The Consumer Council

Managing Money - How does Northern Ireland add up?

A Research Report from the Consumer Council

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The opinions stated within the report are those of the author and do not necessarily reflect those of any other individual or organisation. As always, any errors or omissions remain the responsibility of the author.

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Executive Summary

This report describes the results of new analysis of the Northern Ireland (NI) data from the Baseline Survey of Financial Capability (BSFC).

The BSFC is a survey of the financial behaviour and attitudes of adults, undertaken in 2005. It covers the whole of the UK, and includes 'booster' samples for Northern Ireland, Wales and Scotland to enable analysis at national level. The data was collected and analysed on behalf of the FSA in order to inform their Financial Capability Strategy, and to provide an initial measure of capabilities in order to identify particular areas of concern. The survey also provides a baseline from which future improvements can be gauged.

Financial capability encompasses a complex range of skills covering five key areas. These are:

- *making ends meet;*
- *keeping track;*
- *planning ahead;*
- *choosing products, and*
- *staying informed.*

Analysis has shown that some people are good at all aspects of financial capability, but that most tend to be better at some areas than others. This report looks at each of those aspects in detail.

Making ends meet

People with high *making ends meet* scores keep up with financial commitments without difficulty, have a positive attitude to savings ('I am more of a saver than a spender'), never run out of money before their next pay day, and have not been in financial difficulties in the last five years.

Initial analysis of the BSFC indicated that people in NI had similar scores at *making ends meet* to those across the UK as a whole. However, detailed nation by nation analysis shows that people in NI were more likely to have scores around the average, but less likely to have very good scores.

Older people in NI were far more likely to be better at making ends meet than those aged under 40. Retired people were also better at making ends meet than working age adults: whether working or not. Given this, it is not surprising that ability to make ends meet did not vary widely by household income, except that it increased among those with household incomes equal to the top 20 per cent of UK household incomes.

People who were divorced or separated were less likely to make ends meet than average, as were single adults – indeed having two adults in a household was associated with higher financial capability scores in this domain.

Regression analysis[1] also showed that people who did not use a current account were less likely than others to be good at making ends meet, perhaps reflecting the increased costs of operating a cash budget.

[1] Regression analysis is a statistical tool that allows us to consider how something (such as a score, or levels of demand) varies across characteristics such as gender, age and income. For example, we can use regression analysis to look at the changes in levels of financial capability associated with different incomes, for any given age and gender.

We looked to see how people in NI had answered the questions that were used to develop the *making ends meet* score. This showed that their attitudes to money management reflected the attitudes of people across the whole of the UK. People in NI tended not to see themselves as impulsive shoppers. They were split evenly across those who identified themselves as savers and those who were spenders, and yet 82 per cent disagreed that they would rather buy on credit than save up, suggesting that they might save if they had a specific reason to.

Keeping track

People who are *keeping track* effectively frequently check the amount of money they have. They know their current account balance, or hold money in cash only, and if they have an account they are also careful to check their receipts against their bank statement. Such people also budget to cover quarterly or annual bills (such as car tax).

The BSFC showed that NI was the only nation where average *keeping track* scores were higher than the UK average. However, the difference was not significant once other factors were taken into account – in other words, the higher scores resulted from some other difference within NI. Additional analysis shows that some of the difference can be accounted for by the lower proportion of adults in NI who use a current account. These adults scored highly at aspects of keeping track because they knew how much money they had.

Women in NI were much better at keeping track than men. But there were also important differences in scores by age and income, with people in their 50s least likely to be keeping track of their finances and those on low incomes more likely to keep track than those with higher incomes. In contrast with the ability to make ends meet, adults living alone were more likely than couples to score highly at keeping track.

It is important to note that people living in low income households in NI were far more likely than those in the UK to say that they knew how much money they had to within ten pounds (63 per cent gave this response in NI compared with just 20 per cent in the UK). This suggests that there are important differences in attitudes among low income households across the UK.

Planning ahead

People who have high levels of financial capability in terms of planning ahead have made sufficient provision for an unexpected expense/drop in income. They could also make ends meet for 12 months or more if their income dropped. These people hold some form of insurance and some provision for retirement. They also have a positive attitude to saving for a rainy day, and planning for retirement.

The BSFC showed that even after taking other characteristics into account, people in NI had significantly lower *planning ahead* scores than people in England and Scotland (people in Wales also had significantly lower scores). People in NI were only half as likely as expected to have *planning ahead* scores in the top 20 per cent.

Men in NI were more likely than women to be planning ahead, but in general, people were also more likely to plan ahead as they got older, so that those aged 40 and above tended to score above average in this aspect of financial capability.

Planning ahead also appeared to be related to qualifications, work status, income and number of earners, suggesting that planning ahead is related to circumstances – so, those with more secure, well paid jobs are more likely to plan ahead.

It is of considerable concern that, within NI, lone parents' average score (27) was 18 points below the NI average. This is particularly concerning when we remember that the average for NI was much lower than across the UK as a whole. However, *planning ahead* scores did not vary significantly by number of children in a household; the number of adults is a more important indicator of this aspect of financial capability.

Attitudes to planning ahead

Saving for a rainy day was important for the vast majority of people in NI (as in the UK) with more than two thirds (69 per cent) agreeing that they made sure they had money saved.

Almost a quarter (24 per cent) of people in NI asked whether they agreed with the statement 'I would rather have a good standard of living today than plan for retirement' said that they did not know. This figure increased to almost a third (32 per cent) among people with low household incomes. Furthermore, more than half of people in NI agreed that they would put their current standard of living above their retirement – indicating the potential for serious problems in the future.

The BSFC included a range of questions aimed at understanding how people might cope if their income fell, and how long they could manage for. In all, a quarter of people in NI (26 per cent) felt confident that they could manage for at least 12 months, but slightly more than this (29 per cent) did not feel confident that they could manage for a whole month. People in NI were far more pessimistic about their ability to cope than people in the UK as a whole. The UK data showed that just 17 per cent felt they would not be able to make ends meet for a month, and 39 per cent thought they would manage for 12 months or more.

In general, many residents of NI appeared to be unconcerned with unpredictable events. Only slightly more than half held any insurance to mitigate the effects of a loss of income or property. Across the whole of the UK seven in ten adults held at least one form of protection insurance.

Choosing products

In order to create the baseline using relevant information, people were only given a score in this section if they had personally made a financial purchase in the last five years. Analysis of the BSFC showed that people who are good at choosing products seek advice from professional advisers or shop around before buying a new product. They do not simply rely on product information, but rather, they compare products from more than one provider (personally or through an adviser). They also compare products on features and price, and read the terms and conditions in detail.

In NI, 59 per cent of people had been responsible for buying a product in the last five years, (compared with 74 per cent across the UK) and they included more women than men.

Not only were people in NI less likely to have made a recent product choice, but those who had were less capable at this aspect of financial capability than people in the UK as a whole.

The relationship between *choosing product* scores and income in NI was significant, and suggests that those with higher incomes made more careful choices (probably through having more experience). It is clearly of concern that the people with the lowest incomes were less likely to make informed choices.

It is of some concern that eight per cent of people in NI relied mainly on unsolicited advice through the post (promotional literature) when making a decision on the most complex product they had bought in the last five years, and more than a quarter (27 per cent) used no information at all.

Also of concern, is the relatively large proportion (17 per cent) of financial consumers in NI who admitted that they had not read the terms and conditions of the most complex financial product they had bought in the last five years.

Staying informed

The financial capability score for *staying informed* seeks to identify people who monitor financial indicators such as interest rates and unemployment figures. It gives a higher score to people who check the indicators frequently, and to those who feel that it is reasonably important to keep up to date with financial matters. It also includes aspects of financial literacy – such as the ability to read a bank statement, and knowledge of risk related to various savings products.

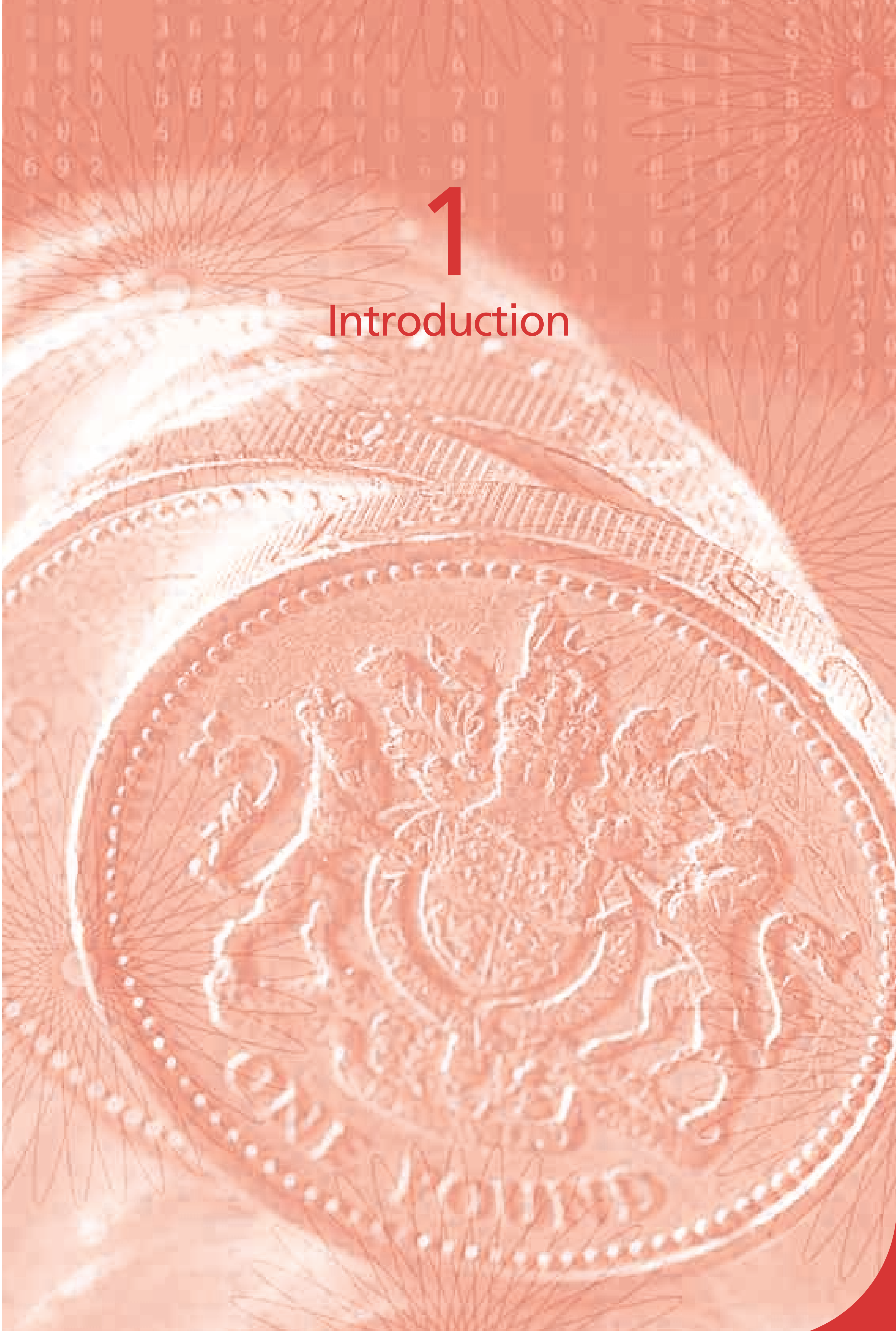
Staying informed was another aspect of financial capability that people in NI were less good at than those in England and Scotland (those in Wales also scored below average).

As in the UK, women were far less likely to stay informed than men in NI, while adults aged between 30 and 59 scored more than those of other ages. Lone parents with dependent children had the lowest average scores of all family types, but findings suggested that the number of adults in a household was more important than the number of children.

Nearly half (46 per cent) of all people in NI stated they never check economic indicators It is clear that this is one reason why people in NI may have lower scores in this aspect of financial capability. The findings are in stark contrast to analysis of the UK-wide data which showed that 34 per cent of people in the UK checked an indicator at least once a week, and just 23 per cent didn't check anything. Furthermore, one in five people in NI felt that it was not at all important to keep up to date with financial matters, while across the whole of the UK the figure was just nine per cent).

Interestingly, the vast majority of people in NI correctly identified the closing balance on a current account from a bank statement. Just six per cent of people in NI got this question wrong – fewer than in the UK as a whole where nine per cent gave the wrong answer. Given the higher levels of adults in NI without bank accounts[2], this was an unexpected result. Similarly, people in NI were generally good at working out whether there was sufficient money in an account for a payment to be made (88 per cent gave the right answer). It could be that this reflects the higher than average scores on *keeping track* of money discussed previously.

[2] This survey found only 79 per cent of adults in NI held a current account for personal use. This is ten percentage points less than the UK proportion with an account (89 per cent).



1
Introduction

It is widely recognised that consumers need financial skills to help them to make informed choices and reduce the potential for costly mistakes. While regulation offers a degree of protection, savvy consumers are still more likely than their less capable peers to be able to negotiate the financial services sector.

In 2003, the FSA launched a new initiative to develop and implement a national strategy for financial capability. This was followed in 2004 with an announcement that they intended to commission a 'comprehensive baseline survey to establish the current state of financial capability in the UK'. The baseline survey was designed following exhaustive exploratory qualitative research aimed at understanding exactly what skills and behaviours the term financial capability should encompass.

The key findings from the Baseline Survey of Financial Capability (BSFC) were reported in 2006 (Atkinson et al, 2006). They showed significant differences in levels of capability across the countries within the UK. The BSFC was purposely over-sampled within NI, Wales and Scotland in order to facilitate detailed nation by nation analysis. It is with this in mind that the Consumer Council for NI commissioned this study to gain a better understanding of the levels of financial capability within NI.

In this report we will consider each aspect of financial capability separately across NI, and draw comparisons with previous findings for the UK as a whole. Note that the new analysis has been conducted using nation specific 'weights'[3] to ensure that the NI sample is representative of the NI population. The original analysis of the BSFC used data that was weighted to represent the UK as a whole, which included weights to compensate for the over-sampling in NI, Wales and Scotland.

1.1 Measuring financial capability

The development process that informed the BSFC showed that financial capability encompasses four distinct topics, or domains. These have been described as *managing money, planning ahead, choosing products,* and *staying informed.* However, statistical analysis of the BSFC data indicated that there are two separate aspects of the *managing money* domain, 1) *making ends meet* and 2) *keeping track of finances* and that these are not correlated. Financial capability is therefore measured across five aspects which cover the breadth of skills required to be confident and competent financial consumers.

Each aspect of financial capability is, in itself, multi-faceted. There is no single question that can adequately identify the extent to which people manage their money effectively or stay informed. But there is clearly value in having a single score for each aspect, rather than a multitude of (possibly conflicting) answers.

For this reason, the responses to relevant questions were reduced to a single score, using a technique known as factor analysis (see Atkinson et al, 2006 for a detailed discussion of this and other aspects of scoring). This resulted in five separate scores being created to measure the five aspects of financial capability.

The BSFC reported scores that range between 0 and 100, and we use the same scores in this report. However, the numbers are only for illustration and show the general direction of capability (larger scores indicate higher levels of capability), rather than the magnitude (three additional points do not indicate three additional competencies). There is no particular 'pass mark' because the baseline measure has been created to identify the distribution of capabilities rather than the proportion passing or failing. It should also be noted that the actual scores are not directly comparable across aspects of financial capability, only within each of the five aspects.

[3] 'Weights' mean the adjustments made to the survey sample to take account of special circumstances. The original survey over-sampled in NI, Scotland and Wales to allow for regional analysis

2
Making ends meet

2 Making ends meet

Analysis of the BSFC showed that people with high *making ends meet* scores keep up with financial commitments without difficulty, have a positive attitude to savings ('I am more of a saver than a spender'), never run out of money before their next pay day, and have not been in financial difficulties in the last five years.

The results of the BSFC indicated that people in NI were not significantly better or worse at making ends meet than people in Scotland and England in 2005, but regression analysis[4] confirmed they did achieve significantly higher scores in this aspect of financial capability than those in Wales (**Box 2.1**).

Box 2.1
Significant predictors of financial capability in the UK: *Making ends meet*

Making ends meet – results of regression analysis: UK

Significantly higher scores achieved by:

- Muslims and Hindus, Christians and Sikhs compared to those with no religion
- Respondents whose partner was the main earner
- People who got free financial products from work (such as health insurance)
- Adults aged between 50 and 79
- Those with household incomes in top 20 per cent
- Outright home-owners (compared with mortgagors)
- Degree educated adults
- Retirees

Significantly lower scores among:

- People with no current account
- Current account holders who do not use their account
- Adults aged between 20 and 39
- Private and social tenants (compared to mortgagors)
- People living in Wales
- Households with dependent children
- Unemployed, sick and disabled people

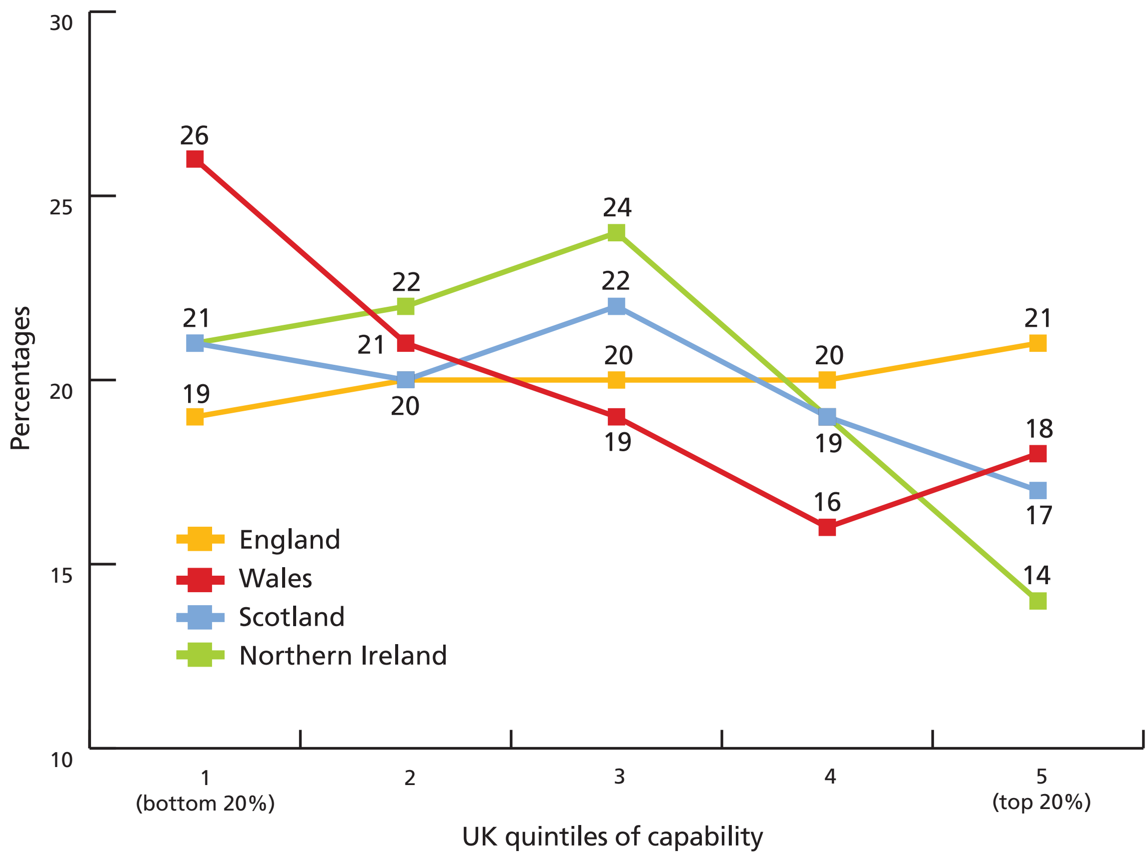
(Atkinson et al, 2006)

It is not necessarily the case that average scores reflect the distribution of scores (for example the average of 2 and 10 is the same as the average of 5 and 7). In this report we also consider how many people in NI have scores in each of the five quintiles[5] of UK scores.

