Financial resilience report 2024

Weathering the cost of living crisis

ROYAL LONDON

Introduction

For over two years, the cost of living crisis has presented significant challenges for individuals and families across the country. The higher prices of essentials such as food and energy, as well as rising mortgage rates and rents, have been stretching people's pockets on a day-to-day basis. But they have also been affecting longer-term finances and savings, which could be storing up problems for the future.

Since February 2022, we've been conducting research every six months with a nationally representative sample of over 4,000 UK adults to understand the challenges these greater financial pressures are posing. Each phase of the research has built on our previous findings. We have added topical questions but have also kept a core of questions that we've asked in each of our five waves of research. As a result, we've been able to understand how people have responded to the different phases of the cost of living crisis; from when energy, fuel, and food costs soared in the early days, to the frequent interest rate rises during 2022 and 2023.

Now, as we enter a new phase of the cost of living crisis and some costs start to come down, we wanted to examine the longer-term effects of two years of inflated costs on people's savings and debt levels, and their retirement plans. We also wanted to understand how rising costs have affected people's mental health and how financially resilient they are feeling.

The impact of ongoing higher prices and bills is not uniform across all demographics and different age groups are experiencing their own distinct challenges. For this latest phase of research, we have focused our findings on how people at various stages of the financial life cycle have weathered the economic storm.

To do this, we split our respondents into the following groups.

- **Young adults** – ages 18-34
- **Family and career builders** – ages 35-49
- **Approaching and into retirement** – ages 50-69
- **Later life** – ages 70 and older

Our research offers a detailed insight into how the cost of living crisis is affecting different generations: how each is adapting to and navigating the economic pressures and their perceived prospects for their financial future. By segmenting responses in this way, we have gained insights into how the concerns of each age group differ, as well as the financial themes that unify them.

Summary

Our research looked at the most recent effects of the cost of living crisis, namely, how consumers have fared in the previous six months, as well as how two years of the crisis have affected people's everyday finances and their longer-term financial resilience.

We carried out the latest research at the end of February and beginning of March. This was after the energy regulator, Ofgem, had announced that the energy price cap would fall to £1,690 a year from 1 April for a typical household paying their energy bill by Direct Debit. Inflation, as measured by the Consumer Prices Index (CPI), had fallen to 3.4% in February from 10.4% a year earlier. Despite these welcome reductions, the previous 12 months had seen many people experiencing significantly higher bills and they were, understandably, still concerned about the cost of living.

Over half of people told us that their financial resilience, namely their ability to cope financially with a life shock, has been affected by the cost of living crisis. However, it is not only people's ability to cope with the financial effects of, for example, job loss, illness or bereavement that has been reduced by the crisis. Three quarters of adults told us that their retirement savings and plans have been affected too. For some, it could mean they retire with less, while for others it means they will have to push back retirement altogether.

Our research also showed that a significant minority of people are overdrawn or have to borrow at the end of the month, while others have dipped into their cash savings or, in a limited number of cases, used them up entirely. Since March 2023 we have asked consumers about the amount of cash savings they have, and it has been striking that one in five have less than £100. This figure has been consistent over the last year and, while it is understandable that many people have had to dip into their savings during the cost of living crisis, it is concerning that this many people have little or no buffer in case of unexpected expenses.

There are some signs of improvement. For example, fewer people describe themselves as being in financial crisis (namely, unable to pay their bills) this time around. We have also seen a consistently low number of people who say that they have stopped or reduced their pension contributions. There was some concern at the start of the cost of living crisis that some people, especially younger consumers, would stop paying into their pension and, potentially, end up with a lower standard of living in retirement than they would like.

It is, however, clear that some of those who have experienced the biggest rises in housing costs, whether it is those renting or homeowners with a mortgage, are in a financially vulnerable position. It is too early to tell how the cost of living crisis will affect people's finances over the longer term. While overall, the financial position of some consumers has improved recently, there are still many people without the financial cushion needed to cope with a life shock or who face the prospect of making difficult choices about their spending in retirement.

