Financial wellbeing in later life

Evidence and policy

| **March** 2014 |

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About the research

1.Overview

In 2012, the University of Bristol's Personal Finance Research Centre (PFRC) and the International Longevity Centre UK (ILC-UK) were awarded funding by the Economic and Social Research Council (ESRC) through its Secondary Data Analysis Initiative to explore financial dimensions of wellbeing in older age. Over 15 months, we worked together to generate and disseminate knowledge on this important issue. This report brings together that knowledge and considers its relevance for policy and practice.

Why is this research important? The financial realities of an ageing population are the focus of intense policy concern, in the UK and across the globe. One in six of us in England and Wales are now aged 65 and over; and the over-85s are the fastest growing sector of the population. In 2010, there were 12,640 centenarians in the UK, and this is projected to rise to 160,000 by 2040 and over 0.5 million by 2066.[1] As a growing population, older people are increasingly important to the UK economy. At the same time, their finances are coming under increasing pressure, not least from high inflation, high care costs, the global recession and public spending cuts.

The research highlights three main themes that are relevant for policy and practice: (1) Understanding the older consumer; (2) Understanding older households' balance sheets; and (3) Understanding the financial aspects of wellbeing in later life.

Understanding the older consumer

Our analysis of the Living Costs and Food Survey looked at household spending patterns among households headed by someone aged 50+. We used *equivalised* expenditure in order to take account of the number of people in the household. The analysis highlights the great diversity of spending behaviours in later life, and supports the idea that there is no such thing as 'the older consumer' – something that policymakers, service providers and marketers should bear in mind.

Total equivalised household expenditure reduces markedly as people get older: from an average of £286 per week among households headed by someone in their early 50s, to £160 per week among those headed by someone aged 80+. But as people get older, they spend a greater proportion of money on life's essentials. Households headed by someone aged 80+ spend double on housing, fuel and power compared to those in their early 50s (24% compared to 12%). The oldest households also spend a greater proportion of their money on food and non-alcoholic drinks (19% of household expenditure for those aged 80+, but 12% for those in their early 50s).

We used a statistical technique called cluster analysis to categorise older people into six groups based on their patterns of spending. Two groups, that we called *Conservative Consumers* and *Burdened by Bills*, together represent over half (57%) of older consumers. The striking thing about *Conservative Consumers* (who comprise 46% of older consumers) is that they spend far less on non-essentials than older households as a

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[1] ILC-UK, July 2013, Ageing, longevity and demographic change: A *factpack of statistics from the International Longevity Centre-UK*. Available from www.ilcuk.org.uk.

whole. Older households that are *Burdened by Bills* (11% of older consumers) are distinct because they spend £4 in every £10 on housing, fuel and power - which is twice the average. Both these groups tend to comprise of older people on lower incomes.

These findings provide an important counterbalance to the media coverage about the spending power of post-war generations. At the same time, more public spending cuts are expected, with political parties looking at curtailing pensioner benefits. There is a real danger that politicians and policymakers focus on a poorly-defined group called 'baby boomers' while older people such as *Conservative Consumers* and those *Burdened by Bills* - and the very real issues that they face - are forgotten.

Understanding older households' balance sheets

In order to understand older households' balance sheets, we analysed the Wealth and Assets Survey, a large-scale national panel survey of British households. It collects very detailed information about households' assets and liabilities in order to provide estimates of household economic wellbeing.

Overall, our analysis highlights the vulnerability of a sizeable minority of people aged 50+ to poor financial wellbeing in later life. This is linked to the mortgage and non-mortgage liabilities they face at a time when they may have few options to increase their income.

On the asset side of the household balance sheet, our analysis shows that average (mean) household wealth among all over-50s is £541,000 (including private and personal pensions; property; financial assets such as savings; and physical wealth such as valuables). This sounds like a large sum of money, but it has to last for longer as we live longer: life expectancy in England and Wales at age 65 is another 18 years for men and 21 years for women.[2]

We also see the interplay of different components of wealth, and the potential risks of over-relying on one form of wealth. Given that three-quarters of British households headed by someone over 50 own their home, it is not surprising that property wealth becomes an increasingly significant component of total wealth as people get older. In contrast, the proportion of total wealth accounted for by private and personal pension wealth more than halves between 50 and 80, as households draw on their pension savings.

On the liability side of the household balance sheet, our analysis highlights the potential financial vulnerability of ageing mortgaged households, headed by someone aged 75+. While only a small group, they owe more relative to the value of their homes, resulting from lower-value properties and a high use of interest-only mortgages. Given the importance of property wealth in later life, this raises questions about the viability of equity release for some older households and the risk of a mortgage shortfall for those with interest-only mortgages with no linked investment and no Plan B to repay the capital.

Another worrying minority comprises heavily mortgaged households headed by someone over 50, particularly if they have mortgages on other properties as well as their main home. They may hope to repay the large outstanding mortgages on their main home using the equity in their other properties. Even so, their lack of other assets indicates a heavy reliance on the performance of the housing market for their future financial security.

Non-mortgage borrowing forms the other aspect of older households' liabilities. One in

[2] ILC-UK, July 2013, Ageing, longevity and demographic change: *A factpack of statistics from the International Longevity Centre-UK*. Available from www.ilcuk.org.uk.

four people aged 50+ have non-mortgage borrowing, and each owes on average £4,500. Borrowing is much more common among older people in their 50s, however, and declines steeply with increasing age. The double-edged pressures faced by people in 'squeezed middle age' - of high fixed costs (e.g. housing costs or dependent children) and low income - are a clear driver of consumer credit use. Faced with 'too much month at the end of the money', some have little choice but to make up the shortfall using consumer credit. The relatively high level of borrowing among people in their 50s has serious implications for their ability to boost their pension saving in the crucial years before retirement.

Understanding the financial aspects of wellbeing in later life

Using secondary analysis of two surveys (Understanding Society, the UK's largest social survey; and the World Values Survey, a global survey of people's social, political and economic attitudes) we see a strong relationship between older people's financial circumstances and their mental wellbeing (Understanding Society) and happiness (World Values Survey). We also re-analysed in-depth interview data from studies carried out by University College London and Keele University to look at the factors that help shape people's quality of life as they get older. In addition, we explored the financial dimensions of quality of life for older people using data from the English Longitudinal Study of Ageing (ELSA).

Our qualitative data analysis shows that, along with health and social support (e.g. from friends and family), money is a key factor that shapes the quality of our later lives. Older people's ability to remain active, fit and healthy relies on having enough money to support a reasonable standard of living but also to get out and about. This is all the more important as people's mobility declines and for those who spend long periods at home caring for a spouse or partner.

Using a statistical technique called regression analysis to analyse Understanding Society, we see that the financial situation of the over-50s is a powerful indicator of their mental wellbeing, independent of other factors. Over-50s who are 'Finding it very difficult' to manage financially have almost eight times the odds of poor mental wellbeing compared with those over-50s who say they are 'Living comfortably'. While we don't know for sure whether financial difficulties *cause* poor mental wellbeing, or conversely whether poor mental wellbeing *causes* financial difficulties (or both), it is very clear that *both* are important factors in designing policies and services to promote a happy and healthy later life. Moreover, of the financial dimensions explored in the analysis using ELSA, a perceived expectation of future financial difficulty was associated with lower quality of life. This suggests that improving individuals' sense of financial security can play a significant role in enhancing quality of life at older ages.

Similar to Understanding Society, our analysis of the World Values Survey shows a strong link between older people's happiness and their level of financial satisfaction. Using a statistical technique called multilevel modelling we found that individual-level characteristics (such as age, work status and education level) explain most of the difference in people's self-reported financial satisfaction and happiness. But our analysis also highlights the importance of country-level factors (such as GDP per person) that individuals may have little direct control over – except perhaps through the ballot box.

