusting spending had moderately strong independent effects; however, these predictors had a negative influence on current wellbeing (-0.11 and -0.18 respectively; Figure 8). At face value, this is counterintuitive, but this negative effect is widely observed in recent financial capability research of this kind, in the UK (including in the previous survey of financial capability in the UK) and elsewhere.[14] It appears that both close tracking behaviours and spending adjustments come to the fore when people are under financial strain; as such, some of these behaviours maybe as much outcomes of someone's financial situation as they are predictors of it.

The effect of building resilience on current financial wellbeing was also negative, but small (-0.06 points per one-point improvement in building resilience). However, working towards goals had a positive influence of a similar magnitude (+0.05; Figure 8). And, when we come to consider longer-term financial security in the next section, building resilience has a very strong positive effect. This emphasises how distinct – and complementary – the two financial wellbeing components are: that as far as current wellbeing is concerned a focus that is too much on the longer-term future can be detrimental – or at least negatively associated. Still, engagement with the future – at an attitudinal and dispositional level – is important for current financial wellbeing, as we come on to discuss.

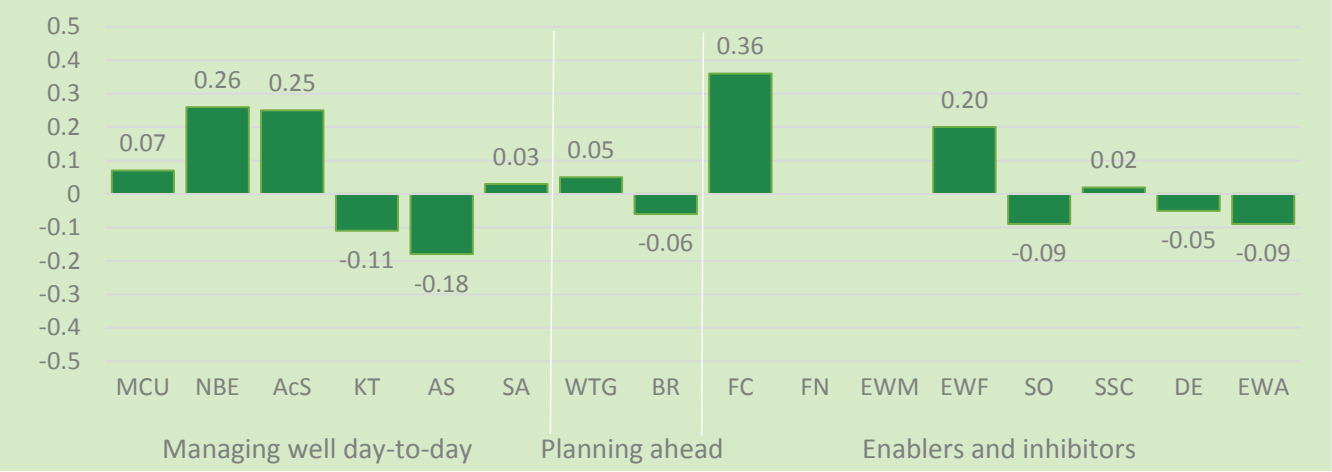
For the most part, the independent influence of the behaviours was moderated (weakened) slightly in this analysis when the enablers and inhibitors were included alongside them; their individual effects were slightly stronger when only the behaviours were included. This tells us that the observed influence of the behaviours was partly spurious, or indirect, and better explained by the enablers and inhibitors. Still, their direct effects, given in Figure 8, remained strong. Notably, however, the negative influence of adjusting spending was strengthened with the addition of the enablers and inhibitors. This suggests that adjusting spending has both direct effects on current financial wellbeing and *also* acts as a mediator – passing some of the influence of some of the enablers and inhibitors indirectly through it.

Most of the enabler and inhibitor components were also important for predicting current financial wellbeing. The effect of financial confidence was particularly strong, predicting a 0.36-point improvement in current financial wellbeing for every one-point increase in confidence. Engagement with the future also had a strong effect (0.20 points). All other things being equal, the effects of savings orientation, digital engagement and engagement with advice/guidance were negative (if weak; Figure 8): so long as someone has financial confidence and engagement with the future they can perhaps afford – for their current wellbeing – to not be disposed to saving or to have low engagement with the internet and advice. We should also not rule out an age effect for these engagement measures – in which we expect older people to have lower levels of engagement on these two enabler and inhibitor components (and found this to be the case; Figure 5).

Compared with when only the enablers and inhibitors were included in the analysis, the effects for these components were only slightly moderated when the behaviours were added. However, financial numeracy and engagement with money were previously significant, positive predictors of current financial wellbeing. Together with the findings shown in Figure 8, this tells us that financial numeracy and engagement with money influence current wellbeing only indirectly, via financial capability behaviours. On their own, scores on the behavioural components explained 37% of the variance in current wellbeing scores and the enablers and inhibitors explained 39% (Figure 9).

[14] See A Finney (2016) Defining, measuring and predicting financial capability in the UK: Technical report. London: Money Advice Service. For a discussion, see E Kempson and C Poppe (2018) 'Understanding Financial Well-Being and Capability: A Revised Model and Comprehensive Analysis'. Professional report No. 3-2018. Oslo: Forbruksforskningsinstituttet SIFO

Figure 8. Predicting current financial wellbeing, capability components (all adults)



Notes: 5,974 adults. Planning for retirement, planning for later life and confidence for retirement is excluded because they do not apply to all adults. The key to the component abbreviations is shown on page 17.

Introducing demographic and socio-economic characteristics

Finally, when a range of demographic and socio-economic characteristics were included in the analysis alongside the components, the significant effects of the behaviours continued to be important, with only two exceptions: the previously weak positive effect of shopping around and the weakly negative effect of building resilience became non-significant. Of the enablers and inhibitors, the previously weak effect of spending self-control was strengthened slightly (from 0.02 to 0.04 points), and so were the effects of financial numeracy and engagement with money such that they become statistically significant, but still only very weakly (-0.01 and +0.02 respectively).

From the other characteristics considered, several were independently related to current financial wellbeing scores. These included the age, work and health status of the individual, their life satisfaction, their household's housing tenure and income level and the social grade of the household's chief income earner. Cumulative protective and risk factors for current financial wellbeing are summarised in Table 15.[15]

Some of the more marked effects were for:

- Adults aged 75 and older, who scored nearly half a point more on current wellbeing (0.47) than their counterparts aged 45-64;
- People who were unemployed and looking for work (who scored 0.87 points less than those in full-time employment);
- Those living in homes owned outright or living with family (scoring 0.59 and 0.43 points higher on average

Table 15. Predicting current financial wellbeing: demographic and socio-economic protective and risk factors (all adults)

Protective factors	Risk factors
Ages 18-44 and 65+	Ages 45-64
Full-time employment	Part-time and self-employment Economic inactivity
Living in a multi-adult household with child(ren)	Physical disability or long-term health problems
Living in an owned home (including with a mortgage)	Mental health problems impact ability to manage money
Living with family	Low life satisfaction
Moderate or high life satisfaction	Two lowest income quintiles
Two highest income quintiles	Living in a small town
Social grade of chief income earner is AB/C1	

[15] When the effects of demographic and socio-economic characteristics are reported, the statistical significance of individual categories has been compared against a reference category for that characteristic. Where statistically significant, this identifies that category as either a protective or risk factor for the outcome depending on whether the effect was positive or negative. Where all categories differed significantly from the reference category, the reference category has then been reported as being the protective or risk factor. Therefore, the precise wording used in the summary tables reflects the particular pattern of results. For full details of the characteristics, see Appendix 3.

respectively than their counterparts in private-rented housing)

- Those living in the highest quintile of household incomes, who scored 0.48 points higher than those in the lowest quintile, all other things being equal.[16]

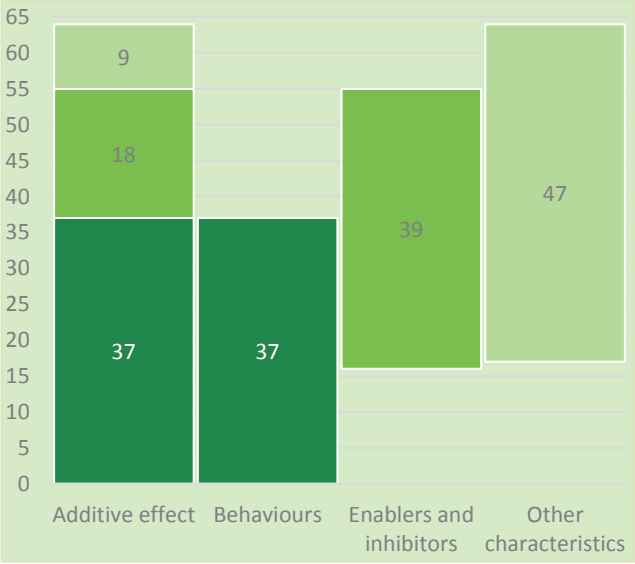
Notably, recent life events and income stability or fluctuation did not predict current financial wellbeing outcomes.

Additive effects of behaviours, enablers and inhibitors and other characteristics

Collectively, the capability components and other characteristics explained 64% of the overall variation in current financial wellbeing. This is a significant improvement on the analysis which just included the components (of 55%), but not large comparatively.

Figure 9 shows the ability of the behaviours by themselves, the enablers and inhibitors by themselves and the demographic and socio-economic characteristics by themselves to predict current wellbeing in the second, third and final columns. The first column shows the additive or cumulative effect of adding these sets of predictors in a step-wise way based on our conceptual framework (i.e. starting with the behaviours, then adding the enablers and then adding the other characteristics).

Figure 9. Additive and separate effects of behaviours, enablers and inhibitors and other characteristics on current financial wellbeing (all adults)



Notes: 5,974 adults. The figure shown is the percentage (%) of variance explained.

On their own, the demographic and socio-economic characteristics explained 47% of the variation in current wellbeing scores. As such, these background characteristics appear to have a large combined effect, but if we follow the principles of our building blocks framework, and conceptual models proposed elsewhere,[17] in which we hypothesise that financial capability behaviours play the strongest role in financial wellbeing outcomes, the additional, combined effect of broader characteristics is comparatively minor. By this measure, it explained only 9% of the overall variance.

Longer-term financial security

Longer-term financial security is also well explained by the capability components and other characteristics. We start by considering the influence of the capability components on longer-term financial security scores.

Considering components of financial capability

Several, but not all, of the financial capability behaviours significantly predicted longer-term financial security scores. The single strongest positive effect was from a planning ahead component: building resilience (BR; Figure 10). For every one-point increase in building resilience scores, longer-term security scores increased by 0.43 points, when all other components were held constant.

Working towards goals also had a significant positive influence, of 0.10 points per one-point increase. And not borrowing for every day and shopping around – two of the day-to-day components – had similarly sized positive effects (0.10 and 0.09 points respectively).

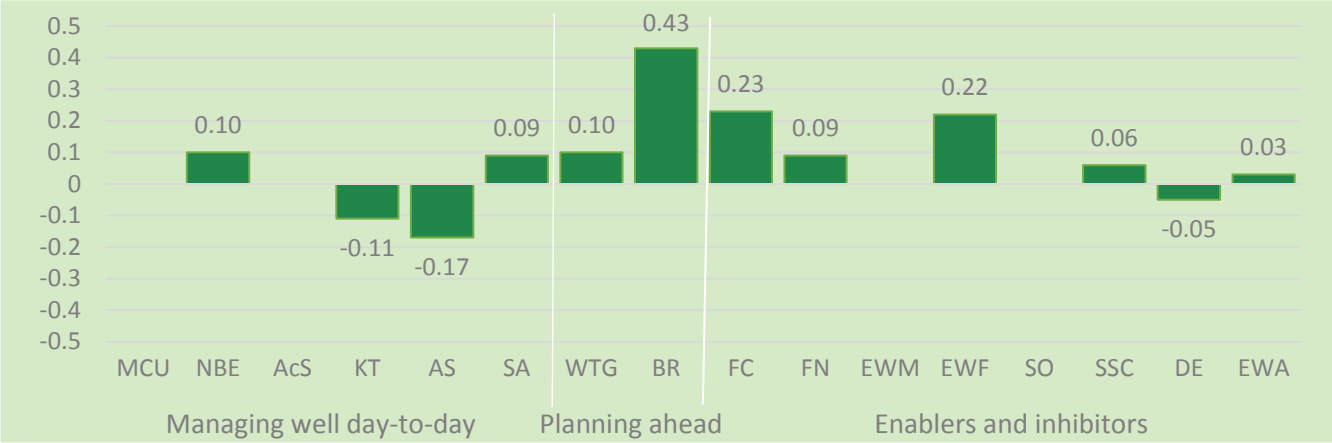
Keeping track and adjusting spending appear to exert negative influences on longer-term financial security. The effects were moderate (of -0.11 and -0.17 points respectively).

However, as discussed previously, these 'influences' are really only associations with the outcomes, albeit ones which exist independently of the influence of the other components. Indeed, while it might be a financial capability goal to keep track of and adjust one's spending, it might also be something that is normally only done in practice when people's finances are so constrained that they *need* to do so. In other words, we might interpret the negative finding here alternatively as indicating that the possibility of not *needing* to keep track or adjust spending *enables*

[16] 'Strong' effects of demographic and socio-economic characteristics are identified throughout this report as being where the difference in score for a category compared with the reference category (or another category for additional comparison) was 0.5 points or more.

[17] Such as E Kempson, A Finney and C Poppe (2017) 'Financial Well-Being: A Conceptual Model and Preliminary Analysis'. Project Note no. 3-2017. Oslo: Forbruksforskningsinstituttet SIFO

Figure 10. Predicting longer-term financial security, capability components (all adults)



Notes: 5,974 adults. Planning for retirement, planning for later life and confidence for retirement is excluded because they do not apply to all adults. The key to the component abbreviations is shown on page 17.

longer-term financial security provision, particularly if someone is providing for their future by *building resilience*.

Managing credit use and active saving were not significant predictors of longer-term financial security when the enablers and inhibitors were also included in the analysis (Figure 10). However they were both significant and positive (albeit only weakly) when only the behaviours were included. This indicates that these behaviours exert only an indirect effect on longer-term financial security, via one or more of the enablers and inhibitors.

Several of the enablers and inhibitors were independently associated with longer-term financial security. The effects of financial confidence (FC in Figure 10) and engagement with the future were strong at 0.23 and 0.22 points respectively. The finding that a disposition towards engaging with the future should predict longer-term financial security is intuitive; but it is notable for being independent of – and therefore additional to – the behaviours which aim for the longer-term. The additional role of financial confidence here is also noteworthy. Financial numeracy, spending self-control and engagement with advice/guidance played significant, if weaker, roles.

Digital engagement, conversely, was negatively related to longer-term financial security, all other things being equal, although this effect was also weak (-0.05 points). This component had not been significant when only the enablers and inhibitors were considered. As such, its effect must be mediated by one or more behaviours – only becoming clear once variations in people's behaviour is accounted for. In the context of the other components included in the analysis, managing credit use, active saving, engagement with money and savings orientation were not important for predicting longer-term financial security.