Young adults – ages 18-34

People in this age group are starting out in their working lives and learning to manage their finances. They are balancing rising housing costs, higher food and energy bills and other expenses, with their earnings.

Key insights

- Rising housing costs have significantly impacted this younger age group, particularly those renting in the private sector where increases in rent are especially high.
- Over half of young people say their financial resilience has been affected by the cost of living crisis.
- The crisis has also affected their mental health and wellbeing, with many experiencing money-related anxiety.

Housing headaches

When we started tracking the cost of living crisis in February 2022, interest rates had already begun to increase from their historically low level of 0.1% to 0.5%. These rises did not have a widespread impact on mortgage or rent levels at that time. However, interest rates rose repeatedly over the next 18 months to reach 5.25%, which had an impact on both mortgage rates and rents. By the autumn of 2023, many people, especially in the 18-34 age group, faced significant rises in rent or mortgage costs.

A year ago (March 2023), those in the 18–34-year-old age group renting or owning their home with a mortgage said their housing costs had risen by £240 a month compared to a year earlier. Now, they are paying an average of £378 a month extra in housing costs, compared to March 2023. This is the biggest increase of all the age groups. In order to pay this additional cost (and other rising bills), renters and those with a mortgage have cut back on many areas of spending, including the food and clothes they buy and eating out.

Young renters are very concerned about higher housing costs, with 89% worried about rising rents versus 85% of all respondents. Almost four in ten (37%) of 18–34-year-olds rent their homes, 29% of whom rent from private landlords, where increases have been steepest. Only 8% rent from their local council or a housing association where rents are generally cheaper and increases smaller.

More discontent over rent

Across all age groups, rising rents, especially in the private sector, are a significant worry.

In the 12 months to February 2024, housing costs in the private sector for all renters rose by an average of £324 a month, versus an increase of £148 a month in the social sector.

Compared to the general population, renters are less likely to feel financially secure and are more concerned about paying their energy and food bills than non-renters.

Over a third of renters (37%) are buying less food, while 46% have switched to cheaper brands.

All this is impacting their mental health, with 49% of renters feeling stressed and 34% having trouble sleeping due to rising costs.

Renters are also more likely to feel ashamed about their ability to cover their costs than homeowners, and, while only a minority (one third) have sought financial help with the cost of living, this is higher than for the sample as a whole.

The effects of borrowing

We've been tracking respondents' borrowing habits over the last 18 months and, linked to this, people's ability to pay for an unexpected expense out of either their income or savings. Over one in five (22%) of this group say that they could only cope with an unexpected bill of less than £500, which is the highest percentage of all age groups. However, this is lower than in August 2022, when it was almost 40%, and in March 2023 when it was 30%.

Almost one in three of 18-34-year-olds (31%) are overdrawn or have to borrow at the end of the month once bills have been paid, which is higher than most other age groups. A key aspect of financial resilience is being able to afford an unexpected expense. If someone has limited or no savings and/or no disposable income, they may feel they have no other option but to borrow if an unexpected expense arises.

Interestingly though, a far higher percentage of younger adults said that they planned to borrow at the start of the crisis than now. In February 2022, 41% of those aged 18-34 planned to borrow to cover the increased cost of living, but by February 2024, this had fallen to 27%. There were reductions in the numbers planning to use credit cards or bank overdrafts and those planning on borrowing from family and friends. The biggest reduction, in relative terms, was among those who said they were considering a payday loan. This fell from over 7% in February 2022 to only 1% in February 2024.

There may be a number of explanations for this: borrowing may have appeared a more attractive option for younger people in the early days of the cost of living crisis than it does now. Additionally, higher interest rates on credit cards and bank loans may have become a barrier to some.

89% are concerned about rising food costs

89% are worried about rising rents

48% are worried about rising loans or debt repayments

The impact on mental health

Unsurprisingly, the cost of living crisis has taken a toll on people's mental health and wellbeing, with this younger group suffering higher levels of anxiety (43%) compared to the whole sample (34%). Our research showed that:

- 45% feel stressed versus 34% across all age groups
- 36% report feeling lower in mood compared to 30% for the overall sample
- Over a quarter of 18-34-year-olds feel ashamed about their lack of financial resilience and ability to cover costs – 26% versus 16% for the whole sample.

