

Understanding financial needs research: Additional Analysis - Case Studies of the 10 Fact find respondents

Submitted to

Financial Services Consumer Panel

Prepared by

Emma Slater
ORC International

ORC INTERNATIONAL

Angel Corner House
1 Islington High Street
London N1 9AH

www.orc.co.uk

Tel. 020 7675 1025
Fax. 020 7675 1903
Email Emma.Slater@orc.co.uk

16th April 2003

CASE STUDY SUMMARY: INTERVIEW 1

Summary:

This respondent is a female aged 41 with a 19-year old son who has Cystic Fibrosis. She is currently planning a move to Spain with her new partner.

Through the fact find exercise, the panel of experts identified the following as priorities: make a will, review pension provision, increase protection for son and consider methods to meet potential endowment shortfall.

From the respondent's point of view, her highest priority is to pay off her current debts; she has no savings and uses credit extensively. Although she does appear to understand the concepts of financial activities such as 'saving for the short term', 'saving for retirement' and 'protection', these do not feature in her plans. To some extent, she seems to be relying on her partner's savings for her future financial security.

There is no specific mention throughout the discussion of considering protection for her son or of reviewing her mortgage. However, she does mention that she may re-start her pension or start paying into an ISA.

This respondent does not understand the majority of equity-linked products.

FULL CASE STUDY: INTERVIEW 1

Respondent ID: 22

Quota group: At-school dependents, Middle income, High debt

Description: Female, 41, engaged, 19 year-old son with Cystic Fibrosis. Currently planning to move to Spain.

Analysis of Fact Find recommendations:

Considerations:

- When she moves to Spain, is she planning on keeping her house in the UK?
- Who does she think will care for her son when she dies?

Main recommendations:

- There was general agreement amongst the panel of experts that there are simple, non-costly activities this respondent should do, namely make a will and review her pension provision.
- Another priority recommendation is to increase protection for her son, by taking out some form of insurance (such as term insurance).
- A further area to consider was how she would meet any potential endowment shortfall.

Other recommendations:

- Review mortgage arrangements with the view to achieving cheaper payments
- Mini Cash ISA to build up emergency/longer term savings in a tax efficient vehicle
- Unit Trust/OEIC Savings Plan for long-term capital growth with tax efficiency

Analysis of Objectives:

Has the consumer correctly identified their financial needs?

Protection:

The respondent does mention that both her and her partner should consider some protection products, in particular she is thinking that they should both get life assurance, and that her partner should have form of income or critical illness protection. She does not specifically mention protection for her son.

“If I’m going to leave a partner if I die before he dies and I’m also going to leave a son, so you know, I would like to have money to bury me.”

Mortgage:

There is no mention throughout the interview of the respondent having reviewed her mortgage arrangements in the past, or considering doing so in the future. It appears that she still has the same mortgage with Prudential that she took out originally.

Pension:

The respondent has identified that her pension arrangements need reviewing, and she is considering re-starting her pension with the Prudential. However she is not sure whether it would be better to put the money into a savings vehicle instead:

“I’ve got my pension thing. The plan’s rubbish, I won’t get a lot of money, so I’m thinking maybe I could put it into a TESS... one of those things.”

Savings:

With regards to a savings vehicle, such as an ISA, the respondent has been thinking about doing this once her situation changes.

Is the consumer confident in their understanding of their financial situation and in financial decision making?

Her confidence has grown recently, particularly since she has met her new partner. However, she is not confident about her financial security in retirement.

What is the rationale and process behind the consumer's financial decision making?

The rationale and process behind the current financial decisions are based on various factors: the amount of days she is able to work each week, the state of her son's health, and her planned change in lifestyle.

To what extent does the consumer consciously balance their income and outgoings?

- **How do they save for infrequent/expensive items?**
- **Do they use credit for these items?**
- **How do they approach repayments?**

Wage is paid into current account and bills are paid by direct debits. Her money is not pooled with her partner.

This respondent is aware of her income and outgoings – she recently started to make a note of all payments in and out in preparation for her move to Spain. However, she does not have a regular income, as she decides on how many hours she does.

She does not save at the moment, as she is prioritising her debt payments. As her fiancé has just sold his house, they have a nest egg of money, however they appear to be spending a proportion of this on luxury items (e.g. £700 on a DVD player).

She appears to use credit quite extensively (or has done so in the past), and she tries to pay off more than the minimum amount. *"It's dead money and it worries me that I owe this, it's one thousand two hundred."* Her recent holidays have all been paid on credit card, which her fiancé paid off with the proceeds from the sale of his house.

Tax credits or benefits

No longer receiving benefits personally, although she has recently applied for Working Tax Credit:

"I was better off when I was a student really...because my son's reached the age of 19, for some reason the government think he can manage on his own. He's treated as independent even though he's not well, and so my money's stopped."

Her son is receiving incapacity benefits and disability living allowance.

Does the consumer understand financial activities?

The respondent appears to understand the concepts of **debt management**, **short-term savings**, **saving for retirement** and **protection**. However, there is no mention of **investing (long-term)** and her financial outlook appears to be relatively short term.

Which life events does the consumer believe should (or did) trigger financial activity?

Future events – getting married – two incomes to rely on

Actual events –

At 16 – get first job and open current account

At 18 – Leave home for first time and get a credit card

At 27 – got married and bought a house for the first time. She then got a mortgage, life assurance, an endowment policy, and a personal pension all taken out with the Prudential 'door-to-door' salesman. She also took out a store card/catalogue agreement.

Events that occurred but had little/no effect on finances (esp. products taken out):

- Moving in with a partner for the first time
- Having children
- Getting divorced

In what order does the consumer prioritise financial activities?

Debt management seems to be given the highest priority as she pays some off the balance of her loans and credit agreements each month, and when she *“gets a little bit more sorted, I’ll start trying to bring that down every month, because its quite hefty”*

Although she understands the need for **protection**, *“at the moment I haven’t got any of that [life insurance, pension, medical insurance], but my circumstances are changing so I’m looking into it”*, and **saving for retirement**, she has not given them a high priority. She had a pension, but has frozen payments. Currently looking into re-starting payments. *“I haven’t got anything for my pension, and I’m scared [for the future].”*

Any form of **saving (short/long term)** does not seem to have a high priority with this respondent, as she appears to be relying on her partner’s savings. She does not have any emergency funds, or any form of savings.

Fact-find priority analysis:

1. Save for retirement
2. Sort out borrowing
3. Plan your budget
4. Protect your living standards/those of your dependents
5. Build an emergency fund
6. Sort out longer-term savings and investments/investing in a lump sum
7. Save for a short-term goal

Does the consumer understand equity-linked products, and what is their attitude to risk?

Although she has certain products, such a pension, she does not feel confident that she understands them. There is also a lack of understanding on other equity-linked products:

"I don't really understand them fully, but I've heard the terms. I wouldn't know what the difference is between a cash ISA and an equity. Equity's probably on your house."

"I don't really understand what an investment bond is"

She does understand the basics of risk, and although she seems quite risk-averse, she would class herself as willing to take some risk (5 on the risk scale of 1-10):

"Even if you lost money, if you leave it in there long enough, you probably will recoup it at the end of the day....you've got to realise that it can go up as well as go down."

Risk to capital: *"that you can lose what you put in as well as increase on it"*

Risk to performance: *"I think it depends on the company that you've got it with, how they're performing"*

Does/Can the consumer evaluate their own financial situation, identify what action they should be taking, and the extent to which they feel they need help?

She recently evaluated her financial situation as she is planning to relocate to Spain. However, she does not seem to identify what action she should be taking, and due to her debts, does not feel that she is in a position to look for advice.

CASE STUDY SUMMARY: INTERVIEW 2

Summary:

This respondent is a 49-year old female with no dependents. She recently got divorced, and has been retraining to become a teacher. This retraining is the overriding reason for her debt situation.

Through the fact find exercise, the panel of experts identified the following as priorities: build up some emergency savings, evaluate the best way to pay off debts, and save in order to meet any endowment shortfall.

The respondent's highest priority is to pay off her debts, although she has not recently considered different methods to do this. Once her debts are cleared, she plans to save into a Cash ISA. She currently relies on her credit card to pay for unexpected or expensive items, and is paying off the minimum amount each month. Her focus seems to be fairly short-term, as she feels saving for retirement and protection are not relevant to her as she is too young.

