

The Money Wellness Index January 2020



Foreword

I am pleased to be introducing the inaugural **first direct Money Wellness Index** in the UK – not because the results paint a rosy picture, but because it addresses a fundamentally important subject that has, to date, lacked the meaningful engagement it merits.

Today, money is one of the UK's greatest drivers of anxiety.* And whilst people are spending over £20 billion a year on their wellbeing, the subject of money has not been high on the agenda within the booming health and wellness industry. This is in spite of people believing money is more important to their overall wellbeing than other more traditional areas of wellness, such as diet and exercise, which we've learned through our research.

At first direct, we have always taken a human-first approach to banking. We are the number one customer service brand in the UK – not just in banking, but across every sector – because we listen to people. Today, what we're hearing is that people want to improve their overall wellbeing and that they recognise how they feel about their money is a critical part of that. It's our ambition to be the bank that gives people a better relationship with their finances and helps them feel well as a result. The Money Wellness Index will serve as the backbone of those efforts, giving us a regular opportunity to understand how both our customers and the nation more broadly are feeling about money, so we can ensure our business is best positioned to support their financial wellbeing now and in the future.

Joe Gordon, Head of first direct

Introduction

Money is one of the UK's greatest drivers of anxiety.

However, the nation is not currently addressing it as a wellness issue, overlooking it for other areas of wellness such as mindfulness and meditation that sometimes address symptoms of stress rather than the cause.

To understand the state of the nation's financial wellbeing, first direct commissioned a study – in partnership with YouGov – asking over 4,000 people across the UK to tell us about their relationship with money: how money impacts their lives, the importance of money to their overall wellbeing, and more.

Where other research tends to focus on the hard numbers, about for example, levels of debt, this study, specifically measures how people feel about money, using the results to create the inaugural **first direct Money Wellness Index**.

Why money wellness? Why now?

Our ambition is to create a greater sense of financial wellbeing for both our customers and the UK as a whole by breaking down the barriers preventing people across the UK from having a healthy relationship with money.

Money is an emotional topic. It's personal to each and every individual. There is no one right way to manage your money. By discovering more about the nation's current state of financial wellbeing, we want to normalise people's feelings about money and start to get to the root of the issue.

The first Money Wellness Index offers intriguing new insights into the state of the nation's relationship with money. It has unearthed some surprising findings which challenge common misperceptions about what it means to have a healthy relationship with money. Our ambition is that these findings will be benchmarked annually, serving as a meaningful point of reference to inspire positive change to the nation's financial wellbeing.

Contents

- I. The Score
 - II. Why It Matters
 - III. Key Findings
 - IV. Potential Solutions
 - V. Conclusion
 - VI. Our Partners
& Methodology
-