Overall, 63% of those aged 18-34 say their mental health or mood has been impacted, compared to 56% of the sample as a whole.

Less pessimistic pensions picture

With retirement 30 years away or more for many in this age group, they have the most time to plan for life after work. It could reasonably be expected, therefore, that pension provision and other long-term financial planning may be less of a priority than for older age groups when day-to-day bills and costs are rising.

However, relatively few 18-34-year-olds say they have stopped paying into their pension or reduced their contributions to pay for rising costs. We also found that the percentage who planned to reduce or stop pension contributions was always higher than the number who, when asked six months later, said they had done so. This is a pattern we saw across all age groups. The cost of living crisis has affected the retirement plans of fewer 18-34-year-olds than other age groups. Seven out of ten (70%) say their plans have been impacted compared to 75% of the sample as a whole.

Two years ago, when we asked this group whether they might stop or reduce their pension contributions to help cover the higher cost of living, approximately one in seven (14%) said they planned to do this.

In our latest wave of research, we asked people about the changes they had made in the last two years in response to the cost of living crisis, and only 4% of 18-34-year-olds reported stopping pension payments, compared to 3% of the sample as a whole. A further 2% said they had reduced their contributions (the same as the overall sample) while 2% had opted out of automatic enrolment, which is double the number of the sample as a whole. While there is a balance between maintaining short and long-term financial resilience, most people in this group are finding other ways to adjust to the increased cost of living, rather than sacrificing their pension payments.

With retirement still some way off, it is, perhaps, understandable that people in this age group were the least likely to know whether they were saving enough to fund their retirement. Almost a third (32%) did not know if they were saving enough versus 24% of those aged 50-69 with a pension and only one in four (26%) believe they are saving enough, compared to 36% of all UK adults with a pension.

This group have more time than other age groups to get their retirement plans back on track. However, if housing costs remain high, and more people continue renting or paying their mortgages into retirement, they could find they need a substantially higher income into their old age. That could mean their financial resilience is reduced throughout their retirement, which could last for 20 years or more.

Family and career builders – ages 35-49

People in this age group may be focused on career progression, settling down, buying or upsizing their home and perhaps starting or growing a family. They have the highest annual income of all the cohorts surveyed but are the most likely to be overdrawn at the end of the month.

Key insights

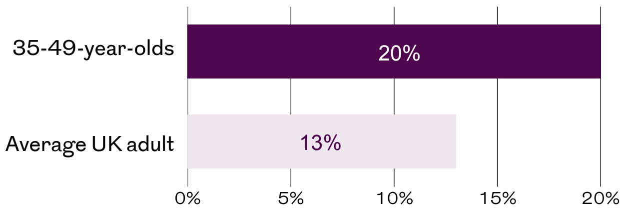
- This group have both the highest employment level and average pay yet are most likely to have had their financial resilience affected by the cost of living crisis.
- The effects of rising interest rates on mortgages, combined with higher monthly food and energy bills, make this group financially fragile.
- Inadequate insurance protection levels could leave them exposed to the financial effects of unexpected life events.

Income under pressure

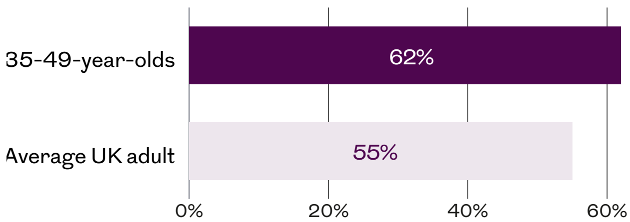
Despite having the highest percentage of people employed and the highest average earnings of all age groups, 35-49-year-olds are the most likely to say they are in or near financial crisis, namely, unable to pay their major bills. One in five (20%) fall into this category, compared to 13% of the sample as a whole.

