Fair4All Finance Segmentation Model

(Un)golden Years: Deep Dive

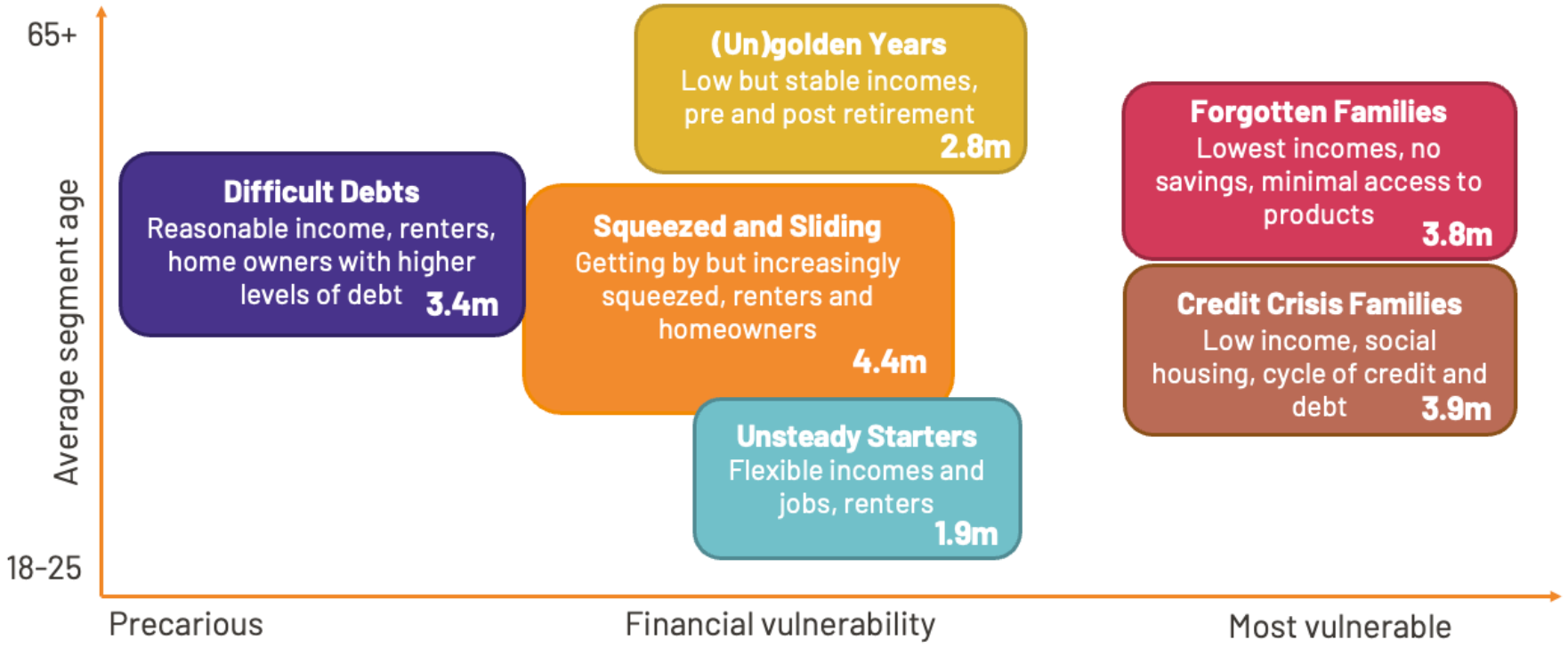
July 2024

Our purpose for segmentation

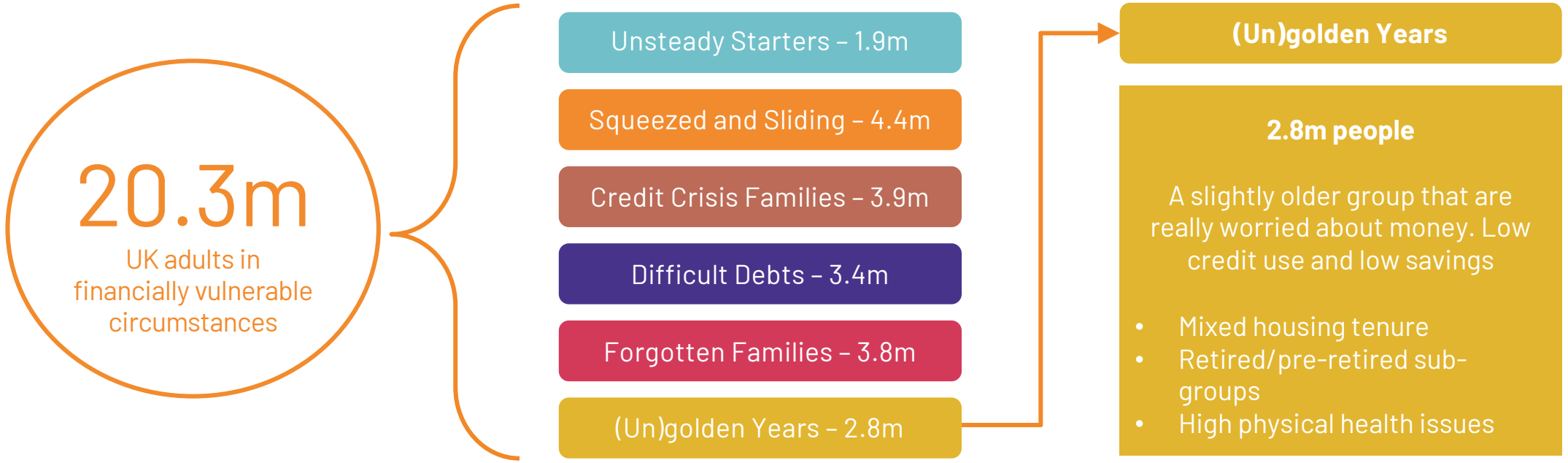
to support the design and development of more effective financial products and services that improve resilience for people in financially vulnerable circumstances

Segments by age and vulnerability

Six segments show the breadth of financial vulnerability – the size of the box represents the size of the cohort



This segment deep dive



Total audience

6 segments

This segment deep dive

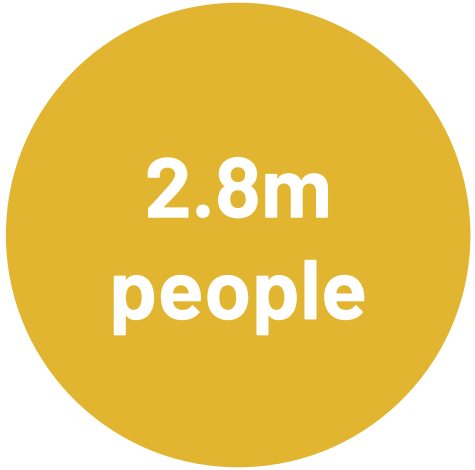
A note on data

- We surveyed 3,101 people in financially vulnerable circumstances online in early December 2023
- Where we look at one segment vs other segments this is labelled as 'FVC' to denote all people in financially vulnerable circumstances. This allows us to understand how a specific segment differs to all people across our segments
- Where we have a 'All UK Adults' this is taken from a different survey that was conducted at the same time (December 2023), and is helpful when comparing the segments to the overall population
- There have been 3 waves of our survey – March 2022, December 2022 and December 2023. Where it's appropriate to track changes over time, this has been included

(Un)golden Years

Overview

(Un)golden Years are an older group with a high number of retired people, meaning less access to earned income. They are very worried about money and some have little savings. Low debt levels, they avoid credit wherever they can



(Un)golden Years at a glance

13.8% of the Financially Vulnerable Population

Age range **45-65+**

HH income **£30k or less**

Family
13% are single parent HH, high widowers/divorcees
39% have kids at home

Housing
Social housing and homeowners

Type of work
High number retired, those in work split between FT and PT

Debt
Low debt, but increasing for some

Savings
37% = none
21% = £1-£1000

Insurance
17% = none
Health insurance under indexes

Jean, 61, Skegness

This is a fictional persona, but based on findings from the Nest Insights Real Accounts participants

2.8m **13.8%**

Financially Vulnerable Population

- **Single, lives alone in her own, mortgaged home**
- **Lived in the area all her life and often hosts her grown up children and their kids**
- **Multiple-part time jobs and small pension being paid**
- **Ambition to be debt free by time she retires**

Meet Jean

Jean has worked hard all her life and is proud that she has always provided for her children, especially as she raised them independently. She left a bad relationship with significant debt that affected her credit score for many years, but she has learned a lot and worked hard to improve her situation. Rather than shy away from credit now, Jean has become very conscious of using it wisely.

Jean holds down two part-time jobs, **both with irregular pay and hours.** One is a chef in a local school, so her hours are limited to term time, and the second is that she works as a carer, but the hours are inconsistent, and they can only promise her up to 10 hours a week. Even though her income is volatile, she always plans to ensure she has enough money in her account, and she's always budgeted well.

The most challenging aspect of her financial situation is the **joint credit card she shares with her son,** which has a £4,000 debt. They took out this debt when his business faced challenges, and Jean trusted that he could pay it back on time. However, sometimes, he missed payments, forcing Jean to cover them. She will need to continue to work hard if he continues to miss payments.

Jean uses credit wisely. When she needed a car for work, she chose a bank loan over car finance, as she felt there was more security in case of repayment emergencies. She has a small overdraft facility for other emergencies and recently opted for Buy Now Pay Later to replace her cooker. She might put family holidays on her credit card but always repays the balance and makes over the minimum payments.

Jean has a small pension pot, which she began building later in life and took money from when she was financially struggling, something she regrets now. Her main goal is to pay off her mortgage, which will then massively reduce her monthly outgoings. She has managed to save a little extra every month to do this, and when she could, she overpaid on her mortgage to prepare for her rate changes.

