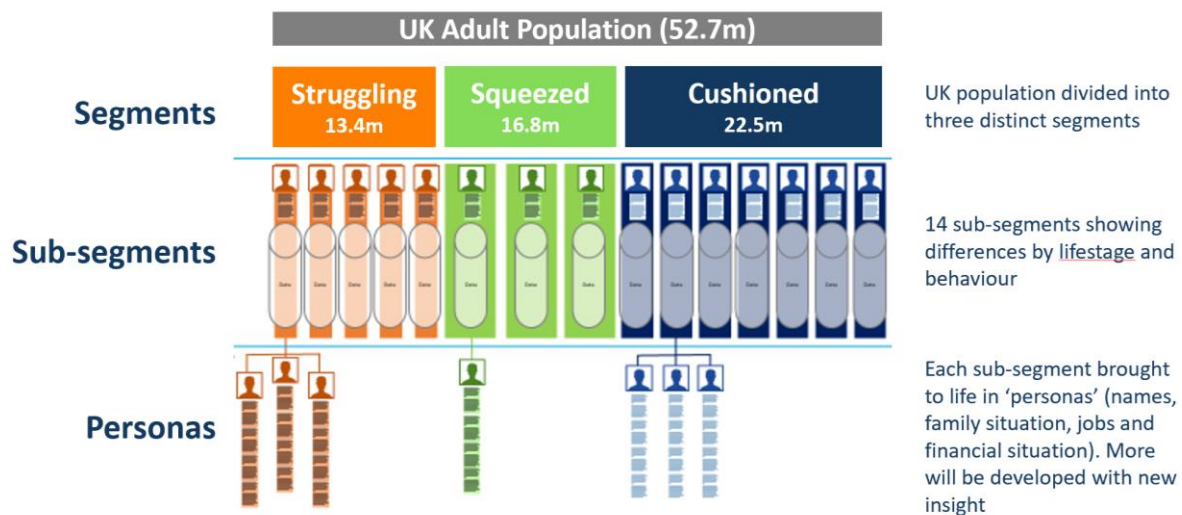


MONEY AND PENSIONS SERVICE (MaPS) FINANCIAL WELLBEING SEGMENTATION

MaPS has recently updated its Financial Wellbeing Segmentation model, which was originally created by the Money Advice Service in conjunction with CACI in 2016. As well as using data from the Adult Financial Capability Survey, this 'refreshed' model has introduced additional indebtedness variables (from the Financial Need survey), and additional pensions variables (from the FCA Financial Lives Survey). This gives us a more detailed and segmented view of those who are struggling with their debts, and the behaviour of those who are nearing or in retirement.

As per the original model from 2016, three 'macro' segments remain (i.e. the 'Struggling', 'Squeezed' and 'Cushioned'). The under-pinning sub-segments (14 in total) have been updated and changed, giving us a slightly larger Squeezed group, and a smaller Cushioned group, as well as a new retired group within the Squeezed. CACI have again worked with MaPS to create this new segmentation.

The Overall Model



Below you can find additional information on the individual segments.

Struggling

Least financially resilient segment:

- Lowest incomes, benefit dependent
- Low provision for later life
- Little or no savings buffer
- Many in social housing
- Higher incidence of disability and single parents
- Lower financial confidence
- High over-indebtedness

Squeezed

- **High risk segment:**
- Average incomes, but living beyond their means
- High access to and use of credit
- Insufficient savings buffers to cope with income shocks (both major and minor)
- Not prepared for later life

Cushioned

Most financially resilient segment:

- Highest incomes and savings - most can absorb 'bumps in the road'
- Comfortable provision for later life
- Confident with money
- BUT not immune to major income shocks

Additional information on the 14 sub-segments including key demographics and a brief description of the groups can be found below:

The Struggling Segment (13.4m, 25.4% of UK)



	Sub-segment name	Key Demographics	Description
1a	Struggling Younger Adults (2.8m)	Under 35s, half have dependent children (more likely to be a single parent), slight female bias, high social renting and many living with parents, very low income.	Sub-segment of younger low income couples and singles, many with children living at home or elsewhere, who are not in control of their finances. They face continuous difficulty managing money and debts, often needing to react to emergencies and borrow from family and friends to buy essentials. Many use short-term credit and this group is twice as likely as average to be over-indebted.
1b	Struggling credit dependent (4.3m)	Mostly aged 25-44, slight female bias, renting (social or private), majority have dependent children, majority receiving child and/ or other benefits.	Low income group, struggling to make ends meet. Little or no savings and dependent on credit and borrowing to pay for food and everyday essentials. More likely to use short term / high cost credit. Likely to be behind on priority bills. Little long-term security.
1c	Struggling Making Do (3.2m)	Mostly 35-64, slight female bias, majority live in social renting, higher than average unemployment, high levels of disability and mental health problems, low incomes.	Older working couples and families who struggle to make ends meet. Bills are a heavy burden and there is rarely any money left over. But they are doing the best they can - trying to avoid spending beyond their limited means, or borrowing more than they can afford. However, savings are too low to cope with an unexpected bill.
1d	Struggling Retirees (3.1m)	Mostly over 65s, social renting or own their own home, high levels of disability, low incomes.	Low income retirees, mostly dependent on the state pension. Mostly budgeting within their means, but income levels are too low to comfortably cope with an unexpected bill.