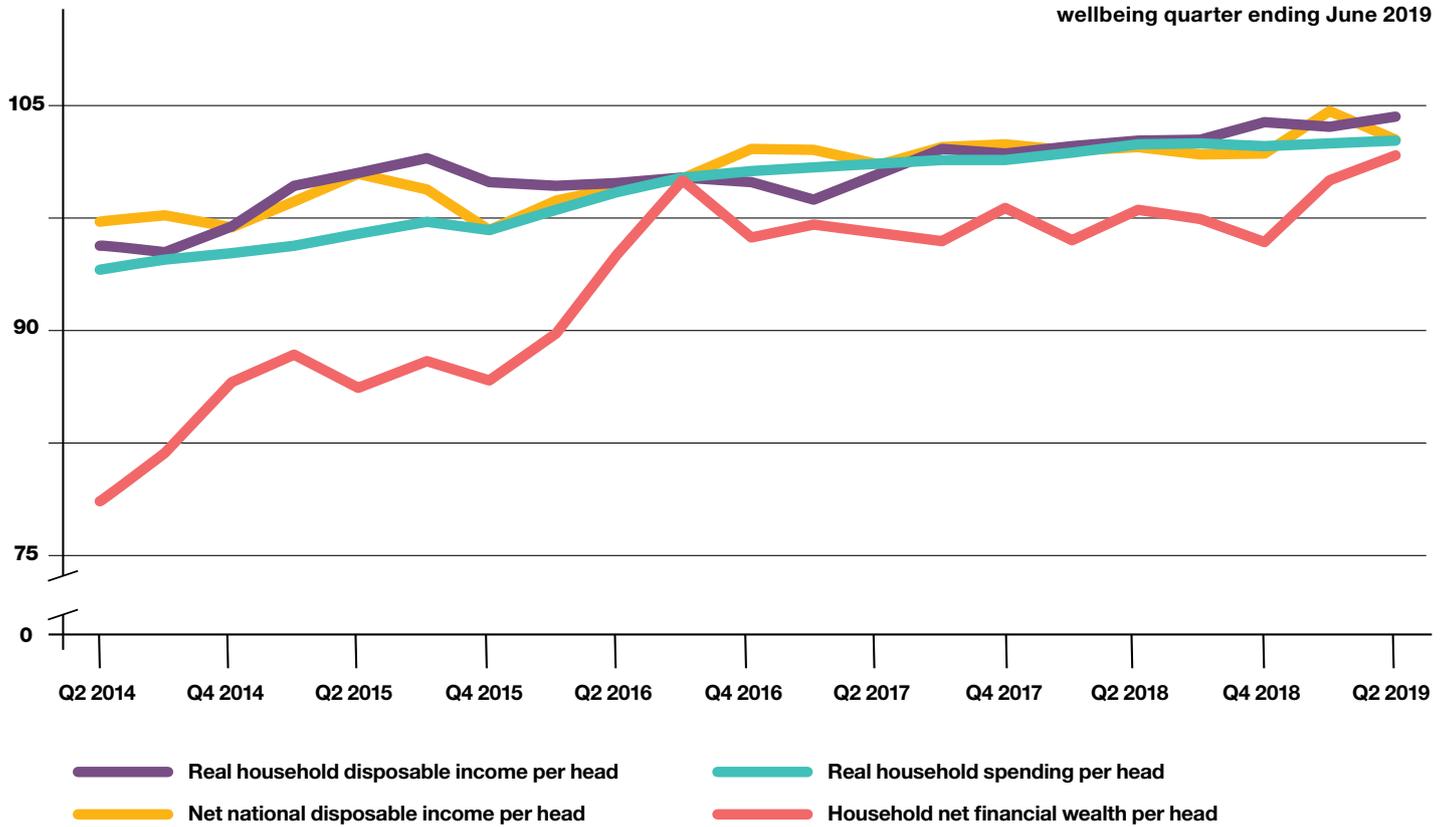
The Score

The Money Wellness Index measures how we feel about money as a society. The nation's current mean money wellness score is 47 out of 100.

This score indicates there is a slight underlying sense of negativity and uncertainty when it comes to how the nation feels about their money.

In the Office of National Statistics (ONS) 'Personal and economic wellbeing in the UK: November 2019' report, four key measures for economic wellbeing (real household disposable income per head, net national disposable income per head, household net financial wealth per head and real household spending per head) present a seemingly positive picture on the surface with all key indicators increasing slightly.

