

MRM

MONEY

MATTERS

INDEX

WINTER 2022

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INTRODUCTION

The latest edition of the Money Matters Index makes for stark reading.

As always, it's an excellent temperature check on how real people are feeling about their money and essential information for those of us interested in personal finances.

Perhaps the most eye-catching data in this edition though is the creeping sense of pessimism pervading the responses, which is not unsurprising given the current micro and macro-economic context. Soaring inflation, rocketing energy bills and interest rate hikes make for a precarious picture.

But does the precarity mean we have reached a long-term tipping point toward pessimism in the minds of consumers? Will the impact of all this uncertainty be crucial for how people think, act and feel about money in the future?

Read the report and analysis from our experts to find out more.



Chris Tuite

Director and Head
of Consumer Finance, MRM

Would you cancel Christmas?

For many this winter that's a decision the cost-of-living crisis may force them to make, according to the latest Money Matters Index.

The Index, which has been taking the temperature of spending, saving, and investing habits and intentions of a representative sample of UK adults since 2020, shows that as interest rates rise, many are buckling under an unbearable burden of debt, while others are facing the distressing prospect of a winter without heating.

No matter which way you look at it, we're facing a brutal financial winter. Make no mistake, this is a crisis. We've weathered financial crises before, most recently the Great Financial Crisis of 2008/2009. But this is different.

There's a palpable fear among the Money Matters Index respondents that there could still be more pain to come.

We spoke to 2,000 UK adults - ranging from age 18 to 65+ - to find out how they view money matters. And this is what we learnt.



Edmund Greaves

Co-editor,
Mouthy Money

JAMS ON THE EDGE AS

HEATING GETS

TURNED OFF

There is little change in responses in the cost-of-living and budgeting section of the research since the Summer. So what?

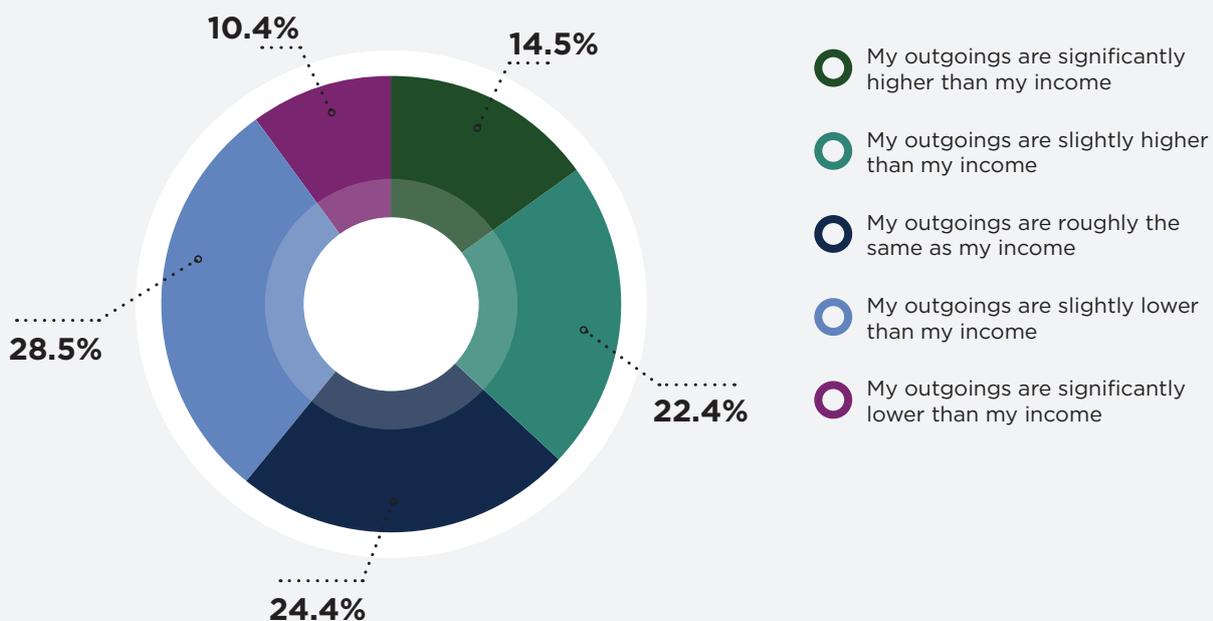
This illustrates an essential issue for households at the moment. They have already done all the cutting they can to their budgets.