Jean knows she'll still need her credit card occasionally, especially around Christmas and for treats for the grandkids. **Through all the ups and downs, Jean remains dedicated to managing her finances responsibly and ensuring her family's happiness.**

fair4all finance

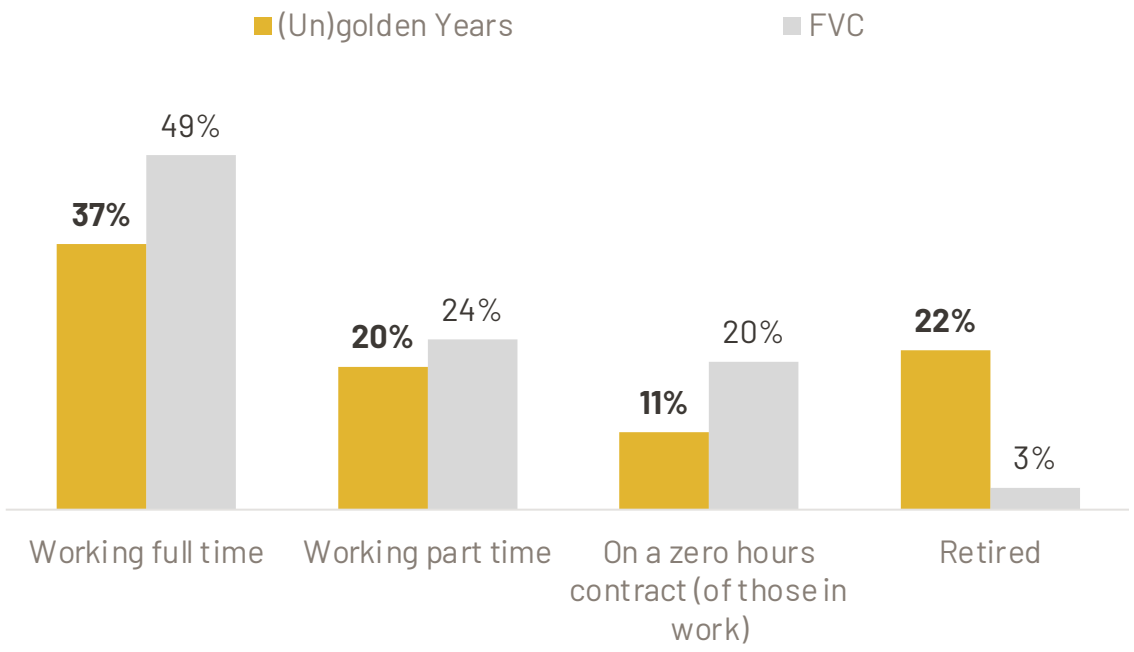
Summary: (Un)golden Years

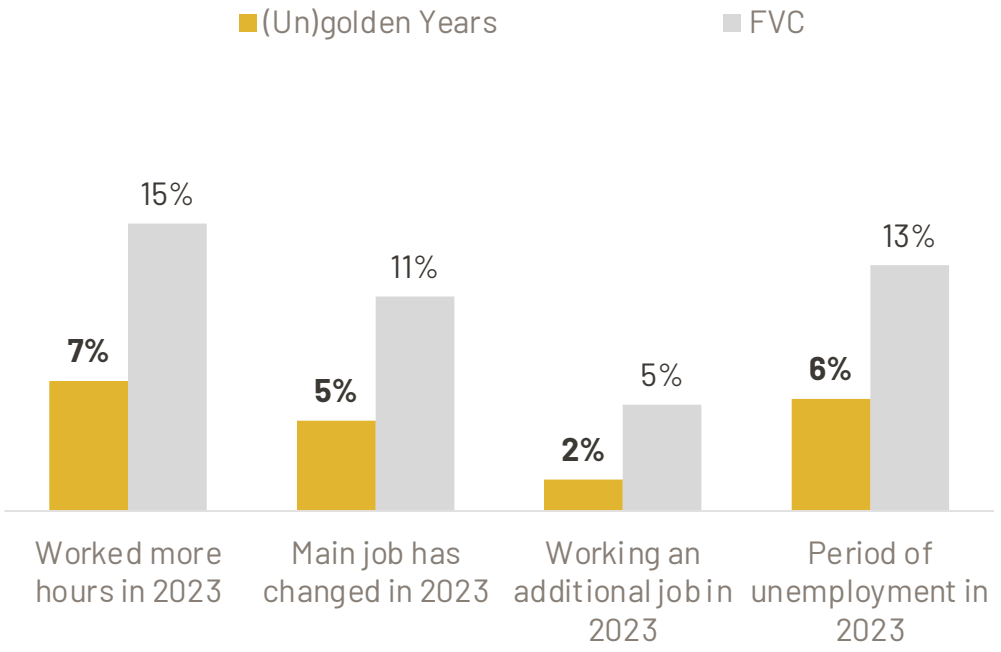
	Where were they in 2022?	Where are they now?	The future?
Lifestyle	An older segment, with 1 in 5 retired, and over working full or part time They are more likely to have physical health conditions	They are particularly worried about heating their home in the winter Almost a third have cut back on discretionary spend	They've already cut back or gone without, something they may have less capacity to do in the future. Some may seek additional work despite health issues
Credit and debt	They don't like borrowing money, and when they do it tends to be credit cards	They over index on credit card usage, but 26% never pay the full balance each month Only 1% used a high cost, pay day loan in the last six months	Expect to see increasing credit usage for many, and the most financially vulnerable may struggle to make repayments
Savings and insurance	Saving levels have generally been higher, but the cost of living has depleted them Insurance policy ownership is generally higher which aids resilience	They've had the biggest increase in the % of people with no savings Less working opportunities may make it difficult to build savings, or reduce debt	With only 25% expecting to save any money in the next 12 months, the depletion on savings may be worse

(Un)golden Years

Work and Lives

(Un)golden Years are the least likely to be in work of any segment, in part due to 1 in 5 retired

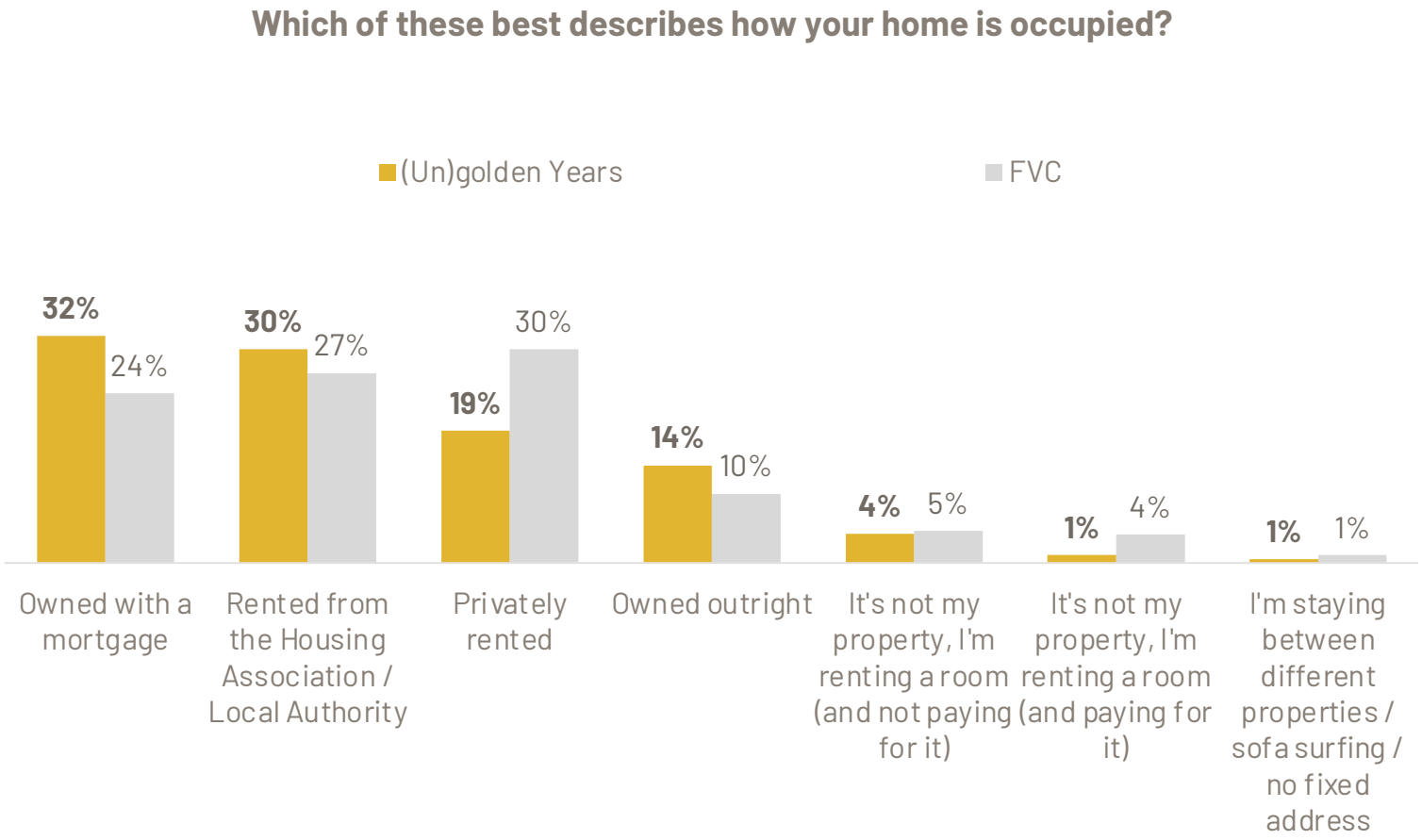




Just 37% of this segment are in full-time work, the lowest of any group. They are also slightly less likely to be in some form of part-time work. As a result, more volatile forms of employment, such as zero hours or self-employment are also less common.

