Family Finances Report

Summer 2016

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Welcome to Aviva's **Family Finances Report** Summer 2016

Introduction and overview

On the whole, families have had much to feel optimistic about in the last six months, but younger generations are facing a more challenging financial outlook as they plan for the future.

Aviva last published the Family Finances Report in Winter 2015 and since then there have been a number of improvements for the family purse. Both monthly income and savings levels are now at their highest levels since Aviva began tracking families and are an indication that the continued growth of the economy has trickled downwards. However, the short and long term impact of the vote to leave the European Union on the economy and on the finances of UK families is still to be known.

We separately polled families after the vote to leave the European Union, to gauge levels of uncertainty and concern over future household finances. Unsurprisingly, there is a significant increase in the numbers of people who now have concerns about their future finances following this historic decision, with younger age groups feeling particularly worried.

Prior to the vote, recent improvements had helped families to feel less concerned about certain aspects of their finances, with this holding true even despite widespread speculation about the impact of a leave vote in the run up to the referendum.

Household debt also remained stubbornly high, although after a significant increase last winter, there are signs that levels are beginning to stabilise.

As ever, a more varied picture is depicted when the state of finances are broken down across different family types, age ranges and regions. For this reason, the latest edition of the Family Finances Report also sheds a detailed light on the financial attitudes of the millennial generation.

Millennials, referred to as those aged 18-35, have grown up in a different world to that of generations before them. With recent increases in tuition fees and rising property prices, millennials face a unique set of financial challenges that their parents and grandparents did not have to deal with. They have grown up through the 2008 recession, having to navigate a difficult jobs market as a consequence, and they are the generation whose lives over time will be most impacted by any changes to Britain's economy and society following Brexit.

The generation is already facing the challenge of balancing the immediate future with the longer term. While many expect to increase their earnings through career development in the future, many are also struggling to save for the future with little left over each month. They understand the importance of planning for retirement but a considerable number also have no plans in place to start a pension anytime soon.

Although it is possible that the financial health of millennials will improve as they get older, there is a notably higher sense of concern among this age group compared to the UK population as a whole. Post-referendum, millennials have experienced by far the biggest increase in concerns about their financial future. The importance of financial planning is applicable across all generations and the earlier families can start, the easier it is to achieve goals in life.

Louise Colley
Customer Proposition Director,
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Spotlight: Millennials and their financial futures

The millennial generation – defined for the purposes of this report as adults aged 18 to 35, born between the early 1980s and the turn of the century – have come of age in a period of economic crisis.

Following the 2007/8 financial crisis and recession, unemployment among the young soared and job prospects became increasingly uncertain. Although the economy has been in recovery, this has been a slow process and many millennials' financial status and aspirations continue to bear the scars of these difficulties.

Millennials have also been dubbed the 'Peter Pan' generation because they are delaying the typical steps of adulthood (such as moving out from home, getting married and starting a family) until much later than before. Although by choice for some, many will be constricted in their freedom by financial reasons. The rapid rise in house prices during the past ten years in particular has delayed many millennials' progress.

Now that the UK has voted to leave the European Union, millennials face further insecurity: ratings agency Moody's has since claimed the result will usher in "a prolonged period of uncertainty" and has cut the UK's credit rating to 'negative'[1]. With the majority of this age group voting to remain[2], the question over whether Brexit will have a negative impact on their finances will be of great concern.

This edition of the Family Finances Report was carried out just before the EU referendum, and serves as a temperature check on millennials' finances and aspirations or fears as they, along with the rest of the UK, now enter a period of change. A follow-up survey carried out by Aviva after the vote to leave the EU reveals fears among this age group over their future finances have significantly grown as a result.

1 http://www.bbc.co.uk/news/uk-politics-eu-referendum-36626201
2 http://www.bbc.co.uk/news/uk-politics-36616028

Part one: Millennial financial MOT

Our assessment begins with the current state of millennials' finances, including levels of disposable income, debt and how help from others – whether through financial assistance or advice – impacts their spending habits.

It also examines how higher education has affected their levels of debt, and whether millennials would change their decision to go to university in hindsight.

Key findings

- Millennials have just £156 in disposable monthly income and are typically more than £6,000 in debt
- They expect to wait 11 years before they can pay off their student loan
- Among those who went to university, nearly half (49%) believe they could have got where they are now if they hadn't made this choice, while 37% regret it because of their debt
- More than half (52%) of millennials do not receive any financial help from their or their partner's parents
- While 78% learnt to manage their money through their own experience, and 55% received guidance from their parents, over a quarter (28%) have never learnt to manage their money.

Managing money and debt

When it comes to managing money, millennials certainly have their work cut out for them. The average 18-35 year old has just £156 left in disposable income each month after paying for essential living costs. Although 25-35s have slightly more to play with (£201 vs. £125 for 18-24s), for many careful management of their funds will be the only way of ensuring they stay afloat.

The average 18-35 year old has just £156 left in disposable income each month

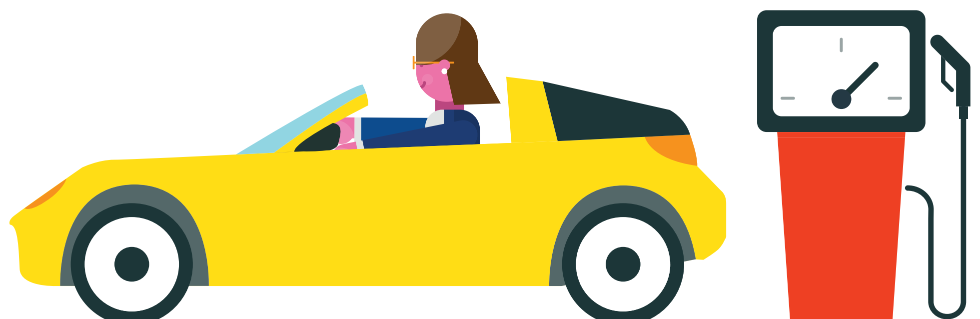
Despite this, less than a third (31%) have a monthly budget that they stick to rigidly. Men (29%) are slightly less likely to do so than women (33%) as are older millennials aged 25-35 (28% vs. 34% of 18-24s).

However, millennials do take some actions to reduce their monthly expenditure and manage their finances. The most popular is using vouchers and online discount codes, as well as cutting back as much as possible on unnecessary spending such as coffee and snacks (both 52%). An additional 42% shop at discount stores, while 37% cut down on utility bills, for example by switching off lights and the heating. With the market for second-hand goods growing, over a third (35%) sell things they have outgrown or no longer use.

With such limited funds at their disposal, prioritising spending is key for millennials to be able to maintain their lifestyle. Property and spending quality time with family are the most important things for millennials to be able to afford: over six in ten (61%) say being able to afford their own home is the most important, while the same proportion said the same for days out with family.

Also in the top five is being able to afford to run a car (57%), as well as pension contributions for the future (51%) and a holiday each year (49%).

Luxury branded items (22%) and entertainment subscriptions such as Netflix (31%) are seen as the least important things to continue to afford.



Millennials' financial priorities % who prioritise being able to afford this	
My own home	61
Days out with family	61
Car	57
Pension contribution	51
Holiday	49
Savings for a house deposit	48
Spending on eating out	43
Gym membership and health products	42
Gifts for children	36
Entertainment subscription, e.g. Netflix / Spotify	31
Luxury branded items	22

Personal borrowing

The total amount of debt owed by 18-35s on average is £6,233. One of the largest sources of debt owed by millennials is personal loans, with an average bill of £679. Millennials also owe £669 for hire purchase and £659 for credit cards on average.

There are significant gender differences when it comes to millennial debt, with women owing on average 39% more on credit cards, 36% more on personal loans, 32% more on hire purchase and 23% more on their overdraft. However, women owe 40% less to pawn brokers and 33% less to doorstop lenders.

