

# the money wellness index

March  
2021



Foreword

# A great deal has happened since we launched our barometer of UK financial wellbeing – the first direct Money Wellness Index.

The inaugural Index took the financial pulse of the nation in December 2019, just a few months before the initial UK lockdown. Following a mid-year update in August 2020, we are now able to release the results of our 2021 Index.

2020 was, of course, a year like no other – overshadowed by the global pandemic and extended periods of restrictions, as well as uncertainty about the impacts of Brexit.

Sadly, a year filled with such anxiety – over health, livelihoods, and relationships – doesn't bode well for mental health. And with money a key factor underpinning our wellbeing, you could expect financial wellness to suffer.

According to the [Mental Health Foundation](#), more than eight in ten (82%) UK adults have experienced stress as a result of the pandemic.

Given our bank's mission to improve the nation's relationship with money, we have been eagerly awaiting this new data to understand how people's anxiety levels around their finances may have changed, and what support they feel they need.

Our findings reveal a nuanced picture, with signs of hope, as well as confirmation that some parts of the UK population are feeling significantly less in control of their financial situation than they did before the pandemic.

**Chris Pitt, CEO of first direct**

Introduction

# The terms ‘wellness’ and ‘wellbeing’ are now part of our everyday vocabulary

And this past year has seen personal wellness rocketing up many British people’s priority lists, largely due to new pressures and anxieties triggered by the pandemic.

However, while as a nation we might be aware of our personal wellbeing in many aspects of our lives, we still haven’t given this same active focus to our financial wellbeing. The result being that many people are too often absorbed in addressing the symptoms of money stress, rather than its root cause.

This reality leaves many of us feeling out of control. And not without justification. According to the **Money and Pensions Service (MaPS) UK Strategy for Financial Wellbeing**, 11.5 million British people have less than £100 in savings to fall back on, 9 million often borrow to buy food or pay for bills, and as many as 22 million say they lack the knowledge to plan for their retirement. These statistics unfortunately place the UK well down the rankings of G20 countries.

**Financial wellbeing is about feeling secure and in control. It is knowing you can pay the bills today, can deal with the unexpected, and are on track for a healthy financial future. In short: confident and empowered.**

—MaPS definition of financial wellbeing



At **first direct**, we believe financial wellness has been overlooked by traditional wellbeing models, despite the role it plays in people’s overall sense of wellbeing. This conviction led us to champion the concept of ‘Money Wellness’.

Our first step was to establish a baseline from which to monitor changes. The **first direct** Money Wellness Index – created in partnership with YouGov – asks over 4,000 adults across the UK about their relationship with money. Our objective? To take the pulse of the nation in terms of its financial wellbeing and feed these insights into the steps we are taking to help get

the country feeling more confident and capable when it comes to managing their finances.

The inaugural index was conducted in December 2019, before the pandemic took hold in the UK, with a mid-year update in August 2020 examining the immediate impact of the first wave of coronavirus. One year on from launch, this report represents the second annual **first direct** Money Wellness Index, offering fresh insights on Britain’s attitudes towards money after a year living under the shadow of a global pandemic, and the uncertainty surrounding the UK in a post-Brexit world.

# A pessimistic outlook?

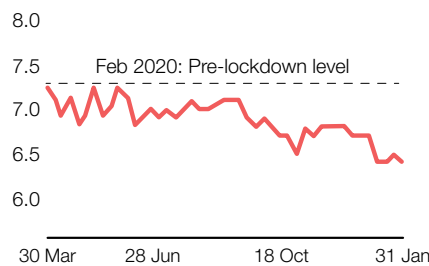
Going into this second annual Money Wellness survey, there is growing momentum behind the idea that increased levels of anxiety can significantly damage people’s financial wellness.

According to the Office for National Statistics’ (ONS) **Coronavirus and the social impacts on behaviours paper** published in February 2021: “In the last week of January 2021, personal well-being scores for life satisfaction, feeling that things done

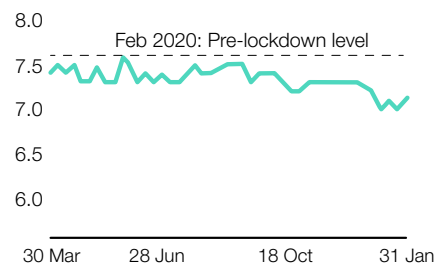
in life are worthwhile and happiness remained at some of the lowest levels recorded since this survey began in March 2020. In addition, anxiety scores were at the highest they have been since April 2020”.