Although this respondent appears to have an overall good understanding of the different financial activities, she does not understand the different equity-linked products.

FULL CASE STUDY: INTERVIEW 2

Respondent ID: 32

Quota group: No dependents, Middle income, High debt

Description: Female 49, divorced, teacher

Analysis of Fact Find recommendations:

Considerations:

- This respondent currently has various choices available - either to pay off her debts now or to save for the future, and whether to save for a possible endowment shortfall now, or to assume her salary will increase and therefore cope with this if and when it occurs. These choices may be down to personal preferences.

Main recommendations:

- There was general agreement amongst the panel that this respondent should be building up some emergency savings, evaluating the best way to pay off her debts, and to save in order to meet any endowment shortfall.

Other recommendations:

- Make a will
- Consider stakeholder pension

Analysis of Objectives:

Has the consumer correctly identified their financial needs?

Build up emergency fund:

The respondent is not currently saving, and is not planning to do so for at least a couple of years. This is because she is prioritising her debt payments. If an emergency occurred, she would use her credit card.

Pay off debts:

This respondent has identified paying off her debts as her main priority, however she has not thought about different methods to do this to save paying more interest than necessary.

Save to meet endowment shortfall:

The respondent has reviewed her endowment performance, and is planning to save for any anticipated shortfall:

“My mortgage is finished in 2011. In 2010, I will have the first of the endowment policies coming in...and in 2011 there’s a top up endowment to come in. Whether they will meet the returns is a little bit iffy at the minute, but if they’re short, they’ll be short by about, maximum £8,000, minimum £2,000. So perhaps starting in two years time with five years left to run, I might start an ISA, just in case.”

Is the consumer confident in their understanding of their financial situation and in financial decision making?

When she first divorced her husband, she did not feel comfortable or confident about her financial situation. However she is a lot more confident now and has a good understanding of her situation.

What is the rationale and process behind the consumer’s financial decision making?

Her main focus at the moment is to clear her overdraft and other debts. After these have been cleared, she does plan on saving into a Cash ISA. Her rationale is that she cannot save until her debts have been cleared, and she is focussed on ensuring she is more secure in the future.

To what extent does the consumer consciously balance their income and outgoings?

- **How do they save for infrequent/expensive items?**
- **Do they use credit for these items?**
- **How do they approach repayments?**

Salary is paid monthly into her current account and bills are paid out on direct debit.

She only paid off her student loan last year and is still using her overdraft facility therefore she is not saving at the moment. She has a loan with a bank, and has consolidated some cards in the past - this bill comes out by direct debit. She is focussed on repaying her debts.

Infrequent expenses such as holidays she are paid out of her current account/overdraft as and when they occur. She would use her credit card in an emergency, as she does not have any emergency savings. For large infrequent items, such as a fridge/freezer, she would purchase these on an interest-free credit scheme, split the payments and build them into her budget.

Tax credits or benefits

The respondent does not receive any tax credits or benefits, but she has checked to see if she is eligible.

Does the consumer understand financial activities?

Debt management: She clearly understands debt management. When she knew she was going to be accumulating debt, due to her divorce and retraining as a teacher, she went to see the bank and mortgage company, and told them in advance. In the past, she has also consolidated her credit card loans into one loan.

Protection: It appears that this respondent understands the basic protection concept, but she doesn't feel that protection products are relevant to her needs. Similarly she understands about **saving (short-term)** and **investing (long-term)**, but will not be considering these needs until she has paid off her debts.

She has a strong understanding of **planning for retirement**, and has taken out a company pension and makes AVCs, although she *"took out just a couple of AVCs and I don't do a lot because I don't want to be financially crippled now in order that I can live later on."*

Which life events does the consumer believe should (or did) trigger financial activity?

Future events – change in work situation

Actual events –

At 18 – left home and got first job, took out a current account and savings account.

At 25 – got married, and took out a joint loan

At 34 – bought first home, and took out an endowment policy, a mortgage and life assurance

At 38 – got divorced and started university. Took out an individual overdraft/loan.

At 43 – got a new job and took out a credit card, a store card/catalogue, a company pension and AVC.

Events that occurred but had little/no effect on finances (esp. products taken out):

- Having children

In what order does the consumer prioritise financial activities?

Debt management is her highest priority, as she is trying to reduce her overdraft. The next priority is **short-term savings**, as she would like to save up for a holiday in the next year.

Long-term savings: She is relying on her endowment as her long-term savings, even though she thinks there will be a shortfall. She plans to start saving to cover any shortfall in a few years time, *“eventually I might have to start saving and think about what happens to me later on”*

Saving for retirement: although she does have a pension and pays AVCs, she feels that saving for retirement is not necessarily relevant to her and is therefore not a top priority. *“Save for retirement? I still think I’m about 20 and that seems a long way off”*. Similarly, she feels she is too young to think about **protection** and therefore doesn’t give this a high priority.

Fact-find priority analysis:

1. Plan your budget
2. Protect your living standards/those of your dependents (did not understand this to be related to protection, but to currently being able to meet the bills)
3. Sort out your borrowing
4. Save for a short-term goal
5. Build an emergency fund
6. Sort out longer-term savings and investments/investing in a lump sum
7. Save for retirement.

Does the consumer understand equity-linked products, and what is their attitude to risk?

Although this respondent seems to have a good understanding of her financial needs, on the show card where respondents were asked to circle those products they thought were linked to the stock market, this respondent circled all of the products. Some specific examples where she does not seem to understand equity-linked products:

“Equity ISA. My understanding of that is that its similar to a cash ISA but you’ve got an equity...and therefore you can use that against taking out a loan...so you can say I’ve got this equity ISA, this will mature in this number of years, and on this basis, and with the value of my house, I would like to have that please.”

However, she does understand the risk element of the stock market, as this is something she studied at university. She feels she is a cautious investor, as the stock market is too big a gamble for her. She would define risk as *“not having a guarantee that the money you invest would be returned.”*

Risk to capital: *“Investing it in something that does not guarantee the capital return.”*

Risk to performance: *“that if you invest an amount of money you expect the rate of return to hit a certain level, if that company, or the shares that you’ve invested in with that company, doesn’t perform at the required level, then the percentage of return will decrease.”*

Does/Can the consumer evaluate their own financial situation, identify what action they should be taking, and the extent to which they feel they need help?

This respondent has evaluated her financial situation in the past, and continues to do so on a reactive basis. She generally identifies various routes of action that she could take, and then she tends to speak to family and friends for advice.

CASE STUDY SUMMARY: INTERVIEW 3

Summary:

The respondent is a 42-year old female who is single, disabled and is a tenant in a caravan.

The panel of experts were not aware of the respondent's situation when making recommendations, however based on the fact find analysis, they identified the following as priorities: reschedule debts and check eligibility for further benefits.

The respondent is aware that she should prioritise paying off her debts, however she struggles to meet repayments. Her loans appear to be held with a local 'loan shark', and she does not mention the possibility of taking advice on paying her debts, or of switching to another provider. She does not mention checking for further benefits.

This individual struggles to survive, and therefore does not feel any of the financial activities are relevant to her. She also does not really understand the concepts of sorting out your borrowing, protection, long-term investing or planning for retirement. Similarly, she does not have any real understanding of equity-linked products.

FULL CASE STUDY: INTERVIEW 3

Respondent ID: 30

Quota group: No dependents, Low Income, High debt

Description: Female 42, single, doesn't work as she is disabled, tenant in a caravan

Analysis of Fact Find recommendations:

Considerations:

- The fact find did not reveal the extent of the respondent's situation, and therefore the panel of experts did not have all the facts when making their recommendations.

Main recommendations:

- Due to this respondent's extreme situation, there was little the panel of experts could recommend. However, there was agreement that the top priorities for this respondent are to reschedule her debts and to check if she is eligible for more benefits.

Analysis of Objectives:

Has the consumer correctly identified their financial needs?

Reschedule debts:

The respondent is aware that paying off her debts is a priority, however she struggles to meet repayments. Her loans appear to be held with a local 'loan shark', and she does not mention the possibility of taking advice on paying her debts, or of switching to another provider.