We can see from Figure 2.1 that even though the average scores across NI were not significantly different from those in England, Scotland or Wales, the distribution of scores varied slightly. In particular, just 14 per cent of people within NI had scores that would put them in the UK top 20 per cent.

[4] Regression analysis is a statistical tool that allows us to consider how something (such as a score, or levels of demand) varies across characteristics such as gender, age and income. For example, we can use regression analysis to look at the changes in levels of financial capability associated with different incomes, for any given age and gender.

Figure 2.1
Quintiles of *making ends meet* scores, by nation



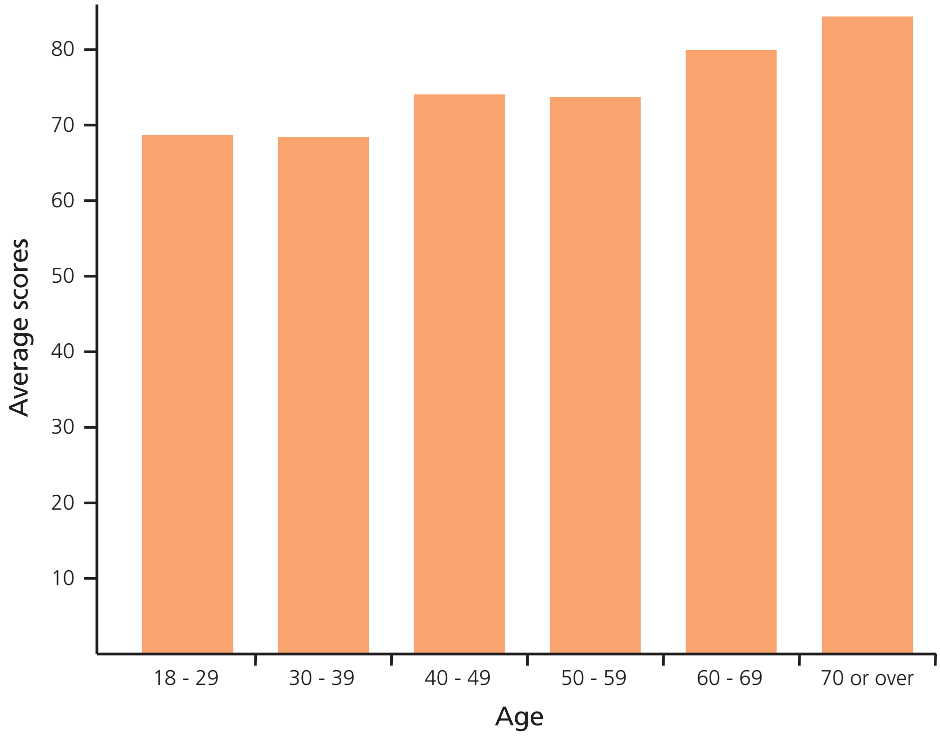
2.1 Variations in *making ends meet* scores by key characteristics

Analysis of the data for NI showed that *making ends meet* scores varied slightly between male and female respondents. The average score was 74 but women scored 73 and men scored 75. Tests indicate that the difference could have happened by chance but it is in the same direction and of the same order as statistically significant differences found across the UK, and so we can be relatively confident in assuming that men are marginally better at *making ends meet* than women, both in NI and in the rest of the UK.

Average *making ends meet* scores increased noticeably with age both within NI and across the UK. Within NI, scores ranged from an average of 69 among those under 39 to 85 for those aged 70 and over (**Figure 2.2**).

[5] The quintiles are created by ranking respondents' scores from lowest to highest. The 20 per cent of respondents with the lowest scores are then grouped into the first quintile, the 20 per cent with the next lowest scores are grouped into the second quintile and so on up to the fifth quintile group consisting of those with the highest scores.

Figure 2.2
Average *making ends meet* scores; by age



The regression analysis for the UK indicated that *making ends meet* scores were higher among people with degree level qualifications, but initial analysis of the NI data did not show large variations in ability to *make ends meet* by qualifications (**Table 2.1**). For example, those with no qualifications scored an average of 73, while those with degree level qualifications scored 76 on average.

Table 2.1
Average *making ends meet* scores; by highest qualification: NI

	NI (score)	*Weighted Base*
Degree level or above	76	58
Above GCSE but below degree	75	140
GCSE level qualifications	73	167
No qualifications	73	147
All	**74**	**512**

Adults in NI who were employed either part time or full time scored only slightly less than others (73 compared with 75). However, the differences in scores across work status categories was statistically significant, and the pattern of scores in relation to work status was very similar to that across the whole of the UK (**Figure 2.3**)[6].

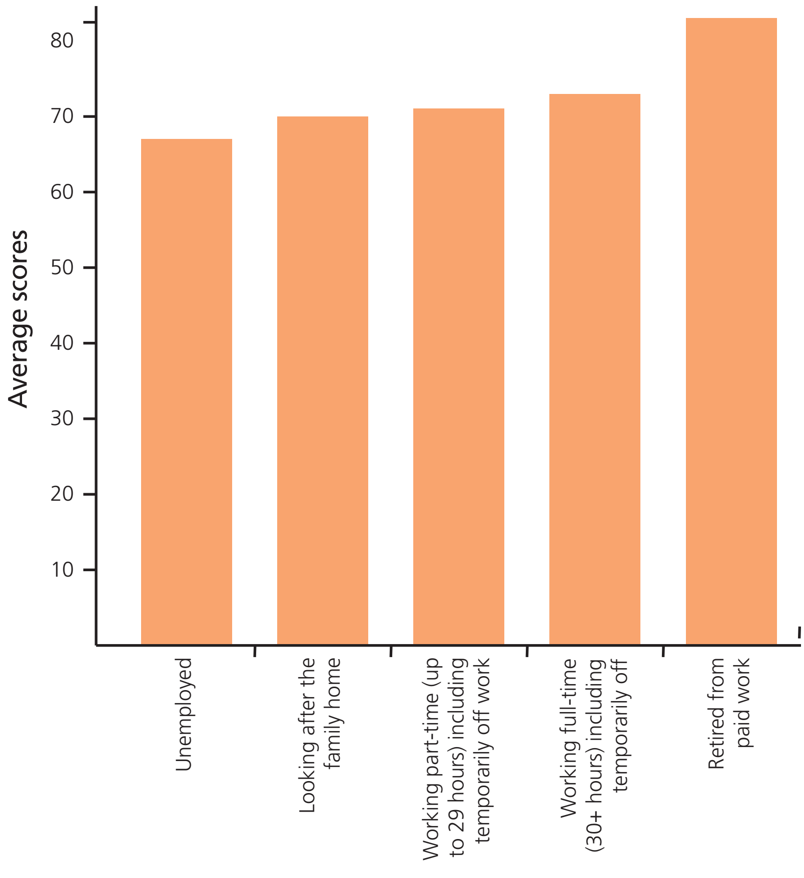
[6] Because of the relatively small numbers of people in some of the work status categories it is difficult to draw firm conclusions from this, but the findings are certainly plausible.

It is very likely that the observed differences in scores by work status are related to the differences by age noted above. For example, retired people scored an average of 83 compared with a low score of just 67 among the unemployed.

We also looked to see whether individuals' own financial capability in relation to making ends meet varied by the work status of their partner. Perhaps unsurprisingly, those with no partner[7] had lower than average scores (72) – reflecting the relatively high costs of running a home for one person. Those with an employed partner (full-time or part-time) scored an average of 75 while those with an unemployed partner scored rather more (78). Again, we can reasonably assume that the higher averages for non-working partners are a result of the number of retired older people.

Given that retired people appear to be skilled at making ends meet, even though they tend to have relatively small incomes, we can assume that ability to make ends meet does not simply increase as income increases. This is largely confirmed by the data: analysis of the NI data showed no significant differences in ability to make ends meet by income, although it is noteworthy that only people in the highest household income group in NI had above average scores[8].

Figure 2.3
Average *making ends meet* scores; by work status



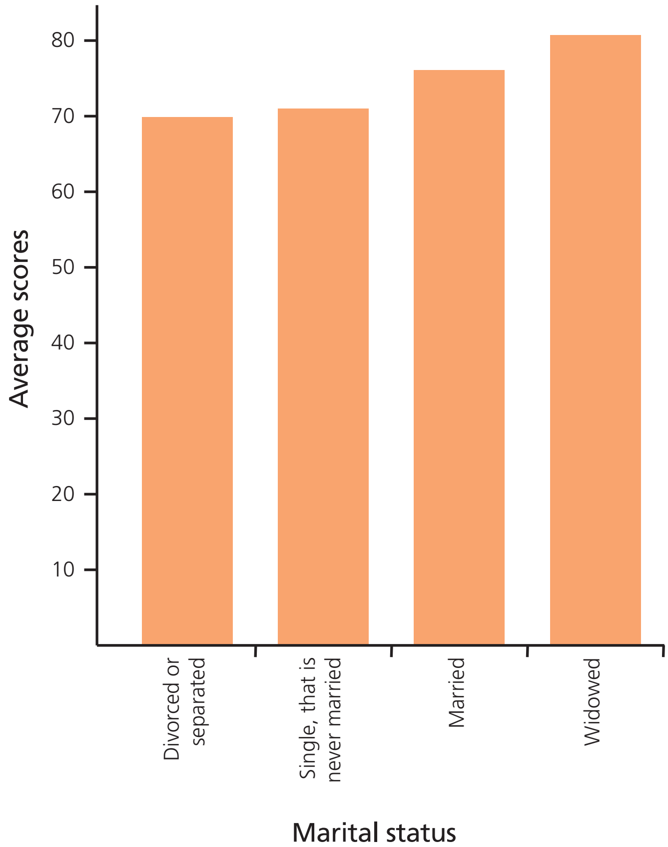
Caution low bases: n=50 unemployed, n=56 part-time work.
Note that 18 individuals were in full-time education and 33 reported that they were not working through sickness or disability.

[7] Note that this is a better indicator of single adult households than marital status, since marital status is 'single' for unmarried couples who cohabit. Equally, some people who are identified as 'married' live apart from their spouse.

[8] Highest income here refers to a total household income within the top 20 per cent of UK household incomes as identified on the BSFC. All discussion of income in this paper refers to UK household income quintiles.

There were significant and predictable, differences in ability to make ends meet by marital status. People who were divorced or separated were least likely to be exhibiting capability at making ends meet (almost certainly because of the impact of their change in circumstance) while widows were most likely to be good at this aspect of financial capability (as they were typically older). In NI (as in the whole of the UK) single adults were also less likely than average to be good at *making ends meet*.

Figure 2.4
Average *making ends meet* scores; by marital status

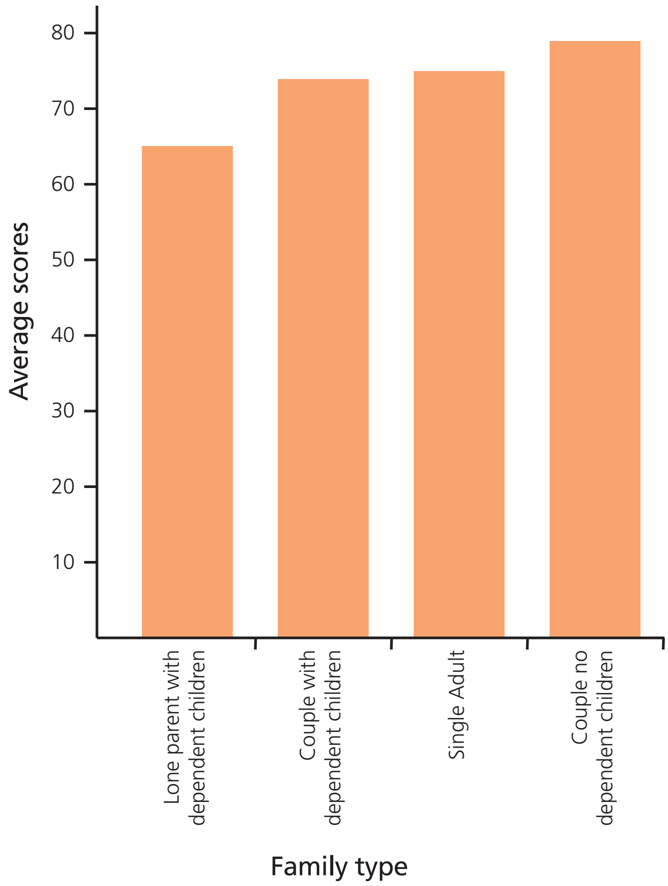


Caution low bases: n=53 divorced or separated, n=53 widowed.

There were significant differences in ability to make ends meet by the number of children in a household both in NI, and across the whole of the UK. Adults in households in NI with no children scored 76 on average, and this decreased with number of children, so that households with one or two children scored just 70, and those with three or more children scored 69 (but caution low sample size).

Not only were parents less adept at making ends meet than people with no dependent children, but lone parents scored significantly lower at this aspect of financial capability than two parent households. Indeed Figure 2.5 suggests that the number of adults in a household is itself related to making ends meet, with lone parents scoring less than two parent households, and single adults scoring slightly less than couples without children. As before, this relationship was also found in analysis looking at the whole of the UK.

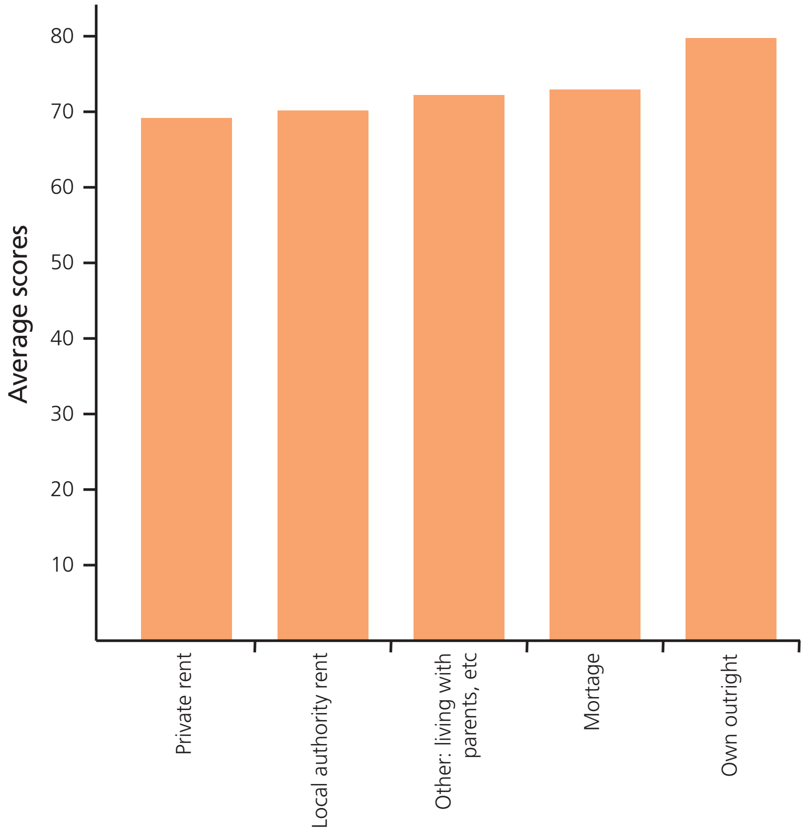
Figure 2.5
Average *making ends meet* scores; by family type



There were noticeable differences in levels of capability at making ends meet among people with different housing tenure[9] in NI (**Figure 2.6**) which again reflected those found across the UK. In particular, people who owned their home outright were more capable on average than people with other types of tenure, a finding that is almost certainly linked to the positive relationship between age and *making ends meet*. The lowest levels of capability were found among private renters in NI (69) and social tenants in the UK as a whole (68).

[9] Tenure refers to the arrangements under which the household occupies the housing unit. Types of tenure include private rent, local authority rent, mortgage and owned outright.

Figure 2.6
Average *making ends meet* scores; by housing tenure



Caution low bases: n=59 private renters, and n=63 'others'.

2.1.1 Significant predictors of *making ends meet* scores: NI

We used regression analysis to consider the association between the characteristics of people in NI and their ability to make ends meet, holding other variable constant. This largely replicates the research done for the BSFC, summarised in Box 2.1. However, it does not control for as many variables as the first report for a variety of reasons: the smaller sample size limits the number of variables that can be investigated, and the smaller variation in some characteristics within NI (such as ethnicity) prevent their use in the model. Neither can we identify some important characteristics: in particular people of different religions within NI cannot be properly identified: the vast majority would simply fall in the Christian category, which is inadequate. To overcome this particular problem in part, we do identify people who claimed that their financial product choices were influenced by their religion.

The regression analysis shows that the ability to make ends meet improves with age, even after taking account variations in household income into account, the number of earners in a household and other socio-economic factors. This suggests that older people in NI are particularly good at living within their means regardless of their circumstances.

The small difference in average *making ends meet* scores by gender is not significant once these other factors are considered. Even after considering income and some indicators of social exclusion such as the type of area that each person lives in[10] we find that current account use is linked to higher *making ends meet* scores. This could reflect the additional costs of operating a cash budget.

