

# Social Trends and the Future



# Then and now – key shifts in household finances

## DEBT



Total personal insolvencies in England  
2000 – 6.3/10,000 adult population  
2010 – 30.4/10,000 adult population

## PENSIONS



Total contributions to private (non-state) pension schemes  
1995 - £35bn  
2007 - £86bn (*start of recession*)  
2008- £82bn

## GDP PER HEAD



2008 - 2009 GDP per head decreased by 5.5 per cent following a period continuous growth since 1997.  
This represents the largest annual percentage decrease since 1949.

# The need for behaviour change...

Demographic  
change

Public lack  
of  
awareness

Increasing  
financial  
pressure

Insecurity  
over  
withdrawal of  
State support

Shifting inter-  
generational  
contract



**A population unprepared for the  
future**

# Apathy towards retirement planning



**18-30**

**'Too soon to plan'**

- 'I've only just left Uni. I need a job first!'



**31-45**

**'Too soon / too busy to plan'**

- 'I've got the kids, home, bills, work.. I don't have time to sort my pension as well!'



**46-55**

**'Too late / too busy to plan'**

- 'It's too late to start saving, but my house is surely an asset'



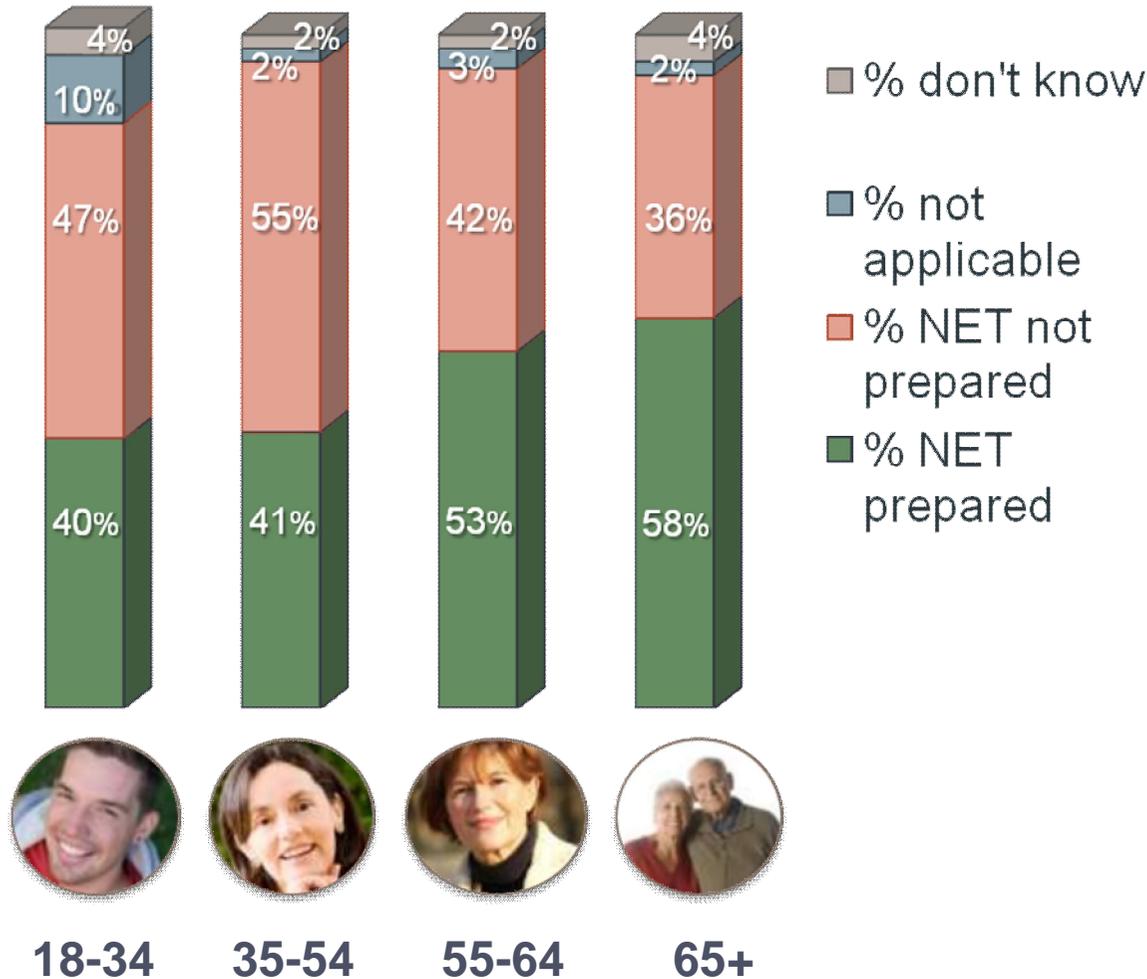
**65+**

**'Too late to plan'**

- 'Hindsight is a wonderful thing'

# Around 2 in 5 people aged 65+ do not feel financially prepared to meet the costs of their old age

And how financially prepared do you think you will be to cover the costs of care in your old age should you require it in future?