Check benefits:

The respondent receives disability and incapacity benefits, however she does not mention any of the other benefits referred to in the recommendations.

Is the consumer confident in their understanding of their financial situation and in financial decision making?

The respondent realises that she took out too many loans in the past, and has recently started turning down the loan companies and loan sharks who have offered her additional loans. She feels that she has been getting better at money management.

What is the rationale and process behind the consumer's financial decision making?

The rationale behind this consumer's financial decision making is to survive and, whenever possible, to pay off her loans.

To what extent does the consumer consciously balance their income and outgoings?

- **How do they save for infrequent/expensive items?**
- **Do they use credit for these items?**
- **How do they approach credit repayments?**

The respondent lives by cash alone and has no bank account. When she receives her benefits, it goes towards paying the bills. She does have a post office savings account, which she used to use; however at the moment, she doesn't have anything spare at the end of the week to save.

Paying off debts is one of her highest priorities as she has taken out a loan with a loan shark (mainly to cover her council tax bill) and so is desperate to pay it back.

"You can't do it, you can't save. I mean, fair enough, the loans are my fault. If I hadn't got the loans out I wouldn't belike that, but on the other hand at the time I was struggling."

She has to consciously balance her income and outgoings, as her money situation is so tight. When she receives her benefits, she has to work out what bills and debt payments she can pay for each week. If a bill comes

along unexpectedly, such as to renew her gas bottle, she would choose to default on one of her loan payments in order to pay for it.

Does the consumer understand financial activities?

Debt management: She hasn't consolidated her loans, and she has taken out loans with a loan shark, so it could be argued that this respondent does not understand 'debt management'. There is no evidence that she has spoken to anyone for advice on debt management. '**Sorting out your borrowing**' is seen as making sure she pays her loan repayments when she can, and not getting into so much trouble that the courts become involved.

Protection: This respondent doesn't understand about protecting her living standards, as she has never had enough money to contemplate these types of products. She understands **protecting your living standards** as "*just making sure I've got enough to eat, the house is warm and that my animals are fed*"

Saving (short-term): Although she understands what this activity means, it does not apply to her given her situation, "*If I could, I'd do it. I would save, but there's no way I can do it*". If she could do this, she would add to her Post Office savings account. However, she also sees 'saving' as asking a shop for credit and paying for things in instalments.

Investing (long-term): There was a lack of confidence in her understanding of this activity, and the respondent felt it could mean taking out an insurance policy or "*where you can put it in and get back so much after so many...?*" If she were ever in the position to do this, she would get in touch with Prudential.

Planning for retirement: Again, she was unsure of how this could be done, but would speak to the Prudential to see what they would suggest if she had the money.

Which life events does the consumer believe should (or did) trigger financial activity?

Actual events

At 16 – got her first job and opened a savings account

At 21 – becoming disabled

Her dad dying as he used to give her money.

Events that occurred but had little/no effect on finances (esp. products taken out):

- Leaving home

In what order does the consumer prioritise financial activities?

Debt management is her only priority with regards to financial activities, other than managing to survive. **Savings, protection and saving for retirement** are all unachievable activities, and are therefore given the lowest priority by this respondent.

Fact-find priority analysis:

1. Plan your budget
2. Sort out your borrowing
3. Build an emergency fund
4. Protect your living standards/those of your dependents
5. Save for retirement
6. Save for a short-term goal
7. Sort out longer-term investments/investing in a lump sum

Does the consumer understand equity-linked products, and what is their attitude to risk?

As this respondent has never had spare money to save or invest, she has little real understanding of equity-linked products. Of the products tested, she only felt that stocks and shares were linked to the stock market, however she did put several in the 'higher risk' pile (e.g. investment trusts, endowment policy, long-term care insurance, equity ISA, unit trusts, personal pension).

Specific examples of her lack of understanding:

Accident sickness cover was understood to be her savings in her post office account. *"To cover me if I ever had two or three days off work, the money was there then to go back on to pay the bills"*

Pensions were seen as something that helps you when you are older, but there was little evidence to suggest she understands how pensions work.

ISAs: *"What's this ISA...is it like the post office?"*

She sees 'risk' as equating to gambling, and wouldn't be prepared to risk any money at all. If she invested money into a 'risky' product, she would expect to lose it.

Does/Can the consumer evaluate their own financial situation, identify what action they should be taking, and the extent to which they feel they need help?

This respondent has recently evaluated her situation, and has identified that she should not be taking out any more loans, but that she should concentrate on paying her current ones first.

She did not mention receiving any advice on debt management, and in fact felt that she would not approach anyone for advice *"until I got myself sorted out...I'd rather do it myself and make sure that I know what I'm doing"*. If she did want any advice, she would go to Prudential.

CASE STUDY SUMMARY: INTERVIEW 4

Summary:

This respondent is an unemployed male, aged 54, married with one dependent at university.

The panel of experts agreed that the fact find suggests this respondent is correctly identifying his financial needs, although he does need to bring his income and expenditure into line, and check if he is eligible for any tax credits.

From the respondent's point of view, he is confident that he will get another job soon, and therefore appears to be continuing with his expenditure as if he was still employed to a certain extent. However, he has stopped saving and paying into his pension until he gains further employment.

This respondent has a good understanding of financial activities and equity-linked products.

FULL CASE STUDY: INTERVIEW 4

Respondent ID: 41

Quota group: Unemployed, Middle income, Low/No debt

Description: Male 54, married, one dependent at university.

Analysis of Fact Find recommendations:

Considerations:

- Why is the respondent paying for his children's university education?

Main recommendations:

- The panel of experts generally agreed that the respondent has correctly identified his needs. However, one priority is for the respondent to check his eligibility for tax benefits and to bring his income and expenditure more into line.

Other recommendations:

- Obtain projections of pension benefits to ensure longer-term budget is in order.

Analysis of Objectives:

Has the consumer correctly identified their financial needs?

Check eligibility for tax credits:

The respondent has checked if he is eligible for any benefits, and does not believe he is, although there is no mention of checking tax credits:

“I know I’m not entitled to any benefits because I’ve spoken to the job centre and they tell me that with the level of income that my partner, wife earns I’m not entitled to any benefits.”

Bring income and expenditure into line:

Although this respondent has been made redundant, and is therefore currently unemployed, he appears to be continuing his spending as if he was still earning. This seems to be based on his belief that he will find another job soon, and the fact that he has been in this situation a couple of times before and is confident that it will all sort itself out.

Review pension arrangements:

The respondent is aware that he needs to review both his pension arrangements and his savings, however until he finds a new job this is not possible:

“The retirement aspect is taken care of by company pensions that I’ve paid into over most of my working career. However, of late, paying for university education has taken a priority and saving for retirement is on the back burner. As my second daughter leaves university, I hope to be able to put more into cash ISAs, stocks and shares ISAs, to help build up a nest egg for retirement.”

Is the consumer confident in their understanding of their financial situation and in financial decision making?

Yes, he appears to be confident in understanding his situation, although he does not feel that he is in a position to make many financial decisions due to being unemployed.

What is the rationale and process behind the consumer’s financial decision making?

The respondent is in a ‘stagnant’ position with regards to making any financial decisions, as he is currently out of work and looking for a new job.

To what extent does the consumer consciously balance their income and outgoings?

- **How do they save for infrequent/expensive items?**
- **Do they use credit for these items?**
- **How do they approach repayments?**

He has a joint current account where his wife’s income is paid in and bills are paid out by direct debits.

He does have ISAs, but isn’t currently saving on a regular basis as he is out of work.

He tries to plan in advance for holidays and Christmas, although he appears to use credit cards for the majority of purchases, and pays this off in full at the

end of the month.

The respondent keeps a buffer of a couple of hundred pounds to cover 'emergencies'

Does the consumer understand financial activities?

Debt management: He does understand the concepts of debt management, but he is not in debt and so this is not relevant to him at the moment.

Protection: No mention of protection products, and he understands the term 'protecting my living standards/those of my dependents' to mean maintaining current living standards, but not in the event of illness/death etc.

He understands **saving (short-term)** and **investing (long-term)**, although he cannot contribute to his savings at present.