It also highlights the divisions in society with a significant cohort which can be described

as a 'precariat' or so-called JAMs (just about managing) - consistently on the edge with their personal finances.

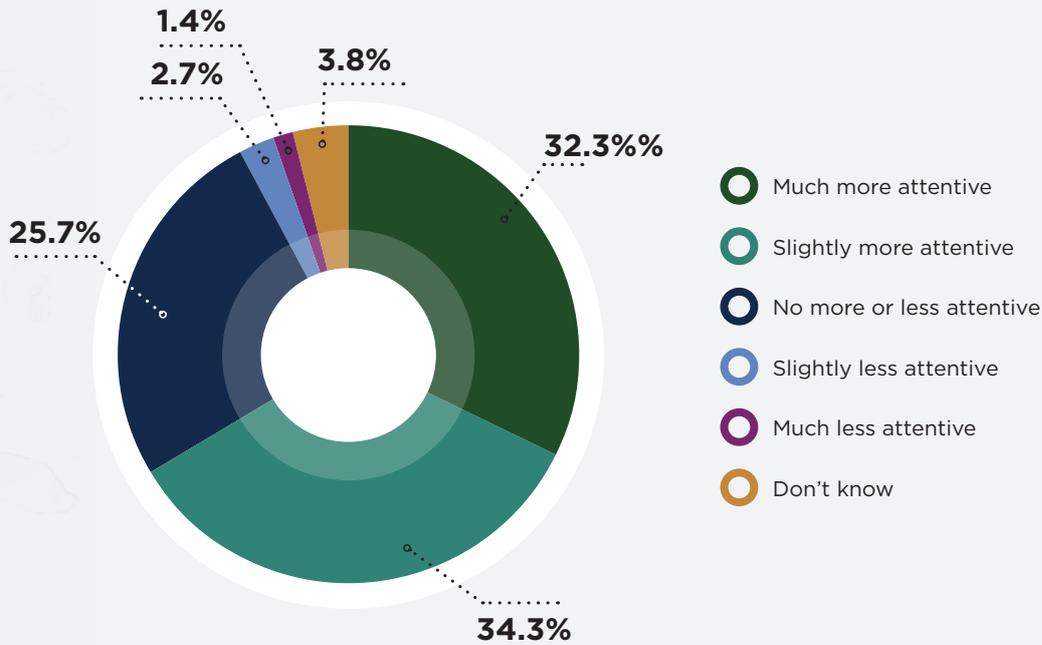
Two really important issues jump out from the Winter data. First, 39% say their incomes don't cover their monthly expenditure. That's an alarming number of households that are already not making ends meet.

Which of the following statements best describes how your monthly outgoings compare to your income?



However, seven in 10 say the cost-of-living crisis has made them more attentive about managing money effectively. Households that take more steps to look after their budgets are more resilient, so there's a sliver of a silver lining at least.

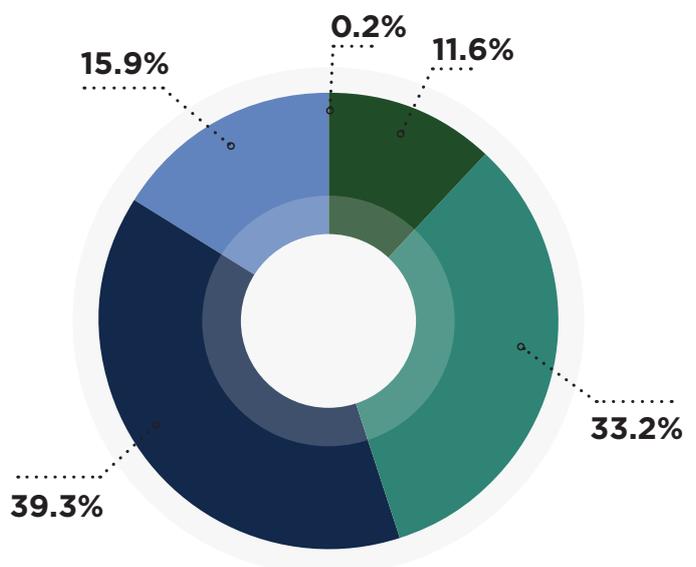
Which of the following best describes how your approach to managing your money has changed during the cost-of-living crisis over the past 12 months?



Sixteen percent say they don't have any money left after paying for essentials, up from 15% in the Summer. Three in five are worried about their ability to provide for themselves and their families.

