



Cost-of-living crunch

Savers still recognise the importance of long-term planning

Britain's cost-of-living crunch has hit the country hard, with inflation at its highest level in three decades, petrol prices spiralling, retail price increases rising to their highest levels in ten years and, most recently, Ofgem announcing a 54% price hike in energy bills affecting 22 million households.

Chancellor Rishi Sunak has been forced to announce an emergency £350 of support per household to help with the cost of heating. As a result, almost half (47%) of those not retired say that they cannot afford to save right now due to the rising costs of everyday living, a new survey has revealed^[1].

IMMEDIATE FUTURE

The news comes following widespread reports of many UK households struggling to make ends meet following higher inflationary pressures – sending everyday bills soaring – as the country tries to recover from the effects of the COVID-19 pandemic.

Yet despite the concern about saving for the immediate future, savers are still recognising the importance of long-term planning and having a suitable pension in place for when it comes to retirement.

RELATIVELY COMFORTABLE

The survey – which took place at the start of this year – also found that around a third of people with a pension said that they spent some of their time over Christmas reviewing their finances, including their pension (31%). This was especially true for those aged 18-34 years old (41%) compared with those aged 55+ (24%).

Overall, just 5% of Britons describe themselves as being 'very comfortable' financially. Two in five (39%) are relatively comfortable, while a third (34%) say they can normally cover essential costs but don't often have money for luxuries. One in seven (14%) say they can only just afford their costs and struggle to make ends meet, and 3% say they cannot afford their costs at all and often have to go without essentials, like food and heating.

FUNDAMENTAL MISUNDERSTANDINGS

Around a third (32%) of those surveyed said they could afford to contribute more to their pensions now in order to boost their retirement income. But while savers are seeing the value of pensions, the survey discovered that there remains a number of key fundamental misunderstandings by savers about their pensions, with many unsure how their contributions were being invested on their behalf.

The survey also revealed that only a third of people know the minimum contribution rate that people make via Automatic Enrolment. Additionally, around two-fifths (39%) are not sure if the government gives tax relief on their pension contributions and around a third (31%) are unsure if

their pension savings are invested in stocks, bonds or other investments. ■

WANT TO DISCUSS ACHIEVING YOUR FINANCIAL GOALS NOW AND IN LATER LIFE?

Our service looks at your financial arrangements as a whole. We can help you to manage all aspects of your finances and investments and ensure they are structured to achieve your financial goals now and in later life. Speak to us to find out how we can help you.

Source data:

[1] <https://yougov.co.uk/topics/politics/articles-reports/2022/02/04/cost-living-crisis-four-ten-britons-expect-their-h>