BAD WEATHER GOOD HABITS

Encouraging social housing tenants to save more

Lemos&Crane

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SUMMARY

Background and Methodology

Encouraging greater savings to reduce risks of financial shocks and to prepare for retirement has long been a policy priority. Social housing tenants have been identified as one of the groups least likely to save.[1] People on low incomes, including social housing tenants, are especially at risk of financial insecurity and therefore have a particular need to save both for a 'rainy day' and for the long term. Social landlords, concerned about rent arrears and possible evictions, have strong business, social and moral incentives to increase financial capability among their tenants and to encourage them to save. With their longstanding and reliable financial relationships with their tenants, they are well placed to influence tenants' behaviour. Consequently, they have an established history of supporting tenants with welfare benefits, debt advice and financial inclusion – including promoting credit unions, though the latter with only limited success. They have not traditionally promoted other savings products, such as high street accounts, ISAs or child trust funds.

For this study Lemos&Crane worked with a research group of six social landlords, Wrekin Housing Trust, CHS Group, Hyde Group, Circle Housing Group, Aster Group and Hastoe Housing Association. We discussed and reviewed their current approaches to financial capability generally and specifically how they had gone about promoting savings. From these discussions Lemos&Crane facilitated representatives of social landlords to devise a questionnaire about tenants' attitudes and behaviour towards saving. This was then conducted by housing managers with 220 tenants. Though not a representative sample, respondents were from a diverse and broadly reflective sample of age, household structure, employment and welfare status and vulnerabilities. One association interviewed tenants it was already in touch with about financial inclusion services. The results were analysed by Lemos&Crane and the findings, conclusions and recommendations were discussed and agreed with the research group.

Context

Significant changes to welfare and benefits are afoot with the introduction of Universal Credit and a raft of other welfare changes including re-assessment of eligibility for disability benefits, reductions in housing benefit for 'under-occupiers' and a cap on the overall level of benefits. Along with the practical and financial consequences, this has sparked an emotive public debate about the financial habits of people on low incomes, including social housing tenants. A distinction has been drawn between supposed 'skivers' and 'strivers'. 'Skivers' claiming benefits (some of the poorest households) are perceived as being in unmanageable debt, sustained by frivolous attitudes and extravagance towards money. Work shy, they are presumed to be all too ready to live off state benefits indefinitely. A recent report by churches in Scotland found that over 80% of the UK population believe that

1. See for example Kempson and Finney 2009

large numbers falsely claim benefits and 60% felt that the UK poor perpetuate their situation through profligacy.[2]

The financial crisis and mis-selling of financial products have undermined trust in banking and financial services. This has compounded already existing barriers of ill-understood product complexity and customer inertia. The government is promoting generic financial advice through the Money Advice Service and the provision of 'simple products' by financial services firms with standardised, easy-to-understand characteristics with the aim of empowering consumers and combating inertia.

In recent years behavioural economics has brought out important insights about how people make financial and social decisions. Combating instant gratification, loss aversion and inertia by changing defaults are emerging policy tools. NEST, the government's auto-enrolled contributory workplace pensions' savings scheme, is the flagship for these approaches.

Respondents' attitudes and aspirations

The tenants (220 in total) were interviewed about their social and financial circumstances. The average household income was £18,171 p.a. and many were living well below this. 42% were unemployed and 38% fully dependent on benefits. 45% of households were experiencing challenging social or personal circumstances.

A large proportion were either people living on their own (37% of 206 respondents), single parent families (22% of 203 respondents) or residents with support needs (45% of 109).

Work and benefits status and vulnerabilities are often thought of as determinants of people's financial experiences and attitudes. Among our respondents, however, savings behaviour or experiences with and attitudes towards money did not reflect benefits status, work or income. Savers and those who were not saving were spread across people in different financial circumstances, roughly proportionately. The exceptions to this were age, length of tenancy and employment status. Likelihood of regularly saving increased with age and length of tenancy and those in employment were slightly, though not overwhelmingly, more likely to save regularly than unemployed people.

In terms of personalities, interests, hobbies and aspirations, the group was diverse and wide ranging. In the main residents said they prized the non-consumer pleasures of low cost, high contentment activities such as rest, spending time with family and friends and in natural settings.

Major life events

We asked respondents about significant life events and their impact on financial security, including: health problems; having a baby; entering employment; redundancy; divorce; and retirement.

2. Joint Public Issues 2013:6-7

88% of respondents had experienced at least one of these life events during their tenancy. Of the 26 who had not experienced any of these events, 8 (31%) had been tenants for less than 24 months. Health problems - which affected 50% of all respondents - constitutes the most commonly experienced major life event.

These events had the capacity to destabilise tenants' financial security in both the short and the long term. Common short term effects included stress and anxiety, having to rely on savings or borrowing and claiming benefits. Many were forced to sacrifice longer term goals such as attending college, learning to drive or moving home. Difficulty with saving money was a continuing effect of a significant life event. Entering employment was positive in the long term, but marked by a difficult short term period of financial adjustment. Overall, respondents were not financially (or indeed emotionally) prepared for a rainy day, but most had experienced or were likely to encounter bad weather.
This illustrates a key insight of behavioural economics: in general, people (practically everyone) simply and irrationally don't believe that bad things are going to happen to them until they do. When they do they are inadequately prepared. Denial, however, does not remove anxiety.

Having a baby was good news, but nevertheless expensive though few respondents described any long term negative effects. Most adjust to their altered outgoings or return to work and a more normal financial trajectory. Claiming benefits as a result of having children also stabilises people's long term financial prospects. Having children also encourages residents to think about saving more and ways they might become more financially secure in the future. This was not always translated into actual savings behaviour, however.

Those who had not experienced a significant life event were less likely to have persistent day-to-day money worries than those who had. Those without savings were more likely to worry about money than those who save regularly, or hold savings. Nonetheless, the desire to save money was not reflected in behaviour.

Respondents were aware that significant life events may influence their financial security and wished to save money in order to cushion themselves against the potential impact. Despite this, few felt able to save. So financial and health concerns weighed heavily on the mind of the group.

Experience and attitudes towards money

Contrary to the prejudices already noted about people on low incomes, the majority of respondents consider themselves careful with money. 67% say they are able to budget with at least a small amount of money left over (though this response may be influenced by talking to a landlord's representative to whom they may not be keen to admit to financial problems).

Despite this generally responsible outlook few have made plans for their future financial security; that might include how they would deal with a rise in the cost of living or an unexpected expenditure. 56% had not considered how they would cope in such a situation. This lack of future planning was also generally true about retirement; 62% had made no plans for their retirement. Saving for retirement requires a larger and longer term commitment than saving for a rainy day, perhaps saving up to 20% of income for decades. On a low income, this level of saving is difficult to maintain.

Contrary to the debt-ridden stereotype, 62% of respondents (136 of 220) did not borrow at all. A minority (18% of respondents) said borrowing was an essential part of their day-to-day finances and 12% borrowed for large purchases that they could not immediately afford, such as cars. Of the 77 respondents that were borrowing, 47 (61%) were managing without difficulty – they were up to date with repayments and knew how they would pay the money back. 20 (26%) were struggling with keeping up payments and 10 (13%) were finding repayment obligations a real worry. These proportions are not enormously out of kilter with the population at large. It is estimated that around half (51%) of UK households have financial liabilities of which nearly half (49.4%) are finding repayments a burden.[3] In 2010, 17% of households were finding keeping up to date with repayments a constant struggle, 34.5% found it an occasional struggle and 8% were falling behind on repayments.[4]

The majority of respondents said they were careful with their money, able to budget and either to avoid borrowing altogether or to manage borrowing and repayment obligations efficiently. For the most part this group felt able to make ends meet with at least a small amount of money left over regardless of the source of income, whether benefits, salary or a combination. This group felt they were managing their expenditure carefully but were not adequately preparing for unexpected events and expenditure or their long-term financial futures.

Two principal groups emerged: those in prolonged financial difficulty, around 10 to 15%, and a much larger group, around 65%, who felt they were managing money at least fairly well from day to day, though not saving.

Experience and attitude towards saving

The majority were not saving regularly and did not have any savings. Despite this, the majority also felt they ought to save more and wanted to. This is much lower than national averages for saving. A study conducted by HSBC in 2012 reported that 71% of people have some savings and 29% have no savings. The same HSBC report found that 60% of people have positive intentions for savings – intending to save more in the next year as they did in the last.[5] In our survey:

- 76% were not saving regularly
- 67% held no savings
- 73% felt they should be saving more.

Likelihood of saving increased with age - those over 65 were most likely to save. This group was also the least troubled by persistent financial worries. The majority of people with savings held up to

3. ONS 2013:2

4. Muller et al/MAS 2012:2

5. HSBC 2012:5

£1,000. Likelihood of having persistent financial worries decreased as amount of savings increased. This age pattern is not typical of the population at large and reflects the relatively low incomes of social housing tenants.

Among the savers, the majority put aside set amounts of money at regular intervals and used high street savings accounts. Comparatively few saved small amounts of less than £5 a week. Those who were not saving regularly were just as likely – and in many cases more so – to have clearly defined ideas of why they should save and to have set savings targets than those who were saving regularly. Of these, the most common reasons for saving were holidays, emergency expenditure and financial security. The vast majority of respondents clearly wanted to save and had clear aspirational and defensive ideas of why they should.

The majority say they are managing their money successfully. Tenants were aware of their financial vulnerability and keen to improve their situation through saving. They also said, for the most part, they were able to budget fairly well. Despite this, they were not saving regularly. The vast majority of respondents who said they felt they should save more explained their lack of saving with a variation on "I would like to, but I haven't got spare money to set aside. I'm just getting by."

Many people seemed to prioritise spending behaviour in line with their peers and social norms around them which restricts the amount of money available to save regularly. Accounts, for instance, of 'just getting by' included prioritising holidays and treats for children to take in to school for their classmates and similar non-essential, though non-extravagant, items. Many respondents also identified aspects of their budget that they could and would reduce if circumstances demanded. This for many was preferable to borrowing.

How can landlords help?

Respondents were asked for suggestions of how landlords could help and encourage them to save. Nearly 2 out of 5 (39%) thought their landlords could help them save. Their suggestions included information and advice, simple community-based products like savings clubs and Christmas clubs. They also suggested that landlords could collect a small extra sum with the rent and set it aside in a savings account. As it would be collected with the rent, the tenants would not miss it or spend it and it would build up over time.

Conclusions and recommendations

The stereotype of social housing tenants is that they are like other people on low incomes in unmanageable debt, have no qualms about borrowing or benefits, manage their money poorly or don't appreciate the value of money and are not keen to work. This survey challenges this. Most tenants seek to manage their money well and certainly aspire to being financially responsible and not extravagant. We also did not find that socio-economic status – family structure, vulnerabilities, work or benefit status – was an indicator of residents' attitudes towards money or savings.

A majority had experienced adverse life events, sometimes with lasting financial consequences and a legacy of persistent financial worries. The overwhelming majority knew that even a small amount of savings would bring peace of mind and give them some resilience in the event of the unexpected. With that in mind the great majority wanted to save more. However, though they felt they were managing their day-to-day income and expenditure fairly well, they were ill equipped to deal with the financial impact of significant life events and were not planning for their financial futures. The majority believed that they simply cannot save more money than they already did; that they were 'just getting by' and did not have enough left over after expenditure to put aside. In line with the social norms of their peer group, many prioritised spending habits which left little over for saving.

Tenants made a number of small scale practical suggestions which landlords could easily promote, such as savings clubs and Christmas clubs.

In order to promote financial capability efforts and savings in particular social landlords need much more holistic customer insight than they currently have. They need to know about household composition, incomes, lifestyles, life experiences, attitudes and aspirations. The advent of Universal Credit and other welfare reforms has forced social landlords to radically revamp their customer information and, once this is complete, they will be in a better position to use customer insight to segment their customer base (already undertaken by some larger leading landlords), using a customer relationship management system to give tenants more personalised information and advice to help them to manage tenancy and financial risks. Improved customer insight and customer relationship management are necessary building blocks for more targeted and effective financial capability initiatives and the promotion of savings.

Since there was such a strong business case which was strengthened by the introduction of Universal Credit and other welfare reforms, landlords in the research group also felt that they needed to make a more substantial, across the board effort to promote savings by tenants over and above small scale and local initiatives. A high profile approach taken by a group of well-known landlords would allow a model to be developed which would over time hopefully become general across all social landlords and so offered to all social housing tenants – part of the standard 'offer' of social housing. Landlords could make it much easier for tenants to save by collecting a small contribution towards savings with the rent. Since the money would automatically leave the tenant's account with their rent payment, and not as a separate expenditure, the tenants would not miss it. Over time they would build up a small 'rainy day' fund. We are suggesting an opt-in approach which might be called 'Rent Plus'.

Here's how Rent Plus might work:

- Existing and new tenants (preferably at sign-up) are encouraged to 'opt in' to opening a savings account with an identified bank or building society, perhaps a cash ISA.
- Tenants could make a budget of necessary expenditure and calculate a monthly amount available for savings, whether large or small.

- They could overpay the rent by this amount, preferably by direct debit – which would establish a regular savings default.
- The money they overpay remains the tenant's and cannot be used by the landlord to pay for rent arrears.
- The excess balance is automatically swept into the savings account provided by a pre-selected mainstream financial services firm.
- Landlords could then also incentivise the savings accounts with prize draws and other rewards.
- Tenants could add to the savings if they had spare cash.
- Withdrawals would be from the financial services provider in the normal way.

1/ BACKGROUND, AIMS AND METHODOLOGY

Summary

Encouraging personal savings has long been a government policy priority, particularly for people on low incomes who are the least financially resilient, including social housing tenants. A small amount of 'rainy day' savings would help in the event of unexpected life changes. Long-term savings are needed to contribute to adequate financial resources in retirement. Social landlords have strong incentives to promote financial capability and encourage savings as a hedge against future rent arrears and the risks and costs of eviction. Social landlords have a longstanding commitment to helping tenants with welfare benefits, debt advice and promoting credit unions. Efforts to promote savings, primarily through credit unions, however, have had limited impact in part because of inadequate promotional efforts.