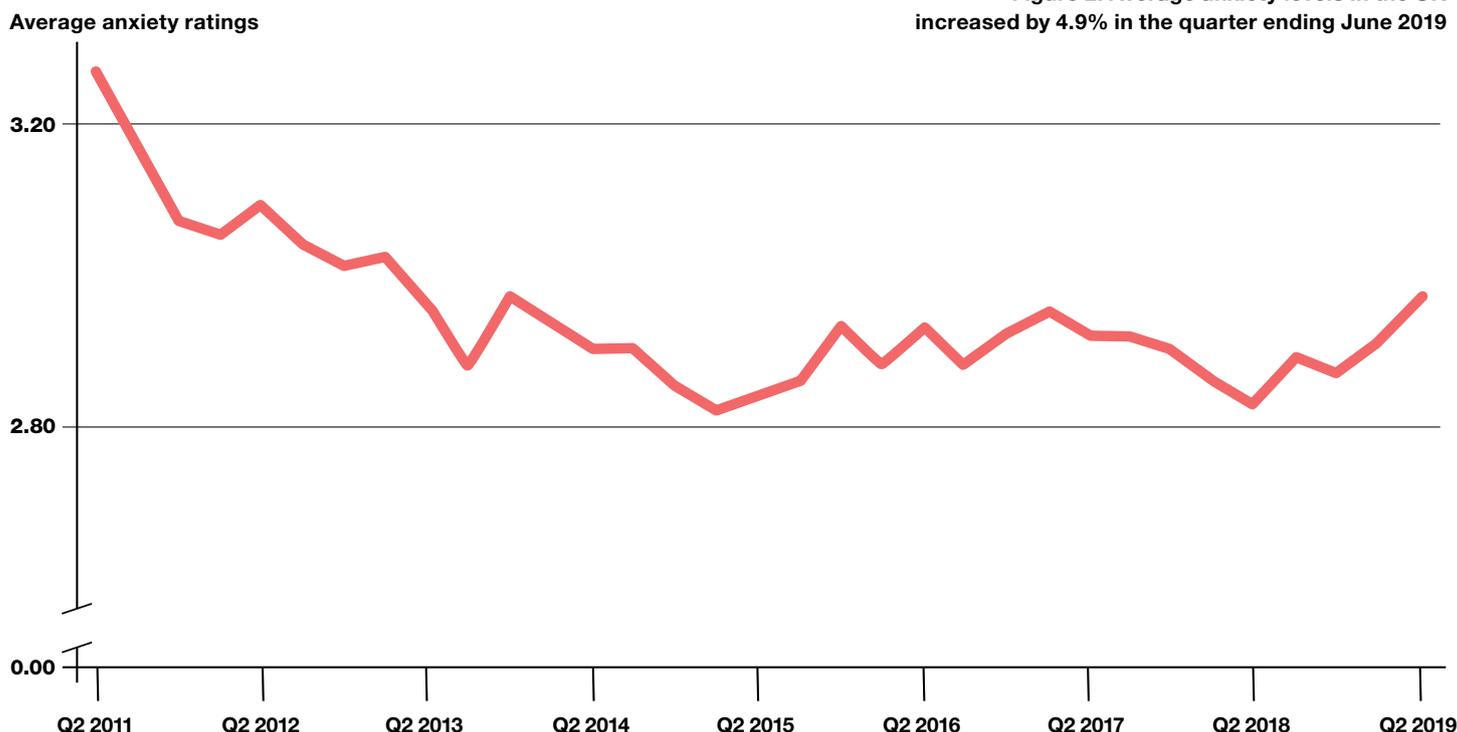
Figure 1: Measures of economic wellbeing quarter ending June 2019



Source: Office for National Statistics (ONS) – UK National Accounts licensed under the Open Government License v3.0

However, according to the same report, whilst the UK average anxiety levels have been falling since 2011, over the past 2 years (2018-2019) we are beginning to see a steady increase.

Figure 2: Average anxiety levels in the UK increased by 4.9% in the quarter ending June 2019



Source: Office for National Statistics (ONS) licensed under the Open Government License v3.0

While we await fresh data in February 2020, the UK's anxiety seems to be on the rise again, despite slightly increased economic wellbeing measures. So what is really driving these feelings? What is the role of finance in the overall anxiety ratings? And what can be done to get the

country feeling more 'money well'? This report presents the findings on these questions and will begin to scratch the surface on identifying solutions to improve our financial wellbeing.