We had assumed that the higher than average scores among retirees would be linked to age, but the regression shows that even after controlling for age, retirees are better able to make ends meet than their peers. This suggests that older people who have not retired are less good at making ends meet – which perhaps indicates that they have continued to work beyond retirement because of their financial situation.

Box 2.2
Significant predictors of financial capability in NI: *Making ends meet*

Making ends meet – results of regression analysis: NI

Significantly higher scores achieved by:

- Adults aged 60+
- Outright home-owners (compared with mortgagors)
- Retirees and those in full-time education

Significantly lower scores among:

- People with no current account
- Current account holders who do not use their account
- Adults aged between 20 and 39
- People in households with no earners

2.2 Attitudes to money management

The development work for the BSFC made it clear that capability is related to attitudes as well as behaviour. The focus groups convened during the development phase of the BSFC noted that people's circumstances may prevent them from behaving in the way they would like. For example, people who are particularly averse to credit may nevertheless find themselves in need of a loan to meet an unexpected expense. We therefore consider the responses of people in NI to a range of statements. We also report the findings from the UK survey for information.

It is clear from Table 2.2 that people in NI tended not to see themselves as impulsive shoppers. They were split evenly across those who identified themselves as savers and those who were spenders, and yet 82 per cent disagreed that they would rather buy on credit that save up, suggesting that they might save if they had a specific reason to. There is some indication that

[10] ACORN classifications ('A Classification Of Residential Neighbourhoods') are created by CACI information solutions to provide detailed information about the types of neighbourhoods that individuals live in. They are designed primarily to identify geodemographic variations in the demand for product and services. For the analysis described here, we have used the five aggregate categories described in the ACORN coding. These are: wealthy achievers, urban prosperity, comfortably off, moderate means and hard pressed.

most people were averse to using credit, and that most were opposed to using credit to pay for everyday spending. However, at the other extreme, one in twenty disagreed strongly with the statement 'I would rather cut back than put everyday spending on a credit card I couldn't repay in full each month'.

Table 2.2
Attitude statements

	NI (%)	UK (%)
I am impulsive and tend to buy things even when I can't really afford them		
Agree strongly	8	7
Tend to agree	18	14
Tend to disagree	28	29
Disagree strongly	47	50
Don't know	-	-
I am more of a saver than a spender		
Agree strongly	18	19
Tend to agree	31	37
Tend to disagree	36	30
Disagree strongly	14	13
Don't know	-	1
I prefer to buy things on credit rather than wait and save up		
Agree strongly	3	5
Tend to agree	14	15
Tend to disagree	23	28
Disagree strongly	59	51
Don't know	-	-
I would rather cut back than put everyday spending on a credit card I couldn't repay in full each month		
Agree strongly	68	61
Tend to agree	19	23
Tend to disagree	7	9
Disagree strongly	5	6
Don't know	1	1
Base	*512*	*5,328*

- less than 0.5 but more than 0

The *making ends meet* score includes a measure that has been derived from answers to two questions about having enough money to last to the next pay day or benefits receipt, which we will loosely label 'the end of the month' (**Table 2.3**). More than half of the adults in NI (51 per cent) were in the comfortable position of always having money left over by the end of the month and a further third were sometimes in this position. However nine per cent always ran out *before* the end of the month, and a further six per cent ran out by pay day. A small number claimed to run out before the end of the month *and* have money left over, suggesting that they were perhaps living off their savings at some point each month.

Table 2.3
How often they ran out of money and how often they had money left: NI

	NI (%)
Never runs out, always has money left over	51
Sometimes runs out, sometimes has money left over	33
Never runs out before end but never has money left over	6
Always runs out before end but claims always has money left over as well	2
Always runs out, never has money left over	9
Base	*512*

Given the findings above, it is not surprising that six per cent of respondents in NI with a current account were virtually always overdrawn (**Table 2.4**). Indeed, the bigger surprise may be that more than two thirds were apparently *never* overdrawn, since half of all people in NI ran out of money before payday, either occasionally or regularly.

Table 2.4
How regularly current account holder is overdrawn: NI

	NI (%)
Virtually always	6
Sometimes	11
Overdrawn, do not know frequency	14
Never	69
Base: all those with current account (weighted)	*406*

People are arguably the best judge of their own financial circumstances. The BSFC therefore included questions about how well people were keeping up with their financial commitments. Responses within NI showed that most people were keeping up without too much difficulty, but that 11 per cent were struggling, and three per cent were actually falling behind (**Table 2.5**). Just one per cent described themselves as having real financial problems. Across the whole of the UK, similar proportions said they were falling behind (two per cent) or having real financial problems (one per cent) but only half as many claimed to be struggling (six per cent). Indeed considerably more adults in the UK as a whole claimed to be keeping up without any difficulty (65 per cent).

Table 2.5
How well currently keeping up with bills and credit commitments: NI

	NI (%)
Keeping up with all bills and commitments without any difficulty	56
Keeping up with all bills and commitments but it is a struggle from time to time	29
Keeping up with all bills and commitments, but it is a constant struggle	11
Falling behind with some bills or credit commitments	3
Having real financial problems and have fallen behind with commitments	1
Base	*512*

3
Keeping track

3 Keeping track

People who are *keeping track* of their personal finances effectively frequently check the amount of money they have. They know their current account balance, or hold money in cash only, and if they have an account they are also careful to check their receipts against their bank statement. Such people also budget to cover quarterly or annual bills (such as car tax).

Some people may appear to manage their money without ever keeping track or making plans, simply because they have flexibility within their monthly budget. However, it could be argued that keeping track of your own financial situation and expenditure is an important aspect of financial capability, and one which may help mediate the impact of financial shocks such as job loss.

The BSFC showed that NI was the only nation where average *keeping track* scores were higher than the UK average. However, the difference was not significant once other factors were taken into account – in other words the higher scores resulted from some other difference within NI, such as generally lower incomes (**Box 3.1**).

Box 3.1
Significant predictors of financial capability in the UK: *Keeping track*

Keeping track – results of regression analysis (UK)

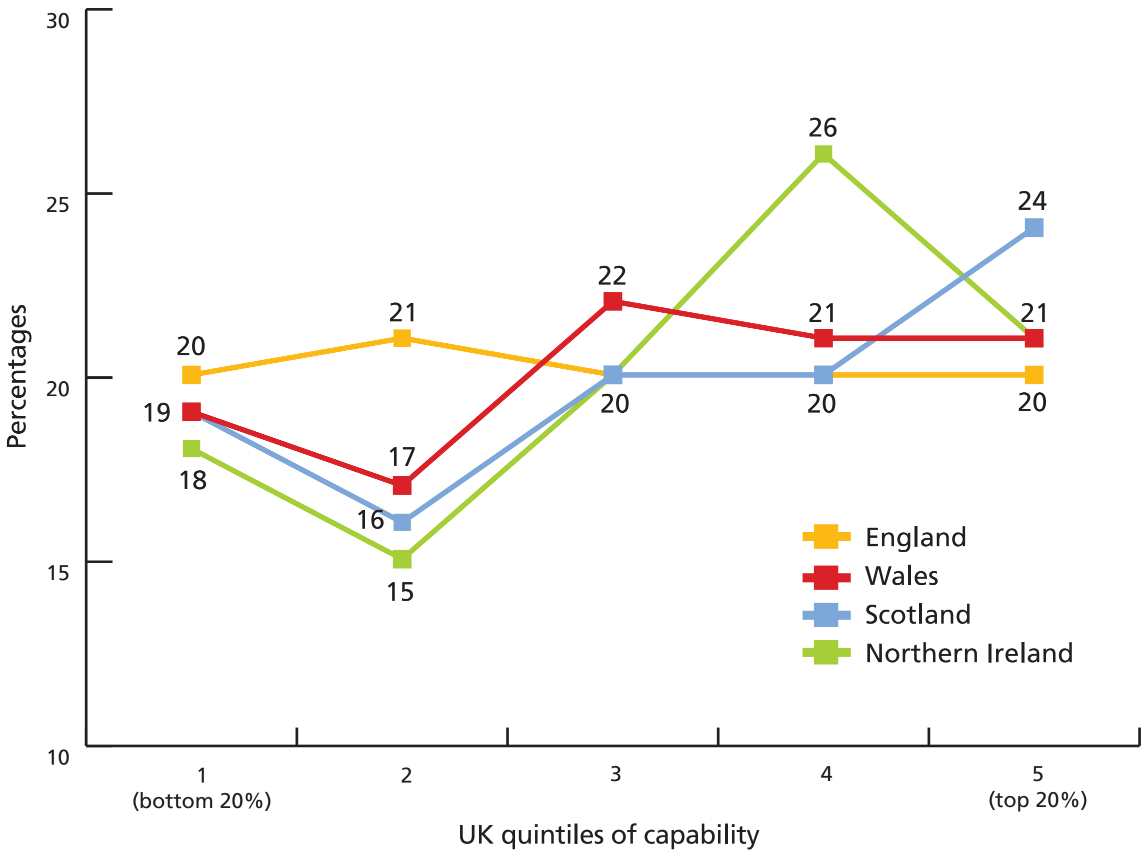
Significantly higher scores achieved by:
- Christians compared to those with no religion
- People with no current account
- Current account holders who do not use their account
- Private and social tenants (compared with mortgagors)
- Women
- Single adults, with or without children
- Those not in full-time work (unless sick or disabled)

Significantly lower scores among:
- Respondents whose partner was the main earner
- Those with household incomes in top 20 per cent

(Atkinson et al, 2006)

If the distribution of scores in NI reflected those in the UK we would expect to find 20 per cent in each quintile of Figure 3.1. We can see that approximately 20 per cent achieved scores in the top and bottom quintile, but that the distribution varied somewhat in the middle, with far more than average achieving scores in the fourth quintile. This has resulted in the above average scores for NI.

Figure 3.1
Distribution of *keeping track* scores; by nation



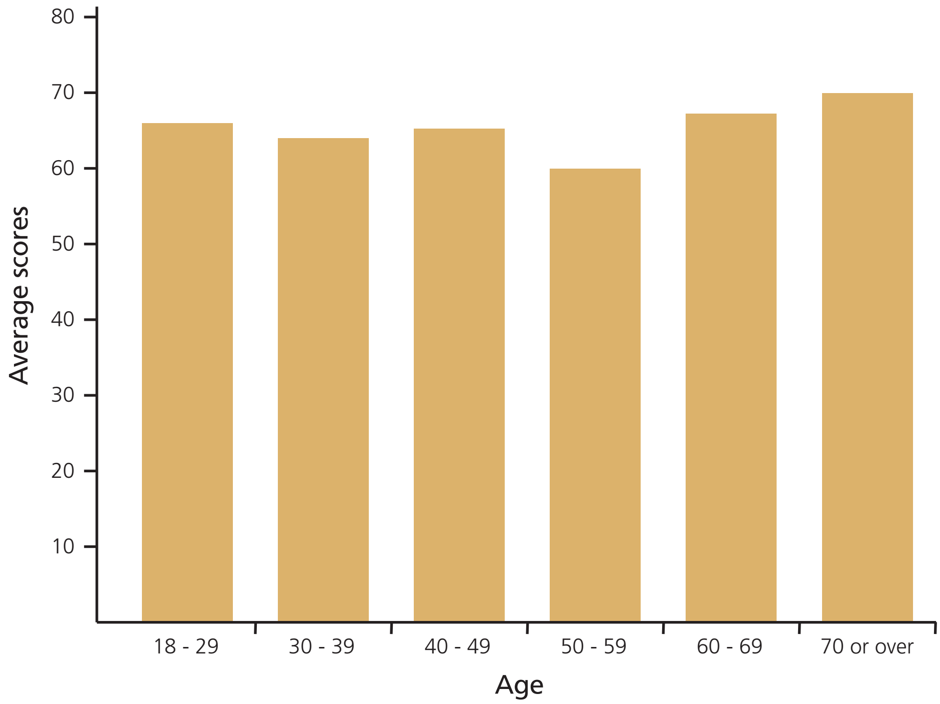
3.1 Variations in *keeping track* scores by key characteristics

In this section, as in the previous one, we consider the variation in financial capability scores among the people of NI by key characteristics.

In contrast with *making ends meet* scores, women in NI scored significantly more than men on average at *keeping track*. The average score was 66, but men scored just 63 on average, while women scored 68. This mirrored the findings across the whole of the UK.

People in NI aged 50 to 59 were less likely than others to be keeping track of their finances. By comparison, UK adults in their 30s, 40s and 50s had relatively low average scores.

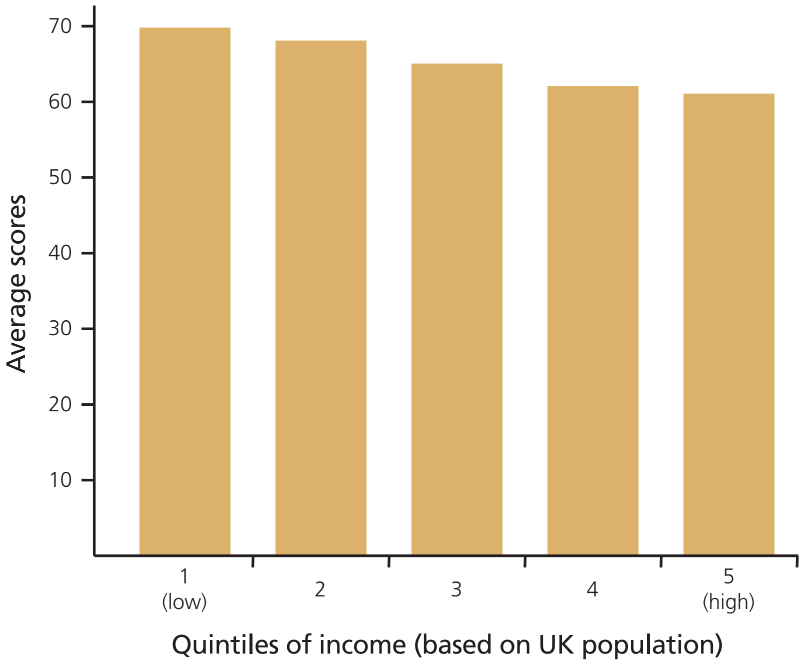
Figure 3.2
Average *keeping track* scores; by age



There was no noticeable difference in *keeping track* by qualification levels in NI, and it was not a significant predictor in the UK.

People with low incomes were rather more likely to be good at keeping track of their finances than those on higher incomes (**Figure 3.3**). This almost certainly indicates that people keep track because they have to, rather than because it is something they have been taught to do, or believe is important in itself. In NI, as in the UK, only people with incomes in the bottom 40 per cent were above average at keeping track.

Figure 3.3
Average *keeping track* scores; by household income

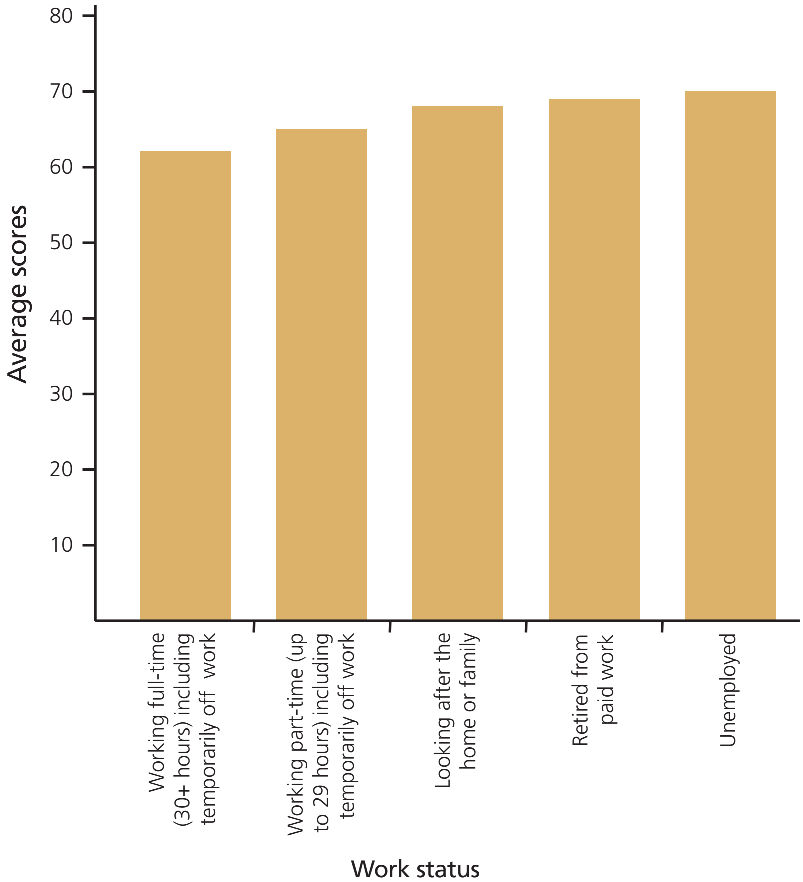


Caution low bases: n=56 quintile 5.

Looking at the differences by income it is not surprising that employed people scored less than others (62 compared with 68). Given the small bases it is difficult to surmise further about the variations in *keeping track* scores by work status, but comparisons with the UK data suggest that a similar pattern exists to that in Figure 3.4. However, in the larger UK sample adults in full-time education were less likely than average to be keeping track of their finances, and regression analysis indicated that their scores were not significantly different from those of full-time workers.

Adults in NI with a partner in employment were far less likely to score well at *keeping track* (scoring an average of 60). By contrast, those with a partner who was not earning scored an average of 67, and those with no partner scored 68. This is almost certainly related to the relationship between keeping track and household income discussed above.