When the enablers and inhibitors were considered by themselves, engagement with money had been significant, but its effect was indirect, being moderated by one or more of the behaviours. The effect of engagement with advice/guidance was also moderated in the presence of the behavioural components, although it remained significant (as already noted).

Overall, longer-term financial security was predicted well by the capability components as a whole. Some 47% of the variance was explained by the behaviours and enablers and inhibitors combined.

Introducing demographic and socio-economic characteristics

When the range of demographic and socio-economic characteristics were additionally included in the analysis, the effects of the capability components which were previously important for positive longer-term financial security remained positive but were generally weakened. The effect of building resilience in particular, whilst moderated somewhat, remained strong in its influence (at 0.32 points per one-point change). The negative effects of keeping track and adjusting spending were also reduced. These findings should not be unexpected, given the (financial) nature of several of the demographic and socio-economic predictors.

There were two other noteworthy differences in the results of capability components when these other characteristics were included, compared with when only the components were considered. First, the effect of managing credit use became significant (+0.08 points), suggesting that its effects were previously masked. All other things being equal, managing credit use well appears to be of benefit to longer-

term financial security. Second, the previously negative effect of digital engagement became positive, most likely because it was acting as a substitute for the known age effects in digital inclusion before age was controlled.

The analysis highlights the importance of controlling for demographic and socio-economic characteristics in order to properly identify the true influence of financial capability components on financial wellbeing outcomes.

Comparing these results back to the results for current financial wellbeing, the pattern of influence of the components is broadly similar. There are key differences, however. These include the positive influences of working towards goals and building resilience on longer-term security (there was no effect of working towards goals and a small negative effect of building resilience on current wellbeing). In addition, there was a strong positive effect of active saving on current wellbeing (but none on longer-term security).

Of the demographic and socio-economic characteristics themselves, someone's housing tenure was particularly influential for their longer-term financial security scores. Adults living in homes owned outright had 1.6-point higher average financial security scores than their counterparts living in rented homes. Even living in home with a mortgage carried a one-point higher score on average, all other things being equal. This was similar to what we found for current financial wellbeing, although the effects were stronger for longer-term security. This highlights important links at least between home ownership and housing wealth and broader measures of longer-term security and even home ownership as a potentially important enabler of other types of financial security. Living with family and 'other arrangements' were also associated with higher scores on this outcome (0.60 and 0.94 respectively).

The negative effects of being aged 18-24 and 25-44 compared with being aged 45-64 (-0.64 and -0.58 points) and the positive effects of being older still (ages 75 and over; +0.43 points) were particularly strong, as were the positive effects of living in the highest income quintile household for their life-stage (+0.53 points) and having a chief income earner (CIE) in social grade AB (+0.48 points).

All other things being equal, reporting having a mental health problem which affected one's ability to manage money 'a great deal' was associated with higher average financial security scores (+0.51 points) than those reporting 'not at all'. This is difficult to explain but could potentially reflect that someone's longer-term financial security in the more severe cases of mental health impacts is being looked after by proxy, at least in part. Other characteristics were also influential, if more weakly, and these are summarised in Table 16.

When comparing the influence of other characteristics on longer-term financial security to the results discussed in relation to current financial wellbeing, there were many similarities. Key differences include that identifying as male, having a mental health problem which impacted your ability to manage your money a great deal (compared with not at all), being the chief income earner and having experienced a recent major life event were cumulative protective factors for longer-term security, while being from an 'other' ethnic background (compared with being White) were risk factors. These factors were not important for current financial wellbeing, discussed earlier in the chapter.

Table 16. Predicting longer-term financial security: demographic and socio-economic protective and risk factors (all adults)

Protective factors	Risk factors
Couple (with or without children) Living in an owned home (inc. with a mortgage) Living with family or 'another arrangement' Mental health problems impact a 'great deal' High life satisfaction Being the household's CIE Major life event in last three years Two highest income quintiles Social grade of chief income earner is AB/C1 Living in a village	Ages 18-44 Female Single adults and multi-adults without children In education/training Unemployment Physical disability or long-term health problems Living in rented housing Not identifying as White or Asian Checked benefit entitlement and not in receipt

Adding all of the available characteristics to the financial capability components increased the proportion of explained variation in longer-term financial security scores to 62%.

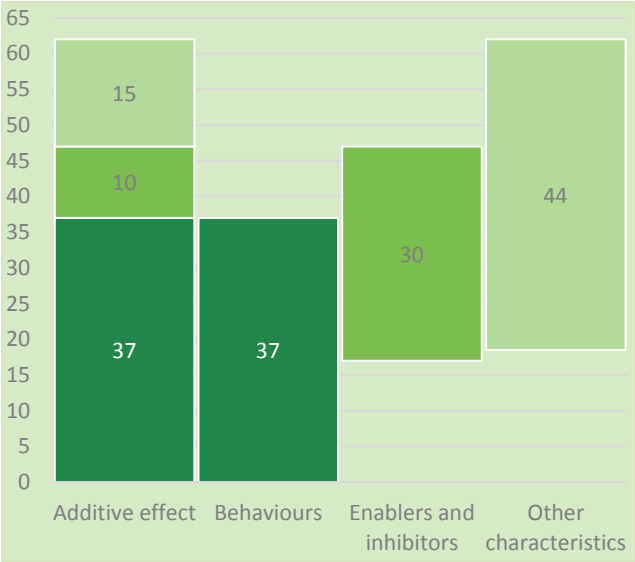
Additive effects of behaviours, enablers and inhibitors and other characteristics

On their own, scores on the behavioural components explained 37% of the variance in longer-term financial security scores and the enablers and inhibitors explained 30% (Figure 11). Comparatively speaking, the enablers and inhibitors were less important to longer-term financial security (explaining 30% of the variation in scores on this outcome) than to current financial wellbeing (39%). In combination, the behaviours and enablers and inhibitors explained 47% of the variance.

Demographic and socio-economic characteristics, on their own, had very good explanatory power: they explained some 44% of the variance. And the inclusion of demographic and socio-economic characteristics alongside the behaviours and enablers and inhibitors increased the variance explained by the components significantly from 47% to 62%. Indeed, in the additive model, demographic

and socio-economic characteristics were nominally more important than the enablers and inhibitors, adding 15 percentage points to the explanatory power of the model compared with 10 percentage points for the enablers and inhibitors).

Figure 11. Additive and separate effects of behaviours, enablers and inhibitors and other characteristics on longer-term financial security (all adults)



Notes: 5,974 adults. The figure shown is the percentage (%) of variance explained.

5. Financial capability among working-age adults

In Chapter 3, we found that levels of financial capability and wellbeing were significantly lower among working-age adults than older people for many of the components. Working-age adults scored better on some of the components, however, and this included the behaviours of shopping around and working towards goals and the enablers of digital engagement and engagement with advice. This chapter explores levels of financial wellbeing and capability among adults of working age in more depth, including a comparison of scores by income level among this life-stage group and the important determinants of their wellbeing. Detailed results for this chapter can be found in accompanying Workbook 4: Final 2018 Building Blocks Regressions WorkingAge.

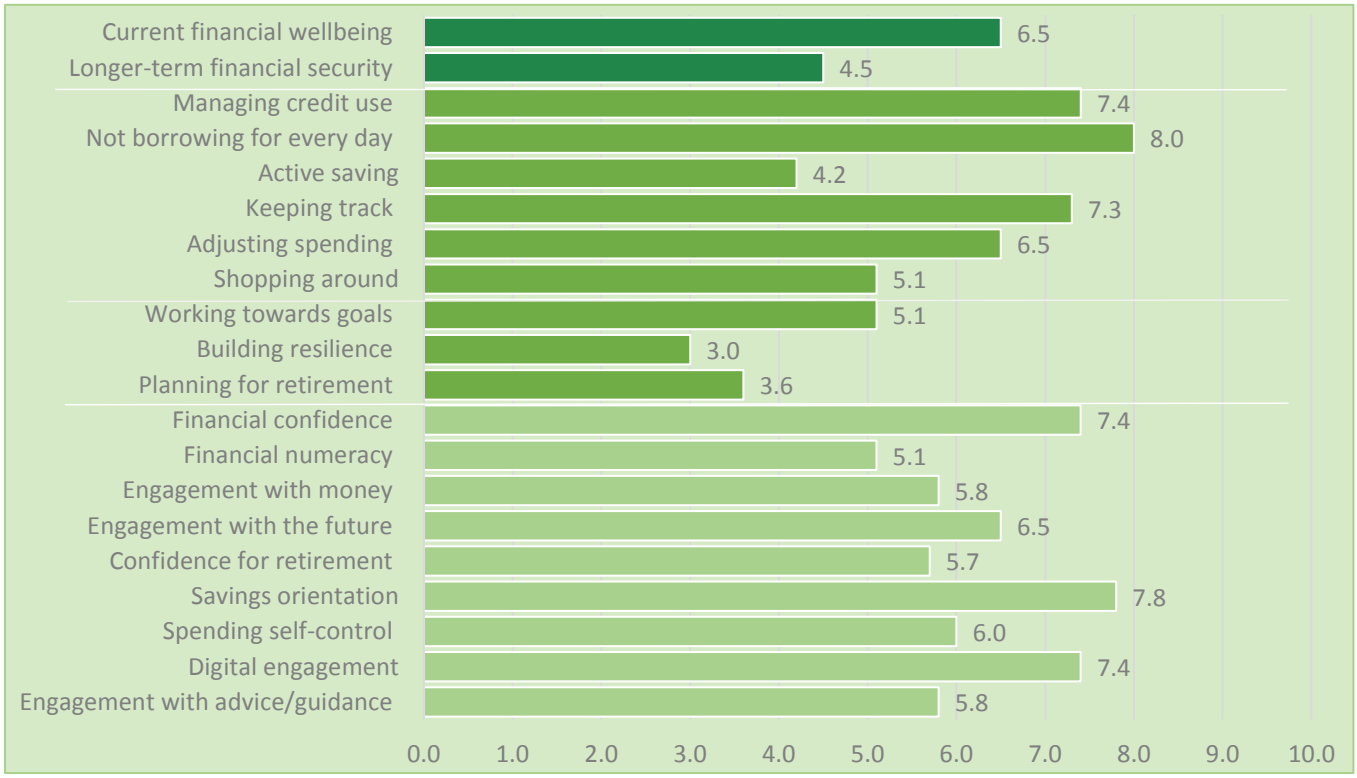
Levels of financial wellbeing and capability

Levels of financial wellbeing and capability among working-age adults varied considerably across the components. Scores ranged from a low of 3.0 for the building resilience life events behaviour to 8.0 at the high end of the range for the day-to-day behaviour of not borrowing for every day. Average scores on the current financial wellbeing component were two points higher than for longer-term financial security (6.5 and 4.5 respectively out of a possible 10 points). Overall, this highlights an already well-evidenced tendency of people to focus on today than provide for tomorrow.

That said, working-age people's self-reported engagement with the future was relatively high compared with other components at an average of 6.5 points. This might suggest that people are future-focussed whenever they can be, at least attitudinally, even if they are not typically in a position to act on this in tangible ways. The score for this component was higher than for their engagement with money more generally (scoring 5.8 out of a possible 10 points). Given the composition of these two components, this additionally could indicate a desire to provide for the future coupled with a commensurate sense of helplessness in doing so at the current time among some working-age adults.

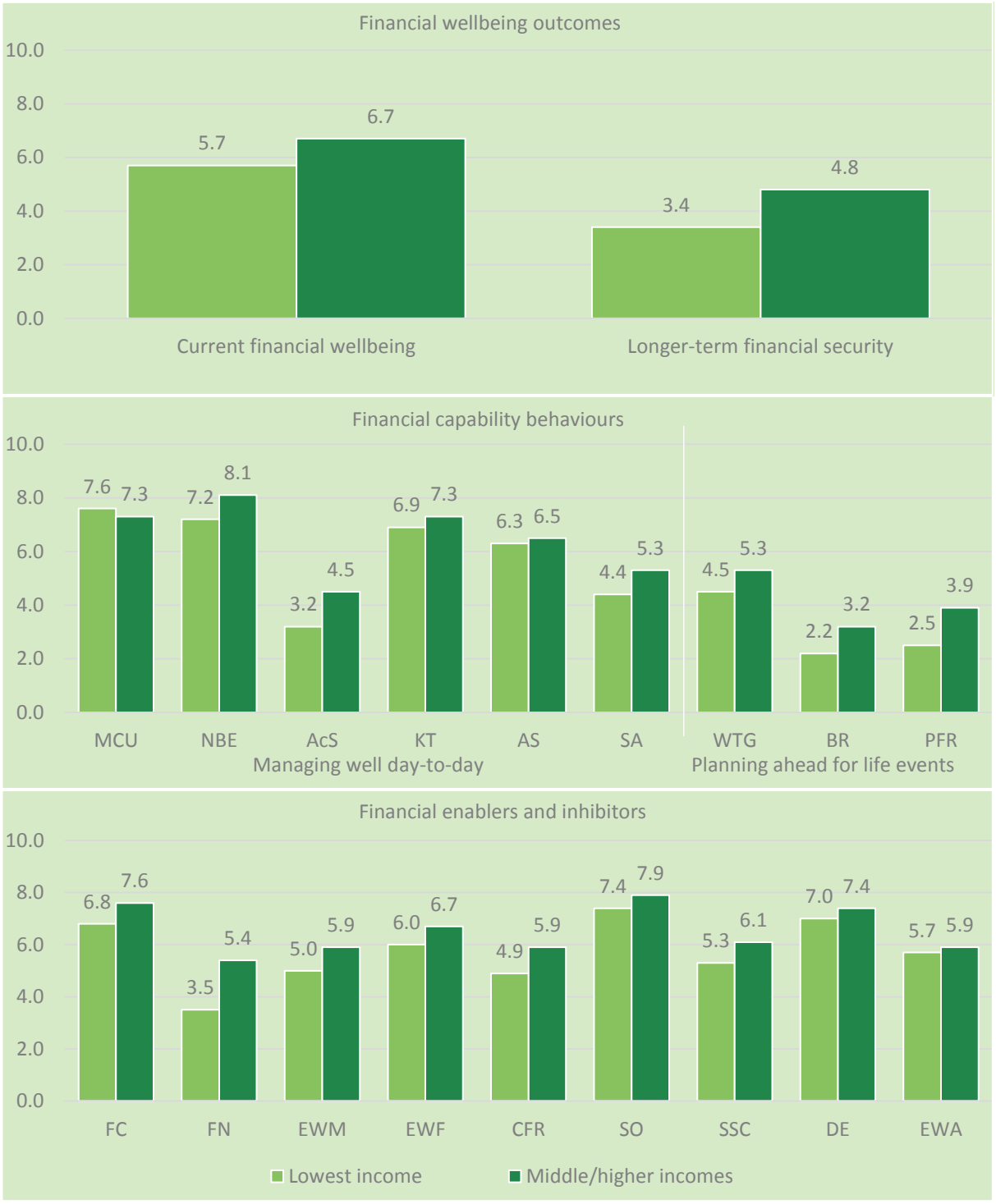
Adults of working age also scored comparatively poorly on planning for retirement (3.6) and active saving (4.2). In addition to not borrowing for every day, they scored highly at managing credit use, keeping track, financial confidence, savings orientation and digital engagement (all scoring over seven points out of 10).