In summary

Through the analysis of existing data, our research delivers a multi-dimensional picture of financial wellbeing among older people in the UK: from patterns of spending, through to mortgage and non-mortgage borrowing, wealth and the relationships between financial wellbeing and quality of life in older age. It gives us a good sense of older households' financial balance sheets and what that might mean for their general wellbeing. It highlights potential consumer vulnerabilities in later life that politicians, policymakers, service providers and businesses should take seriously if they are to deliver good outcomes for all older people. Most of all, it vividly demonstrates that we must stop talking about 'older people' as a homogenous group, and instead recognise the great diversity of people's lives as they transition into later life.

The following sections describe in more detail the research we carried out, what we learned from it, how we shared this knowledge, and how we would like to take forward this important work.

2. What do older people spend their money on?

What did we do?

Using the 2010 Living Costs and Food Survey (LCFS) we examined patterns of spending among households headed by someone aged 50 and over, to see how expenditure varies by age.

The LCFS is a national survey of private households that each year collects very detailed information about the amount that households spend across 12 different groups of expenditure: alcohol and tobacco; clothing and footwear; communication; education; food and non-alcoholic drinks; health; household goods and services; housing, fuel and power; miscellaneous goods and services; recreation and culture; restaurants and hotels; and transport.

Of course, household spending varies greatly depending on the number of people in the household. Expenditure in a household with two adults and two children, for example, is going to be far higher than an 83-year old single person household. To overcome this issue, instead of using *absolute* household expenditure, we use *equivalised* expenditure, which takes into account the number of people in the household.

The 12 groups of expenditure

Alcohol and tobacco	Food and non-alcoholic drinks	Miscellaneous goods and services
Clothing and footwear	Health	Recreation and culture
Communication	Household goods and services	Restaurants and hotels and services
Education	Housing, fuel and power	Transport

What did we find?

Total equivalised household expenditure reduces markedly as people get older: from an average of £286 per week among households headed by someone in their early 50s, to £160 per week among those headed by someone aged 80 or over.

Figure 1: Absolute and equivalised expenditure by age

Source: Living Costs and Food Survey
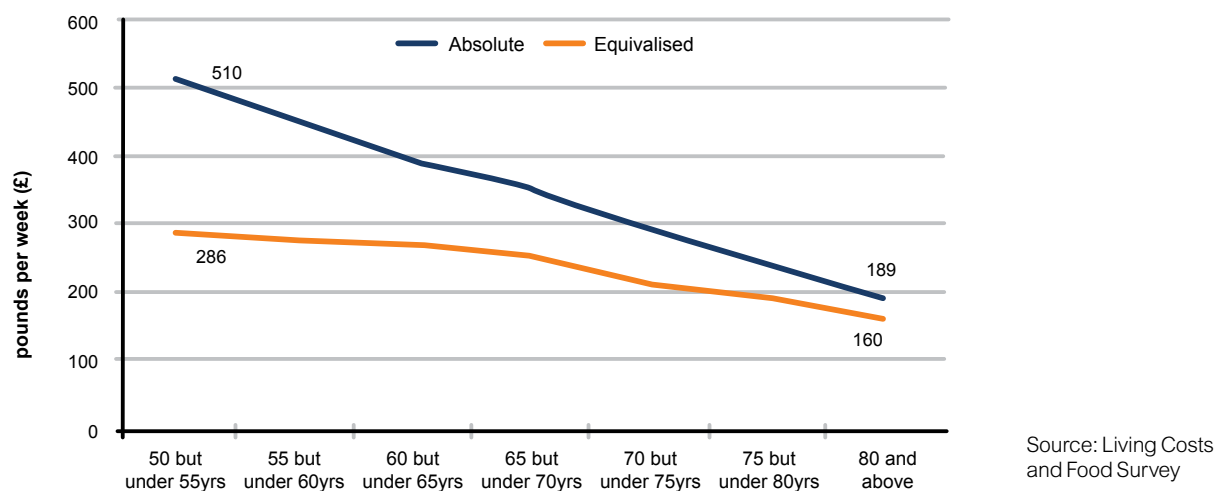
When we look at the 12 different spending groups, there are some striking differences by age. As people get older, on average they spend a greater proportion of money on life's essentials. Households headed by someone aged 80+ spend on average 19% of their money on **food and non-alcoholic drinks**, while those in their early 50s spend only 12%. The proportion spent on **housing, fuel and power** doubles, from 12% to 24%. This means that the oldest households spend £2 in every £10 on housing, fuel and power, compared with £1 in every £10 among households headed by someone in their early 50s.

In contrast, other areas of spending decrease as people get older, including **clothing and footwear** (from 6% to 3% of household expenditure), **transport** (from 18% to 7%) and **recreation and culture** (from 16% to 11%). The proportion of household expenditure spent on **communication** (comprising telephone, mobile phone and internet) remains the same as people get older, at three per cent.

Why is this important?

There has been a lot of media coverage about the spending power of the 'baby boomers'. At the same time, more public spending cuts are expected, with political parties looking at curtailing pensioner benefits. There is a danger that, within these debates, the poorest pensioners are forgotten. In particular, policy makers should be extremely concerned that the oldest households spend a high proportion of their income on food and housing, fuel and power compared to their younger counterparts.

As older households spend a greater proportion of their money on life's essentials, so they may find they have to cut back on recreational and cultural activities and getting out and about – which are all important to staying happy and healthy in later life. Our analysis suggests that, as they get older, people place just as much importance on communication and the need to 'remain connected' as their younger counterparts. As older people are less likely to use the internet, this implies they are spending more as a proportion of their income on other communications. It might mean they are spending more on the telephone or that they simply aren't shopping around online for better deals for goods and services.

3. What are the main patterns of spending among older consumers?

What did we do?

We analysed the 2010 Living Costs and Food Survey (LCFS, see Section 2 for a description of the survey) using a statistical segmentation method called cluster analysis, to explore how types and levels of expenditure vary among the over 50s. Cluster analysis enabled us to identify the dominant patterns of expenditure, and classify people into segments based on these. Using this technique, the optimal solution was to classify older households into six groups based on their main patterns of expenditure.

What did we find?

We describe the six segments in turn, in order of largest to smallest group.

Conservative Consumers is the largest group, comprising 46% of older households. The striking feature about this group is that they spend far less on non-essentials than older households as a whole. Their average weekly spend on recreation and culture is £20, compared with an overall average of £33; and £10 per week on eating out compared with £19 overall. These tend to be older households: 22% of them are headed by someone aged 80 or over, compared with 15% of all older households. The majority (56%) said their main source of income was welfare benefits.

Foodies account for 19% of older households. They have very high expenditure on food, spending on average £58 per week compared to £34 for older households generally. They may like good food and home entertaining, or they may have special dietary requirements that increase their food bills. They are relatively well off: only 18% are in the lowest household income band, and they are more likely than the average older household to live in a large house.

Socialites comprise 12% of older households. At £405 per week, their overall average expenditure is the highest of all the groups. Their high spending on eating out, holidays and recreation (£131 per week) also marks them out. They are a fairly young group, with three-quarters aged under-65, and are also relatively well-off – more than half of these households are in the highest income band.

Burdened by Bills account for 11% of older households. They are distinct because they spend a very high proportion on housing, fuel and power (£4 in every £10, which is twice the average). Most of this goes on housing costs, which is likely to be rent payments as 70% live in rented homes. Like the *Conservative Consumers*, this group tends to have low incomes.

Smokers comprise 9% of older households. Most notably, 15% of their total average expenditure is on tobacco and alcohol, amounting to an average of £36 per week,

£28 of which goes on tobacco. They are one of the younger groups, with 62% aged under-65, and they are more likely to rent their homes than own them.