53% of ABC1s feel prepared to meet the costs compared vs. 38% of C2DEs

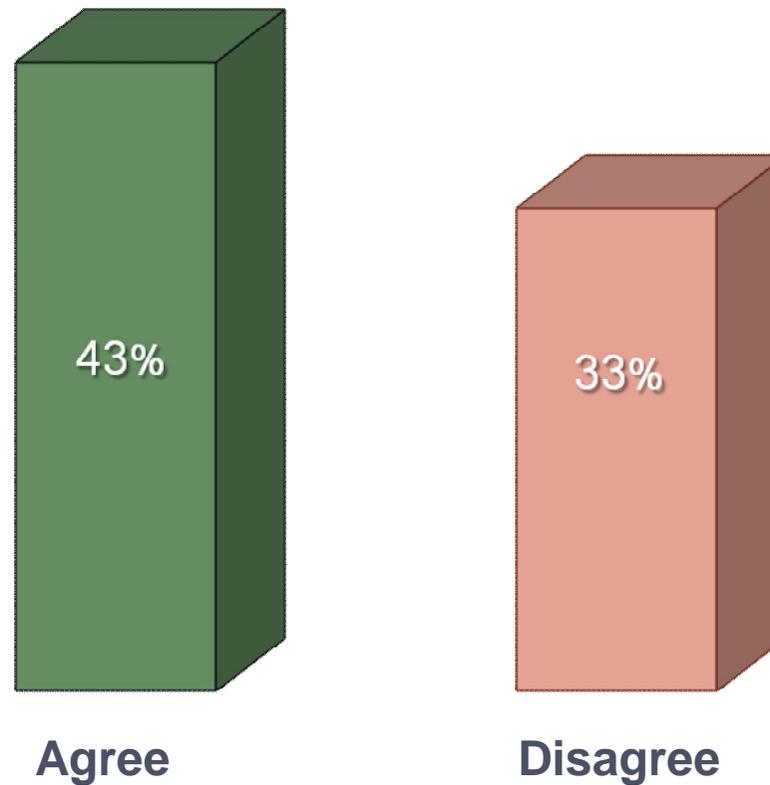
49% of men feel prepared vs. 41% of women

Source: TNS Omnibus, 2011, Base: All respondents, (921)



# Apathy towards retirement planning

*'If I had to choose, I would rather have a good standard of living today than save for retirement...'*



Source: The Financial Capability Survey 2005, Base: All respondents (5330)

# Who is responsible?

Who do you think is responsible for covering the cost of care and support in your old age?

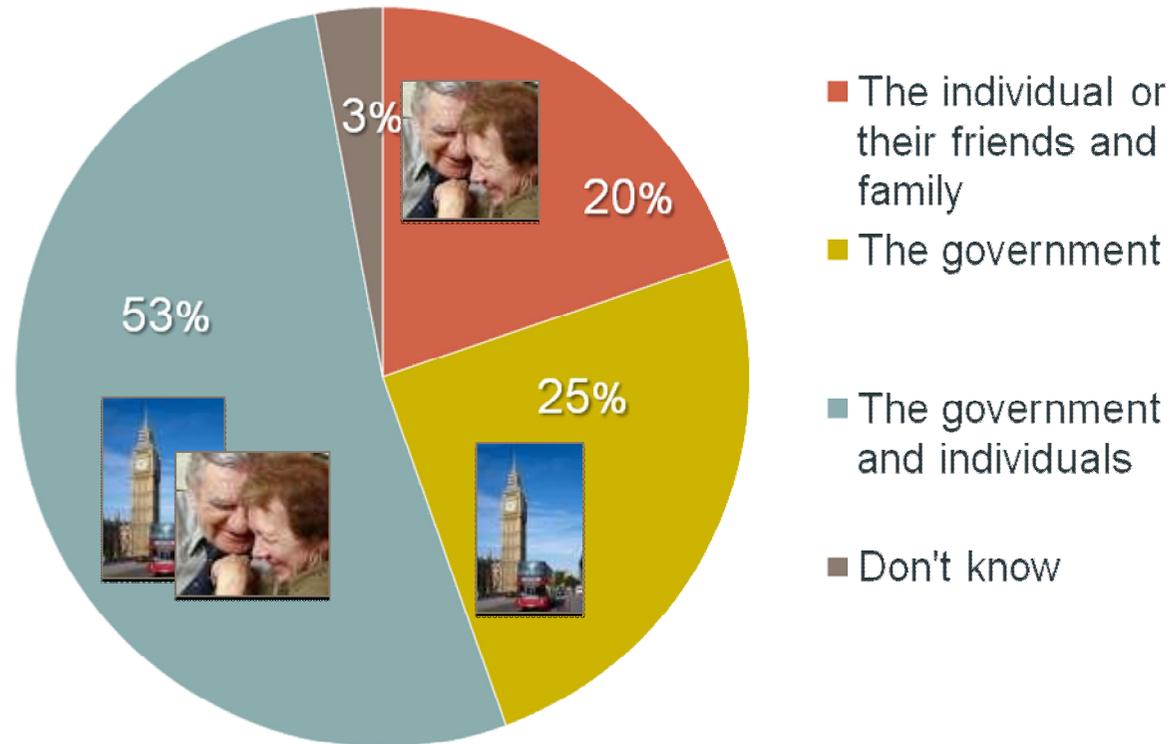
Those who believe the government is responsible are more likely to be...