Lemos&Crane worked with a research group of six social landlords (The Wrekin Housing Trust, CHS Group, Hyde Group, Circle Housing Group, Aster Group and Hastoe Housing Association) to review their existing approaches to financial capability and encouraging savings and, from these discussions, to devise an in-depth questionnaire about tenants' lifestyles, financial attitudes and aspirations and savings ambitions and behaviour. The interviews were conducted by housing managers with 220 tenants from a range of backgrounds. The results were analysed by Lemos&Crane and the findings, conclusions and recommendations discussed by the research group of social landlords.

Saving more is a policy priority

The need for increased personal savings has long been a policy priority. Savings can be a way to meet short term aspirations without resorting to credit, help with dealing with the financial consequences of adverse life events, such as redundancy, divorce or a bereavement. Savings are also now essential for a sufficient income in retirement. Low and middle income households are particularly vulnerable to the risks that flow from insufficient savings. Barriers to saving have been identified by various research studies. For example, the IPPR (in focus groups with low-income families), identified insufficient income as being the most common reason for lack of savings, along with culture and attitude (poor savings habits passed on generationally), unattractive savings accounts (poor return offered, too complicated, lack of access, mistrusted suppliers) and short-term horizons (difficulty in thinking beyond the immediate, an ethos of 'live for today').[6]

Social housing tenants form a significant proportion of people on low incomes and have been identified in research as one of the groups least likely to save. Research by the Personal Finance Research Centre at the University of Bristol found that other things being equal (including income level and attitudes to saving), households renting their accommodation (particularly if renting from a social landlord), one-parent families, families where one or both parents were not working and families in which the respondent was of Asian or Asian British origin were at increased risk of saving account exclusion. Their analysis also found that among lower-income families, those renting their homes from a housing association (37 per cent) and minority ethnic groups were particularly unlikely to be saving in any way.[7]

Business case for social landlords

Social landlords have a strong incentive to encourage their tenants to save. Even a relatively small amount of savings can act as a hedge against rent arrears rising when money is short. In preparation for this project Lemos&Crane conducted a survey of social landlords and asked housing managers whether they thought social landlords should do more to encourage tenants to save and, if so, why? One housing manager commented:

> *"If tenants had savings and were better placed to deal with emergencies, ultimately we would have less rent arrears."*

Another said, *"If more was saved, social landlords would be used less as a free overdraft facility."*

Welfare reform will place new pressures both on tenants and landlords. The introduction of maximum benefit caps and a reduction in housing benefit for 'under-occupying' is already causing a rise in rent arrears according to landlords participating in the Department for Work and Pensions 'demonstration projects'. Once Universal Credit is fully operational nationally social will no longer receive rent directly. The element of benefits that relates to the rent will be paid to the tenants and the landlord will have to collect money from them. This will further increase the risk of arrears. Social landlords are therefore keen to improve their methods of collection as well as improving the financial capability and resilience of their tenants.

> *"Moving forward, the future plans to pay housing costs within Universal Credit makes it even more important to foster good financial habits."*

As well as the strong incentives and business case for social landlords and the social and moral case, they are also well placed to influence the savings behaviour of their tenants. They have regular contact and financial transactions with tenants and most enjoy a relationship of trust with their customers.

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6. Bradley, L. 2012
7. Kempson and Finney 2009:20

Financial inclusion and capability

Financial inclusion and capability has also become an established agenda for social landlords – though work to date has concentrated mainly on benefit maximisation, debt advice and 'banking the unbanked'; encouraging savings is limited in the main to the promotion of services of local credit unions. Social landlords in the research group had not, for example, promoted high street savings accounts, ISAs, child trust funds or savings clubs. As well as mitigating rent arrears housing managers believe that good money management reduces all sorts of problems for their tenants which, if unaddressed, ultimately have financial consequences for the landlord.

> *"I have also noticed antisocial behaviour problems from families in debt … worries about money can affect the children and their behaviour…which can then also cost us as landlords if the problem gets bigger and we have to dedicate staff to put it right."*

> *"….minimise the costs associated with evictions and court actions, reduce costly tenancy abandonment, and reduce voids."*

The most common type of savings product currently promoted by social landlords seems to be that offered by credit unions. Sometimes landlords incentivise this by paying credit union membership fees on behalf of tenants. Many landlords believe, however, that credit unions can't by themselves meet the savings needs of tenants. Credit unions' size, capacity and scope vary from area to area and some are stronger than others:

> *"Our local credit union does not yet provide the range of services that clients would find useful."*

> *"Local credit unions have stayed relatively small and resistant to change."*

A few social landlords have partnered with banks or building societies to promote bank accounts and savings accounts, such as the CHS Group's collaboration with the Cambridge Building Society which resulted in 250 new savings accounts being opened for tenants). The most common promotional methods adopted by social landlords are through leaflets, mailshots and letters, which many felt did not get a good response.

> *"We sent a mail shot to 1,400 homes ... No responses or attendees."*

> *"We sent out invites to take up the offer a Home Saver Account that we developed with our Credit Union… we haven't had the success that we hoped for so we are in the process of redesigning the invite, taking inspiration from marketing techniques employed by weekly payment stores."*

Against this backdrop of a strong business case for social landlords to encourage saving, a recognised need for people on low incomes to save more and the relative lack of success of current initiatives by social landlords to encourage saving this research sought to identify whether social housing tenants were saving if not, why not and tenants' suggestions to encourage them to save.

This research

For this study Lemos&Crane worked with six social landlords: The Wrekin Housing Trust, CHS Group, Hyde Group, Circle Housing Group, Aster Group and Hastoe Housing Association. Lemos&Crane facilitated a research group of financial capability specialists from these organisations. We discussed and reviewed their current approaches to financial capability and promoting savings, achievements as well as barriers and limitations encountered. Building on these discussions, the research group drew up and piloted an in-depth questionnaire for tenants about attitudes and behaviour in relation to savings. Interviews were conducted by housing managers and financial inclusion staff with 220 tenants. Tenants were asked about their interests, aspirations, strengths and the challenges they face as well as about their financial management and savings. They were also asked for suggestions of ways social landlords could help tenants save more.

The 220 respondents were a diverse and broadly reflective group of social housing tenants with respect to employment, age of head of household and benefits status. One of the participant social landlords interviewed tenants already in touch with financial inclusion services. The results from this smaller group of 34 tenants (15% of the total 220) are tilted towards those already in financial difficulties. The interviewer was also asked for information from tenants' records. Answers were anonymous and respondents were free not to disclose any information they did not feel comfortable sharing. The responses were analysed by Lemos&Crane and the research group met to reflect on the findings and agree on the conclusions and recommendations that had been made.

2/
POLICY CONTEXT

Summary

Welfare benefit reform is set to have far-reaching consequences, felt strongly by social housing tenants and landlords. Public debate readily characterises those receiving benefits (and by extension social housing tenants on low incomes) as feckless and workshy. Trust in banks and financial institutions has taken a severe and lasting knock following the financial crisis and recession. The government is seeking to re-engage people with financial products through support for generic financial advice and 'simple products'. The principles of behavioural economics and 'nudging' are being introduced to encourage saving, especially savings for retirement in NEST which collects contributions from employees and employers through auto-enrolment rather than seeking to persuade people to opt in.

More assertive policy agenda

Across various streams of government policy there is a growing assertiveness about adopting policies designed to encourage citizens to take greater responsibility for their own finances and for risks that might arise, such as redundancy, ill-health, costs of social care or a low income in retirement. No longer content to be the universal provider of last resort, successive governments have adopted policies to discourage dependency on welfare or the state and to encourage people to take more responsible long-term financial decisions. The financial crisis has made this a more urgent challenge.

Welfare reform

This research comes at a moment of upheaval in welfare benefits with potentially seismic consequences in social housing. Reductions in housing benefit for tenants who are 'under-occupying' and maximum benefit caps are already affecting thousands of social housing tenants. The introduction of Universal Credit, due to be fully operational by 2017/18, means dramatic change for social housing tenants currently claiming housing benefit; the outlines of which are:

- Most claimants will be expected to claim online, with a target for 80% of claims to be managed online by 2017/18
- Eligibility will be simplified and restricted, in particular to the former disability living allowance and

the so-called 'bedroom tax', which will reduce eligible claims for rent subsidy from tenants with spare bedrooms

- Benefit payments will be paid directly to tenants with only one combined payment per household. No longer will landlords receive rent subsidies direct
- Payments will have to be made into a bank account and with no other means of cash distribution
- Access to legal advice will no longer be eligible for legal aid for most scenarios, potentially including eviction for rent arrears.

These radical changes have generated a political and public debate about the character and lives of the poor, benefits recipients and, by extension, social housing tenants. A report by a group of churches found that over 80% of the UK population believe that large numbers falsely claim benefits and 60% felt that the UK poor perpetuate their situation through profligacy.[8] The lowest income households (almost 5 million people) are commonly characterised by the media and others as being in unmanageable debt - with poor money management skills or misaligned financial priorities and an entrenched reluctance to find paid work and stay in it. Those at the lowest end of the economic spectrum are believed to exploit the benefits system, are workshy, do not appreciate the value of their money and knowingly spend what they cannot afford on non-essential luxuries.

Loss of trust in financial services

The financial crisis that began in 2007/8 and the economic crisis that ensued has profoundly undermined trust in financial services companies. A survey conducted by Which? in 2012 found that 71% think that banking culture has not improved since the start of austerity and the credit crunch and 80% think there is a deeper problem with banking culture, rather than just a few individuals making bad decisions.[9] Added to the trust-eroding effects of the crisis, financial services companies have a history of mis-selling, including endowments for mortgages and personal protection insurance. These factors have undermined trust in institutions as well as products. Customers also have entrenched perceptions of product complexity and the dangers lurking in the 'small print'. Customer inaction and inertia has been the result. Customers either remain with what they've got even if it is no longer right for them or they do nothing at all, staying away from what they neither understand nor trust.

Financial education and generic financial advice

On the demand side the government has supported the establishment of the Money Advice Service, which promotes free financial education and provides preventative financial advice online, face-to-face and on the telephone. The service has been widely promoted through advertising and marketing. The advice is generic and not regulated, so the Money Advice Service does not recommend specific financial products.

8. Joint Public Issues 2013 5-7

9. Which? 2012

Simple products

Since 2010 HM Treasury has been exploring the idea of financial 'simple products'. These are basic and accessible 'one-size-fits-all' financial services products.[10] The intention is that a range of accredited, easy-to-understand basic products with standard features would be available, so those least inclined to use financial services will be confident about the reliability of the products and therefore the means of saving and protecting their finances. These proposed simple products would still be branded by financial services firms and, in theory, many suppliers would be providing the same product. They would not be default products for customers who cannot decide which is best for them nor would customers be auto-enrolled into them. It remains to be seen how attractive these products might be if they are only distributed by traditional methods of sales, marketing and distribution.

Behavioural economics

The concept of 'Nudge' is a popular description of the rapidly growing field of behavioural economics coined by Thaler and Sunstein in their book of the same name published in 2008. 'Nudging' entails the reframing of a decision process or situation so that the default favours the most positive outcome, based on an understanding of common though often irrational behavioural motivators such as loss aversion. An Institute for Government report (Mindspace) considered practical and political applications of the concept and concluded that its potential for policy making as a complement to conventional policy tools encouraged its further development.[11] Behavioural economics now forms a central part of policy thinking about changing behaviour, especially in relation to money. The key insights of behavioural economics include:

- instant gratification: people tend to prioritise immediate benefit over long term gain.
- loss aversion: people tend to resent loss more than they celebrate gain and therefore avoid losses more than working for gains of the same or higher value, leading them to continue with behaviour with sub-optimal benefits.
- the impact of defaults: as defaults are not usually transgressed, environments can be adapted to favour the most positive outcome.

These approaches have been applied in the National Employment Savings Trust (NEST), an auto-enrolment pension scheme for employees in the UK. This sets saving for retirement as a default. Employees are automatically enrolled to deposit a small amount from their earnings each month into a pension savings pot. This contribution is matched by a contribution from the employer and both are tax free. Were employees to receive the amount as part of their take-home salary and then be offered the opportunity to deposit it in savings, loss aversion and the tendency to prioritise instant gratification would make parting with the money difficult. As this money is never 'received', however, employees are less troubled by its departure; they may scarcely notice. NEST therefore establishes a default that

10. Sergeant 2013: 3-5

11. Dolan et al, 2010

favours long-term gain (a retirement income) over immediate gratification. Employees can opt out, but if they do not, they are simply auto-enrolled. There is a choice, but the default is set in favour of opt-in. Inertia therefore privileges doing the right thing and effort is required to do the opposite.

3/
TENANTS' ATTITUDES AND ASPIRATIONS

Summary

The average household income of respondents was £18,171. This is below the national average of about £40,000 in households with two working adults. As well as being on a low income, respondents were also more likely to have suffered ill-health and other adverse life events, partly reflecting the criteria for access to social housing.

Regardless of incomes, benefit or work status, the vast majority of respondents prize low cost, high contentment activities such as arts and crafts, walking or spending time with family and in nature over extravagant expenditure. This was true about their descriptions of day-to-day hobbies and interests and when given the opportunity to imagine a 'perfect day' with money as no object. Income levels, benefits status and work status were not indicators of aspirations or attitudes.