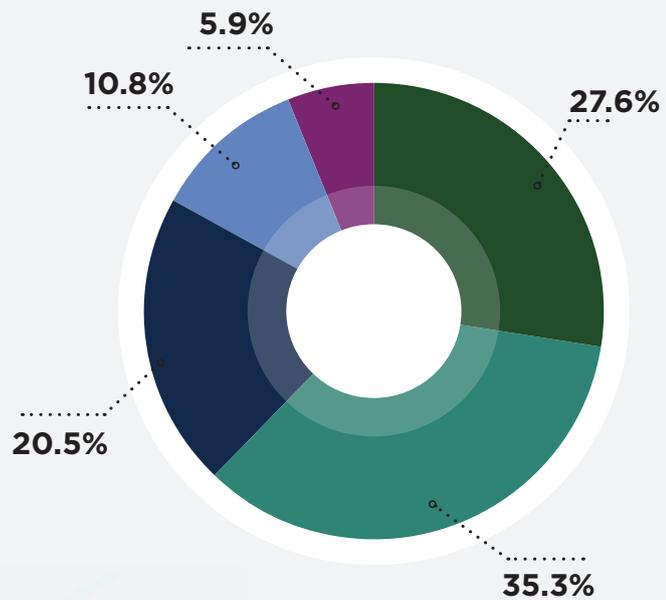
Which of the following best describes how your approach to managing your money has changed during the cost-of-living crisis over the past 12 months?

- I have more than enough money left after paying for essentials
- I have enough money left after paying for essentials
- I have just enough money left after paying for essentials
- I don't have any money left after paying for essentials
- Other



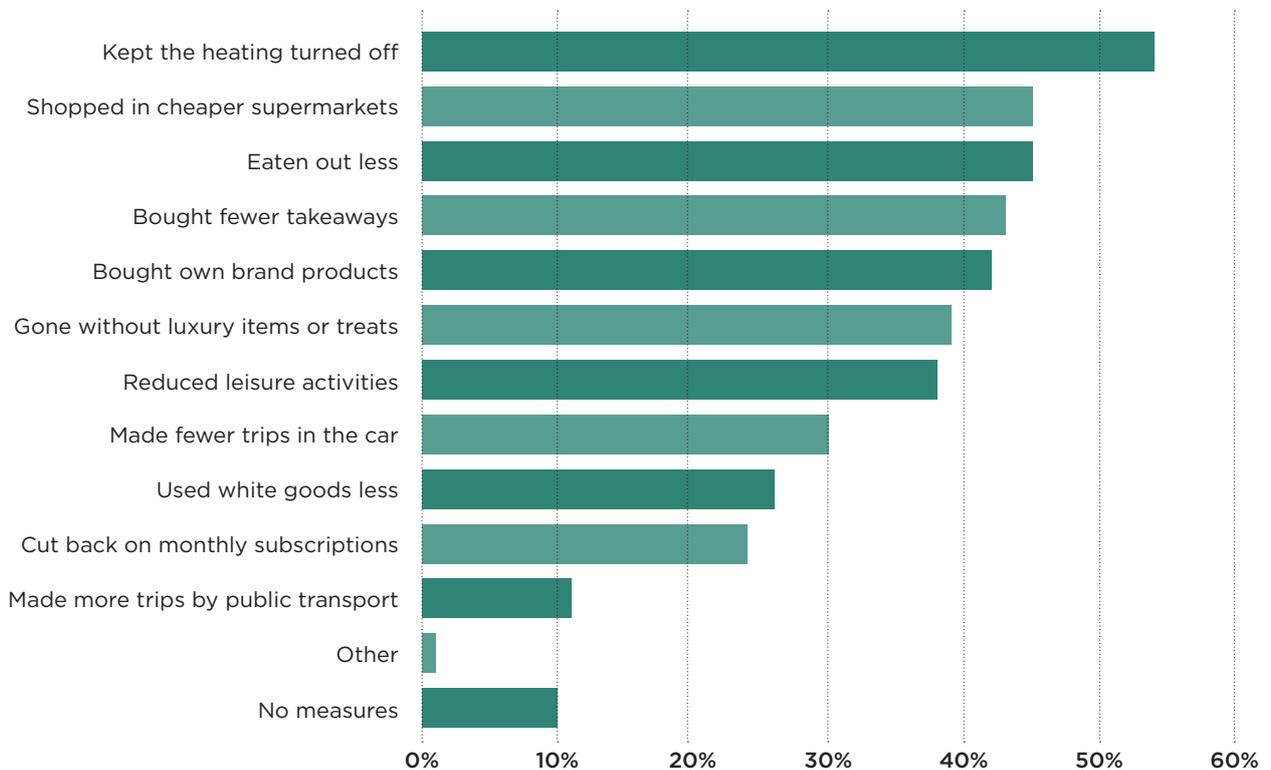
To what extent do you agree / disagree with the following statement? - I am worried about being able to provide for myself / my family because of rising living costs