Figure 12. Mean average wellbeing and capability scores, by component (working-age adults)



Notes: 4,668 working-age adults. Planning for later life is excluded as it does not apply to working-age adults.

Figure 13. Wellbeing and capability scores, by income level (working-age adults)



Notes: 4,668 working-age adults (lowest incomes, 930; middle/higher incomes, 3,696), excluding those with missing income level information. Planning for later life is excluded as it does not apply to working-age adults. The observed differences by income level were statistically significant for each component except engagement with advice/guidance (EWA). The key to the component abbreviations is shown on page 17.

Differences by income

When comparing the scores by income level (Figure 13 above),[18] there were statistically significant differences for every component with the exception of engagement with advice/guidance. For almost all of the components, these differences favoured those with middle and higher incomes, as could be expected. They scored an average of one-point higher on current financial wellbeing (at 6.7 points compared with 5.7) and 1.5 points higher on longer-term financial security (4.8 compared with 3.4).

Some of the more notable differences among the other components included not borrowing for every day, planning for retirement and financial numeracy. The difference in scores for financial numeracy was especially marked (FN in Figure 13), with higher income households scoring 5.4 compared with 3.5 points on average for those living the lowest-income households. This might be because income and educational attainment are correlated.[19]

In contrast, working-age adults living in the lowest-income households outscored those on middle or higher incomes only in relation to managing credit use, and this was only a small difference (7.6 points compared with 7.3).

Determinants of financial wellbeing among working-age adults

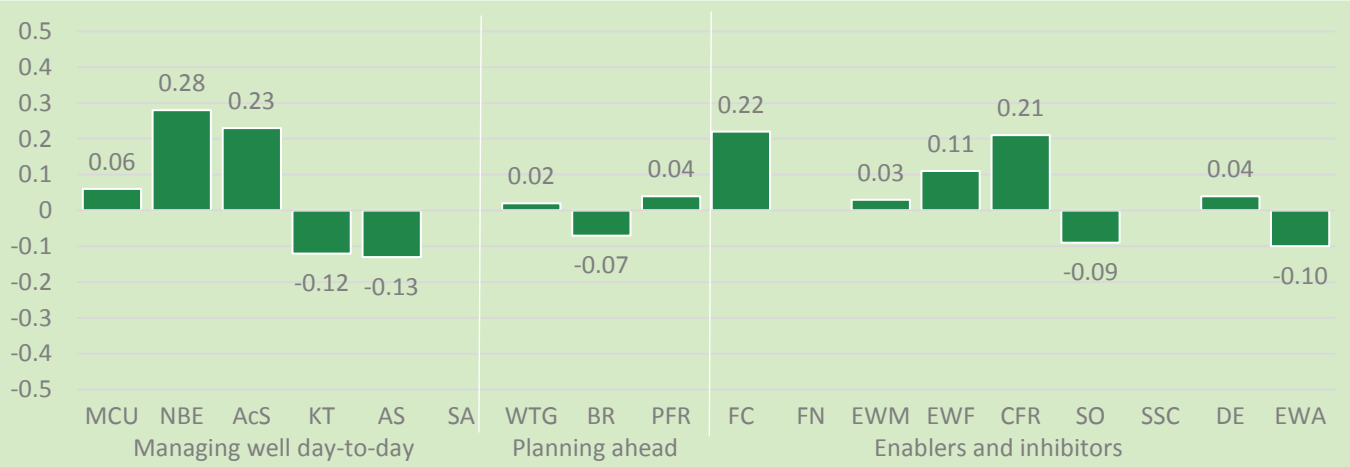
In this section, the predictors of the financial wellbeing outcomes among all working-age adults – both the financial capability components and other characteristics – are explored. Only those predictors which were significant in the analysis are reported. Differences are also explored by the income level of working-age adults.

Current financial wellbeing

Most capability components were independently related to current financial wellbeing, significantly predicting scores on this outcome (Figure 14). There were strong, positive effects for several components drawn from across the behaviour and enabler and inhibitor domains:

- Not borrowing for every day (NBE in Figure 14; predicting a 0.28-point improvement in current wellbeing for every one-point increase in its own scores);
- Active saving (0.23 points);
- Financial confidence (0.22 points); and
- Confidence for retirement (0.21 points).

Figure 14. Predicting current financial wellbeing, capability components (working-age adults)



Notes: 4,668 working-age adults. Planning for later life is excluded as it does not apply to working-age adults. The key to the component abbreviations is shown on page 17

[18] The income threshold for equivalised income by level was £3,450 per annum. Working-age adults with equivalised household incomes of less than this income were in the lowest income quintile, those with this amount or more where in quintiles two to five (middle to higher incomes).

[19] E.g. J Blanden, P Gregg and S Machin (2002) Education and Family Income (a preliminary paper). London: London School of Economics

Planning for retirement and confidence for retirement were available only for the analysis of working-age adults. Both were significant, although the independent influence of confidence for retirement was far greater than for the behaviour of planning for retirement (0.21 points compared with 0.04). This runs counter to our conceptual model of the pathways between the different levels of the capability framework, but might reflect the inclusion of subjective measures in the current wellbeing component: with confidence (even for the future) being important for subjective current wellbeing. There were also several capability components which had a negative independent relationship with current wellbeing. Again drawn from across the domains, these ranged from an effect of -0.07 points for building resilience to -0.13 points for adjusting spending (AS).

This pattern of results for working-age adults is very similar to the one found for all adults (Chapter 4). The main differences are that: the effect of financial confidence and engagement with the future (EWF in Figure 14) are more muted in the analysis of working-age adults than for all adults; and the influence of digital engagement on current financial wellbeing has become positive (at 0.04 points per one-point improvement), when it previously predicted a decrease (of -0.05 points) in current wellbeing scores. This could be – at least in part – because of the inclusion of the confidence for retirement component among working-age adults, which had a strong influence on current wellbeing (+0.20 points). However, it might also in part be due to the differential importance of different aspects of financial capability during working age.

The behaviours and enablers and inhibitors together explained some 56% of the variation in current wellbeing scores among working-age adults. When demographic and socio-economic characteristics were added to these, 65% of the variance was explained.

Table 17. Predicting current financial wellbeing: demographic and socio-economic protective and risk factors (working-age adults)

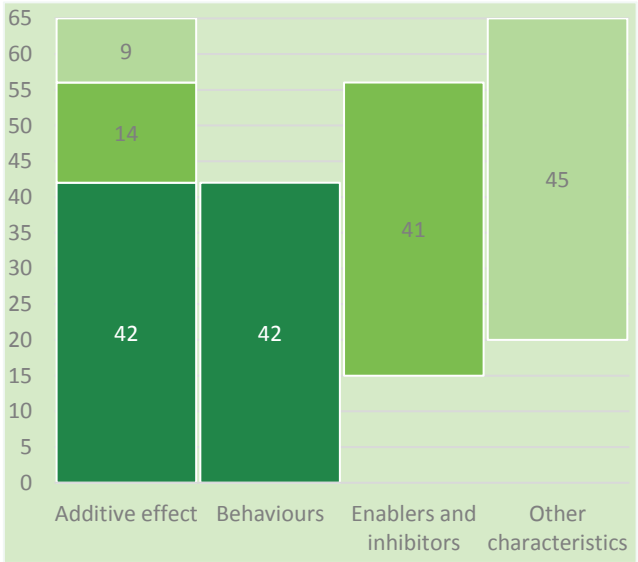
Protective factors	Risk factors
Ages 18-44	Part-time employment and inactivity
Moderate or high life satisfaction	Major drop in earnings in last 3 years Checked benefit entitlement and not in receipt
On track for retirement income	Mental health problems impact ability to manage money
Living in an owned home (including with mortgage)	Living in a small town
Living with family	
Two highest income quintiles	

Most of the financial capability components remained significant as predictors of current wellbeing when these other characteristics were added, even if their effects were more muted. The effect of confidence for retirement, for example, reduced from 0.21 points to just 0.09 points, and the negative effect of keeping track diminished substantially to --0.04 points (from -0.12). The exceptions were planning for retirement and digital engagement, which were no longer significant, indicating that the effects initially observed for these were direct are better explained by the additional characteristics. The positive influence of managing credit use also increased marginally (from 0.06 to 0.08 points), and the marginal influence of working towards goals (of 0.02 points per one-point increase on this component) switched from positive to negative.

The independent influence of personal and household characteristics is shown in Table 17. The strongest effects were found for:

- Work status, for which unemployment (and not looking for work) predicted a 0.71-point lower current financial wellbeing score compared with full-time employment;
- High life satisfaction, which predicted a 1.06-point higher score than low life satisfaction; and
- Strongly agreeing that you are on track for a reasonable income in retirement, which predicted a 1.05-point higher current wellbeing score than strongly disagreeing.

Figure 15. Additive and relative effects of behaviours, enablers and inhibitors and other characteristics (working-age adults)



Notes: 4,668 working-age adults.

On their own, the behaviours (42%), the enablers and inhibitors (41%) and other characteristics (45%) each explained a similar proportion of the variation in current financial wellbeing scores (Figure 15). When added cumulatively to the analysis, in blocks, the enablers and inhibitors improved the ability of the behaviours to explain current financial wellbeing by 14 percentage points, and

the other characteristics added a further 9 percentage points to the explanatory power of the predictors.

Differences by income level

When the same analysis was run for working-age adults by income level, there were some key differences. The behaviours and enablers and inhibitors explained 45% of the variation in current financial wellbeing scores among those with the lowest incomes, rising to 57% among those with middle and higher incomes. The gap narrowed, but remained, when the other characteristics were included (59% and 65%). This indicates that, while financial capability is important for wellbeing for those in both the lowest and higher income households, they are comparatively more important among the higher-income working-age adults, while other characteristics carry greater explanatory power among those with the lowest incomes.

The pattern of influence of the capability components when all predictors were included was similar for both groups – and to those of all working-age adults reported above. The findings are summarised in Table 18. Not borrowing for every day (0.21 for the lowest incomes, 0.26 for middle/higher incomes), active saving (0.30 and 0.17) and financial confidence (0.12 and 0.19) were particularly strong, positive predictors for both income levels.

Table 18. Overview of current financial wellbeing predictors: behaviours and enablers and inhibitors (working-age adults)

Working-age adults	All	Lowest incomes	Middle/ higher incomes
Financial capability behaviours			
Managing credit use	↑	↑	↑
Not borrowing for every day	↑	↑	↑
Active saving	↑	↑	↑
Keeping track	↓		↓
Adjusting spending	↓	↓	↓
Working towards goals	↓	↓	
Building resilience	↓	↓	
Financial capability enablers and inhibitors			
Financial confidence	↑	↑	↑
Engagement with money	↑	↑	
Engagement with the future	↑		↑
Confidence for retirement	↑		↑
Savings orientation	↓	↓	↓
Spending self-control	↑		↑
Engagement with advice/guidance	↓		↓

Notes: 4,668 working-age adults (lowest incomes, 930; middle/higher incomes, 3,696), excluding those with missing income level information. ↑indicates a significant, positive influence. ↓indicates a significant, negative influence.

There were some differences, however. Higher scores on engagement with the future predicted higher outcome scores among the higher-income adults (0.08 points), and engagement with advice/guidance predicted lower current wellbeing among this group (-0.08 points) but this was not the case among the lowest-income group.

Meanwhile, engagement with money and, more weakly, planning for retirement predicted higher wellbeing scores among those with the lowest incomes (0.10 and 0.07 points respectively), but not those with middle and higher incomes. The effect of active saving was rather higher among those with the lowest incomes than middle or higher incomes (noted above). And working towards goals and especially building resilience were negative predictors of current wellbeing among those with lowest incomes (-0.06 and -0.16 points respectively); this was in keeping with the results for all working-age adults but was not true of the higher-income group.

Among the other characteristics considered, there were especially strong independent effects on current financial wellbeing for:

- Work status, for which unemployment (and not looking for work) predicted a 0.64-point lower current financial wellbeing score compared with full-time employment among the lowest income group and 0.60-points lower among those with middle/higher incomes;
- High life satisfaction for both income groups, predicting a 1.34 increase in outcome scores for the lowest incomes and 1.06 for middle/higher incomes.
- Agreement that you are on track for a reasonable retirement income, with strong agreement predicting 0.84- and 1.17-point higher scores on current wellbeing among the lowest and higher income groups respectively, compared with their counterparts who strongly disagreed.

These are the same three characteristics noted above from the analysis of working-age adults as a whole. There were some differences, however. Notably, living a home rented from a social landlord predicted moderately lower current wellbeing (-0.32) and living with your family predicted higher wellbeing (+0.52) than private renters among only the lowest-income groups. Being a lone (-0.37) or partnered (-0.20) parent and living in a multi-adult household without children (-0.18) were associated with moderately lower current wellbeing and having the household's chief income earner classed in social grade AB predicted higher current wellbeing (+0.24), but only for those with middle and higher incomes. The findings are summarised in Table 19 below.

If we compare these results back to those for all working-age adults, the findings for the higher-income group which mirror those earlier results most closely overall (Table 19). This is especially true for the role of the enablers and inhibitors and for personal characteristics. The main differences arise in relation to the household characteristics of higher-income adults, for which removing those on the

lowest incomes from the analysis has revealed some specific negative effects of particular household types (noted above) and positive effects of income stability and higher social grades.

Table 19. Overview of current financial wellbeing predictors: other characteristics (working-age adults)

Working-age adults	All	Lowest incomes	Middle/ higher incomes
Personal characteristics			
Being aged 18-44	↑		↑
In part-time employment	↓		↓
Unemployed and looking for work	↓	↓	↓
Economically inactive for other reasons	↓		↓
Major drop in earnings in last 3 years	↓		↓
Checked benefit entitlement: not in receipt	↓		↓
Checked benefit entitlement: in receipt		↓	
Moderate or high life satisfaction	↑	↑	↑
Physical disability or long-term health problem		↓	
Mental health problems impact ability to manage money	↓		↓
On track for a reasonable retirement income	↑	↑	↑
Household characteristics			
Living in a home owned outright	↑	↑	↑
Living in a home owned with a mortgage	↑		↑
Living with family	↑	↑	
Renting from a social landlord		↓	
Lone or partnered parent			↓
Living in a multi-adult household, no children			↓
Two highest income quintiles	↑	-	-
Living in a small town	↓		↓
Roughly the same income each week or month			↑
Social grade of chief income earner is AB			↑

Notes: 4,668 working-age adults (lowest incomes, 930; middle/higher incomes, 3,696), excluding those with missing income level information. ↑indicates a significant, positive influence. ↓indicates a significant, negative influence. – indicates that the measure was not included.