Age, length of tenancy and family structure

A significant majority of the respondents were adults of working age. Of the 203 who disclosed their ages, 80% were between 18 and 65 (162 respondents), 63% (128 respondents) of heads of households between 30 and 65 years of age and 20% of the heads of households were over retirement age (41 respondents). Of the 203 that disclosed their ages, 43% (88 households) included at least one child under 18. Of these, 51% (45 families) were single parent households and 49% (43 families) included two adults. There were 75 single person households (37% of 206 respondents who told us about their family structure).

Length of residency among the sample was fairly equally distributed. Of the 169 respondents who gave information on length of residency the smallest groups were those resident for less than a year (12% - 21 households) - and those resident for 16-20 years (10% - 17 households). 69% (112 households) had been resident for between 1 and 15 years, roughly equally split into 1 to 5, 6 to 10 and 11 to 15 year residencies. There was also a fairly established population of 'old-timers'; 15% (25 households) had been resident for more than 21 years.

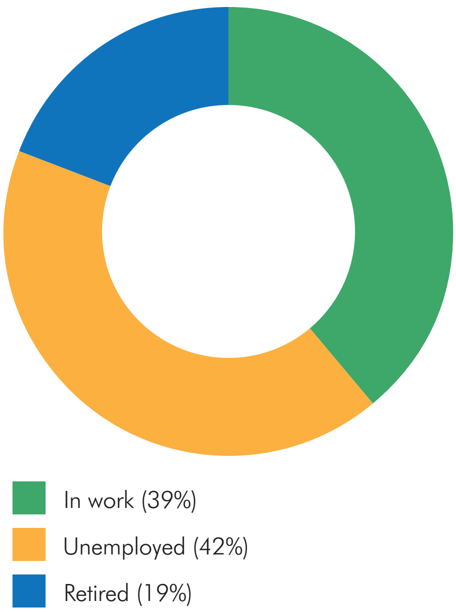
Vulnerabilities

Vulnerabilities encompass challenging circumstances which may affect people's quality of life, financial or employment security and ability to respond to additional pressures or unexpected changes in circumstances. These are elements of people's lives and circumstances that may necessitate additional external medical, social, financial or emotional support. As vulnerability is a common route into social housing, relatively high numbers of featured households (85 of the 190 of which this information was held) reported as experiencing a challenging situation that rendered them financially, socially or emotionally vulnerable (45%). Of these, physical disability or ill health was the most common. 53 of the 80 that talked about the nature of their vulnerability had a physical disability or ill health (66%) and 6 were carers for a disabled or unwell close relative (8%). Mental ill health was the next most commonly experienced vulnerability – 15 of the 80 respondents disclosed that they were living with mental illness (19%).

Work and benefit status

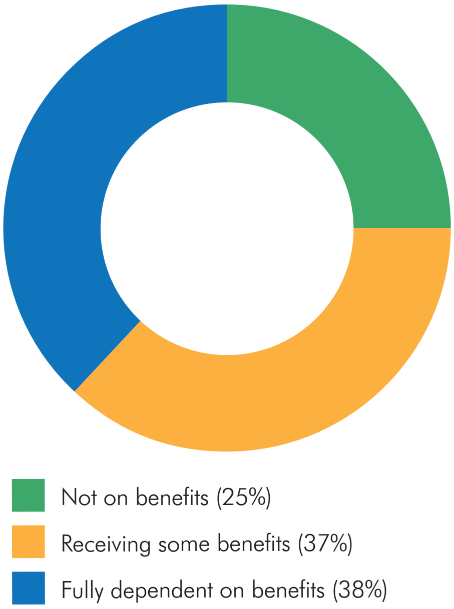
As figure 1 shows, 42% of all respondents of working age were unemployed (139 respondents) and 17% (63) were retired. The remaining 39% (129) were in work. Roughly reflecting this, 38% (76 households) were fully dependent on benefits, 37% (74 households) receiving some benefit and 25% (50 households) were not receiving any benefit.

1. Employment status (of all adults in household)



Of the 88 households who disclosed this information, income from benefits ranged between £884 and £28,000 p.a., with an average of £8,952 pa received per household. The average of the 77 disclosed household incomes was £18,171. The national average household income with two working adults is around £40,000. It is estimated that the average family in Britain needs to bring home £24,801.51 a year in order to break even.[12] The sample therefore represents the lower end of the income scale across the UK. Figure 2 shows that 75% were receiving some benefits, of which 38% were fully dependent on benefits.

2. Benefit status (from information held by organisation)



Experience of and attitude towards money and savings

There was little correlation between family structure, benefits status and vulnerabilities on the one hand and experience of and attitude towards money and savings on the other. For instance, of the 76 households that held some savings and disclosed this information, there were:

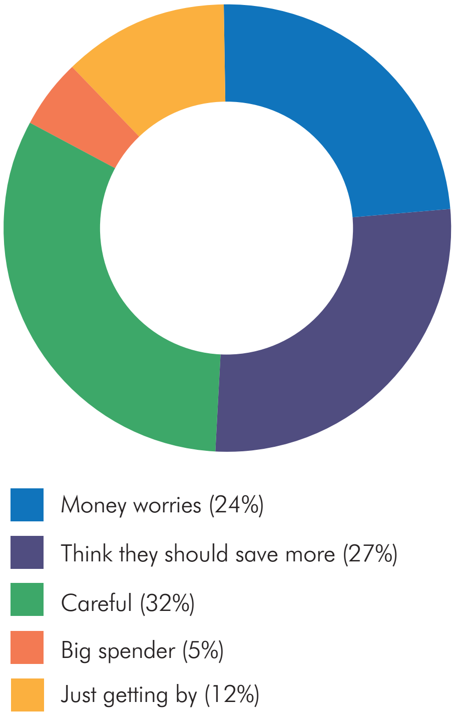
- 14 single parent families (18%)
- 30 single individuals (39%)
- 15 households with two adults and children (19%)
- 14 couples (18%)
- 26 households listed as having a vulnerability (including illness) (34%).

The figures below show the attitudes towards money of respondents fully dependent on benefits (3), those receiving some benefits (4) and those not receiving any benefits (5). Attitudes towards money are illustrated by grouping the proportion of respondents for whom money is a persistent worry, those who feel they should save more than they already are and the proportion of each that fall into the categories of those who describe themselves as careful with their money, those who consider themselves to be big spenders and those who felt they were just getting by. Though the exact proportions of each differ slightly, the overall proportions across these three groups of benefits status

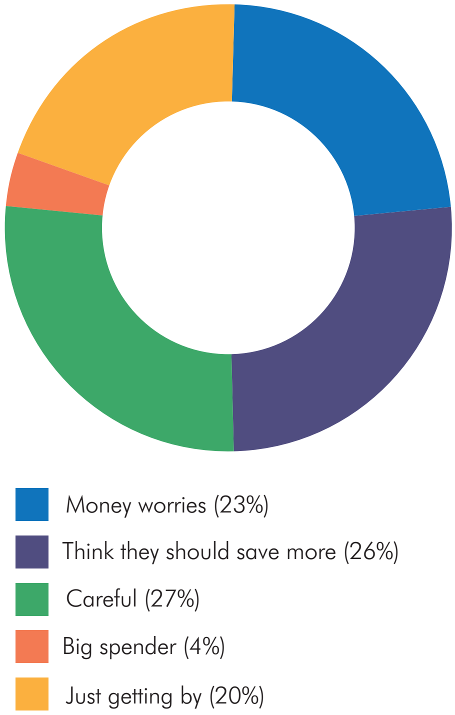
12. MAS 2012

are remarkably similar and close enough to suggest that benefits status has little impact on attitude towards money and therefore not a reliable predictor of financial attitudes.

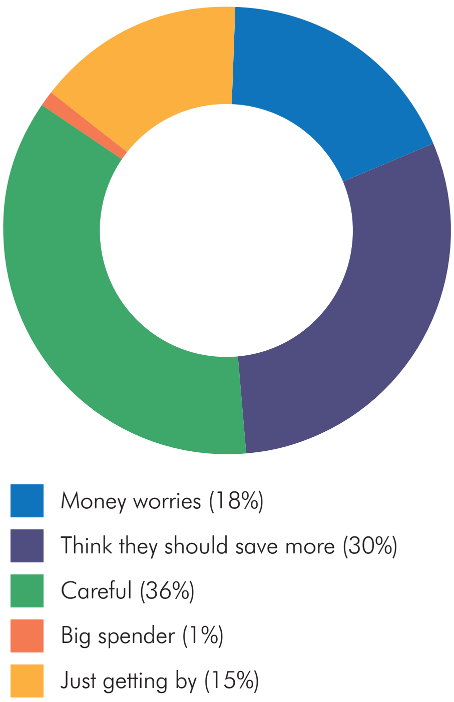
3. Attitudes towards money of those fully dependent on benefits



4. Attitude towards money of those receiving some benefits



5. Attitude towards money of those not receiving any benefits



Age and length of tenancy did however seem to be related to savings behaviour. On average people were more likely to save as they got older. 52% of those over 55 years had some savings (40 respondents of 77) and 36% said they were saving regularly (28 of 77 respondents). This is compared with 25% of those under 55, who have savings (31 of 126 respondents) and 20% of the under 55s who are trying to save regularly (25 of 126 respondents). The average age of respondents with savings over £1000 was 58.5, compared to the average age of all respondents, which was 48.8. Of those that had some savings, 62% had been resident for more than 10 years (44 of 71 respondents).

The average age of respondents with savings over £20,000 was 68. For those with savings between £10,000 and £20,000 it was 63. For those with savings of between £1,000 and £10,000 the average age was 58. For those with savings up to £1,000 the average age was 51.6.

Those in work were also more likely to be regular savers or to hold some savings. 52% of households with savings (22 of 42 households) and 65% of households regularly saving had at least one person in work (15 of 23 households). Overall, however, this effect was not overwhelming. 70% of those households with at least one eligible adult in work were not saving (69 of 98 households).

Characters, lifestyles and aspirations

The housing managers involved in devising the questionnaire felt that the interview should begin with open attitudinal questions that would cast some light on attitudes to money without addressing the subject immediately.

Of 210 responses to the question:

- 43% described themselves as sociable or extroverted (90 respondents)
- 17% used descriptions such as 'introvert', 'quiet' and 'shy' (35 respondents)
- 15% described themselves as 'happy' (31 respondents)
- 4% described themselves as predominately stressed, unhappy or lonely (9 respondents)
- 7% Described themselves as hardworking (14 respondents)
- 9% emphasised their sociability – irrespective of whether they felt themselves to be introverted or extroverted – for example by emphasising traits such as 'helpful', 'good listener', 'thoughtful' and 'caring' (18 respondents).

Many respondents qualified their extroversion with comments such as 'not very good in big groups. OK in small groups and on an individual basis' or even 'I come across as confident but it's a mask'.

> *"I would describe myself as more of an introvert. I would say that I'm a bit of a recluse. I don't like to go out unless I really need to. I like to keep myself to myself."*

"I am very sociable, I will do anything for anybody. I am friendly, slightly extrovert. Easy going, good listener. Stimulate conversation."

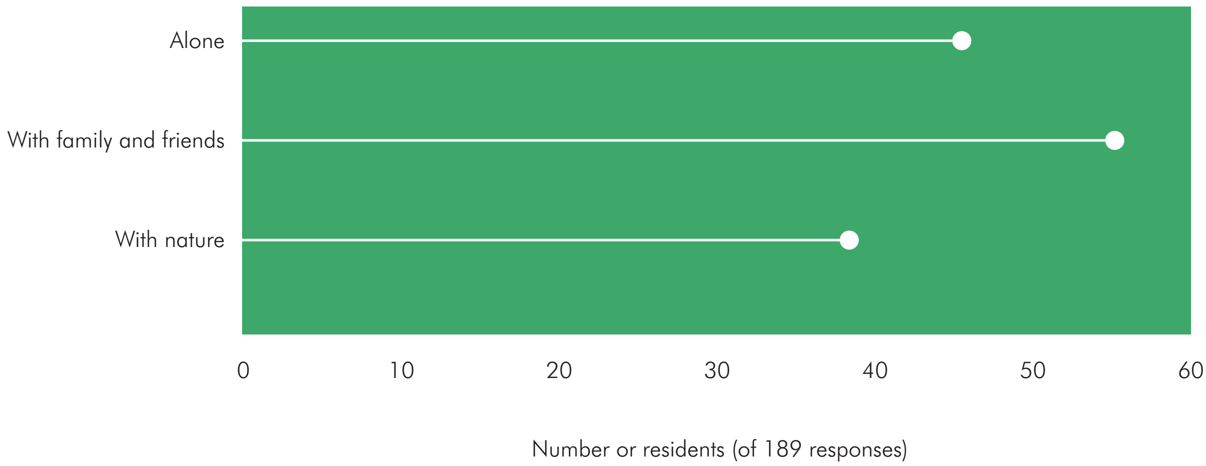
"Happy go lucky person. I'll help anybody."

People's descriptions of themselves are diverse and varied. While some preferred brevity and spoke with assurance of just one or two important aspects of their characters ("happy", "hardworking"), many expressed qualifications. Some use external gauges of their personality ("someone called me a legend on facebook") while others listed their own interpretation of their behaviour ("Extrovert. I'm more aware of what is going on around me than showing my feelings"). Answers show a reflective, diverse and mostly happy and social group of individuals, comprising different ages, life events and social circumstances, despite low incomes, ill-health and other vulnerabilities.

Hobbies, interests and perfect days

Asking people to imagine their perfect days reveals not only the nature of respondents' aspirations, but also their priorities and needs and their sources of comfort, fulfilment and value. When asked to imagine themselves free to spend a day as they wish with no financial constraints the vast majority detailed simple ideals - restful days spent alone, or with a few close friends and family. Most suggest low cost, high contentment activities such as relaxing at home, in the garden or local parks, or with family and friends (65% of 189 responses). The three most frequently recurring priorities for perfect days were spending time with friends and family (29%: 55 of 189 respondents), spending time in nature (21%: 39 of 189 respondents) and enjoying reflective 'me time' (24%: 46 of 189 respondents), as shown in figure 6, below.

