

# **‘Not just about the money’: Financial decisions and wellbeing in later life**

CHASM conference, 21 June 2017

Jane Vass, Director of Policy and Research, Age UK



# About Age UK



**Over 150** local Age UKs delivered social, leisure and educational activities.



**Over 90,000 older people** supported by a practical help at home service.



Age UK and our network of local Age UKs were supported by approximately **75,000 volunteers and campaigners.**

Local Age UKs offered over **1,700 services.**



Over 5 million people reached through our national and local information & advice



**96%** of English postcodes are covered by a local Age UK.

# 1: How does financial decision-making relate to wellbeing?



## Age UK's Index of Wellbeing in Later Life

---

Aimed to evaluate how older people (60+) are faring across all domains of life, including both subjective and objective factors, identifying:

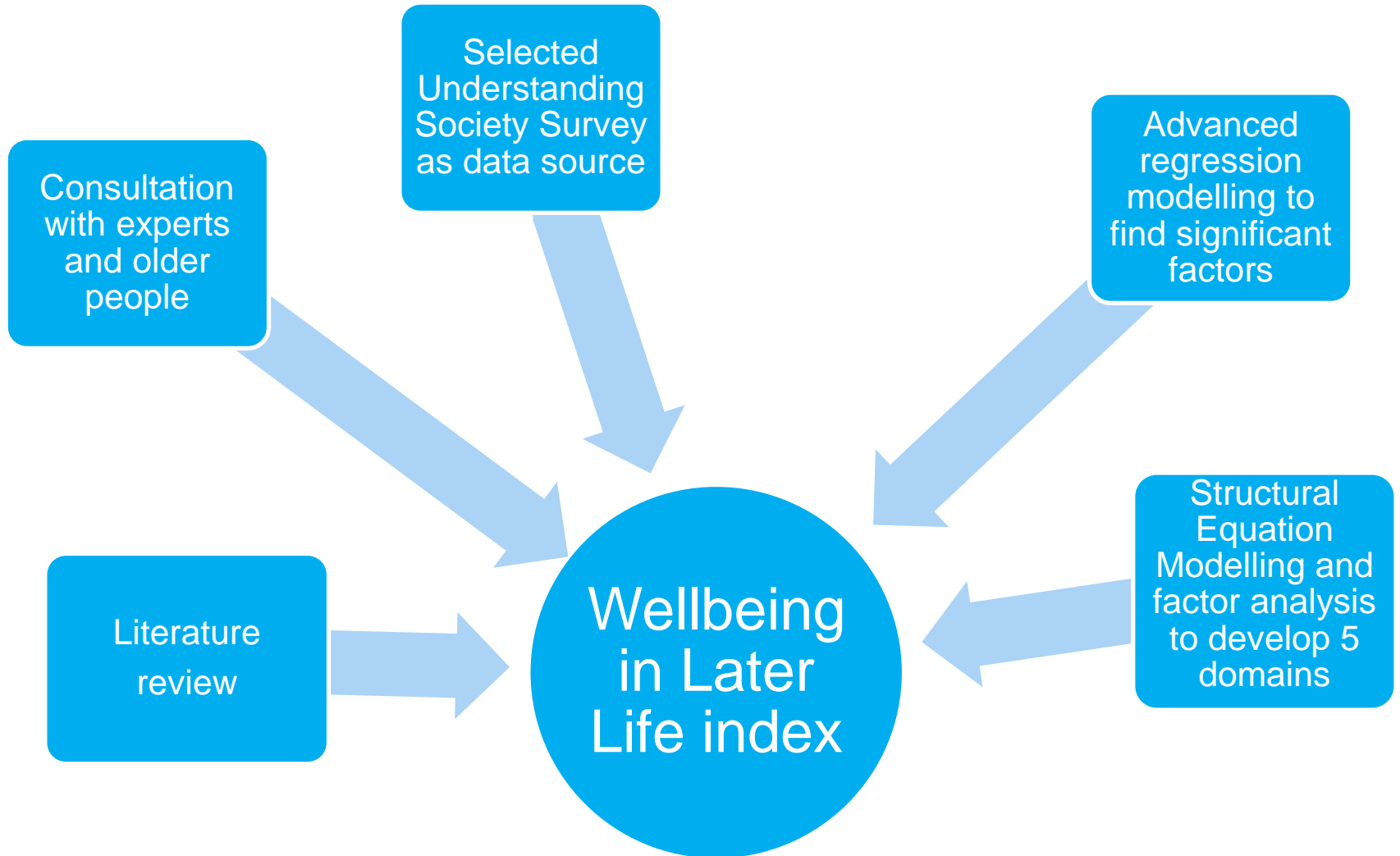
- the contributors to wellbeing
- individuals who have higher or lower wellbeing
- the levers to improve wellbeing