Recreation and clothing is the smallest group, accounting for 4% of older households. Like the **Socialites**, they are a high-spending group, averaging £392 per week. At £65 per week, they spend more on clothes and shoes than all the other groups combined. Their spending is also above-average on recreation and culture (£65 per week). Most of this group is aged under 70; half of them are in the highest income band.

Why is this important?

As a growing population, older people are increasingly important to the UK economy. People over the age of 65 spend in excess of £100 billion per year, accounting for around 15% of all household expenditure[3] and the European Union estimates that the over 60s market will increase 81% in the period 2005 to 2030.[4] Our analysis shows that there is no such thing as 'the older consumer', however. Having arguably ignored older consumers to a large extent, marketers needs to change: to better reflect the ageing population within its own workforce and to sit up and take notice of the diversity of older consumers.

Between them, the *Conservative Consumers* and *Burdened by Bills* groups represent over half of older consumers. This highlights that relatively low levels of spending are not atypical, particularly among the over-80s. Housing costs are another key factor in the wellbeing of older households, distinguishing the haves from the have nots.

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[3] Office for National Statistics, 2008. Family Spending. A report on the 2007 expenditure and food survey. Basingstoke: Palgrave Macmillan.

[4] Dixon, P., 2008. 'Marketing to Older Consumers'. In: Marketeer. http://www.globalchange.com/marketing-to-older-consumers.htm.

4. Mortgage borrowing among older households

What did we do?

We analysed the Wealth and Assets Survey to examine the effect of age on mortgage borrowing among households headed by someone aged 50 or over. We used a statistical method called regression analysis to look at the effect of age on mortgage borrowing independent of other factors such as income. Regression analysis allows us to look at the relationships between a number of variables and how well they predict an outcome of interest (such as mortgage borrowing), when the effect of other variables is taken into account. The analysis excluded equity release schemes.

The Wealth and Assets Survey is a national survey of individuals and households in Great Britain. It is a longitudinal survey, which means it provides data about the same individuals and households at different points in time. This analysis focused on Wave 2 of the survey, which covers the period 2008-2010. A total of 46,347 individuals living in 20,170 households were interviewed in Wave 2. Of these, 12,357 households were headed by someone aged 50 years or over; and 2,333 of this subset had outstanding mortgages on their main residence.

What did we find?

Three-quarters (74%) of British households headed by someone aged over 50 own their main home. This includes 21% of older householders who still have a mortgage, owing an average (mean) amount of over £62,000.

Table 1: Amount owed and percentage loan-to-value among older households with any outstanding mortgage borrowing on the main residence, by age of household reference person (HRP) or their partner

Age of HRP or partner	Amount outstanding (Mean £)	Amount outstanding (Median £)	Loan-to-value (%)	Unweighted base
50 to 54	72,000	50,000	33	916
55 to 59	59,700	40,000	27	687
60 to 64	53,200	31,200	25	419
65 to 69	55,200	40,000	44	145
70 to 74*	45,900	22,700	21	91
75 and over*	30,900	21,000	19	75
All aged over 50	62,200	40,000	30	2,333

Source: Wealth and Assets Survey 2008-10 Base is all mortgaged households headed by someone aged 50 and over.
Figures are rounded to the nearest £100. *Treat with caution due to small base size (<100 cases).

On the whole, mortgage borrowing and the amounts that households owe fall steadily with increasing age. Among the oldest householders aged 75 and over, only a small proportion (2%) still have mortgages on their main home. Worryingly, however, half of these oldest householders owed more than £21,000 and a quarter owed the equivalent of 25% or more of the estimated value of their home. This seems to reflect lower value properties among the oldest mortgaged households (possibly because they live in smaller homes) - but also a greater tendency for them to have non-repayment mortgages, including interest-only mortgages with no linked investment. So, while 41% of mortgaged households headed by someone aged 50+ had a non-repayment mortgage, this increased to 66% of mortgaged households headed by someone aged 75+ (albeit based on small numbers of households in this age group with mortgages).

Table 2: Types of mortgage held on the main home among older mortgaged households, by age group of HRP or their partner

| Age group of HRP or partner | Repayment (%)[1] | Other type | | Unweighted base |
		Any other type (including interest-only) (%)[2]	Unlinked interest-only (%)	
50 to 54	67	36	6	916
55 to 59	64	38	8	687
60 to 64	53	48	11	419
65 to 69	54	48	15	145
70 to 74*	42	59	32	91
75 and over*	34	66	40	75
All aged over 50	61	41	10	2,333

Source: Wealth and Assets Survey 2008-10. Base is all mortgaged households headed by someone aged 50 and over. Columns 2 and 3 may sum to more than 100 as households may have more than one type of mortgage.*Treat with caution due to small base size (<100 cases). Notes 1. Includes all-in-one (or offset) mortgages. 2. Comprises all mortgages linked to an endowment policy (including part-repayment, part-endowment), PEP, Unit trust, ISA (Individual Saving Account) or other investment, a pension mortgage and interest-only mortgages without a linked investment.

We also looked at households headed by someone aged 50+ with heavy mortgage borrowing, defined as owing £50,000 or more on a mortgage at this relatively late stage in life or having a loan-to-value ratio of 50% or more. One in ten mortgaged households headed by someone over 50 (9%) owes £50,000 or more, while nearly two in ten (17%) has a loan-to-value ratio of 50% or more. Heavy mortgage borrowing on the main home is strongly associated with owning other houses or property, especially if these other properties are mortgaged as well. Heavily mortgaged older households also tend to have lower levels of other assets, such as pensions and cash savings.

Although older households are mostly able to keep up with the mortgage payments on their main home, 13% are either behind with these payments or find them a heavy burden. Interestingly, age is not a significant predictor of mortgage difficulties when other factors are taken into account. The factors that most strongly predict mortgage difficulties include households' levels of savings and investments; and levels of non-mortgage borrowing (e.g. credit cards and personal loans).

Why is it important?

Our analysis highlights a group that are potentially at risk: the oldest mortgaged households, headed by someone aged 75 or over. These mortgaged households are more vulnerable to financial instability as they owe more relative to the value of their homes, resulting from both lower-value properties and a high use of interest-only mortgages. This raises questions about the viability of equity release for some older households later in life, should they wish to access equity on their main home while continuing to live there. In addition, older households that have interest-only mortgages without any linked investment could find themselves with a shortfall when their mortgage matures, if they have not made alternative plans

Heavily mortgaged older households are also potentially a worry, particularly if they have mortgages on other properties as well as their main home. These households may hope to repay the large outstanding mortgages on their main home using the equity in their other properties. Their lack of other assets indicates a heavy reliance on the performance of the housing market for their future financial security, however.

NEWS HEADLINES

‘Fear for elderly with mortgage debt’

Express Online

‘Interest-only mortgages put oldest at risk’

Mortgage Introducer

‘Thousands of pensioners at risk of losing their homes after being caught in interest-only mortgage trap’

This is Money online

# 5. Non-mortgage borrowing among older households

What did we do?

We used the Wealth and Assets Survey to look at the factors that relate to borrowing in older age. We focused on non-mortgage borrowing, which includes money owed on credit and store cards, overdrafts, hire purchase and mail order accounts and other types of personal and cash loans.

As described in Section 4, the Wealth and Assets Survey is a national longitudinal survey of individuals and households in Great Britain. We analysed data for the same survey respondents collected at two different points in time: Wave 1 (2006-2008) and Wave 2 (2008-2010). This is called longitudinal analysis and it allows us to look at changes to people's borrowing over time. We defined 'older people' as any individual aged 50 or over at Wave 2 of the survey, in 2008-2010. This gave us a total of 18,291 people for our analysis.

What did we find?