They are also less able to cope with the financial aspect of a life shock because of the cost of living crisis. Almost two-thirds (62%) say their financial resilience has been affected, compared to 55% of UK adults. Only 23% say their financial resilience has not been affected (compared to 30% for the whole sample), the lowest of all the age groups.

20% say they are in or near financial crisis



62% say their financial resilience has been affected



How the crisis has affected £40k-£80k earners

In March 2023, we began tracking the impact of the cost of living crisis on those earning £40,000 to £80,000 a year across all age groups.

At that point, these higher earners' monthly outgoings had shot up by £560 per month in the previous 12 months, compared to an average increase of £441 across all income groups. That's a difference of 27%. As a result, they were more likely to be overdrawn or to have to borrow at the end of the month (35% compared to 31% for the whole sample). They were also more likely than any other group to put more of their spending on credit cards, use bank overdrafts or take out payday loans to cover rising costs.

Our latest research shows that position has not improved. Household bills have risen by £652 a month on average in the 12 months to February for this income group. Over a third (34%) of those earning £40,000 to £80,000 said they were overdrawn, sometimes or always, or had to borrow at the end of the month, compared to 25% of the whole sample.

In terms of financial protection, 19% of those earning £40k-£80k have whole of life insurance, versus 16% of the sample, while 13% have other life insurance. One in ten (10%) have income protection, compared to 4% of the sample as a whole, and 19% have critical illness, compared to 8% of all income groups. Encouragingly, the cost of living crisis has not led to them stopping or reducing their protection premiums. In the last two years, only 1% of these higher earners have stopped paying their premiums, while just 1% have reduced them, compared to 3% and 2% of the whole sample.

More sensitive to mortgage rate rises

People in this life stage are the most likely to own their homes with a mortgage (48%), while just 12% own their homes outright. Three in ten rent with the majority (18%) renting privately.

Unsurprisingly, given the prevalence of mortgage holders, this group are the most likely to say that they have been affected by higher interest rates when taking a new fixed-rate mortgage after their existing deal expires (15% versus 8% of the whole sample). Bank of England data shows that the average two-year fixed-rate mortgages at 75% loan-to-value charged interest at 1.78% in February 2022 compared to 4.77% two years later.

Of those whose mortgage payments are increasing (a smaller sample size of 460 people across all age groups), the 35-49-year-olds are slightly more likely to cut back on everyday spending or use income to pay for the increase (44% and 54% respectively, compared to 41% and 51% of the whole sample). With little in the way of reserves, they were the least likely to dip into their savings to cover higher mortgage payments (10% versus 13% of the overall sample).

Bills on the rise

This group have seen a higher increase in their monthly energy and food bills than any other age group. Once they have paid their bills, over one in three (34%) of those aged 35-49 are overdrawn some or all months or have to borrow – the highest of all age groups.

Almost one in five (18%) say they've been affected by increased credit card rates (compared to 14% of the sample as a whole). Approximately one in seven (14%) say they're either using or planning to use their credit card, reducing payments on loans or credit cards, or using their bank overdraft to pay their higher mortgage costs. This compares to 12% six months ago.

This trend is worrying. Bank overdrafts and credit card interest rates can be high and reducing repayments could mean people pay more interest overall, or worse if they can't make the minimum contractual payments.

Financial protection

- Of all the age groups, 35-49-year-olds are the most likely to have life insurance.
- 34% have some form of life insurance, compared to 27% of the whole sample.
- Almost twice as many have critical illness cover (15%) as the whole sample (8%).
- More people in this group have a mortgage than life insurance in place, which could leave a partner or spouse in a financially vulnerable position.

Shrinking savings

Almost one in four (23%) of 35-49-year-olds say they have no savings at all, which is significantly higher than the whole sample, where 15% have no savings. The average amount they have in savings is £9,452, which is the lowest amount across all ages (including 18-34-year-olds) and significantly less than the average savings of the whole sample of £15,549. This also means they have benefited the least from rising interest rates – 21% versus 28% for the whole sample say they have seen higher interest rates on their savings.