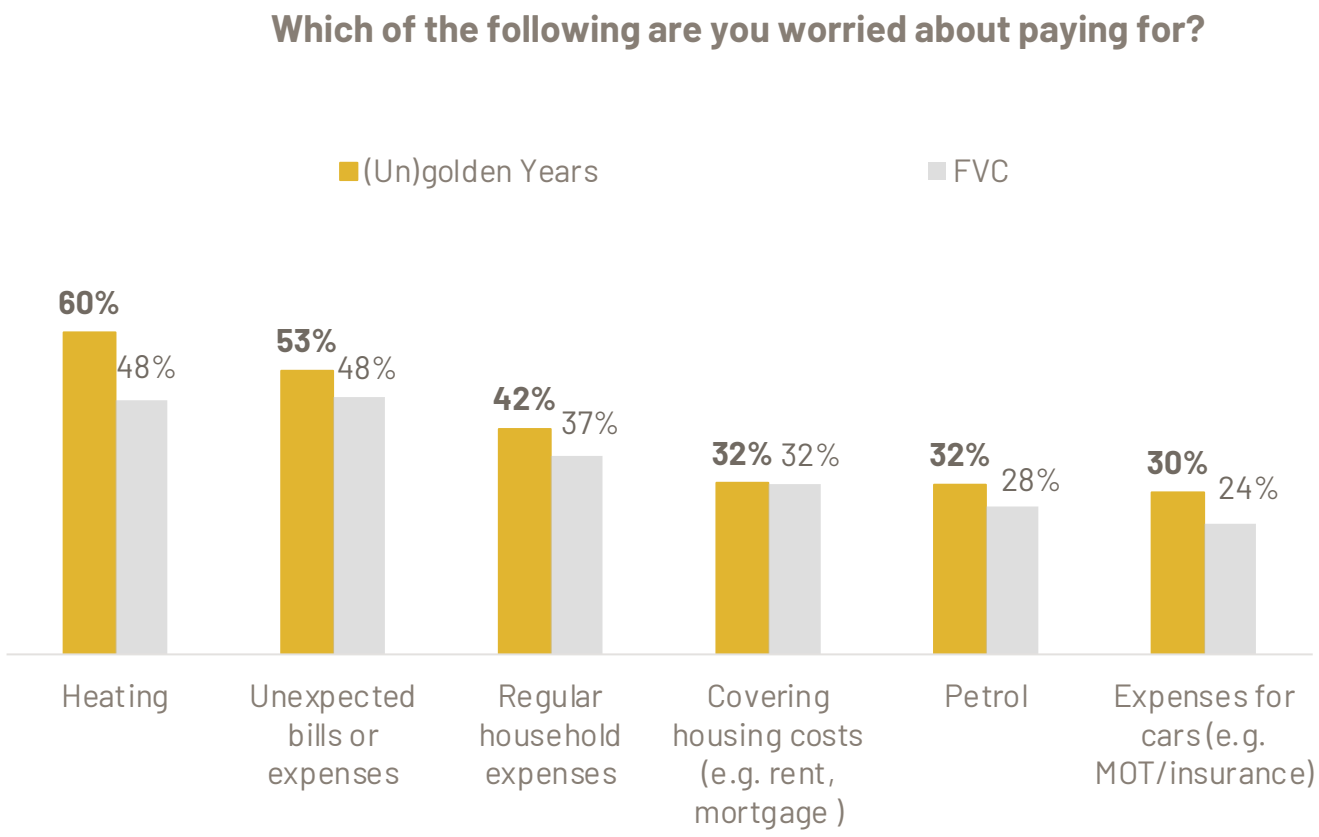
There is a mixture of income from state and private pensions (only 13% through private provision). And, this segment over-indexes in receiving income from disability benefits (15% to 9% compared to FVC).

(Un)golden Years have mixed housing tenure which will impact their later life costs



Only 14% own their home outright which has two impacts. Firstly, they may continue to have housing costs into retirement. Second, very few will be able to use their home as an asset in later life.

(Un)golden Years are far more worried about paying for heating than other segments



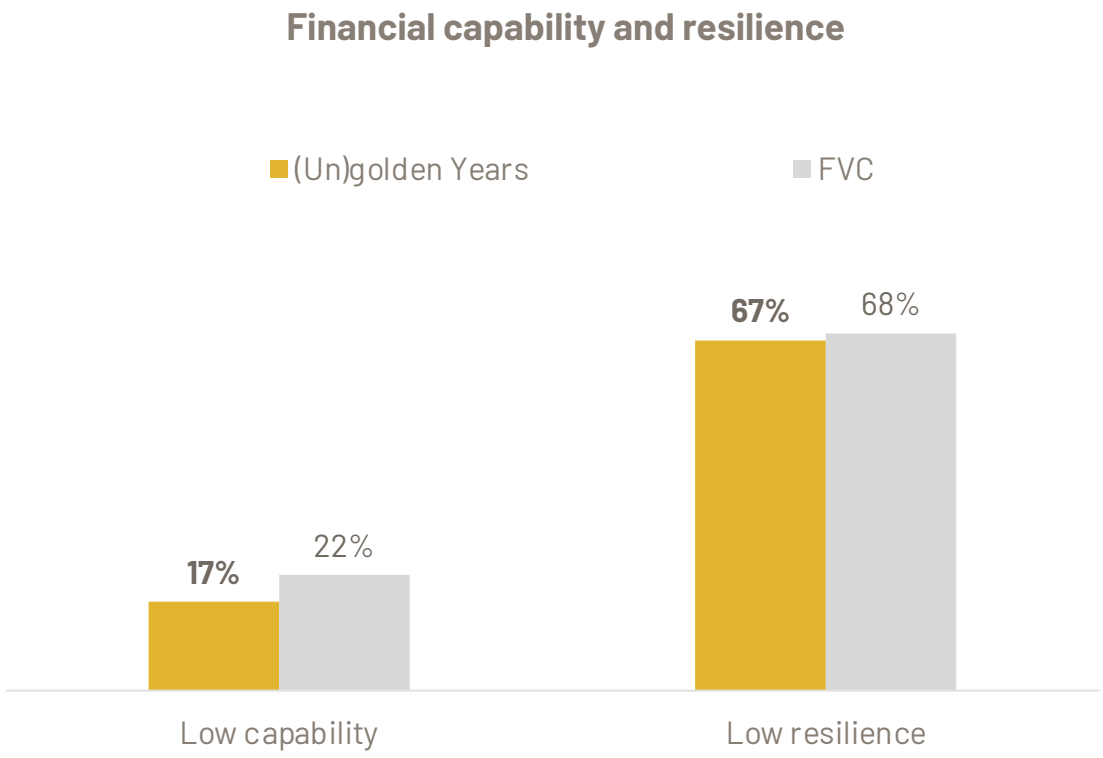
60% of this segment worry about heating costs in the winter –12% more than average. They have higher concerns about paying for cars, bills, and other household expenses.

62% of (Un)golden Years say a £200 monthly housing cost increase would cause them to struggle, 5% above the FVC average. This is worrying given their mixed housing tenure.

They are less vulnerable to borrowing and credit use but more vulnerable health-wise, adding to their financial precarity and potentially increasing costs.

We also know 40% strongly agree that they check their current account balance regularly – again far higher than compared to the FVC average consumer (32%). This may be due to worries about money or keeping track of their finances in more detail.

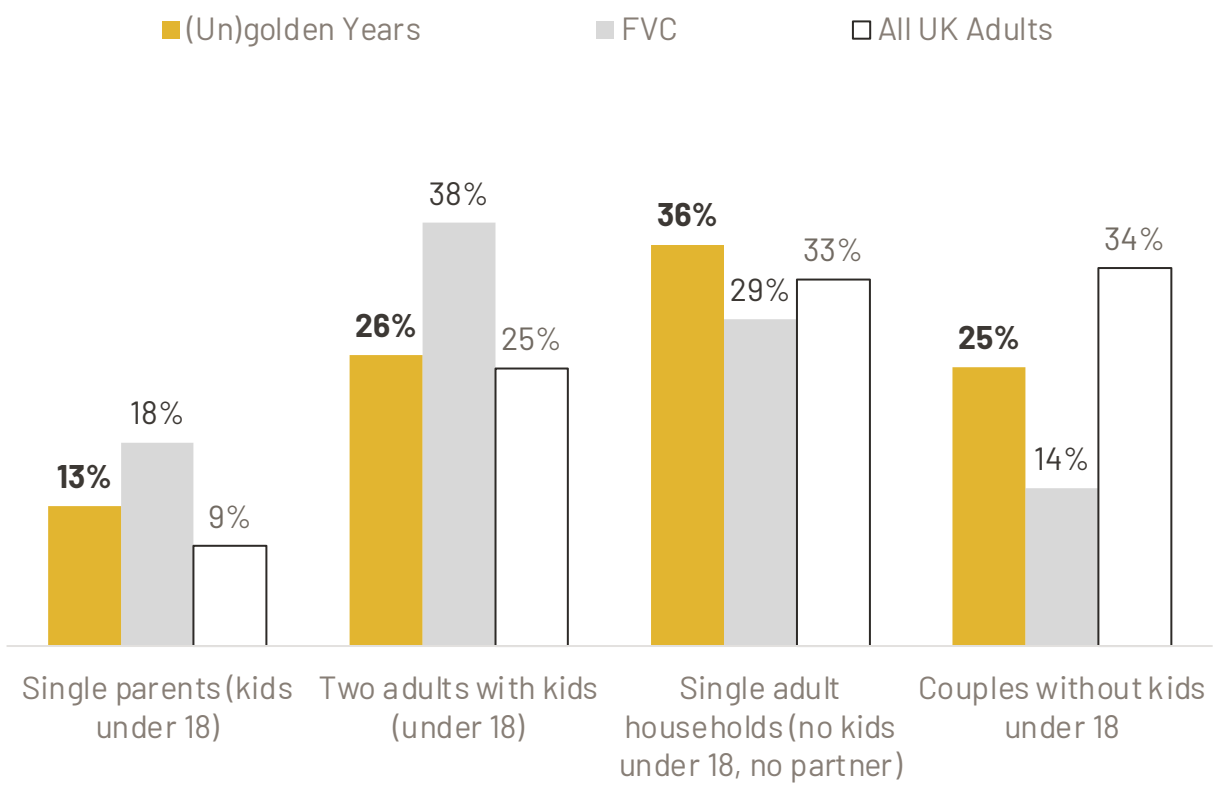
(Un)golden Years have reasonably high financial capability, but lower resilience, in line with the FVC average



A significant proportion of this segment report either low levels of financial capability (confidence managing money, knowledge of financial matters) or low levels of financial resilience (would struggle to afford increases to outgoings or an unexpected bill).