6. Respondents' 'perfect days'



Only 23 respondents suggested high-cost activities such as shopping sprees or nights in expensive hotels (12% of 189 respondents). This was fairly consistent across age groups. Those under 30 were slightly more likely to suggest days spent with friends, for example watching sport, going to the pub or watching films, while those over 30 were more likely to suggest spending the day indoors, in the garden or with family. Rest, relaxation, 'me time' and 'sofa days' were mentioned by all age groups.

The respondents were, broadly speaking, a group who derive enjoyment, rest and recuperation from low cost activities, spending time with loved ones, outdoors in nature, or as reflective 'me time'. Few suggested that spending money for the sake of it, or 'retail therapy' would make their perfect day and so be a source of enjoyment, relaxation or comfort.

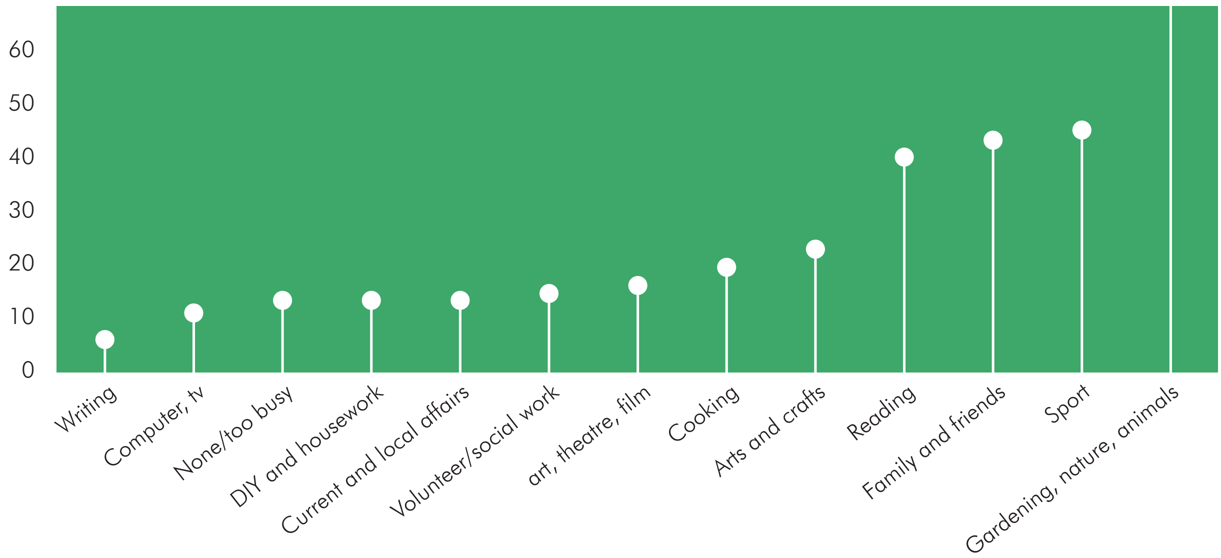
> *"Peaceful, surrounded by loved ones"*
>
> *"Walking anywhere quiet and out of the way"*
>
> *"Entire day in a Safari Park working with leopards"*
>
> *"Rest!"*
>
> *"Realizing nirvana"*

Tenants' perfect days also reflect the pressures of being carers, parents and partners or living with limited free time. They do not seem to aspire to extravagance.

> *"No crying baby. Pamper session."*
>
> *"A day without any incidents or issues with family!"*
>
> *"No family. No phone calls. Total pampering."*
>
> *"Take a complete break from chores."*
>
> *"Going out with friends and not have to worry about the children."*

The overriding pattern in people's perfect days of low-cost, high contentment activities is also borne out by their day to day interests and hobbies. The single most popularly listed hobby was spending time in nature, with animals or gardening. This was listed among the hobbies of 74 of the 204 individuals who answered (36%) and amounted to 20% of the overall listed interests. The next two most popular among people's interests and hobbies was spending time with family and friends and watching or participating in sport. Both of these were mentioned by 45 respondents (22%) and each accounted for 12% of overall interests. Also popular was reading, mentioned by 41 (20% of 204 respondents) and arts and crafts, enjoyed by 24 (12% of 204 respondents). Volunteering, cooking, DIY and housework were also popular responses. Comparatively unpopular was shopping (listed by 4, 2% of respondents); bingo (listed by 3, 1% of respondents); and both music and nightclubbing and 'smoking and drinking' (each listed by one, 0.5% of respondents). Figure 7 shows the most popular hobbies and interests of the respondents, and shows that the majority prize low-cost, high-contentment activities.

7. Hobbies and Interests (showing only the most popular activities)



Spending money for the sake of spending is low on the list of priorities. It does not constitute a significant part of many respondents' ideal aspirations, nor does it feature for most as a hobby or pastime. More common in the latter category is participation in residents' associations and being on local governing boards.

- 4 of 209 respondents (2%) suggest shopping as among their hobbies and interests
- 1 respondent (0.5%) listed 'spending money" as among their hobbies and interests.

4/ MAJOR LIFE EVENTS

Summary

Ill health, redundancy, having a baby, getting a divorce and retirement have long and short-term effects on respondents' financial situation and security. These life events are significant though not extraordinary and are commonly encountered as people move through life, relationships and work.

All except having a baby and entering employment were perceived by respondents to have negative short and long-term effects on people's lives. Long-term financially positive events such as moving into employment also often came with a period of adjustment that many found hard to manage. The respondents who were supported through their experiences report less of a long-term impact than those who were not, who often took a long time to recover financial stability.

Significant life events can create lasting and persistent worries; many feel vulnerable and say they want to save but feel unable to do so. Life stages also have a considerable impact on likelihood of persistent financial worries. The over 65s in particular reported markedly fewer respondents who felt worried about their money.

Significant life events experienced during tenancy

We asked about the prevalence and impact of major life events which may have long and short term effects on people's financial security, including: health problems; having a baby; entering employment; redundancy; divorce; and retirement.

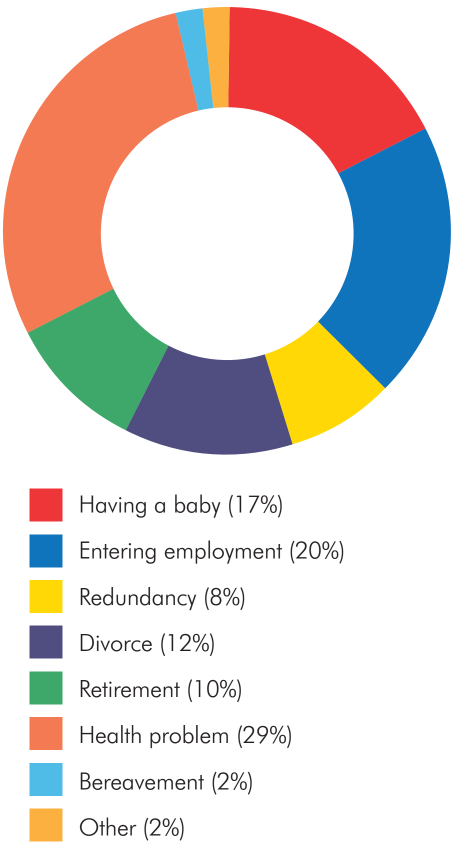
Of 209 respondents to the question:

- These events were commonly experienced. 88% (183 of the 209 respondents who answered this question) had experienced at least one of these during their tenancy
- Of these, 104 (49% of the 209 respondents) had experienced more than one of the above significant life events during their tenancy
- 79 (37% of the 209 respondents) had experienced one of the above significant life events during their tenancy
- 24 (11% of 209 responses) had not experienced any of the above significant events

- 2 (1%) had experienced a different life event (marriage and bereavement).

The most commonly experienced major life event was ill health, which affected 50% of all respondents (104 of the 209 respondents to the question) and made up 29% of the overall life events experienced during tenancy. Figure 8 shows that the most commonly experienced significant life event was ill health, though the other listed events were all commonly experienced.

8. Life events experienced during tenancy



Bereavement of partners, parents and children accounted for half of the 16 (8% of all respondents) who listed 'other' significant events experienced during their tenancy and accounts for 2% of the overall life events experienced overall.

Impact of significant life events

> *"Without the help of the Hyde Money Map team, I would have suffered some long-term financial difficulties."*

Overall, respondents felt that the majority of the major life events experienced during tenancy had short-term effects including considerable stress and anxiety, being forced to rely on savings, borrowing or loans. Respondents also felt that significant life events destabilised their long-term financial security. In some cases – particularly among those experiencing health problems – respondents reported that long-term effects have included an inability to make plans for the future or to sacrifice plans already in place, for example learning to drive, attending college or moving house. Moving between benefits and paid employment resulted for a few in short-term difficulties with budgeting and managing money, which improved over time. Some events stimulated people to want to save money and to gain financial security or independence. This was most notable in households who had children during their tenancy (62% of households who had babies during their tenancy felt they should save more (39 of 63 respondents), compared to 44% of households who had not had a baby during their tenancy (67 of 153 households), but was also true of those experiencing ill health, redundancy and divorce. Below is an account of the four most commonly experienced significant life events.

Health problems

- Health problems were the most frequently occurring major life events occurring during tenancy, affecting 104 (50% of all respondents) and amounting to 29% of the overall life experiences of the group
- Of these 104 respondents who had experienced ill health, 51 (49%) reported considerable negative short and long-term impact
- Of the 104 respondents experiencing ill health, 40 (38%) experienced a health problem with no other life events
- Of the 40 who experienced ill health but no other significant life events, 16 (40%) reported no significant impact on their financial situation.

> *"I have to go to the hospital every two weeks. After resigning I didn't get another job for another two months. I had to borrow from friends."*

> *"I was getting married but cannot afford to now."*

> *"Everything is put on hold. I cannot plan for anything in the future and this worries me."*

The most commonly reported financial effects of illness were additional costs of transport and treatment or expenditure on services that tenants were previously able to do themselves, such as cleaning. Loss of work or training opportunities was another major short-term impact, as was anxiety and stress.

> *"Having to rely on benefits, which is alien and extremely hard."*

33 of the 104 respondents (32%) said that they struggled with a drop or loss of income as a result of being forced into retirement, to resign, or out of work for a period of sick leave. Only 3 households of the 104 experiencing ill health mentioned receiving adequate sick pay that covered the extent of their

illness and duration of their absence from work. These individuals report no long-term financial impact of their illness.

> *"No impact of major operation. The company paid full wages while recuperating."*

Of the 104 respondents, 13 reported having to sacrifice specific plans for the future made before their illness, for example saving for a deposit on a property, holidays and cars and a further 33 (32%) say that their health problem has contributed to them not being able to save money or make plans for their future.

A few of the respondents who were not able to maintain income security throughout their illness describe the cumulative effect of health troubles exacerbating money troubles, which then had a further negative effect on health. These people describe a situation of dependency and further obstacles both to saving money and returning to work.

> *"As illness gets worse, so does my financial situation get worse."*

> *"Stress and anxiety left me with psoriasis and depression."*

For those three households experiencing ill health that were supported and advised regarding benefits, however, the adjustment was more positive and ameliorated the long-term impact of illness. These individuals didn't report experiencing the cumulative negative effects of poor health and money management exacerbating each other. This support came from their housing association.

> *"CHS money advisers helped me to claim DLA which transformed my life."*

> *"Redundancy caused depression and my finances were a mess. I got support from fair finance through Circle 33."*

> *"It made me more determined to get on my feet financially regarding my independence and self worth".*

Entering employment

Entering employment was the second most frequently experienced significant life event to affect tenants, affecting 74 respondents (36% of the 207 respondents) and amounting to 20% of the overall life events experienced by the group. Of these 74, however, 40 talked about the short and long-term implications of another life event also occurring during their tenancy, (for example redundancy or ill health). Of the 34 respondents that talked about the effect of entering employment:

- 4 respondents (12%) remarked that they felt they had been better off before working or that it had not made any noticeable difference to their financial situation

- 10 (29%) remarked that they felt a move into employment was positive
- 3 (9%) reported that they felt entering employment allowed them to save money.

While a move into employment is often viewed as one of the most positive steps towards long-term financial security, 3 respondents (9% of those discussing a move into employment) said that adjusting to work and wages presented significant short-term difficulties.

> *"I found the change from benefits to employment very difficult to budget."*

> *"I found out I was better off and can save."*

Having a baby

63 households (30% of the 207 respondents) had a baby during their tenancy. Of these 63, 26 talked about the impact of becoming a parent. The short and long-term effects of having a baby were similar across all respondents. In the short term, respondents report that the impact of having a child typically caused financial pressure as a result of a loss of income (the result of having to leave work) coupled with the immediate costs of baby equipment and child care. Overall, few emphasised the long-term impact of having children, usually because their financial situation stabilised once parents returned to work or adjusted to their change in income or benefits status.

> *"At first as I gave up work but [it] seemed to balance out."*

Of the 26 describing the impact of having a baby:

- 22 (85%) said it had a negative immediate impact on finances
- 13 (50%) said that having a baby has little long term impact on finances
- 11 (42%) said the initial negative impact of having a child had continued into longer-term problems, though all but one of these had listed having a baby alongside other significant and financially disruptive events including redundancy and ill health.

Two people said that having a baby encouraged them to save money. A preoccupation with saving and financial stability was clear from worries listed by parents and their savings aspirations.

> *"Having a child made me save for future."*

> *"I had to be more thoughtful about how to use my money."*

> *"My children are going to rely on me for everything for a long time as they're so young."*

> *"[I want to] save for the benefit of my children."*

Divorce

Divorce had the most uniform short-term negative effects. 42 respondents (20% of 207 respondents) had divorced during their tenancy and divorce accounted for 12% of the overall life events experienced by the group. 18 decided to discuss the impact of their divorce.