Almost one in five (17%) in this age group say they couldn't cover any size of unexpected bill, no matter how small, from either their income or savings. This compares to 10% of the whole sample. Fewer than one in three (30%) could only afford an unexpected expense of up to £250, versus one in five of the sample as a whole. This is significant because the lower the amount of unexpected expense that someone can cope with, the higher the likelihood that they'll be in or near financial crisis. Overall, this age group have relatively low financial resilience after two years of higher mortgage rates and significant increases in other bills.

Potential pensions problems ahead?

Similar to the other age groups, only a small percentage of people in this cohort have stopped or reduced their pension contributions (6%) to cover higher living costs. Of those who have, 82% said they did so because they couldn't afford the payments, the highest of all age groups (74% for the whole sample).

The 35-49-year-olds are paying more than £308 per month into their pension (versus a mean of £197), second highest only to the *Young adults* cohort. While this age group don't appear to be sacrificing long-term savings for short-term cash flow, they are the most likely to say they don't think they are saving enough into their pensions (55% versus 37% for the full sample).

Over the last two years, four in ten (39%) say they have thought about how much they might need per month in retirement. However, when it comes to details and actual calculations, 23% of this group don't know how much they are contributing to their pensions each month. This limited understanding of their pension provision may not bode well for their long-term financial planning and aspirations for the future. However, like their *Young adults* peers, they have time to seek advice or guidance to ensure they are saving enough for life after work.

Approaching and into retirement – ages 50-69

People in this group may be approaching the end of their working lives and considering retirement. They may also be downsizing their homes, caring for ageing parents, supporting grown-up children, dealing with bereavement, facing deteriorating health or thinking about later life care.

Key insights

- This group are most likely to say the cost of living crisis has affected their retirement plans.
- A high percentage don't know if they're saving enough for life after work.
- Over half of our 50-69-year-old respondents own their homes outright, and this group have the most marked divide between those who are asset-rich and asset-poor.

Mixed employment status

Only a third of people aged between 50 and 69 work full time, with half that number (16%) working part-time hours. This group also have the highest percentage of people who are self-employed, 16% compared to 11% of the whole sample. Almost a third are retired and not working, while a further 3% are retired but work in some capacity. At 7%, this cohort has the highest percentage of people who are disabled and unable to work.

Income and spending

The mixed working status of this age group means they have a lower average income than the younger age groups – £26,203 per year compared to £28,484 for the sample as a whole.

However, they also experienced a smaller increase in household bills, spending an average of £431 a month extra on housing, food and energy bills compared to a year earlier. This compares to over £523 for the sample as a whole. Despite this, over one in five 50-69-year-olds (21%) say they are overdrawn always or some months, or have to borrow at the end of the month.

After paying their bills but before saving, 35% of this group say they have less than £200 a month in discretionary income. However, almost one in ten (8%) have over £1,000 a month left over. The average disposable income for those who aren't overdrawn stands at £359, which is the lowest figure for all the working age groups.

Despite this, they are as likely as the overall sample to say that their discretionary income has reduced in the last year (50% versus 48%). While far fewer say their discretionary income has increased (15%), this is also in line with the overall sample at 16%.

Savvy savers

While almost one in six (15%) of this group have no savings, a further 15% say they have more than £50,000 set aside. That's three times the percentage of both 18-34-year-olds and 35-49-year-olds.

With more funds at their disposal, it is not surprising that 50-69-year-olds have used more of their short-term savings to pay for the cost of living rises over the last two years than any other group.

They have used an average of £3,851 compared to an overall average of £3,301. Almost one in five (17%) plan to use their short-term savings for any additional expenditure, which is in line with the overall sample (16%).

When it comes to day-to-day cost-cutting measures, more people in this group have turned down the heating (49%), switched it off in unoccupied rooms (39%), or turned it off completely (22%) over the last two years than any other age group. For people aged between 18 and 49, eating fewer takeaways or having fewer meals out was the most popular cost-saving measure, but it was not the case for this age group.