In the case of low resilience, this is a high proportion, but in line with the FVC average. They under-index for low capability.

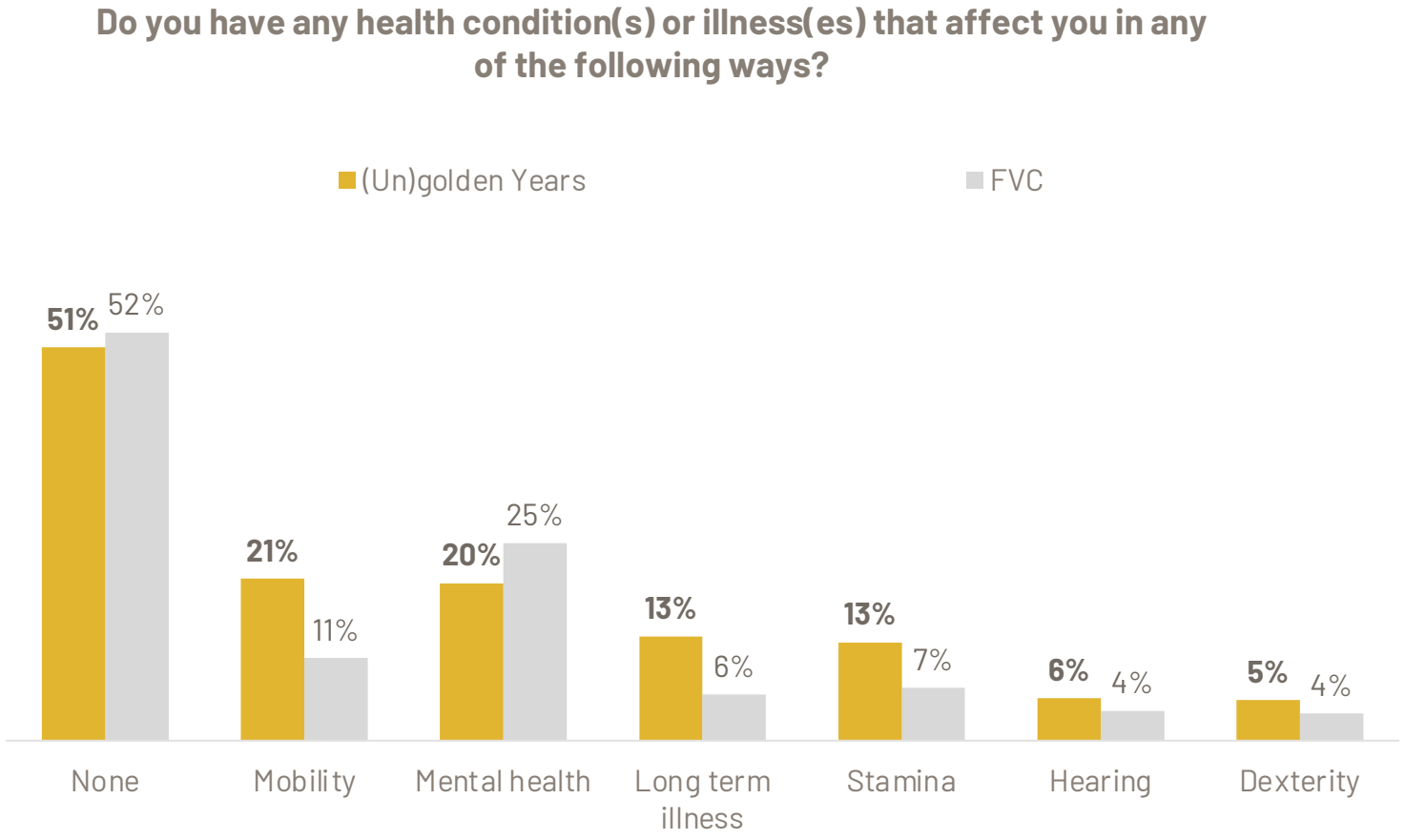
Far lower proportion of this segment have children at home



(Un)golden Years are the least likely to have children under 18, and the most likely to be couples without children under 18 at home. However, many will still be a source of financial help to adult children.

Around half are single adult households, but unlike other groups, these are likely to be post-marriage, rather than pre.

This segment over-index in age-related health conditions



(Un)golden Years significantly over-index in physical health conditions.

This include mobility (21%),stamina (13%) and hearing (6%). They under-index in mental health conditions (20%) but are more than twice as likely to have a long-term illness.