Why It Matters

The Money Wellness Index highlights that worrying about money is a widespread issue – crossing all age groups, life stages and demographics.

Over a third (42%) of all working adults feel anxious about their money, while almost 2 in 5 (38%) of all adults – feel stressed out when they think about money. 3 in 10 (30%) admit to sometimes feeling embarrassed about their own financial situation.

People are saying money is one of the most important factors in their overall wellbeing, yet the UK's £20 billion+ wellness industry doesn't tackle the topic.

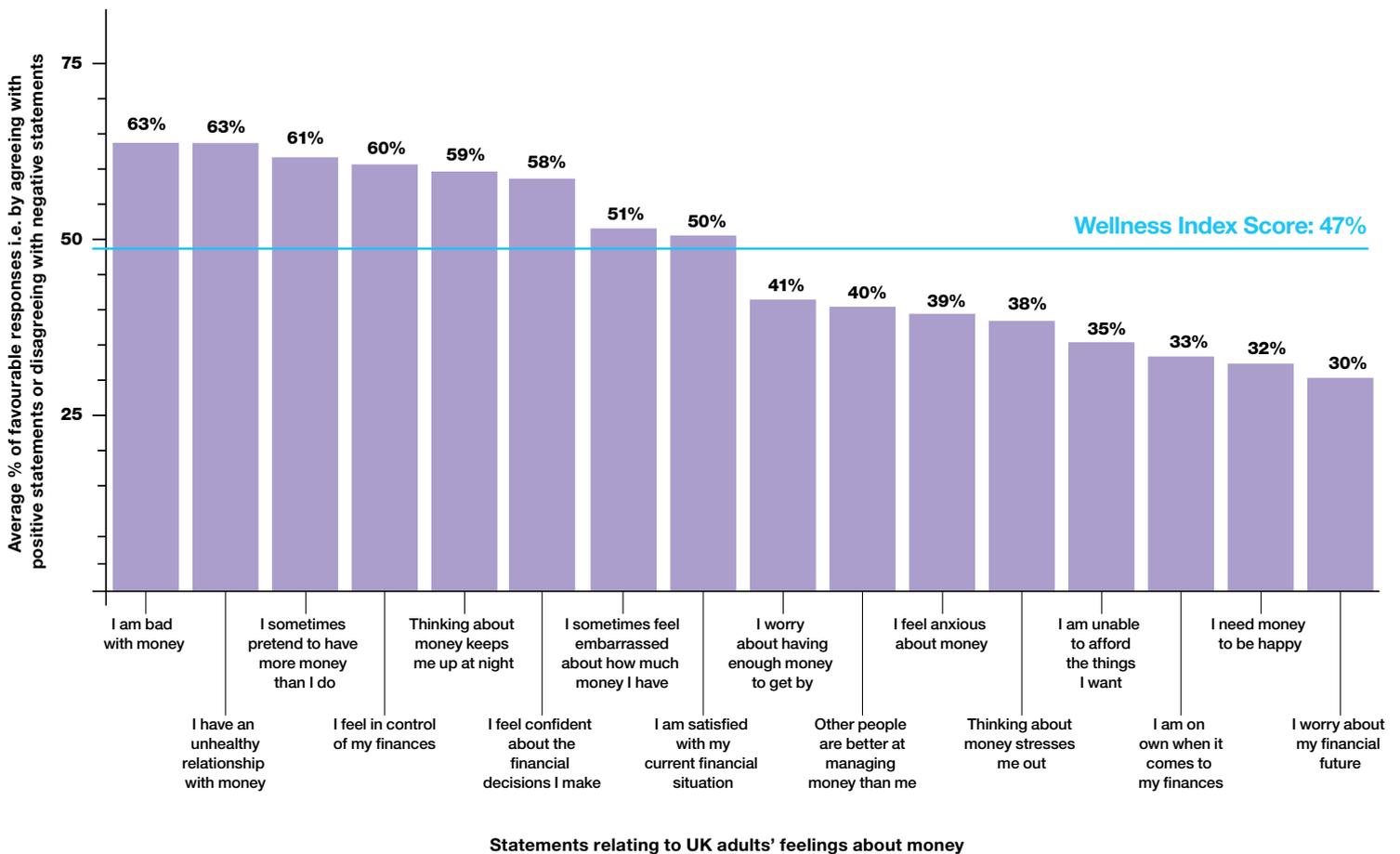
The research has revealed the way the UK population feel about money is rated as one of the most important factors to their overall wellbeing.