## Happiness under lockdown (Great Britain, March 2020-January 2021)

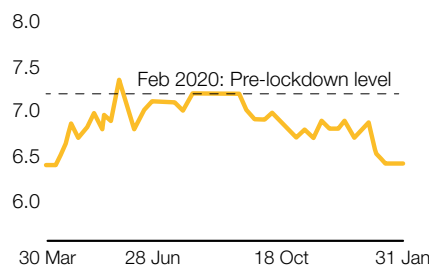
Overall, how **satisfied** are you with your life nowadays?



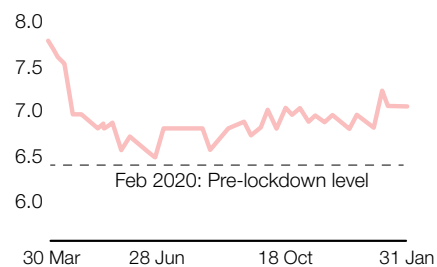
Overall, to what extent do you feel that the things you do in your life are **worthwhile**?



Overall, how **happy** did you feel yesterday?



Overall, how **anxious** did you feel yesterday?



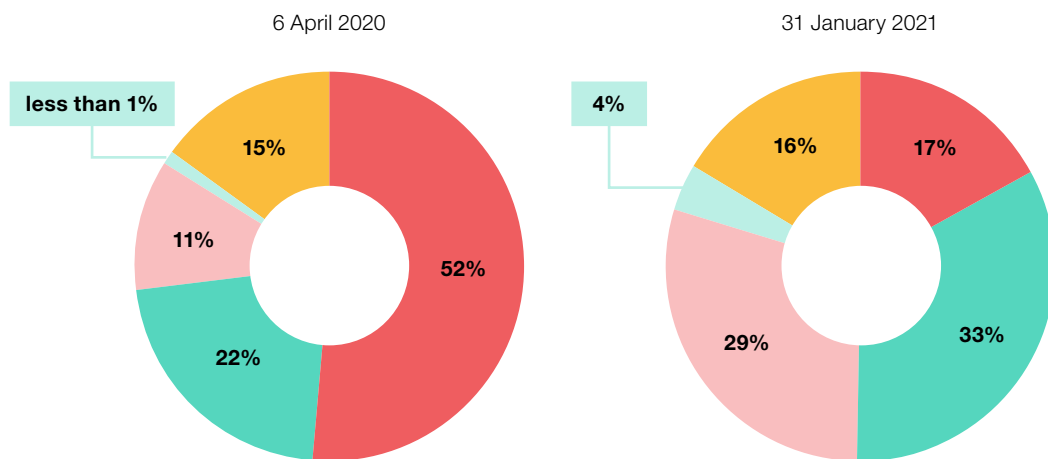
These questions are answered on a scale of 0 to 10, where 0 is “not at all” and 10 is “completely” Source: Office for National Statistics – Opinions and Lifestyle Survey

Clearly these figures are greatly influenced by a lack of certainty on what the future holds when the current lockdown ends, too early yet to see any buoyancy from the early roll-out of the vaccine. The same paper outlines that “The proportion

of adults in Great Britain that felt that life will return to normal in six months or less continued to gradually fall to 17% in the week ending 31 January 2021; the lowest figure since the end of October 2020”.

**How soon will life return to normal?** (Great Britain, March 2020-January 2021)

6 months or less    7-12 months    More than a year    Never    Not sure



Source: Office for National Statistics – Opinions and Lifestyle Survey

**So, to what extent are these trends reflected in people’s attitudes towards money?**

# Understanding the score

Whereas previous studies have always tended to focus on the cold, hard numbers – from debt to spending trends – **first direct's** Money Wellness Index is designed to quantify emotions, measuring how we feel about money as a society.

We do this by analysing people's responses to 16 statements about their relationship with money. The score is then calculated based on the average proportion of respondents who provided a favourable response (either agreeing with a positive statement or disagreeing with a negative statement).



# 2021 Money Wellness Index score

According to the January 2021 research, the British public's current mean money wellness score is 49 out of 100.