*For full details see:* <http://www.ageuk.org.uk/professional-resources-home/research/reports/health-wellbeing/wellbeing-research/>



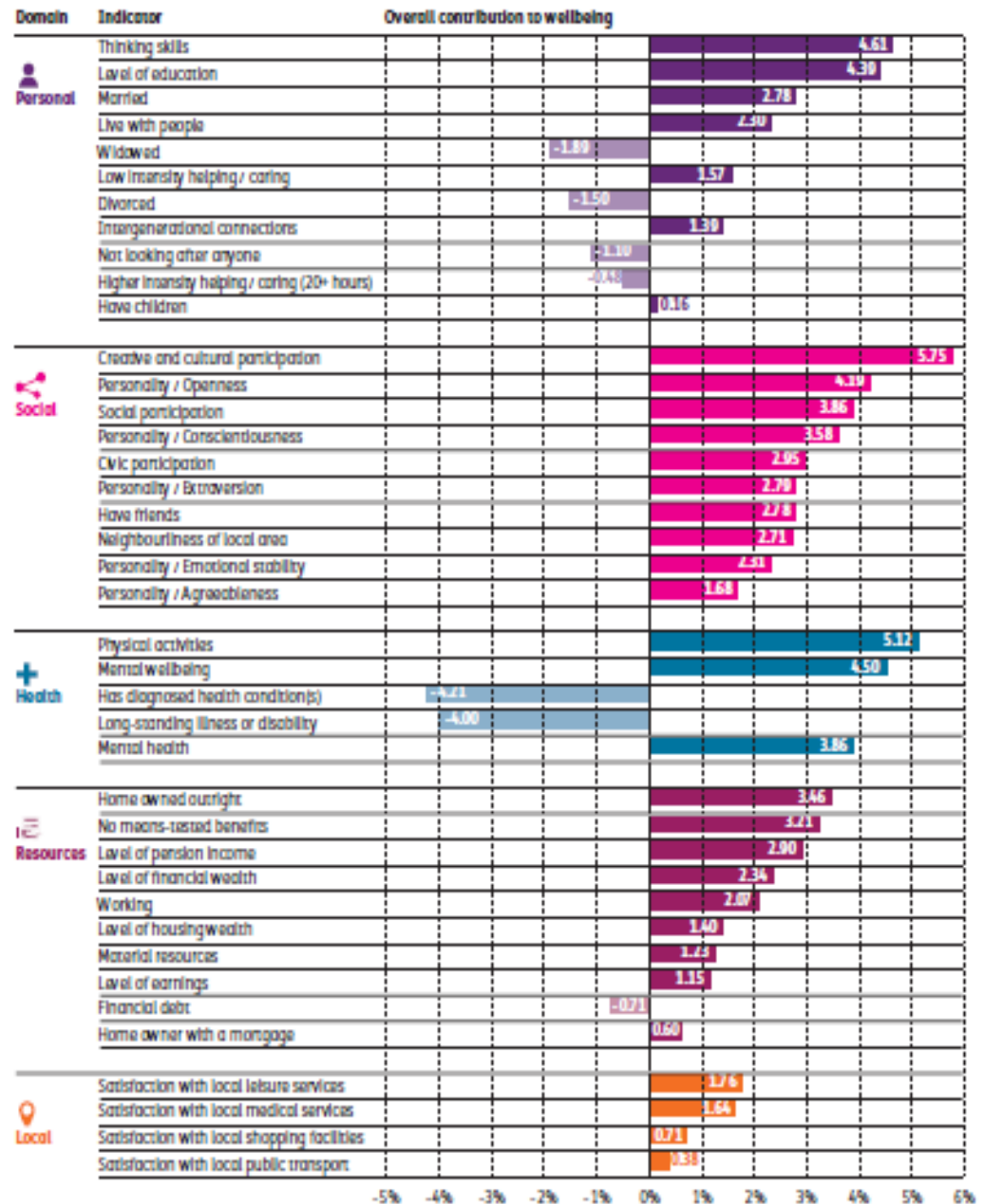
# What did we do?