The mirroring of effects for those on the lowest incomes is a little patchier. Overall, there were fewer significant predictors of current financial wellbeing among the lowest-income adults of working age – which might be in part an artefact of the smaller sample size available for this group. That said, compared with the analysis of all working-age adults (and, by definition, those on middle or higher incomes), the analysis of the lowest incomes on their own has revealed the negative effects of having checked your benefit entitlements (and being in receipt of benefits now) and living in social housing. This underlines how easily important effects can be hidden when examined too broadly.

Longer-term financial security

As we saw for current financial wellbeing, most capability components were independently related to longer-term financial security, significantly predicting scores on this outcome among working-age adults (Figure 16). There were strong, positive effects for two planning ahead behaviours in particular:

- Building resilience (BR in Figure 16); predicting a 0.37-point improvement in longer-term security for every one-point increase); and
- Planning for retirement (0.25 points).

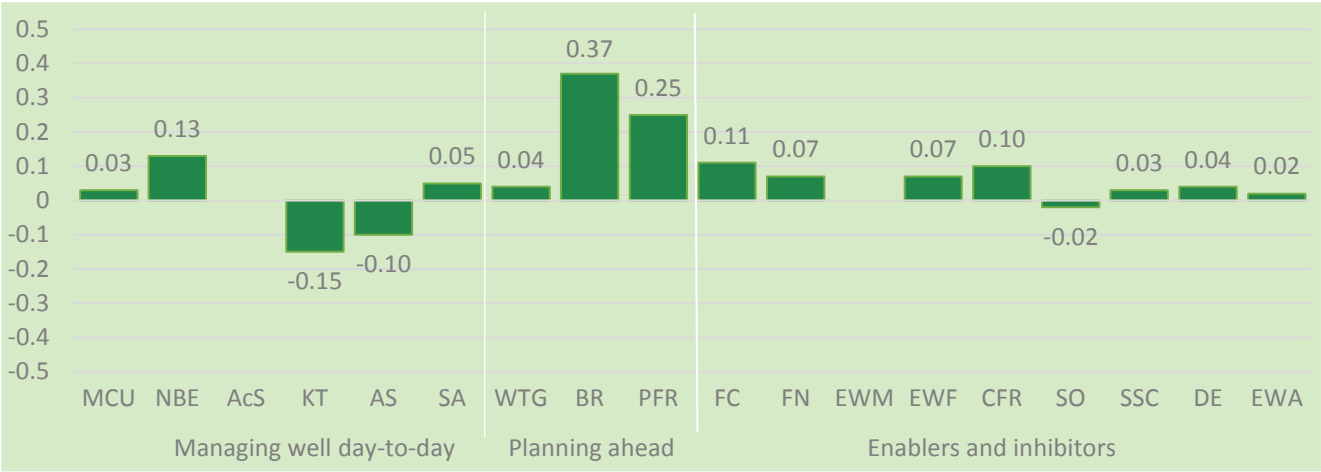
There were additional, moderate, positive effects from the not borrowing for every day behaviour and the financial confidence and confidence for retirement enablers and inhibitors. Moderate influences from keeping track and adjusting spending were negative (as they were in the analysis of all adults).

Except for the availability of the planning and confidence for retirement components among adults of working age, these effects are similar to those found in the results for all adults (Chapter 4). They are somewhat muted, however, and we also tend to find somewhat weakened effects for the other components which were also previously significant. This is most notable in relation to engagement with the future (0.07 among working-age adults compared with 0.22 points in the all-adults analysis) and, to a lesser extent, working towards goals, the effect of which was only 0.04 points among working-age adults (compared with 0.10 among all adults). The reduced effects of these two components compared with the earlier analysis could be due to the new components available for this life-stage group.

Managing credit use (0.03) and saving orientation (0.02) were also independently related to longer-term security among working-age adults, though they were not significant among all adults. However, their effects among working-age adults were very weak.

The combined effect of the behaviours and enablers and inhibitors on longer-term financial security was to explain

Figure 16. Predicting longer-term financial security, capability components (working-age adults)



Notes: 4,668 working-age adults. Planning for later life is excluded as it does not apply to working-age adults. The key to the component abbreviations is shown on page 17.

some 54% of the variation in scores among working-age adults. When demographic and socio-economic characteristics were added to these, 64% of the variance in longer-term security was accounted for.

In the presence of these other characteristics, the pattern of influence from the financial capability components remained broadly similar. However, the positive effects of building resilience and planning for retirement were moderated quite substantially (to 0.29 and 0.13 points respectively), as were the negative effects of keeping track (-0.09) and adjusting spending (-0.06). We would reasonably anticipate the latter effects because we expect keeping track and adjusting spending to be related to income to some extent. Conversely, the direct influence of managing credit use on longer-term security increased moderately, to 0.08 points for every one-point increase, when the demographic and socio-economic characteristics were held constant. In other words, the true strength of effect of managing credit use was previously masked, probably because it was compensated for (and largely cancelled out) by the effect of another, opposing, component. When other, important, characteristics were included, one or more of these moderated the effect of another component (or components, as we have seen), and allowed the true effect of managing credit use to appear.

The independent influence of personal and household characteristics is shown in Table 20. The most important (i.e. the strongest) influences were from:

- Housing tenure, for which living in a home owned outright (1.50 points) or with a mortgage (1.02) and living with family (0.60) significantly predicted increased longer-term financial security compared with living in a privately rented home;

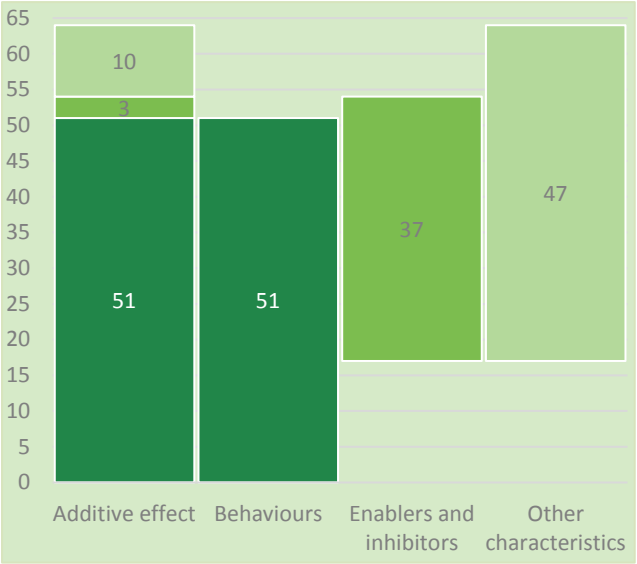
Table 20. Predicting longer-term financial security: demographic and socio-economic protective and risk factors (working-age adults)

Protective factors	Risk factors
Ages 45-64	Ages 18-44
In part-time employment	Female
Not having a physical disability or long-term health problem	'Other' ethnicity
	Unemployed and looking for work
On track for retirement income	Checked benefit entitlement and in receipt
Living in an owned home (including with mortgage)	Mental health problems impact a 'great deal'
Living with family	Single adult of multi-adult household, no children
Highest income quintile	Second income quintile
Social grade of chief income earner is AB	Exactly the same income each week or month

- Being on track for a reasonable retirement income, for which strongly agreeing and tending to agree each predicted over half a point higher longer-term security scores (0.72 and 0.58) than strongly disagreeing; and
- Age group, whereby being aged under 45 predicted around a half-point lower financial security scores (18-24, -0.54 points; 25-44, -0.48) compared with being aged 45 and over.

In combination, financial capability behaviours explained a very large share of the variation in longer-term financial security scores (51%). Demographic and socio-economic characteristics as a set explained 47%, while the enablers and inhibitors on their own explained significantly less at 37% (Figure 17).

Figure 17. Additive and relative effects of behaviours, enablers and inhibitors and other characteristics (working-age adults)



Notes: 4,668 working-age adults.

When added cumulatively to the analysis, in blocks, the enablers and inhibitors improved the ability of the behaviours to explain current financial wellbeing by only 3 percentage points, and the other characteristics added a further 10 percentage points to the explanatory power of the predictors as a whole.

Differences by income level

When the same analysis was run for working-age adults by income level, there were some similarities. The behaviours and enablers and inhibitors explained 47% of the variation in longer-term financial security scores among those with the lowest incomes, compared with 51% among those with middle or higher incomes. The gap remained quite small when the other characteristics were included (60% and 63%). There were some key differences, however.

Again – as we saw for the analysis of current financial wellbeing – the findings for the higher-income group mirror those of all working-age adults more closely than the lower-income group do (Table 21). In this instance, it is the financial capability behaviours which mirror most closely in relation to longer-term security. This makes sense to the extent that higher-income adults make up the large share of all working-age adults.

Where there were differences, these related to engagement with money, digital engagement and engagement with advice/guidance. These enablers and inhibitors were not significant among those with middle and higher incomes, but were among all working-age adults. Their effects were small among all working-age adults, however, so this latest finding might be an artefact of the lower sample size available by income.

From the range of other characteristics, being in education or training as your main economic status and experiencing a major drop in earnings in the last three years are notable for predicting decreases in financial security scores among higher-income working-age adults. It is makes intuitive sense that these factors might reduce longer-term financial security; although these characteristics were not important among working-age adults overall.

Table 21. Overview of longer-term financial security predictors: behaviours and enablers and inhibitors (working-age adults)

Working-age adults	All	Lowest incomes	Middle/ higher incomes
Financial capability behaviours			
Managing credit use	↑		↑
Not borrowing for every day	↑	↑	↑
Keeping track	↓		↓
Adjusting spending	↓	↓	↓
Shopping around	↑		↑
Working towards goals	↑	↑	↑
Building resilience	↑	↑	↑
Planning for retirement	↑	↑	↑
Financial capability enablers and inhibitors			
Financial confidence	↑		↑
Financial numeracy	↑	↑	↑
Engagement with money	↑		
Engagement with the future	↑		
Digital engagement	↑		↑
Engagement with advice/ guidance	↑		

Notes: 4,668 working-age adults (lowest incomes, 930; middle/higher incomes, 3,696), excluding those with missing income level information. ↑indicates a significant, positive influence. ↓indicates a significant, negative influence.

There were far fewer significant predictors of longer-term financial security for lowest-income group, which again might be the result of the smaller sample size. Where financial capability components were significant, their effects reflected those for all working-age adults (and, by definition, those on middle and higher incomes; Table 21).

Where the results for the lowest-income groups diverged from all working-age adults, it was in relation to having checked benefit entitlements and not being in receipt of benefits or tax credit now (which predicted *higher* financial security scores compared with those who had not checked and those who had checked and were in receipt) and reporting that mental health problems impacted on someone's ability to manage money 'a fair amount' (which predicted lower financial security scores; Table 22).

Table 22. Overview of longer-term financial security predictors: other characteristics (working-age adults)

Working-age adults	All	Lowest incomes	Middle/ higher incomes
Personal characteristics			
Female	↓		
Being aged 18-24	↓	↓	↓
Being aged 25-44	↓		↓
'Other' ethnicity	↓		↓
Part-time employment	↑		
In education/training			↓
Unemployed and looking for work	↓	↓	
Economically inactive for other reasons	↓	↓	↓
Major drop in earnings in last 3 years			↓
Checked benefit entitlement: not in receipt		↑	
Checked benefit entitlement: in receipt	↓	↓	↓
Physical disability or long-term health problem	↑		
Mental health problems impact a 'great deal'	↑		↑
Mental health problems impact 'a fair amount'		↓	
On track for a reasonable retirement income	↑	↑	↑
Household characteristics			
Single-adult household	↓		↓
Lone-parent household			↓
Living in a multi-adult household, no children	↓		↓
Living in a multi-adult household, with children			↓
Living in a home owned (including with a mortgage)	↑	↑	↑
Living with family	↑	↑	↑
Two highest income quintiles	↑	-	-
Roughly the same income each week or month	↑	↑	↑
Income varies each week or month	↑	↑	
Social grade of chief income earner is AB	↑	↑	↑

Notes: 4,668 working-age adults (lowest incomes, 930; middle/higher incomes, 3,696), excluding those with missing income level information. ↑indicates a positive influence, ↓indicates a negative influence compared with the reference characteristic. – indicates that the measure was not included.

It is noteworthy that active saving, confidence for retirement, savings orientation and spending self-control were *not* significant predictors of longer-term financial security for working-age adults overall or by income, all other things being equal. In other words, for longer-term security, other behaviours and enablers and inhibitors than these are important.

6. Financial capability among retirement-age adults

In Chapter 3, we found that levels of financial capability were significantly higher among retirement-age adults than younger adults for many of the components. This was also true for wellbeing outcomes; perhaps not unexpectedly. Compared with working-age adults, people of retirement age scored particularly well on current financial wellbeing, not borrowing for every day, and spending self-control. This chapter explores levels of financial wellbeing and capability among adults of retirement age in more depth, including a comparison of scores by income level among this life-stage group, and the important determinants of their wellbeing. Detailed results for this chapter can be found in accompanying Workbook 5: Final 2018 Building Blocks Regressions RetireAge.

Levels of financial wellbeing and capability

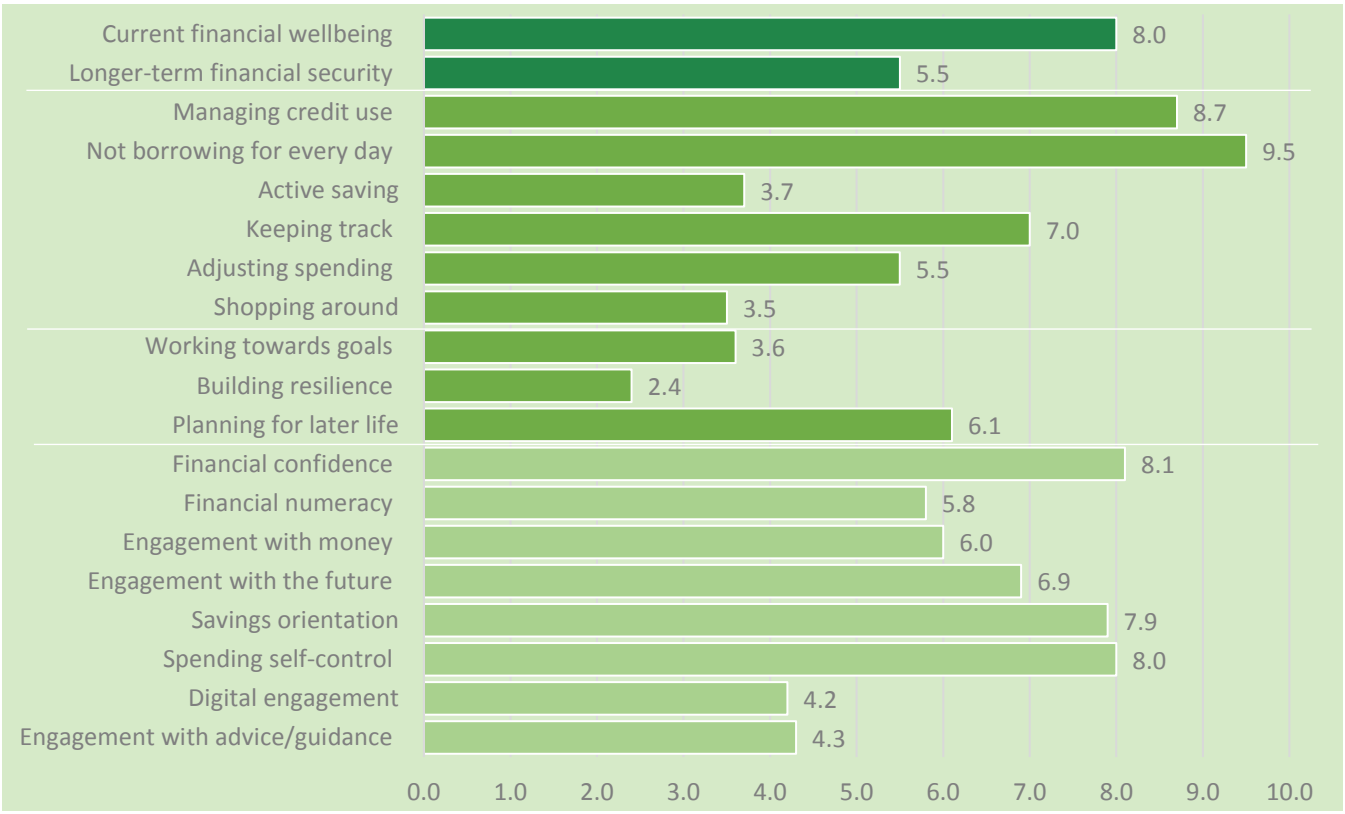
Compared with all working-age adults, the variation in average scores across the components was far wider among retirement-age adults (Figure 18). At the low end of the range, older people scored an average of just 2.4 points on building resilience (compared with 2.9 among all adults, and 3.0 among adults of working age). This would seem to suggest that the scope for growing wealth and assets slows or stalls when people move beyond working age and into retirement age, in keeping with economic lifecycle hypotheses. That said, average scores on the planning for later life behavioural component were moderately high at, 6.1 points.