The total amount of debt owed by 18-35s on average is £6,233

Top five forms of debt held by 18-35s (excluding student loans)
£

	All	Long-term savers	Short-term spenders	Male	Female
Personal loans	679	590	758	582	791
Hire purchase	669	697	601	579	764
Credit cards	659	506	763	546	760
Loans from family members or friends	512	436	571	495	530
Overdraft	467	346	587	420	515

Millennials' attitudes towards saving and planning their finances for the future have a notable impact on the amount of debt they owe. Those 18-35s who focus on short-term spending (henceforth described as short-term spenders) have higher levels of debt (£6,888) than those who prioritise long-term saving (long-term savers: £5,449). Looking at different types of debt, short-term spenders owe much more on their overdraft on average (£587 vs. £346 among long-term savings, a difference of 70%). Short-term spenders also have 51% more doorstep lender debt (£434 vs. £288) and credit card balances that are 51% higher (£763 vs. £506).

18-35s who focus on short-term spending have higher levels of debt (£6,888) than those who prioritise long-term saving (£5,449)

The most common uses for this borrowing is basic weekly food shopping, with 15% citing this. This is much more common among short-term spenders (22% vs. 11% long-term savers), suggesting their attitude towards spending means they often run out of funds for essential living costs. Other uses of borrowing include holidays (14%) and to pay off another debt (14%).

More than one in ten (13%) millennials borrow money to meet their rent payments, rising extensively to 18% of 18-24s. An additional 13% have borrowed to help fund a car purchase.

Top five purposes of borrowing among millennials %			
	All	**Long-term saver**	**Short-term spender**
Basic weekly food shopping	**15**	**11**	**22**
To pay off another debt	**14**	**10**	**23**
Holiday	**14**	**12**	**19**
Rent payment	**13**	**12**	**21**
Car purchase	**13**	**15**	**12**

Higher education – worth the investment?

Recent figures suggest that almost half (47%) of eligible 17-30 year-olds will go to university[3], meaning the cost of doing so will play a large role in many millennials' finances. As a result of the 2012 reforms, which allowed universities to charge up to £9,000 a year in tuition fees instead of £3,000, millennials who recently joined higher education could find themselves with an average of £44,000 of student debt upon graduating[4].

One in three (37%) millennials who went to university regret going because of their debt

Of those millennials who have been to university, over half (55%) say they know how much student debt they have left: this includes 34% who have a rough idea and 22% who are definite on the outstanding amount. While more than one in five (22%) have already paid off their student debt, the same proportion (22%) do not know how much they owe, including 8% who have no idea.

Millennial awareness of debt among those who went to university %			
Do you know how much student debt you have left?	**All**	**18-24**	**25-35**
Yes	**55**	**60**	**51**
No	**22**	**26**	**18**
Proportion who have paid off their student loan	**22**	**14**	**31**

When asked how long it will take them to pay off their student debt, the average response is 11 years: for 18-24s, this is slightly higher (12 years). Millennials who are currently 24 will therefore be 36 by the time they pay off their student loan. Some of this age group (who began university before the 2012/13 academic year) will have managed to avoid higher tuition fees. However, for those who must pay the higher rates, 11 years could be an optimistic view. A recent study by the Sutton Trust estimates three quarters of graduates paying £9,000 tuition fees will be paying off their student loans in their fifties[5].

Given the amount of debt they now have, more than one in three (37%) millennials regret going to university. This sentiment is more common among men (41%) than women (34%). Short-term spenders are also more likely to say this (49% vs. 33% of long-term savers). This could be because their university debt has been a factor in forcing them to prioritise short-term spending, or the outlook of long-term savers might be more suited to acknowledging the longer-term benefits of a university degree.

While higher education can be expensive, many would argue the cost is worth it if it betters your job prospects. However, nearly half (49%) of millennials who went to university believe they could have got to where they are now if they hadn't gone to university. Again, men are more likely to hold this view than women (52% vs. 46% of women).

3 Department for Business, Innovation & Skills, 'Participation rates in higher education', 2nd Sep, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/458034/HEIPR_PUBLICATION_2013-14.pdf

4 Institute for Fiscal Studies, 'Payback time? Student debt and loan repayments', April 2014, http://www.ifs.org.uk/comms/r93.pdf

5 Daily Mail, 'Three in four graduates will be paying off student loans until their 50s', 10th April 2014, http://www.dailymail.co.uk/news/article-2601146/Three-four-graduates-paying-student-loans-50s-Most-face-having-debt-written-30-year-limit.html

Family financial assistance

Putting student debt to one side, millennials may be turning to borrowing because they do not receive any financial help from their or their partner's parents. Over half (52%) say they do not use their parent's money, rising to 55% of women (compared to 48% of men).

Among those who do receive help from their parents, the most common form of support is money for the weekly food shop (24%). Given that this is also the most common reason for other forms of borrowing outside the family, it's worrying that millennials are clearly struggling to meet this essential cost.

Among those who do receive help from their parents, the most common form of support is money for the weekly food shop (24%)

Nearly a fifth (18%) of those who receive money from their parents have help with their rental payments. The same proportion (18%) also receive money for clothing. However, other forms of support are for less essential costs. Over one in five (21%) of those who receive financial assistance do so to help pay for holidays.

Financial education and money advice

More than three quarters (78%) of millennials say they learnt how to manage their money through their own experience, with only 23% receiving financial education at school or university which helped them to manage money in real life. However, over half (55%) received guidance from their parents, with this being particularly true of younger millennials (59% of 18-24s vs. 51% of 25-35s). People in the latter half of the 18-24 age group would have reached their teenage years during the recession, perhaps giving parents a stronger incentive to teach them about managing their finances.

However, worryingly, over a quarter (28%) of millennials say they have never learnt how to manage their finances properly, with this particularly true of men (30% vs. 26% of women).

Millennials are very unlikely to seek professional financial advice, with only 3% paying for a financial adviser. However, a fifth (22%) use financial websites for money advice – far higher than the 2% who use traditional media like TV, radio or newspapers.

The preference for digital advice extends to millennials' choices if they were going to take financial advice. Although over a quarter (29%) would opt for a face to face meeting with a professional, 20% would prefer email advice and 16% would prefer an online chat/forum.

"With relatively low disposable incomes and significant debt to tackle, millennials don't have it easy when managing their finances – particularly as parental support isn't part of the equation for over half of this age group. Although many have learnt how to manage their finances under their own steam, or through family guidance, it's concerning that over one in four millennials feel they never learnt how to manage their money properly. Balancing the demands of day to day life is challenging enough; taking time and seeking help to think through your finances and plan ahead is an important step towards easing the pressure."

Louise Colley
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Part two: Millennials' financial futures

The second part of our spotlight looks beyond millennials' current finances and into their future. How do they balance spending on the here and now with saving for their future? What are the life milestones they hope to achieve, and are they proactively working towards these – or depending on help from others to get them there?

In the longer-term, how are millennials preparing for retirement, and how important is this type of planning to them? Finally, we examine millennials' financial concerns and fears over the next five years, and how these have been affected by the result of the EU referendum.

Key findings

- Millennials are more likely to prioritise long-term saving (49%) over short-term spending (33%)
- The top life milestones they hope to achieve include buying a home, saving for retirement, getting married and changing career for a better lifestyle
- Almost two thirds (63%) are relying on at least one event to help them financially in the future
- Nearly a third (32%) are not actively managing their finances
- Over a quarter (28%) have already started a pension pot, but 24% have no plans to start a pension
- One of the greatest fears among millennials for the next five years is not being able to afford to buy a home – and 35% feel their generation has been priced out of the property market
- Before Brexit, a quarter (25%) of millennials felt concerned about their financial future: this has since risen to 48%

Spend or save?

Millennials have a clear eye on the future, with almost half (49%) of 18-35s saying they prioritise long-term saving over short-term spending. This compares to a third (33%) whose priorities are reversed. Perhaps unexpectedly, younger millennials (aged 18-24) are more likely to be long-term savers (52% vs. 47% of 25-35s), despite older age groups traditionally being closer to life events like buying a home, getting married and starting a family.