- Of this 18, 15 (83%) speak of a significant short-term impact on their finances
- 10 (56%) say that the negative financial impact of their divorce has continued long term.

"When I was married I did not have to pay for anything at all. My husband took care of everything so now I'm divorced and have to manage myself. It's been a real struggle."

Of the 42 respondents who had experienced divorce during their tenancy, 9 (21%) had not experienced any of the other significant life events. Of these 9:

- 5 reported immediate financial strain as a result of a loss of income into the household
- 3 reported either that the divorce had not had any long-term effects on their finances or that its effects were easing over time.

For those 33 experiencing divorce in conjunction with other significant life events the financial impact of divorce took longer to abate. Just 5 (15%) listed that there had been no long-term effects.

> *"It took me years after my 1997 divorce to organise my finances."*

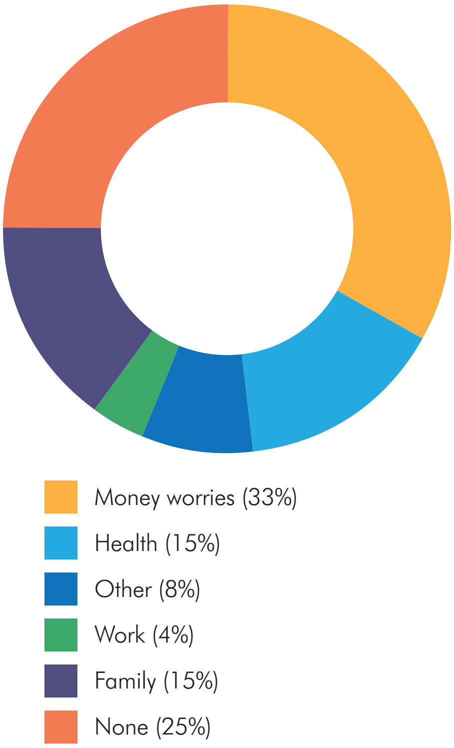
Significant life events were perceived to have the capability to destabilise respondents' finances in both the short and, for most, the long term. Divorce, redundancy and ill health had largely negative short and long-term effects, while having a baby had a negative initial financial impact which for some then stabilised. Entering employment was largely positive for most respondents, though a few found the initial adjustment to wages was difficult to manage. Those supported through life events and on to benefits report far fewer negative long-term effects of all life events.

Worries

- Although few (5%) had described being worried or stressed as part of their character, 66% of respondents said that they had persistent day-to-day worries (137 of 207 that responded).
- Money worries accounted for 63% of the group's overall concerns. 86 of the 136 with worries were worried about money. Figure 9 shows that finances make up the greatest proportion of respondents' worries.[13]

13. In this figure, 'family' includes those worried about the health of family members and 'health' refers only to the health concerns of the respondent.

9. 'Do you have any persistent Worries?'



People who had not experienced significant life events during their tenancy were less likely to have persistent day-to-day worries than those who had. Of the 30 respondents who had not experienced significant life events during their tenancy and talked about their worries, 17 (57%) said they had no persistent money worries. Of those 172 who had experienced significant life events and talked about their worries, just 30% (53 respondents) said they had no persistent worries at all and 43% were persistently worried about money in particular (74 of 172 respondents).

- Respondents over 65 made up 31% of those without worries (21 respondents of 68 without worries), but only 14% of those with persistent worries (19 respondents of 137 with worries)
- 55% of those with persistent day to day worries had been affected by ill health during their tenancy (74 of 137 respondents).

When just discussing financial worries, as opposed to all worries:

- 89% of those with persistent money worries were not regularly saving (88 respondents with money worries, of which 78 were not saving regularly)
- Just 5% of those with persistent money worries did not think they should save more (4 respondents of 88)[14]

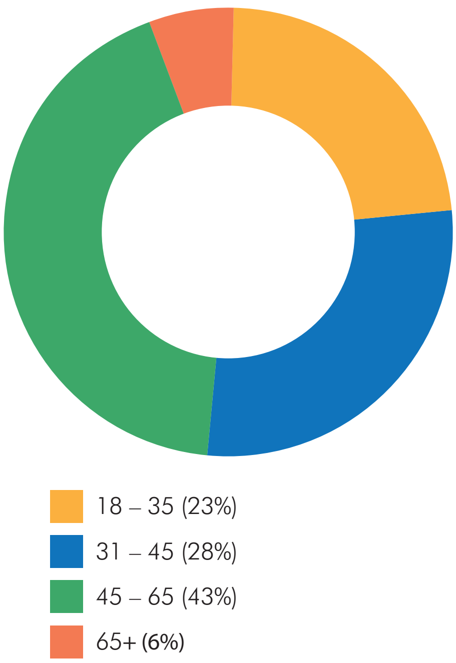
14. This includes respondents who answered 'no' to 'do you think you should save more?' but said they wanted to and would save more if they could as their explanation. Half of those who answered 'no' to 'do you think you should save more?' said 'I would if I could, but I can't' as their explanation for this response.

- 82% of households with at least one retired individual had no persistent money worries (46 of 56 retired households)
- 44% of people who had been made redundant during their tenancy had persistent money worries (12 of 27 respondents who had been made redundant)
- 38% of people who had got divorced during their tenancy had persistent money worries (16 of 42 respondents who had divorced)
- 39% of people who had experienced a health problem during their tenancy were worried about money, (41 of 105 who had experienced a health problem) but made up 85% of those with health worries (of 39 with persistent health worries, 33 had experienced a health problem).[15]

Age and persistent worries

Although persistent worries, and money and health concerns in particular, were commented on by the whole group, there were some correlations between stage of life and financial worries. Of those who expressed persistent money worries the majority were aged between 45 and 65. None were under 21. Figure 10 shows that the majority of those persistently worried about money were aged 45-65.

10. Age and money worries



15. These responses do not take in to account when life events occurred during tenancy and therefore the above needs to be taken in conjunction with respondents' own accounts of the immediate impact of their experiences.

There was not a large difference between the financial worries of those in work and those unemployed.

- 47% of respondents from households in which nobody was in work, but at least one resident was of working age, were persistently worried about money (36 of 77 households)
- 45% of respondents from households in which at least one eligible person was in work were persistently worried about money (44 of 98 households).

Those who had not experienced significant life events were slightly less likely to be persistently worried about money than those who had. The impact of significant life events made a few tenants keen to save money, but this was only rarely translated into actual savings behaviour.

5/

EXPERIENCE AND ATTITUDES TOWARDS MONEY

Summary

The majority of respondents considered themselves, attitudinally, careful spenders and budgeters, who were keen to keep on top of their finances. They were, on the whole, also keen to avoid borrowing. The majority of those that did borrow said they were careful to stay on top of their repayments. However, not many said they were regular savers or had plans for retirement, or for dealing with emergency expenditure and significant life events or a rise in living costs.

People felt they were carefully balancing their income and outgoings, such that an unexpected rise or spike in the latter would leave them struggling to cope. They were not generally a group characterised by unmanageable debt. The great majority felt they were able to afford what they needed day to day with at least a small amount left over. 10% considered themselves to be in more significant financial difficulty.

There was a clear distinction between people's attitudes and their behaviour towards money, reflected in people's accounts of their spending, borrowing and saving, which will be discussed in the following chapter.

General types

Contrary to a stereotype of social housing tenants - not appreciating the value of financial security, with few qualms about borrowing, benefits and worklessness - the majority of respondents thought themselves careful with their money and felt able to budget for everything they needed with at least a small amount left over.

> *"I try not to spend too much but am not able to save."*

> *"Money goes on what we need and any left is a bonus."*

> *"We just get by but do not have debts."*

Respondents were asked to characterise their approach to and experience of money by selecting statements which best encapsulated their experience and then asked an open question so they could put into their own words their approach to money. These answers were then coded into general types: 'big spender/impulsive', 'careful saver/well organised', 'just getting by' and 'no good with money'. Their relative frequency is presented in figure 11 below, which shows that 55% of respondents could be classes as 'careful savers'.

11.'What sort of person are you when it comes to money?' (of 203 respondents)

Big spender (7%)
Careful saver (55%)
Just getting by (28%)
No good with money (10%)

The majority considered themselves to be 'careful savers', though many felt they were nonetheless 'just getting by'. Those that characterised themselves as 'no good with money' were often nevertheless trying to manage it well, though running into difficulty with budgeting. This reflects a distinction between respondents' accounts of their attitudes towards money and their financial behaviour or experience.

Only those in the 'big spender' category showed no interest in saving at all. They preferred to spend all their money when they had it. This was the smallest category, just 7%. Of these 14 respondents, however, four remarked that they were big spenders in principle, but tempered that with regular saving, or necessary cut backs. These respondents' comments included:

> *"I like to spend money when I have it, but I make cut backs."*
>
> *"We as a family are big spenders but we do put money away each week into a saving account."*

The 'big spender' category was therefore likely to be in practice smaller than 7%, as some of those who characterised themselves in this way noted that their spending behaviour did not in fact reflect this. 10% considered themselves 'no good with money'. The majority considered themselves to be careful with money. Some said they were able to make their money stretch.

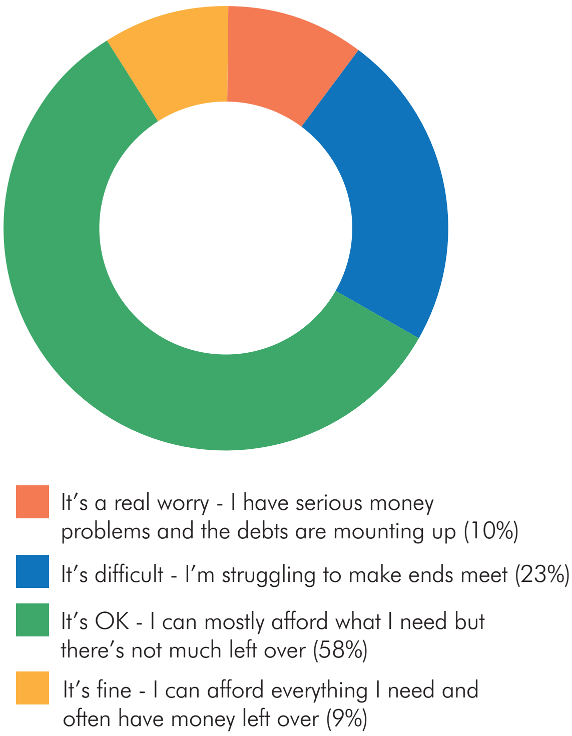
Of 195 respondents:

- 58% (112) said that they are able to afford what they need, but there isn't much left over
- 9% (17.5) said that they are able to afford what they need and often have some money left over.

Rather than accumulating unmanageable debt the majority wanted to balance their income and outgoings:

- 23% (45.5) said they were occasionally struggling to maintain this and 10% (20) were in a more difficult situation of accumulating debt.[16]
- Over half of the respondents were able to make their money stretch to all that they need and 9% often had money left over, shown in figure 12.

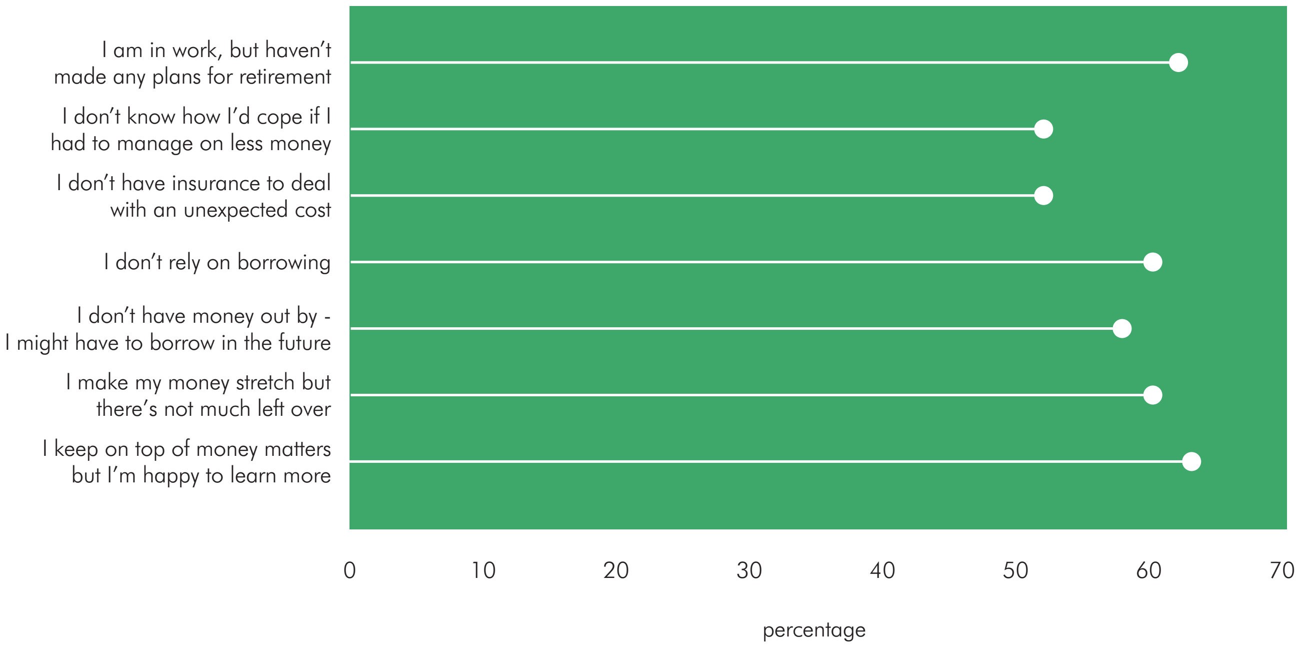
12 'How far does your money stretch?'