Average scores were also fairly low on average in relation to active saving, shopping around and working towards goals from the behaviours, and digital engagement and engagement with advice/guidance from the enablers and inhibitors.

At the high end of the range, adults at this life-stage scored very well on average on the two credit use components (9.5 on not borrowing for every day and 8.7 on managing credit use). Older people's capability on several of the enabler and inhibitor components was also high on average; these included their financial confidence, savings orientation and spending self-control (Figure 18).

Perhaps most striking is the finding that average scores among retirement-age adults were much higher on the current financial wellbeing component (8.0) than for longer-term financial security (5.5 out of a possible 10 points). The latter might be cause for concern, given the relatively limited opportunities people at retirement age will have to build their longer-term financial security. Even so, the scores for both components were higher among adults of retirement age than those of working age, as noted in Chapter 3.

Figure 18. Mean average wellbeing and capability scores, by component (retirement-age adults)



Notes: 1,306 retirement-age adults. Planning and confidence for retirement are excluded as they do not apply to retirement-age adults.

Figure 19. Wellbeing and capability scores, by income level (retirement-age adults)



Notes: 1,306 retirement-age adults (lowest incomes, 414; middle/higher incomes, 892), excluding those with missing income level information. Planning and confidence for retirement are excluded as they do not apply to retirement-age adults. The observed differences by income level were statistically significant for each component except not borrowing for every day (NBE), adjusting spending (AS) and savings orientation (SO) and spending self-control (SSC). The key to the component abbreviations is shown on page 17.

Differences by income

When comparing the scores by income level among the retirement-age adults (Figure 19),[20] there were statistically significant differences for most of the components. The exceptions were not borrowing for every day and adjusting spending from the behaviours, and savings orientation and spending self-control from the enablers.

For the remainder of the components, where significant differences exist, those living in higher-income households almost always scored better on average than those in the lowest-income households for their life-stage. The most striking differences among the behavioural components were for shopping around (SA in Figure 19), working towards goals and building resilience. From the range of enablers and inhibitors, there were particularly stark differences for financial numeracy and digital engagement and, to a lesser extent, engagement with the future and engagement with advice/guidance.

For the wellbeing outcomes, retirement-age adults with higher household incomes scored nearly two points better on average on longer-term financial security (scoring 6.1) than their counterparts with the lowest incomes (4.2). They also scored significantly higher on current financial wellbeing (8.3 compared with 7.5 points).

For managing credit use, in comparison, it was those living in the lowest-income households who scored better on average. The difference was comparatively small, however (9.0 compared with 8.6)

Determinants of financial wellbeing among retirement-age adults

In this section, the predictors of the two financial wellbeing outcomes among all retirement-age adults – including the financial capability components and other characteristics – are explored. Only those predictors which were significant in the analysis are reported. Differences are also explored by the income level of retirement-age adults.

Current financial wellbeing

Among adults of retirement age, most capability components significantly predicted current financial wellbeing scores (Figure 20). There were strong, positive effects for several components from across the behaviour and enabler and inhibitor domains:

- Not borrowing for every day (NBE in Figure 20; predicting a 0.38-point improvement in current wellbeing for every one-point increase in its own scores);
- Active saving (0.21 points); and
- Financial confidence (0.32 points).

These were the same components which were important for current wellbeing among working-age adults (discussed in Chapter 5).[21] Managing credit use and engagement with the future additionally exerted moderate positive influences on current wellbeing scores among adults of retirement age.

There were also several capability components which had a negative independent relationship with current wellbeing. Keeping track and adjusting spending behaviours were moderately negatively correlated with current wellbeing, independently of the other components. And building resilience, savings orientation and engagement with advice/guidance weakly predicted lower scores.

In contrast to the findings for working-age adults (reported in Chapter 5), engagement with money and digital engagement were not independently associated with current financial wellbeing scores for the retirement-age adults. Shopping around also did not predict current financial wellbeing scores among adults of retirement age, and this was the same among the working-age adults.

As we saw for the analysis of working-age adults, however, the pattern of findings across the components is not very different from the pattern of findings for all adults. In both instances, not borrowing for every day, active saving and financial confidence were strong, positive predictors. And keeping track, adjusting spending, building resilience, savings orientation and engagement with advice/guidance were moderate or weak negative predictors of current wellbeing scores.

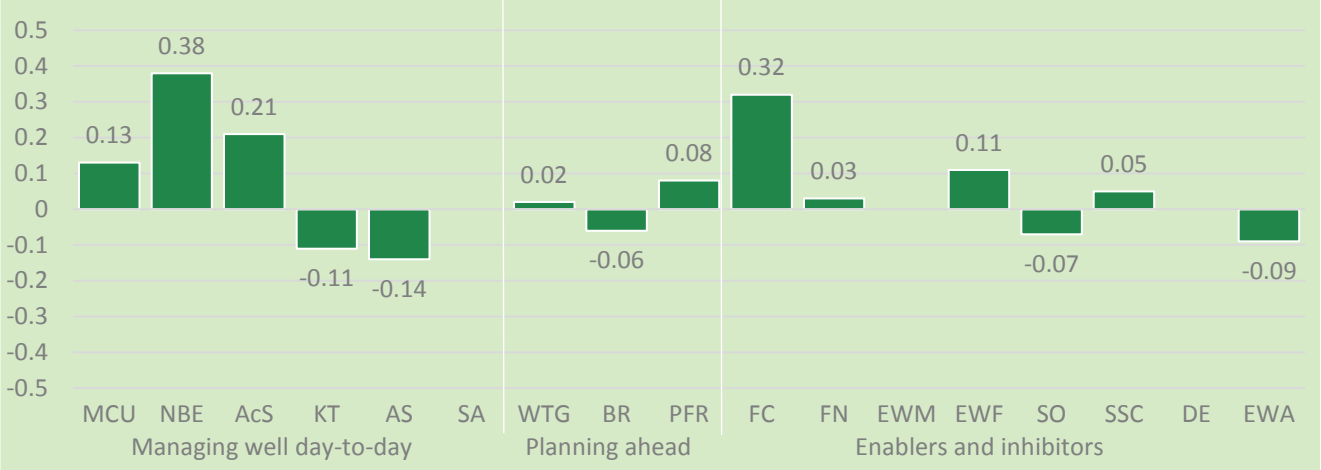
The behaviours and enablers and inhibitors together explained 51% of the variation in current wellbeing scores among retirement-age adults. When demographic and socio-economic characteristics were added to these, some 60% of the variance was explained.

When those additional characteristics were taken into account, the effects of the components noted above remained remarkably robust. In other words, their effects shown in Figure 20 held true for the most part and were barely weakened. The effect of not borrowing for every day,

[20] The income threshold for equivalised income by level was £9,000 per annum. Retirement-age adults with equivalised household incomes of less than this income were in the lowest income quintile, those with this amount or more where in quintiles two to five (middle to higher incomes).

[21] Excluding confidence for retirement which was not available for older people

Figure 20. Predicting current financial wellbeing, capability components (retirement-age adults)



Notes: 1,306 retirement-age adults. Planning and confidence for retirement are excluded as they do not apply to retirement-age adults. The key to the component abbreviations is shown on page 17.

for example, reduced only slightly to 0.36 points. The exceptions were the two components which were previously only very weakly associated with current wellbeing: working towards goals and financial numeracy. These two components were no longer statistically significant predictors of current wellbeing when demographic and socio-economic characteristics were included.

Several demographic and socio-economic characteristics predicted current financial wellbeing scores in their own right. These are summarised in Table 23. Particularly strong determinants were:

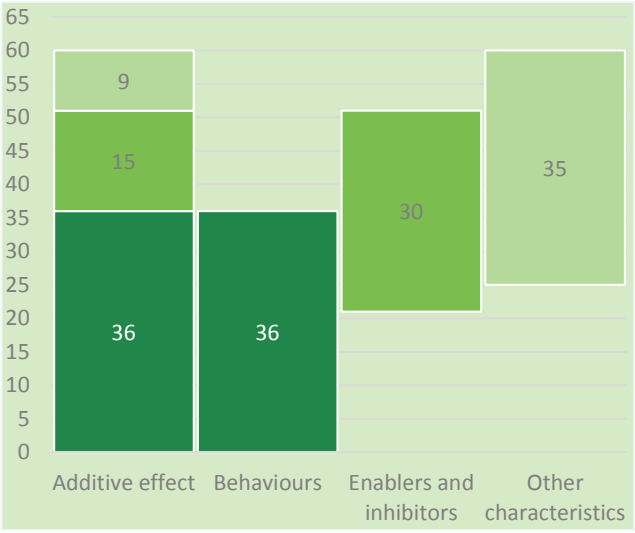
- Housing tenure, for which all tenure types were associated with higher current wellbeing scores than renting from a private landlord. For example, this included living with your family (increasing average wellbeing scores by 2.09 points, all other things being equal) and renting from a social landlord (0.66 points);
- Not having a mental health problem or reporting that it doesn't impact their ability to manage money, which was associated with 1.56 higher scores than reporting a 'great deal' of impact and 1.19 higher scores on average than 'not very much' for example;
- Having high life satisfaction, at 0.91 points higher on average than those with low life satisfaction.
- In contrast with the working-age adults, age, work status (as we might expect in a more homogenous group) and household income were not predictive among retirement-age adults. And recent retirement was not important.

Table 23. Predicting current financial wellbeing: demographic and socio-economic protective and risk factors (retirement-age adults)

Protective factors	Risk factors
Female Being chief income earner, solely or jointly High life satisfaction No mental health problems or no impact on ability to manage money	Renting from a private landlord Living in a small town Social grade of chief income earner is DE Physical disability or long-term health problem, but does not impact financial management

On their own, the behaviours (36%), the enablers and inhibitors (30%) and other characteristics (35%) all explained a similar proportion of the variation in current financial wellbeing scores (Figure 21). When added cumulatively to the analysis, in blocks, the enablers and inhibitors improved the ability of the behaviours to explain current financial wellbeing by 15 percentage points, and the other characteristics added a further 9 percentage points to the explanatory power of the predictors. The cumulative effect of the enablers and inhibitors and then the other characteristics among the retirement-age adults was very similar to the cumulative effects we saw earlier among working-age adults (Chapter 5).

Figure 21. Additive and relative effects of behaviours, enablers and inhibitors and other characteristics (retirement-age adults)



Notes: 1,306 retirement-age adults

Differences by income level

When the same analysis was run for retirement-age adults by income level, the behaviours and enablers and inhibitors together explained 46% of the variation in current financial wellbeing scores among those with the lowest incomes, and this was slightly higher among those with middle and higher incomes, at 52%. When the other characteristics were included, a very similar proportion of the variance was then explained for both income levels (63% and 62% respectively). This indicates that, while financial capability is important for wellbeing for both the lowest- and higher-income retirement-age adults, other characteristics play a slightly bigger role proportionately among those with the lowest incomes. In other words, financial and circumstantial constraints may be more important for those with the lowest incomes.

The pattern of influence of the capability components when all predictors were included was similar for both groups – and to those of all retirement-age adults reported above. The findings are summarised in Table 24.

Not borrowing for every day remained a particularly strong, positive predictor for both income groups, although its effect on those with middle and higher incomes was especially large (0.45 points, compared with 0.23 for the lowest-income group). Meanwhile, the positive effects of active saving (0.31 points) and managing credit use (0.18) were significant for both groups but apparently larger among those with the lowest incomes than middle and higher incomes (0.10 and 0.07 points respectively).

Table 24. Overview of current financial wellbeing predictors: behaviours and enablers and inhibitors (retirement-age adults)

Retirement-age adults	All	Lowest incomes	Middle/ higher incomes
Financial capability behaviours			
Managing credit use	↑	↑	↑
Not borrowing for every day	↑	↑	↑
Active saving	↑	↑	↑
Keeping track	↓		↓
Adjusting spending	↓	↓	↓
Building resilience	↓		
Planning for later life	↑	↑	↑
Financial capability enablers and inhibitors			
Financial confidence	↑	↑	↑
Engagement with the future	↑	↑	↑
Savings orientation	↓		
Spending self-control	↑		↑
Engagement with advice/guidance	↓		↓

Notes: 1,306 retirement-age adults (lowest incomes, 414; middle/higher incomes, 892), excluding those with missing income level information. ↑indicates a significant, positive influence. ↓indicates a significant, negative influence.

In addition, the negative influences of keeping track and engagement with advice/guidance which were previously observed among all retirement-age adults were not significant among those with the lowest incomes. The previously positive effect of spending self-control also did not reach significance for this group. This is likely to reflect, at least in part, the small sample size.

We noted earlier in this section that financial and circumstantial constraints appeared to be more important for adults of retirement age who had the lowest incomes than those with middle and higher incomes, based on the amount of variance explained by the different types of predictors. This appears to be supported by the findings summarised in Table 25. Here we can see that only a handful of demographic and socio-economic characteristics predicted current wellbeing scores among the higher-income retirement-age adults. This list was expanded to include more characteristics among those with the lowest incomes.