One in four people aged 50+ have non-mortgage borrowing, each owing an average of £4,500. Non-mortgage borrowing declines sharply with increasing age, even when we take into account other factors such as income. All other things being equal, the odds that someone in their early 50s has non-mortgage borrowing are nearly double that of someone in their late 70s, and five times that of a person in their early 80s. Longitudinal analysis shows that this decline in borrowing as people get older is principally the effect of ageing, rather than the cohort (or generation) someone was born into: age-for-age, people in Wave 2 of the survey looked like their counterparts in Wave 1 in terms of their non-mortgage borrowing.

Figure 2: Percentage of older people at Wave 2 with any non-mortgage borrowing at Wave 1 and Wave 2, and the comparable age groups at Wave 1
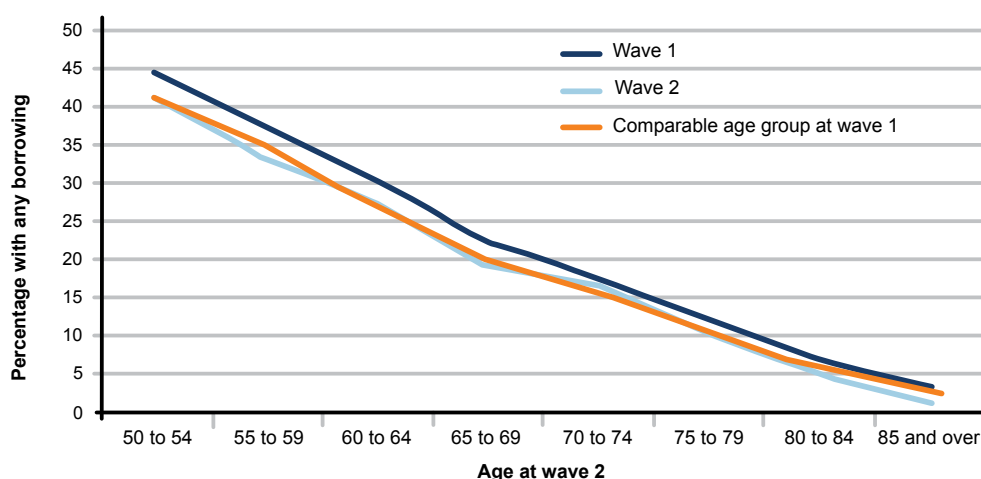
Source: Wealth and Assets Survey 2006-10 (new analysis). The base is the Wave 1-2 linked records for people aged 50 and over at Wave 2 (*n*=18,291).

We also used longitudinal analysis to look at the number of older people who moved into and out of non-mortgage borrowing between Wave 1 and Wave 2 of the survey. In fact, fewer than one in five older people (19%) moved into or out of non-mortgage borrowing across the two survey waves. This suggests that credit use (and non-credit use) persists over time. Moreover, existing credit users – including those in their late 60s and early 70s – were more likely to become bigger borrowers (owing more after two years) than non-credit users were to become borrowers. This could partly reflect escalating balances due to the effects of compound interest and fees, particularly if people fall behind with payments.

Our analysis highlights some of the main drivers for consumer credit in later life. First, non-mortgage borrowing among people aged 50+ is closely linked to having **high fixed costs**, e.g. having rent or mortgage payments or having dependent children in the household. Second, **low household income** and experiencing a **drop in income** are also associated with borrowing in later life. Similarly, over-50s who say they **struggle to make their income last** until the end of the week or month are more likely to have non-mortgage borrowing, and to owe more, than their counterparts who regularly have money left over.

Why is it important?

Our analysis illustrates the double-edged pressures of high fixed costs and low income faced by older people in 'squeezed middle age' that are a clear driver of consumer credit use. Older people in work, who may still have children to provide for, are particularly susceptible to these financial stresses, especially at a time when inflation continues to outstrip pay rises and traditional (defined benefit) pensions continue to decline. Faced with 'having too much month at the end of the money', some older people seem to have few choices but to make up the shortfall by using consumer credit.

The persistence of credit use in later life raises questions about the strategies that lenders may need to have in place when interest rates inevitably rise and the crucial role of continued funding for money and debt advice services that are appropriate to the particular circumstances of older borrowers.

The relatively high level of non-mortgage borrowing that we see among people in their 50s has serious implications for their ability to boost their retirement saving in the crucial years before retirement. This legacy of debt will also present a difficult dilemma for the increasing numbers of older people looking to support their children and grandchildren financially, e.g. to help pay for higher education or to get a foot on the housing ladder.

'Pressure grows and older workers feel the squeeze'

The Express

'Over-50s are the new 'squeezed middle'

The Times Money e-Newsletter

6. The composition of wealth in older age

What did we do?

This work involves preliminary analysis of Wave 2 of the Wealth and Assets Survey (which covers the period 2008-2010) to examine the main components of wealth among older people, and explore how these vary into and beyond retirement. Future work will look in more detail at older households' wealth profiles.

The Wealth and Assets Survey (described in previous sections) provides survey-based estimates of the economic wellbeing of households. It measures wealth across four components: physical wealth (e.g. collectables and valuables); property wealth; financial wealth (financial assets held in current and savings accounts and investments, net of any borrowing); and pension wealth (private and personal pension plans but not State pension).

What did we find?

Our analysis shows that in households headed by someone aged 50 and over, total household wealth peaks between the ages of 60-64, with an average (mean) household wealth of £723,000. This decreases steadily with age, to the extent that households headed by someone in their 80s have an average wealth of just under £300,000.

Figure 3: Total household wealth by age
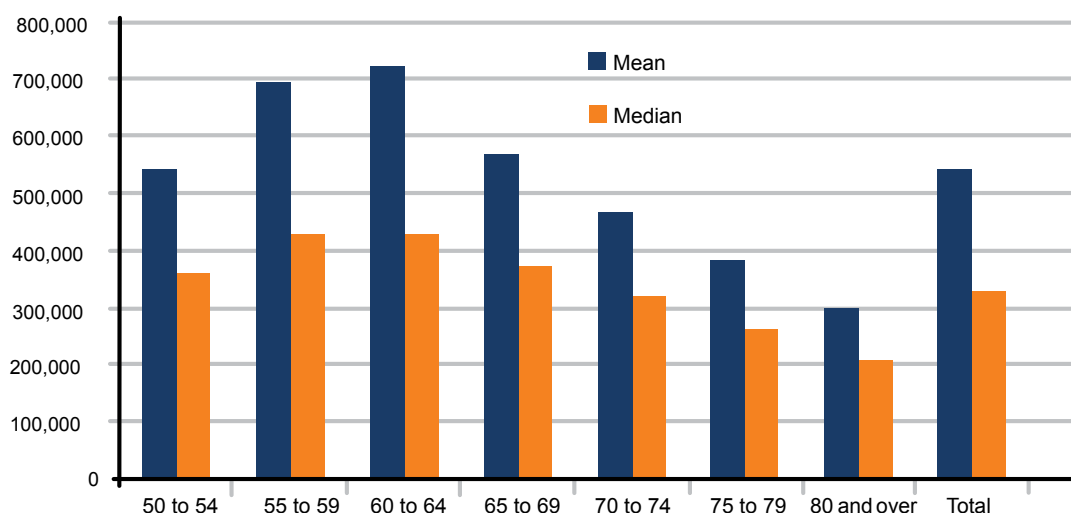
Source: Wealth and Assets Survey 2008-10

The average household wealth among all over-50s is just over half-a-million pounds (£541,000). However, the median amount (or 'middle' value) is considerably lower, at £330,000.