Looking ahead, almost two-thirds (62%) of this group say they are worried about further rises in living costs between now and the end of 2024, compared to three-quarters of the younger age groups.

Asset-rich versus asset-poor

Over half of this age group (56%) own their homes outright and 20% own with a mortgage, while 21% rent. A striking feature of this cohort is that, of the homeowners with a mortgage, only 5% have an original mortgage term of between 26 and 30 years, while 2% have original mortgage terms longer than 31 years, compared to 20% and 35% respectively, of mortgage borrowers aged 18-34.

The high proportion of mortgage-free homeowners means this group have been insulated from some of the effects of rising mortgage rates. With more savings set aside, they have also benefited more than the younger savers from higher interest rates. Since March 2023, almost a third (32%) say that the interest rate on their savings has risen, compared to only one in four (24%) of those aged 18-34 and approximately one in five (21%) of those aged between 35 and 49.

In terms of household assets, there is a marked divide between the haves and the have-nots within the 50-69-year-old cohort.

- 31% have less than £50,000 in assets, with 17% of those having less than £10,000.
- Almost one in five (19%) have over £200,000 in assets.
- The average amount of assets that each household has is £39,559.

Resilience levels

When it comes to overall financial resilience, almost one in ten (9%) of 50-69-year-olds say they couldn't pay an unexpected expense of any size, which is in line with the wider sample. However, over one in five (22%) say they could cope with an unexpected expense of £10,000 or more, compared to 11% of 18-34-year-olds and 13% of those aged 35-49.

So, perhaps it is not surprising that over one in four of this group (26%) describe themselves as financially comfortable (compared to 14% of those aged 18-49), with 58% saying their financial situation is either okay for now or comfortable (versus 41% of younger age groups).

Perhaps because of their bigger safety net of savings, this group are also more likely than any other to say that the cost of living crisis has not affected them mentally or emotionally (40% say they have been unaffected compared to 26% of the younger age groups).

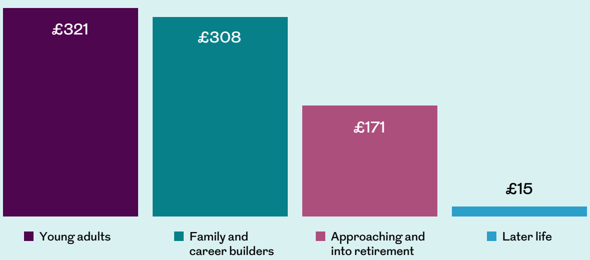
Pension priorities

With life after work looming large for people in this group, and almost a third having retired already, they are the most likely to say that the cost of living crisis has affected their retirement plans. Almost four out of five (79%) are in this category compared to three-quarters (75%) of the whole sample. As a result of the crisis, 7% have delayed their retirement, while 30% say they will have less money when they stop working, compared to 24% across all age groups.

The average amount that 50-69-year-olds are paying into their pension every month is £171 (including any employer contribution), but 46% are contributing nothing at all. Some of those will have retired, but there are some who are working part or full time who are not paying into a pension. Almost six out of ten (57%) are paying in less than £100 per month into their pension.

One explanation is that people in this age group believe they have enough saved. However, our research shows that almost four in ten (39%) have never worked out how much they may need in retirement. Some have done this: almost one in five (17%) have either used tools to help them work out what they need to live on in retirement or consulted a financial adviser (3%) about their retirement requirements. Overall, more than four in ten (43%) think they're saving enough into their pension for their retirement, the largest percentage of all working age groups (36% for the whole sample).

Average monthly pension contributions (including from employer)



Asking for help

One of the themes that has consistently come through in our research is that most people have not asked for help during the cost of living crisis, even though it may have affected their finances and anxiety levels. We defined 'help' to include contacting family and friends, debt advice charities, the Department for Work and Pensions, energy companies or banks. Fewer people in this age group told us they had approached someone for help over the last two years (11%) than the sample as a whole (where 14% have asked for help). Only 4% have approached family and friends, versus 7% of the whole sample.