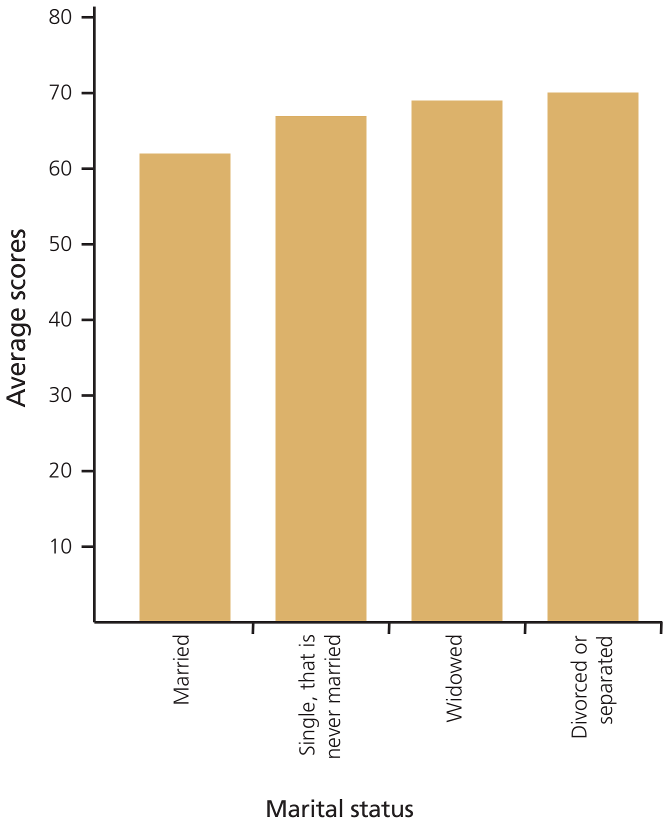
Figure 3.4
Average *keeping track* scores; by work status



Caution low bases: n=50 unemployed, n=56 part-time work.
Note that 18 individuals were in full-time education and 33 reported that they were not working through sickness or disability.

Average scores varied significantly by marital status; and as might be expected those who were separated or divorced were most likely to be keeping track of their finances (scoring an average of 70 on this aspect of financial capability), although single people were still more likely than average to be keeping track (67). Only the average score of married people in NI (62) was below the national average (66). The same was true across the UK.

Figure 3.5
Average *keeping track* scores; by marital status

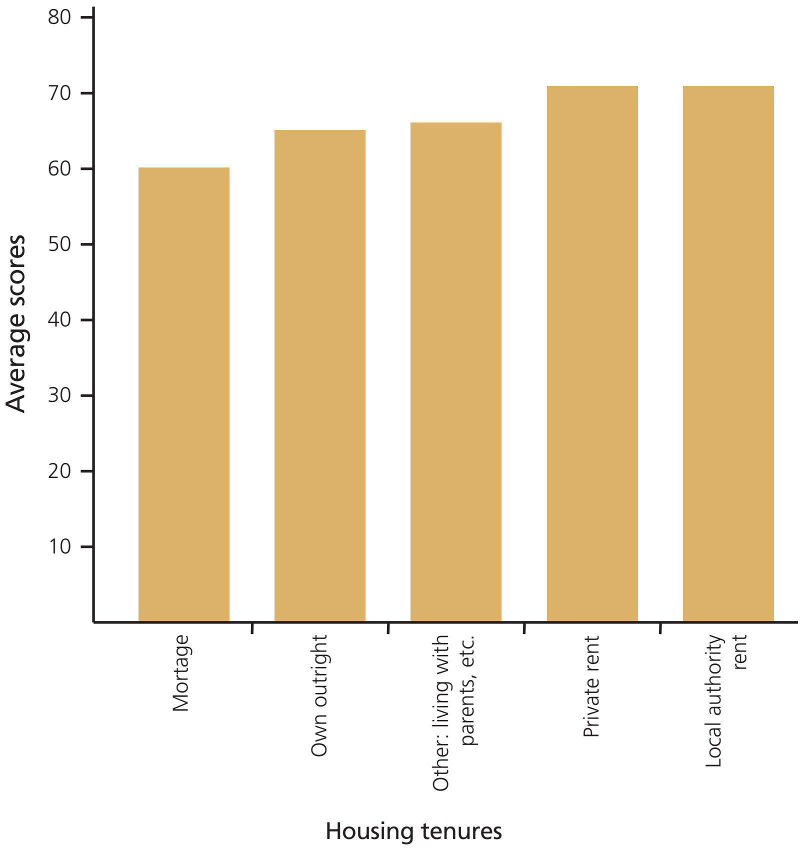


Caution low bases: n=53 divorced or separated, n=53 widowed.

The average *keeping track* score did not vary significantly by number of children in a household in NI, or the UK as a whole, although there were significant differences across family type. So while couples with or without dependent children in NI scored below average (62 and 63 respectively), lone parents scored 69 and single adults scored 70, on average.

Homeowners in NI tended to score below average at keeping track, whether or not they had a mortgage (Figure 3.6). Conversely, those who rented their home scored five points above average, at 71. It may be of some concern that mortgagors were less likely than renters to keep an eye on their financial situation, given the potential for economic changes to throw them into financial difficulties. However, the situation is not unique to NI, as similar patterns were found across the UK.

Figure 3.6
Average *keeping track* scores; by housing tenure



Caution low bases: n=59 private renters, and n=63 'others'.

3.1.1 Significant predictors of keeping track scores: NI

The findings of the detailed regression analysis confirmed that most of the characteristics described above were associated with *keeping track* even after considering associations with other characteristics. However, the relationship between income and keeping track was not found to be significant once the analysis controlled for other things such as the number of earners in a household and housing tenure (which is often a good indicator of household income).

People who operated a cash budget scored highly at this aspect of financial capability partly because they knew how much money they had and were assumed to 'check their balance' regularly, and so the significance should not be over-analysed.

Box 3.2
Significant predictors of financial capability in NI: *Keeping track*

Keeping track – results of regression analysis: NI

Significantly higher scores achieved by:
- People with no current account
- Current account holders who do not use their account
- Private and social tenants (compared with homeowners)
- Women
- Households with no earners

Significantly lower scores among:
- Respondents whose partner was responsible for paying bills
- People in their 50s

3.2 Behavioural aspects of money management

In this section we describe the money management behaviour of adults in NI. These were all related to the *keeping track* scores.

The BSFC asked people about their money management, including questions on whether they knew how much money they had, what they did with bank statements, whether they checked their balance before withdrawing money from a cashpoint and if they budgeted to meet known, but irregular expenses. These behavioural traits were used to calculate the *keeping track* scores.

We can see from Table 3.1 that adults in NI with low household incomes were far more likely than average to know how much money they had to between one pound and ten pounds. However, even among these low income households a small proportion (four per cent) claimed to have no idea at all.

It is important to note that people living in low income households in NI were far more likely than those in the UK to say that they knew how much money they had to within ten pounds (63 per cent gave this response in NI compared with just 20 per cent in the UK). Correspondingly, UK respondents were twice as likely to give an answer in one of the top three categories (no idea, not to within £500, or only within £500). This suggests that there are important differences in attitudes to keeping track of finances across the UK.

The financial capability score included a measure of how often people checked their account balance. Those who did not have an account were assumed to check their money each day. This is important for this study given that people in NI are slightly less likely than the UK as a whole to have a current account, and it is one likely reason for the variation in *keeping track* scores by nation.

Table 3.1
How accurately respondent knows how much money they have: NI

	(%)	
	Residents with household income among lowest 40% of UK	All NI residents
I have no idea at all	4	6
Approximately, but not within £500	2	2
I know within £500	4	5
I know within £100	13	19
I know within £50	15	19
I know within £10	33	28
I know within a pound or two	30	23
Weighted base	*242*	*512*

As we can see in Table 3.2, the proportion that checked their balance every day halves if we exclude cash budgeters. This change is far more dramatic than comparable findings across the UK as a whole, where it was found that 20 per cent of the population checked their balances every day, dropping to 14 per cent if we exclude cash budgeters.

Table 3.2
How frequently people check how much money they have: NI

	(%)	
	People with a current account	All NI residents
Every day	16	30
At least once a week, but not every day	47	39
At least once a fortnight, but not once a week	14	11
At least once a month, but not once a fortnight	12	10
Less than once a month	8	7
Never	3	2
Weighted base	*406*	*512*

Most people in NI claimed to make some checks against the entries on their bank statement (**Table 3.3**). Indeed a third checked their receipts against their statement (this was even higher across the UK, at 37 per cent). In all, just six per cent of account holders did not pay any attention to their bank statement. (It is very likely that the few who claimed not to receive a statement were not making active use of their accounts.)

Table 3.3
What people do with bank statements (account holders only): NI

	People with a current account (%)
Checks receipts against statement	33
Checks entries and balance	37
Just checks final balance	24
Doesn't look at it at all	6
Never receives statement	1
Rest	-
Weighted base	*406*

- indicates less than 0.5 but more than 0

As noted in section 2.2, we know from analysis of attitudes to spending and saving that people in NI are split evenly between those who describe themselves as spenders and those that regard themselves as savers. It therefore comes as little surprise that only slightly more than a third of people in NI (as in the UK) put money aside to save for known expenses (**Table 3.4**). People with a sufficiently high income will not need to plan ahead for regular but infrequent expenses such as car tax, and neither will some very young adults living at home or very elderly people being cared for by others. However, even taking into account the 43 per cent who claimed that they fitted into this category, more than one in ten (12 per cent) admitted that nobody in the household plans ahead and a further six per cent relied on someone else to plan for them.

Table 3.4
Whether people budget for known expenses: NI

	NI (%)
Puts money aside	36
Keeps spending down	3
No need to plan ahead, or no bills to pay	43
Relies on someone else to plan ahead	6
No-one plans ahead	12
Don't know	-
Rest	-
Weighted base	*512*

- indicates less than 0.5 but more than 0

4
Planning ahead

Planning ahead

People who have high levels of financial capability in terms of planning ahead have made sufficient provision for an unexpected expense/drop in income. They could also make ends meet for 12 months or more if their income dropped. These people hold some form of insurance and some provision for retirement. They also have a positive attitude to saving for a rainy day, and planning for retirement.

The BSFC showed that even after taking other characteristics into account people in NI had significantly lower *planning ahead* scores than people in England and Scotland (people in Wales also had significantly lower scores). Indeed the average planning ahead score in NI was just 44, compared with 52 in Wales, 55 in Scotland and 57 in England. Across the whole of the UK the average was 56.

Box 4.1
Significant predictors of financial capability in the UK: *Planning ahead*

Planning ahead – results of regression analysis: UK

Significantly higher scores achieved by:

- Men
- Christians (compared to those with no religion)
- Long-standing ill or infirm
- Respondents whose partner was the main earner
- People who got free financial products from work (such as health insurance)
- People who were actively involved in their money management
- Homeowners
- Those qualified beyond GCSE (relative to good GCSE grades)
- Couples without dependent children
- Full-time workers and retirees

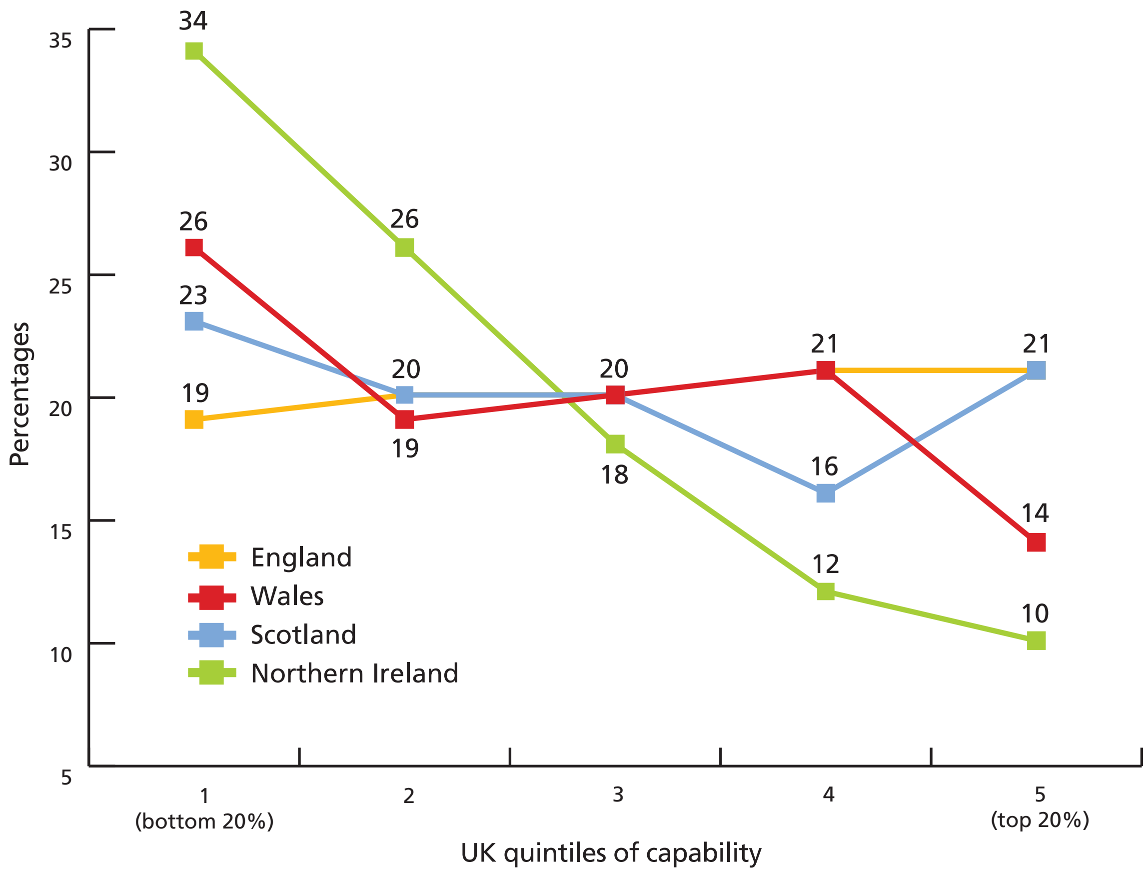
Significantly lower scores among:

- People not born in the UK
- People with no current account
- Those living in 'hard pressed' areas (ACORN code)
- People with a high borrowing to income ratio
- People aged under 40
- Those with incomes in bottom 40 per cent
- People living in NI or Wales

(Atkinson et al, 2006)

Figure 4.1 shows just how much scores in NI varied from those elsewhere in the UK. More than a third had very low scores (in the bottom quintile) and just one in ten had scores in the top quintile.

Figure 4.1 Distribution of *planning ahead* scores



4.1 Variations in *planning ahead* scores by key characteristics

On average, men scored more than women in this aspect of financial capability in NI, as in the UK. So while women in NI scored just 43, men scored 47. However, the men's score was still considerably below the UK average.

Planning ahead scores increased rapidly with age within NI (**Figure 4.2**). While those aged under 30 scored an average of just 33, this increased to 42 for those in their thirties, and an average of 56 among those aged 70 and over. In both NI and the UK as a whole, people aged 40 and over tended to score higher than average.

Education is related to a number of other characteristics, including age and income. However, there does seem to be an important relationship between qualifications and *planning ahead* (**Figure 4.3**) with unqualified people scoring an average of just 38 while those with degree level qualifications scoring an average of 62.

Figure 4.2
Average *planning ahead* scores; by age

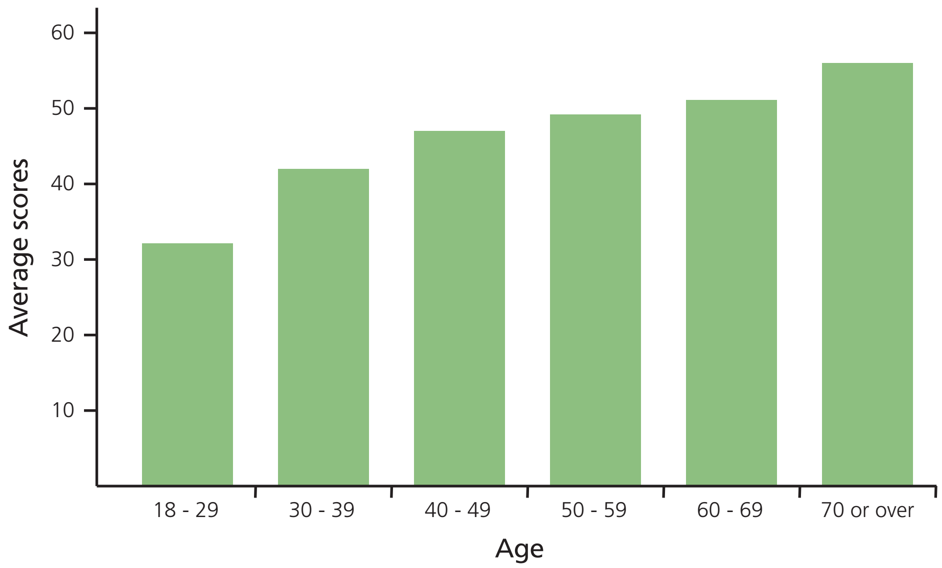
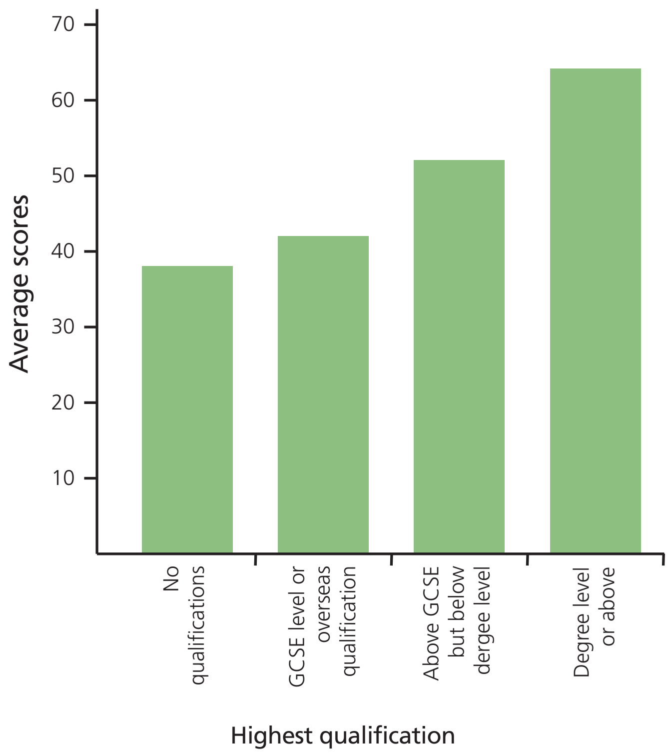


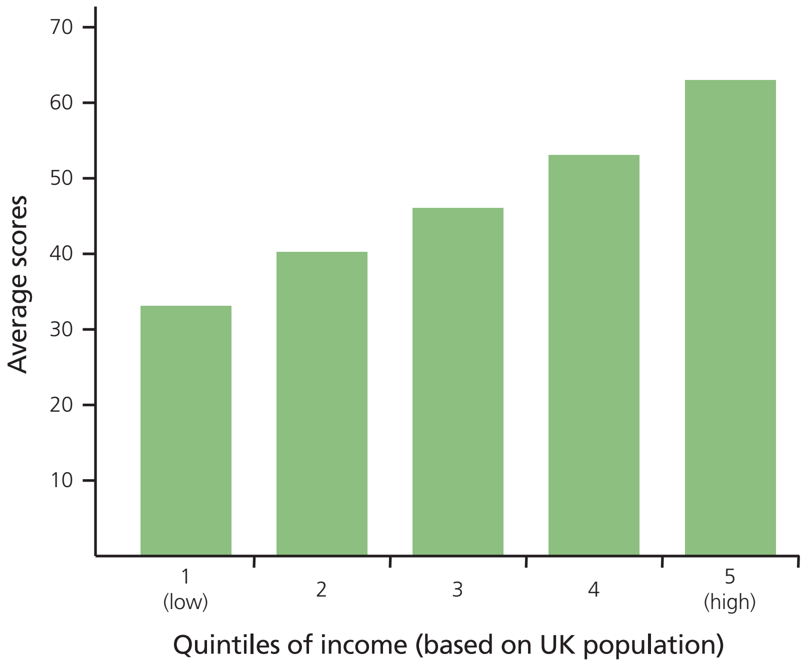
Figure 4.3
Average *planning ahead* scores; by highest qualification



In NI, as in the UK, scores in this aspect of financial capability were clearly related to income. As fewer people in NI fall into the highest income band this will go some way to explaining the low levels of *planning ahead* within NI (just 11 per cent have household incomes that fall within the top 20 per cent of UK household incomes).