49% of 18-35s prioritise long-term saving over short-term spending

With over half (51%) of millennials experiencing pressure from society to save, many might feel that saving is the 'right' thing to do. A similar proportion (50%) have experienced pressure from their parents to save.

Among those who prioritise long-term saving, the most common reason is because they are willing to sacrifice spending now to achieve their long-term goals (37%). Similarly, a quarter (24%) say long-term goals like buying a home are more important to them than spending on daily life. Less than one in five (17%) are motivated to save in order to get rid of debt or have savings to fall back on.

While millennials may be more inclined to save on average, they also face pressure to spend from several sources. Over half (54%) say that society encourages them to spend, with women particularly feeling pressured to do so (58% vs. 50%). The fact that an equal proportion of millennials say they experience pressure from society to both save and spend suggests many are torn between enjoying themselves in the here and now and saving for future goals.

Other sources of pressure to spend include friends (51%) – who are likely to encourage spending on activities and going out – and parents, albeit to a lesser extent (32%).

Pressure to spend vs. save
%

Group	Pressure to spend	Pressure to save
Friends	51	32
Society	54	51
Parents	32	50
Siblings	31	27
Other family members	25	30

Among those who do find themselves prioritising short-term spending, the main reason is only having enough to survive on so not being able to plan beyond this (44%). This is particularly true of women (49% vs. 38%): on average, women have lower levels of disposable income (£142 vs. £175 for men) so may find it much harder to put money aside.

One in five short-term spenders feel big assets like buying a home are out of reach

One in five (19%) millennials who prioritise short-term spending feel that big assets like buying a property are so far out of reach, they don't see the point in even attempting to save for them. This is despite the fact that not saving at all will make such a purchase even more unrealistic.

Almost one in seven (14%) concentrate on spending for the here and now because they want to make the most of their youth and spend money on having fun, while 9% agree they live for today rather than worrying about the future.

Goals and success

Two of the top five life milestones that millennials expect to achieve are property focused. Six in ten (60%) expect to buy a house or flat, while 61% expect to move up the property ladder with a bigger property or a better location in their sights.

61% expect to move up the property ladder with a bigger property or a better location

Also within the top five are actively planning or saving more for retirement (57%), getting married (54%) and changing career for a better lifestyle (52%). The latter rises to two thirds (66%) of 18-24s, compared to 39% of 25-35s – which may be a symptom of the younger group struggling to get motivated by the early experience of working life. A quarter (24%) of the 25-35 age group have already changed career for a better lifestyle, compared to 9% of 18-24s.

Starting a family falls just outside the top five, with half (50%) expecting to achieve this. Over a quarter (26%) of millennials have no plans to start a family, with this percentage higher among 25-35s (29% vs. 23% of 18-24s).

Top five milestones millennials expect to achieve
%

	All	Male	Female	18-24	25-35
Buying a bigger house/flat or moving to a better location	61	57	64	73	49
Buying a house/flat	60	58	62	75	46
Actively planning/saving more for retirement	57	55	60	69	47
Getting married	54	54	54	72	38
Changing my career for a better lifestyle	52	50	54	66	39

Among the top five milestones, the goal that is seen as most likely to be achieved by the age of 25 is changing career, with 12% of millennials believing they will have done this by the age of 25. By the time they reach 30, a fifth (19%) expect to have married. However, a similar proportion (17%) do not think they will tie the knot until they are 35.

When it comes to buying their first home, millennials are most likely to say they will have achieved this by age 30 (18%). Yet 16% do not think they will get on the property ladder until after the age of 35. Similarly, while most hope to have upgraded to a bigger house or moved to a better location by the age of 35 (17%), 19% think they will achieve this after this age.

18% expect to buy their first home by the age of 30

Rapid rises in house prices means the cost of the average first-time buyer home is now £189,179[6] and the typical age to buy a first home is 30 years old[7]. Despite this, out of the top five life milestones millennials expect to achieve, buying a house or flat is the most likely to have been achieved already (21%).

When 18-35s expect to achieve the top five milestones
%

	Net expect to achieve	Net achieved already	Expect to achieve by 25	Expect to achieve by 30	Expect to achieve by 35	Expect to achieve after 35
Buying a bigger house/flat or moving to a better location	61	12	8	17	17	19
Buying a house/flat	60	21	10	18	16	15
Actively planning/saving more for retirement	57	18	7	10	17	24
Getting married	54	20	7	19	17	10
Changing my career for a better lifestyle	52	16	12	16	13	11

Seeking help or going it alone?

Prioritising long-term saving and putting money aside each month is one way of achieving these financial goals. Yet almost two thirds (63%) of millennials are also relying on at least one event to help them financially at some point in the future. Perhaps unsurprisingly, those who are currently prioritising short-term spending are more likely to be depending on some sort of financial help (72%, compared to 65% of long-term savers).

In an indication of how aspirational the millennial generation is, the most common event they are pinning their hopes on is a new job or promotion, leading to a significant salary increase (36%). Yet almost one in five (18%) are also relying on a family inheritance and an additional 12% are depending on some other financial gift.

Despite the odds of winning a Lottery jackpot being at 45 million to one[8], 17% of millennials have said they are relying on winning the lottery to help them in the future. Men are slightly more likely to say this than women (19% vs. 16%).

17% of millennials have said they are relying on winning the lottery to help them in the future

More than one in ten (12%) millennials are hoping their student debt will be wiped out in future. Remaining balances on student loans are cancelled 30 years after becoming eligible to repay if taken out after September 2012, or in 25 years if taken out in or after the 2006/07 academic year (loans taken out earlier than this are wiped out at age 65[9]). However, some students could be hoping these thresholds will be lowered or that student debt is eradicated altogether.

6 UK House Price Index England: April 2016
7 Council of Mortgage Lenders, June 2016
8 Dr John Haigh, emeritus reader in mathematics at the University of Sussex http://www.sussex.ac.uk/broadcast/read/30936
9 Student Loans Company, loan cancellation info, http://www.slc.co.uk/services/loan-repayment/loan-cancellation.aspx

A quarter (26%) of millennials who own their own home with a mortgage are relying on the value of their property increasing (compared to 12% of all millennials), enabling them to cash in on the equity in their home and move up the property ladder. Almost one in ten (8%) millennials are hoping for the housing market to collapse, perhaps as a remedy to rocketing house prices.

A small proportion (6%) are pinning their hopes on marrying into wealth, with men twice as likely to depend on such an occurrence (8% vs. 4% of women).

A quarter (26%, vs. 12% UK average) of millennials who own their home with a mortgage are relying on the value of their property increasing

Events millennials are depending on to help them financially
%

Event	Rely upon
A new job or promotion that will increase in salary	36
Inheritance	18
Winning the lottery	17
A financial gift	12
The value of my property increasing	12
Student debt being wiped out	12
The housing market collapsing	8
Marrying into wealth	6
Not relying on any event	36

Proactive money management

Fortunately, most millennials are also taking a more proactive approach to managing their finances for the future, with 68% saying they actively do this. However, this leaves a sizeable minority of almost a third (32%) who are letting their finances go unmanaged, leaving them potentially at risk of failing to meet their financial goals.

The most common reason millennials do not take an active role in managing finances for the future is the belief that they do not earn enough to make it worthwhile, with 52% citing this. Again, women – who tend to have lower incomes on average – are most likely to subscribe to this view (59% vs. 43% of men).

Nearly a third (32%) do not actively manage their finances

Another factor is not knowing where to start (26%), or feeling too young to worry about finances (15%). The proportion who feel that their age means they don’t need to actively manage their finances dramatically drops off from 18-24 (23%) to 25-35 (8%), suggesting mid-twenties are the cut-off point for feeling ‘too young’ to worry about money.

Looking ahead to the future, millennials are relatively optimistic: more than a third (35%) believe they will be able to achieve all they want in life without too much compromise. It is telling that long-term savers are more likely to share this view (40% vs. 34% of short-term spenders), with regular saving giving millennials greater confidence in their financial future. However, it remains to be seen whether this optimism will be sustained over the coming years as the UK charts a new course towards leaving the EU.