---



# Wellbeing indicators by domain

- Average wellbeing score across all domains was 53.2%
- But bottom fifth scored only 32.5%, compared to 75.8% for top fifth
- Top fifth are in much better health, better resourced, and better connected
- But not necessarily younger!



# Wellbeing indicators – resources domain

Home owned outright	3.46
No means-tested benefits	3.21
Level of pension income	2.90
Level of financial wealth	2.34
Working	2.07
Level of housing wealth	1.40
Material resources	1.23
Level of earnings	1.15
Financial debt	-0.71
Home owner with a mortgage	0.60

- Average wellbeing score for resources was 49.8%
- Being able to carry on working is a protective factor
- Those in lowest fifth of overall wellbeing much more likely to rent (61%) or have an outstanding mortgage (11%) - less than a third own outright
- Debt has a significant negative effect on wellbeing

# Key messages from the Wellbeing Index

---

- Wellbeing has many 'legs'.....
- .....can't look at one leg alone, but how they interact
- Most striking finding is importance of meaningful engagement with the world around you
- But financial resources are an essential gateway
- Lowest wellbeing group more likely to be on means-tested benefits, have poor health & poor local services.....
- .....compounded by poor social networks
- But even those facing challenges with one 'leg' can do well if sustained by the other 'legs'





# What does this mean for financial decisions?

---

- Need to understand interactions better, including role of personality and what the protective factors are
- Can we improve targeting of support? E.g. those with long-standing health conditions, poor mental health
- Confirms importance of avoiding debt, having housing equity and adequate income
- But also brings healthcare into the picture
- And wider question of what money is 'for' – not just surviving!



## **2: What sort of financial decisions do older people make?**



# Calls to Age UK's advice line

Residential Care	23.8%
Benefits	15.4%
Community Care	14.2%
Legal (mainly PoA and mental capacity)	10.5%
Health Services	10.1%
Housing	8.3%
Non-Residential Care	4.9%
Family & Personal	4.2%
Other money	3.8%
All other	4.8%
Total	100%



# Decision-making on care

---

- 1.2 million older people with an unmet care need (1/8)
- A care market that is barely functioning – 18% reduction in care home beds in London, 2% in East
- Even those who do get state help may have to ‘top-up’:

## Decision-making on care

---

*Linda's mother went into a care home in 2015, and is funded by her council. The council helped Linda to find a care home that did not require a top up. However, four weeks later, by which time her mother was settling in, Linda was told her mother could only remain if a top up of £120 a month was paid. More recently, this has since increased to £160 a month. The council says that if Linda can't pay the top up then she should look for a home that doesn't require one.*



# Planning blight?

---

Is it worth saving for care? I won't live that long

+

I'll never be able to save enough – there's no point

+

It's not worth saving – they take it all anyway

+

A bureaucratic, complex and heavily means-tested  
system

= decision-making at crisis point



# Age UK's principles for reform

---

- Anyone can develop a need for social care. We should all have a role in funding it, while protecting those on low incomes
- Social care should be paid for through a partnership between the individual and the State
- Risk should be pooled - few people are willing or able to save enough from income to pay for a risk that may well never crystallise
- Any funding approach should minimise stress and uncertainty



# Decision-making on money

---

- The AVERAGE state pension is just £7,000 p.a.
- The DB pension system is winding down – but DC still a minority sport