The difference between average scores for those with the lowest incomes and those with the highest incomes was 30 points. This shows considerable variation in the ways people on different incomes were able to plan for their future.

Figure 4.4
Average *planning ahead* scores; by income



Caution low bases: n=56 quintile 5.

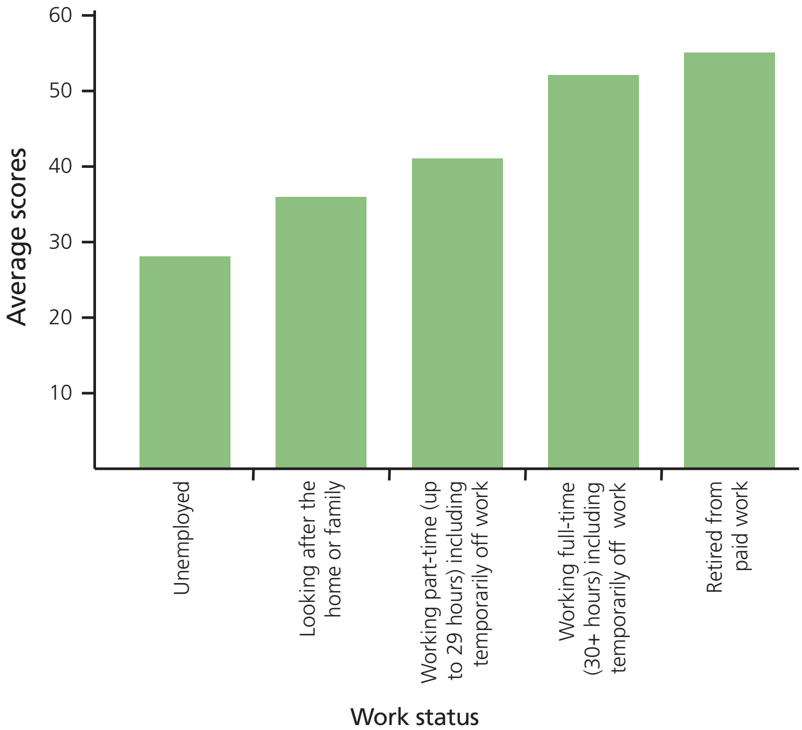
It is not surprising, given the strong association between income and ability to *plan ahead* that average scores increased by the number of earners in a household. Households in NI with no earners scored an average of 40, increasing to 44 in homes with one earner, and 58 among dual income households.

Despite the higher scores among older respondents generally, employed people within NI had higher *planning ahead* scores than those who were not in employment (averaging 49 and 41 respectively), presumably indicating differences in household income.

A cautious look at work status in more detail (remembering the small proportions in some categories) suggests that indeed retired people had scores more similar to those who were employed, but that others who were not working scored considerably lower than the employed. The relationship between work status and *planning ahead* was similar, but even more marked across the UK as a whole. In particular retired people scored an average of eight points more than full-time employees, suggesting that retired people in NI did not have quite the same level of security as those elsewhere in the UK.

People with a working partner were also more likely to score highly at planning ahead than those with a partner who did not work, and in both cases average scores were above the overall average. Conversely, those with no partner scored just 37 – well below average.

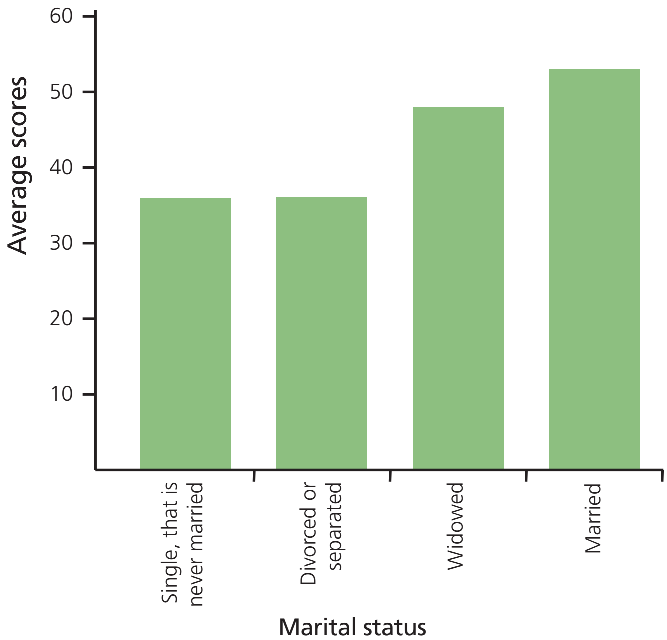
Figure 4.5
Average *planning ahead* scores; by work status



Caution low bases: n=50 unemployed, n=56 part-time work.
Note that 18 individuals were in full-time education and 33 reported that they were not working through sickness or disability.

In fact there were also some significant differences in *planning ahead* scores by marital status in NI. Those who had never been married had poor scores, as did those whose relationships had broken down (36), while respondents who were married scored an average of 53.

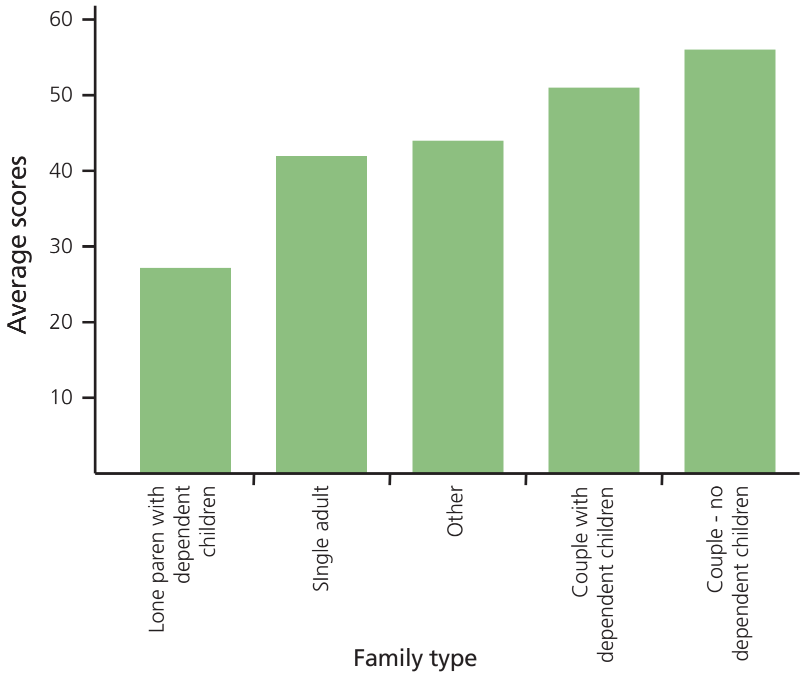
Figure 4.6
Average *planning ahead* scores; by marital status



Caution low bases: n=53 divorced or separated, n=53 widowed.

Given that both single adults and separated and divorced adults were poor at planning ahead it is no surprise that lone parents did not do well at this aspect of financial capability (**Figure 4.7**), in NI or in the UK. However, it is of considerable concern that within NI lone parents' average score (27) was 18 points below the NI average – particularly when we remember that the average for NI was so much lower than across the UK as a whole.

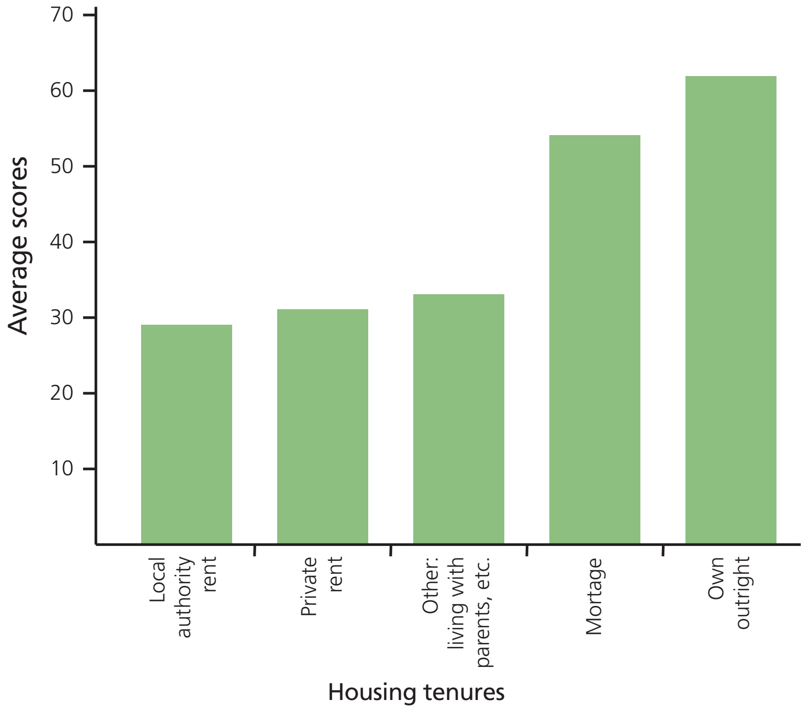
Figure 4.7
Average *planning ahead* scores; by family type



Planning ahead scores did not vary significantly by number of children in a household, perhaps indicating that the number of adults is a more important indicator of this aspect of financial capability.

There was a large difference in ability to plan ahead by housing tenure in NI. Homeowners were far more likely to be good at this aspect of financial capability, particularly if they no longer had a mortgage. Indeed social tenants scored less than half as much (29) as those who owned their home outright (62). Similar patterns were found when analysing the relationship between planning ahead scores and housing tenure in the UK, suggesting that while the average scores are lower in NI within every category of housing, the relationship between the distribution of scores and tenure is the same.

Figure 4.8
Average *planning ahead* scores; by housing tenure



Caution low bases: n=59 private renters, and n=63 'others'.

4.1.1 Significant predictors of *planning ahead* scores: NI

Regression analysis of the NI financial capability data confirmed that planning ahead is related to age and income, as well as various other characteristics. As across the UK, religion seems to play a part in encouraging people to plan ahead. Free financial products from work are also important in improving the extent to which people provide for their future. Interestingly, in NI only higher education leads to an improved *planning ahead* score relative to GCSE level qualifications, whereas in the UK even A level qualifications are associated with significantly higher scores. Planning ahead in NI does not seem to be strongly associated with family type or work status once other variables such as income are taken into account.

Box 4.2
Significant predictors of financial capability in NI: *Planning ahead*

Planning ahead – results of regression analysis: NI

Significantly higher scores achieved by:
- Those who claim their choices are influenced by their religion
- People who get free financial products from work
- Those with incomes in top 20 per cent
- Homeowners
- People with at least degree level qualifications

Significantly lower scores among:
- People with no current account
- People aged under 30
- Those with incomes in bottom 20 per cent

4.2 Attitudes to planning ahead

As with other aspects of financial capability, *planning ahead* scores included measures of attitudes towards planning, in order to identify people whose circumstances prevented them from behaving exactly as they might have, given different circumstances. Because of the strong link between planning ahead and income, we have looked at attitudes across NI and also focused on those people within NI who had household incomes in the bottom 40 per cent of households across the UK. We also include findings from the UK analysis, for information. (**Table 4.1**)

Almost half of people in NI agreed that they tended to live for today (48 per cent). However, this increased to 55 per cent among the lowest income households. In particular, an additional five per cent of low income households agreed strongly that they lived for today (24 per cent compared with 19 per cent across the whole of NI).

Saving for a rainy day was important for the vast majority of people in NI (as in the UK) with more than two thirds (69 per cent) agreeing that they made sure they had money saved. Even among the poorest households (63 per cent) agreed with this statement – although it is very likely that the amounts that they had put by would be smaller.

Even though most people tended to save for a rainy day, many admitted that they found spending more satisfying than saving. This varied little by income; so while 48 per cent of people across NI agreed that they found spending more satisfying; among those with the lowest incomes the proportion fell by just one percentage point.

The biggest difference in attitudes related to current standard of living. The most surprising aspect of this statement is the number of people who did not have an opinion. When asked whether they agreed with the statement 'I would rather have a good standard of living today than plan for retirement', almost a quarter (24 per cent) of people in NI said that they did not know. This increased to almost a third (32 per cent) of people with low household incomes. It is also important to note that more than half of people in NI would put their current standard of living above their retirement – indicating the potential for serious problems in the future.

Even though the majority of people in NI claimed to save for a rainy day, this tells us nothing about the amount that they put by, or the types of event that might warrant drawing on those savings. Furthermore, some people may choose not to save for a rainy day, but may have other ways of dealing with future problems, such as reducing their expenditure, or relying on the support of their family. The baseline questionnaire therefore also asked people how long they would manage if they experienced a large unexpected drop in income but used all the methods of coping available to them (the question about a fall in income was worded differently for people with an earned income and those on benefits).

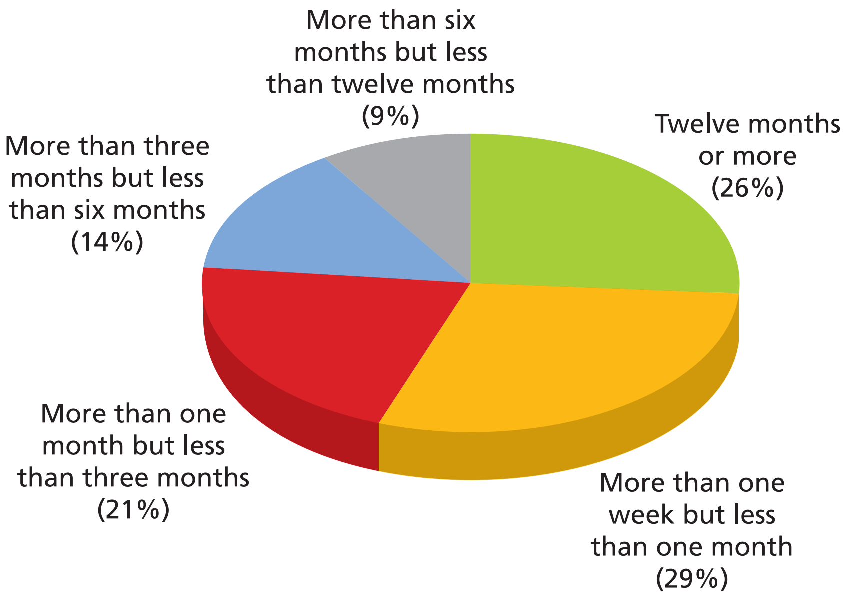
The results showed that people were split approximately equally between those who felt they would manage for less than three months, and those who felt they could manage for at least three months (**Figure 4.9**). In all, a quarter of people in NI (26 per cent) felt confident that they could manage for at least 12 months, but slightly more than this (29 per cent) did not feel confident that they could manage for a whole month. People in NI were far more pessimistic about their ability to cope than people in the UK as a whole. The UK data showed that just 17 per cent felt they would not be able to make ends meet for a month, and 39 per cent thought they would manage for 12 months or more.

Table 4.1
Attitude statements

	Income in bottom 40% of UK NI (%)	NI) (%)	UK (%)
I tend to live for today and let tomorrow take care of itself			
Agree strongly	24	19	15
Tend to agree	30	28	24
Tend to disagree	26	32	34
Disagree strongly	19	20	26
Don't know	-	-	-
I always make sure I have money saved for a rainy day			
Agree strongly	27	31	39
Tend to agree	36	38	36
Tend to disagree	23	21	16
Disagree strongly	14	10	9
Don't know	-	-	-
I find it more satisfying to spend money than to save it for the long-term			
Agree strongly	15	14	13
Tend to agree	32	34	31
Tend to disagree	33	34	37
Disagree strongly	19	18	18
Don't know	1	1	1
I would rather have a good standard of living today than plan for retirement			
Agree strongly	23	18	13
Tend to agree	27	33	29
Tend to disagree	15	20	26
Disagree strongly	3	5	8
Don't know	32	24	26
Weighted base	*242*	*512*	*5,328*

- less than 0.5 but more than 0

Figure 4.9
Subjective view of making ends meet if experienced large drop in income



In fact, the vast majority of people in NI had actually made no specific provision to help them make ends meet if their income fell. When asked directly whether they had made their own provision against a future drop in income 71 per cent said 'no' (**Table 4.2**). A further 12 per cent were relying on someone else to make such provision. While the numbers with no provision across the UK are also of concern (56 per cent), it is clear that the potential for future problems is larger in NI.

A similar story unfolded when people in NI were asked whether they had provision for a major unexpected expense (this was described as something that would cost the equivalent of a month's income, to make it comparable across income groups). As we can see in Table 4.2, just three in ten said they had sufficient savings to cover such an expense, and a further eight per cent had some provision to draw on, but would not be able to meet the full costs. This suggests that the attitude to rainy day savings is not reflected in actual behaviour. By way of contrast, 45 per cent of the UK population claimed to have sufficient provision to cover a major expense.