Over two in five (42%) believe they will only be able to achieve what they want in life by making sacrifices to the lifestyle they want to lead. This is particularly true among 18-24s (44%), but tails off slightly among 25-35s (39%).

One in six (16%) millennials don’t think they will ever achieve all that they want in life. The difference between those who prioritise spending and saving is stark: 18% of short-term spenders believe they will never meet their goals, compared to 8% of long-term savers.

Millennials' expectations for the future
%

Expectation	Agree
I will only be able to achieve what I want in life by making sacrifices to the lifestyle I want to lead	42
I am optimistic I will achieve all I want to in life without too much compromise	35
I don't think I will ever achieve all I want in life	16
I will only achieve what I want in life if I receive financial help from family	7

Looking ahead to retirement

Retirement may seem like a long way off for most millennials but the optimum time to begin saving for retirement is in your twenties. Half of millennials recognise the importance of keeping up with pension contributions, with 51% agreeing it is important they can continue to afford making these payments.

24% of millennials have no plans to start a pension

Over a quarter (28%) have already started a pension pot: those who haven't yet done so and are of working age should soon be automatically enrolled into a pension scheme (unless they decide to opt out). Of those who have not yet done this, 22% expect to have started a pension by the time they reach their thirties.

However, 24% of millennials have no plans to start a pension. As a result, auto-enrolment opt out rates could be set to increase: they are currently at around 10%[10], but could become higher if millennials reach working age and decide not to enrol in their workplace pension.

That being said, 57% of 18-35s expect to actively save and plan for their retirement, with 18% doing so already. This could indicate that millennials do not see pensions as the only vehicle for saving for retirement. When asked what they would do if they were given £50 a month to save for retirement, a quarter (24%) would put it in an ISA with a bank or building society.

Interestingly, the proportion that would invest this £50 a month in a Lifetime ISA (a new savings product due to be launched in April 2017 for those aged under 40) is marginally higher than the proportion that would put it in a pension (17% vs. 16%). Almost one in seven (14%) would invest the funds in a current account – perhaps as a result of years of poor returns on savings due to the historically low level of 0.5% that interest rates have been set at since 2009.

Choice and flexibility is important for savers, so using a range of options to save for retirement can be a positive step. However, pensions – particularly workplace pensions – should not be neglected, as they come with additional perks such as tax benefits and employer contributions that can help to grow retirement savings faster.

How millennials would invest an extra £50 a month
%

Type of investment	Would invest in
ISA with bank / building society	24
A lifetime ISA	17
Pension	16
Current account	14
An investment you arrange yourself	6
At home (under mattress, in money box)	5
Stocks and shares	4

10 The Pensions Regulator, 'Auto Enrolment', p.30, July 2015 http://www.thepensionsregulator.gov.uk/docs/automatic-enrolment-commentary-analysis-2015.pdf

Although pensions might not be the most popular savings vehicle for millennials, they are still seen as an indicator of financial success: 59% rate having a large pension pot as important to financial success, including 17% who say this is very important. In fact, having a healthy pension is seen as the fourth most important indicator of financial success overall, beaten only by owning a home (74%), having large savings (68%) and owning a car (66%).

Financial fears

As well as their hopes for the future, Aviva asked millennials what their biggest financial concerns are. For those millennials who haven't been able to get on the property ladder, there are clear concerns about their likelihood of doing so. A quarter (24%) said not being able to afford to buy a house or flat was their single biggest financial worry for the next five years. This is beaten only marginally by the fear of not being able to earn enough to enjoy a good standard of living (25%).

59% rate having a large pension pot as important to financial success

Concerns about not being able to afford to buy a home are highest among those currently living with family (37%) or in private rental accommodation (30%). Similarly, people in these types of households are significantly more likely to agree with the statement that their generation has been priced out of the property market: over half (52%) of millennials living with family and 40% in private rental accommodation agree with this, compared to 35% on average.

Many millennials feel that their financial experiences are more negative than those of older generations. As well as struggling to afford to buy a home, a third (33%) believe their generation has to carry more of a financial burden than older generations for higher education. This is understandable given university fees have risen significantly since they were introduced in 1998, when a flat annual rate of £1,124 was paid by students whose parents earned more than £32,000 a year[11]. In 2006 universities were given permission to charge up to £3,000 in tuition fees: this tripled to £9,000 in 2012 and fees will rise in line with inflation from 2017-18 onwards[12].

Not only that, 26% believe their generation has fewer job opportunities. Younger millennials (18-24) are particularly likely to agree with this (32% vs. 21% of 21-35s). Following the recession, unemployment rates among 18-24s rocketed from 12.2% in Q1 2008 to a high of 20.3% in 2011 (Sep-Nov)[13]. Although latest unemployment rates for 18-24s have returned to pre-recession levels (12.2% in Q1 2016), millennials' perceptions of job opportunities have clearly been influenced by the recent recession.

A third (33%) believe their generation has to carry more of a financial burden than older generations for higher education

However, not all comparisons to previous generations are negative. Over a quarter (27%) agree they are able to afford many things that older generations could not. This comes despite 31% saying they have higher expectations of in terms of what is considered financially comfortable.

Millennials' perspective of generational differences

Millennial experiences compared to older generations	Agree
My generation has been priced out of the property market	35
My generation has to carry more of a financial burden for higher education	33
I have higher expectations in terms of what is considered financially comfortable	31
I am able to afford many things older generations could not	27
I have far fewer job opportunities than older generations had	26

11 Politics.co.uk, 'Tuition fees', http://www.politics.co.uk/reference/tuition-fees
12 History of tuition fees https://en.wikipedia.org/wiki/Tuition_fees_in_the_United_Kingdom#History_of_Tuition_Fees_in_the_UK
13 ONS 'UK Labour Market 2016, 15th June 2016, Table A06 SA

Brexit fuels rising concerns over millennials' financial futures

With the decision to leave the EU looming large in the national psyche, we asked millennials how concerned they were about their future finances before and after the referendum on EU membership took place.

Brexit has led to a notable uplift in concerns among those aged 18-34. Looking back, a quarter (25%) of millennials said they were concerned about their financial futures before the referendum took place. This was marginally higher than the level of concern across all age groups (23%) but noticeably higher than the over-55s, which was six percentage points lower with just 19% concerned.

After the decision to leave the EU, the proportion of 18-34s concerned about their financial future has shot up to nearly half (48%) of this age group. This is the biggest uplift in fears experienced by any age group and stands 13 percentage points higher than the UK average (35%).

The proportion of 18-34s concerned about their financial future rose from 25% to 48% post-Brexit

Those who are concerned about their financial future before and after the EU referendum
%

	All	18-24	25-34	Over 55
Before	23	16	31	19
After	35	48	49	25

"The millennial generation is in many ways focused, ambitious and knows what it wants with career progression, owning a property and ensuring there is time for family priorities. However, it is also a generation that is fearful it may never get on the property ladder and enjoy the same financial lifestyle as those generations before them, especially amidst the economic uncertainty brought about by the Brexit vote. While it can seem difficult to do, the earlier that millennials can establish their financial goals, the better they will feel about the future. You are never too young to start saving and every little bit you can put away will add up and make a difference in the long term."

Louise Colley
Customer Proposition Director, Aviva

Family Finances Tracker

Income

Family income is at its highest level since 2010, while those receiving benefits as a source of monthly income has also dropped to a record low

Key findings

- Typical family income is £2,151 per month – a rise of 6% since last winter
- Parents raising children alone have seen a rise of 14% in typical monthly incomes, up to £1,328
- Only 14% of families cite benefits as a source of their income, the lowest level seen since Aviva started tracking the family finances in Winter 2010

The typical family income in Summer 2016 is now at its highest level since Aviva began tracking the finances of UK families in 2010 with a rise of 6% since last winter. The latest figures represent a healthy improvement for families with monthly income standing at £2,151 – up £127 since last winter.

Aviva's research also highlights how incomes have changed among different family groups in the UK. Since last winter, the findings shed a positive light on family finances with no family group typically seeing a fall in income.