This figure is the UK average and, perhaps counter to what you might expect, represents a 2-point year-on-year increase, suggesting a slight improvement in overall money wellness in the UK since the outbreak of the coronavirus pandemic. The overall score is also up one index point since August 2020 (48).

Guy Shone, CEO of Explain the Market, who helped to develop the Money Wellness Index report says: "While there is no doubt that some groups of the population have been hit much harder than others, we should be buoyed by an Index that offers hope that the British public is largely weathering the financial storm. It's a true testament to people's resilience and ingenuity that – overall – family finances, money habits and confidence levels don't look much worse."



This slight upwards trend in overall money wellness is likely to be driven by a combination of factors.

First, restrictions and lockdown have clearly reduced outgoings for many households. This is reflected in commentary expressed in the **UK Parliament’s Coronavirus: Impact on household savings and debt briefing paper**, dated 13 January 2021, and citing ONS statistics:

“Since the beginning of the coronavirus pandemic, total household savings have increased, largely due to a fall in spending on nonessential items over lockdown. The household savings ratio (household savings as a proportion of household disposable income) increased from 9.6% in Q1 2020 to 29.1% in Q2 of 2020, a record high since the series began in 1987”.

Second, the extension of Government policies to support income, particularly the Coronavirus Job Retention Scheme, has alleviated the immediate financial pressure on some. And third, as they struggle to see an end to the crisis, many people have been prompted to get a better hold on their finances, tackling issues head-on so they can better weather the storm ahead – however long it may last.

The ONS’ analysis into people’s perceptions of the future supports this more positive outlook. According to their **Personal and economic well-being in Great Britain: January 2021 report**: “The number of people who expect the financial position of their household to get better over the next 12 months increased from 11.0% in April 2020 to 21.5% at the end of December 2020”.



Having said this, while the overall Money Wellness Index has marginally increased, a score of below 50 still reveals an underlying sense of negativity and uncertainty when it comes to the nation’s relationship with money. Importantly, there are marked fluctuations across certain demographic groups.

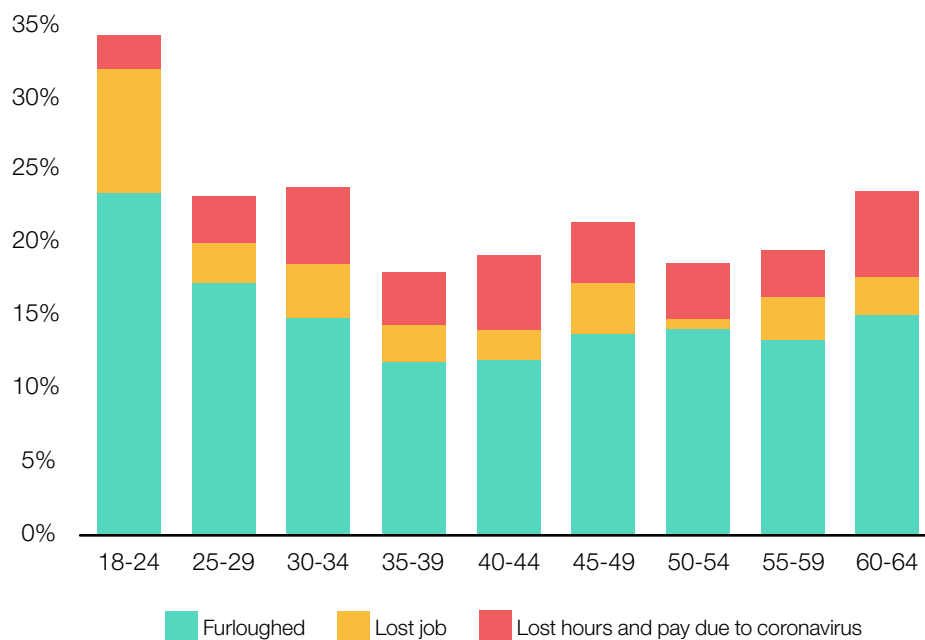
18-24 year olds, the age group we know to have been one of the most affected by job losses and furlough, have the lowest money wellness score (44), whereas those aged 55+ – often cushioned by higher income and savings levels, as well as greater job security – exhibit the highest score of any age band (57).

Analysis conducted in May 2020 by the **Resolution Foundation and the Health Foundation** found that one-third of 18–24-year-olds have been furloughed or lost their job, in contrast to just over one-sixth of working-age adults overall.