Planning for retirement: He understands this, as he would like to retire in the not too distant future. His three different pensions and ISAs are earmarked for retirement.

Which life events does the consumer believe should (or did) trigger financial activity?

Actual events

At 18 – left home for the first time, and opened a savings account and a National Savings account.

Early 20s – bought first house, took out a mortgage and a credit card

Early 20s – got married and purchased life assurance

Late 20s – got divorced and remarried, and took out an endowment policy and a loan/overdraft.

Mid 40s and early 50s – made redundant three times, took a credit card out on the last two occasions. Following the second redundancy, he concentrated on paying off his mortgage early.

Events that occurred but had little/no effect on finances (esp. products taken out):

- Getting first job
- Moving in with partner
- Having children

In what order does the consumer prioritise financial activities?

Long-term savings have been taken care of, in the respondent's mind, by paying off his mortgage and through ISAs. After his redundancies, sorting out savings became more of a priority.

Saving for retirement – has three pensions, but isn't paying into a pension at the moment. Although he would like to build up more ISAs to put towards his retirement, he is unable to do this at the moment as he is out of work.

Short-term savings are not saved for any goal in mind, rather accumulated wherever possible.

Protection is important to this respondent, but other than life assurance, he does not mention any other protection products, except to say he does not

believe they are very good. However, he sees his other investments as protecting his living standards.

As he does not have any debts, this respondent does not prioritise **debt management**

Fact-find priority analysis:

1. Plan your budget
2. Protect your living standards/those of your dependents
3. Save for retirement
4. Build an emergency fund
5. Sort out longer-term savings and investments/investing in a lump sum
6. Save for a short-term goal
7. Sort out your borrowing

Does the consumer understand equity-linked products, and what is their attitude to risk?

The respondent has a good knowledge and understanding of equity-linked products, and correctly identified which products are linked to the stock market.

“Policies are usually linked in some way to the stock market, and if stocks continue to go down then the policies aren’t going to make any money.”

His understanding of risk involved in such products is high, and he would place himself at 6 on the 1-10 risk scale. He is only willing to risk money that is not needed in the short term.

“I realise that you have to speculate to accumulate, but I am by nature somebody who doesn’t speculate too greatly.”

Does/Can the consumer evaluate their own financial situation, identify what action they should be taking, and the extent to which they feel they need help?

Yes, he is able to evaluate his financial situation, although at the moment the uncertainty due to having been made redundant recently means he is not able to assess his future situation confidently.

“On a day to day basis, I feel very much in control. On a month by month basis, being out of work at the present time, I’m trying hard not to think too far ahead until I can find some means of employments...Long term wise I’m confident that with the pensions that I’ve got to materialise and the savings, that I’ve done reasonably well.”

He takes advice from his brother, who is an accountant.

CASE STUDY SUMMARY: INTERVIEW 5

Summary:

This respondent is a 30-year old house-husband, looking after two children of school age.

From the respondent's fact find, the panel of experts identified three main priorities: make a will, prioritise debt repayments and review the protection cover.

The respondent has not identified these as his financial needs. Debt repayment is not seen as a priority, and he appears to think his protection cover is sufficient. This respondent appears to rely heavily on his credit card, seeing the credit as 'available money' and does not pay off the whole amount every month. Although he understands that the most sensible thing would be to pay off credit card payments, this is not a high priority. Additionally, saving is generally only done to pay for holidays.

He was advised against a pension and has the attitude that he will have enough money in retirement without paying into a pension.

The level of understanding for this respondent is limited to products and situations he has encountered. He evaluates his financial situation as and when events occur.

FULL CASE STUDY: INTERVIEW 5

Respondent ID: 21

Quota group: At-school dependents, Low income. Low/No debt

Description: Male 30, house-husband, two children, home-owner.

Analysis of Fact Find recommendations:

Considerations:

- What are his future job prospects?
- Personal choice to make between paying off debts and saving.

Main recommendations:

- The panel of experts agreed that this respondent should make a will and focus on clearing debts and review his protection cover.

Other recommendations:

- Set up retirement planning scheme
- Build up emergency fund

Analysis of Objectives:

Has the consumer correctly identified their financial needs?

Prioritise debt repayments:

This respondent does not see debt repayment as a priority.

Review protection cover:

The respondent feels he has adequate protection in place.

Set up retirement planning scheme:

He was advised against a pension, but does not see this as an issue:

“From what I see from people who have set up pensions, they seem to have a couple of holidays a year and they’ve still got the nice cars and they’ve still got the house and everything because its all paid for by then. Financial-wise, everything’s going to be paid for, so I don’t really see retirement as a worry.”

Build up emergency fund:

Saving is generally aimed at paying for holidays, and the respondent would use his credit card for emergencies.

Is the consumer confident in their understanding of their financial situation and in financial decision making?

Although he recognises that they need to be careful with their money, he does feel very confident that he is making the right financial decisions. This respondent certainly appears confident that he understands his financial situation, and is happy to go for advice in order to better understand his situation.

What is the rationale and process behind the consumer’s financial decision making?

He knows what they need to earn in order to be “comfortable”, but doesn’t worry if there’s no extra money. “Comfortable” is seen as being able to meet all monthly payments.

There is no formal method of savings for either short or long term. If money is left at the end of the month, he puts it into savings and this usually this will go towards holidays and home improvements.

“We pay what we can pay, hopefully we pay more than what we owe at times and whatever money’s left is saved or spent on other luxuries, days away, that sort of thing.”

To what extent does the consumer consciously balance their income and outgoings?

- **How do they save for infrequent/expensive items?**
- **Do they use credit for these items?**
- **How do they approach credit repayments?**

Current account used for incomings and outgoings.

Conscious balancing does occur to a certain extent, as he is aware of how much they need to earn to cover their outgoings.

He sees their credit card as their emergency fund or the way they would pay for infrequent/expensive items. If they did need to use their credit card for such items, he would envisage that they would then just meet the monthly payments.

“Our main emergency fund is plastic. In fact, we put everything on the credit card. If something happens, it has to be done or it has to be repaired or replaced and the money’s not there, it goes on the credit card and we worry about it later”

With regards to current credit repayments, they do try to pay more than the minimum amount where possible, however this is not given the highest priority - if they earn extra one month, they will first put £100 in the holiday savings pot, then £40-50 towards saving for home decoration, and finally they would pay a bit extra off the VISA.

In fact, he does appear to class his credit card as ‘available money’ to a certain extent, and doesn’t plan how they will pay it off:

“Being able to get the credit card was a massive boost to ourselves...we could afford to have a credit card which we’d never been able to do...so having that piece of plastic where you could just go and buy something and worry about the cost later, on a monthly payment was absolutely fantastic...I think the limit on it now is something like £6600...paid the biggest majority of it off and we’re quite lucky we had a little bit of a windfall. It was £5000 at its highest, but we paid it off. Unfortunately now it’s paid off the wife’s hammering it again.”

Does the consumer understand financial activities?

Debt management: Understands that the most sensible thing would be to pay off credit cards and catalogue payments, however this doesn’t take highest priority.

He fully understands the concept of **protecting living standards/those of dependents**, *“what it means is, are you protecting yourself against financial difficulty and your kids’ financial futures”*, and has several insurance policies in place. Protecting his family is one of his highest priorities.

Saving (short-term): Saving for a short-term goal is seen as *“holidays, saving spending money to have an excellent time”*. He understands the

concept of **building an emergency fund** – *“that means putting money away to one side, if something happens the money’s there, it can be paid for, i.e. your washing money, tumble drier that sort of thing”*. Although he tries to put money aside for this purpose, he would also use his credit card or would cash in his investment bond in the event of an emergency.

Investing (long-term): He sees **sorting out longer-term savings** as relating to his children’s savings plans and not relating to his own situation.

Planning for retirement: He doesn’t understand the long-term nature of **saving for retirement** as he would like a good pension, but sees himself as looking into this only when he retires. He does not have a long-term view and feels he may look into investing more for retirement about 10 years before he retires.

Which life events does the consumer believe should (or did) trigger financial activity?