- Strongly agree
- Somewhat agree
- Neither agree nor disagree
- Somewhat disagree
- Strongly disagree



As we enter colder months, more than half of households (54% up from 37%) say they are keeping the heating off to save on energy bills, while nearly half say they are shopping at discount stores while 43% (up from 37%) are eschewing takeaways to save money.

Have you taken any of the following measures to reduce your outgoings in the last six months to help cope with rising living costs?



Usage of white goods such as a dishwasher or washing machine has also dropped to conserve on bills, with one in four (24% compared to 17% previously) now using them less.

Interestingly, as rail strikes bite and the weather deteriorates people are less likely to

say they're avoiding car trips (30% down from 34%), no doubt also helped by motor fuel prices coming down from record highs.

Spending on leisure activities has been reigned in with 38% spending less compared to 30% in the first half of the year.

Could Christmas be cancelled?

While we didn't ask if households would cancel it outright, Christmas spending is definitely for the chop with major cutbacks across the board. Nearly half (46%) of respondents say they plan to cut back this year compared to previous holiday seasons. One in five say they will significantly reduce spending.

In terms of what they plan on cutting back this includes:



48% Reducing spend on presents

37% On home food and non-alcoholic drinks

35% Pubs and bars

35% On alcohol and tobacco at home

29% On clothing and footwear

28% On recreation and leisure (i.e. theatres, cinemas, concerts)

27% On hotels and restaurants



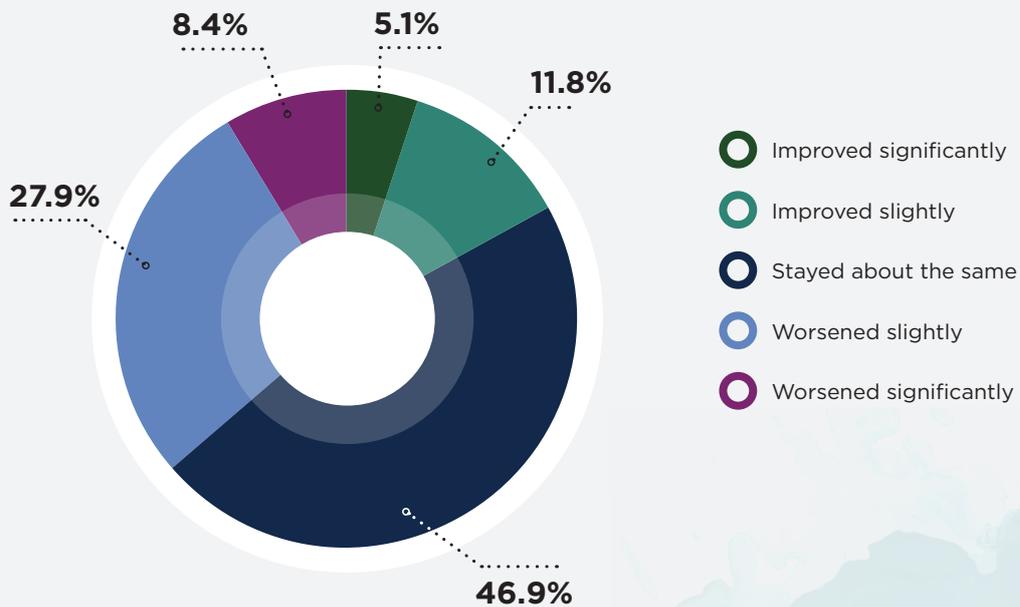
LIVING STANDARDS ARE CRASHING

Our quality of life measurements are a new addition to the Money Matters Index, so we can't track trends since the Summer.

Nonetheless, the responses to these new measures paint a worrying picture:

► More than one in three (36%) of households say their standard of living has deteriorated in the past year. Just under one in 10 say it has significantly worsened.

