

**Schroders Personal Wealth unveils financial scoring system that shows the worrying state of the UK’s financial health**

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A new financial scoring system from Schroders Personal Wealth (SPW) has revealed the state of the UK’s financial health, showing worrying results when it comes to protecting against the unexpected and preparing for the future.

Working in collaboration with behavioural economists from Lloyds Banking Group and Warwick Business School, SPW has developed a unique scoring system to calculate the financial health of the nation.

The methodology has been developed using Lloyds’ customer data to identify 20 observable metrics that have been statistically linked to individuals feeling confident in their financial futures.

The methodology takes into account four crucial areas:

* Getting the basics right
* Managing borrowing
* Protecting against the unexpected
* Planning for the future

Each area carries a maximum score of 25 to give individuals their overall financial health score.

The scores reveal that the majority are on top of the financial basics, which is the day-today running of household finances, scoring **20 out of a maximum of 25**. They are also on top of debt, being awarded an impressive **24 out of 25**. But worryingly the scores plummet when it comes to financial planning. For protecting against the unexpected the nation scored just **3 out of 25** and for planning for the future it was only slightly higher at just **5 out of 25**. Giving the nation an **overall score of 52 out of 100.**

**Commenting on the scores Claire Walsh, Head of Advice Strategy, at Schroders Personal Wealth said:**

“It’s clear to see there is a conflict between how people feel about their money matters and the true state of their finances. Whilst it’s encouraging to see that the majority of UK consumers are confident when it comes to getting the basics right and managing their borrowing, it’s concerning that they aren’t doing enough to protect against the unexpected and plan for the future.

Individuals are leaving themselves exposed to financial shocks. A lack of planning means people might think they are on track with their finances and that they don’t need to do or change anything until it’s too late.

Our new financial health score aims to identify where people need help, enabling us to support them in improving their financial wellbeing.”

**Financial wellbeing – Introducing the SPW Money and Mind Report**

Alongside its unique scoring system, Schroders Personal Wealth has launched a new report which focuses on financial wellbeing, managing money and the financial issues that keeps the nation awake at night.

The SPW Money and Mind report, which surveyed 2,000 adults in the UK, shows that financial wellbeing and success are not defined by high levels of wealth or material things. For the majority, they are associated with enjoying the company of friends and family and being free of money worries.

In line with this 77% of UK adults define financial success as having the financial freedom to do what they want without worrying.

While in general the report found that most people feel like they are coping well with their money matters, stress and finances are closely linked with half (48%) of UK adults feeling regularly or occasionally stressed or overwhelmed due to their financial situation.

These feelings could have long-term effects on individuals careers with over a quarter (27%) admitting that money worries impact their performance at work.

Debt is likely to be the biggest cause of financial stress with two thirds (65%) of UK adults saying that being debt free would give them peace of mind. This is followed by being in position to be able to save (58%) and making sure my family has enough money if anything happened to me (43%).

**Impact of Covid-19**

Despite how people are feeling, the financial state of the nation appears to be resilient with 71% saying they haven’t needed to change anything related to their money matters to support themselves or their family members throughout the pandemic.

Unsurprisingly this differs greatly among the age groups with the over 55s in the most stable position (84%) compared to 67% for the 35-54 age group and 59% for 18-34-year-olds.

However, whilst the majority are showing resilience, signs of stress are still evident with 29% of consumers saying they have missed a bill payment.

Overall just 16% have been forced to draw money from savings to help tide them over during any challenges that the impact of Covid has presented.

When it comes to financial priorities, the majority of UK adults say they have not altered them with 60% of people saying that the pandemic hasn’t changed their focus. Again it’s the over 55s that are in the most stable position with more than three quarters (77%) standing firm with their money priorities.

Overall 19% said they were now more focused on day to day spending and paying bills, 19% said financial security was a higher priority since Covid-19, and 13% are now making plans for their financial future.

Since the pandemic hit, the over 55s have resisted raiding their pensions with only 1% needing to take money out of their pension or investments.

**Financial wellbeing across the regions**

We surveyed 2,000 people across the UK to see how each region compared when it came to dealing with their finances.

Our findings reveal that London is the region where people let their money worries get on top of them. Some 55% admit they feel stressed or overwhelmed by their financial situation, followed closely by 52% of those who live in the West Midlands. This compares with the national average of 48%.

Those who live in the North East feel less on top of their day-to-day finances than any other region at 20% - compared with a national average of 13%. Southampton was the city where residents felt the least in control of finances at 25%.

Wales is where the highest number of people - almost a quarter (23%) - say they are not managing their money in a way that they can enjoy life, compared with a national average of 12%. The region that is most confident it is managing its money well is the North West at 62% compared to an overall average of 58%.

People in the East Midlands are the most likely to seek help from a financial adviser with 21% saying they would get in touch about their money worries. The South East, North East and those in Northern Ireland were the least likely to get in touch at 12%.

Commenting on the survey results, **David Thomas, Head of Business Development, at Schroders Personal Wealth said:**

“The Money and Mind report tells us that even with the countless challenges brought on by the Covid-19 pandemic, overall the average UK adult believes they are in a relatively stable position when it comes to paying bills and saving money.

However, this doesn’t equate to good financial wellbeing, with around half of UK adults confessing that their finances bring on feelings of being stressed or overwhelmed.

We believe that financial wellbeing cannot be looked at in isolation. Having a good level of financial wellbeing and feeling confident about your finances underpins all the other elements of wellbeing -they go hand in hand.

The focus on raising awareness of mental health and general wellbeing has been increasingly apparent over the last couple of years. Like us, many businesses are placing mental health at the top of their wellbeing agendas. This report sets a challenge to the financial services industry and the Government to get individuals planning more carefully for their futures. More needs to be done to encourage stronger engagement with long-term financial planning. We firmly believe this will improve their wellbeing.”

**Ends**

**For further information, please contact:**

Charlotte Banks, Senior PR Manager

Charlotte.Banks@schroderspw.co.uk / 07764 747818

**Notes to Editors**

Schroders Personal Wealth is a joint venture between Lloyds Banking Group and Schroders – two of the UK’s largest names in banking and asset management.

We were created to help more people across the UK benefit from financial advice. We have the advantage of solid foundations and a strong heritage. But we take a fresh, transparent and personal approach to financial planning.

We aim to provide clients with clarity and transparency in everything we do. This includes using technology to explain how long-term financial planning can add value to people’s lives; to give people access to information about their financial wellbeing; and to communicate with their adviser when it's convenient for the client. Our heritage may be 400 years old, but our approach is built for the future.

For more information visit <https://www.spw.com/>

**About the survey**

This data set contains responses from 2,000 UK Adults (18+) .The data has been weighted to be nationally representative of the UK population. Data collection was conducted between 24th July - 30th July 2020.

For more information visit <https://www.spw.com/campaign/financial-wellbeing-index>

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