Figure 4 shows how the four components of household wealth vary proportionately in older age:

Figure 4: Components of wealth by age (% of each component)

Source: Wealth and Assets Survey 2008-10. The mean wealth of each component is expressed as a percentage of total household wealth.
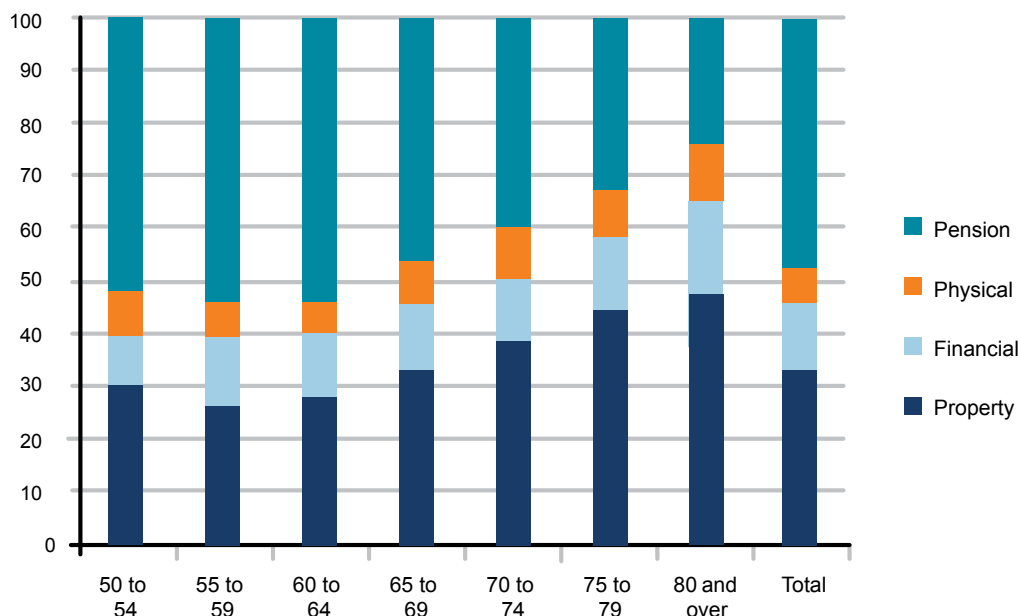
People generally accumulate pension savings over their working lives, so they can draw down the money in retirement (called decumulation). It is not surprising therefore that the proportion of pension wealth decreases with age. While it accounts for more than half of total wealth in households headed by someone aged 50-54, it falls to less than a quarter in households represented by someone aged 80 and above. In contrast, financial wealth increases with age, from nine per cent of wealth among households headed by someone in their 50s, to 17% of total wealth among the 80+ group.

Property wealth as a proportion of total wealth rises from around 30% among those households headed by someone below state pension age, to almost half (48%) of those aged 80 and above. While all four components of wealth decrease with age, property and financial wealth fall the least. The proportion of physical wealth (such as collectables and valuables) remains relatively constant throughout old age.

As we would expect, both property and financial liabilities (e.g. mortgages and unsecured consumer borrowing) decrease with age. The average (mean) property liability in households headed by someone aged 50-54 is £44,000, while among those aged 80 and above – presumably post-mortgage in most cases – this drops to just £2,000.

Why is this important?

Our analysis shows clear relationships between increasing age and both the amount and components of a household's wealth-holding. It also highlights the value of looking at both the mean and median average measures of wealth. Property wealth becomes an increasingly significant component of total wealth with increasing age, while the proportion of total wealth accounted for by pension wealth more than halves between the ages of 50 and 80. This highlights the importance that different wealth components play in ensuring financial wellbeing well into retirement, and the potential risks of people over-relying on one form of wealth as they get older.

7. What is the relationship between mental wellbeing and financial management among the over-50s?

What did we do?

Using Wave 3 of Understanding Society (which relates to 2010-2011), we explored whether there was a relationship between mental wellbeing and how well people said they were managing financially, among people aged 50 and over.

Understanding Society is the largest social survey ever undertaken in the UK. A longitudinal survey, it began in 2009 and each year collects information from a panel of residents in 40,000 households on their health and social and economic situations. Our analysis is based on the data collected from almost 20,000 people aged 50 and over in 2010-2011.

What did we find?

Understanding Society measures mental wellbeing using a standard set of 12 questions (called the General Health Questionnaire 12, or GHQ12). Our analysis shows that the majority (83%) of people aged 50+ enjoy good mental wellbeing. There is also a strong relationship between mental wellbeing and age. So the older people are, the higher the proportion that reports good mental health: from 78% of people in their early 50s, to 85% aged 80 or over.

We see the same pattern in relation to people's ability to manage financially in later life. The majority of over-50s (68%) say that they either are 'Living comfortably' or 'Doing alright'. Again, the proportion reporting a positive financial situation increases with age, from 58% among people in their early 50s to 78% aged 80 or over.

We used a statistical method called regression analysis to look at the main predictors of poor mental wellbeing in later life. Even when other factors are taken into account, there is a strong relationship between age and mental wellbeing: people aged between 65 and 74 have lower odds of poor mental wellbeing than those in their early 50s.

People's self-reported financial situation is also a particularly strong indicator of their mental wellbeing. We see that over-50s who are 'Finding it very difficult' to manage financially have almost eight times the odds of poor mental wellbeing compared with those over-50s who say they are 'Living comfortably'.

Table 3: Mental wellbeing (GHQ12) by financial management

		How managing financially now? (%)					
		Living comfortably	**Doing alright**	**Just about getting by**	**Finding it quite difficult**	**Finding it very difficult**	**All**
Mental	Positive	90	87	78	60	42	83
wellbeing	Negative	10	13	22	40	58	17
Unweighted Base		5,867	5,510	4,102	897	425	16,801

Source: Understanding Society, Wave 3. Base is all individuals with valid data aged 50 and above.

Other economic factors are also important in explaining mental wellbeing. Bearing in mind that our analysis takes into account people's age, people's work status was a good indicator of their mental wellbeing. People aged 50+ who are either unemployed or long-term sick or disabled are much more likely to have poor mental wellbeing than those in paid work. All other things being equal, the over-50s who are still repaying a mortgage on their home also have higher odds of poor mental wellbeing compared with those who own their home outright.

Looking at other factors that affect mental wellbeing, women aged 50+ are more likely than their male counterparts to have poor mental wellbeing, as are the divorced or separated. Interestingly, being widowed is not associated with poor mental wellbeing.

Why is this important?

In an age of economic austerity, it is encouraging that a majority of people aged 50+ feel that they are 'Living comfortably' or 'Doing alright'. An even higher proportion has positive mental wellbeing.

We must not forget, however, the significant minority of people aged 50 and over who are struggling to manage financially and who are also much more likely to experience poor mental wellbeing that will in turn impact negatively on their quality of life, and potentially the quality of life of their household. While we don't know for sure whether financial difficulties *cause* poor mental wellbeing, or conversely whether poor mental wellbeing *causes* financial difficulties (or both), the fact that they are linked suggests that *both* must be taken into account in policy and practice to ensure that people can have a happy and healthy later life.

NEWS HEADLINES

'New study reveals strong link between debt and mental health problems'

Mail Online

'Debt-ridden over-50s 'more likely to suffer mental-health problems'

The Independent

8. What is the relationship between financial satisfaction and happiness among older people?

What did we do?