Parents raising children alone – including single, divorced, separated and widowed parents – have seen a monthly income rise of 14% over the period to £1,328, while incomes among married couples have remained virtually unchanged.

14 ONS, 'Earnings and Working Hours' April 2016, https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours

Income sources

There has been little change in the actual source of income since last winter, with income from a primary job the leading contributor (76%). One factor behind the increase could be due to the fact that wages increased by over 2.6% in the first quarter of this year when compared to 2015[14]. This could also partly be a result of the introduction of the National Living Wage in April that has been of particular benefit to those on lower incomes.

A more detailed look shows that single parents still have a monthly income at 45% below the typical family in the UK, standing at £1,173: making them the lowest earners. However, this is still 17% higher than levels six months ago – an increase of £167 per month. Income from a primary job has increased by five percentage points since last winter for this family type, suggesting the rise in income is due to more single parents being employed.

Single parents still have a monthly income at 45% below the typical family in the UK, standing at £1,173

How typical family incomes have improved across different family types

Family type	Winter 2015	Summer 2016	Change
All families	£2,024	£2,151	+6%
Single raising one or more children alone	£1,006	£1,173	+17%
Divorced, separated or widowed and raising one or more children	£1,360	£1,493	+10%
Married or committed and one child	£2,172	£2,205	+2%
Married or committed and two or more children	£2,223	£2,272	+2%
Married or committed relationship and don't plan children	£2,026	£2,105	+4%
Married or committed relationship and plan children	£2,176	£2,542	+17%
Married (net)	£2,169	£2,239	+3%
Raising children alone (net)	£1,170	£1,328	+14%

The percentage of families receiving income from a spouse's job has risen over the past six months to 39% from the 37% in Winter 2015, while levels have remained at 11% for those receiving their monthly income from a part-time or second job. Income from investments or savings has risen marginally from 10% in Winter 2015 to 11%.

Families and benefits

The percentage of families stating benefits as a source of monthly income has also dropped to its lowest level seen since Aviva started tracking the data. Currently, 14% of families cite monthly benefits as a source of their monthly income, down from 16% last winter.

14% claim state benefits as a source of monthly income – the lowest level since Aviva started tracking this data

Parents who are married or committed with one child have seen the greatest fall amongst those receiving benefits since last winter from 14% down to 9%, making them the second least likely family group to claim benefits as a source income. A possible reason as to why overall incomes have risen, despite the drop in benefits, could be due to the fact that the unemployment level has recently dropped to its lowest level in ten years, meaning more people are in work and less reliant on benefits as a source of income[15].

On the other hand, parents who are raising children alone remain the most likely to claim benefits with just a 1% decrease over the past six months, although this has decreased by 6% when compared to Summer 2015.

15 ONS, 'UK Labour Market', June 2016, http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/june2016

Benefits as a source of income across different family types
%

Family type	Winter 2015	Summer 2016	Change
All families	16	14	-2
Single raising one or more children alone	36	33	-3
Divorced, separated or widowed and raising one or more children	28	28	0
Married or committed and one child	14	9	-5
Married or committed and two or more children	18	18	0
Married or committed relationship and don't plan children	10	11	+1
Married or committed relationship and plan children	6	5	-1
Married (net)	14	13	-1
Raising children alone (net)	32	31	-1

"There are clear signs of improvement for families as incomes have seen a rise in the last six months, following a dip in Winter 2015, to the highest levels recorded. This is especially promising for those families on lower incomes as each family group has experienced an increase. Having more money coming in each month makes financial planning for the future more manageable and will help off-set any increases in the cost of living – especially for those families with children."

Louise Colley
Customer Proposition Director,
Aviva

Expenditure

Family spending rises on essential items

Key findings

- The average weekly shop has remained stable since last winter, costing families £200 each month – but utility bills have risen 3%
- Housing costs are on the rise compared to last winter, with families spending 3% more on rent or mortgage payments
- Overall total household outgoings have remained stable since last winter (£2,255) and now stand at £2,252

According to Aviva's latest data looking at family spending habits, the average weekly shop has remained stable since Winter 2015, rising from £199 to £200. However, when compared to last year it has fallen by 3% from £206 in Summer 2015.

The stability underpinning the price of the weekly shop chimes with the recent low level of inflation. The Consumer Price Index has continued to rise at a moderate rate throughout the first half of 2016, with only a 0.5% rise in March, helping to keep increases in the price of the weekly shop to a minimum[16].

Total monthly household outgoings have remained stable from £2,255 last winter to £2,252 this summer. Overall spending is also at similar levels when compared to Summer 2015, when total spend equalled £2,257.

The average weekly shop has fallen 3% annually from £206 to £200

Family expenditure

Category	Summer 2015	Winter 2015	Summer 2016	Change over past six months
Housing (rent or mortgage repayments)	£505	£490	£504	+3%
Utility bills	£293	£280	£289	+3%
Debt repayment	£225	£215	£205	-5%
Holidays	£176	£190	£204	+7%
Weekly food shop (excl. alcohol)	£206	£199	£200	+1%
Childcare/school and university fees	£209	£199	£187	-6%
Motoring	£135	£142	£137	-4%
Household goods and services	£106	£105	£114	+9%
Entertainment and recreation	£110	£116	£114	-2%
Public transport	£99	£108	£102	-6%
Alcohol, cigarettes and tobacco	£103	£115	£103	-10%
Personal goods and services	£92	£97	£92	-5%

16 BBC News, 'UK Inflation rate rises to 0.5% in March' 12th April 2016, http://www.bbc.co.uk/news/business-36023527

Monthly spending on luxury items and activities has also fallen over the past six months. Spend on entertainment and recreation is down slightly by £2, while spend on personal goods and services is down by £5. However, the average family now spends £14 more on holidays a month – a 7% increase on last winter as families likely used the start of 2016 to plan their holidays for the year which they are now taking.

Monthly costs for utility bills, including insurance and council tax bills, now cost families £9 more per month

Other areas of family spending that have witnessed an increase since last winter include costs that are largely unavoidable. Monthly costs for utility bills, including insurance and council tax bills, now cost families £9 more per month, rising to a monthly spend of £289. Meanwhile, monthly spending on household goods and services has risen by 9% from £105 to £114.

Moreover, housing – rent or mortgage repayments – now costs families £14 more per month than last winter, totalling £504 per month: making it their single biggest outgoing and accounting for 22% of the average family's monthly spend.

This coincides with the gap between housing supply and demand growing wider and resulting in increased rent prices. The Association of Residential Lettings Agents (ARLA) recently reported that supply of rented property was at its lowest level since records began in January 2015 and rent costs are expected to further rise in light of changes to stamp duty and mortgage tax relief for landlords announced over the last 18 months[17].

"Families have been benefiting from the continuing affordability of their weekly shop as inflation has remained low. Although housing costs and other essential items have gone up, overall there is a sense of greater confidence in households. Rising incomes, coupled with stable prices, has meant that there have been fewer surprises and families who are able have even put a little bit more towards their holiday plans."

Louise Colley
Customer Proposition Director,
Aviva

17 Association of Residential Lettings Agents (ARLA): Monthly ARLA Private Rented Sector Report April 2016 http://www.arla.co.uk/info-guides/monthly-arla-private-rented-sector-report.aspx

Family borrowing

Household debt has risen by almost a fifth annually

Key findings

- Total household debt remains 18% higher year-on-year, despite short-term falls
- Credit card debt grows 12% annually to £2,190
- Married couples with one child have 19% less debt than those with two or more

While family incomes have reached new highs in Summer 2016, levels of borrowing have fallen by 17% to £11,250 from the £13,520 recorded in Winter 2015. However, debt levels remain 18% higher compared to this time last year (£9,520 – Summer 2015).

Debt levels remain 18% higher compared to this time last year

Aviva also asked families how much student debt they have for the first time in Summer 2016. The typical amount of student debt among all families is £1,630, although unsurprisingly this figure is much higher for younger age groups (£13,310 among 18-24s). When student debt is added to families' overall borrowing, it brings the total figure to £12,880.

