



Four in five
consumers have
no confidence in
their finances

How people are managing their money, and how brokers can help in times of uncertainty.



Matt Burton

Group Retail Director

"If the past two years have taught us anything, it's that life is unpredictable. A global pandemic was not quite the start to the decade we were anticipating but that's what we collectively had to face and our way of life had to change to deal with it. The restrictions may have eased, but it looks like we're going to be feeling the effects for a long time yet.

Brexit, along with other global challenges see us facing greater financial uncertainty and has pushed us into a cost of living crisis.

At Hodge it's vital for us as a bank to truly understand what circumstances our customers are dealing with if we hope to be there in the moments that matter. The research carried out for this whitepaper shows people are finding it increasingly tough to save which could leave them without any form of safety net if they were to lose their jobs."

We're proud to say we're a bank that cares. Our loyal customers are at the heart of everything we do, which is why we take the time to hear their views and opinions, get to know their unique financial situations, and deliver research and feedback which reflects that.

Why we did the research:

We constantly seek to better understand our typical customers' financial situation and the challenges they face, so that we can create products that help them shape a future built around financial security.

We recently interviewed more than 1,000 consumers about their savings and the rising cost of living, and what it means for their decision making when it comes to mortgages.



We interviewed a range of people aged 21-55 and 55+ across incomes spanning £15-18k to £100k and more – our findings show that, regardless of their financial situation, the majority of people are concerned about the cost of living in some way.

Many respondents will be using any savings they do have to help them live in the new economic environment, and many will not be able to save as much as they used to. It's clear that any dreams of rainy day funds, renovations or holiday savings will be put on pause for most as consumers are forced to readjust their outgoings and financial attitudes to accommodate the new cost of living. No surprises there.

Those who need it are considering asking their family members for support in the form of a cash gift, while those who can afford to are considering giving family members a financial gift to alleviate their financial burdens.

For many, the very concept of saving has changed as inflation has made financial goals such as buying a house or remortgaging a property that much harder to reach.

By using this research as evidence, we want to help customers and intermediary partners alike gain a better understanding of the current economy and facilitate better conversations between both. It's our hope that together we can help our customers navigate their economic challenges and start to take back control of their financial security.



What do consumers think about the rising cost of living?

Our research shows the rising cost of everyday items is having a ripple effect, causing them to tightly manage their spending – and cut some outgoings altogether.

Our data shows:



73% will forego meals out and other social activities to make sure they can afford to pay increased bills.



One in three (34%) are factoring in the rising cost of living when it comes to deciding where to live.



One in five (20%) will have to rely on cash gifts from family members to help them afford the cost of living.

Whichever way you look at it, it's evident the increase in the cost of living is forcing customers to change their financial habits so they can afford the increased prices for things like fuel, energy, food, and other everyday items.



With four in five respondents having no confidence in their finances, there's a clear educational need for customers. The responsibility lies with financial providers and intermediaries to help them regain some financial stability and see past their current economic challenges to secure a brighter financial future.



How is the cost of living affecting consumers' savings?

According to our research, the cost of everyday necessities is having a huge impact on many people's financial wellbeing and, in lots of cases, is putting a stop to savings.

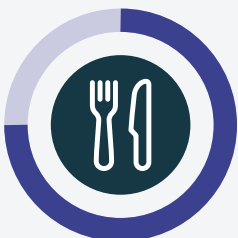
87%

While savings have until now been a priority, as evidenced by **an overwhelming 87%** of respondents owning a savings account, the changing financial landscape may cause consumers to reconsider their financial priorities.

54%

This has had a knock-on impact on customers' wellbeing, as a **huge 54%** say increased financial pressure has had a negative impact on their overall mental health.

These findings show financial security weighs heavy on peoples' minds as they reevaluate their finances to help them afford the cost of living. As part of this reevaluation, customers are having to sacrifice their leisure time in order to cut costs.



76%
will **stop**
dining out.



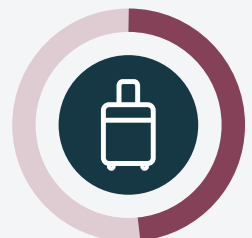
37%
will **cut**
TV subscriptions.



27%
will **give up** their
gym memberships.



59%
will **reduce**
their socialising.