This group are also the most likely to say they hadn't checked to see if they were entitled to state benefits because they didn't think they would be eligible (45%). However, while almost one in four (23%) had enquired but weren't able to get any state help, one in 12 (8%) had checked and found they were eligible. With billions of pounds in state benefits going unclaimed, it is possible that some in this age group who are struggling financially are missing out on state help they are entitled to.

Later life – ages 70 and over

Most people in this group are retired and their retirement is likely funded through a mixture of workplace pensions, personal pensions and the State Pension. They tend to be more property-rich than other generations, with the majority owning their homes outright. This means they have been insulated from the worst of the effects of rising interest rates.

Key insights

- Three in four of this group say the cost of living crisis has affected their retirement. Worryingly, over one in four don't know if they have saved enough for later life.
- Their average income is lower than the threshold for a moderate standard of living in retirement, as defined by independent research for the Pensions and Lifetime Savings Association.
- Despite this, they are more likely than any other group to consider themselves financially comfortable.

Income in retirement

People in this group receive an income largely from their pensions, sometimes supplemented from savings and/or investments. Only 1% are still working. Their average annual personal income is £22,932, with over four in ten (45%) having an income of less than £30,000 a year.

Independent research from the Pensions and Lifetime Savings Association's Retirement Living Standards (updated in February 2024) shows that a single person needs £31,300 a year to have a moderate standard of living in retirement, excluding any housing costs. A significant number of those in this group could be falling short of this income threshold. However, 60% of the 70+-year-olds think they have saved enough for their retirement, only 13% say they haven't, while one in four (27%) don't know.

Covering their costs

Once they've paid all their bills, half this group (50%) have money left over at the end of the month, which is in line with the sample as a whole. Unsurprisingly, given the lower income levels of the over-70s compared to younger respondents, the amount they have spare is less, at £323 versus £389.

The State Pension rose by 10.1% in April 2023, which will have offset some of the increases in household bills (such as energy and food) driven by the cost of living. It may go some way to explain why only 41% in this group say their discretionary income has reduced in the last year, compared to almost half (48%) of the sample as a whole. A further 8.5% rise in April 2024 has taken the full State Pension for someone who reached State Pension age after 5 April 2016 to £221 a week or £11,542 a year.

This group have taken a range of measures to reduce their day-to-day spending, but over one in five (22%) have used some of their savings to pay for rises in living costs (with 1% having used all their savings). Of those who have used savings in the last two years, one in four say they have used retirement savings (24% versus 15% of the overall sample). The average amount of cash savings they had used was £3,156 (compared to £3,270 for the whole sample) but as this group have more savings overall, this was a smaller percentage.

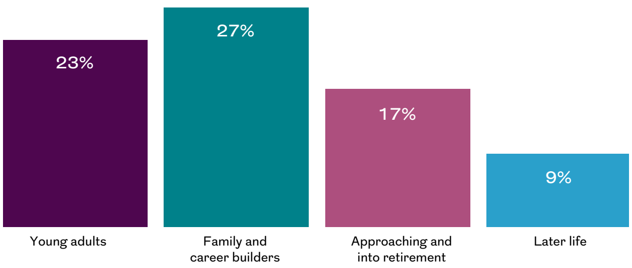
Looking ahead, only a third (32%) anticipate making any changes to help cover further increases in the cost of living compared to 48% of the whole sample, with 17% saying they will have fewer or cheaper holidays.

Property and assets

Most people in this group (79%) own their homes outright. However, housing costs are still a consideration for some, as 5% still pay mortgages while a further 14% rent, mainly from a housing association or their local council. With fewer demands on their income than the younger groups, those in the 70+ cohort have more put aside in savings. Their average short-term savings are £24,756 compared to £15,549 for the sample as a whole. Only 7% have less than £100 in the bank, compared to 19% of the full sample.

However, one in ten have less than £10,000 in assets and 8% have less than £50,000 in assets. While this compares favourably to the other age groups, it is a concern. Those aged 70+ are not earning and are therefore more reliant on growth and/or income from their investments (including their pension) or interest on their savings. And, if they are not already doing so, they are more likely to be taking money out of their pension in the coming years.