This is behind only our personal relationships and mental wellbeing, and ahead of a healthy diet, physical fitness and job satisfaction.

Yet the data also shows that people aren't prioritising money wellness, despite the growing demand for other mainstream wellness trends.

Brits are significantly more likely to prioritise mindfulness and meditation for their wellbeing than they are to take action on their finances for their wellbeing.

Figure 3: Money Wellness Index Score



Key Findings

Perceived Correlation Between Money And Happiness.

One key theme of the study was the perceived correlation between money and happiness. Over a third (37%) of people believe they need money to be happy. This belief is held in greater importance by high earners (£70,000+) than people on lower incomes, and half (50%) of top earners (£100,000+) said they need money to feel happy, compared with under a third (35%) on a low income (less than £20,000).

Consistent with other research on the subject, the study has highlighted having a higher income doesn't necessarily correlate with greater feelings of happiness, or with a more positive relationship with money.

People with higher incomes still experience feelings of anxiety and stress about their money, with a third (31%) of higher earners (£70,000+) having negative feelings towards money, including feeling discontent and unfulfilled.

Almost a quarter (24%) of high earners admit to feeling stressed and anxious when it comes to money, with a third (33%) also worried about their financial future.

Why is this the case? The research found that among these high earners, key drivers of this feeling are a need to be where their parents were at a similar age (30%), and constantly comparing themselves to others (23%).

Comparison

Overall, over a quarter of 18-55 year olds (29%) admit to comparing themselves with others when it comes to their financial situation. This is significantly lower with 55+ year olds at just 8%.

This is far more common with younger people (18-34 year olds) who are more concerned than any other age group with how others are doing financially. 40% of young people admit to constantly comparing themselves with others, which is in stark contrast with the older generations.

Key Findings

Generational Gap

Beyond comparing themselves to others, the research revealed other stark differences across generational feelings. Overall, younger people are more stressed about money than their elders. With those aged 18-34 feeling more anxious (55%) and stressed (55%) about their finances than people in their 50s and 60s.

Why? Based on the responses of the younger demographic from the study, a number of limiting beliefs can be identified as having a particular impact on younger people in the Britain.

Nearly half (46%) of young people believe other people are better at money than they are. And 38% of 18-34-year-olds said they think they should be where their parents were at their age. According to the Ministry of Housing, just 38% of 25 to 34-year-olds are currently homeowners, down from 55% a decade earlier, with the average age of first-time buyers rising from 31 to 33 over the past 10 years.

Feelings of money-related anxiety and stress in younger people are further reinforced by a belief they need money to be happy. This is the strongest belief among the younger generation, with half (50%) admitting money dictates their happiness, while the older generation (55+ year olds) place a lower importance on money for their happiness (27%).

Social media is further exacerbating the nation's negative feelings when it comes to money. A quarter (26%) of people admit that social media makes them feel worse about their financial situation. However, this is significantly more prevalent among younger people, 45% of 18-34 year olds admit that seeing how other people live their lives on social media makes them feel worse about their own money situation.

According to Digital in the UK 2019, a report from We are Social, as of January 2019, there are 45 million active social media users in the UK (67% of the total population), which increased by over 1 million users in the past year (2.3%). With over two thirds of the UK population using social media, there is a widespread opportunity for social media to have an impact on people's feelings about money.