Using the World Values Survey, we examined the association between self-reported financial satisfaction and happiness among people aged 50 and over, across different countries spanning the six continents.
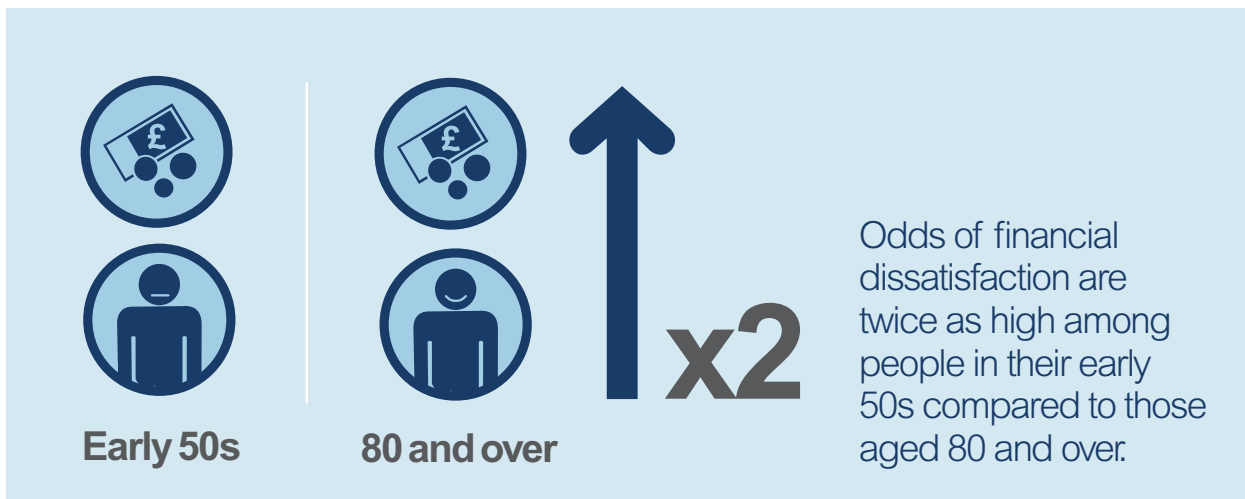
We used a statistical method called multilevel modelling to look not only at individual-level characteristics that help explain financial satisfaction and happiness, but also the extent to which the country in which someone lives can determine how financially satisfied and happy they are. The purpose of multilevel modelling is to analyse hierarchies. It allows us to model financial satisfaction and happiness, and the associated explanatory variables, at different levels of the dataset simultaneously (i.e. at individual and country level). Importantly, it also allows us to estimate the amount of variation in happiness and financial satisfaction that can be attributed to country of residence, after taking account of individual characteristics.

The World Values Survey is a global survey of people's social, political and economic attitudes. Begun in 1981, the survey now includes 87 countries on all six continents. There have been five waves of the survey; the latest wave of data was collected in the period 2005-2008. Our analysis is based on people aged 50 and over in the countries where data on financial satisfaction and happiness were available.

What did we find?

Looking at Wave 5 of the World Values Survey (2005-2008), our analysis shows strong links between people's financial situation and their happiness. Of the ten countries that report the highest levels of financial satisfaction among the over-50s (Switzerland; Norway; Sweden; Finland; Canada; Netherlands; Great Britain; Malaysia, New Zealand; Italy), eight also feature among the ten 'happiest' countries – the exceptions being Finland and Italy.

Conversely, of the ten countries with the lowest reported levels of financial satisfaction among the over-50s (Serbia; India; Burkina Faso; Iraq; Ukraine; Russia; Rwanda; Moldova; Bulgaria; Georgia), seven also feature among the ten 'unhappiest' countries (the three exceptions being India, Burkina Faso and Rwanda).

Early 50s   **80 and over**   **x2**   Odds of financial dissatisfaction are twice as high among people in their early 50s compared to those aged 80 and over.

Looking across all five waves of the World Values Survey, individual-level factors explain most of the difference (about 80%) that exists in levels of financial satisfaction and happiness. Age is a strong determinant of people's financial satisfaction even once other factors are taken into account. The odds of people being dissatisfied with their financial situation are twice as high among people in their early 50s compared with those aged 80 and over. Age is not a significant predictor of people's happiness, however.

Other individual-level factors that predict whether the over-50s feel dissatisfied with their financial situation and report being unhappy are: being divorced or separated; being unemployed; having low levels of education; self-categorising as lower class; and having no savings. In other words, people aged 50 or over in any of these circumstances are more likely to say they are dissatisfied with their financial situation and feel unhappy.

Above and beyond individual circumstances, the country someone lives in has a strong bearing on their financial satisfaction and happiness. Our analysis shows that the country of residence explains about 20% of the difference that we observe in levels of financial satisfaction and happiness. Of three country-level factors that we included in our analysis, **GDP per capita** (which is a common measure of standard of living) and **geographical location** were both important predictors of people's financial satisfaction and happiness. So people living in countries with low per capita GDP are much more likely to report low levels of financial satisfaction and happiness. The same is true of people living in European former communist countries and, to a lesser extent, African countries. The third country-level factor we included in our analysis, **income inequality**, does not predict financial satisfaction or happiness.

Why is it important?

Our analysis takes a global look at financial satisfaction and happiness among the over-50s. As the latest available wave of data was collected in 2005-2008, we will have to wait until new data is available to explore the impact of the global financial crisis.

Among people aged over 50, self-reported financial satisfaction and happiness are closely intertwined - not just in Britain but across the globe. Individual-level characteristics explain most of the difference in people's self-reported financial satisfaction and happiness. But our analysis also highlights the importance of country-level factors that individuals may have little direct control over – except perhaps through the ballot box.

Table 4: The Top and Bottom 10 countries for self-reported financial satisfaction and happiness among the over-50s:

Top 10 Countries: Financial Satifaction		
Rank	Country	Percentage satisfied (%)
1	Switzerland	87
2	Norway	85
3	Sweden	84
4	Finland	83
5	Canada	83
6	Netherlands	82
7	Great Britain	80
8	Malaysia	78
9	New Zealand	76
10	Italy	76

Top 10 Countries: Happiness		
Rank	Country	Percentage satisfied (%)
1	New Zealand	97
2	Sweden	97
3	Malaysia	96
4	Norway	96
5	Canada	95
6	Indonesia	94
7	United States	94
8	Switzerland	93
9	Netherlands	93
10	Great Britain	93

Bottom 10 Countries: Financial Satifaction		
Rank	Country	Percentage satisfied (%)
45	Serbia	29
46	India	28
47	Burkina Faso	27
48	Iraq	27
49	Ukraine	26
50	Russia	26
51	Rwanda	24
52	Moldova	23
53	Bulgaria	16
54	Georgia	12

Bottom 10 Countries: Happiness		
Rank	Country	Percentage satisfied (%)
45	Ukraine	65
46	Zambia	61
47	Peru	61
48	Georgia	56
49	Russia	53
50	Serbia	50
51	Iraq	47
52	Bulgaria	46
53	Romania	44
54	Moldova	33

Source: World Values Survey 2005-2008. Base is all individuals aged 50 and above. Percentages are rounded to the nearest integer. Note that Cyprus and South Africa are omitted from this table due to small bases (>100).

9. Factors that shape quality of life in later life

What did we do?

We re-analysed in-depth interviews from two studies carried out in the early and mid-2000s with older people, by research teams at University College London and Keele University. We used this qualitative data to take a broad look at the factors that help shape people's quality of life as they get older.

In addition, we analysed Wave 3 of Understanding Society (which relates to 2010-11), to explore levels of social participation, wellbeing and health among people aged 85 and over (sometimes called the 'fourth generation' or 'the oldest old'). Understanding Society is one of the few datasets that provides a representative sample of the UK population aged 85 and over. Our analysis is based on data collected from 581 respondents aged 85 and above.

What did we find?

Our re-analysis of depth interviews highlights some of the main factors that shape quality of life among the over-50s. **Health** was most often mentioned as an important determinant of quality of life. This was sometimes linked to mobility and retaining independence, e.g. being able to afford to keep running a car. Understanding Society also shows that health is a major factor in the quality of life for the over-85s. More than three-quarters (78%) of people in this fourth generation felt their health limited even moderate activities, such as moving a table or pushing a vacuum cleaner.

In the qualitative data, having enough **money** was the second factor most often mentioned by the over-50s. People felt it was important to have enough money to enjoy life. Beyond this, they did not necessarily feel that more money would make life better.