SO

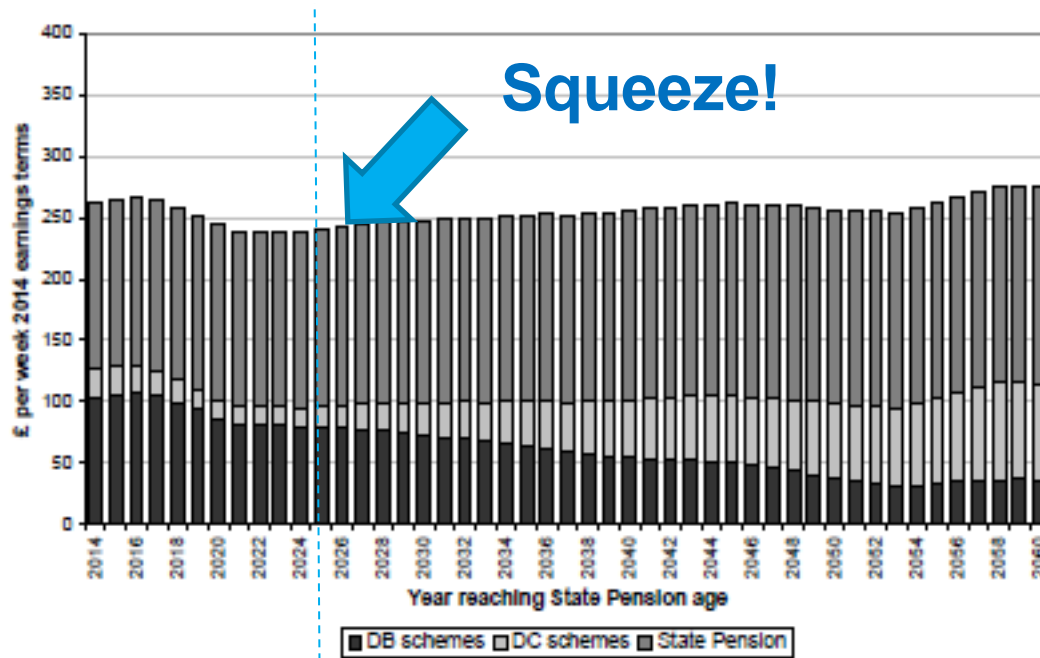
- ‘Freedom and choice’ not top of most people’s minds.....
- More about mixing and matching work, benefits, housing, rainy day savings and managing costs
- The ‘bills’ – energy





# Projected pensioner incomes, GB

## Weekly mean pension income, in first year of retirement



*Pensioner Income Projections, DWP, 2015. 5-year rolling average*

# Decision-making challenges

---

- Loss of mental capacity before Power of Attorney has been set up
- The administrative tasks of registering and activating third party authorisation
- Proof of identity (both parties)
- Avoidance of Catch 22 situations: (“Bring Mrs Smith to the bank” “She can’t come. That’s why I’m here!”)
- Monitoring the use of third party authorisation
- Protection from abuse



# Typical issues with managing money

---

*“My 68 year old brother is seriously ill in hospital. He has been there for nine months and will soon be moved to a care home for the terminally ill. Me and my sister are the only relatives. **No one has been able to access his pension for him from his Post Office account since he cannot get to a Post Office to give authority.** Any ideas how we arrange access to his pension for him? Me and my sister have been funding him for all the time he has been in hospital.”*



# Typical issues with managing money

---

*'Caller's husband passed away and she now qualifies for Housing Benefit and Council Tax Reduction. To apply for this benefit she has to arrange an appointment at the HB Dept unfortunately her daughter has been trying to contact them by phone but hasn't been able to get through so she cannot make her claim. Not only is she missing out on her benefit entitlement but until she does this she cannot claim a Funeral Payment from the Social Fund either.'*



# Decision-making on housing

---

- Energy and home maintenance
- Keeping your independence
- Overlap with care
- Housing equity as a safety net

BUT

Will the safety net be there?



# The mortgage hangover

---

- c470,000 borrowers in retirement, doubling by 2030, but still small %
- Still affordable for most
- But higher exposure to risk
- Particularly 30% interest-only



*Lengthening the ladder, ILC-UK, 2017*

## Other risks.....

---

- Increasing numbers renting – estimated increase in private renters from 5.2% (2007) to 8%
- Benefits increasingly secured against the property
  - Deferred payments for care
  - Funeral payments, support for mortgage interest
  - Green deal loans