Potential Solutions

When it comes to solutions, it is clear from the study people want to feel that they are not alone when it comes to money.

Almost half of UK adults (46%) admit to feeling on their own when it comes to managing their money, but a similar number said they would feel better if they realised others felt the same way as they did (40%).

By normalising the feelings that are negatively impacting people's relationships with money, we can begin to make a positive impact on their financial wellbeing.

Concerningly, only 1 in 8 people (14%) would turn to their bank for help or guidance, with almost half (45%) still preferring to turn to friends and family.

As the banking sector continues to move to increasingly digital solutions, having access to speak with real people at their bank (not automated phone lines or chatbots) can also help give people a more positive mindset when it comes to their money.

42% of respondents said they would feel better if they were able to speak to a real human being at their bank.

And while many people across the UK feel stressed and anxious about their money, communications from banks and other expert sources that tell them what to do aren't helping.

Over half of people (52%) find financial advice e.g. on cutting down on spending, to be very patronising.

However, there is a strong belief in the UK that if they are better informed about financial matters, they can have a better relationship with money.

Over half of UK adults (52%) would feel better about money if they had a better knowledge about financial matters.

Being better informed about their finances is of particular importance to younger people (69%).

These findings indicate that current communications from the financial & finance banking sector that are intended to educate customers aren't working as well as they could, and critically people desire a better understanding of financial matters from sources that aren't perceived to be judgmental or lacking in a human-first approach.

Conclusion

This inaugural report outlining the first direct Money Wellness Index is just the first step towards impacting the nation's financial wellness. Today, what we're hearing is people want to improve their overall wellbeing and they recognise how they feel about their money is a critical part of that. However, many of the feelings they have about money are having a negative impact on their relationship with it.

At first direct, it is our genuine ambition to be the bank that gives people a better relationship with their finances and helps them feel better as a result. This initial report gives us a benchmark from which to work and as we continue to refresh the data, it is our ultimate hope that with time, we'll see the index score rise. Our mission now is to ensure the issue receives more meaningful engagement and that the root causes of people's anxieties start to be addressed. This will require action by first direct and the wider industry. People can not feel truly well, unless they are financially well.

Our Partners & Methodology

Alongside our research partner, we have collaborated with a number of thought leaders from the fields of personal finance and wellness to help develop the Money Wellness Index. Helping provide further insights into our findings and what they tell us about the state of the nation's feelings about money.

YouGov: The globally renowned and widely recognised public opinion research company, recognised as most accurate research agency by Pew Research Centre. YouGov data is regularly referenced by the press worldwide and they are the most quoted market research source in the UK.

Guy Shone, CEO of Explain the Market, a leading financial research agency, and has been leading global research projects for over 15 years. He is also the previous Head of Consumer & Market Insight for the Money Advice Service, backed by the UK Government.

Alex Holder, Author of bestseller, Open Up: Why Talking About Money Will Change Your Life, a bold and outspoken book that destigmatises the way we talk about money. After working in advertising for 12 years, Alex decided to pursue a different path writing about people's relationship with money and encouraging people to open up on the way they feel about money.

Money Wellness Index Score

Methodology: The Money Wellness Index 2020 is a measure of how UK adults feel about their relationship with Money. The index was derived from a large quantitative research study of 4,340 nationally representative UK adults meaning that the findings can be considered robust and reflective of the wider population.

The research was conducted by YouGov, an international research data and analytics company based in the UK. Respondents were sourced from YouGov's proprietary online panel of c. 1.3 million UK adults and invited to complete a short survey capturing how they feel about their relationship with money.

The Money Wellness Index score is based on people's responses to 16 statements which specifically measure how people feel about money. The score has been calculated based on the average % of consumers that provided a favourable response i.e. defined by agreeing with a positive statement or disagreeing with a negative statement.

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 4,340 adults. Fieldwork was undertaken between 11th–12th December 2019. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).