16. 0.5 was allocated to each category in cases where respondents selected more than one

- 63% (138.5 of 219) said that they try to keep on top of money matters and are happy to find out more to help them do so, shown in figure 13.

13. Most common responses from multiple choice section 'about your experience of money'



Future planning and unexpected costs

Not many had prepared for retirement or unexpected costs, however. 58% of all 220 respondents said they do not have money put by and therefore might have to borrow in the future. The illustration below details respondents' answers to the question , 'How would you cope if you had to manage on less money or if your living costs went up?'

The majority of respondents to this question had no practical plans or financial reserves in place that would allow them to cope with unexpected costs. 17 of those who answered, 'I don't know' added a further statement of how they might cope. Many detailed having to make cuts, eliminate non-essentials and other variations on the theme of 'just having to manage'. One suggested that if they were struggling they would seek external advice. Others would do more overtime at work or sell personal possessions. None refer to a long term, concrete plan, but nearly all are aware of items of their current budget that could be curtailed or cut. Figure 14 shows that over half of respondents have not thought about how they would cope with increased outgoings or less income.

14. 'How would you cope if you had to manage on less money or if your cost of living went up?'

- I don't know - I haven't thought about it. I don't know how I'd cope (56%)
- I'm not sure - I've made some plans but I think I might struggle (26%)
- Fine - I've made some plans and I'd manage OK (18%)

Retirement

As shown in figure 13 this lack of future planning is also true for many when it comes to retirement. 62% of all respondents answered that they were in work but had made no plans for retirement.

Of 15 individuals in work and due to retire within 2 and 10 years:

- 10 had not yet thought about or made plans for their retirement
- 4 had made plans and were confident that they'd manage OK
- 1 said they were not sure; while they had made some plans they did not know what kind of lifestyle they would be able to have.

42 were due to retire in 11-25 years. Of these:

- 23 had not given their retirement plans any thought
- 14 felt sure they would be fine
- 5 were not sure.

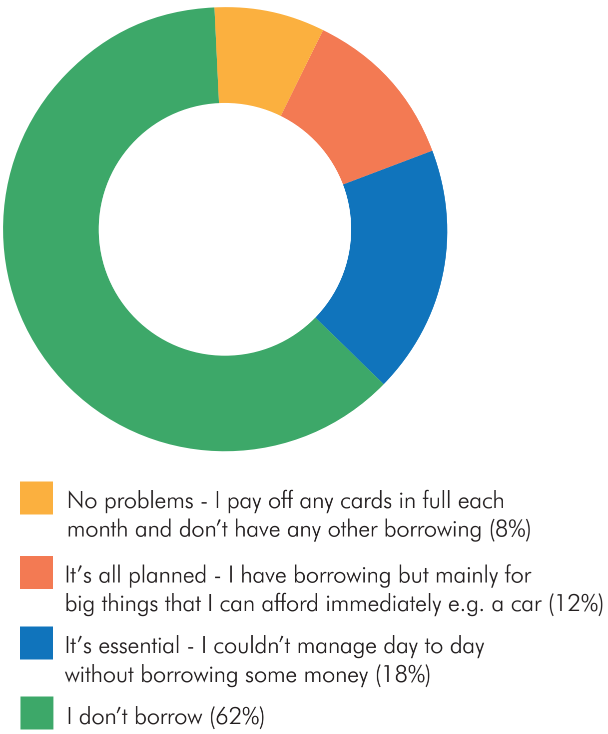
The picture was somewhat improved for those due to retire soon. Of the 2 due to retire within two years one said they were not sure of the lifestyle they could lead but had made some plans and the other felt confident they would manage with the plans they had made.

Borrowing behaviour

Borrowing includes overdrafts, loans, credit cards or financial support from family and friends.

- 62% of all 220 respondents said they got by without any borrowing at all.

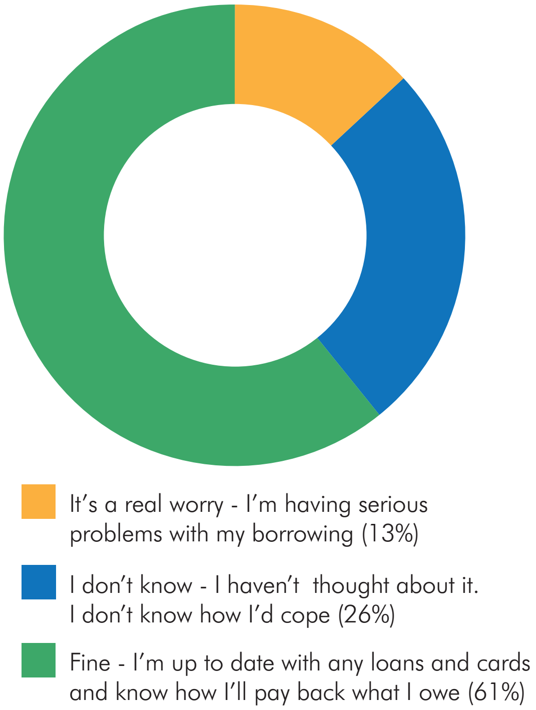
15. Reliance on Borrowing



Some (38%) said, however, that borrowing formed an essential part of their budgeting. Of those that did borrow, more said they were reliant upon it for day-to-day expenditure than expensive one-off purchases such as cars. The majority were keen to ensure that they were paying back what they owe and the majority said they had their financial commitments and repayments under control. Figure 15 shows that 62% of respondents say they do not rely on borrowing, while it is essential for 18%

Figure 16 shows that 61% of borrowers said they are up to date and coping with repayments.

16. 'How are you coping with your borrowing?'



These proportions are not out of kilter with the population at large. It is estimated that around half (51%) of UK households have financial liabilities, of which nearly half (49%) are finding repayments a burden.[17] In 2010, 17% of households were finding keeping up to date with repayments a constant struggle, 35% found it an occasional struggle and 8% were falling behind on repayments.[18]

The respondents to this survey said that they felt ill-equipped to deal with emergencies. However, the majority said they are careful with the money they do have as well as their borrowing obligations. This, again, reflects persistent financial worries. Respondents were aware of their financial vulnerability in the face of emergency or raised expenditures. Many felt powerless to guard against possible problems as they felt they were unable to save any money. In this there was a clear distinction between attitudes and behaviour in the majority of respondents. Many tenants appreciated the value of their money and of managing it effectively and said they tried both to budget carefully day to day and to avoid

17. ONS 2013:2

18. Muller et al/MAS 2012:2

borrowing. Nonetheless, many were also unprepared for their financial futures or unexpected costs and knew that in the light of this, borrowing might by a necessity if faced with unpredictable financial demands. The impact of significant life events motivates some to appreciate the value of financial security, but this is not translated into actual savings behaviour.

Two groups emerge from the responses (with overlap between the two), one – of around 10% - that says they experience enduring and significant financial difficulty. They are reliant on borrowing and struggling to make ends meet. The other - around 65-70% - is characterised by people saying they are able to manage their money at least fairly well, not borrowing too much and making ends meet. The majority of neither group is consistently saving, though the majority of both say they wish to do so.

6/
SAVINGS BEHAVIOUR AND LANDLORD ENCOURAGEMENT

Summary

Few respondents said they were regular savers or already held savings, though they described themselves as largely cautious and careful when it came to day-to-day budgeting. Those that did save were more likely to deposit set amounts of money at regular intervals (weekly, monthly or biannually) than to save 'as and when'. Relatively few people saved small amounts, less than £5 a week. Respondents primarily used high street current and savings accounts to save. ISAs, Post Office and building society accounts or child trust funds were also used. Few people saved in cash at home.

Those that did not save regularly were just as likely, and in many cases more so, to have clear ideas of things they were saving for. The most commonly given savings motivation for both groups was taking a holiday, followed by emergencies and provision for children.

Despite 76% of the respondents not saving regularly, 73% of the 220 said that they felt that they should save more. By far the most common explanation for not saving was that respondents felt their current finances would not permit them to do so. They simply did not have enough each month to put any aside. This was at odds with the description many gave of their experience of money and so raises the question of why respondents feel they are unable to save.

Savings behaviour

Tenants' savings are fundamentally important in protecting their financial security from the types of life events already discussed. Having savings would also reduce the heavy emotional burden of financial worries.

As discussed, a minority of respondents had clear ideas of how to manage in a financial emergency. Of the 220:

- 52% said they had no plans for dealing with unexpected costs

- 13% have some money put aside, but did not know if it would be enough, or easily accessible
- 27% were confident that they had enough money set aside and it would be easily accessible if needed.[19]

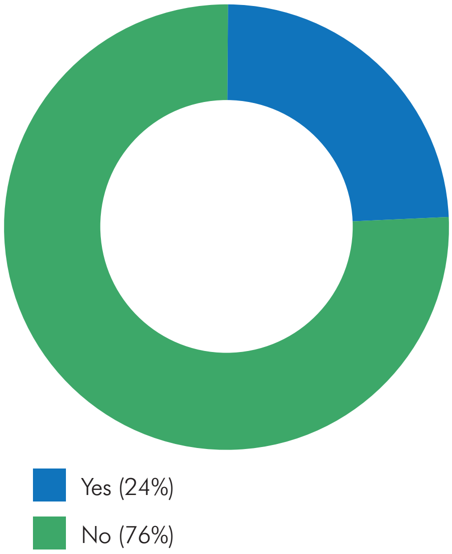
Of the 57 who responded that they had money put away that they could access easily if needed to:

- 5 had over £20,000 in savings (9%)
- 8 had between £5,000 and £20,000 (14%)
- 16 had between £1,000 and £5,000 (28%)
- 16 had up to £1,000 (28%)
- 8 listed as having no savings (14%)
- 4 did not disclose their savings (7%).

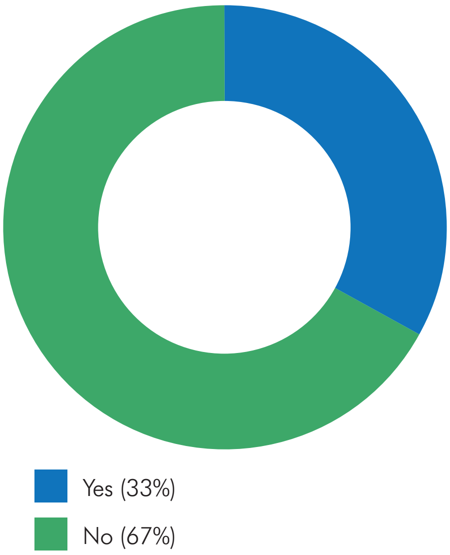
How many respondents are saving?

Figures 17 and 18 show the numbers of respondents saving regularly and those who hold savings. Figure 17 shows that 76% of respondents do not save regularly, and figure 18 shows that 67% of respondents hold no savings.

17. Percentage saying they save regularly



18. Percentage holding savings



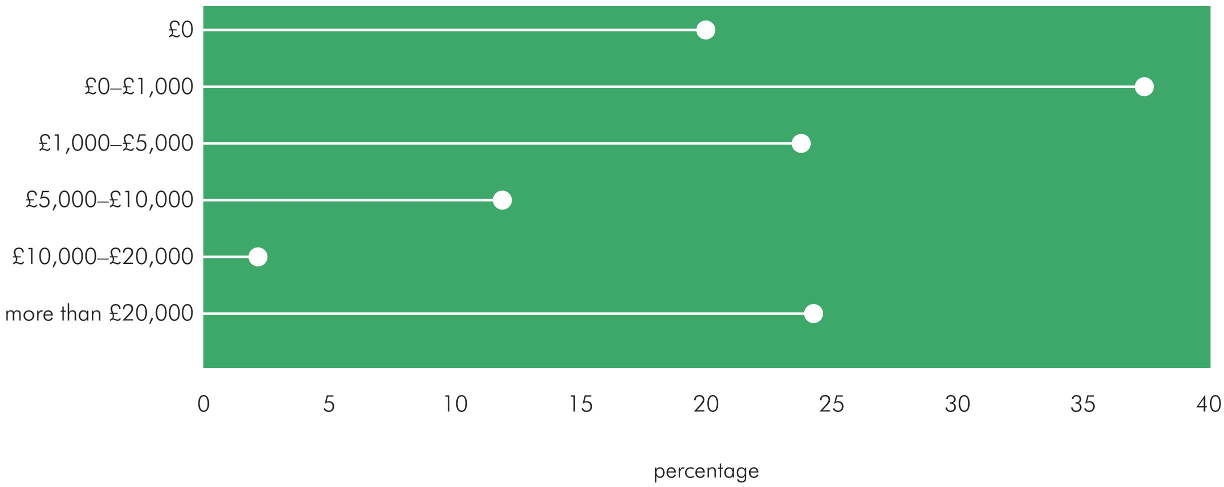
19. Other than identifying how much money each respondent had put aside, we did not pursue the question of whether residents' ideas as to what was sufficient for particular events would in fact be so. Friends Provident Foundation's IPPR study found that people tend to overestimate what money they have and underestimate what they actually need [Bradley, L. Friends Provident Foundation 2012].

Over three quarters were not saving regularly and two thirds had no savings put aside. Generally, the number of respondents that were regularly saving increased with their age. 34% of those over 65 were saving regularly (15 of 44 respondents), compared to 30% of 51-65 year olds (16 of 55 respondents), 24% of 31-50s (19 of 80 respondents) and just 9% of those aged 18-35 (3 of 33 respondents). This is much lower than national averages for saving. A 2012 study conducted by HSBC concluded that 71% of people have some savings and 29% have no savings.[20]

52% of those over 55 had some savings (40 respondents of 77) and 36% said they were saving regularly (28 of 77 respondents). By comparison 25% of those under 55 had savings (31 of 126 respondents) and 20% of the under 55s were trying to save regularly (25 of 126 respondents). The average age of respondents with savings over £1,000 was 58.5, compared to the average age of all respondents, 48.8. The average age of respondents with savings over £20,000 was 68. For those with savings between £10,000 and £20,000 it was 63. For those with savings of between £1,000 and £10,000 the average age was 58. And for those saving and who had accumulated less than £1,000, the average age was 51.6.