## MEN

28% of men compared with 22% of women

## C2DEs

31% of C2DEs compared with 18% of ABC1s



While **over 75%** of people understand that they bear some responsibility for their care costs, **only 2%** of people said they are saving for nursing home care and care costs in their old age

# The barriers to planning – in the words of the people

## MIXED MESSAGES

*'At the moment you hear it all the time from the government – 'save for your old age' – but then you think why bother, because if you've got this much, they will say 'Oh sorry, can't help you'...you might as well go and spend it. **You're getting two conflicting messages.**'*  
(Male, 65+)

*'People who have worked all their lives and saved up are **penalised**'* (Female, 35-54)

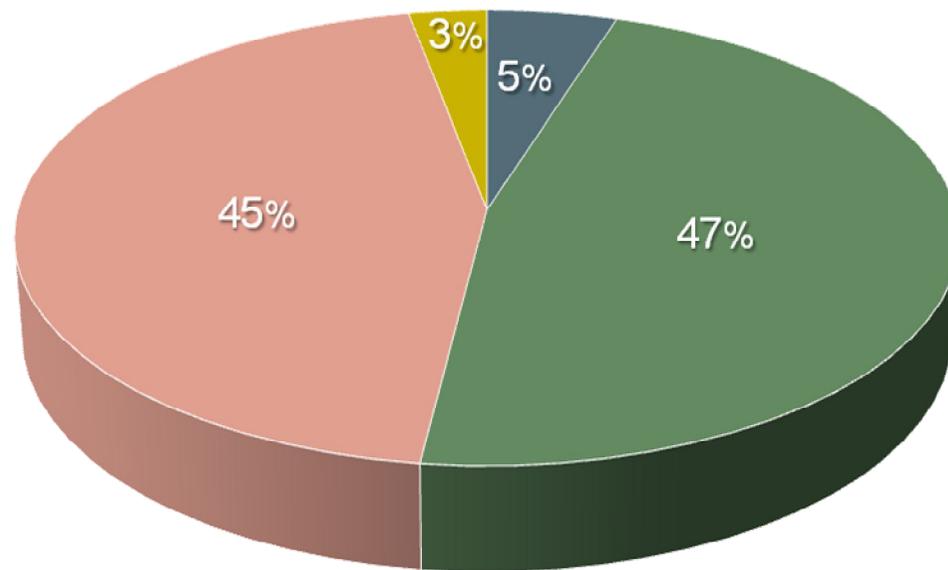
## FINANCIAL STRAIN

*'What with petrol and gas bills, I **don't have any money left**'* (Female, 35-54)

*'Even with the best intentions some people **will not be able to put money away**'* (Female, 35-54)

# The renegotiation of the 'cradle to grave' contract?

Which of the following solutions do you think is the FAIREST method of covering the costs of care and support in old age?



- Individuals or their families or friends should cover the costs
- The government should cover the costs for some people, but the more well off should have to pay from their own savings
- The government should cover the basic costs of care for everyone, regardless of savings
- Don't know

# Key social trends in the longer term?

How might the changing shape of families and their financial commitments impact on society?

## The end of intergenerational household capital?

Will the increased financial burden on baby boomers reduce inheritances for their children?

## Hyper mobility challenges caring ability?

Will children be willing/able to look after older parents?

## 'Poverty' for an extra decade?

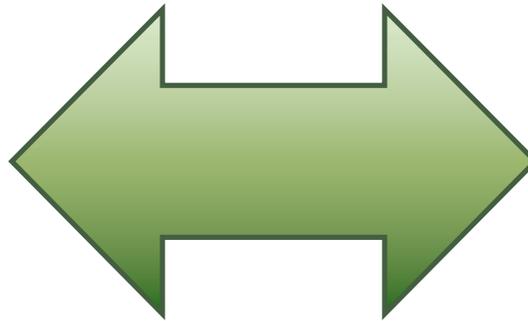
Increased cost of higher education fees, mortgages and high unemployment may mean that children are living at home for longer

# Which way are we going?

Which model is Britain moving towards?

## American model

- Children are taught to value and covet independence
- Expectation that young adults will provide for themselves as early as possible



## European model

- Multigenerational households
- Culture of supporting children financially well into adulthood
- Expectation that parents will be cared for by their children in their old age

61% of Americans believe that **independence** is an important quality to teach children. This is a much lower priority in Mediterranean Europe (France: 29%; Spain: 34%; Italy 41%).



Source: World Values Survey, 1999: 'Here is list of qualities that children can be encouraged to learn at home. Which, if any, do you consider to be important?' Base = France (1610), Italy (1991), Spain (1195), US (1200)

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