(Un)golden Years

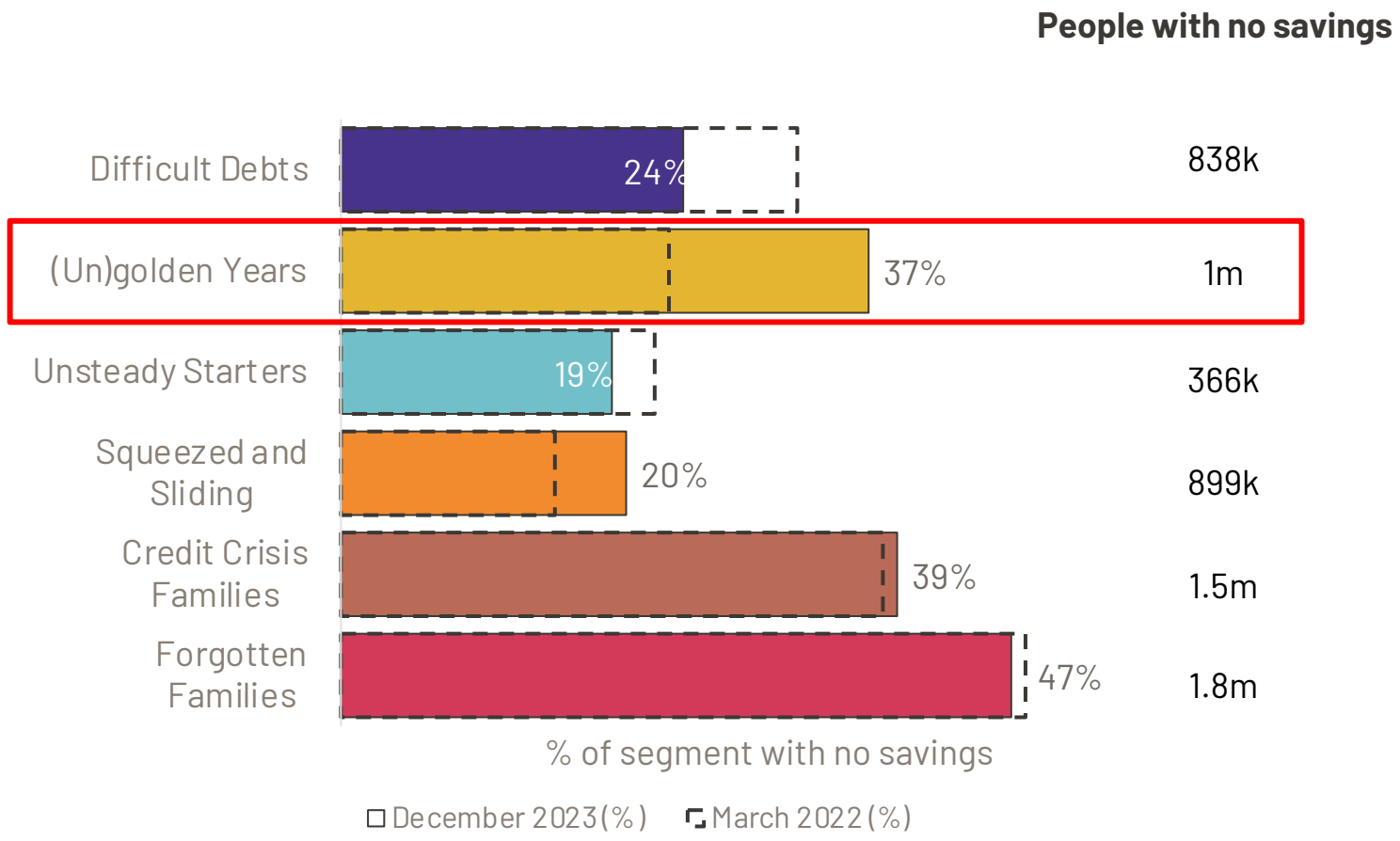
Savings

The proportion with no savings is growing, fast

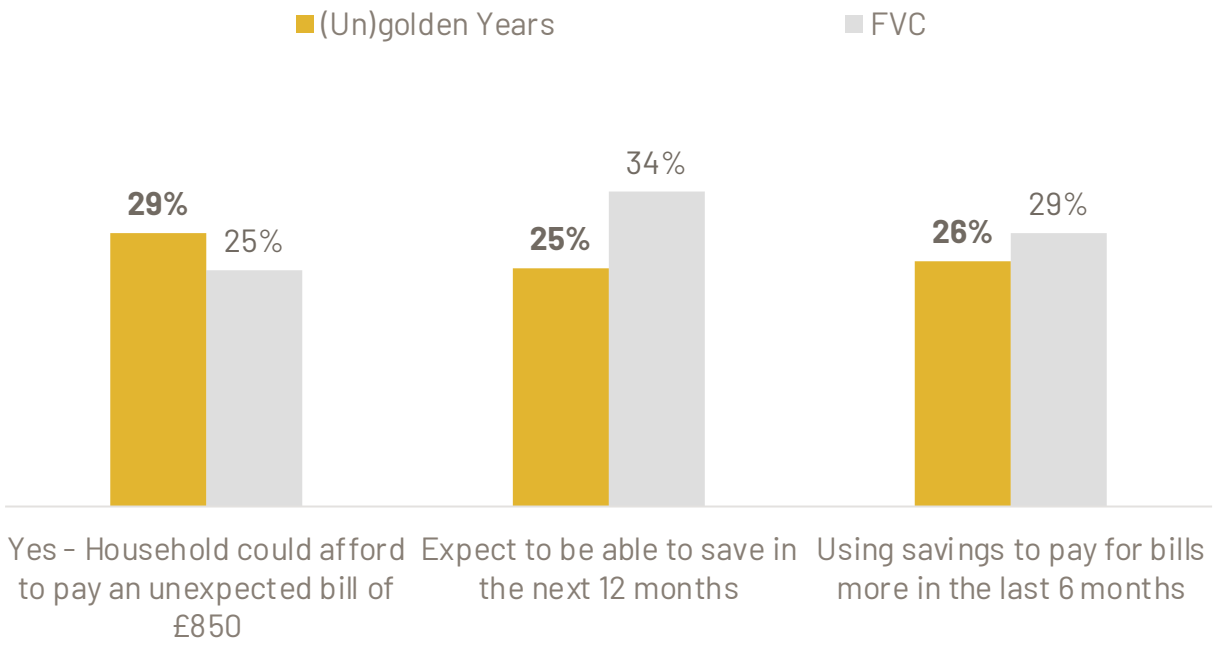
Over a third of this group have no savings and have seen the biggest increase in savings depletion of any group.

37% of (Un)golden Years have no savings, up from 23% in 2022. Previously, this group were relatively unlikely to have no savings but are now just as likely as some of the most vulnerable groups.

Almost half say they've used some or a lot of their savings as a result of increases in the cost of living.



(Un)golden Years are divided in terms of resilience and expectations

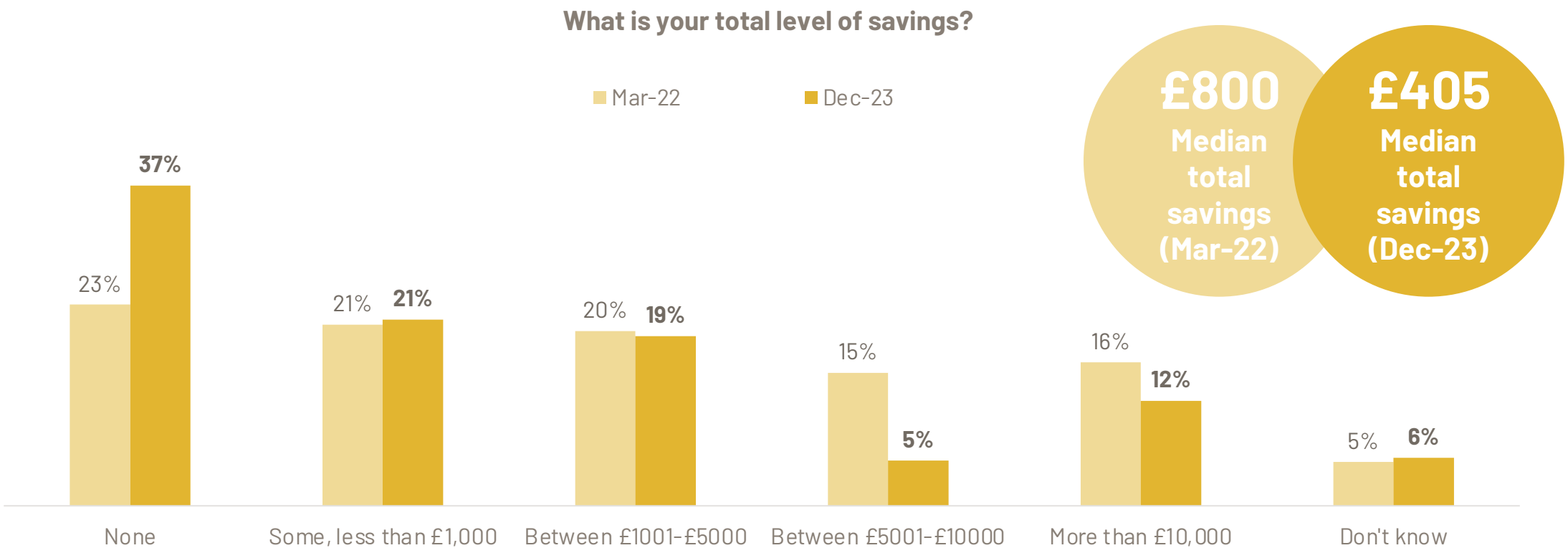


Only 29% say they'd be able to afford an unexpected bill of £850 – but this is still higher than the average FVC.

The impact of savings depletion is also clear – one in four (26%) have been dipping into their savings to pay bills, and only one in four expect to be able to save in the next year.

An increasingly digitalised world appears to be helping this segment manage their finances. 66% say they use online banking to keep track (higher than any other segment) although worth noting is that only 27% strongly agree that they like using banking apps and services.

Savings have halved since 2022

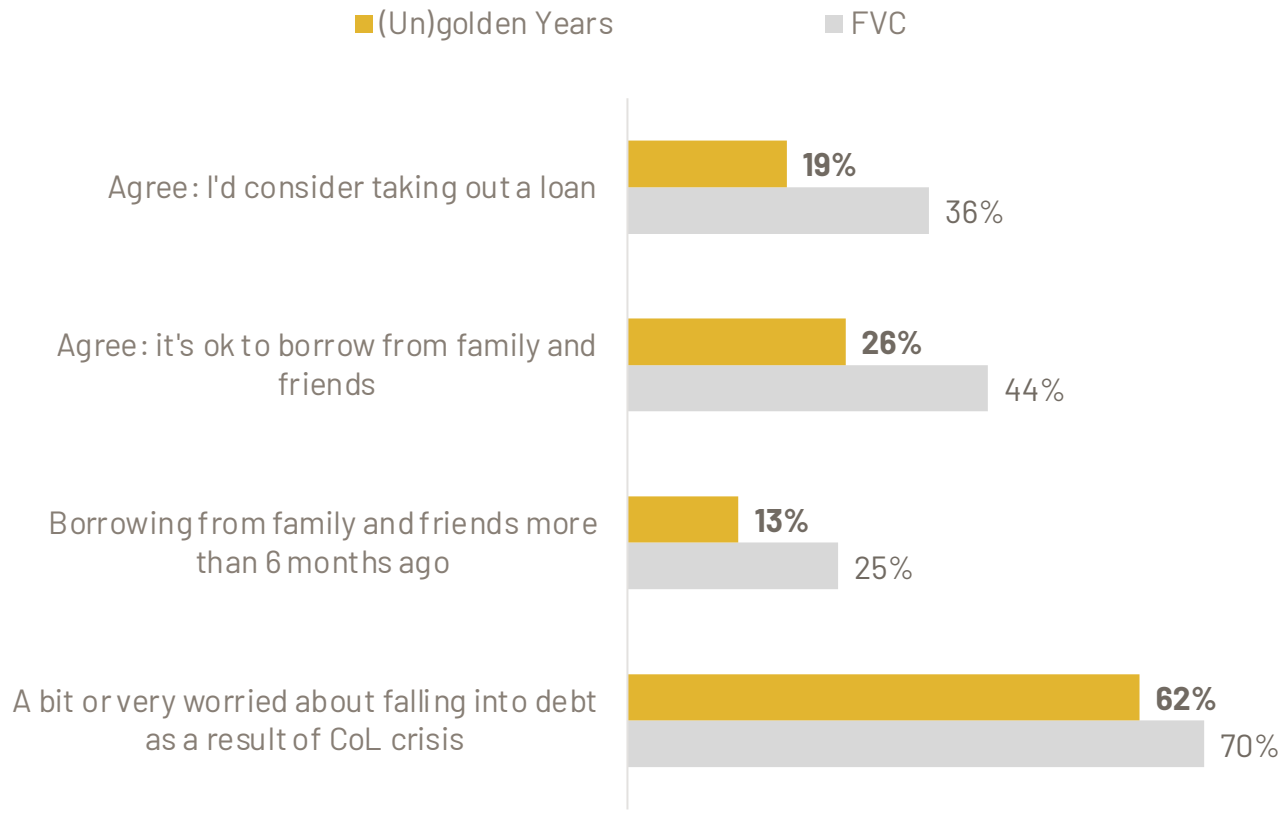


Many in this segment will struggle to earn more or increase their income, so the combination of rising costs and depleting savings has a significant impact.

(Un)golden Years

Credit

(Un)golden Years do not like borrowing



Debt is a less pressing concern for (Un)golden Years than other segments, but more than half (62%) are still worried.

Despite this, their appetite for borrowing is very low. They are the least likely to consider taking out a loan and the least likely to say it's ok to borrow from family.