Total household debt has risen by almost a fifth annually

Total levels of household debt (excluding student debt)
£

	Summer 2013	Winter 2013	Summer 2014	Winter 2014	Summer 2015	Winter 2015	Summer 2016
Total household debt	16,300	7,840	6,740	9,050	9,520	13,520	11,250

When looking at different areas of borrowing, Aviva's data shows overdrafts and loans from family members or friends are the only forms of debt to have decreased year-on-year. The average amount owed on overdrafts has fallen the most, down by a quarter from £870 in Summer 2015 to £660.

Credit card debt has increased 12% annually to £2,190

In contrast, over the same period payday loans have increased by as much as 76% (from £370 to £650), while hire purchase debt has risen 53% to an average of £1,360. The average amount owed by families on credit cards is now £2,190: a 12% annual increase.

Top three types of borrowing (excluding student debt/loans)

Category	Summer 2015	Winter 2015	Summer 2016	Annual change
Personal loans	£2,190	£2,080	£2,250	+3%
Credit cards	£1,960	£2,370	£2,190	+12%
Hire purchase	£890	£1,540	£1,360	+53%

Debt across family types

Aviva's research also shows there are still great differences among different family groups. Married couples have two and half times more household debt in total compared to parents raising children alone (£11,730 vs. £4,660). In particular, couples with two or more children have the greatest debt among all family groups with a total of £15,300.

Looking at couples with children, the findings highlight that those who only have one child have 33% less debt than those who have two or more children (£10,210 vs. £15,300).

Couples with two or more children have the greatest debt among all family groups with a total of £15,300

How total debts compare across families who borrow*

Family type	Summer 2015	Winter 2015	Summer 2016	Annual change
Married or committed relationship and don't plan children	£3,730	£10,820	£8,090	+117%
Married or committed relationship and plan children	£15,640	£8,680	£7,580	-52%
Married or committed relationship and one child	£12,430	£12,720	£10,210	-18%
Married or committed relationship and two or more children	£10,220	£18,830	£15,300	+50%
Divorced, separated or widowed and raising one or more children	£2,850	£7,610	£4,390	+54%
Single raising one or more children alone	£10,030	£5,070	£4,960	-51%
Married (net)	£9,800	£14,500	£11,730	+20%
Raising children alone (net)	£6,170	£6,370	£4,660	-24%

*Figures do not include student debt

"Borrowing levels have seen a fall among families in the UK in the short-term, but compared to last year debt levels are still notably higher. Some family groups fare better than others, with a couple raising two or more children far more likely to hold higher debts than a couple raising just one child. This reiterates the importance of planning ahead and making sure your finances are in check to support your family plans."

Louise Colley
Customer Proposition Director,
Aviva

Savings and investments

Typical family savings pots are on the rise

Key findings

- The typical level of savings and investments held by families has increased by 42% year-on-year
- Amount families put away each month stands at £114 – an increase of £9 since October 2015
- Almost a quarter of families (24%) still do not save at all – but this is the lowest level since records began as more families take steps to save

In an encouraging development for the family purse, the amount held by families in savings and investments has risen to its highest level since Aviva first began tracking family finances in 2010.

The typical nest egg has increased 42% annually to £4,426

The amount held has increased by 42% compared to Summer 2015, with the typical nest egg standing at £4,426 – up from £3,116 this time last year. This also represents a 41% jump since Winter 2015 when pots stood at £3,150. To put the figures in a longer-term perspective, typical savings amounted to just £696 in December 2011, as families dealt with the aftermath of recession and the impact it had on personal finances.

Moreover, the current levels are all the more positive given that interest rates have been at the historically low level of 0.5% since 2009: suggesting that, despite this disincentive to save, families have still been taking steps to ensure they have money put aside for the future.

Couples who do not plan to have children hold the highest levels of savings, typically with £6,577 put aside as they plan for the future. Single parents raising one or more children hold the least savings, with a typical amount of £438.

Savings & Investments levels

	Summer 2011	Summer 2012	Summer 2013	Summer 2014	Summer 2015	Summer 2016
Amount held	£735	£849	£2,355	£2,274	£3,116	£4,426
Annual change	n/a	16%	177%	-3%	37%	42%

Monthly savings habits

With incomes rising, the typical family is currently able to put aside £114 a month – a modest increase of £9 when compared to Winter 2015 (£105). The level is also consistent with £113 recorded last summer, highlighting a degree of stability in family saving habits. Moreover, current levels are a substantial improvement when compared to the record low of £70 back in Winter 2010.

Despite such positive indicators, almost a quarter (24%) of families outlined that they do not save or invest at all each month. Nevertheless, this is down by two percentage points from 26% this time last year and is the lowest level recorded by Aviva since tracking began in 2010, as more families take steps to save.

The typical family now saves £114 a month – £9 more than in Winter 2015

Families who do not save or invest anything each month
%

	Summer 2011	Summer 2012	Summer 2013	Summer 2014	Summer 2015	Summer 2016
Families	32	34	31	30	26	24
Annual change	n/a	2	-3	-1	-4	-2

Similar to that of total savings pots, the family type least likely to contribute is that of single parents' raising one or more children with almost a third (31%) highlighting that they do not do so each month. In an indication of preparedness for the future, couples planning a child in the future are most likely to save, with only 12% stating they do not save at all.

Over two in five (81%) families have a basic bank or building society savings account, remaining unchanged since Winter 2015 (82%). However, this proportion falls to 74% of single parents raising children alone.

"The majority of families should rightly feel pleased regarding their current savings habits. Whether it is having money available for a rainy day, preparing for a child's education or saving for a home, families have gradually seen their savings pots rise and we are seeing more families saving each month than ever before. That said, almost a quarter of families are not saving at all and run the risk of greater financial stress should they face a sudden change in circumstances. Saving is a mind-set and people should always consider the longer-term – it can start with as little as £10 a month."

Louise Colley
Customer Proposition Director,
Aviva

Housing wealth

House prices on the rise for families but mortgage debt levels cause for concern

Key findings

- Typical price of family home now stands at £201,700 – up 10% on last summer
- Outstanding mortgage debt has also gone up, with a rise of 6% since Winter 2015
- Homeownership levels remain stable

Over the course of the last year families who own their home, either with or without a mortgage, have witnessed the value of their property climb by 10%. Aviva's latest research highlights that the typical cost of a home has increased from £183,810 in Summer 2015, to £201,700 this year. The findings are lower than the official UK House Price Index, which indicated an average price of £224,731 in April 2016. However, this data includes all homeowners and not just families[18].

The typical cost of a home has increased from £183,810 in Summer 2015, to £201,700 this year

At the same time, outstanding mortgage debt has also risen for families during the first half of 2016. Debt has increased by 6% since Winter 2015 and now stands at £66,580 – the highest level since Summer 2012.

Housing wealth and mortgage debt
£

	Summer 2011	Summer 2012	Summer 2013	Summer 2014	Summer 2015	Summer 2016
Typical house price	166,760	168,170	175,540	180,320	183,810	201,700
Typical mortgage debt	62,040	76,250	57,070	62,200	64,400	66,580

With demand for housing driving up prices and putting pressure on deposits, mortgage debt has continued to rise in recent years. Although the Government has made the ambitious commitment to help build up to 400,000 new homes by 2020 to increase supply, it remains to be seen as to whether such measures will have an impact on house prices in the longer run[19]. Post-Brexit, there are expectations that house prices will fall, although predictions so far have been fairly moderate: for example, KPMG UK has forecast a fall of 5% in the regions outside of London[20].

Mortgage debt has increased by 6% since Winter 2015 to £66,580

Mortgage interest rates are currently at record lows, and a possible base rate drop post-Brexit could spur on a wave of price-cutting by mortgage lenders. However, in the long-term future levels of mortgage debt could be impacted if interest rates rise, with many mortgage holders having never experienced a change in the base rate. In presenting the latest Bank of England Financial Stability report, Mark Carney warned those taking out a mortgage to be prudent, noting "at some stage, during the life of that mortgage, conditions will be difficult"[21]: families must therefore be prepared for the prospect that mortgage debt could increase.