In terms of regional differences, the Index showed that people living in Yorkshire and Humber (52), Wales (51) and the South West (50) have the highest money wellness score, and residents of the East Midlands the lowest (46).

These figures, therefore, indicate that while some have indeed been able to weather the storm thus far, others have found it far tougher and, as a result, we may expect the resulting gap to widen.

**Proportion of employees (excluding full time students) who have experienced job changes since the coronavirus outbreak, by age group (UK, 6-11 May 2020)**



Source: RF analysis of YouGov, adults aged 18 to 65 and the coronavirus (COVID-19).

# Eyes wide open

The study indicates the uncertainty triggered by the pandemic forced many British people to take better charge of their finances.

According to the January 2021 Index, there has been a 4% increase in people feeling aware about money and their financial situation, and 71% feel they are managing their money well, compared to 66% pre-pandemic (in December 2019). This figure however, is lower for the 18-34s, of whom 65% consider they are doing well with their finances.

Broadly speaking, the extent to which many people are worried about money has decreased since the first Index in 2019, with 62% of people now claiming to not be worried, versus 57% in December 2019.

On the face of it, this would seem to indicate that the coronavirus pandemic has had, on balance, a marginally positive outcome for almost half of British adults' relationships with money.

Guy Shone, CEO of Explain the Market, agrees: "Lockdown has naturally meant we have less to do and fewer places to go and spend, creating what the Institute for Fiscal Studies (IFS) calls 'forced saving'.

It has also given people more opportunity to review their financial affairs, reading small print and comparing fees (some for the first time!). The ability to do almost everything digitally, rather than over the phone or face to face, has also helped some struggling families to engage with support to help them escape from the trap of unmanageable debts".

Look a little deeper, however, and you will also see that other important drivers of wellbeing are significantly down. In January 2021, our people's assessment of their mental wellbeing has dropped year on year – from 57% to 52%, and as low as 41% for 18-34 year olds.

In short, while money can be seen as an area of strength for most people's overall wellbeing, mental health is increasingly under threat as we continue to be restricted on what we can do during the pandemic. This, unfortunately, risks creating a vicious circle of bad financial decisions taken under pressure.

# Focus on the future

In a similar vein, the uncertainty of the past year appears to have shifted people's horizons towards preparing for what's to come. A growing majority (61%, up 6% year-on-year) agreed they need to plan for their future. Again, this figure is even higher for 18-34 year olds – at 79%.

At the same time, we have seen a slight decrease in the average number of British adults who are concerned about job security (down 2% to 31%) which may suggest greater confidence about the year ahead. This confidence isn't shared by the youngest generation, however, for 43% of whom job security is a very real concern.

According to data from the Resolution Foundation, the post-furlough fall into unemployment is most common among 18-24-year-olds, at 19%.

The overall marginally positive trend is reflected in a 2% increase in those who say they want to start living for the day, which is now the case for 60% of respondents.

Explain the Market CEO, Guy Shone, believes that industry confidence is on a cautious but uphill course:

“While unemployment remains an obvious concern – 1.7 million Brits without a job is clearly nothing to take lightly – the furlough scheme appears to have been effective in softening the impact of the crisis. The Insolvency Service is also now reporting a 10% reduction in companies planning redundancies.”

According to the latest **CIPD/ Adecco Labour Market Outlook**, UK employers are reporting their strongest employment intentions in a year, with 56% of British firms looking to recruit in the first quarter of 2021.



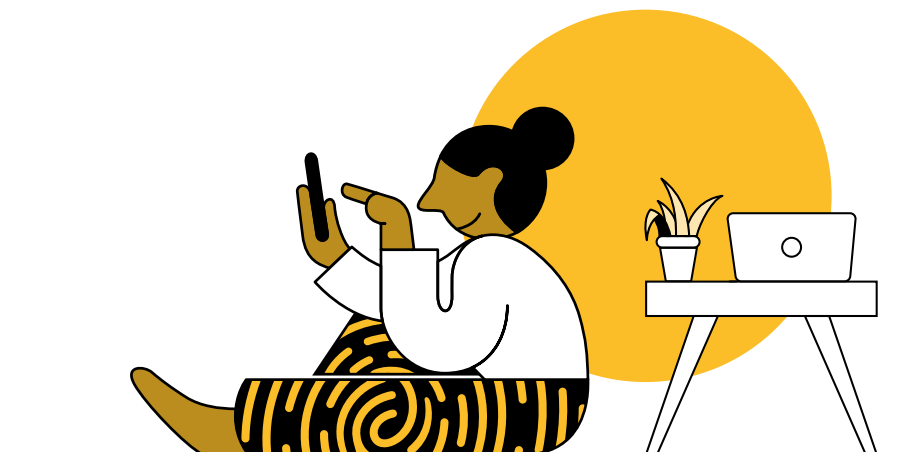
# Brexit uncertainty reigns

Of course, the pandemic isn't the only issue weighing on people's minds.