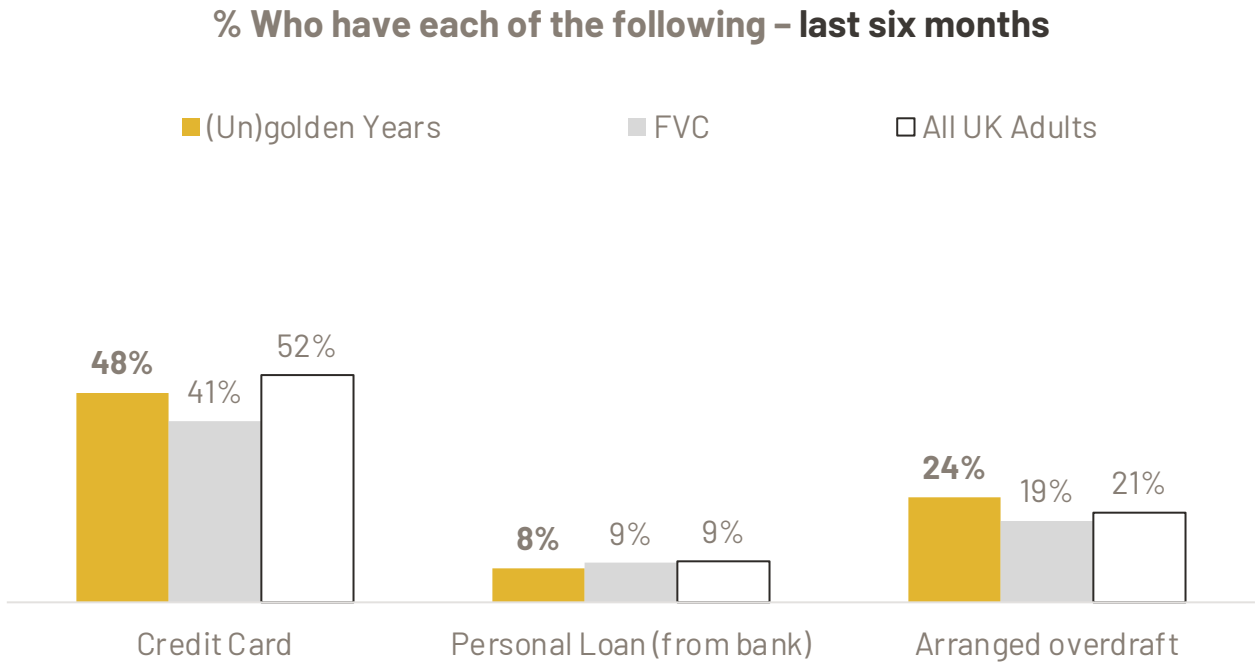
The cost of living doesn't appear to be changing this. One in four (25%) financially vulnerable people say they are borrowing more from friends and family than before, compared to over 1 in 10 (13%) of this segment.

(Un)golden Years have good access to mainstream credit products, like credit cards and overdrafts

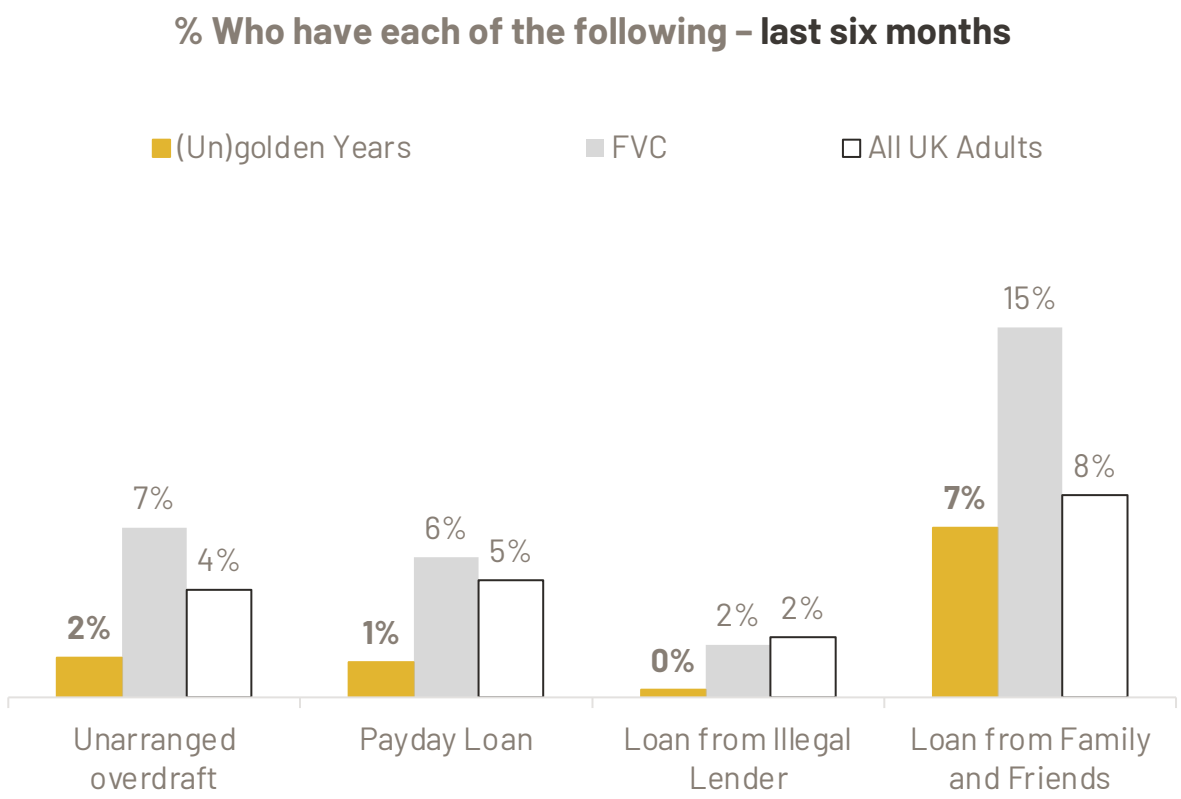
Despite their reluctant to borrow, (Un)golden Years have higher usage of credit cards and arranged overdrafts than average.

Despite high credit card usage, they struggle with repayments; 26% never repay the full balance each month, compared to 17% on average.

Amongst those who do use personal loans, we see a greater need to reduce debts. 30% say that they recently took out a loan to pay off debts (5% above average), whilst 21% said they wanted to consolidate all of their debts with the loan, compared to 15% of the total sample.

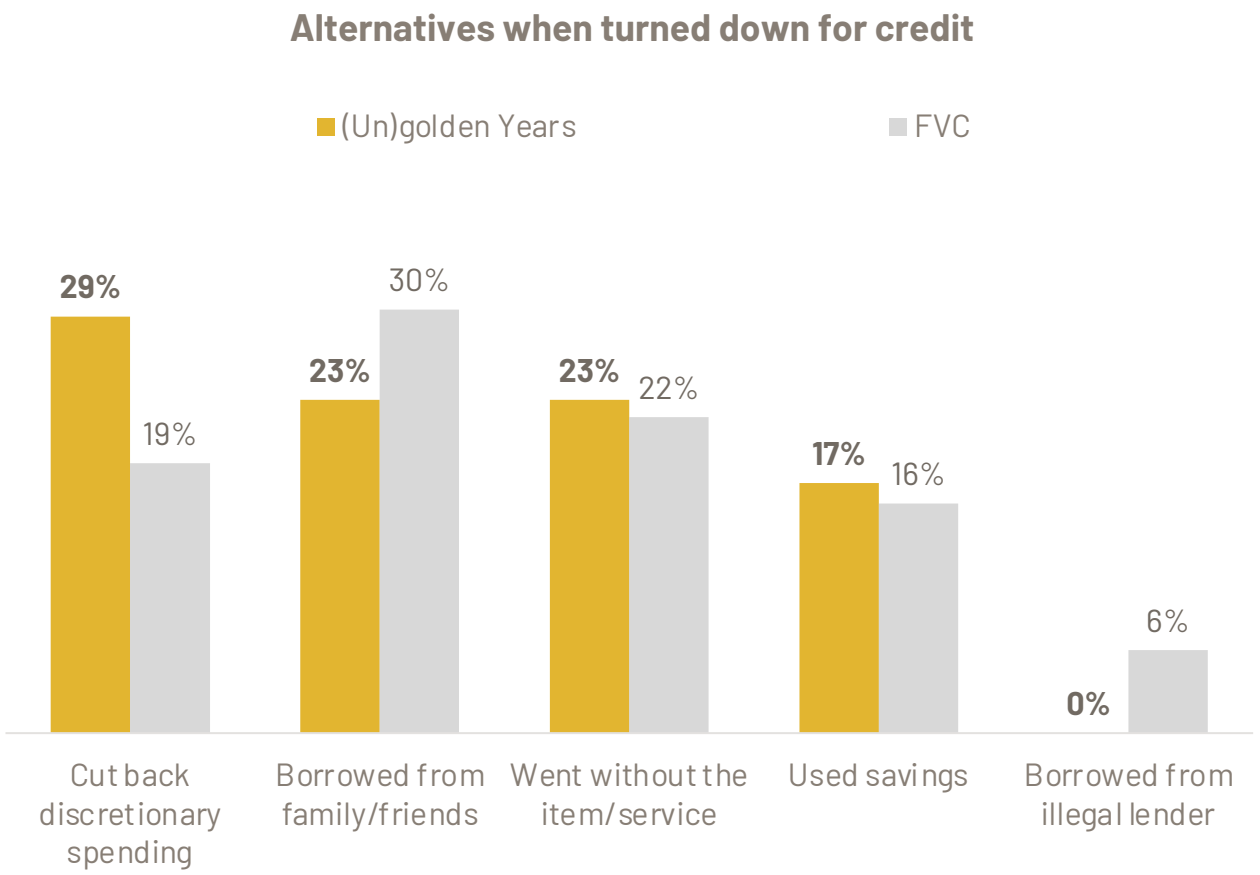


This segment under-index in other credit types



(Un)golden Years under-index in their usage of payday loans and informal lending. when compared to the FVC average. Just 2% use an unarranged overdraft, 1% use a payday loan and 7% use a personal loan from family/friends – almost half the number of people in financially vulnerable circumstances overall.