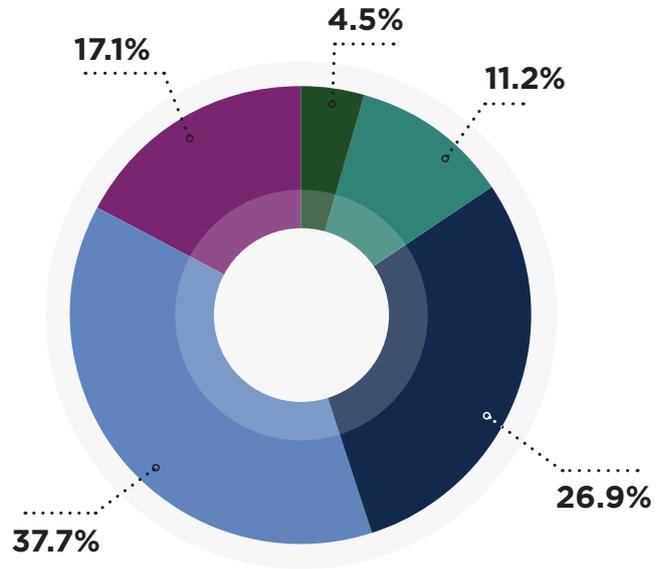
Which of the following best describes how your family's standard of living has changed over the past 12 months?



- ▶ **More than half** say they expect their living standards to worsen in the next 12 months. 17% think those standards will worsen significantly.
- ▶ **Households are net negative** on their family's future financial wellbeing – 33% are pessimistic while 28% are confident.

Which of the following best describes how you expect your family's living costs to change over the next 12 months?

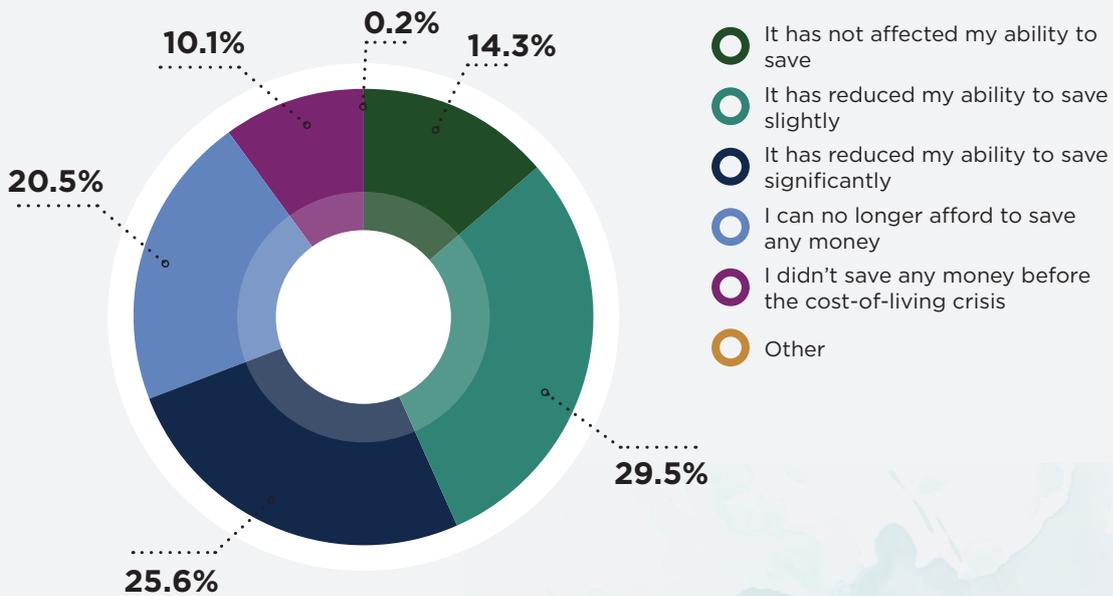
- Improved significantly
- Improved slightly
- Stayed about the same
- Worsened slightly
- Worsened significantly



Majority of those with debts worry they can't pay it back

The standard of living crunch has had a noticeable impact on household saving abilities.