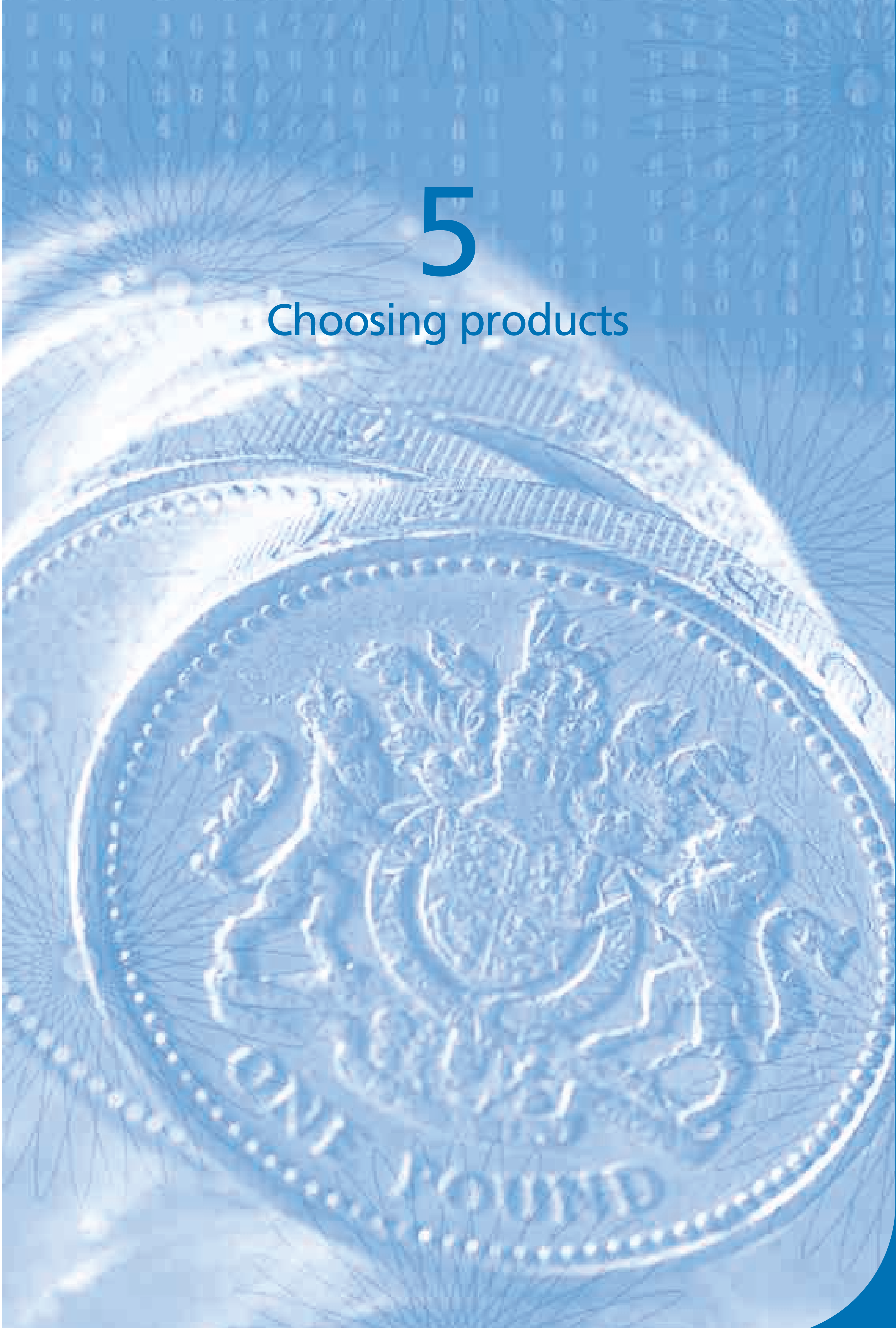
In general, many residents of NI appeared to be unconcerned with unpredictable events; indeed only slightly more than half held any insurance to mitigate the effects of a loss of income or property. Across the whole of the UK seven in ten adults held at least one form of protection insurance.

Furthermore, only 42 per cent of working age adults in NI had their own pension provision (private or company pension) indicating that it is not simply the unpredictable events that they are ignoring. This compares with 59 per cent of people across the UK. As might be expected, pension provision varied by gender; but the variation was much greater than indicated by similar analysis across the UK (where 50 per cent of working age women had their own provision).

Table 4.2
Provision for unexpected events and retirement

	NI (%)
Made own provision against a future drop income?	
Yes, has made own provision	18
Has relied on someone else to make provision	12
No provision made	71
Finding money for unexpected major expense	
Sufficient provision	30
Some provision plus use other means	8
Not provided for	62
Any protection insurance (income, payments, possessions)	
Yes	54
Weighted base	*512*
Whether has made own pension provision	
Has made own pension provision FEMALE	35
Has made own pension provision MALE	51
Base working age adults (weighted)	*391*

5
Choosing products



5 Choosing products

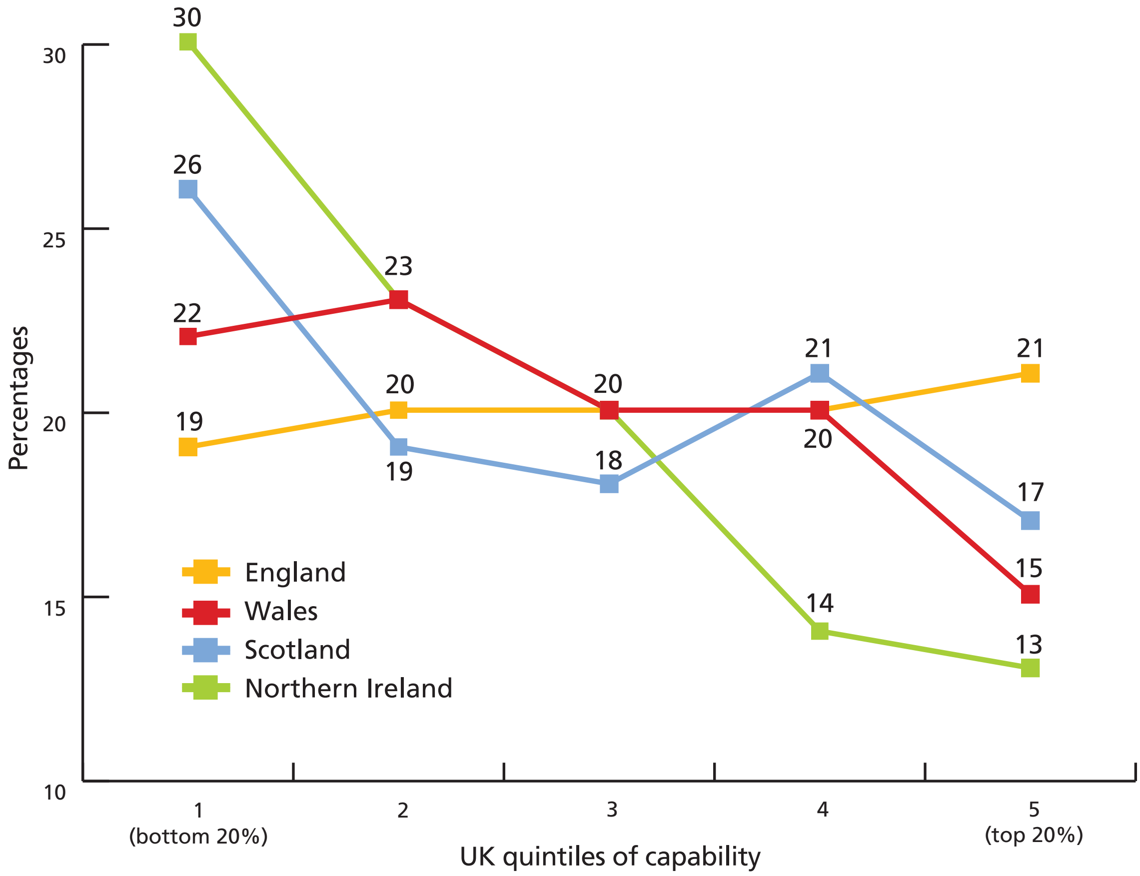
Not everyone had been responsible for choosing a financial product in the recent past. In order to create the baseline using relevant information, people were only given a score in this domain if they had personally made a financial purchase in the last five years. Analysis of the BSFC showed that people who are good at choosing products seek advice from professional advisers or shop around before buying a new product. They do not simply rely on product information, but rather they compare products from more than one provider (personally or through an adviser). They also compare products on features and price, and read the terms and conditions in detail.

In NI, 59 per cent of people had been responsible for buying a product in the last five years (compared with 74 per cent across the UK). Only these people are discussed in this chapter. Given that this reduces the number of observations for analysis, we are not able to go into quite as much detail in this chapter as we have in others.

There were some differences in the characteristics of people who had made recent financial product purchases, and those who had not. Just 57 per cent of men in NI had been personally responsible for choosing a product in the last five years compared with 61 per cent of women. Across the whole of the UK, men were slightly more likely than women to have made a purchase (75 per cent compared with 73 per cent). The average age of those in NI who had made no purchase in the last five years was 54, compared with 39 for those that had made a recent purchase.

The BSFC showed that even after taking other characteristics into account, people in NI were less likely to score highly at *choosing products* (**Box 5.1**). Analysis of the UK data showed that while the UK average score on this aspect of financial capability was 44 people in NI scored just 37 on average. However, only respondents in England achieved an average equivalent to that of the whole UK.

Figure 5.1
Distribution of *product choice* scores for those who had made a recent product purchase; by nation



Box 5.1
Significant predictors of financial capability in the UK: *Choosing products*

Choosing products – results of regression analysis: UK

Significantly higher scores achieved by:

- Men
- Respondents whose partner was the main earner
- People who have bought more products
- Those living in 'wealthy achievers' areas (ACORN code)
- People who were actively involved in their money management
- Those with high savings to income ratio
- Those with incomes in 4th quintile (but not top)
- Homeowners
- Couples without dependent children
- Retirees

Significantly lower scores among:

- People with no current account
- People aged under 30 or over 70
- Those with incomes in bottom 20 per cent.
- People living in NI
- People without qualification

(Atkinson et al, 2006)

People in NI were far more likely than average to be very poor at choosing products – 30 per cent had scores in the bottom quintile (**Figure 5.1**).

There was no significant difference between the *choosing products* scores achieved by men and women in NI, although men did score slightly more than women. However a similar difference across gender in the UK (with a bigger sample) was significant, even in the regression analysis.

Neither was the difference in scores by age in NI significant. However, it did vary slightly: it peaked with an average of 41 among 30 to 39 year olds, while the lowest scores were achieved by the youngest and oldest adults.

People appeared to be better at making choices if they were highly qualified (**Table 5.1**). The bases are small and so the findings should be treated with caution, but they do largely replicate those found across the whole of the UK.

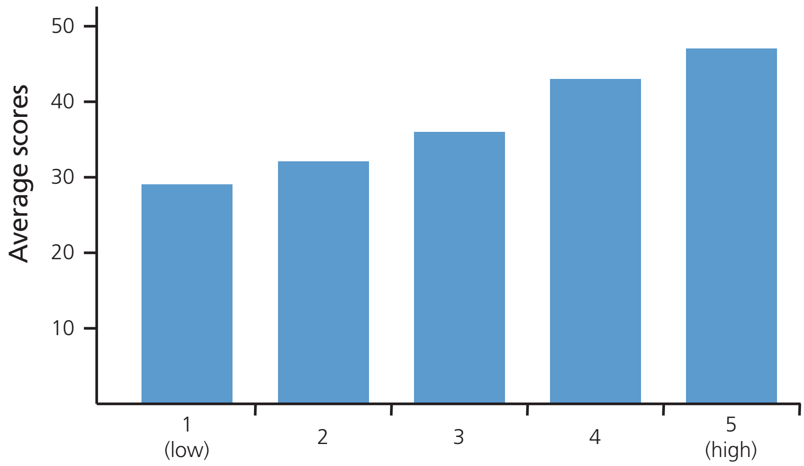
Table 5.1
Average *choosing products* scores; by highest qualification: NI

	Average scores (NI)	*Weighted base*
Degree level or above	51	46
Above GCSE but below degree	38	98
GCSE level qualifications	34	97
No qualifications	31	62
All those with a score	37	*303*

Employed adults in NI scored 9 points more than those who were not in employment, on average (41 and 32 respectively). There were statistically significant differences in the scores by work status, but the findings must still be treated with caution, particularly given the reduced sample size in this domain (as not everybody had bought a product). Nevertheless we can say that there is some indication that only those people who worked full time scored above the overall NI average.

The relationship between choosing product scores and income in NI was significant, and suggests that those with higher incomes made more careful choices (Figure 5.2). It is clearly of concern that the people with the lowest incomes were less likely to make informed choices. Similar results were found across the whole of the UK.

Figure 5.2
Average scores for *choosing products*, by income

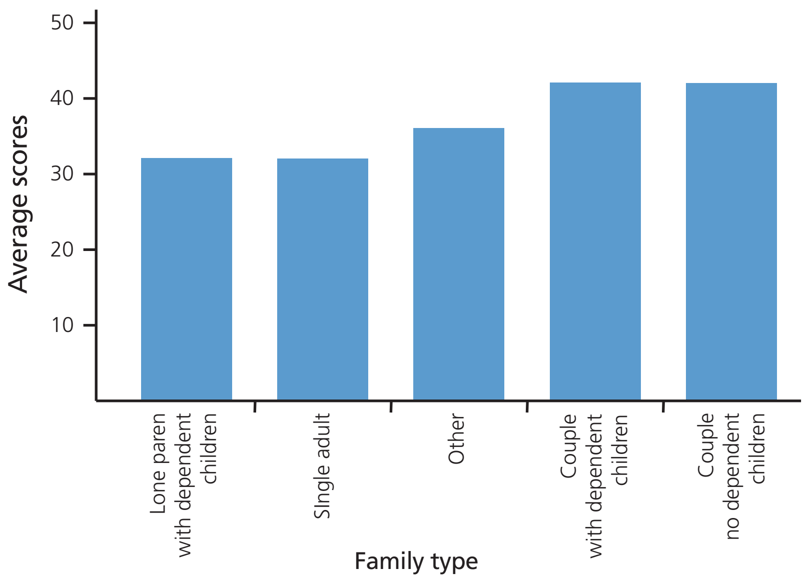


Caution low bases: quintile 1 -5 respectively: 56, 67, 62, 79, 39.

The *choosing products* scores also increased with the number of earners in a household. So in households with no earners the average score was just 31, increasing to 37 in one earner households, and 46 in two earner families. Similarly, couples appear to have scored more highly than other family types – whether or not they had children (**Figure 5.3**). Indeed, scores did not vary significantly with the number of children.

People's ability to choose products also varied by housing tenure in NI as in the UK. Despite the small numbers of people observed, it is clear that renters were poor at choosing products, while homeowners had above average scores indicating that in this regard, at least, they were more financially capable. The average score among homeowners (with or without a mortgage) was 44 while those renting privately or as social tenants scored an average of just 28.

Figure 5.3
Average scores for *choosing products*, by family type



Caution low bases: Lone parent n=58, single adult n=50, other n=63, couple with dep children n=68, couple with no dependent children n=63

5.1.1 Significant predictors of choosing products scores: NI

The regression analysis for this aspect of financial capability included fewer explanatory variables, because of the small proportion of people with a *choosing products* score. However, the results indicate that within NI, as across the UK, experience of choosing financial products is an important factor in achieving a higher score and homeownership also predicts higher scores.

In NI people with higher educational qualifications also seem to achieve higher scores, other things being constant. However, even after controlling for other characteristics including product buying experience, people without a current account tend to score less than other people.

Box 5.2
Significant predictors of financial capability in NI: Choosing products

Choosing products – results of regression analysis: NI

Significantly higher scores achieved by:

- People who have bought more products
- Homeowners
- People with higher educational qualifications

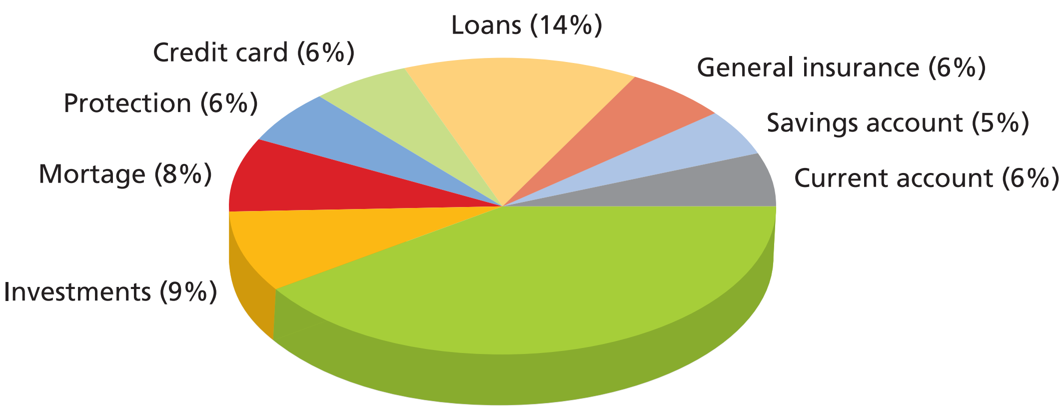
Significantly lower scores among:

- People with no current account

5.2 Product purchase

The BSFC identifies the most complex product bought by each respondent. In NI, just nine per cent had made a recent purchase of investments (considered to be the most complex) and only eight per cent had bought a mortgage (**Figure 5.4**). For 14 per cent of the population, the most complex product bought in the last five years had been a loan.

Figure 5.4
Most complex product bought: NI



Note that the complexity runs clockwise from investments (most complex) to current accounts (least).

Table 5.2 can help us to understand which aspects of choosing products were problematic among people in NI. Immediately we can see that only 40 per cent of respondents had collected any information to help them choose a product. Analysis of the whole BSFC indicates that over half of people in the UK had collected information (54 per cent).

We might assume that people who did not collect information would have asked for help in other ways and so the next question explored the types of information used to inform a decision.

The list of sources of information below is ordered to reflect capable behaviour (from most capable to least capable); people may also have used more than one source of information. We see that very few people looked at best buy tables or actively sought out information (four per cent), but at least 13 per cent sought out independent advice from a financial adviser, a similar proportion to that observed across the UK (14 per cent). It is concerning that eight per cent relied mainly on unsolicited advice through the post (promotional literature), and more than a quarter (27 per cent) did not use information at all.

People were also asked why they finally chose a particular product. Again, responses are listed in order of competence according to the expert panel convened by the FSA. Slightly more than a quarter of people in NI (28 per cent) made their choice based on a range of product features, but almost as many chose the product purely on price (26 per cent). While this is an important aspect of a product, it can be misleading – for example, low cost insurance may not offer sufficient cover.