18 UK House Price Index England: April 2016 https://www.gov.uk/government/publications/uk-house-price-index-england-april-2016/uk-house-price-index-england-april-2016

19 Guardian 'What will it take to build George Osborne's 400,000 homes? 4th January 2016, http://www.theguardian.com/housing-network/2016/jan/04/george-osborne-400000-homes-housebuilding-bricks

20 Guardian, 'House price fall could follow Brexit, say experts' 24th June 2016, https://www.theguardian.com/money/2016/jun/24/house-price-fall-could-follow-brexit-say-experts

21 https://www.theguardian.com/business/live/2016/jul/05/mark-carney-to-outline-bank-of-englands-brexit-stability-moves-business-live?page=with:block-577b8c29e4b0dc98f9fcabb2#block-577b8c29e4b0dc98f9fcabb2

Home ownership levels

Home ownership levels have remained stable compared to this time last year, with the majority of families (50%) living in a home they own with a mortgage, down by just one percentage point since last summer (51%). The number of families living in privately rented accommodation has remained consistent, with 16% recorded in Summer 2016 compared to 17% in 2015.

There has also been a moderate increase in the number of families who now own their home outright (19%), up two percentage points since last year and up by eight percentage points when compared to the summer of 2012.

Families in the housing market
%

	Summer 2011	Summer 2012	Summer 2013	Summer 2014	Summer 2015	Summer 2016
Home owned with mortgage	48	45	50	50	51	50
Home owned outright	13	11	17	18	17	19
Private rental	22	27	16	16	17	16
Social housing	14	13	15	15	13	14

Home ownership without a mortgage is unsurprisingly highest amongst those aged 51-55, with over a third (35%) indicating they are mortgage free. However, a significant percentage of families within this age bracket – 42% – still have a mortgage. As family members near retirement in the years to come, coupled with current mortgage debt increases, it is likely that a growing number of this age group could still have outstanding mortgage debt as they begin their retirement journey.

42% of those aged 51-55 still have a mortgage

"The housing market currently brings mixed fortunes for families. On the one hand, homeowners will have welcomed the latest increase in the price of homes but it remains to be seen whether this will change. For those with a mortgage, or who are trying to obtain one, the recent rise in mortgage debt levels is also a cause for concern. Although it is not easy, the more that aspiring homeowners can save for a deposit the better – especially with the possibility that interest rates could go up in the coming years."

Louise Colley
Customer Proposition Director,
Aviva

A look to the future

Families had fewer financial concerns in the run up to Brexit – but fears could begin to climb

Key findings

- The number of families worried about the impact of unexpected expenses dropped in recent months despite referendum speculation
- Family members are more confident on their job security, with a decrease of 7% amongst those concerned about losing their job since last summer
- Saving for a rainy day remains the top priority for families when planning financially
- But families' overall concerns about their financial future have grown post-Brexit

Despite the external environment in the run up to the EU referendum being dominated by speculation over the outcome, some families' financial concerns have been reducing. For example, although Aviva's data shows 45% of families in Summer 2016 are still worried about what unplanned events such as major home repairs could mean for their finances, this is a drop from 57% last winter and 60% last summer.

Fears of unemployment have fallen from 46% last winter to 38% this summer

Family members are also less worried about the potential for losing their job, down from 46% last winter to 38% this summer. The current level is also far lower than that of summer 2014, when half of families (50%) expressed this concern. With unemployment having recently reached a ten year low, this increased sense of stability may have acted as a buffer to protect confidence in job security despite external noise about the referendum[22].

In addition, although levels of mortgage debt have increased, families are also less worried about the prospect of higher mortgage rates in the future. With the likelihood of the Bank of England raising interest rates this year having receded, families have been put at ease by the fact that the cost of servicing their mortgage is not going to change in the short term.

22 ONS, 'UK Labour Market', June 2016, http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/june2016

The financial concerns of families
%

	Summer 2015	Winter 2015	Summer 2016
Unexpected expenses (e.g. home improvements)	60	57	45
Losing our / my job	45	46	38
Increase in basic necessities	51	49	36
Serious illness	32	32	24
Higher mortgage rates	22	22	17
Change in government benefits	20	20	13
Inability to keep up with debt repayments	10	13	10
Breakdown of relationship	13	14	10
Continued unemployment	9	11	8
Paying for significant expenses, e.g. university	8	9	6
Loss of income from investments	9	7	5

However, families' financial fears have not gone completely untouched by the EU referendum. Overall, less than a quarter (23%) said they were concerned about their future finances before the vote took place. Post-Brexit, this proportion has increased to 35%: a significant increase of 12 percentage points. This initial spike in concern could settle – or grow – over the coming months as the impact of the referendum becomes clearer.

35% of families post-Brexit are concerned about their future finances

In terms of taking action for the future, saving for a rainy day remains important with 43% of families citing this as their number one priority. Compared with summer 2015, there has also been a small increase of four percentage points to 35% in those who are now saving towards a private pension – either independently or via an employer. This is likely due to the continued expansion of auto-enrolment in the workplace.

"Families maintained their confidence about the future in the run up to the referendum, with fears about unexpected costs and job security following a downward trend. With income and savings levels on the rise, it would seem families have been feeling more prepared to deal with surprises in life. However, the proportion expressing concern over their overall financial future has risen significantly post-Brexit. It is important that those who know they would struggle to cope based on their current situation take the time review their finances now, in order to better manage future difficulties."

Louise Colley
Customer Proposition Director,
Aviva

Regional variations

Continued contrast between London and the rest of the UK

Key findings

- Highest levels of income, savings and house prices recorded in capital
- Yorkshire and Humberside experiences the largest increase in savings pots, with levels increasing by 81% when compared to Winter 2015
- The gap between the lowest and highest regional income now stands at £1,096 – a 60% increase on Winter 2015

While monthly incomes have risen overall for families across the UK, regional data continues to show a more contrasting picture. Families in the South West have witnessed a 19% rise in incomes since Winter 2015, while those in the North West have seen a 16% increase. The North East (14%) and Wales (8%) have experienced the biggest falls.

The difference between the highest regional income (London) and lowest (North East) has increased by a rate of 60% from £579 in Winter 2015 to £1,096 in Summer 2016

Widening income gap

The difference between the highest regional income (London) and lowest (North East) has increased by a rate of 60% from £579 in Winter 2015 to £1,096 in Summer 2016, with the North East also replacing Yorkshire and Humberside as the region with the lowest income levels. London comfortably remains top in terms of regional income, with families in the capital taking home £446 more than the second placed region of the South East.

Debt levels

Despite the superior income levels in the capital, families in London also have the highest levels of household debt, totalling £34,720. London debt levels are just over £17,000 more than that of families in the North West (£16,990) which is home to the second highest levels of debt. Wales has the lowest levels of debt with only £3,820 recorded in the region.

Savings

With typical savings levels on the rise across the UK, a number of regions stand out as enjoying the biggest rewards. The largest increase has occurred in Yorkshire and Humberside where the typical pot has risen by a rate of 81% from £1,833 last winter to £3,324. The West Midlands experienced the second greatest increase (71%) from £2,438 last winter to £4,167 and London increased by a rate of 54% to £15,375 – up from £10,000 last winter.

Nevertheless, despite a considerable improvement across the savings landscape for a number or regions, some parts of the country have still seen the size of typical savings pot decrease. The largest drop has been felt in the East of England where the typical pot has fallen by £793 from £3,767 last winter to £2,974.

Housing

The capital leads the way when it comes to house prices, with a typical family home valued at £346,320. However, in a sign that house price inflation in the capital may be stabilising the latest value represents no change since Winter 2015 (£345,540). Largely due to its proximity to London, the South East is second with a typical family house price of £285,040.