Future events - *“Another child. It would basically cripple us – they’re very, very expensive...Or a divorce, a divorce would cost me everything.”*

Actual events -

At 14 - started a savings account to give himself more independence

At 16 - started first job and got a current account to pay wages into. Closed savings account on bank’s advice. Cashed in a Pru saver to buy a motorbike, which he now wishes he hadn’t as it would be worth 30-40,000.

At 19 - got married and had first child (unplanned) – still lived with his parents, therefore financial situation didn’t change except to start saving for house deposit, and savings account for daughter.

At 20 – got a catalogue account to buy home furnishings with monthly payments. Bought most things on commission, as others bought through him.

At 21 - left home and was made redundant. Moved into council rented accommodation and lived on benefits for 3 months. Started a long-term policy in case something happened to him but has since cashed this in.

At 21 – had second child (planned), and opened a second children’s savings account.

At 26 – purchased first house, which saved him money, as the mortgage is cheaper than rent. Took out his mortgage through the bank, along with life policies, and redundancy cover. Separate life cover taken out at the same time.

Events that occurred but had little/no effect on finances (esp. products taken out):

- Partner moving in
- Getting married
- His mother moving in

In what order does the consumer prioritise financial activities?

Protection appears to be his first priority both in terms of protecting his family situation should anything happen to either himself or his wife, and also with regards to protecting his children's future by setting up savings accounts for them:

"We took out separate cover so if the worst does happen and either myself or my wife dies...then financial-wise, I will be secure or she will be secure but the main thing to say there is my children will be looked after."

Savings accounts for his children are very important to him, because *"it's going to give them financial security...I started off a policy for my son which I had for daughter, so I was looking more to their financial well-being rather than my own"*

Short-term savings (saving for holidays and home improvements) is the next most important priority, followed by **debt management**.

Long-term savings is seen as important only with regards to the savings accounts he has set up for his children.

Saving for retirement is very low priority, and does not figure in any financial plans: *"My retirement I don't really worry about. I don't worry about my old age. There's no such thing as a state pension, I don't really care because I'll be too old."*

Fact-find priority analysis: it appears that the respondent may have put the scale the opposite way round to the way it was intended, therefore these may be meant to be read from 7-1:

1. Sort out longer-term savings and investments/investing a lump sum
2. Save for retirement
3. Save for a short-term goal
4. Protect your living standards/those of your dependents
5. Sort out your borrowing
6. Build an emergency fund
7. Plan your budget

Does the consumer understand equity-linked products, and what is their attitude to risk?

The respondent's understanding of equity-linked products is limited to products he has discussed with the bank. At no point during the discussion of these products does the respondent mention the stock market, risk or the possibility of losing any money. He appears to understand how shares work, and if had a big windfall, would consider buying some without advice, in order to make some money as quickly as possible. He wouldn't take out products he didn't understand.

Endowment policy – he hasn't got one, but understands it as a way of getting *“a big lump-sum of cash back at the end of your mortgage”*. Advised against this product by his bank because he was told they were not going to be worth anything in future.

Investment trust – hasn't heard of one (but has an investment bond). *“Investment trusts, sounds like something that you'd put into a government. Investment is your tax...you would just put money away and it would mature at a certain age”*

Equity ISA – *“I've heard of ISAs. Equity ISA? Equity is what you own isn't it? I would imagine that you would use your equity to put into the ISA to make your money and at the end of the day, when you retire or something, when you cash in your ISA it would give you a nice lump-sum.”*

Unit trusts – *“Never heard of them...Unit and trust sounds like you're paying for something in case you had an accident, you ended up in mental health care.”*

Pensions – he understands the basics of a pension, but sees the stakeholder pension as a pension through an employer.

Risk: Places himself as a 5 or 6 on the risk scale – Willing to risk some capital invested to get a good return. Risk seen as equal to stocks and shares and not relating to products: *“Risks come in stocks and shares, they don't come in a sound investment policy. You go for a big company or a big name, you go for the Alliance or the Prudential, your money's safe”*.

Risk to capital – *“That sounds like a risk to my property, to my capital, what I own...I don't really have a risk to the property because of the insurances.”*

Risk to performance – doesn't understand it.

Does/Can the consumer evaluate their own financial situation, identify what action they should be taking, and the extent to which they feel they need help?

The respondent does appear to evaluate his financial situation when life stage events occur. In particular, when he bought his first house, he looked in more detail at what products he should be taking out and why.

With hindsight, he can see that at 19, when he was starting his family, he should have saved more, and opened accounts such as TESSAs etc, but *“at 19, you don't take advice from anyone”*.

He did feel that he should have taken out a pension but was advised against it by a financial adviser: *“we saw a financial adviser about it and basically he said if you own your own property they're not worth it...this late in life to pay 30-35 years, it won't be mature enough to make a massive difference to the state pension”*

He is very willing to take (free) financial advice from companies, and talks to the bank and Prudential *“quite a lot, to find out the information that I need to know, not what they want me to know.”*

CASE STUDY SUMMARY: INTERVIEW 6

Summary:

This respondent is a self-employed, 30-year old married man with a young son. His wife is also involved in their business.

According to the fact find recommendations from the panel of experts, this respondent should be looking to increase his savings, increase his pension contributions and prioritise his protection products. However the respondent does not seem to have identified these needs. Although he feels he has a 'savings ethos', he is not managing to save a great deal. In addition, there was no mention in the interview that he felt his protection cover or pension contributions were insufficient.

As he is self-employed, this respondent is both knowledgeable and confident about his financial situation, and has an accountant who helps to direct his financial decisions. All financial decisions are governed by the business and so it is difficult for this respondent to know how much he can afford to save/invest, although he does prioritise savings.

He appears to have a reasonable understanding of the financial concepts, and has a limited understanding of equity-linked products.

FULL CASE STUDY: INTERVIEW 6

Respondent ID: 18

Quota group: Pre-school children, Middle Income, Low/No debt

Description: Male 30, married, young son, self-employed.

Analysis of Fact Find recommendations:

Considerations:

- What is the true value of his capital?

Main recommendations:

- The general agreement from the panel of experts was that this respondent should increase his protection cover, in particular income protection and life cover. Another issue seen as a high priority by the panel is to increase his pension contributions.

Other recommendations:

- Increase savings across the board
- Increase credit card repayments

Analysis of Objectives:

Has the consumer correctly identified their financial needs?

Increase protection cover:

There was no mention in the interview that he felt he should have protection products other than the life assurance he holds, and he appears to feel this covers his protection needs.

Increase pension contributions:

There was also no evidence that he was aware his pension contributions are insufficient.

Increase savings:

Although the respondent feels he has a 'savings ethos', he is not managing to save a great deal. However, at present he feels he is saving sufficient amounts for his needs. *"I wouldn't say we have any goals, we just save to do what we want to do and save whatever's left."*

Is the consumer confident in their understanding of their financial situation and in financial decision making?

This respondent is self-employed therefore he has a high understanding of his financial situation and is confident in the decisions he has made.

What is the rationale and process behind the consumer's financial decision making?

All financial decisions are based on the fact that both the respondent and his wife are self-employed. They have a business account, and they transfer what they can afford at the end of the month into their current account. They then see if there is enough to put some into a savings account, and they do try to save as much as possible each month.

To what extent does the consumer consciously balance their income and outgoings?

- **How do they save for infrequent/expensive items?**
- **Do they use credit for these items?**
- **How do they approach repayments?**

The respondent is very aware of his income and outgoings.

Direct debits are used when there is a financial incentive to do so, i.e. when they will save by using direct debits, or when they can spread payments interest free. However, they often prefer to pay for such bills in full whenever they can, as they do not have a regular amount coming in.

Credit card balances are paid off in full at the end of the month.

For infrequent expenses, they will top up their current account from their savings to pay for these. They will also use their credit card, or choose

interest-free payment plans for new goods.

Tax credits or benefits

The respondent receives child benefit and their accountant has checked if they can get any other benefits or tax credits, but they are not eligible.

Does the consumer understand financial activities?

Debt management: the respondent doesn't mention any debts, other than his mortgage, but is very aware of potential problems with not paying off debts on time, and so it can be assumed that he understands the concept of debt management

Protection: he understands protection as relating only to his life assurance, therefore has a limited understanding of this concept.