Overall, the number of people saving regularly was low, however, with just a third of the over 65s – the age group with the highest rate of saving – saving regularly. The over 65s, who were the most prolific savers, were also the group least affected by persistent money worries. Of those saving regularly, the accumulative savings are presented in figure 19 below, which shows that the majority of people with savings hold up to £1,000.

19. Amount of savings held by those saving regularly



It is worth noting here that possible explanations for people saving regularly but not holding savings include:

- They save regularly into a club so don’t hold the savings themselves
- They save from month to month and then spend it and so would only occasionally have a small amount saved.

20. HSBC 2012:5

The majority of those with savings had set aside a relatively small amount of less than £1,000,with the next largest group holding between £5,000 and £10,000.

- Of those with savings, 18% listed financial worries as among their persistent day-to-day concerns (15 of 82 respondents), compared to 52% of those who said that they have no savings at all (73 of 140 respondents)
- Those with savings of over £1,000 listed financial worries less often than those with savings of under £1,000 - 4 of 33 respondents (12%), compared to 11 of 38 respondents (29%)
- Of the 15 people with savings of over £5,000, just 2 listed finances as among their predominant concerns, compared to 9 of the 24 with savings of less than £1,000.

How are people saving?

Of the 33 respondents who had savings 22 gave details about how they saved. 7 of these (32%) saved as and when they could by putting aside any spare money available at the end of the month. The remaining 15 (68%) set aside regular amounts at set intervals, either weekly, monthly or bi-annually. The majority of savers (13 of the 19 who disclosed the information) deposited their sums with a high street current or savings account. Two used ISAs and one each chose credit unions, building societies, child trust funds or Post Office accounts.

Comparatively few households saved little and often. Just 5 of the 22 respondents who provided details saved £5 a week or less (23%). The majority chose to save rounded amounts between £20 and £400 a month. Of those that disclosed their savings habits, more saved monthly than weekly (18 to 11) and 2 saved bi-annually. The average monthly savings payment was £99.70, compared to an average weekly payment of £23.90. In practice, this amounts to just £1 difference, with the weekly average of monthly savers at £24.90.

Do you think you should save more?

The majority (73%) felt that they should be saving more, particularly those who were not already saving regularly or had no savings. Of the 19 who explained their negative answer to the question, ‘Do you think you should save more?’, 10 had answered ‘No’ because they felt they were unable save any more than they already were, while 9 felt they were happy with their current levels of savings. All but 2 of these 9 had savings of over £1,000 and were over the age of 60. Just two of these households had children. Illustration 20 shows that 73% of respondents think they should save more.

“We have a good quality of life and feel we don’t need to think about the future.”

20. 'Do you think you should save more?'

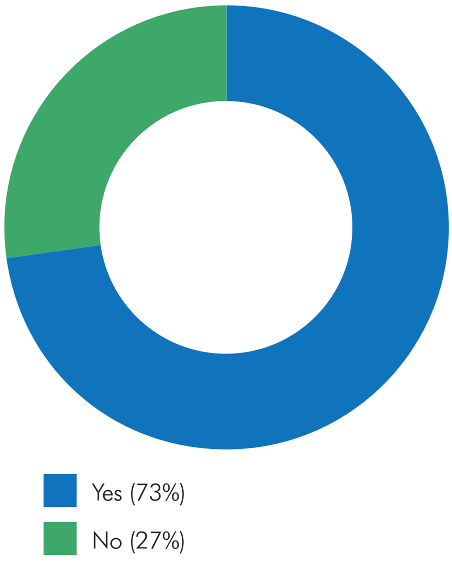
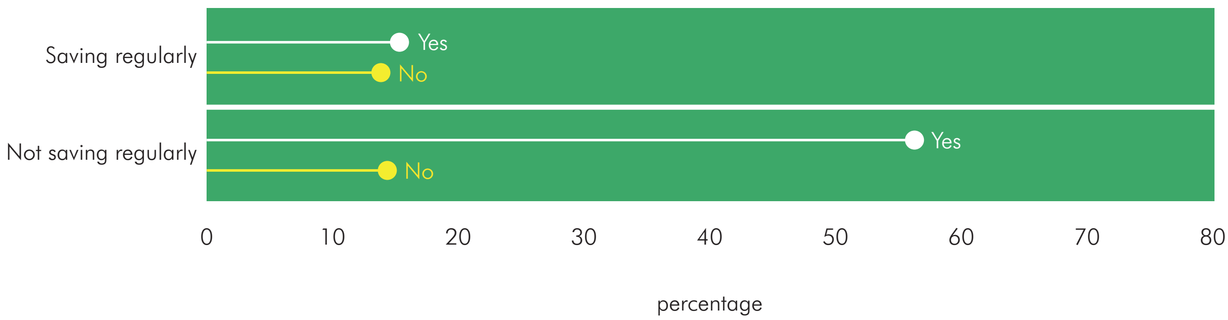


Figure 21 shows that the majority of respondents not saving believe they should save more.

21.'Do you think you should save more?' (of 145 respondents)



Only 6 people said they wanted to 'live in the moment' and enjoy their money without concern for the future. Five suggested they were not disciplined enough to save more or had previously saved for specific targets (such as buying a car) and no longer saved as these targets had been met and not replaced with new ones. While respondents' age and life events had an effect on their savings behaviour, with higher income and age more likely to permit regular saving, they had less of an impact on respondents' attitudes. The great majority of people said that they want to save money regardless of their income, benefits status or age.

When asked why they were not currently saving, people commented with reference to the need for long-term savings, savings for specific goals and savings for a rainy day, which suggested a clear awareness of the importance of saving.

> *"I would like to save, so that I am able to buy things for my children. I would also like to save just in case of any emergencies. Other reasons I would like to save are to buy a house, car and holidays."*

> *"Of course I would like to save – I would like to have some put aside to be able to have a day out occasionally and for emergencies."*

> *"[I would like to save] because I would like to have a money 'cushion' to rely on when it's needed."*

> *"I have nothing to fall back on if a disaster was to happen."*

Savings targets

Those who did not save regularly and had held no savings were just as likely (and in some cases more so compared to those with savings or those saving regularly) to have clear ideas of what they would like to save for. Of the 15 regular savers who answered, 10 replied that they had no specific savings targets.

Of those not regularly saving and with no held savings, 31 mentioned potential savings targets, despite not saving. Of these, the most commonly occurring were holidays (mentioned by 18), emergency expenditure and financial security 'just in case' (mentioned by 11), buying a home/paying off a mortgage and provision for children (both mentioned by 4).

Why are tenants not saving?

Given that the majority of respondents said they wanted to save and had clearly defined aspirational and defensive reasons to do so, why were so few regularly saving? The answer most often given was that people felt they simply could not afford to save.

> *"We don't have enough money to be able to save."*

Of 155 providing an explanation for not saving 95% (147) say they would like to save money but cannot afford to do so. 5 (3%) say they would rather enjoy spending their money while they have it

> *"I would like to [save] eventually but I don't have any money now"*

> *"Just don't have anything to save. I try to save but have to dip into savings to buy food and essentials."*

Could tenants save more?

Tenants do not feel able to regularly save and yet the majority say that they are able to manage their money well with at least a small amount of money left over at the end of the month. The majority explain their lack of savings, despite their good intentions, by lack of funds, suggesting that they simply do not have enough money left over to save.

Respondents seemed to prioritise a certain baseline of expenditure that might prevent them freeing up more money to save, while spending on what they perceived to be normal necessities within their social environment for reasons of pride among peers, avoiding shame and engendering feelings of well-being and security within a group social norm.

> *"[Financial impact of having children includes] having to buy treats etc for kids to take to school for the class so children feel accepted."*

> *"I'm struggling to afford general day-to-day needs and small luxuries."*

When many respondents said they were 'just getting by', this was not a description of a Dickensian dystopia. It was more that people were spending in ways that would be thought standard among their self-defined peers. They were complying with a social norm for 'people like us'.

People's hobbies, interests and perfect days reveal relatively inexpensive and simple sources of pleasure, people do not prize spending for the sake of spending. They do spend money on things they regard as emotionally essential, however, even if they are sometimes extravagant.

> *"I am sensible but extravagant with my grandchildren."*

> *"I like to get my son what he needs."*

Prevailing social norms about expenditure jeopardises people's capability to save. This outlook favours instant gratification and social norms over long-term financial stability. Holidays are a good example. Among respondents with savings targets (both savers and non savers):

> *"We struggle but we do go away once a year."*

> *[Why not saving?] "Income is too low if we are to have a holiday."*

Research by IPPR found some similar outlooks or prioritising the immediate and the normative. 'School holidays, Christmas and birthdays are expensive. Presents for children were the highest single cost at Christmas. Some parents argued that a present can provide year-round entertainment for their children and compensate for regular family activities the rest of the year. Many said they would feel guilty about denying their children at Christmas.'

These attitudes were confirmed by one of the IPPR's respondents: "Especially with the kids at their age; they love [Christmas] – just seeing their faces – so you find the money for it. Obviously last year wasn't a problem because I was earning well. This year is going to be different. They don't understand how bad our financial situation is and they are innocent too, so you don't want to tell them. It's all about your children at Christmas and you worry about it afterwards." [21]

This normative spending behaviour may not seem reckless or extravagant, just normal, including treats for children to take to school for their friends, an annual holiday and the commodities of contemporary culture, such as clothes, music and films.

A key motivation here, anthropologists would argue (along with economists such as Adam Smith, John Rawls and Amartya Sen), is the avoidance of shame. Small scale studies show, for example, that mothers on very low incomes are more conscious of their need for their baby to be nicely dressed and seated in an expensive buggy. Middle-class mothers on the other hand (who have many opportunities to show off their relative wealth) regard recycling baby clothes as a badge of virtue and the source of pride. The problem, as far as spending and saving are concerned, is that those most susceptible to this kind of shame are also least able to avoid it.

Many of our respondents and people on similarly low incomes do not have a habit of saving. Research from the University of Bristol emphasises the importance of habit forming by regular repetitive behaviour as ways of encouraging saving behaviour: 'A number of studies have shown that people save more when they establish a routine for doing so, whether this is by standing order or direct debit from a bank account, by routinely making cash deposits when shopping at a set time in the week or month, or having a routine for saving all loose change, or coins of a particular denomination at the end of the day… Psychological research (with people of all incomes) identified that, among people who intended to save, techniques that enabled them to save at least partially automatically and depend less on will power increased the likelihood of actual saving'.[22]

How do people think landlords could help?

When asked how landlords could help tenants with their finances and encourage savings many suggested ideas indicative of a relationship of trust between tenants and their landlords. The ethos of social housing has always combined a sympathetic humanity ('meeting your needs') with a rather stiff financial rectitude ('pay your rent'). Social landlords are not-for-profit, don't generally use commercial sales techniques and are not in the main given to egregious displays of corporate extravagance.
All that combines to give their tenants a picture of solid, reliable and trustworthy organisations. For instance, 39% said they would welcome their landlord's help in opening a savings or credit union account (85 of 216 respondents) and 47% said they would welcome their landlord's help in joining a Christmas club (102 of 216 respondents). Some respondents also suggested that the landlord could provide more information and advice:

22. Rabinovich and Webley 2007, quoted in Kempson and Finney 2009:46

> *"More information to tenants on ways to save."*

> *"Good to have financial advisers - more support and advice especially for people in debt/rent arrears."*

> *"Ways to save. Especially to cover utilities. Borrowing from co-ops at 0% interest. Help filling in key forms relating to money and saving."*

Others had more creative suggestions such as baby equipment recycling and savings groups and clubs, where there were shared motivations and rewards. Several tenants made more radical suggestions about over-paying the rent and using the surplus as a savings pot.

> *"Maybe if we paid a little bit more on our direct debit rental payments that could be saved on our behalf."*

> *"I could pay a couple of pounds more when I pay my rent that would be put into a savings account. This would build up over time and I would not miss it. A small amount would be money that I would not miss!"*

> *"I pay a little bit more on my rent account and this puts me in credit. Even a little bit would be useful."*

> *"Not easy access and I could put in £1 or £2 per week. So money stays where it is and just can't withdraw it when I want to."*

> *"Paying housing association an extra £50 per month on rent so was always in credit, but this stopped due to rent payment increase, would like to see more people encouraged to do this and mean you get one month rent free!"*

7/ CONCLUSIONS AND RECOMMENDATIONS

Conclusions

There has been a long-held negative stereotype of social housing tenants (in common with others living on low incomes) that they are in unmanageable debt, have no qualms about borrowing or benefits, manage their finances poorly or do not appreciate the value of money. We did not find evidence for this, nor did we find that the archetypes of social housing tenants – family structure, vulnerabilities, work or benefits status - were reflected in the range of their attitudes towards money or savings behaviour.

Respondents were mostly living on low incomes with disproportionately high rates of ill health, worklessness and benefits reliance, setting this group apart from wider society. Tenants' hobbies, interests and suggestions for perfect days show a group who derive enjoyment from the relatively humble pleasures of rest, nature, family and friends and creativity and do not prize extravagant spending or conspicuous consumption. Far from uncovering a frivolous and unmanageable approach to money endemic to the social housing population, respondents spoke of diligence and care when it came to balancing their income and expenditure, making ends meet and avoiding borrowing.

The short and long-term impact of significant life events such as redundancy, divorce, having children and becoming unwell threaten to destabilise respondents' financial security. This is exacerbated by a lack of savings to tide people over periods out of work, of adjustment or of unexpected expenditure. Respondents were aware of their vulnerability to these events and therefore worried about their lack of savings. That said, this had little impact on people's behaviour. Though they want to save more and have clear ideas of why they should, most are not doing so.