As such, among those retirement-age adults with the lowest incomes, identifying as female (compared with male), being from an 'other' ethnic background (compared with being White) and experiencing the retirement of oneself or one's partner were associated with higher

Table 25. Overview of current financial wellbeing predictors: other characteristics (retirement-age adults)

Retirement -age adults	All	Lowest incomes	Middle/ higher incomes
Personal characteristics			
Female	↑	↑	
'Other' ethnicity		↑	
Sole chief income earner	↑	↑	
Joint chief income earner	↑	↑	↑
High life satisfaction	↑		↑
Moderate life satisfaction		↓	↑
Physical disability or long-term health problem, which does not impact financial management	↓	↓	
Mental health problems impact a 'great deal'	↓		↓
Mental health problems impact a 'fair amount' or 'not very much'	↓	↓	
Household characteristics			
Lone parent		↓	
Renting from a private landlord	↓	↓	↓
Respondent or partner retired in the last three years		↑	
Living in a small town	↓		
Social grade of chief income earner is AB	↑		↑
Social grade of chief income earner is C1/C2	↑	↑	

Notes: 1,306 retirement-age adults (lowest incomes, 414; middle/higher incomes, 892), excluding those with missing income level information. ↑indicates a significant, positive influence. ↓indicates a significant, negative influence. – indicates that the measure was not included.

current wellbeing, all other things being equal. In addition to the positive effect of the household's chief income earner being in social grades AB compared with DE for both income groups, social grades C1 and C2 were also associated with better current wellbeing scores, but again only for the lowest-income groups. Moreover, being a lone parent had a large negative effect on average current wellbeing scores among this income group (of -1.67 points), all other things equal.

Longer-term financial security

Several of the financial capability components, including all of the planning ahead behaviours and several of the enablers and inhibitors, were independently associated with higher longer-term financial security scores among retirement-age adults. There were strong, positive effects from three behavioural components in particular:

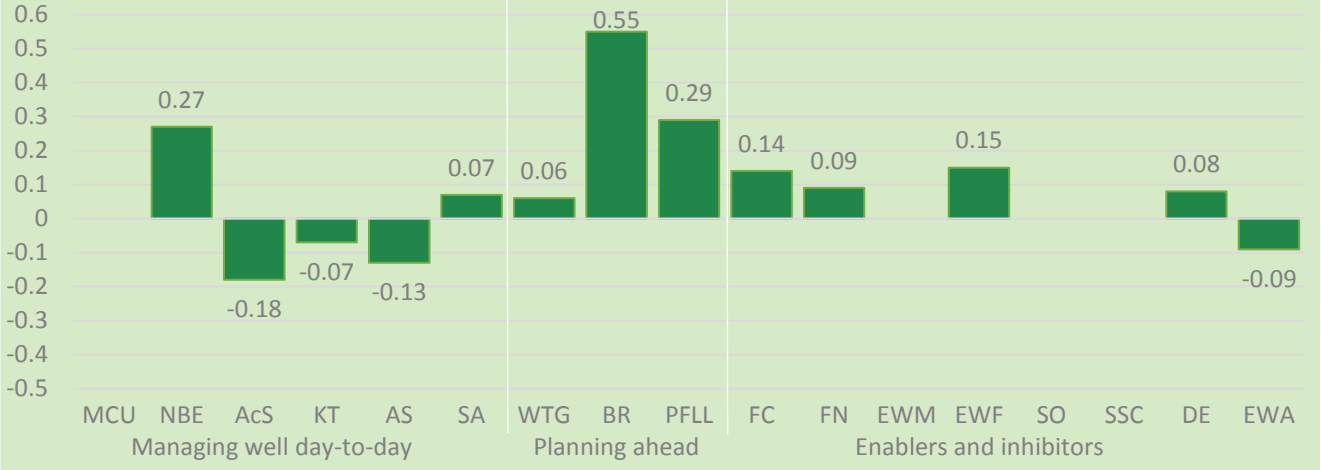
- Building resilience (BR in Figure 22), whereby every one-point increase on this behaviour was independently associated with a 0.55-point increase on longer-term financial security scores.
- Planning for later life, which predicted a 0.29-point increase on longer-term financial security; and
- Not borrowing for every day, which predicted a 0.21-point increase on longer-term financial security among adults of retirement age.

In addition to these strong effects, two of the enablers and inhibitors had moderately positive effects on the scores (financial confidence, 0.14; engagement with the future; 0.15). Other components had only weak effects.

Conversely, three of the behaviours and one of the enablers and inhibitors predicted lower longer-term financial security scores. These were active saving, keeping track, adjusting spending and engagement with advice/guidance. We have already discussed why keeping track, adjusting spending and engagement with advice/guidance might have these – at first – counterintuitive influences.

However, the finding that active saving (AcS in Figure 22) had a negative influence, all other things being equal, is new: this was not found to be the case in the analyses of working-age or all adults. In interpreting this finding, we should recall that the compositions of building resilience (which we have already noted was strongly predictive of longer-term financial security for this life-stage group) and active saving overlap somewhat. Building resilience extends the focus of saving behaviour to the longer-term, so perhaps this findings should not be too unexpected: it indicates that a focus on frequent saving, independently of longer-term saving behaviour and sums already saved is predictive of poorer longer-term security. This could be for a number of reasons, perhaps because a focus on current saving behaviour is compensating for those poorer longer-term outcomes or because a focus on the short-term is more broadly to the detriment of the longer-term for this older age group, for example. That this is the opposite effect to the one we saw in relation to current financial wellbeing above (Figure 20) appears intuitive. That it is uniquely observed among retirement-age adults, however, would seem to flag it as a particular issue and potential concern for this life-stage group.

Figure 22. Predicting longer-term financial security, capability components (retirement-age adults)



Notes: 1,306 retirement-age adults. Planning and confidence for retirement are excluded as they do not apply to retirement-age adults. The key to the component abbreviations is shown on page 17.

The amount of variation in longer-term financial security scores that was explained by the behaviours and enablers and inhibitors for this group was high, at 54%. When the demographic and socio-economic characteristics this increased only moderately – to 61%. It suggests that the demographic and socio-economic characteristics are not very important on the whole.

Indeed, when these other characteristics were added, there was little moderation of the components which we noted above influenced longer-term financial security positively. The important, positive effects of not borrowing for every day, building resilience and planning for later life remained strong (at 0.29, 0.44 and 0.21 respectively). The negative influences of active saving and keeping track were reduced slightly (to -0.13 and -0.11 respectively) and the previously negative influences of adjusting spending and engagement with advice/guidance were no longer significant.

Moreover, there were very few several demographic and socio-economic characteristics which were independently related to longer-term financial security, over and above the effects of the components (Table 26). The most notable effects were from:

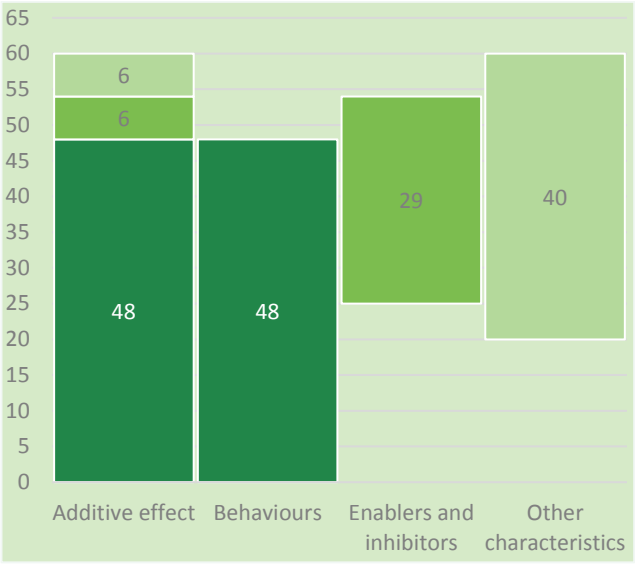
- Housing tenure, whereby owning the home outright or with a mortgage predicted around one-point higher longer-term financial security scores (1.29 and 0.99 respectively), and living in 'another' arrangement predicted nearly two-point higher scores (1.94) compared with renting privately;
- The self-employed among the retirement-age adults, who had over one-point higher scores on average than their counterparts who were retired (or semi-retired) or in full-time employment (1.12 and 1.08 points respectively); and
- Household income, for which compared with the lowest income, every other quintile had significantly higher scores, all other things being equal. This ranged from 0.34-point higher scores among those in the second quintile to 0.71-point higher scores for those in the highest income quintile at the high end of the range.

Table 26. Predicting longer-term financial security: demographic and socio-economic protective and risk factors (retirement-age adults)

Protective factors	Risk factors
Self-employment Home is owned (inc. with a mortgage) Has 'another' living arrangement Social grade of chief income earner is AB	Lowest income quintile

When considering the relative importance of each of the blocks of predictors on their own, it is clear that financial capability behaviours had the strongest influence on longer-term financial security among adults of retirement age (explaining 48% of the variance in scores; Figure 23). Demographic and socio-economic characteristics also accounted for a large proportion of the variance (40%), while the enablers and inhibitors accounted for somewhat less in comparison (at 29%). As such, the cumulative effect of the enablers and inhibitors and the other characteristics, over and above the effects of the behaviours was very small, at only 6% each. This emphasises the importance of financial capability behaviour on longer-term financial security among retirement-age adults as a whole, as we also saw for working-age adults.

Figure 23. Additive and relative effects of behaviours, enablers and inhibitors and other characteristics (retirement-age adults)



Differences by income level

Compared with the findings for all retirement-age adults, the positive effects of not borrowing for every day and building resilience were apparently stronger still among those with middle and higher incomes (at 0.40 and 0.50 respectively); and stronger still among those on the lowest incomes (0.60 points). In turn, the negative effect of active saving was somewhat bigger among those with middle and higher incomes (-0.22, compared with -0.15 among those with the lowest incomes). Conversely, the negative effect of adjusting spending on longer-term financial security was stronger among those with the lowest incomes (-0.17) than those with middle and higher incomes, all other things being equal (-0.09). The components which remained significant are noted in Table 27.

The proportion of variation in longer-term financial security scores was similar for the lowest and higher-income retirement-age adults when only the financial capability components were considered (42% and 40% respectively). The gap widened when the demographic and socio-economic characteristics were also included – to 66% and 55% respectively. This highlights the bigger role of demographic and socio-economic characteristics among retirement-age adults with comparatively lower incomes when financial capability is taken into account.

The characteristics which were particularly strongly related to longer-term financial security among the lowest-income retirement-age adults were:

Table 27. Overview of longer-term financial security predictors: behaviours and enablers and inhibitors (retirement-age adults)

Retirement-age adults	All	Lowest incomes	Middle/ higher incomes
Financial capability behaviours			
Managing credit use			
Not borrowing for every day	↑		↑
Active saving	↓	↓	↓
Keeping track			
Adjusting spending	↓	↓	↓
Shopping around		↓	↑
Working towards goals	↑	↑	
Building resilience	↑	↑	↑
Planning for later life	↑	↑	↑
Financial capability enablers and inhibitors			
Financial confidence	↑	↑	↑
Financial numeracy	↑		↑
Engagement with money			
Engagement with the future	↑		↑
Savings orientation			
Spending self-control		↑	
Digital engagement	↑		↑
Engagement with advice/guidance			↓

Notes: 1,306 retirement-age adults (lowest incomes, 414; middle/higher incomes, 892), excluding those with missing income level information. ↑indicates a significant, positive influence. ↓indicates a significant, negative influence.

- Being a lone parent (which decreased scores by an average of 2.34 points compared with couples with children);
- Reporting that mental health problems impacted their ability to manage their money a 'fair amount' (-1.31 points compared with reporting no impact or no problems);
- Owning the home outright (which predicted 1.81 higher longer-term financial security scores compared with renting privately); and
- The household's chief income earner being in social grade C1 (which predicted 1.06 higher longer-term financial security scores than grades DE).

Other factors included moderate or high life satisfaction, which predicted lower longer-term financial security scores (of -0.85 and -0.68 points respectively) among those with the lowest incomes. Those living in multi-adult households without children had 0.63-point higher longer-term financial security than couple households without children, all other things being equal. The full results are summarised in Table 28.

Table 28. Overview of longer-term financial security predictors: other characteristics (working-age adults)

Retirement-age adults	All	Lowest incomes	Middle/ higher incomes
Personal characteristics			
Asian ethnicity			↑
Self-employment	↑		
Moderate or high life satisfaction		↓	
Physical disability or long-term health problem, which does not impact financial management			↑
Mental health problems impact a 'fair amount'		↓	
Household characteristics			
Lone parent		↓	
Multi-adult household, no children		↑	↓
Home is owned outright	↑	↑	↑
Home is owned with a mortgage	↑		↑
'Another' living arrangement	↑		↑
Lowest income quintile	↓	-	-
Social grade of chief income earner is AB	↑		↑
Social grade of chief income earner is C1		↑	

Notes: 1,306 retirement-age adults (lowest incomes, 414; middle/higher incomes, 892), excluding those with missing income level information. ↑indicates a significant, positive influence. ↓indicates a significant, negative influence. – indicates that the measure was not included.

Of the characteristics noted for the lowest-income group, only owning the home outright and living in a multi-adult household without children were important factors among the retirement-age adults with middle and higher incomes; and the effect of living in a multi-adult household without children was negative among this group (-0.52 points) while it was positive among those with the lowest incomes. Apart from this, the effects of different household compositions were similar among the higher-income group as they were for all adults of retirement age, reported above.

Perhaps most notably for the higher-income group, being from an Asian background was associated with 1.46-point higher longer-term financial security scores on average compared with being White, all others things equal. Additionally, describing one's housing tenure as being 'another' type of arrangement was associated with nearly three-points higher longer-term financial security scores (2.91) than the reference category of living in private rented accommodation; whilst living in a home owned outright or with a mortgage predicted only around one-point higher scores in comparison (1.01 and 1.03 respectively). Reporting having a physical disability or long-term health problem which did not impact their financial management also predicted higher longer-term financial security scores for this group, but only by an average of 0.26 points compared with reporting no physical disability or long-term health problems at all, all other things being equal.

Appendix 1: Explanation of the main statistical techniques used

Principal components analysis

A principal components analysis (PCA) is a multivariate technique for exploring the common underlying components of a set of variables. It is a type of exploratory factor analysis and it identifies the hidden (latent) variables ('components') underlying a set of data but which are not themselves amenable to direct measurement. It reflects the idea that a set of measures – such as survey questions – is greater than the sum of its individual parts and that a range of latent common factors in turn helps to explain the variations in the observed measures. To this end, it is also a technique for the reduction of data, where there may be an unmanageable number of seemingly disparate variables, to a smaller set of more meaningful constructs without losing the richness of the data.

The number of components returned by a PCA is equivalent to the number of measures entered into it. Selecting the number of factors to take forward to adequately represent your data is a complex process which ultimately needs to be done by judgement. Several diagnostic approaches are available to aid this decision, and the most important diagnostic statistic to inform our selection was the eigenvalue (which is an individual component's substantive share of the total variation represented by the original measures; if it is greater than 1 then it represents the equivalent of at least one original measure), compared against a Monte Carlo parallel run (which estimates the number of factors and their associated eigenvalues based on random sampling), and a scree plot which shows the fall away in the size of the eigenvalue with each successive factor.