(Un)golden Years are cutting back on discretionary spending when turned down for credit



9%

Have been turned down for credit (vs 22% of FVC)

(Un)golden Years have the lowest decline rate across the segments. When declined, 29% of this segment say that they cut back on discretionary spending as an alternative when they were turned down for a credit application – 10% higher than the FVC total.

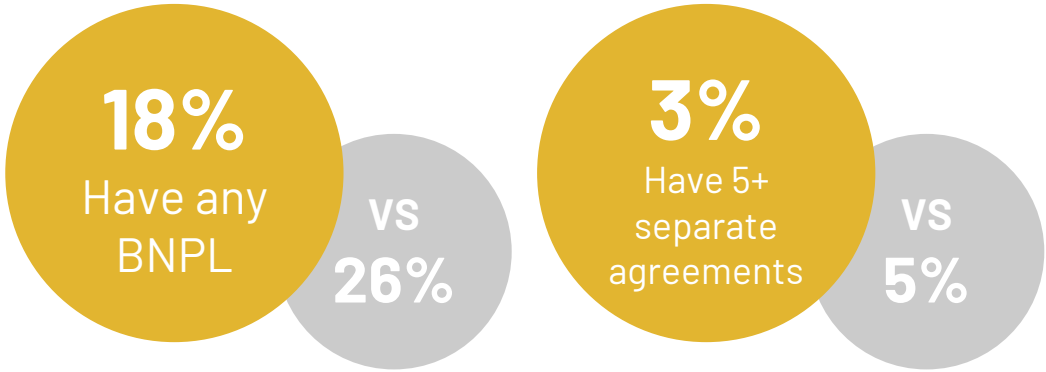
This segment are less likely to turn to borrowing, however, with only 23% borrowing from family and friends and none saying they borrowed from an illegal lender.

(Un)golden Years less frequent users of BNPL

Only 18% of this segment used Buy Now Pay Later (BNPL) in the last six months, 8% below the FVC average.

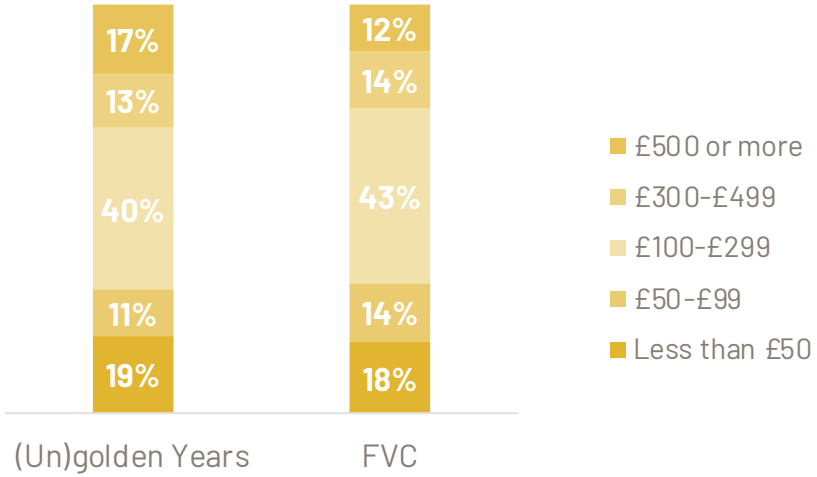
Only 3% have more than five payments.

Among BNPL users, 17% owe over £500. Higher earners (£20k-£50k) in this segment are more likely to owe £150-£600 in BNPL payments (52% vs. 31% for those earning less than £20k.



Amount owed on BNPL products (£)

[Only people who have used BNPL]



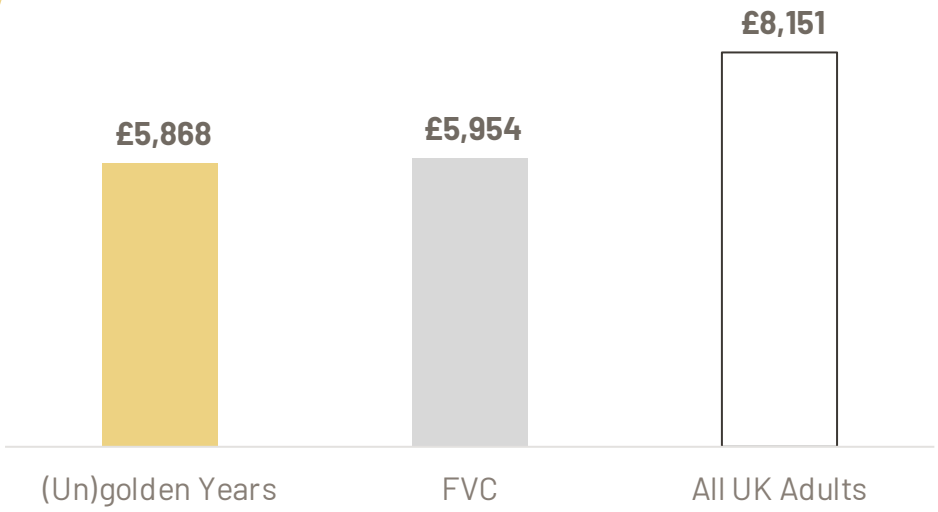
(Un)golden Years

Debt

Debt is less common than other segments – but just as high

£1,620
Median total debt

Average debt levels for (Un)golden Years, total FVC and nationally representative sample (all those with debt)



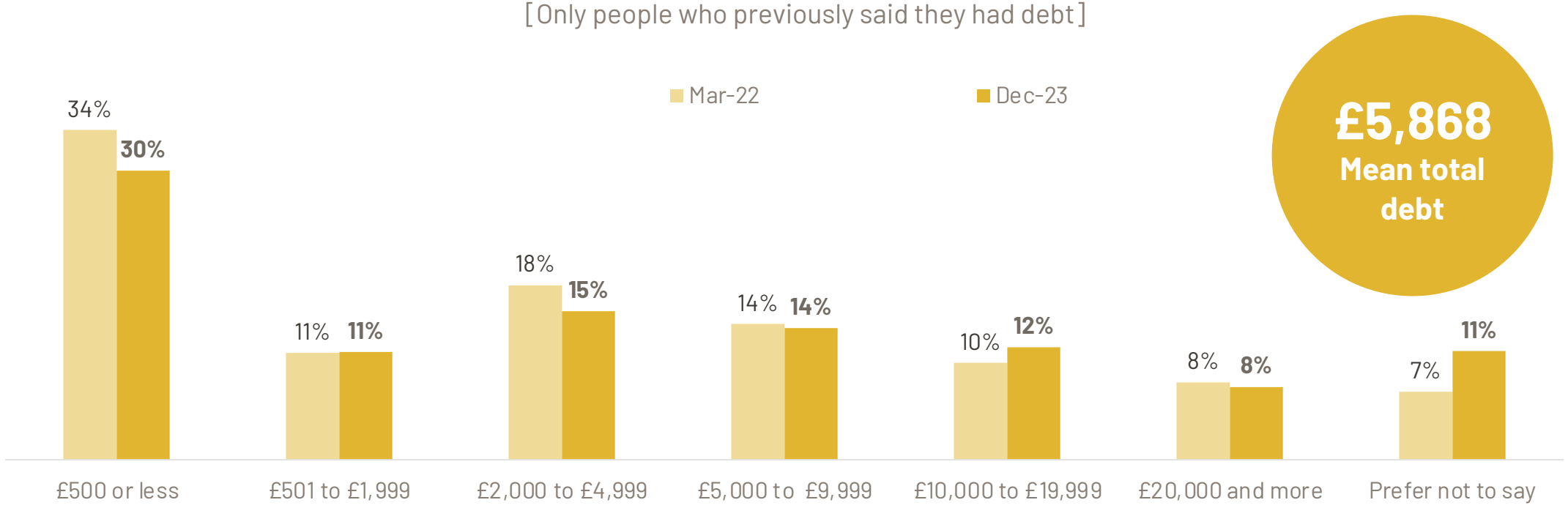
(Un)golden Years are the least likely to have debt compared to the other segments. 66% list any debt at all.

Where debt *does* exist, though, it is just as high as other segments. The mean average level of debt (for those with it) is almost exactly in line with the average FVC consumer.

This could be particularly problematic for a segment that is more likely to struggle with physical health conditions and more likely to be working less.

There has been a slight decline in the proportion with low levels of debt (less than £500)

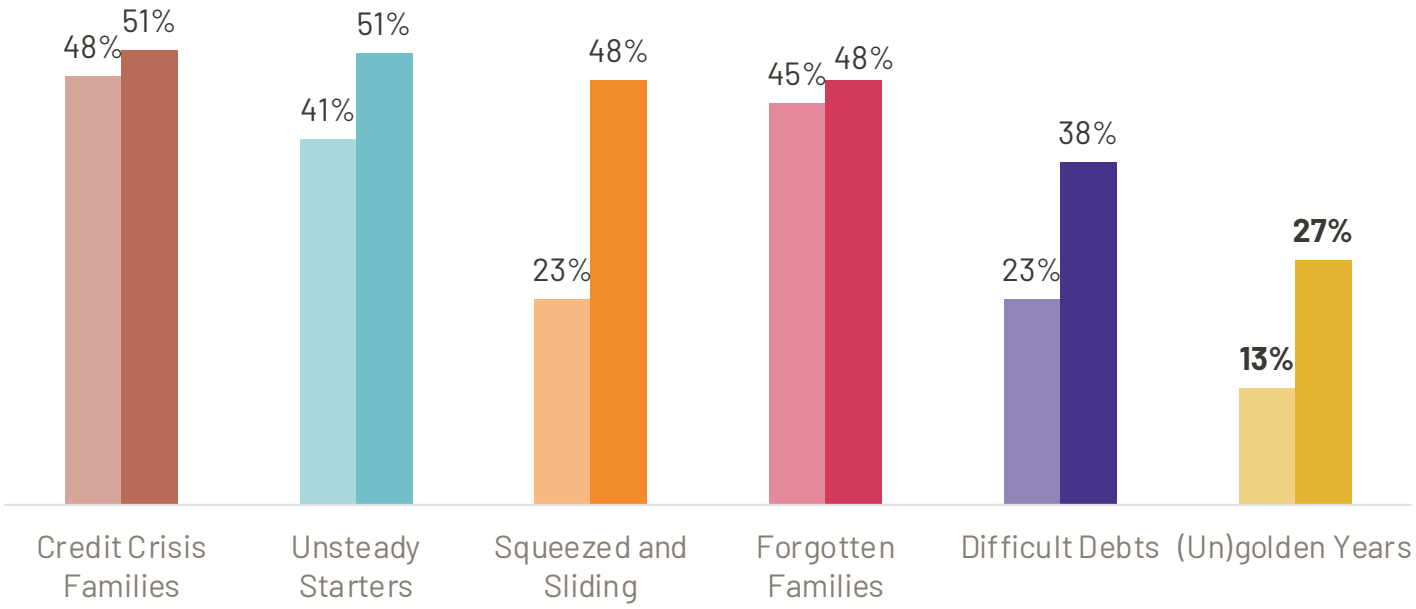
What is your total level of debt (excluding any mortgage debt or student loans)?
[Only people who previously said they had debt]