Only a minority of social housing tenants are currently saving, or hold savings, though the overwhelming majority want to save more. Tenants are not planning for their financial futures and are ill equipped to deal with the financial impact of significant life events, though they are managing their day-to-day savings fairly well. The majority say that they are able to make ends meet with at least a small amount left over. Income, regardless of its origin, is carefully matched against outgoings.

Respondents broadly fell into four groups or segments, characterised below by anthropomorphic understandings of animal behaviour:

Segments	Characteristics and messages
Penguins	A penguin patiently sits on its egg, carefully guarding it against cold winds and predators. This segment represents tenants who have managed to put away some money over time, a nest egg, though they may not be saving right now. They are elderly in the main, perhaps approaching retirement and so the message to them to promote more saving needs to be: '**Got enough saved**?'
Squirrels	Squirrels busily store away food and resources in preparation for hibernation and the winter ahead. This segment represents tenants who are currently managing to squirrel away some money, however small, as a deposit for the future. They span a range of ages and are mostly in work with some money left over for saving most months. The message to them is: '**You could save more**', another hazelnut on the pile could make all the difference.
Beavers	Beavers are renowned for their industry, their endeavour and care for other animals (hence 'eager beaver') though they are also short-sighted. This segment represents tenants who despite their hard-work and sense of responsibility can never quite manage to save any money, it always runs out, though they understand the importance of saving. The message to them is: '**Here's how you could save**'.
Goldfish	'Goldfish' have notoriously short attention spans and seem happy swimming around without a care for the wider world outside the bowl. This segment represents the minority of tenants, mainly younger people, who 'live for today' and see little purpose in saving for what might happen tomorrow. The message to them needs to be: '**Here's why you should save**'.

Why aren't tenants saving more? The answer is not poor money management, nor – for the majority – unmanageable debt. The overwhelming majority believe that they simply cannot save more money than they already do; that they do not have enough left over after day-to-day expenditure to put anything aside.

Respondents prioritise a social norm of lifestyle-related expenditure which jeopardises their saving potential, even though they know they could live on less if they had to. Money is allocated to purchases which are not, in practice, 'basics' - but which do form the perceived essentials of a particular social norm. This is not unique to social housing tenants, but does threaten them more than the wider society due to their relative financial vulnerability. This behaviour is sustained in part by an 'it-won't-happen-to-me' mentality concerning adverse life events (again prevalent across society), coupled with the prioritisation of instant gratification over long-term financial stability.

Recommendations

A number of practical recommendations emerge from the research, many of which come directly from the respondents. These include:

- capitalising on the relationship between tenant and landlord to communicate savings approaches properly and to help set up savings accounts or to join Christmas clubs
- introducing baby-equipment recycling in social housing to lessen the immediate financial impact of having children
- introducing savings groups
- developing tenants' support through life experiences and movement between benefits and wages to lessen the long-term impact of such events.

Many social landlords including the ones that took part in this research have promoted savings by their tenants in a number of ways over the years, for example by promoting the services of credit unions and local building societies. These initiatives, while welcome, have not gained traction among large proportions of tenants. Nor have social landlords (including those in our research group) promoted other forms of savings such as high street savings accounts, ISAs, child trust funds or savings clubs.

The introduction of benefits reductions for under-occupiers and benefit caps has revealed to social landlords that they know little about the individual and family circumstances of their tenants, including, for example, whether they have experienced major life events that have affected their financial security. We asked social landlords in our research group about their approaches both to collecting and analysing customer insight. They reported that a minimal amount of information is collected from new tenants, though generally only the information needed for housing benefit claims. Updating those records in the years thereafter has not until now been a priority. As a result of this lack of customer insight, it is difficult for them to target their promotional activities which therefore tend to get distributed to everyone.

We also asked landlords in our research group about their methods for communicating with tenants. They all used leaflets and newsletters, which went to everyone and provided information for everyone on their websites. But, apart from sending letters (many of which are standardised and auto-generated), they have not used personal communications such as emails or SMS messages to communicate with their tenants. Similarly, social landlords do not generally have developed strategies for using social media, such as Twitter and facebook, for communicating with their tenants.

The combination of a lack of personalised data about their customers and the use of generic 'old world' communication techniques presents obvious problems in promoting non-housing services, such as encouraging savings. As one landlord participating in the DWP demonstration projects said,

> *"Leaflets don't work. Direct contact does: phone, email, SMS."*

Social landlords have, as noted earlier, a strong business incentive for improving the financial resilience of their tenants through encouraging greater savings, but in the absences of better customer insight about households, messages cannot be personalised.

Unlike more retail-minded organisations, social landlords have not typically sought to understand their tenants as segments with different attitudes, attributes and circumstances and therefore different propensities to save or encounter financial problems. More generally, since social landlords have not had to compete to attract customers (on the contrary, their services are rationed), they do not generally understand or practice more commercial marketing techniques which might be needed to persuade people who are reluctant or slow to act on good intentions.

Similarly, because social landlords have not been in the business of persuading tenants to change their behaviour (except through penalties for anti-social behaviour or rent arrears) they have not harnessed the insight of behavioural economics: nudging, countering loss aversion, instant gratification, inertia and changing defaults. Ironically, they and their tenants are about to experience a massive involuntary change in the default methods of their own operation when Universal Credit is paid to tenants directly rather than housing benefit being paid directly to the landlord. They are rapidly changing their systems and mindsets to reflect the new circumstances.

Some of the landlords participating in this study have recognised their lack of in-depth information about their customers. Both Circle and Hyde have undertaken segmentations of their tenants, based on primary independent research of their tenants and third party sources. They have used these segmentations to develop more differentiated, personalised service offers in their income collection, debt advice and financial inclusion work. In particular they have sought to develop an understanding of the risks in people's lives or circumstances that may affect their ability to meet their tenancy obligations. While each organisation has adopted different methodologies for segmentation, the groups identified broadly fall into the following categories:

- comfortable older people
- families with teenagers
- struggling singles and couples
- stretched large families
- families with financial management needs
- vulnerable older people
- younger and carefree.

Having established these useful categories however, the records on individual tenants and households rarely provide the information to categorise tenants into these segments and therefore target messages about tenancy risks or promote new services.

For social landlords to play a fully effective role in promoting financial capability and savings our recommendation is that social landlords need considerably improved insight about their customers' circumstances, family and household structure, life experiences, attitudes and aspirations. They will need to organise this information into a comprehensive, sensitive customer segmentation. They will then be in a position to harness the benefits of a customer relationship management system.

The original intention of this research was that some of the suggestions made by tenants for ways that landlords could help them to save could be piloted by participating landlords. However, all social landlords are under considerable internal pressures to re-engineer themselves for welfare reform and the systems and management changes needed to cope with it. The landlords in the research group did not think this was a good time to impose a greater burden of change and innovation on their organisations and in particular on their IT systems, so piloting would have to wait for a more stable context.

They also recognised, as just described, that their customer insight was not yet up to allowing them to identify which tenants may be suitable for which new suggestion. Improving customer insight was the first priority. The participants in the research group also felt that small scale local initiatives would not be enough to make a big impact across a large group of tenants. They felt there was a need for a more substantial initiative that could be addressed to large group of tenants and would go beyond generic promotion of savings products, to a more active intervention in changing tenants' savings behaviour, obviously with tenants' consent.

Reflecting this wish by participants in our research group for a more substantial across the board intervention to encourage savings, our other substantial recommendation is to build on the respondents' suggestion that a small amount of savings could be collected with the rent by the landlord. Tenants and others with unsustainable debts are encouraged to make a (frugal) budget identifying essential expenditure. Any surplus income is put towards paying off their debts. They are encouraged to pay this over by direct debit or standing order so that money set aside for debt repayment does not simply evaporate in day-to-day expenditure. Similar approaches to encouraging saving are currently rare.

We have called this suggested approach Rent Plus. Rent Plus would harness the concept of 'nudging' and the insights of behavioural economics, as well as reflecting tenants' wish to save to reduce their financial insecurities by overcoming their feeling that it is beyond them. Behavioural economists have illustrated that people are more prone to resist parting with money they have already received than money they do not actively receive or ever hold. People are also equally more likely to accept an increase to a pre-existing expenditure than to accept a new expenditure of the same amount and more likely to opt into a future expenditure than a present one.[23]

The suggestion is to encourage tenants to save more by embedding saving products into their social housing set up; a voluntary aspect of their tenancy agreement and in effect combined with rent payments they are used to parting with. This would support tenants in prioritising long term gain and security over short-term incentives and social norms and remains in line with tenants' own attitudes towards money and savings.

The product would work as follows:

- Tenants open a savings account, perhaps a cash ISA, with a supplier identified by the landlord
- Tenants make a budget of reasonable expenditure and identify any surplus cash regularly available for saving, whether large or small
- Tenants 'opt in' preferably at sign up (though it would be open to all tenants) to overpaying their rent by a set monthly amount
- The money they overpay remains the tenant's and cannot be used by the landlord to clear rent arrears
- The excess on the rent charge is periodically and automatically swept into a savings account (avoiding the landlord being deemed a deposit taker and therefore becoming an entity regulated by the Financial Conduct Authority)[24]
- Landlords can then top up the savings accounts with cash, prize draws and other incentives.
- Tenants can also top up the savings account if they have surplus cash over and above the regular amount saved
- Withdrawals from the account would be through the financial services provider in the normal way.

Such a product would not be the solution for those chronically out of work, or as an alternative retirement income. Nor would it be appropriate for the small proportion (up to 10%) of our sample who were in unmanageable and chronic debt. Instead, it would provide a means of steadily accumulating a 'cushion' of savings that would help tide tenants through the impact of significant life events, such as redundancy, having a baby, divorce and ill health. The rule of thumb is that rainy-day

23. Thaler and Sunstein, 2008; Bovens 2008; Dolan et al 2010

24. See FSA Guidance Note 9 2010

savings would be about three months after tax day-to-day expenditure. For someone earning £30,000 a year who spends most of it after tax is deducted this would be between £3,000 and £5,000.

In practice most respondents live on less than £20,000 per year and would therefore benefit from a smaller savings cushion that could be accumulated over three or four years. The majority of tenants who had reasonably stable incomes (even if they were relatively low incomes), and were anxious about their financial security, wanting to save regularly but considering themselves unable to find the money do so would be suitable for such a product. This would in turn lessen the emotional burden caused by persistent money worries and engender greater peace of mind.

In order to facilitate such an approach landlords would have to set up an arrangement to provide a savings account with a nominated supplier, procured by a competitive process that could involve banks, building societies or credit unions. In the current climate of low returns on savings, any small premium that could be achieved by the landlord collectively negotiating a rate for bulk deposits would be beneficial for the tenants. Landlords would also have to set up arrangements to get tenants' consent to establishing the collection of the savings element with the rent as soon as possible after the tenant signed up, maximising the benefits of establishing an early default payment which included rent and savings. Existing tenants could also be actively encouraged to join. Withdrawing the money that has been saved could be direct from the savings provider, since the cash will have been swept into one of their deposit accounts. It may also be wise for the nominated account to be an ISA which would mean that income from interest would not be taxed at source.

Landlords cannot accept and retain deposits indefinitely under the Financial Conduct Authority's (FCA's) regulatory requirements. They cannot provide savings accounts themselves. However, in line with their guidance, the arrangements for setting up accounts and collecting money proposed above would not fall foul of financial services regulation or require the approval of the Financial Conduct Authority. The Financial Services Authority (the antecedent to the FCA) has issued the following guidance: "A social housing provider can establish a partnership with a deposit-taker to set up a savings-with-rent scheme or a bank account for a resident without needing to be authorised. This assumes that the scheme involves the residents opening savings accounts directly with the deposit-taker and not with the housing association itself, which acts simply as an intermediary."[25]

The fundamental principle behind Rent Plus - of overpaying on an ordinary payment for the purposes of savings, insurance or similar long-term advantage - is not a new concept; its potential value has been recognised and its use explored by various housing associations and similar organisations. Tenants of New Charter Housing Trust Group, for example, pay an additional sum on top of their rent payment towards home contents insurance.[26] This has been more successful than landlords' simply offering home contents insurance without collecting the premium with the rent because it establishes a habit of paying, rather than just an exhortation to do so.

25. FSA Guidance Note 9. 2010:3.5

26. For examples of tenant incentive savings and money management projects see Irwell Valley Housing Association's Gold Service, which promotes positive tenant behaviour by providing financial and social incentives for outcomes such as keeping up with rent payments and avoiding anti-social behaviour. Similarly, the previous Government's Saving Gateway scheme attempted to promote incentivised saving by matching deposits, up to a limit, made into savings accounts. See Whitehead, C et al 2006; Bright, J 2011; Terry, R 2008; Kempson, E . et al 2003 and AHURI,2004

Rent Plus capitalises on the relationship of trust between tenants and landlords, increasing the likelihood that residents would feel confident in the product and its benefits, as well as feeling in control of their financial decisions. Distinct from many commercial and third party financial products, Rent Plus would be implemented through social landlords and therefore be imbued with a level of credibility and reliability and more likely to be welcomed by tenants. The scheme would incorporate the group saving idea of many of the respondents, with the benefit of encouraging collective saving, incentives tailored to the experiences of residents and a positive knock-on impact on the 'neighbourhood effect', with groups of residents all saving together.

It would obviously be best if such an approach was available to all social housing tenants over time. A central policy directive is unlikely. A reasonably standard approach taken by a group of large and high profile social landlords acting as early adopters could well become a model, however, which other landlords could follow. Over time, as more and more landlords offered such a service, it could become a general expectation both that landlords should provide such a service as part of the social housing 'offer' and that tenants should join in because everyone else is. A new social norm in favour of savings would have been established, countering those norms that already exist which privilege short-term expenditure and instant gratification. The gain would be in the reduction of anxiety and the proportionate increase in peace of mind and human happiness.

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