Saving (short-term): although he saves as much as possible, this is not for particular short-term goals.

Investing (long-term): he does understand this concept, and he has ISAs set up to cover this need.

Planning for retirement: he has started a personal pension and sees this as covering this need.

Which life events does the consumer believe should (or did) trigger financial activity?

Actual events –

At 20 – Buying first house. At this time, the respondent took out a mortgage, life assurance, an endowment, a loan/overdraft and a credit card.

Events that occurred but had little/no effect on finances (esp. products taken out):

- Leaving home for the first time, and getting his first job (already had a savings and current account)
- Moving in with partner
- Getting married
- Having children

In what order does the consumer prioritise financial activities?

It was difficult to decide from this interview where the respondent's real financial priorities lie. It appeared that building up his business was the most important, which would potentially cover long-term savings and saving for retirement. He is a strong believer in saving as much as possible while he can.

Fact-find priority analysis:

1. Sort out longer-term savings and investments
2. Save for a short-term goal

3. Protect your living standards/those of your dependents
4. Plan your budget
5. Build an emergency fund
6. Save for retirement
7. Sort out your borrowing

Does the consumer understand equity-linked products, and what is their attitude to risk?

Although the respondent understands the basics of equity-linked products (i.e. that they are linked to the stock market and can vary in risk level), he has some difficulty understanding the terms:

“Equity ISA, does that mean the stocks and shares ISA or the cash ISA?”

He is prepared to take some risk, however he has lost money with his Equity ISAs, and therefore is not as happy to take risk now than he was previously.

Does/Can the consumer evaluate their own financial situation, identify what action they should be taking, and the extent to which they feel they need help?

To a large extent, the respondent is able to evaluate his financial situation, although as he is self-employed he uses an accountant to help direct him in what action he should be taking.

CASE STUDY SUMMARY: INTERVIEW 7

Summary

This respondent is a 28-year old divorced female with no dependents on a low income. Her new partner plans to move in with her in the near future, and she would also like to buy a new house and start a family in the next couple of years.

The respondent did omit some information, such as her credit card debt, from the fact find. Based on the information provided to them, the panel of experts felt this respondent should prioritise her savings and pension contributions. From the point of view of the respondent, she is prioritising her credit card payments, but would like to begin saving soon.

The financial decisions this respondent makes at present are relatively short term. She has limited understanding of financial activities and had difficulty in understanding the majority of equity-linked products.

FULL CASE STUDY: INTERVIEW 7

Respondent ID: 5

Quota group: Pre-family, Low income, Low/No debt

Description: Female 28

Analysis of Fact Find recommendations:

Considerations:

- What is the effect on finances if her partner moves in with her?

Main recommendations:

- The panel of experts generally agreed that this respondent should be building up an emergency fund, and reviewing her existing pension arrangements.

Analysis of Objectives:

Has the consumer correctly identified their financial needs?

Build up emergency fund:

With regards to savings, it is something that this respondent thinks she should be considering, however she is concentrating on decreasing her credit card bills (this was omitted by the respondent on the fact find).

Review existing pension arrangements:

The respondent has not really identified her pension as a financial need, as she appears to see her current contributions as satisfying her retirement needs.

What is the rationale and process behind the consumer's financial decision making?

The financial decisions this respondent makes at present are relatively short-term and basic. However in the past she has taken out various financial products through an adviser.

To what extent does the consumer consciously balance their income and outgoings?

- **How do they save for infrequent/expensive items?**
- **Do they use credit for these items?**
- **How do they approach repayments?**

Wages are paid into current account monthly, and rent and bills are paid straight away by standing orders/direct debits. She then splits whatever is left for the remaining weeks.

She pays a monthly payment on her Visa, which is usually something in between the minimum payment and the full balance.

In Christmas 2001 she put all the Christmas expenses on her credit card, and is still paying this off to a certain extent. Therefore for Christmas 2002, she budgeted for the expenses and saved up so that she would not be in debt again.

She does not save, or have a savings account, but she does not spend all her income. She leaves any remaining money in her current account "*for a rainy day*". Holidays are paid out of this current account

Tax credits or benefits

The respondent does not receive any tax credits or benefits and does not know if she is entitled to any.

Does the consumer understand financial activities?

Debt management: She does understand that she should be paying off her credit card, however there is a reliance on the card, and no other consideration has been given to other routes of debt management.

Protection: Although at times, the respondent seemed to understand the concept of protection, there was an overall lack of understanding of what products would be appropriate.

Saving (short-term): This respondent does save for holidays and Christmas etc, by 'budgeting' her money and leaving more in her current account each month.

Investing (long-term): Long-term savings for this respondent is related to the purchase of her first house, which she is planning to do in the near future. Additionally, she does mention that she would take out a Cash ISA to save for the long-term, but then goes on to say that she would then spend this

relatively quickly on her first house.

Planning for retirement: the respondent doesn't really understand how to go about planning for retirement, although she does have a pension.

Which life events does the consumer believe should (or did) trigger financial activity?

Future events – Buying a house with her partner

Actual events –

At 16 – left home and got her first job, also opened a current account

At 20 – bought her first house and took out a mortgage, life assurance, an endowment policy, a savings account, a personal pension, a loan/overdraft, a store card/catalogue agreement, and a credit card.

Events that occurred but had little/no effect on finances (esp. products taken out):

- Moving in with partner
- Getting divorced (although they did sell their house)

In what order does the consumer prioritise financial activities?

Debt management is the highest priority for this respondent, as she is trying to clear her credit card balance, followed by **short-term savings** for holidays and Christmas.

Protection. Long-term savings and saving for retirement are not seen as priorities, perhaps because her focus at the moment is on the short term and she feels she is too young to be concerned with these issues.

Fact-find priority analysis:

1. Plan your budget
2. Protect your living standards/those of your dependents
3. Sort out your borrowing
4. Save for a short-term goal
5. Save for retirement
6. Sort out longer-term investments/investing a lump sum
7. Build an emergency fund

Does the consumer understand equity-linked products, and what is their attitude to risk?

This respondent has very little understanding of what equity-linked products are, and had to guess which products were appropriate for which financial activity. Of those listed, the only product she felt she knew was linked to the stock market was 'stocks and shares'.

She was unsure what 'risk' meant in relation to financial products, but she would class herself as cautious. The definitions given for 'risk' were:

"Well you can get into debt can't you and then with interest...and things like that"

"Money making isn't it?"

Does/Can the consumer evaluate their own financial situation, identify what action they should be taking, and the extent to which they feel they need help?

The respondent does evaluate her financial situation as best she can, as she is not earning sufficient amounts to consider many long-term solutions. If she had more income, she would think about seeing a financial adviser to look at her options.

CASE STUDY SUMMARY: INTERVIEW 8

Summary:

This respondent is a 27-year old full time mother with one young child. Her partner is self-employed and they live off a very low (and irregular) income.

The panel of experts generally agreed that at present, there is little scope to help this respondent. Her main priority should be to seek advice on her financial situation. This is something the respondent has considered, but has not yet done.

The respondent's highest priority is how to survive on a day-to-day basis, and her financial decisions are based on what to pay for with the limited amounts of money coming in. Although she does understand the majority of the financial activities, they are not relevant to her. She is not familiar with any of the equity-linked products discussed.

FULL CASE STUDY: INTERVIEW 8

Respondent ID: 13

Quota group: Pre-school children, Low income, High debt

Description: Female, 27, toddler, partner is self-employed

Analysis of Fact Find recommendations:

Main recommendations:

- The panel of experts generally agreed that there does not appear to be much scope to help this respondent due to the irregular and low amounts of income she has. The main recommendation is to for her to seek advice, from a wider source than she has done in the past, to see if there are any other possible resources available to her.

Analysis of Objectives:

Has the consumer correctly identified their financial needs?

Seek wider advice:

The respondent has not sought much advice on her situation. She does mention that she could go to Citizen's Advice for help, but she hasn't done so yet.

Is the consumer confident in their understanding of their financial situation and in financial decision making?

She understands her situation, but does not feel in control of her finances due to the small amounts coming in irregularly. The financial decisions she is making at the moment relate to surviving e.g. whether she can afford to buy a

loaf of bread that day, and so confidence in decision making is not particularly relevant.