> *I think it's a bit of a trap to feel you've got to keep having whatever is the latest model… And I think these people who are addicted to spending money, they are actually very unhappy people.* **(Woman, 50s)**

It was not uncommon for older people in the depth interviews to provide financial support to their children or grandchildren or else to incur costs as a result of caring for grandchildren or adult relatives.

Family, friends and social interaction was the third factor related to quality of life in the in-depth interviews. For couples, this included having a good relationship with your spouse or partner. More generally, it meant regular contact with people who cared about you, like family and friends or through the church. As people got older and less mobile, this could be more difficult.

> *I'm dependent on people coming here now… And one-way traffic doesn't very often pay great dividends does it… I think if I visited people more often, they'd visit me more often.* **(Man, 80s)**

In Understanding Society, the majority (81%) of over-85s felt they could rely on their family 'a lot'. At the same time, 13% reported not having any friends.

The **home environment** was another factor in older people's quality of life, mainly related to having good neighbours; living in a well-kept, safe neighbourhood; and having a comfortable home. There was a good deal of discussion in the depth interviews about the financial aspects of this, ranging from upgrading homes pre-retirement and their upkeep post-retirement for homeowners, to day-to-day costs such as paying for cleaners or gardeners.

Finally, quality of life was associated with having **hobbies and interests** in later life. This was about socialising and feeling part of a community as well as keeping mentally and physically active and filling the day.

> *The great thing is to keep an interest and not to vegetate. Er, it's not easy to keep an interest as you get older… You run out of energy.* **(Man, 80s)**

Understanding Society shows that in the past 12 months, 24% of over-85s had visited a library, 16% went to the theatre, 13% visited a museum or gallery and 10% had been to the cinema.

Why is it important?

Thanks to Understanding Society, we can now better understand a growing section of the population – the over-85s – to help ensure this fourth generation has a good quality of life. As people get older, quality of life is shaped by many factors that have a financial element to them. Older people's ability to remain active, fit and healthy relies on having enough money to support a reasonable standard of living but also to get out and about. This is all the more important as people's mobility declines and for those who spend long periods at home caring for a spouse or partner.

10. Financial dimensions of quality of life in later life

What did we do?

We analysed data from the English Longitudinal Study of Ageing, a nationally-representative panel survey of people aged 50+ living in private households in England. The longitudinal design of ELSA means information is collected from the same group of individuals every two years.

The analysis examined Wave 5 of ELSA (collected in 2010/11, with a sample of over 7,000 participants aged 50+) using a statistical method called regression analysis (see Section 4). We also analysed all five waves of ELSA (comprising almost 15,000 participants) employing a fixed-effects model; the nature of a fixed-effects model is that time-invariant measures such as gender cannot be included. Wave 1 was collected in 2002/03, so the data provide insight to a decade's worth of respondents' experiences.

We assessed the role of various financial factors on wellbeing in later life. Wellbeing was measured using an established measure – the CASP-19 questionnaire – which asks respondents 19 questions to develop a sense of their subjective perception of personal control, autonomy, self-realisation, and pleasure. These responses generate an overall score ranging from 0 (low wellbeing) to 57 (high wellbeing). It has shown to be a robust way to capture an individual's sense of quality of life at older ages.

ELSA also includes a rich source of financial information. In the analysis, we included equivalised income, net housing wealth, net financial wealth, private pensions, and state pensions, measured in quintiles by wave. In addition, the analysis included a measure of the perceived chance that one would experience financial difficulty in the future.

What did we find?

Our regression analysis of ELSA Wave 5 showed that **gender** was associated with quality of life. The results suggest that women on average record 1.2 points higher wellbeing on the CASP scale. Another time-invariant variable, **education**, also demonstrated some significance. Respondents with qualifications lower than a degree reported 0.46 points more than those with degree-level education, suggesting that those with below degree-level qualifications have higher wellbeing.

The fixed-effects model for all five waves of ELSA was analysed for all respondents, and then two models were created separating the sample by gender. **Age**, **depression**, **illness that limits activity**, **limitation in activities of daily living** (ADLs), and **subjective socio-economic status** were all statistically significant and affected both genders in similar ways and magnitudes. Higher subjective socio-economic status was associated with greater quality of life, while the other variables demonstrated negative associations with quality of life. **Living alone** was significant for women, but in a positive direction. One possible explanation could relate to women's higher longevity and the impact of that on

care provision to a partner; a woman's perceived quality of life may actually improve when this care role is taken away.

Among the financial variables, the perceived **expectation of future financial difficulty** was associated with a decline in reported quality of life for both genders. Higher levels of **financial wealth** also demonstrated a significant positive association with quality of life, though the magnitude was lower for women. The levels of **state pension**[5] showed a strong positive association for men, while among women, the third and fourth quintiles (compared to the lowest quintile) was associated with quality of life, but less so than for men.

Why is it important?

Theoretical arguments exist for why financial circumstances would have an important impact on quality of life. Our findings suggest that many of the socio-demographic factors previously identified in the research literature that affect quality of life (e.g. depression, ADLs) play a much more influential role than many measures of financial wellbeing. Nonetheless, the negative association between perceived future financial difficulty and quality of life suggests that improving individuals' sense of financial security can play a significant role in enhancing quality of life at older ages.

[5] The pension variables were calculated based on retirement in the year of survey unless the respondent was employed or self-employed; otherwise, the value was based on continued accrual of pensions up to State Pension Age, taking into account Basic State Pension, SERPS and Second State Pension.

11. Using secondary data analysis to find out more about older people: Challenges and issues

The primary aim of the ESRC's Secondary Data Analysis Initiative is to deliver research that has a significant impact on policy and practice through the deeper exploitation of the major data resources created by the ESRC (such as Understanding Society) and other organisations. Conducting this research highlighted a number of issues about using secondary data analysis to find out more about the older population.

First, the survey data we have analysed is based on individuals living in private households. It does not include people who live in institutions such as care homes or residential homes, who are particularly likely to be older people.

Second, for ethical and practical reasons surveys are not able to collect information from people with cognitive impairment, such as dementia or as the result of a stroke or other serious illness.

Third, it is important to consider whether survey data analysis is carried out at an *individual* level or a *household* level. When it comes to money matters in particular, the household picture is often important in understanding the wellbeing of individuals. At the extreme, an individual who has no income of their own and no assets may have a wealthy partner who provides for them. With this in mind, our analysis of mortgage borrowing using the Wealth and Assets Survey looked at the *household* level, where our unit of analysis was heads of household aged 50 or over (or their partner). It should be noted that these households may contain other members who are younger than the head of household (or their partner); and these other household members may be the sole or joint mortgagors.

Finally, our secondary analysis of qualitative data highlighted the relatively limited amount of qualitative data that is archived so that it can be accessed and used by other academics and researchers. Archiving large-scale survey datasets for secondary data analysis is relatively common, particularly in the case of publically funded research. The same is not presently true for qualitative data: the UK Data Service returns around 400 results for qualitative and mixed methods data, compared with 4,100 results for UK survey data. This may be due to factors such as lack of awareness among academics and researchers that they can archive qualitative data; conditions of funding; or concerns about data protection and respondent anonymity.

12. Sharing knowledge

The collaboration between the University of Bristol's Personal Finance Research Centre and the International Longevity Centre UK (ILC-UK) has successfully demonstrated how academic and non-academic institutions can work together to influence policy and practice through social research. We are committed to sharing the knowledge obtained from this new research, not just with other university academics but also with organisations that shape the policies that affect older people (like government departments and charities); the agencies that deliver services to older people; and the general public.

Sharing knowledge with the academic community

In 2013, we shared our research with other academics and researchers at four conferences: Royal Geographical Society Annual Conference (London); British Society for Population Studies Annual Conference (Swansea); British Society of Gerontology Conference (Oxford); Gerontological Society of America Annual Scientific Meeting (New Orleans). We also had an academic paper accepted in the *Journal of Population Ageing*.[6]

In 2014, we have further plans to share our research learning with others. In June, we take part in the ESRC Research Methods Festival at the University of Oxford, to talk about the secondary analysis of qualitative data. We will also present our research to the International Federation on Ageing's 12th Global Conference on Ageing Health, Security and Community, in India. We also plan to produce at least two further academic journal papers based on our analysis.