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The Squeezed Segment (16.8m, 31.8% of UK)



	Sub-segment name	Key Demographics	Description
2a	Younger Squeezed (3.8m)	Aged 18-34, slight male bias, below average or average salaries, well educated (many are students, high proportion with mental health problems).	Singles and couples, many with young children. Some will be starting on the property ladder, or still be living with parents, often renting privately. Many are using revolving credit and (short-term) credit for essentials, are behind on priority bills, a high proportion are over-indebted although they try to save every/ most months.
2b	Squeezed Families (6.5m)	Mostly aged 25-49, female bias, most with children, employed, above average salaries.	Working family segment with a mortgage or privately renting. Dependent on credit, revolving balances, overdrafts. Most have some pension provision and some savings, although little long term security.
2c	Squeezed Pre-Retired (1.7m)	Aged 45-64, slight female bias, all income levels, majority live in cities/ large towns, lower education levels, often separated/ divorced.	Working older singles and couples – some with older children at home, or with children that have flown the nest. Getting by OK, but many do not have a buffer to prepare for life events and unexpected costs. Some are finding it challenging to get by, with bills a heavy burden, and fewer than average save regularly. Mixed pension provision- half have no pension scheme.
2d	Squeezed Retired (4.7m)	Mostly aged 65+, mostly female, homeowners, average incomes, many widowed.	Retired singles and couples with no children at home. Own their home outright with an OK level of savings. Pension provision (including state pension) gives a comfortable (but not wealthy) retirement income. Few are over-indebted and fewer use revolving credit, keeping up with bills and credit commitments.

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The Cushioned Segment (22.5m, 42.8% of UK)



	Sub-segment name	Key Demographics	Description
3a	Cushioned Still at Home (1.5m)	Mostly 18-24 and single, slight male bias.	Young adults living at home, with many in education. Can have a tendency to overspend using revolving credit without worrying about the consequences.
3b	Cushioned Younger Professionals (3.7m)	Mix of ages (mostly 18-44), most with no children, many with mortgages, some living with parents	Busy working age singles and couples. Higher than average incomes and most saving regularly. Average credit use with some problems. Most hold pension schemes. Few receiving benefits.
3c	Cushioned Settled Families (3.1m)	Aged 25-64 (but most 35-44), male bias. Most working and the majority have mortgages.	Working age family group, with good pension provision (so far) and higher than average incomes. However, many are over-indebted and there is a greater than average use of credit in general.
3d	Cushioned Confident Older Families (3.0m)	Aged 35-64 (nearly half are 45-54), male bias. Two-thirds have children in their household.	Confident, knowledgeable and comfortable segment with high incomes, higher than average savings, and good future financial planning with higher value pension pots.
3e	Cushioned Empty Nesters (5.3m)	Mostly 50-64, average to high incomes, many now working part-time or self-employed.	Working singles and couples with children who have left home. Own their own home or finishing off paying their mortgage. Most have considered their retirement income, usually providing a comfortable level of retirement. Few credit or debt issues.
3f	Cushioned Retiring (5.9m)	Aged 45+ (but most 65+), mostly male. Most have no children living at home and most own their home.	Retired or retiring, with large pension pots, high savings levels and medium/ high income. Content and comfortable with their financial situation, with fewest financial difficulties. Save regularly.

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About the 2018 Adult Financial Capability data file and the Children and Young People Financial Capability 2019 data file

The data files include two MaPS segmentation variables to allow for analysis by these segments.

- maps_seg_macro
- maps_seg_micro, for which you can refer to the data map below.

1a Struggling Younger Adults
1b Struggling Credit Dependent
1c Struggling Making Do
1d Struggling Retirees
2a Younger Squeezed
2b Squeezed Families
2c Squeezed Pre-Retired
2d Squeezed Retired
3a Cushioned Still at Home
3b Cushioned Younger Professionals
3c Cushioned Settled Families
3d Cushioned Confident Older Families
3e Cushioned Empty Nesters
3f Cushioned Retiring

For further information, please contact the Insight and Evaluation team at Money and Pensions Service.