This segment are more comfortable using direct debits and other continuous payment to pay bills – perhaps limiting the risk of gaining debts. 35% strongly agree compared to just 27% of the FVC total.

The proportion with a loan who've missed a payment has more than doubled since Q1 2022

% Who have missed or not made a full repayment on a personal loan
Mar-22 vs Dec-23
[Only people who have said they have a personal loan]



At the start of 2022, (Un)golden Years were the least likely to have missed on not made a full payment on a personal loan. Just one in eight (13%) of those with a loan had done this.

But by the end of 2023, this proportion has more than doubled – now up to 27%.

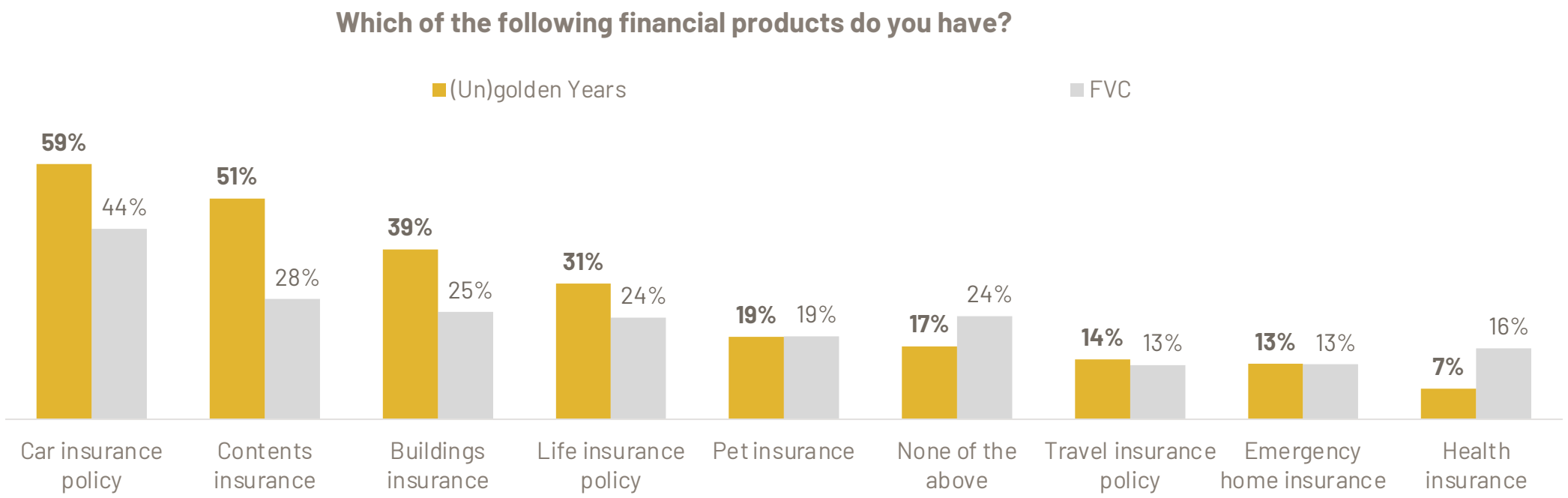
This, combined, with previous data on debt level increases, suggests that a notable minority of this segment are in increasing financial difficulty.

However, it is worth noting that (Un)golden Years are less likely to use a personal loan, and this is a small sample.

(Un)golden Years

Insurance

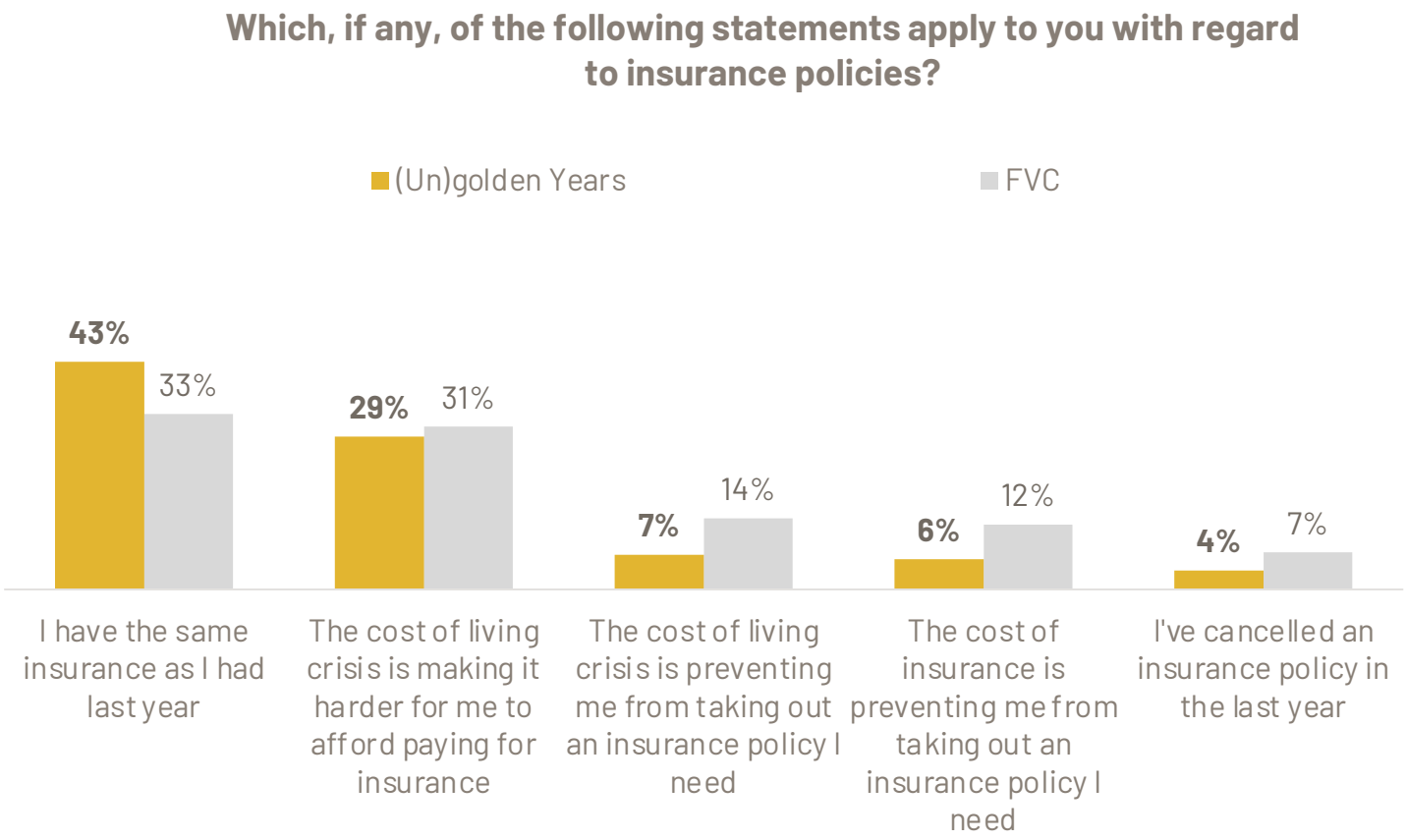
(Un)golden Years have higher insurance product ownership than other segments



For most insurance products, particularly those relating to home ownership, this segment have considerably higher ownership.

More than half (51%) of the segment have home contents insurance, whilst 39% have buildings insurance. Additionally, this group are 15% more likely to have car insurance.

Fewer changes to insurance policies amongst (Un)golden Years



43% of this segment say that they have the same insurance as they did last year – 10% higher than compared to the total FVC sample.

(Un)golden Years are also less likely to feel that the rising cost of living is harming their ability to purchase insurance products.

(Un)golden Years

What next?

From insights to action

Building a more inclusive financial services system

The segments exist to help organisations deliver tailored propositions to people in financially vulnerable circumstances.

We encourage all providers to use the segments as a starting point for service and proposition design. You may wish to consider:

- Which of these segments are you already serving? And what could you do differently to build their resilience?
- Which segments could you serve with your existing products, or with iterations to these, who you're not serving today?
- Where can you collaborate with organisations who have relationships with these segments to get more insight and deliver new solutions?
- How can you use your own data to understand the unmet needs of these segments?

Want to know more?

- You can access information about all six segments at fair4allfinance.org.uk/segmentation
- The Financial Inclusion Action Plan is a sector wide framework with focus areas for all stakeholders
- For those new to inclusive design, this framework from Fair By Design and Money Advice Trust is a helpful starting point