% of each age group with less than £10,000 in household assets



Higher levels of resilience

Despite experiencing a significant rise in costs (an average of £362 a month across food, housing and energy), the 70+ group are more likely to consider themselves financially secure, with 38% saying they're comfortable compared to 14% of those aged 35-49. Only 3% of this group say they are in financial crisis (unable to pay their household bills) or close to it.

While almost four in ten (38%) of this age group say that the cost of living has affected their financial resilience, this is the lowest of all the age groups. Meanwhile, almost half (46%) believe their ability to cope financially has not been affected by the crisis, versus 30% of the whole sample. However, while only 3% of those aged 70+ say they're in financial crisis, 9% have to borrow or are overdrawn, always or sometimes, at the end of the month. This could erode financial resilience if borrowing or using an overdraft becomes a regular occurrence.

Help and advice

During the crisis, only 5% of this group have approached someone for support compared to 14% of the whole sample. The most popular source of advice was the Department for Work and Pensions (2%). Four in ten (41%) have checked to see if they are entitled to benefits (compared to 34% of the whole sample), while 48% have not (versus 58% of all age groups). State benefits aimed at people over State Pension age, such as Pension Credit and Attendance Allowance, are among the most underclaimed. Therefore, as with other age groups, some people in this cohort could be less financially resilient because they have not applied for state help they are entitled to.

Looking ahead

Two years of the cost of living crisis, following hard on the heels of the Covid-19 pandemic, have made a sizeable dent in the finances of millions of people. The five waves of research we have carried out since February 2022 have shown both how different age demographics have been affected, and how the pressures on individual and household budgets have shifted over time.

One worrying statistic, which has remained steady over the last year, is the number of people who have little or nothing by way of savings. In 2022, the Money and Pensions Service released findings showing that a quarter of adults have less than £100 in savings. Our latest research shows that one in five people have less than £100 in savings. The pandemic allowed many of those who were able to work remotely to save money, but, after two years of rising living costs, millions of people have little or no emergency funds to rely on.

If household bills and costs continue to fall people may be able to rebuild their savings. However, those who are renting, especially people renting in the private sector, and homeowners with a mortgage in their thirties and forties, could face a greater challenge in this area.

It is, however, encouraging that most people have not stopped paying into their pension. While stopping paying into a pension may be the right decision for those people who are falling behind on debt repayments or struggling to pay everyday bills, there was a concern at the start of the cost of living crisis that people may see stopping their pension contributions as an easy way of saving money. This hasn't happened so far. However, with three-quarters of people saying that their retirement plans have been affected by the cost of living crisis, it is too early to assess the long-term impact on the income people retire on or the age at which they retire.

It is concerning that only around a third of people believe they are putting away enough money for retirement. Over the years, research has shown that millions of people are saving too little for life after work. While it may not be the right time to encourage more saving for later life, any change in contributions will take years to implement, so we should start planning for that increase now, to ensure people can have a good standard of living in retirement.

As the cost of living crisis moves into a new, and hopefully more settled, phase, the attention will need to shift from how people are coping with daily bills and costs, to what this means for their long-term financial resilience.

Notes for editors

Five waves of research into the cost of living have been carried out for Royal London. The sample size and fieldwork dates are:

Wave 1 – Research carried out by Opinium through an online survey with a sample of 4,001 UK adults between 24 February and 1 March 2022.

Wave 2 – Research carried out by Opinium through an online survey with a sample of 4,000 UK adults between 26 August and 1 September 2022.

Wave 3 – Research carried out by Opinium through an online survey with a sample of 4,006 UK adults between 27 February and 6 March 6 2023.

Wave 4 – Research carried out by YouGov Plc. The total sample size was 4,222 adults. Fieldwork was undertaken between 25 August and 10 September 2023. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).

Wave 5 – Research carried out by YouGov Plc. The total sample size was 4,018 adults. Fieldwork was undertaken between 22 February and 7 March 2024. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).

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