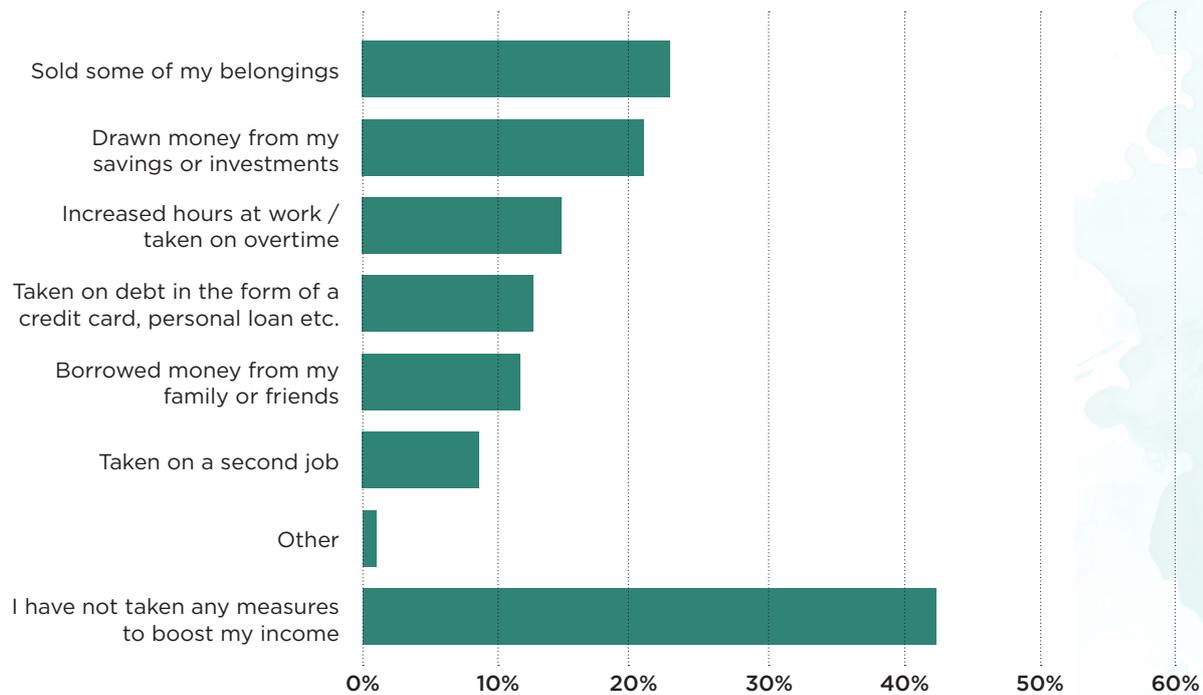
Which of the following best describes how your ability to save has been affected by rising living costs over the past 12 months?



Three in four households say that rising costs in the past year have reduced their ability to save, while just under half expect the amount they can save will continue to reduce. A notable minority of 14% think they'll be able to save more in the next year.

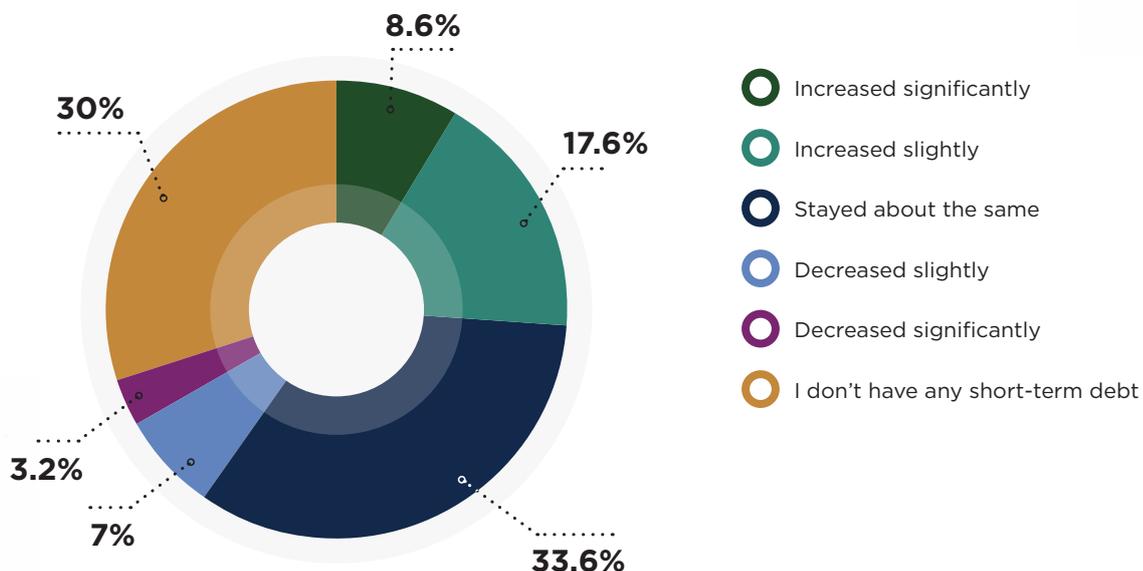
In terms of covering costs with savings, more than one in five (21%) has drawn money from savings or investments to cover their living costs while 15% have taken on more work to generate more income.