# 3: How should we respond?





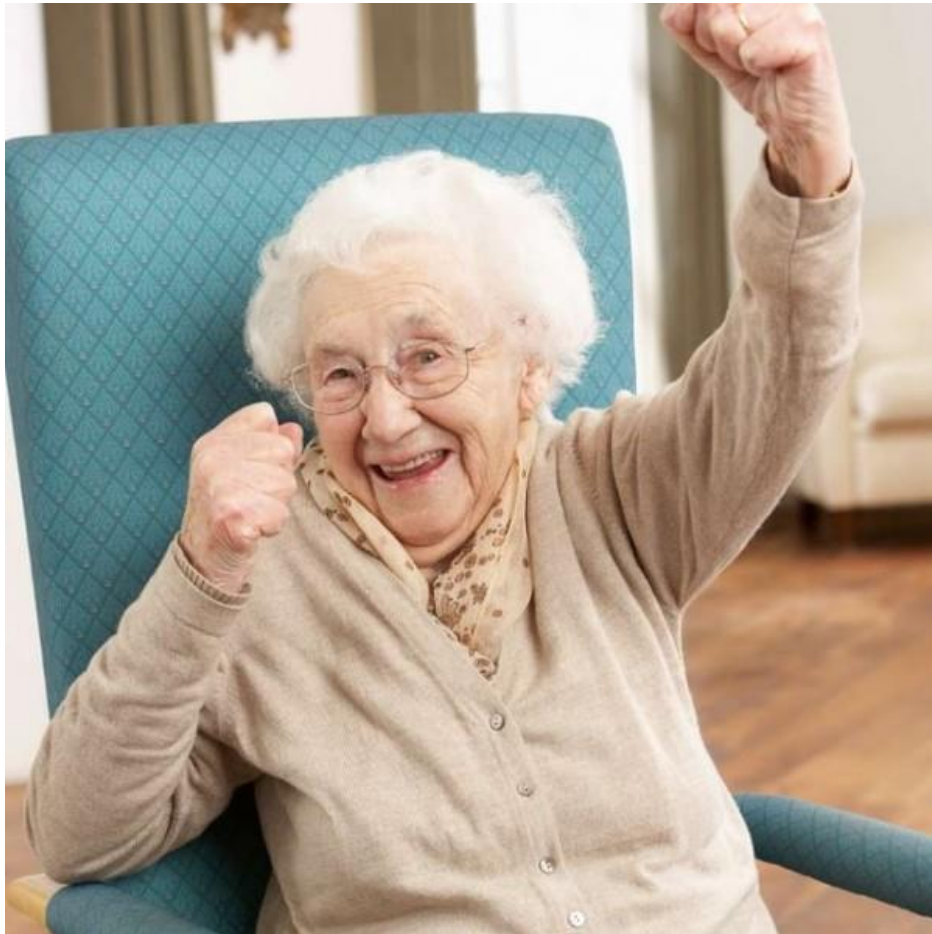


Eld~~x~~erly

Vuln~~x~~erable

F~~x~~ail





Resourceful



Resilient



Capable



Negative age stereotypes cause....

---

...the *measured performance* of  
older people to decline.

Swift HJ, Lamont RA, Abrams D. Are they half as strong as they used to be?  
An experiment testing whether age-related social comparisons impair older  
people's hand grip strength and persistence. *BMJ Open* 2012;**2**:e001064.  
doi:[10.1136/bmjopen-2012-001064](https://doi.org/10.1136/bmjopen-2012-001064)

If you want to get the best out of people...

---

... play to their strengths



# What does this mean for decision making?

---

- The right amount of choice, not too much
- Clear options and norms
- Give people time....
- ....and put it in writing
- It's our money – we choose our role
- Sounds familiar?

*Design for the old is design for all*



## To conclude.....

---

- Financial decision-making is never 'just about the money'
- Let's join up with other policy agendas
  - Housing (eg mortgage hangover)
  - Paying for care
  - Pensions (freedom & choice, the DB-DC transition)
  - Work (increasing SPA)
- Financial capability is necessary but not sufficient - system-level policy responses are needed



# A final thought

---

**“Older people with frailty are the survivors, outliving the majority of their birth cohort...”**

...[We need to] **actively hold the capacity and strategies of continuity** that older people employ, alongside their potential and actual vulnerability.”

Nicholson, Gordon & Tinker, ‘Changing the way “we” talk about frailty’, *Age and Ageing* 2017, 46: 349-351.





[Jane.vass@ageuk.org.uk](mailto:Jane.vass@ageuk.org.uk)

@janevass1