What is the rationale and process behind the consumer's financial decision making?

Lives on day-to-day basis – money received by cash or cheque.

Hasn't enough money to save, and is just trying to survive.

To what extent does the consumer consciously balance their income and outgoings?

- **How do they save for infrequent/expensive items?**
- **Do they use credit for these items?**
- **How do they approach repayments?**

Money comes in infrequently on a daily/weekly basis, and when it comes in it pays for shopping bills immediately.

She doesn't have enough money to save: *"We have tried, but at the moment there's not enough coming in, it goes out on the other things so..."*

She doesn't like to use direct debit because she has encountered problems in the past where two payments have come out at the same time, which a situation she cannot afford.

She doesn't seem to consciously balance income and outgoings – there is no mention of formal money management, although she has to balance them to some extent as and when money comes in.

When infrequent/expensive items need to be paid for, she tries to avoid using credit, as they have been in trouble with this in the past. Instead, she just tries to pay for them if possible.

Tax credits or benefits

The respondent receives benefits.

Does the consumer understand financial activities?

The respondent does understand the concepts of **debt management** and **short-term savings**, however there is no evidence to suggest she has ever thought about **investing (long-term)**.

She does understand that a pension is a good way to **save for retirement**, however it is not possible to pay into one at present.

There is also mention of **protection** products that she feels would be appropriate for her partner as he is self-employed.

Which life events does the consumer believe should (or did) trigger financial activity?

Future events – change in accommodation (currently in temporary housing), and if her partner gets a full time job.

Events that occurred but had little/no effect on finances (esp. products taken out):

- Leaving home for the first time
- Moving in with partner
- Having children

In what order does the consumer prioritise financial activities?

None of the financial activities apply to this respondent, and so all have a low priority. Managing to survive and provider for her toddler are her main priorities:

“We’re living on a really low wage, and I go the odd charity shops buying [my toddler] clothing...it’s basically just grabbing what we can to make sure she’s got what she needs.”

“Living on just one wage, which is a low wage for three people, and having to rent and everything else is... you haven’t got many choices but to carry on with everything and try and keep it together...”

Her partner is paying into a pension scheme, and she would consider doing the same if she got a job.

Fact-find priority analysis:

1. Protect your living standards/those of your dependents
2. Plan your budget
3. Save for a short-term goal
4. Build an emergency fund
5. Sort out longer-term savings and investments/investing in a lump sum
6. Sort out your borrowing
7. Save for retirement

Does the consumer understand equity-linked products, and what is their attitude to risk?

The respondent has not heard any of the equity-linked products:

“I think I haven’t heard of a lot of these things because I haven’t got the bank accounts.... so I’m not really looking into anything at the moment.”

“Endowment policies. I’m not too sure what an endowment policy is actually. Obviously I’ve heard of it but I’m not actually sure what the ins and outs are...”

She doesn’t seem to understand the concept of financial risk, and relates it to getting into debt by missing payments.

“I find it really scary, because I’ve been in trouble owing money...Anything to do with me signing a bit of paper, I find a bit worrying because I’m not in the position to know definitely that I can keep on top of it all.”

“I haven’t got a clue about the stock market. I wouldn’t know what would effect it and what wouldn’t.”

Does/Can the consumer evaluate their own financial situation, identify what action they should be taking, and the extent to which they feel they need help?

The respondent doesn’t feel she is in a position to evaluate her financial situation, as she never knows when the next amount of money will be coming into the household.

CASE STUDY SUMMARY: INTERVIEW 9

Summary:

This respondent is a 56-year old teacher who has recently been widowed.

The fact find information was not always clear, particularly surrounding the available capital and the current housing situation, but based on the information in the fact find, the main recommendation from the panel of experts is that this respondent should review her pension arrangements.

From the respondent's point of view, she leaves her financial situation to her financial adviser, and appears confident that she will be able to live comfortably in retirement. She has various investment and insurance products, and has purchased a second home to help provide for her during retirement, and to provide financial protection for herself and her family.

Through dealings with her financial adviser, she has a reasonable understanding of equity-linked products, and has a good understanding of the concept of risk when relating to financial products.

FULL CASE STUDY: INTERVIEW 9

Respondent ID: 31

Quota group: No dependents, Middle Income, Low/No debt

Description: Female 56, recently widowed

Analysis of Fact Find recommendations:

Considerations:

- What are her plans for her second home?

Main recommendations:

- From the fact find alone, it was difficult to understand the true financial situation of this respondent, and therefore the main recommendation that the panel of experts agreed upon, is that this respondent should review her pension schemes.

Other recommendations:

- Review existing investments
- Pay off mortgage with capital if possible

Analysis of Objectives:

Has the consumer correctly identified their financial needs?

Review pension arrangements:

The respondent does feel that she should have topped up her pension, but had been under the impression in the past that it would be sufficient. She has earmarked other investments as alternatives:

“Basically because we were both teachers we saved for our retirement because we have to contribute to a teacher’s pension scheme. Also things like ISAs help towards retirement. Plus we have bought an insurance policy...we got a lump sum afterwards, so that went in to our retirement fund.”

Is the consumer confident in their understanding of their financial situation and in financial decision making?

This respondent does feel that she is in control of her finances, however this is largely because she relies heavily on the advice of her financial adviser. She is not interested in investing more time in understanding her situation and in the decision-making, and therefore allows her adviser to do this for her.

“Well [the financial adviser] basically sorted out the mortgage and the sort of insurance policies that we should take...I wouldn’t say we were confident that we understood the products but we had got faith in the guy who was advising us.”

What is the rationale and process behind the consumer’s financial decision making?

Wages are paid into her bank account and bills are paid by direct debit. In the past, any money that could be saved was put into insurance policies or ISAs. If there is money left over at the end of the month, the bank automatically transfers this to a deposit account.

The respondent and her late husband have clearly prepared for the future as much as possible, and therefore she does not have to make many large financial decisions at present.

To what extent does the consumer consciously balance their income and outgoings?

- **How do they save for infrequent/expensive items?**
- **Do they use credit for these items?**
- **How do they approach repayments?**

She is not usually sure what money she will have left at the end of the month, and she doesn’t keep a record of her incomings and outgoings.

She feels she earns enough not to have to worry about it: *“Life is too short to worry about it, I am earning enough money to get by with so, yeah I don’t have to have a budget”*

The credit card is always paid off in full at the end of the month. If a large expense is coming up, she will move money back from her deposit account to her current account to cover it. She also takes advantage of interest free periods, for example she recently purchased a new washing machine with a 6-month interest free period, and used the 6 months to save for it.

For an expense such as a new car, she would consider taking out a loan.

Tax credits or benefits

The respondent does not receive any tax credits or benefits and does not know if she is entitled to any.

Does the consumer understand financial activities?

Debt management: This respondent doesn't really have debts to manage, other than a mortgage. However she does understand that she should always pay off her credit card balance in full. She would also prioritise paying off debts before saving money.

Protection: She understands the concept of protection, and she feels that although they didn't set out to do this specifically, this has been done through purchasing a second home as an investment for the children, and by contributing to her pension. No specific protection products mentioned.

Saving (short-term): She understands this concept but doesn't feel it applies to her, as she would have enough in her deposit account should anything arise, and therefore she doesn't specifically save for a short-term goal.

Investing (long-term): This respondent has several long-term insurance policies in place that pay lump sums at the end of the term, and therefore appears to understand the concept of long-term investing.

Planning for retirement: Understands this well - relates this to her teachers pension scheme, ISAs and insurance policy which will return a lump sum.

Which life events does the consumer believe should (or did) trigger financial activity?

Future events – Being unable to work, or being made redundant

Actual events –

At 18 – left home for the first time, and opened a current account

Early 20s – got first job and took out a credit card

Late 20s – got married and bought a house. Took out a mortgage, an endowment and life assurance through an adviser.

Mid 50s – became widowed. Received money from insurance policies and is buying a new house. Advice taken from same adviser on mortgage.

Events that occurred but had little/no effect on finances (esp. products taken out):

- Having children

In what order does the consumer prioritise financial activities?

Protection she does have several insurance policies and these have high priority

Long-term savings has been taken care of and are therefore less of a priority now, although paying into her insurance policies that will pay out a lump sum is a very high priority.