Have you taken any of the following measures to boost your income in last six months to help cope with rising living costs?



On debt, 26% say their debt levels have increased in the last 12 months. Of those who have short-term debts, such as loans or credit cards, a shocking 92% are worried about how they'll pay them back.

During the past 12 months, how has your total level of outstanding, short-term debt changed, if at all?



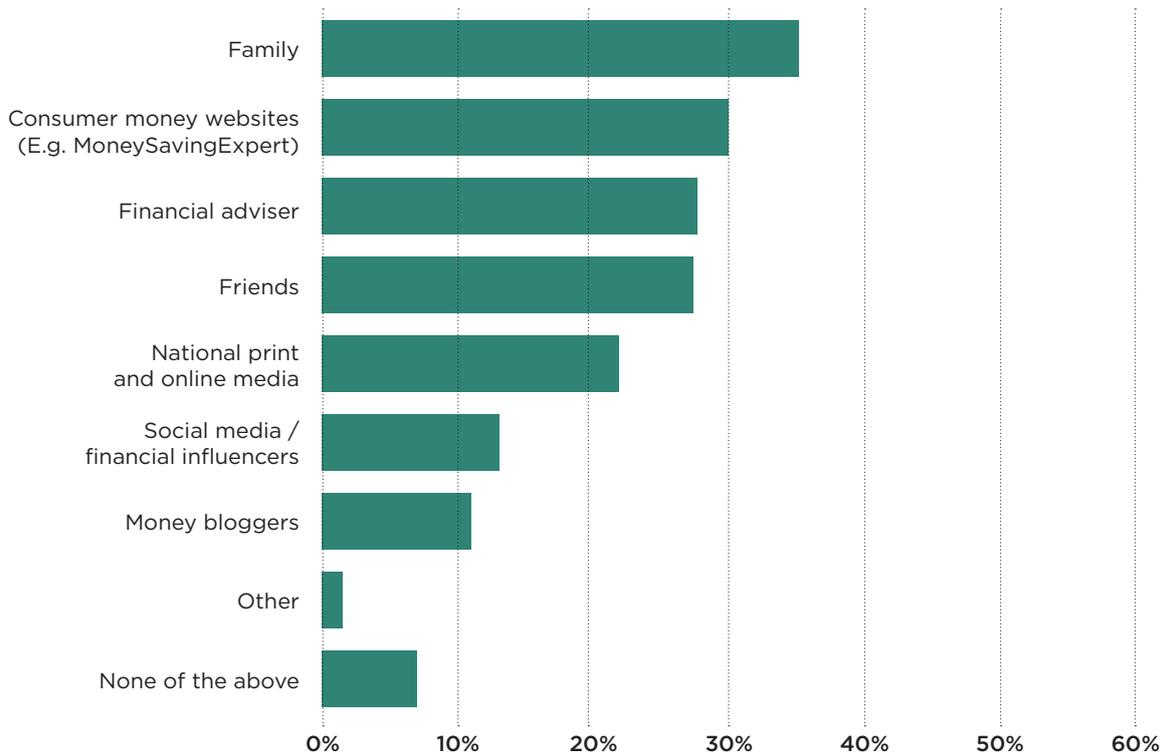
Where do you go to learn about finances?

The Money Matters Index has thrown up some interesting results regarding where people go to find out more information about their finances.

Of those that invest, family is the most popular source (35%) with consumer sites such as Money Saving Expert coming second (30%).

Millennials are turning to money bloggers and influencers more regularly, with 18% of 35-44-year-olds looking to this source compared to the research's overall average of 11%.

Which of the following sources do you go to for information and/or advice on where to invest your money?