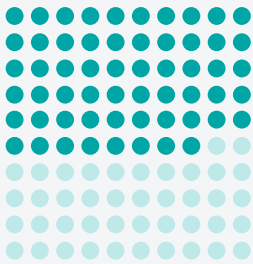


47%
will **not be taking**
planned short breaks.



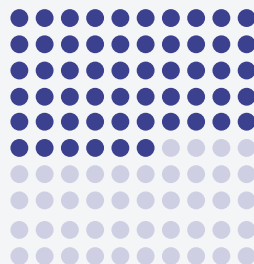
Instead, respondents are using their finances to prepare for future hardships as, for those who can, their primary focus becomes their 'saving for an emergency fund'.

When asked what they were currently saving for:



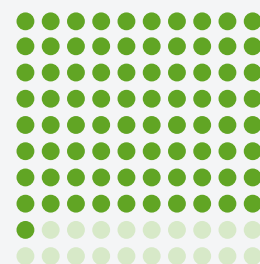
58%

A majority 58% revealed they are saving to create an emergency fund, should the new cost of living force them to fall back on it.




56%

More than half (56%) will use their current savings to help them survive the current economic environment.



81%

The majority (81%) will not be able to save this year due to the demands of the current cost of living.



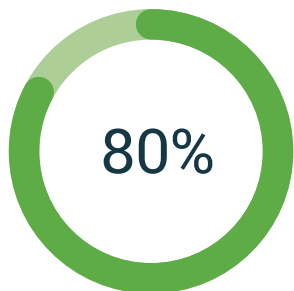
Does the cost of living affect Gen Z, Millennials and beyond **differently?**



Of course, some are more financially stable than others and rely less on savings as a result.

For younger first-time buyers, the biggest concern is house pricing, while those aged 30-60 are more fearful of increased pricing for everyday items. While it may not be their chief concern, the rising cost of living will undoubtedly impact how much first-time buyers are able to save.

Likely already on the property ladder, 30-60-year-olds will be putting less money into savings to help them manage the new cost of living. Unsurprisingly, these people are also slightly more confident about their finances than younger audiences.



Nearly 80% of all respondents say they are not confident about their finances, though those over the age of 60 are more confident than the younger audiences.

How is the cost of living is affecting mortgages?



Emma Graham
Business development
director

"These are undoubtedly tough times for those of us with a mortgage, so I'm not surprised to see a fifth of people saying they're considering re-mortgaging to consolidate debt. What's interesting is the fact people still have plans to release equity in order to carry out home improvements, or even buy a new property. To me, that suggests people are seeing this as a storm to weather and are already preparing for brighter skies ahead."

When it comes to mortgages, the cost of living is causing some homeowners to reconsider how best to utilise their situation in line with rising prices, though many remain unphased.

This likely has much to do with their available assets compared to non-homeowners, as mortgage owners are seemingly far more confident and independent when it comes to their finances. They are considerably less likely to rely on financial gifts from family members, though they're equally less likely to hand them out.

Comparatively, this demographic able to fall back on additional funds in the form of re-mortgages to help them meet these new economic challenges.



20% are considering re-mortgaging to consolidate debt.



29% believe the increase in utility bills will impact their decision making around re-mortgaging.



21% are looking to release equity next time they re-mortgage, and likely be using it for property improvements or buying a new property.

Beyond the above findings, our research suggests the current economic landscape has done little to alter the attitudes of this group.

When questioned further about the potential use of released equity or additional funds, the majority of respondents would likely use it either towards a new property or to improve an existing one. Extensions, family holidays and special occasions also featured into their plans, with seemingly little thought to falling on this money to manage the rising cost of living.

Conclusion



Katie Johnson

Managing Director of Savings

"We're in the midst of a cost of living crisis. This is an inescapable truth which we're all having to adapt to. Everything from the cost of petrol to the price of a loaf of bread has risen, which means all of us are having to take a more cautious approach to our spending.

Of course, this change to the financial landscape will impact everyone differently. For some, it's the difference between one holiday or two, while for others it's the stark reality of choosing to eat or heat their home.

"As a bank, knowing the financial climate is tough isn't enough, we must also understand the impact it's having on our customers. The Hodge Cost of Living whitepaper has given us insight into how people are managing their money and what they plan to do with it. We hope this insight can help us to develop our products in line with customer need, and not only that, but to support the broker community too."



Savings@hodge.co.uk

0800 028 3746

hodgebank.co.uk



@HodgeBank



Hodge for Intermediaries