Saving for retirement has low priority, and to a certain extent this is because she feels quite comfortable with her investments and her second property. However, she hasn't topped up her pension, and feels she is too old to do it now.

Short-term savings she doesn't feel she would ever save in the short-term as she earns enough money to pay for things if they come up, or she would take out a loan.

Fact-find priority analysis:

1. Protect your living standards/those of your dependents
2. Save for retirement
3. Build an emergency fund
4. Plan your budget
5. Sort out longer-term savings and investments/investing in a lump sum
6. Save for a short-term goal
7. Sort out your borrowing

Does the consumer understand equity-linked products, and what is their attitude to risk?

This respondent has some understanding of equity-linked products, but relies on her adviser to pick the right product for her, and therefore doesn't get too involved in the subject.

She feels that most financial products are linked to the stock market in some way: *"I say everything is linked to the stock market, not everything but what rate you get on your savings account is linked to the stock market, your cash ISAs, your equity ISAs, insurance...these whole of life insurance are certainly linked to them, the pensions are linked to them..."*

Risk:

"[When taking out an ISA] you had to decide about high risk, low risk, medium risk, all these sorts of things. How the hell do I know what a high risk is and a low risk is? So we just went back to our financial adviser."

She feels she is in the middle risk category, as she prefers a balance of low risk and middle risk products. She appears to have a good understanding of risk when it is relating to financial products.

Risk to capital: *"It means you could lose the whole lot. Or you could lose a percentage of it, depending on what the stock market is doing and what the company that you are invested in, how well they are doing or how badly they are doing."*

Risk to performance: *"How well the company performs, i.e. how well their stocks and shares are doing"*

Does/Can the consumer evaluate their own financial situation, identify what action they should be taking, and the extent to which they feel they need help?

She often turns to her financial adviser when her circumstances change, and lets him evaluate her financial situation and identify what action she should be taking. Therefore she always identifies the extent to which she needs help. However she finds the financial arena complicated and doesn't feel that the information and advice she has received is easy to understand.

"I think the information that is given out to you is so complex, it is very hard to discern whether it is right or wrong. Also a lot seems to contradict itself."

"[Would need] somebody with a consumer friendly attitude that doesn't try to blind you with science."

CASE STUDY SUMMARY: INTERVIEW 10

Summary:

This respondent is a 54-year old married male, with one dependent at university.

The panel of experts generally agreed that this respondent's main priorities should be to review his life cover, review his pension arrangements and reduce the term of his mortgage so that it is paid off before he retires.

From the respondent's point of view, he has identified that he should be reducing his mortgage, and intends to do so once he no longer has to pay the costs of his daughter attending university. However, he does not mention his life cover or reviewing his pension arrangements, and has therefore not identified these needs. He also intends to increase his savings in the future, and these will be put towards his retirement fund.

This individual is confident in his money management, and appears to have a good understanding of risk and equity-linked products.

FULL CASE STUDY: INTERVIEW 10

Respondent ID: 24

Quota group: At-school dependents, Middle Income, Low/No debt

Description: Male 54, works, married, one child at university (one other child, no longer dependent)

Analysis of Fact Find recommendations:

Main recommendations:

- The panel of experts generally agreed that the priorities for this respondent are to review his life cover, review his pension arrangements, and reduce the term of his mortgage so that it is paid off before he retires.

Other recommendations:

- Increase savings once university costs come to an end.

Analysis of Objectives:

Has the consumer correctly identified their financial needs?

Review life cover:

There was no mention throughout the interview that the respondent feels he should review his life cover.

Review pension arrangements:

With regards to his pension, the respondent seems to feel it will be sufficient, although he would have put more money into it in the past had he been aware how important it was:

“I think if I’d know about AVCs beforehand, I would have started them earlier, because I was never led to believe when I first got the company pension...at 27 that total contributions for me and my company might accumulate 12% of my salary, when in actual fact from that age I can put away 17% of my salary, now that might have had a great influence on me if I could have done that.”

Reduce term of mortgage:

The respondent is aware that he should try and reduce his mortgage and increase savings, and will do so once he can afford it (hopefully once his daughter has left university).

Is the consumer confident in their understanding of their financial situation and in financial decision making?

The respondent is confident in managing his money and the decisions he has made.

What is the rationale and process behind the consumer’s financial decision making?

Wages are paid into a bank account and all bills (utilities, credit cards, mortgage) are paid by standing order/direct debit. The respondent does not have any formal regular savings plan – if any money left over at the end of the month, it is put into a deposit account. Savings are not seen as a great priority, as his philosophy is to ‘live for today’.

However, due to recent circumstances, in particular his redundancy, he does see his pension and insurances as very important.

To what extent does the consumer consciously balance their income and outgoings?

- **How do they save for infrequent/expensive items?**
- **Do they use credit for these items?**
- **How do they approach credit repayments?**

He is generally aware of what they will have left at the end of the month, but doesn’t formally budget because he has an ‘unlimited’ overdraft *“which I don’t have to justify”*

He would pay for infrequent/expensive items either by cheque (using savings or overdraft) or credit card, but wouldn’t save specifically for these things in advance. Feels that *“if I want something, I’ll get it...society is fairly easy to give money out”*.

Tax credits or benefits

The respondent doesn't personally receive any benefits, although his wife receives disability benefits. He has checked to see if he is eligible for any more.

Does the consumer understand financial activities?

Debt management: he understands this activity but does not feel it is relevant to him, as all his debts are long-term (e.g. his mortgage).

Protection: *"Taking out permanent health insurance, so that if something happens to me as being the only provider in the household that our living standards don't deteriorate if I can't work...taking out life insurance so that if I die, others will be able to benefit"*

Saving (short-term): *"saving for a holiday, a wedding, Christmas, something which is predetermined either with a one or two year period goal"*

Investing (long-term): he does understand this term, and sees long-term investment as five to ten years.

Planning for retirement: equivalent to taking out a pension.

Which life events does the consumer believe should (or did) trigger financial activity?

Future events – Being widowed or made redundant

Actual events -

At 16 – got first job and a savings account (advised by uncle)

Mid 20s – bought first house, and took out a mortgage and life assurance (all from building society)

At 51 - Being made redundant – lived off savings while looking for another job

Events that occurred but had little/no effect on finances (esp. products taken out):

- Getting married
- Having children – but can see in hindsight that he should have put money aside for when his daughters were older

In what order does the consumer prioritise financial activities?

Protection is high in this respondent's priorities due to experience – he has been made redundant in the recent past and his wife has become disabled.

Saving for retirement is very important to this respondent (who is 54).

Savings are low as he likes to *"live for today"*

Debt management appears to be of low priority as he has enough income to pay off credit repayments etc.

Fact-find priority analysis:

1. Plan you budget
2. Protect your living standards/those of your dependents
3. Save for retirement
4. Sort out your borrowing
5. Save for a short-term goal
6. Build an emergency fund
7. Sort out longer-term savings and investments/investing in a lump sum

Does the consumer understand equity-linked products, and what is their attitude to risk?

He seems to have a good understanding of risk, and the fact that many investment products are linked to the stock market: *“ISAs or TESSAs...I’ve always thought it was a way of attracting Joe Bloggs to have a share portfolio but being covered by a fancy word like ISA”*

The respondent has a good understanding of equity-linked products and the only one he wasn’t sure of was the investment bond.

The respondent does understand the concepts of risk, and is particularly risk-averse.

“The small print has always said that this can go down as well as up, so consequently it was no more beneficial to me than going to the local bookies and putting it on a horse”

Does/Can the consumer evaluate their own financial situation, identify what action they should be taking, and the extent to which they feel they need help?

The respondent seems to be relatively well informed with regards to his finances. He does seem able to evaluate his situation and identify relevant action.

He doesn’t feel that he there are any products but should have bought, and he feels *“there is sufficient information in the national press if you’re willing to read it”*

In hindsight, he realizes that he hasn’t always made the best decisions, for example the life assurance product he was sold by the mortgage company was the cheapest but wasn’t the best value.

In the past he has taken financial advice from his former company pension adviser. However he does not trust independent advisers in general, and so does not like to take advice from these sources.