Brexit and the implications of the UK's new trade deal with the EU are closely tied up with how people feel about their financial present and future. And it's clear that uncertainty prevails here.

According to the Money Wellness Index, the majority (57%) of UK adults are unsure how Brexit will impact them. An even larger proportion (64%) are worried their outgoings will increase as a result. A third of all respondents (38%) and as many as 50% of all 18-34 year olds say they are more anxious about money in light of Brexit, and less than one quarter (24%) have confidence in the UK economy as a result of Brexit.

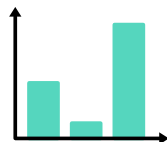
Guy Shone from Explain the Market argues, however, that it's not all doom and gloom: "While Brexit worries are unlikely to disappear anytime soon, these results are peppered with some indications of financial resilience, suggesting the public hasn't been derailed – practically or emotionally – as a result. There are signs though that we have changed during the pandemic. And change tends to nudge us onto a different path when it comes to our financial futures".





**57%**

of UK adults are unsure how Brexit will impact them



**64%**

are worried that their outgoings will increase as a result



**50%**

of all 18-34 year olds say they are more anxious about money in light of Brexit



**24%**

have confidence in the UK economy as a result of Brexit

# The power of now

The index results reveal a 3% drop in the belief ‘other people are better at managing their money than me’.

This would seem to indicate that – following a year of pandemic-enforced restrictions – people in the UK gradually appear to be attending to their own top priorities and not sweating the small stuff.

This is nothing new, says Guy Shone:

**“A genuine crisis concentrates the mind on who and what is most important. The COVID Crisis has always been about ‘getting through’ in the here and now. There might well be time in the future to muse about what might be, and how other people are doing, but now is certainly not that time.”**

## Conclusion

# This 2021 edition of the first direct Money Wellness Index is the next step in our commitment to helping Britain feel more financially confident.

Confirming the initial signs we noticed mid-year, these findings indicate a gradual upwards trajectory in people's relationships with money.

Likely the outcome of sudden and all-encompassing uncertainty, many people seem to have been compelled to take more active control of their money situation, proactively planning for the future, and seeking the knowledge that will help improve their financial wellbeing. People clearly want to become more financially resilient in the face of unprecedented crisis.

However, this shouldn't mask the significant financial difficulties many parts of the population find themselves in. With economic indicators pointing towards deepening recession, and people increasingly desperate to emerge from lockdown and go out and spend, we could see a growing number feeling more squeezed than ever.

Critically, despite the upward trend in financial attitudes, in this wave of the Index we have seen a significant

decrease in the percentage of people that say they are doing well when it comes to their mental and physical wellbeing and their social lives. These factors are equally, if not more, important than money wellness and it would appear that the current lockdown has impacted people most in these areas of their lives.

In this context, we are looking to make it easier for people to better understand their current financial situation and develop and maintain long-term good habits to see them through any uncertainty life brings. By helping people feel more financially confident today and in the future, we can make a real improvement to overall wellbeing, whatever the world throws at us.





## Our partners

We've partnered with research and personal finance experts to conduct the study and to help provide further insights into our findings and what they tell us about the state of the nation's feelings about money.

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 it is the most quoted market research source in the UK.

Guy Shone, CEO of Explain the Market, a leading financial research agency, 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.



## Money Wellness Index score methodology

The Money Wellness Index 2021 is a measure of how UK adults feel about their relationship with Money.

The Index was derived from a large quantitative research study of 4,318 nationally representative UK adults, making the findings 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 proportion of consumers who provided a favourable response (either agreeing with a positive statement or disagreeing with a negative statement).

All figures, unless otherwise stated, are from YouGov plc. Total sample size was 4,318 adults. Fieldwork was carried out between 26 and 28 January 2021. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).



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