The resulting components must then be interpreted, and this is undertaken with reference to the observed variables which relate to each component most closely (measured using a type of regression coefficient, see below, and rotated around an axis to emphases the apparent differences between the components, in this instance using orthogonal rotation). No single variable can adequately capture a resulting component (otherwise, it will be identical to the original variable), but it is instead best measured by a combination of relevant variables. This is why the components of financial capability which are reported in this report are all composites (with the exclusion of 'financial numeracy' which is the simple sum of correct answers to a set of questions).

PCA was undertaken on unweighted data.

Regression analysis

Regression analysis is a statistical technique for exploring the relationships between measures. In simple regression an assumption is made that a single independent (predictor) variable has linear (straight line) relationship with a dependent (outcome) variable; for example age with Internet engagement. The regression model estimates the strength and direction (i.e. up or down) of change in the outcome variable that is associated with one-unit change (up or down) in the value of the predictor variable and the minimum possible value (known as the 'constant') of the outcome when the value of the predictor is equivalent to zero. This is given by the coefficient. A regression coefficient differs slightly from the coefficient returned in a correlation analysis, which is simply a measure of the strength and direction of relationship between two measures (a correlation does not quantify the effect of change in one measure on the other).

Multiple regression is an extension of this which simultaneously considers the relationship of several predictor variables with the outcome variable. This has the advantage of enabling the *independent* relationship of each predictor variable with the outcome to be estimated while simultaneously controlling for the effects of all of the other predictors included in the analysis. This results in an estimate of the *unique* influence of one component (or any other characteristics) on another, in terms of the size of that relationship and whether or not it is statistically significant and whether an improvement in one is also associated with an improvement – or a deterioration – in the other. This enables stronger conclusions about the influence of each characteristic to be drawn; however, and cause-and-effect relationship remains unknown except in relation to any theoretical assumptions or interpretations which can be drawn from the findings. The size and direction of the relationship is given by the 'coefficient', with a negative sign (-) indicating that as the score on a predictor measure increases the score on the outcome decreases. The statistical significance of the coefficient is given by the p-value (probability). Only those coefficients which are shown to have a statistically significant relationship with the outcome at the 5% level of significance (where $p<0.05$) are included in the tables ad charts and discussed in the text.

The interpretation of the regression coefficient differs slightly depending on whether the predictor is a scale variable (as in the case of our components) or a categorical variables (as in the case of someone's work status, for example). For statistically significant scale variables, a one-point increase in the value of the predictor is associated with change in the outcome score by the value given by the coefficient. For statistically significant categorical variables, it is necessary to select a 'reference category' (e.g. full-time work) and switching from this reference category to another group of interest is associated with a change in the outcome score by the amount given by the coefficient.

In multiple regression, the overall explanatory power of a set of predictor variables in predicting an outcome is estimated. This is given by the adjusted r-square, which is the amount of variance (or variation) in the outcome measure which is estimated as being explained by the predictors as a whole in the population. The r-square is given as a proportion and can be easily converted to describe the percentage of variation explained by the available characteristics. As such, it provides an estimate of the total effect size. The r-square value can vary widely in social science, and in survey-based social research an r-square of as little as 0.10 (explaining 10 per cent of the variation in a phenomenon) can still have important implications for practice and policy.

Regression analysis was undertaken weighted.

Appendix 2: Replicating the 2015 components in the 2018 data

All of the components derived using the 2015 survey could be reproduced in the 2018 data (because the same or very similar survey items were asked in both surveys). This enabled us to undertake a replication process using the 2018 data in order to help validate these components.

The results are shown in the tables below. Any definitional differences between 2015 and 2018 are noted. The structural coefficients show the 'loadings' of the survey items onto the components. The internal consistency of the variables identified for inclusion in the component is given by the Cronbach's alpha coefficient of test reliability.

Financial numeracy is omitted because it was not derived using principal components analysis (and was instead a simple sum of correct answers).

There are clear similarities in the results of the 2018 replication process compared with the 2015 results. The results of this analysis offers confidence and reassurance around the construct validity of the financial capability components as a whole – and the process used to derive them – and the reliability and stability of the components over time and across samples.

Table A2a Financial wellbeing outcomes

2015 component and survey items	Definitional differences in 2018 data	Structural coefficients	
Current financial wellbeing		**2018**	**2015**
Burden of bills/credit commitments	-	0.48	0.47
Keeping up with bills and commitments	-	0.47	0.46
Thinking about my financial situation makes me anxious	-	0.44	0.41
Satisfaction with financial circumstances	-	0.43	0.39
Missed payments or incurred charges in last 6 months (count type)	Dropped	-	0.36
How would pay unexpected bill of £300	-	0.41	0.34
Cronbach's alpha reliability coefficient		0.82	0.79
Longer-term financial security			
Biggest unexpected bill could pay	Banded response options resulting in fewer codes	0.56	0.53
Longer-term savings products held (count type)	-	0.51	0.53
Savings to income ratio (respondent and partner), banded	Same survey questions and item definition but the underlying derivation methodology may be different.	0.50	0.51
Loss protection (count type)	Different survey question structure but same derivation	0.43	0.42
Cronbach's alpha reliability coefficient		0.71	0.72

Table A2b Financial capability behaviours

2015 component and survey items	Definitional differences in 2018	Structural coefficients	
Manages credit use		**2018**	**2015**
Total unsecured borrowing (respondent and partner), banded	Excludes Student Loan Company loans	0.59	0.52
Credit card repayments	Slightly revised response options	0.53	0.44
Level of plan for paying down debts	-	0.44	0.42
Unsecured borrowing - more/less than average	Dropped	-	0.40
Credit card balances - little/lot less/more than year ago	Dropped	-	0.32
I hate to borrow – I would much rather save up in advance	-	0.41	0.32
Cronbach's alpha reliability coefficient		0.62	0.64
Active saver			
Saves for unexpected expense (count)	-	0.59	0.61
Saves for expected expense (count)	-	0.60	0.61
Savings - whether save every month	-	0.54	0.52
Cronbach's alpha reliability coefficient		0.59	0.63
Keeps track			
Household budgeting - how keep track	Revised response options	0.43	0.52
Whether keep track of incoming	Revised response options	0.52	0.52
How accurately know current account balance	Question wording revised to take account of unbanked	0.44	0.45
Current account - how often check balance	-	0.50	0.39
Adjusts money spent on non-essentials when life changes	-	0.31	0.31
Cronbach's alpha reliability coefficient		0.50	0.49
Building resilience			
Saves for expected expense (count)	-	0.57	0.54
What planned expenses are saving for (count)	-	0.56	0.52
Total savings (respondent and partner), banded	Different question structure	0.39	0.47
Saves for unexpected expense (count)	-	0.45	0.46
Cronbach's alpha reliability coefficient		0.73	0.83
Works towards goals			
What financial goals have (count)	Additional response options in survey; omitted here	0.71	0.71
Specific/very rough/rough plan to achieve goals	Missing variable/loop for 'other'	0.71	0.71
Cronbach's alpha reliability coefficient		0.71	0.69

Table A2c Financial capability enablers and inhibitors

2015 component and survey items	Definitional differences in 2018	Structural coefficients	
Savings mindset		**2018**	**2015**
How important is it to keep track of income and expenditure	-	0.51	0.52
How important is it to save money for a rainy day	-	0.53	0.50
How important is it to shop around in order to make your money go further	-	0.49	0.49
How important is it to put aside money for your retirement	-	0.47	0.49
Cronbach's alpha reliability coefficient		0.80	0.76
Internet engagement			
Happy to use the Internet to carry out day to day banking	-	0.71	0.71
Hours spent using Internet in last week	Minor changes to response options	0.71	0.71
Cronbach's alpha reliability coefficient		0.68	0.61
Financial confidence			
How confident managing your money	-	0.71	0.71
How confident making decisions financial products & services	-	0.71	0.71
Cronbach's alpha reliability coefficient		0.88	0.84
Self-controlled spending			
I often buy things on impulse	-	0.71	0.71
Feel under pressure to spend like my friends	-	0.71	0.71
Cronbach's alpha reliability coefficient		0.66	0.57
Financial engagement			
I prefer to live for today rather than plan for tomorrow	-	0.60	0.60
Nothing I do will make much difference to my financial situation	-	0.58	0.57
I am too busy to sort out my finances at the moment	-	0.55	0.56
Cronbach's alpha reliability coefficient		0.59	0.57

Appendix 3: Financial capability component scores in 2018 by key characteristics

Table A3a Financial capability scores, by key characteristics (all adults)

	Current financial wellbeing	Longer-term financial security	Managing credit use	Not borrowing for every day	Active saving	Keeping track	Adjusting spending	Shopping around	Working towards goals	Building resilience	Planning for retirement	Planning for later life	Financial confidence	Financial numeracy	Engagement with money	Engagement with the future	Confidence for retirement	Savings orientation	Spending self-control	Digital engagement	Engagement with advice/guidance	Unweighted base
Life-stage																						
Working age	6.5	4.5	7.4	8.0	4.2	7.3	6.5	5.1	5.1	3.0	3.6	.	7.4	5.1	5.8	6.5	5.7	7.8	6.0	7.4	5.8	4,668
Retirement age	8.0	5.5	8.7	9.5	3.7	7.0	5.5	3.5	3.6	2.4	.	6.1	8.1	5.8	6.0	6.9	.	7.9	8.0	4.2	4.3	1,306
Equivalised income quintiles																						
Lowest incomes	6.2	3.6	8.0	7.8	3.2	6.8	6.1	3.9	4.0	2.1	2.5	5.6	7.0	3.6	5.1	6.1	4.9	7.5	6.0	5.9	5.2	1,344
Middle/higher incomes	7.0	5.0	7.5	8.4	4.4	7.3	6.3	5.1	5.0	3.1	3.9	6.3	7.7	5.7	6.0	6.7	5.9	7.9	6.5	7.0	5.6	4,583
Missing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	47
Financial resilience segment																						
Struggling	6.2	3.7	7.7	8.1	3.5	7.4	6.4	4.4	4.3	2.3	2.9	5.7	7.3	4.2	5.5	6.5	5.3	7.7	6.3	6.6	5.6	1,237
Squeezed	6.4	4.3	7.1	7.7	4.4	7.2	6.5	5.3	5.3	3.1	3.3	4.3	7.3	5.0	5.8	6.4	5.4	7.8	5.7	7.8	6.0	1,347
Cushioned	7.3	5.5	7.9	8.6	4.4	7.2	6.2	5.0	5.0	3.2	4.2	6.4	7.9	5.9	6.1	6.9	6.1	7.9	6.8	6.8	5.5	2,795
Not matched	6.9	4.2	7.8	8.5	3.8	6.8	5.7	4.1	4.2	2.5	3.8	5.1	7.4	5.0	5.3	6.1	5.7	7.6	6.4	4.4	4.6	595

Notes: Planning for retirement and confidence for retirement scores are based on working-age adults only. Planning for later life scores are based on retirement-age adults only. '.' Indicates no cases in sample. '–' indicates scores have been suppressed due to a low unweighted base.

Table A3b Financial capability scores, by personal characteristics (all adults)

	Current financial wellbeing	Longer-term financial security	Managing credit use	Not borrowing for every day	Active saving	Keeping track	Adjusting spending	Shopping around	Working towards goals	Building resilience	Planning for retirement	Planning for later life	Financial confidence	Financial numeracy	Engagement with money	Engagement with the future	Confidence for retirement	Savings orientation	Spending self-control	Digital engagement	Engagement with advice/guidance	Unweighted base
Gender identification																						
Male	6.9	4.9	7.5	8.0	4.2	7.1	6.1	5.0	4.9	3.0	4.1	5.8	7.7	5.5	5.5	6.7	6.2	7.6	6.1	6.8	5.8	2,812
Female	6.7	4.5	7.8	8.5	4.1	7.3	6.4	4.7	4.7	2.9	3.2	6.3	7.4	4.9	6.1	6.5	5.2	8.0	6.6	6.7	5.3	3,156
In another way	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	6
Age group																						
18-24	6.4	3.6	8.0	7.5	3.9	6.8	6.3	4.6	5.6	2.7	2.5	.	6.8	4.0	5.5	6.4	4.9	7.4	5.2	7.9	5.9	812
25-44	6.4	4.4	6.8	7.3	4.5	7.3	6.7	5.8	5.4	3.2	3.8	.	7.5	4.6	5.5	6.7	5.8	7.8	5.3	7.8	6.2	1,840
45-64	6.7	5.0	7.8	8.9	4.1	7.3	6.2	4.6	4.6	3.0	3.9	.	7.6	6.0	6.2	6.4	5.9	7.9	7.0	6.7	5.4	2,016
65-74	7.9	5.6	8.4	9.5	3.8	7.3	5.8	4.0	4.0	2.6	.	5.7	8.2	6.1	6.2	6.9	.	8.0	8.0	4.9	4.6	765
75+	8.3	5.5	9.1	9.7	3.5	6.7	5.0	2.8	3.0	2.1	.	6.5	8.0	5.3	5.7	6.8	.	7.8	8.1	3.3	4.0	541
Broad ethnic group																						
White	6.8	4.8	7.7	8.3	4.1	7.3	6.3	4.8	4.8	2.9	3.7	6.1	7.6	5.3	5.8	6.6	5.7	7.9	6.5	6.7	5.5	5,631
Asian	6.4	4.0	7.6	7.3	3.9	6.2	6.6	4.9	5.2	2.9	3.1	5.8	6.9	3.9	5.1	6.9	5.3	7.3	5.3	7.5	5.5	133
Other ethnicity	6.2	3.9	7.1	7.2	4.5	7.3	6.5	5.4	5.8	3.1	3.8	2.6	7.0	4.7	5.6	6.6	5.8	7.3	5.2	7.2	6.0	159
Prefer not to say	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	51
Work status																						
Education or training	6.5	3.3	8.6	8.0	3.6	6.8	6.3	4.0	5.5	2.5	1.6	.	6.7	4.6	5.8	6.3	4.3	7.4	5.4	8.0	5.6	316
Employed full time	6.8	5.0	6.9	7.5	4.8	7.3	6.7	5.9	5.7	3.4	4.3	4.1	7.6	5.1	5.7	6.9	6.3	7.8	5.5	7.8	6.2	2,192
Employed par time	6.5	4.8	7.6	8.4	4.4	7.4	6.6	5.0	5.1	3.2	3.5	5.6	7.5	5.4	6.0	6.5	5.4	8.1	6.4	7.0	5.7	660
Self-employed	6.7	5.3	7.6	8.3	4.5	7.3	6.2	5.1	5.0	3.5	3.5	5.4	7.9	6.1	6.1	6.5	5.8	8.0	6.7	7.3	5.9	333
Fully or semi-retired	8.0	5.6	8.7	9.5	3.8	7.1	5.5	3.5	3.6	2.5	5.5	6.1	8.1	5.9	6.1	6.9	7.6	7.9	8.0	4.5	4.4	1,501
Unemployed and looking for work	4.8	2.3	8.3	8.1	2.1	7.1	6.1	3.1	3.1	1.4	1.8	.	6.5	3.9	5.2	5.6	4.0	7.4	6.2	6.1	5.0	252
Other	5.7	3.2	7.9	8.7	3.1	7.3	6.0	3.8	3.6	2.1	2.2	4.4	6.8	4.2	5.7	5.7	4.5	7.7	6.9	6.5	5.1	720
Experienced a major drop in earning in last three years*																						
No	6.7	4.5	7.4	8.1	4.2	7.2	6.4	5.1	5.0	3.0	3.6	.	7.5	5.0	5.8	6.5	5.7	7.8	6.1	7.4	5.7	3,827
Yes	5.8	4.5	7.1	7.3	4.3	7.4	6.7	5.3	5.5	3.2	3.9	.	7.2	5.3	5.5	6.5	5.7	7.9	5.6	7.4	6.5	841

Table continues...