The lowest family house price recorded is that of Yorkshire and Humberside, where the typical price has dropped slightly by 2% from £146,590 to £142,970 in the last six months.

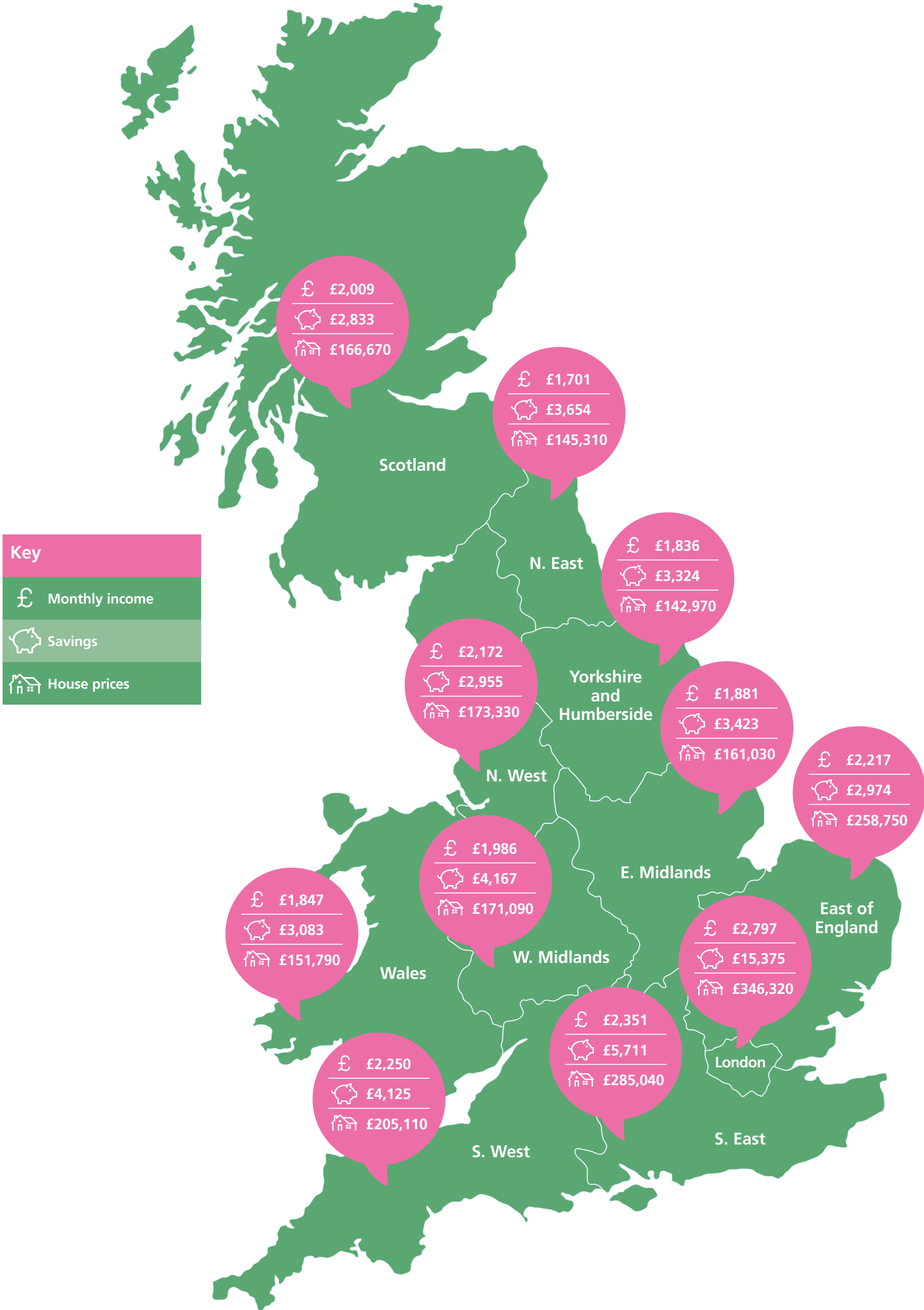
In terms of outstanding mortgage debt, and unsurprisingly given the high value of family homes, London also comes top with a typical amount owed of £133,650 by families with a mortgage. The regions with the lowest mortgage debt are the North East with only £28,500 outstanding in each region.

The capital leads the way when it comes to house prices, with a typical family home valued at £346,320

"Behind the national figures lie a significant contrast between London and the rest of the UK. Families in the capital are more likely to have greater levels of income, savings and more value in their property. Yet despite such apparent prosperity, Londoners are also facing the highest levels of household and mortgage debt in the country, which could put pressure on family finances in future. Outside of London it is encouraging to see savings levels on the up in parts of the country where families have previously saved less. This offers hope that being able to put something away each month, no matter how small, does make a difference."

Louise Colley
Customer Proposition Director,
Aviva

Regional differences in Summer 2016



Note: Northern Ireland is included within the overarching UK figures but excluded from the regional breakdown due to a low sample size

Conclusion – So what does this tell us?

The financial situation for families has improved. Buoyed by record low levels of unemployment, income now stands at its highest level since 2010, with income also up by 14% for parents raising children alone.

With incomes rising and low inflationary pressures on prices, families are also putting more away each month. Savings levels have increased 42% when compared to last summer. That said, close to a quarter of families save nothing at all – although encouragingly this is also the lowest level recorded.

The level of household debt, whilst still high, has not risen at the pace it did last winter and has dropped by 45% when compared to three years ago. More alarming however, is the rise in outstanding mortgage debt – up 6% since winter and an indication of the impact of continued rises in house prices. Homeowners in the capital are the hardest hit with the highest level of mortgage debt being faced by families in London.

Before the referendum, there was rightly a greater sense of confidence amongst many families when it comes to planning for the future. Although it is too early to tell what the real impact on families' finances will be, confidence has been momentarily shaken as a period of uncertainty beckons. Millennials in particular have been affected by this: they are an ambitious generation prepared to work hard for their future but worry if they will ever achieve their goals.

As a consequence of the financial pressures faced, many millennials worry about being able to afford a property and there is a risk that a generation is already starting to rule itself out from ever owning a home.

The increase in tuition fees introduced in recent years has also led to a sense of disillusionment when it comes to higher education. More than one in three actually regret having gone to university, while close to a quarter believing that they will never be able to pay of their student debt.

Despite the financial pressures faced, millennials do understand the importance of planning for the future. While major life events and retirement may seem a long way off to younger generations, encouragement and support must be given to ensure people are able to plan ahead for their futures. With a financial plan in place, over time what may seem unobtainable at first, can become achievable.

Families may not be able to control the external events brought about by the result of the EU referendum, but careful planning can ensure they are in a strong position to face whatever challenges come their way.

Louise Colley
Customer Proposition Director,
Aviva

Methodology

Over 2,000 people aged 18-55 who live as part of one of six family groups were interviewed to produce the report's latest tracker findings for Q2 2016, with additional interviews among 18-35s taking the total in this age group to 1,073 for the spotlight on millennials.

In total, 30,443 UK consumers have been interviewed for the tracker between December 2010 and May 2016. This data was combined with additional information from external sources cited within the main report listed below and used to form the basis of the Aviva Family Finances Report. All statistics refer to figures from the latest wave of research unless stated otherwise.

A further poll of 2,000 UK adults, including 527 aged 18-34, was carried out one week after the UK's referendum decision on its EU membership to see how confidence in people's financial futures was affected by the vote to leave.

Technical notes

- A median is described as the numeric value separating the upper half of a sample, a population, or a probability distribution, from the lower half. Thus for this report, the median is the person who is the utter middle of a sample. All figures are medians unless otherwise specified and are referred to as 'typical' rather than 'average' (mean).

- A mean is a single value that is derived by adding all the values on a list together and then dividing by the number of items on said list. This can be skewed by particularly high or low values.

For further information on the report or for a comment, please contact Melissa Loughran at the Aviva Press Office on 01904 452791 or **melissa.loughran@aviva.com**

Designed and produced by Instinctif Partners www.instinctif.com

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