Only 14 per cent of people in NI made a decision to buy a product without considering any other options (**Table 5.2**). This is the same proportion as the UK as a whole. It is very interesting that people in NI were no more likely to buy a financial product without considering their options despite the fact that their choices are significantly more limited. This is a very clear indication that NI consumers *want* to have the opportunity to shop around and make comparisons, and will work at finding the most appropriate products even though they are faced with a limited choice.

When we combine the finding above with the fact that people in NI are less likely than average to have bought any financial product in the last five years we begin to see that the financial services market in NI is failing to engage fully with many consumers. It is neither encouraging people to participate nor providing sufficient choices to give consumers genuine options. Indeed it is almost certainly the lack of choice that has caused higher levels of consumer inertia.

Consumers enter into a contract when they make a financial purchase. It is important that they understand what this entails – both in terms of the level of service and charges they might expect from the provider, and in relation to their own responsibilities. It is therefore of some concern that the BSFC showed that across the UK almost one in ten people (nine per cent) claimed not to have read the terms and conditions of the most complex product they had bought in the last five years. More worrying still, some 17 per cent of people in NI claimed not to have read the terms and conditions.

Table 5.2
Information gathering

	NI (%)
Whether anyone collected information to help with product choice	
Respondent or adviser collected info	40
Main source of information for active product purchase	
Best buy, active search	4
IFA	13
Other generic information	4
Product info or other kinds of advice	45
Unsolicited information through post	8
No information	27
Why chose the product they did	
Product features	28
Price not other features	26
Recommended by someone else - not product features	16
Provider or ease - not product features or recommendation	17
Didn't consider other options	14
Who read terms and conditions	
Read personally, in detail	47
Read briefly and got someone else to read them	3
Read briefly	30
Someone else read	3
No-one read	17
Weighted base	*303*

5.3 Financial exclusion

We have already reported that people in NI were less likely to have made a recent product purchase than was the case across the UK. Additional analysis shows that only 79 per cent of adults in the NI sample held a current account for personal use. This is ten percentage points less than the UK proportion with an account (89 per cent), and indicates relatively high levels of financial exclusion. Because of this striking difference we have analysed product holding in more detail, to see exactly how excluded people without a current account are.

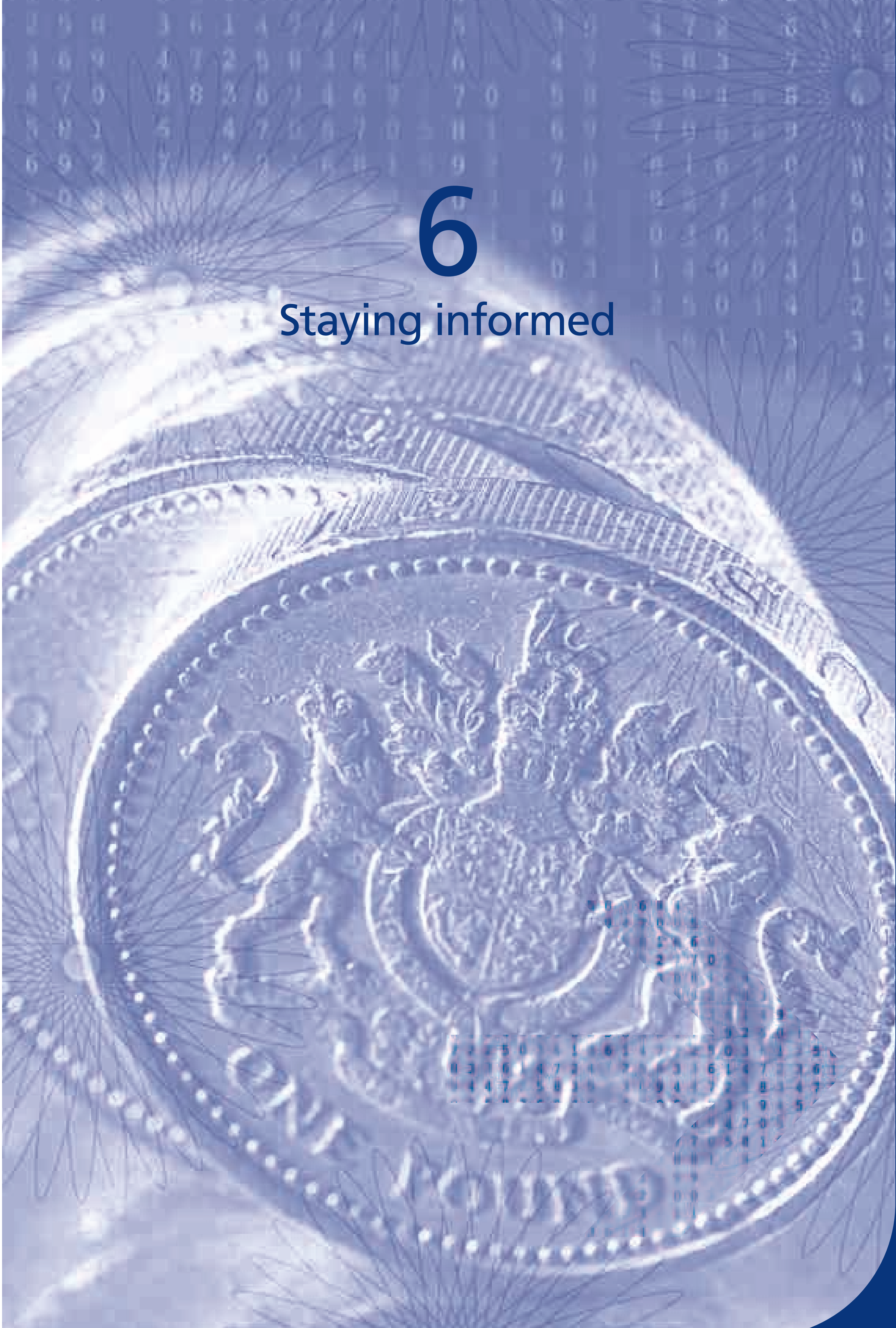
People without a current account were far less likely than average to have a savings account. However, more than a quarter did have such an account, and may well have had basic features on their savings account such as a cashpoint card or electronic payment facility. The only other product listed below that was held by more than ten per cent of people without a current account was a credit union account (18 per cent). Credit unions are far more popular in NI than in the UK but it would appear that even in NI they are not able to attract all of the people without current accounts. In contrast, people without a current account were at least as likely as others to hold various National Savings products.

Table 5.3
Product holding by current account holding: NI

	(%)		
	Has a current account	Does not have a current account	Total
Credit card	44	7	37
Mortgage	39	9	33
Savings account with a bank or building society	47	27	43
Cash ISA/TOISA/TESSA	17	1	13
Premium Bonds	9	2	8
National Savings and Investments savings account:	4	5	4
Credit Union Account	25	18	23
ISA (Stocks and shares or life insurance):	6	2	5
PEP	2	0	1
Unit Trust, Investment Trust or OEIC	1	2	1
Guaranteed Equity Bond	1	1	1
Savings bond (with a bank or building society)	4	3	4
Investment Bond	2	1	2
Stocks and Shares	6	1	5
National Savings Bonds or Certificates	1	2	1
Endowment policy (excluding policy linked to mortgages)/Life assurance/savings plan	8	3	7
Personal pension or FSAVCs	13	6	12
ISA (respondent does not know type)	3	1	3
Weighted base	*406*	*106*	*512*

6

Staying informed



6 Staying informed

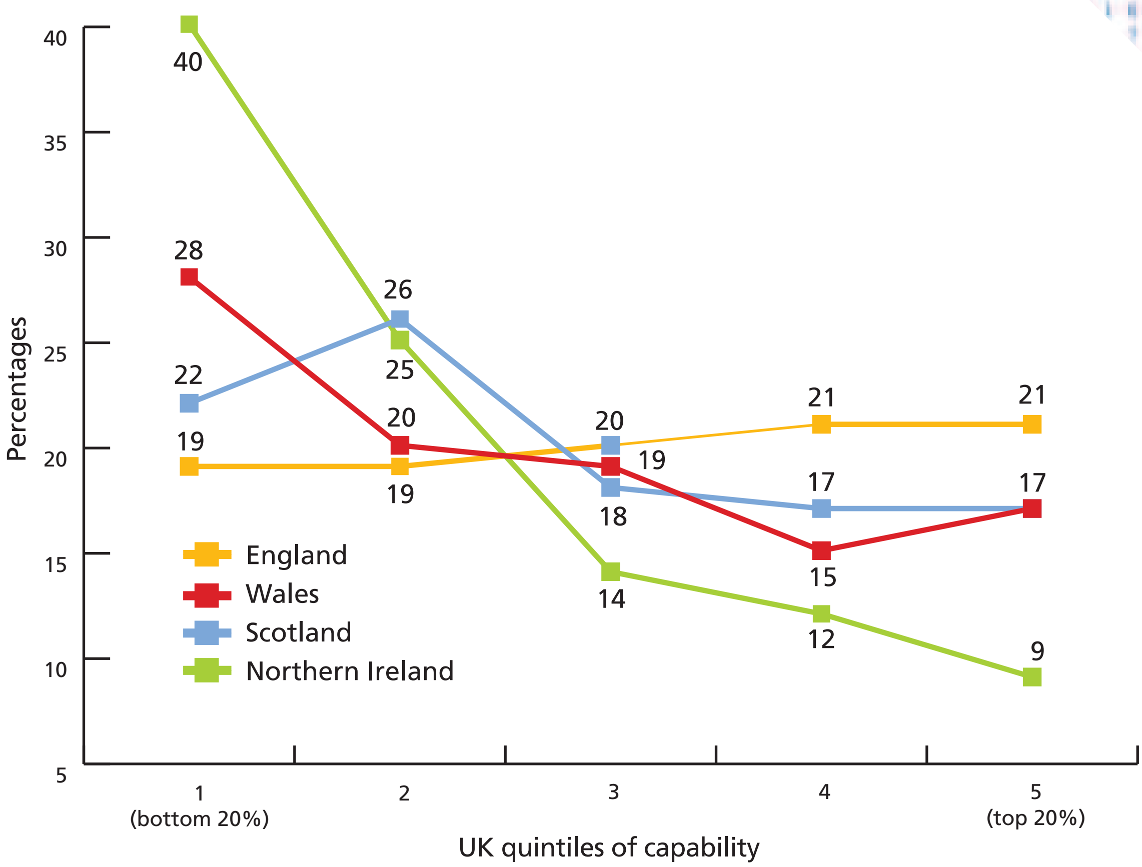
When people were interviewed as part of the development phase of the BSFC they made it clear that while it was important to keep up to date with financial matters, they did not think it was necessary to be an avid reader of financial pages of the newspapers. The financial capability score for staying informed therefore seeks to identify people who monitor financial indicators like interest rates and unemployment figures. It gives a higher score to people who check these indicators regularly, and to those who feel that it is reasonably important to keep up to date with financial matters.

The BSFC also included a small number of questions designed to test the financial literacy of respondents. These questions were referred to as the 'money quiz'. Subsequent analysis showed that correct answers to the money quiz were highly correlated with aspects of *staying informed* and so these were combined into a single score.

Staying informed was another aspect of financial capability that people in NI were not particularly good at (**Box 6.1**). The detailed regression analysis undertaken for the BSFC showed that, even after taking other characteristics into account, people in NI scored significantly less than those in England and Scotland, and less than people in Wales. On average, people in the UK scored 57 in this aspect of financial capability, while in NI the average score was 47.

We can see from the distribution of scores in NI that twice as many people had scores in the bottom quintile as might be expected (**Figure 6.1**). Conversely, just nine per cent had high scores.

Figure 6.1
Distribution of *staying informed* scores for those who had made a recent product purchase; by nation



Women were far less likely to stay informed than men in NI, as in the UK. There was also a similar pattern in the relationship between scores and age across NI and the UK, with people aged between 30 and 59 scoring highest, on average. Willingness to stay informed, and/or capability at the money quiz appears to have tailed off rapidly beyond retirement (**Figure 6.2**).

Employed people in NI were far more likely than others to stay informed – scoring an average of 55 compared with 41 for those not in employment. This is almost certainly related to the relationship between *staying informed* and age.

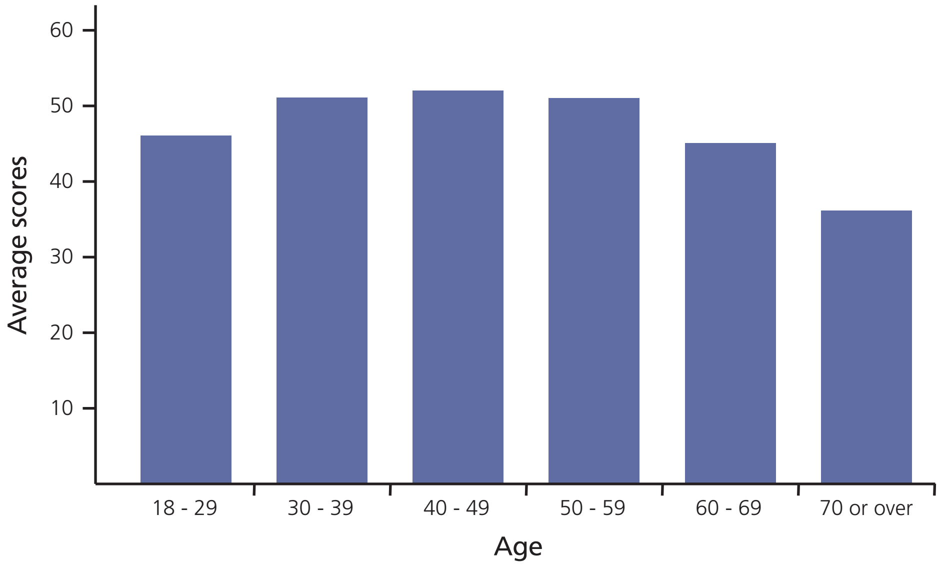
Box 6.1
Significant predictors of financial capability in the UK: *Staying informed*

Staying informed – results of regression analysis: UK

Significantly higher scores achieved by:
- Men
- Respondents who said their choices were influenced by their religion
- The long-term ill and infirm
- Respondents whose partner was the main earner
- People who get free financial products from work
- People who have bought more products
- People who were actively involved in their money management
- Those with high savings to income ratio
- Homeowners
- People educated above GCSE
- Couples without dependent children
- Those in full-time education and retirees

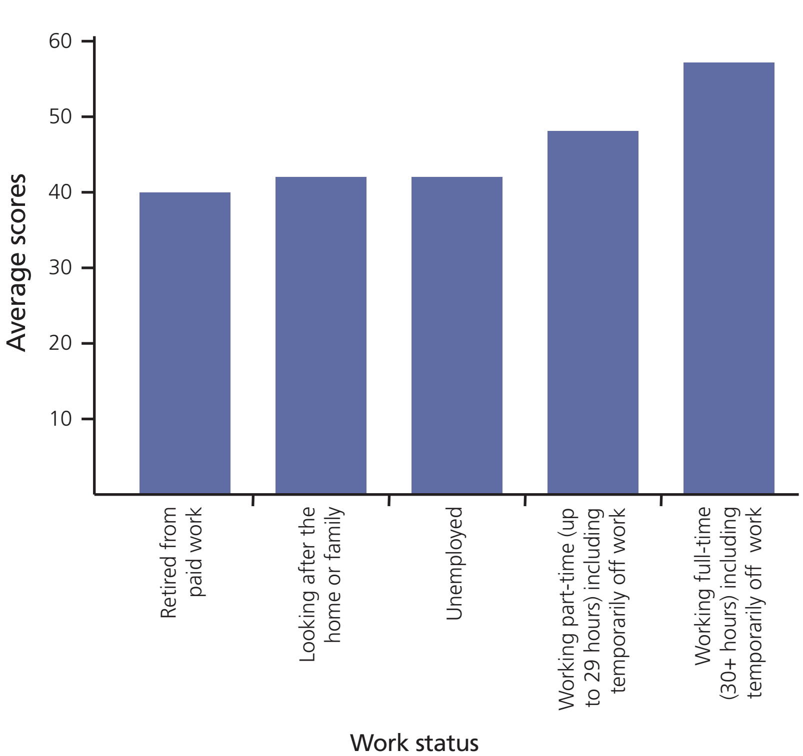
Significantly lower scores among:
- People who were not born in the UK
- Those without a current account
- Those who do not use their current account
- Those living in ‘hard pressed’ areas (ACORN code)
- Those with high borrowing to income ratio
- People aged under 40 or over 70
- Those with incomes in bottom 40 per cent
- People living in NI or Wales
- People without qualifications

Figure 6.2
Average *staying informed* scores, by age



As previously in this report, we have looked at the average scores by work status in more detail, remembering to be cautious about the small numbers (**Figure 6.3**). We can see below that the few people in full-time education appeared to be staying informed as well as those in employment. However, this was not the case across the UK as a whole, and the base is too small to draw any firm conclusions. It is interesting that people who were not working due to sickness and disability were also less likely to score highly at this aspect of financial capability. Additional analysis shows that this is the only aspect in which the 140 people who had a 'long-standing illness or infirmity' (including age-related complaints and illnesses that did not limit activity) had significantly different scores from the rest of those in NI (scoring an average of just 39). It is not clear what it is about health conditions that make people less inclined to stay informed, but regression analysis suggests that this difference was not important once other things were taken into account, so it is almost certainly related to associated characteristics such as lower income levels or age.

Figure 6.3
Average *staying informed* scores, by work status



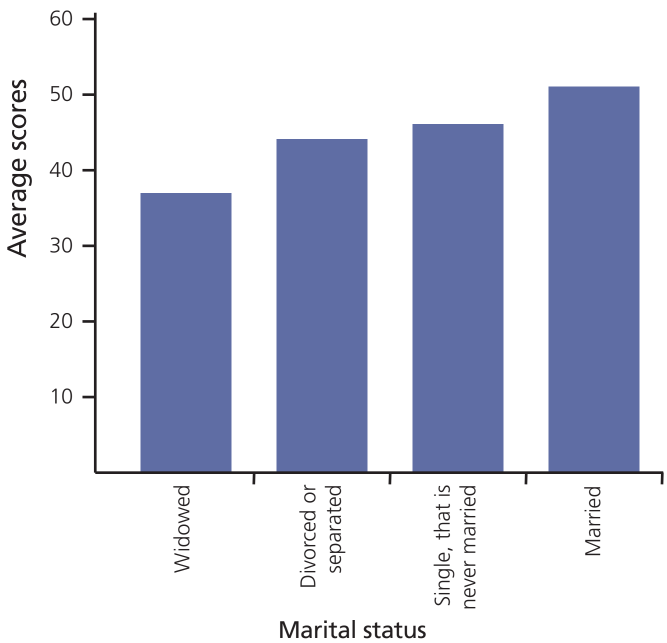
Caution low bases: n=50 unemployed, n=56 part-time work.
Note that 18 individuals were in full-time education and 33 reported that they were not working through sickness or disability.