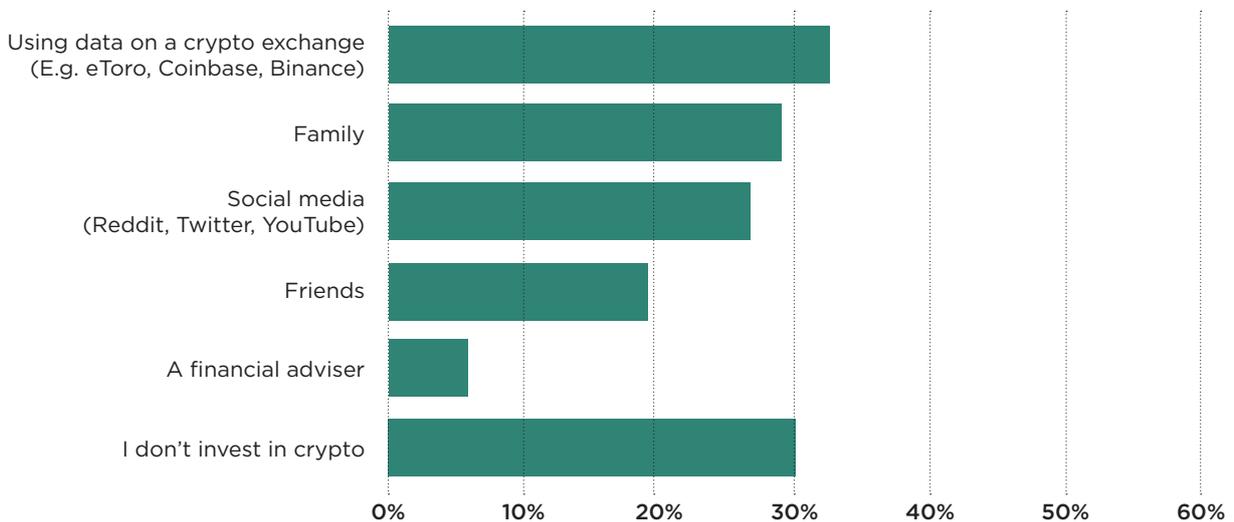
Keeping crypto in the family

Meanwhile, when it comes to cryptocurrencies, 33% use data on exchanges to inform their crypto investment decisions. Over one in four use social media while one in five speak to friends. People overall still overwhelmingly turn to family though, with 39% informing their crypto investment decisions by having conversations with family.

Just 6% talk to a financial adviser, perhaps raising concerns about how advisers engage with the area to begin with. This corroborates the findings of our separate recent Young Money roundtable where participants broadly agreed financial firms were failing to communicate with young people through the right media.

Young people are much more likely to use a crypto exchange, with 28% of 18-24-year-olds using them compared to just 11% for the national average.

If you invest in cryptoassets, which of the following sources do you use to help make your investment decisions?



CONCLUSIONS

Households are struggling. Getting by on salaries and pensions is a thankless task at the moment for many, and one that is potentially only going to get harder as we head into Winter.

The heating goes on, the walk or cycle turns into a car ride. Winter is definitely one of the trickier times of year to navigate, particularly with the pressures of Christmas adding to the emotional and financial strain.

Things aren't going to get any easier any time soon either.

With the Government looking at hiking taxes to balance the books, households are going to remain under considerable, and for many unbearable, pressure.

This, coupled with what looks to be dogged inflation, is creating a perfect storm for household finances.

If you would like to discuss this report, or any of the information in it, get in touch by emailing Chris.tuite@mrmlondon.com





About MRM

MRM is an integrated communications and reputation management consultancy specialising in the financial services and professional services sectors. Combining expertise from across the core disciplines of Corporate & Consumer PR, Social & Digital Media, News & Content and Public & Regulatory Affairs, the team specialises in helping clients tell their stories more effectively to more of the people that matter. MRM is part of MRM Group, an independently owned media services business, which also includes content consultancy Mouthy Media and its finance blogzine Mouthy Money. For more information visit www.mrm-london.com

About Mouthy Money

Mouthy Money is a money blog with a beating heart and a big mouth. It is built on real people talking simultaneously about real dreams, successes and failures through the lens of personal finance. Mouthy Money takes a range of contributions from around the UK money blogosphere and is led by experienced personal finance journalists and co-editors Edmund Greaves and Paul Thomas, Mouthy Money seeks to tell money stories in a way that breaks the mould of traditional personal finance, while also providing essential information to help readers with their personal finances. For more information visit www.mouthymoney.co.uk



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