Checked benefits entitlement in last three years																						
No	7.0	4.9	7.8	8.6	4.2	7.1	6.1	4.6	4.7	3.0	3.4	6.1	7.5	5.4	5.9	6.5	5.6	7.8	6.5	6.7	5.2	3,691

Yes - in receipt	6.3	4.3	7.2	7.5	3.9	7.6	6.8	5.2	4.8	2.7	4.1	5.9	7.7	4.8	5.4	6.8	6.0	7.9	6.0	6.6	6.2	1,495
Yes - not in receipt	6.9	5.5	7.5	8.4	5.0	7.7	6.8	5.9	5.8	3.6	4.6	6.3	7.9	6.3	6.3	7.2	6.4	8.3	6.8	7.5	6.2	521
Don't know	6.3	3.4	7.6	7.7	3.3	6.3	5.7	4.2	4.2	2.2	2.7	5.6	6.7	2.8	5.5	6.0	5.0	7.2	6.0	6.7	5.2	267
Chief income earner																						
Me	6.9	4.9	7.5	8.1	4.2	7.3	6.3	5.0	4.8	2.9	4.1	6.2	7.7	5.3	5.7	6.7	6.1	7.8	6.2	6.7	5.7	3,713
Me jointly	6.6	4.4	7.5	8.2	4.0	7.1	6.4	4.9	4.8	2.7	3.5	5.4	7.3	4.9	5.8	6.6	5.6	7.7	6.2	6.6	5.6	781
Another h'hld member	6.8	4.4	8.0	8.7	4.1	7.1	6.2	4.4	4.8	2.9	2.7	6.2	7.2	5.2	6.2	6.3	4.9	7.9	6.8	7.0	5.2	1,480
Physical disability of long-term health condition on financial management																						
Yes	6.1	4.3	7.7	7.9	3.6	7.3	6.3	4.1	4.3	2.5	3.3	6.3	7.1	4.8	5.3	6.3	5.0	7.8	6.2	6.2	5.7	1,649
No	7.1	4.9	7.6	8.4	4.4	7.2	6.3	5.1	5.1	3.1	3.8	6.0	7.7	5.4	6.0	6.7	6.0	7.9	6.4	7.0	5.5	4,150
Don't know	6.3	3.7	7.6	8.0	2.9	6.3	5.5	4.0	3.7	1.9	2.4	4.0	6.7	3.4	5.7	5.7	4.6	6.8	6.5	6.5	5.3	175
Impact of mental health problems on ability to manage money																						
Great deal	4.7	4.3	5.6	4.2	4.0	7.3	7.5	6.0	5.6	2.9	5.1	6.2	7.1	3.5	3.6	6.9	6.2	8.1	2.8	7.4	7.6	273
Fair amount	5.0	3.5	6.8	6.6	3.4	7.3	6.5	4.9	4.8	2.3	3.1	4.8	6.1	3.9	4.7	5.8	4.9	7.4	4.8	7.3	6.5	336
Not very much	5.6	3.8	7.4	7.8	3.8	7.5	6.6	4.8	5.2	2.8	2.9	6.1	6.8	5.1	5.7	6.2	5.0	7.8	5.7	7.4	6.2	358
Not at all (inc. no problems)	7.2	4.9	7.8	8.7	4.3	7.2	6.2	4.8	4.8	3.0	3.7	6.1	7.8	5.5	6.0	6.7	5.9	7.9	6.8	6.6	5.3	4,850
Don't know/prefer not to say	5.9	3.6	7.9	8.1	3.5	6.8	5.8	3.8	3.9	2.2	2.1	3.6	6.6	3.9	5.9	5.9	4.2	7.1	6.5	7.0	5.5	147
Life satisfaction																						
Low	4.7	3.2	7.6	7.8	3.0	7.2	6.0	3.8	3.8	2.1	2.0	6.5	5.7	4.5	5.6	5.3	3.6	7.8	6.4	6.8	5.6	574
Mid (inc. don't know)	5.9	4.0	7.5	8.2	3.7	7.2	6.1	4.7	4.5	2.6	3.0	5.3	6.8	5.0	5.7	5.9	4.9	7.6	6.3	6.8	5.6	1,555
High	7.5	5.2	7.7	8.4	4.5	7.2	6.4	5.0	5.1	3.2	4.2	6.2	8.1	5.4	5.9	7.1	6.5	7.9	6.4	6.7	5.5	3,845
On track for a reasonable retirement income*																						
Strongly agree	7.8	6.1	7.3	7.3	5.5	7.6	6.9	6.2	6.4	3.9	6.4	.	8.7	5.2	5.7	8.1	8.6	8.6	6.0	7.5	6.5	621
Tend to agree	7.2	5.5	7.3	8.0	5.0	7.3	6.7	6.0	5.9	3.6	4.8	.	8.0	5.8	5.9	7.1	6.9	8.0	6.0	7.6	6.1	1,281
Neither agree nor disagree	6.5	4.2	7.3	8.1	4.1	7.1	6.3	5.3	4.9	2.8	3.3	.	7.1	4.6	5.7	6.3	5.4	7.3	5.7	7.3	5.5	1,018
Tend to disagree	6.0	3.9	7.3	8.2	3.6	7.1	6.5	4.6	4.6	2.6	2.5	.	7.0	5.0	5.9	6.0	4.5	7.6	6.0	7.5	5.6	600
Strongly disagree	4.7	2.6	7.5	7.9	2.8	7.4	6.2	3.7	3.8	2.0	1.2	.	6.1	4.9	5.6	5.1	2.9	7.7	6.3	7.0	5.6	740
Don't know	6.3	3.4	7.8	8.5	3.6	6.6	5.7	3.3	4.0	2.3	1.6	.	6.9	4.1	5.8	5.9	4.1	7.5	6.3	7.0	5.1	408

Notes: Planning for retirement and confidence for retirement scores are based on working-age adults only. Planning for later life scores are based on retirement-age adults only. '.' Indicates no cases in sample. '–' indicates scores have been suppressed due to a low unweighted base. *Asked of working-age adults only.

Table A3c Financial capability scores, by household characteristics (all adults)

	Current financial wellbeing	Longer-term financial security	Managing credit use	Not borrowing for every day	Active saving	Keeping track	Adjusting spending	Shopping around	Working towards goals	Building resilience	Planning for retirement	Planning for later life	Financial confidence	Financial numeracy	Engagement with money	Engagement with the future	Confidence for retirement	Savings orientation	Spending self-control	Digital engagement	Engagement with advice/guidance	Unweighted base
Area type																						
A city or large town	6.7	4.5	7.4	7.7	4.3	7.1	6.4	5.1	5.1	3.1	3.7	5.6	7.5	4.9	5.5	6.7	5.9	7.7	5.8	7.2	5.9	2,704
A small town	6.9	4.7	7.9	8.7	3.9	7.3	6.1	4.5	4.5	2.7	3.4	6.1	7.5	5.3	6.0	6.6	5.4	7.9	6.9	6.2	5.2	2,284
A village	7.1	5.3	7.8	8.9	4.1	7.4	6.1	4.6	4.7	3.0	3.8	6.6	7.8	6.0	6.4	6.5	5.7	8.0	7.2	6.8	5.2	987
Household composition																						
Single adult household	6.9	4.5	8.3	9.0	3.7	7.3	5.7	3.6	3.7	2.4	3.0	6.3	7.6	5.4	5.8	6.3	5.1	7.8	7.1	5.6	5.0	1,356
Couple without children	7.5	5.5	7.9	9.0	4.4	7.2	6.1	4.7	4.8	3.2	4.1	6.0	7.8	5.7	6.3	6.8	6.0	7.9	7.1	6.4	5.2	1,739
Lone parent with child'n	5.8	3.8	7.3	7.1	3.7	7.7	6.9	5.6	5.1	2.3	3.6	6.4	7.5	4.0	5.5	6.2	5.9	8.1	6.0	7.2	6.4	232
Couple with child'n	6.5	4.8	6.5	7.1	4.5	7.3	6.9	6.3	5.7	3.3	4.3	4.9	7.7	4.8	5.3	6.9	6.2	7.9	5.1	7.6	6.3	1,057
Multi-adult without child'n	6.6	4.0	8.1	8.5	3.9	7.1	6.1	4.3	4.8	2.7	2.7	5.4	7.2	5.2	6.0	6.3	5.0	7.8	6.5	7.2	5.3	1,220
Multi-adult with child'n	6.2	4.3	6.8	6.8	4.1	7.1	6.8	5.5	5.4	2.8	3.9	5.4	7.5	4.6	4.9	6.8	6.0	7.7	5.3	7.4	6.0	323
Missing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	47
Housing tenure																						
Own outright	7.9	6.4	8.1	8.7	4.6	7.2	6.2	4.9	4.8	3.5	5.3	6.6	8.3	5.9	6.1	7.4	7.2	8.0	7.1	6.2	5.3	2,097
Own with a mortgage	6.8	5.2	7.0	8.0	4.7	7.3	6.6	5.8	5.5	3.3	4.1	5.8	7.7	5.5	5.9	6.7	6.0	7.9	6.0	7.6	6.0	1,339
Rent from private landlord	6.0	3.2	7.4	7.9	3.5	7.3	6.3	4.6	4.7	2.4	2.9	4.2	6.9	4.7	5.5	6.0	5.0	7.6	5.8	7.0	5.6	949
Rent from social landlord	6.1	2.9	8.1	8.6	2.9	7.4	6.0	3.2	3.3	1.8	2.2	5.3	7.1	4.0	5.3	6.0	4.7	7.6	6.8	5.2	4.9	1,090
Live with your family	6.6	3.7	8.6	8.3	4.0	6.7	5.9	3.8	5.1	2.7	1.9	7.0	6.7	4.7	6.0	6.1	4.3	7.7	6.1	7.9	5.4	427
Another arrangement	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	37
Don't know	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	35
Major life event in last three years																						
No	7.0	4.7	7.9	8.8	3.9	7.1	6.0	4.4	4.4	2.7	3.4	5.9	7.5	5.5	6.0	6.5	5.5	7.8	6.8	6.5	5.2	4,128
Yes	6.5	4.8	7.0	7.3	4.6	7.3	6.8	5.6	5.7	3.3	4.1	7.0	7.6	4.6	5.4	6.8	6.0	7.8	5.4	7.3	6.3	1,846

Table continues...

Respondent or partner retired in last three years**																						
No	8.1	5.5	8.8	9.6	3.6	7.0	5.4	3.3	3.4	2.3	.	6.1	8.1	5.6	6.0	6.9	.	7.9	8.0	4.1	4.2	1,160
Yes	8.0	6.2	8.2	9.3	4.3	7.5	5.9	4.4	4.7	3.2	.	6.1	8.5	6.9	6.3	7.0	.	8.1	7.9	5.7	5.1	146
Equivalised household income quintile (within life-stage)																						
Lowest	6.2	3.6	8.0	7.8	3.2	6.8	6.1	3.9	4.0	2.1	2.5	5.6	7.0	3.6	5.1	6.1	4.9	7.5	6.0	5.9	5.2	1,344
Second	6.0	3.7	7.4	7.9	3.6	7.4	6.6	4.9	4.5	2.4	3.0	5.2	7.1	4.6	5.6	6.2	5.1	7.8	6.1	6.7	5.5	1,082
Third	6.9	4.7	7.8	8.6	4.1	7.3	6.4	4.8	4.7	2.7	3.5	6.4	7.7	5.5	5.9	6.7	5.7	7.9	6.7	6.5	5.5	1,257
Fourth	7.2	5.4	7.4	8.3	4.6	7.4	6.3	5.4	5.3	3.4	4.3	6.1	7.9	5.9	5.9	6.8	6.2	7.9	6.4	7.2	5.8	1,120
Highest	7.8	6.2	7.5	8.8	5.3	7.3	6.1	5.2	5.6	4.0	4.7	6.8	8.1	6.6	6.5	7.1	6.4	7.9	6.7	7.6	5.7	1,124
Missing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	47
Income each week																						
Exactly the same	6.9	4.6	7.7	8.3	4.0	7.3	6.3	4.5	4.5	2.7	3.9	6.3	7.7	5.0	5.6	6.8	5.9	8.0	6.5	6.3	5.4	2,433
Roughly the same	6.9	4.9	7.5	8.3	4.4	7.3	6.3	5.1	5.1	3.2	3.7	5.8	7.5	5.6	5.9	6.6	5.7	7.8	6.3	7.1	5.7	2,469
Varies	6.6	4.7	7.6	8.1	4.1	7.2	6.4	5.3	5.2	2.9	3.5	6.3	7.6	4.9	5.8	6.6	5.7	7.6	6.3	7.0	5.7	730
Varies a lot	6.5	4.4	7.9	8.3	4.0	6.7	5.9	4.3	4.4	2.9	2.7	6.9	7.1	5.5	6.1	5.8	4.9	7.7	6.5	7.1	5.7	223
Don't know	6.7	3.1	8.5	8.6	2.5	5.6	5.0	3.5	3.3	1.5	1.8	3.8	6.6	2.7	5.6	5.6	4.3	6.5	6.5	6.3	4.4	119
Social grade of chief income earner																						
AB	7.3	5.7	7.3	7.7	4.8	7.1	6.4	5.6	5.7	3.6	4.7	6.8	8.0	5.8	5.9	7.1	6.5	7.9	5.9	7.5	6.2	1,462
C1	6.9	4.8	7.4	8.2	4.5	7.3	6.4	5.2	5.2	3.2	3.7	6.3	7.6	5.5	6.0	6.7	5.7	7.9	6.1	7.3	5.6	1,621
C2	6.9	4.6	7.8	8.5	4.1	7.2	6.2	4.6	4.7	2.8	3.5	6.1	7.6	4.9	5.8	6.6	5.8	7.9	6.7	6.3	5.2	1,247
DE	6.1	3.5	8.2	8.7	3.0	7.2	6.0	3.8	3.5	1.9	2.3	5.4	7.0	4.5	5.5	6.0	4.6	7.6	6.9	5.8	5.0	1,630
Don't know	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	14

Notes: Planning for retirement and confidence for retirement scores are based on working-age adults only. Planning for later life scores are based on retirement-age adults only. '.' Indicates no cases in sample. '–' indicates scores have been suppressed due to a low unweighted base. ** Asked of retirement-age adults only