Further analysis indicates a similar relationship between the employment status of partners and the respondent's willingness to stay informed. So people without partners, and those with partners who were not in paid employment, scored below average (both scoring 44 on average) while those with an employed partner scored an average of 57 – some 10 points above the national average.

Staying informed scores also increased with the number of earners in the household. Households with no earners scored an average of 40, increasing to an above national average score for households with one earner (51) and rising to 59 among two income households.

The relationship between marital status and *staying informed* reinforced the finding above that people without partners are less likely to stay informed than those with partners and also reflected the decreasing scores in old age, since widows scored least, on average (**Figure 6.4**).

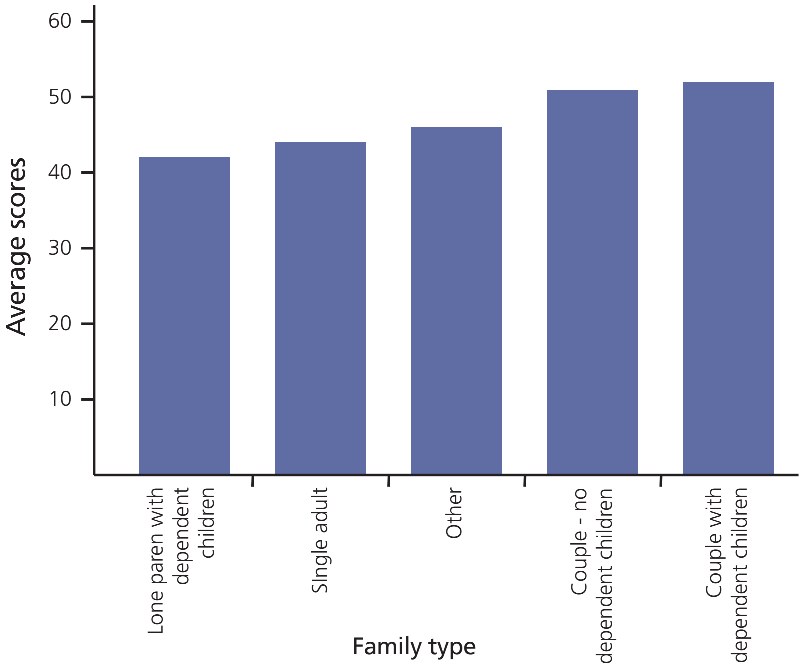
Figure 6.4
Average *staying informed* scores, by marital status



Caution low bases: n=53 divorced or separated, n=53 widowed.

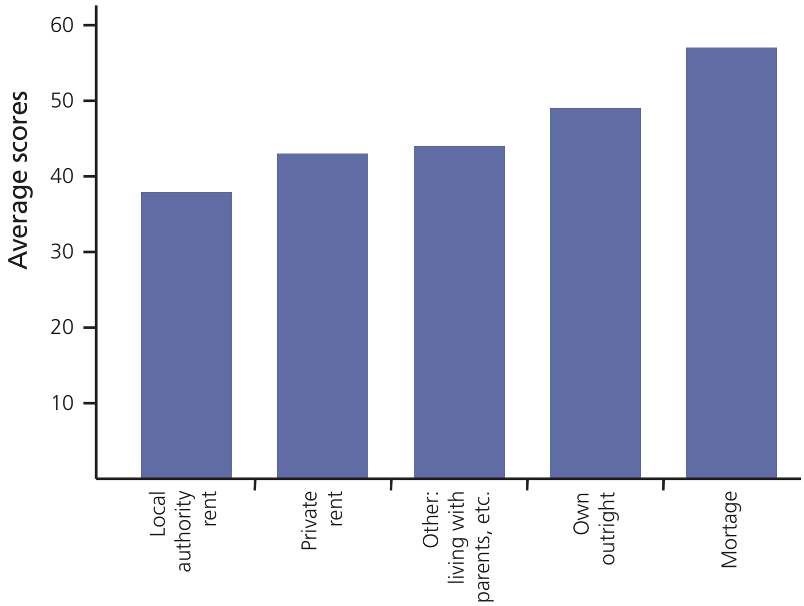
Being part of a couple also appears to have a bigger impact on *staying informed* scores than having children in NI (as in the UK). **Figure 6.5** shows that couples in NI *with* dependent children were better at staying informed than other family types, while lone parents with dependent children had the lowest average scores. Moreover, further analysis showed that the *staying informed* scores did not vary significantly by the number of children in a household.

Figure 6.5
Average *staying informed* scores, by family type



Analysis of the NI data showed significantly different scores by housing tenure. In particular, social tenants scored an average of just 37, while mortgagors scored 56. As mortgagors are typically aged between 30 and 59, this supports the relationship between age and willingness to stay informed with financial matters.

Figure 6.6
Average *staying informed* scores, by housing tenure



Caution low bases: n=59 private renters, and n=63 'others'.

6.1.1 Significant predictors of *staying informed* scores: NI

Regression analysis of the NI data shows that men are more likely than women to keep themselves up to date with financial matters, even after controlling for work status, income etc. It is also of interest that unemployed people in NI are more likely than full-time workers to score well at this aspect of financial capability once other things are taken into account. This may reflect the extent to which they are checking particularly relevant information such as unemployment figures and benefits rates, but also must indicate that they had reasonable levels of financial literacy.

Box 6.2
Significant predictors of financial capability in NI: Staying informed

Staying informed – results of regression analysis (NI)

Significantly higher scores achieved by:
- Men
- People who have bought more products
- Those with incomes in top 20 per cent
- Homeowners
- Those with higher educational qualifications
- Unemployed people

Significantly lower scores among:
- Those without a current account
- People without qualifications

6.2 Attitudes and behaviour

One in five people in NI were checking some form of economic indicator at least once a week, but approaching half (46 per cent) claimed never to check an indicator (**Table 6.1**). It is clear that this is one reason why people in NI may have lower scores in this aspect of financial capability. The findings are in stark contrast to analysis of the UK-wide data which showed that 34 per cent of people in the UK checked an indicator at least once a week, and just 23 per cent didn't check anything.

Table 6.1
Frequency measures economic indicators (such as employment figures, interest rates): NI

	NI (%)
At least once a week	20
At least once a month; but not once a week	17
Less than once a month	17
Never	46
Weighted base	*512*

Forty three per cent of people in NI monitored just one or two economic indicators, and only three per cent monitored more than five. Across the whole of the UK, analysis showed that eight per cent of people were monitoring six or more indicators.

Given these findings, it comes as no surprise that one in five people in NI felt that it was not at all important to keep up to date with financial matters (**Table 6.2**) (the figure across the UK was just nine per cent). However, it is interesting that almost a quarter of those in NI said it was *very important* to do so. This was only slightly lower than the UK proportion of 29 per cent.

Table 6.2
Importance of keeping up to date with financial matters NI

	NI (%)
Very important	24
Quite important	34
Not very important	21
Not at all important	20
Don't Know	1
Weighted base	*512*

We have looked at this aspect of financial capability in more detail to see whether people's behaviour reflects their stated attitude. We found that while people who felt that it was important to keep up to date were four times more likely to do so at least once a week, a sizeable proportion claimed to never do so themselves (**Table 6.3**). Across the UK, just 12 per cent of those who thought it was important never checked indicators themselves, and 42 per cent did so at least weekly.

Table 6.3
Thinks it is quite, or very, important to keep up to date with financial matters by how often they measure economic indicators in NI

Think it is quite or very important to keep up to date with financial matters	At least once a week	At least once a month; but not once a week	Less than once a month	Never	*Weighted base*
No	7	10	14	70	*217*
Yes	29	23	19	29	*296*
Total	**20**	**17**	**17**	**46**	***512***

6.3 The money quiz

As mentioned above, the BSFC also tested the 'financial literacy' of respondents. Whereas the majority of the questionnaire sought to capture behaviour and attitudes, this section was designed to measure financial knowledge and understanding.

We can see from Box 6.3 that the questions covered a range of tasks that people might reasonably be expected to undertake from time to time, such as reading bank statements or taking information from a chart/graph as well as questions related to products that are often discussed in the media like mortgages and investments. People who do not hold such products will nevertheless almost certainly have some awareness of them.

On average, people in NI scored 4.7 out of a possible 6 points on the first part of the money quiz. In this section we look at all the questions individually, to see which caused most difficulty.

The vast majority of people correctly identified the closing balance on a current account from a bank statement. Just six per cent of people in NI got this question wrong – fewer than in the UK as a whole where nine per cent gave the wrong answer. Given the higher levels of adults in NI without bank accounts this was an unexpected result.

Similarly, people in NI were generally good at working out whether there was sufficient money in an account for a payment to be made (88 per cent gave the right answer compared with 85 per cent across the UK as a whole). It could be that this reflects the higher than average *keeping track* scores discussed previously.

Around a quarter of NI adults gave the wrong answer when asked about savings and inflation. In the UK the proportion giving the wrong answer was similar (22 per cent).

People in NI were less confident at reading information about investment performance, which was presented as a chart. More than a third gave the wrong answer to the first part of this question, while in the UK only a quarter were wrong. Similar proportions answered the second part of the question wrongly.

One in ten people could not work out whether a percentage reduction or cash discount offered the best value. The proportion did not differ between the analysis of the NI data and that of the whole of the UK.

One of the more complicated questions in the money quiz asked people to identify whether each of five products held any risk to capital. Only three per cent of people in NI correctly identified all the risky products. In the UK eight per cent identified them all.

Box 6.3
Money quiz test of financial literacy

Q1	*Looking at this example of a bank statement, please tell me how much money was in the account at the end of February?*
Q2	*If a Direct Debit of £179 comes in on 28 February and there is an agreed overdraft limit of £100 on the account, would there be enough money in the account including the overdraft limit, to cover the direct debit?*
Q3	*If the inflation rate is 5% and the interest rate you get on your savings is 3%, will your savings have at least as much buying power in a year's time?*
Q4 & Q5	*This chart shows how a £10,000 investment would have performed in different types of investment funds over the last seven years. Assuming that fees and charges are the same for all funds, which fund gave the best return after* ***seven*** *years? And which would have been the best fund to have chosen if you had to withdraw your money after* ***four*** *years?*
Q6	*Suppose you saw the same television on sale at a discount in two different shops. The original purchase price of the television was £250. One shop is offering a discount of £30 off the original price; the other is offering a discount of 10% off the original price. Which is the better deal, £30 off or 10% off?*
Q7	*Which of these savings and investments do you think would have their cash value directly affected by stock market performance? Please think about* ***typical*** *examples of the product.*
Q8	*Can you tell me for which of these types of mortgage you would be guaranteed to pay off the full amount borrowed if you kept up the repayments?*

Full details of questions available in FSA (2006) Consumer Research 47b Financial capability baseline survey: Questionnaire

People were also asked about various types of mortgage to test their product knowledge. More than a third of people in NI failed to answer this question correctly (35 per cent).

7 Conclusion

Conclusion

We have seen that, compared with people throughout the UK, people in NI are no more or less likely to be making ends meet, but rather better than average at keeping track of their money. However, they are worse at planning ahead, choosing products and staying informed. Furthermore, more than two in five have made no recent financial product choice, despite the fact that many consumers could save money by shopping around.

Although people in NI appear to be making ends meet as well as those across the UK, additional analysis suggests that despite similar average scores, the distribution of scores are rather different. People in NI are less likely than people elsewhere in the UK to have very high scores (or very low scores) in this aspect of financial capability.

There are above average numbers of people operating a cash budget in NI, who know how much money they have. It is this characteristic that makes them good at keeping track of their money. There are also more people on below average incomes in NI, and we have found that this is linked with keeping track. Furthermore the low income people in NI are rather more careful at keeping track than people observed in the UK as a whole, indicating that money management behaviour is different in NI.

People in NI are poor at planning ahead for a variety of reasons. They appear to be uncertain about whether they should put planning for their retirement income before their current living standards. They are far less likely to buy protection insurance (to cover job loss, illness or loss and damage to property) than people across the whole of the UK, but they are also less likely to feel that they could manage if faced with an unexpected bill or loss of income.

There are fewer active financial consumers in NI than in the UK as a whole. Just 59 per cent had been personally responsible for choosing a financial product in the last five years. A recent document from the Competition Commission suggests that the reasons people do not shop around for current accounts (PCAs) include '*Customer perception is that switching PCAs is much more difficult and risky than it is in practice*' and that *'In the present state of competition in the market, the financial incentives to switch are unlikely to outweigh the perceived risks for most customers'* (Competition Commission, 2007). Given such fear it is unsurprising that customer 'loyalty' or inertia is common. Even among those who have made recent purchases, product choice is less well informed than across the UK as whole. This is almost certainly because people have less experience, and are offered less choice. However, there is also some evidence that some people are not even trying to find out about the relative advantages of products when they do make a choice – more than a quarter used no information at all to help them decide on their most complex purchase.

Men in NI were better at staying informed than women, but across all adults in NI nearly half claimed never to check an economic indicator – which is one of the main reasons their scores were lower than average. In fact, one in five people in NI felt that it was not at all important to keep up to date with financial matters. Yet the financial literacy among people in NI was something of a surprise, since proportionately more people in NI than in the UK as a whole were able to understand a bank statement – even though fewer held a current account.

We can see from these findings that NI faces some particular challenges in improving adult financial capability. In particular much work is needed to encourage people to plan for their future and protect themselves against potential financial pitfalls. But to do this, policy makers will need to find a way of reaching out to a nation that is not highly engaged with financial media and not used to following economic matters. Furthermore, people will need to be confident that it is worth investing time and effort in becoming more active consumers, which means creating a more dynamic and customer focused market.

8
Technical notes

Technical notes

The survey is at the individual level. The sample was not drawn to be representative of households; only of individuals. Unless otherwise stated, information/data presented in the tables is about the respondent (but note that there is a great deal of other information about the household that the respondent lives in, such as household income, in order to be able to identify key characteristics of individuals).

Note that all bases in the tables produced here reflect weighted data. Those with a national UK base are weighted to correct for over sampling within the separate countries as well as characteristics like gender. Tables reflecting data from NI is re-weighted to give the actual sample size while correcting for differences in other aspects of the sample.

Where variations in scores by key characteristics are reported as 'significant', we can be 99 per cent confident that the variations in scores did not happen by chance – in other words that there are differences in outcomes by these characteristics.

See *http://www.pfrc.bris.ac.uk/completed_research/fincap_baseline.html* for the three reports relating to the BSFC carried out in the UK: the development of the survey, the questionnaire used, and the key findings.

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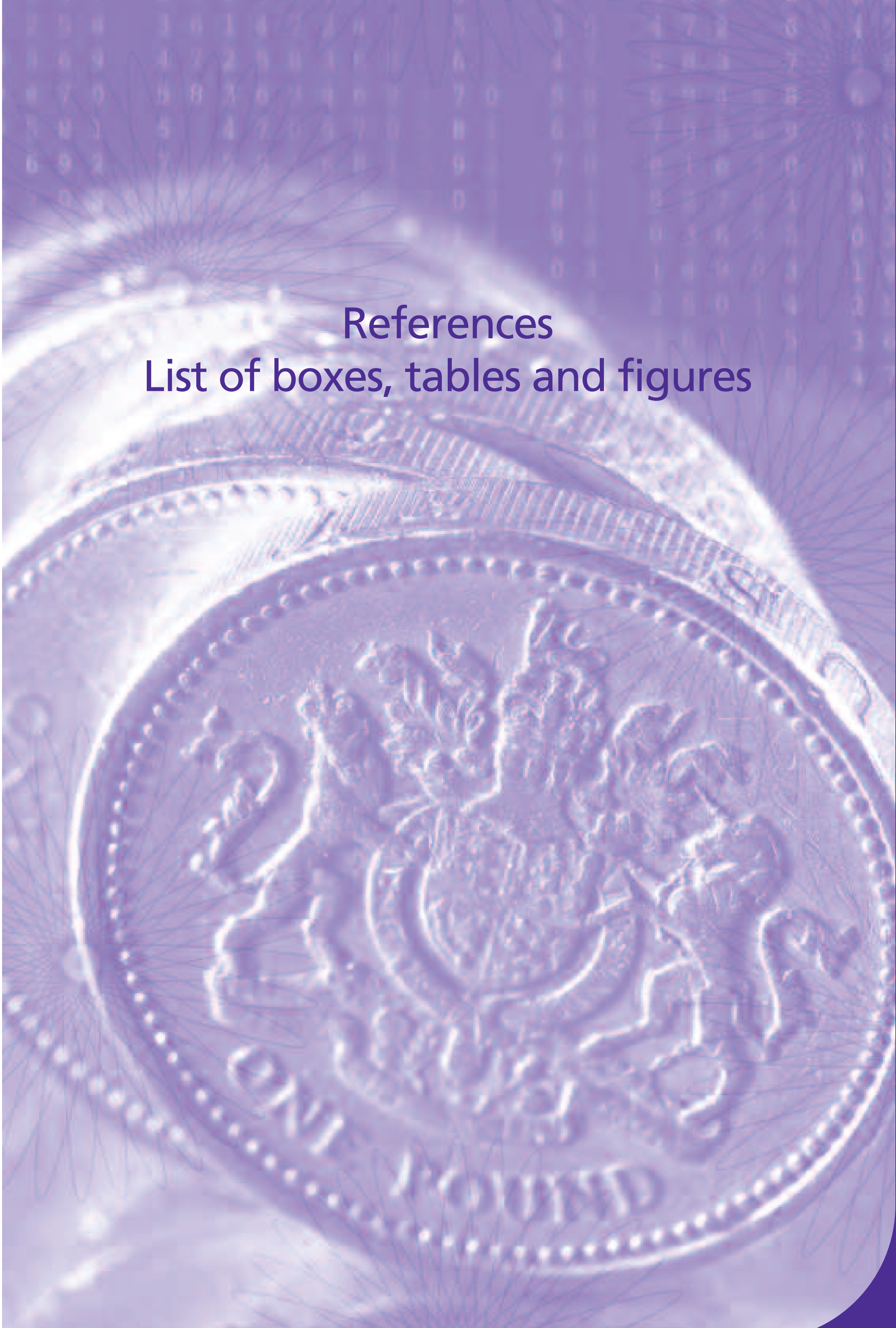

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