Sharing knowledge with policymakers, service providers and industry

In 2013, we shared our research with policymakers, service providers and industry at the Living Costs and Food Survey User Group (London), which brings together academics, researchers and policymakers to discuss the survey and its uses.

ILC-UK hosted an Expert Round Table discussion on 'Understanding the Older Consumer', hosted by Brown-Forman (a wines and spirits producer) at its London office. This event brought together representatives from the financial regulator; academics; journalists with interests in personal finance and demographic change; and marketing professionals with a specific focus on older people.

ILC-UK also organised and hosted a Private Breakfast Debate on older people and financial difficulty, in partnership with StepChange Debt Charity, during the Conservative Party Conference in Manchester. The event was attended by academics; journalists with interests in personal finance and demographic change; charities and service providers including Relate, AgeUK, Macmillan Cancer Support, Carers UK; and industry representatives including Aviva, Just Retirement, Key Retirement Solutions and Prudential.

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[6] Hayes, D. and Finney, A. 'Dominant patterns of expenditure among older people in the United Kingdom: Segmenting the older consumer using the Living Costs and Food Survey'.

Sharing knowledge with the general public

We have shared our research with the general public through press releases, research briefings, blogs and podcasts that explain the findings in clear and non-technical language. The research has been reported in the national and local press; professional journals; and on the radio. The research outputs are available on PFRC and ILC-UK websites:

http://www.bristol.ac.uk/geography/research/pfrc/esrc/

http://www.ilcuk.org.uk/

13. Looking ahead

The knowledge we have generated through this research is only possible because of the rich survey data sets that are available to academics and researchers. Building on from the work we've conducted so far, we have ideas for further analysis of the survey data we've been using.

Our analysis of the **Living Costs and Food Survey** showed that almost half of people aged over 50 were *Conservative Consumers*. Further analysis would help us understand whether this group's spending patterns are due to personal preference or constrained income.
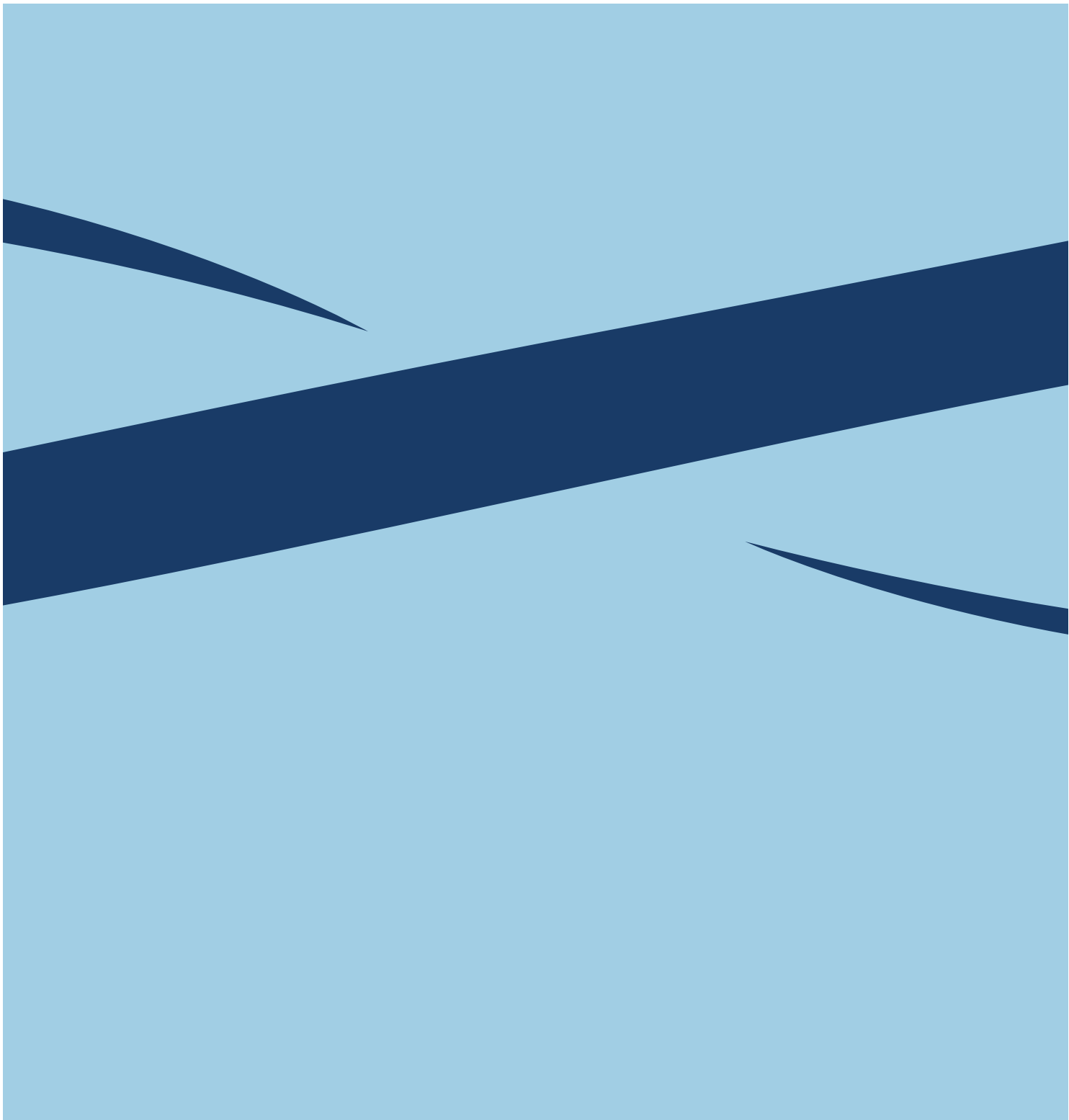
There is potential to use multilevel modelling to analyse the **Wealth and Assets Survey** to explore the extent to which patterns of borrowing and wealth are explained at the *individual* level and at the *household* level. When further waves of the Wealth and Assets Survey become available, there is also scope to conduct longitudinal analysis (that tracks the same survey respondents over time) to explore changes in borrowing behaviour in the period beyond the first impacts of the global financial crisis and into the new age of austerity that Britain faces.

Similarly, our analysis of **Understanding Society** looked at mental wellbeing and financial management in the most recent wave of survey data (2010-2011). We would like to use all three waves of data to explore longitudinal changes in mental wellbeing and financial management over the period of the global financial crisis.

Longitudinal data analysis using surveys such as **Understanding Society** and the **Wealth and Assets Survey** would also allow us to develop a deeper understanding about whether the effects of age derive from ageing or generational effects. In other words, are the trends and patterns we see likely to continue because they are largely explained by age? Or will we see changes in these trends and patterns over time because of strong generational or cohort effects?

In addition, we have already developed two research studies, for which we are seeking funding. The first of these extends our analysis of the Living and Costs and Food Survey to create an up-to-date, detailed picture of spending on alcohol among UK households, to help inform policy and practice.

The second is a collaborative project with Oxford University's Institute for Population Ageing to produce a multi-dimensional picture of financial vulnerability among the over-85s, by analysing their levels of financial capability and financial behaviours. This involves the analysis of six datasets (English Longitudinal Study of Ageing; Survey of Health, Ageing and Retirement in Europe; US Health and Retirement Study; Understanding Society; Wealth and Assets Survey; Baseline Survey of Financial Capability), as well as comparative policy analysis focused on the UK, US and Europe.

Financial wellbeing in later life Evidence and policy