Expecting the unexpected

A SPOTLIGHT ON PREPARING FOR A CRISIS

Close Brothers

Driving financial wellbeing

ABOUT US

We have been helping employees from some of the UK's best-known organisations to improve their financial wellbeing for over 50 years.

We're passionate about helping people solve their money worries, feel more confident about taking control of their finances and plan for the future.

Our services help employers to provide an end to end wellbeing solution via financial education, financial planning, savings and investments.

Whether you want to implement a 'hire to retire' strategy or start by providing tailored support to specific employee groups, our services drive engagement across every element of financial wellbeing.

Close Brothers

Driving financial wellbeing

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FOREWORD

BY JEANETTE MAKINGS, CLOSE BROTHERS

The past year has seen household income put under unprecedented strain, with millions of workers losing jobs, taking pay cuts, or working fewer hours. With little reduction in the ‘fixed costs’ of living, having an emergency pot has never been more important. However, at the same time, there have also been some workers who have been able to use the time at home to save more money, take a new look at their budget, and get closer to their financial goals.

Building on the previous successes and insight from the 2020 Changing trends of financial wellbeing report, the aim of this research was to further explore and highlight the role of UK employees being financially prepared, and in particular, the effect the pandemic has had on attitudes and behaviours to financially position themselves to be better able to weather the unexpected.

Our hope was to explore **how the role of the rainy-day fund has been impacted by COVID, and how money habits have changed; are employees now more inclined to use protection products, what are they doing with any money saved, and what does that all mean for longer term saving and life planning?** Our 2020 research also means that we have a unique insight into the financial wellbeing of UK employees at the start of the pandemic, as well as when it appears that the end may be within sight.

The results, I think you’ll agree, are fascinating.

While a number of employees have been able to take the opportunity to work on their financial wellbeing, others have not been so lucky. A recent study from Money.co.uk found that **just 22% of the nation will not be carrying debt into 2021,** but is this better or worse as a result of the pandemic? This study shows a positive trend as this is 2% lower than the previous year and the average amount of debt is also down from 33%. While not all debt is ‘bad’, it does place restraints on people’s ability to build financial resilience and to be financially agile. Having the knowledge to navigate this is essential.

One of the most striking figures from our own findings is that **nearly one in five (19%) employees aged between 65-74, and 14% of those aged 55-64 have delayed their retirement as a result of the pandemic.** This is a strong indicator of the extent to which the past 12 months has changed the financial plans of employees across the UK, and there is likely to be a lot of rebuilding to get back to pre-coronavirus levels as well as adjusting to whatever the new world looks like.

This pandemic has impacted financial health in many ways, with some suffering hardship, some having to postpone long-held plans and others benefitting and adding to savings. In these circumstances, a single channel ‘one size fits all’ financial wellbeing approach is likely to fail many. Understanding your workforce, their financial health as a whole and the employees who need the most help has to be the starting point to ensure that **an inclusive, effective and targeted financial wellbeing programme is implemented at any time,** and especially to address the specific challenges experienced over the last 12 months. And at the forefront of those best able to help employees improve their financial health are their employers; they are trusted, they can reach large numbers of people via the workplace, they already offer reward and benefits that can be used to improve financial wellbeing, and both the employees and the business performance will benefit from improved financial health.

Jeanette Makings,
Close Brothers

EXECUTIVE SUMMARY

Chapter 1:
When a storm hits

A quarter of **female employees (24%) felt financially unprepared for the coronavirus crisis** and subsequent lockdown that followed in March 2020, compared to 14% of men

Two in five **UK employees (41%) say they have experienced heightened anxiety about their finances** compared to before the pandemic

Worries about mental health rocketed over the course of lockdown – **41% of UK employees said they'd experienced an increase in worries about their mental health** due to the pandemic in May 2020, rising to 51% now

Chapter 2:
The emergency pot in action

One in five **(20%) employees over 65 don't have an accessible savings fund for emergencies**

Younger employees were most likely to find themselves having to resort to their emergency fund, with two in five **(41%) workers aged 18-34 having to do so**

Wages being just enough to cover the cost of living (35%) is the main reason given by UK employees for not having an emergency fund

Chapter 3:
The protection gap

Only **6% of UK employees have income protection products**

Just one in five employees aged 34-45 have critical illness protection – the cohort most likely to struggle with mortgage payments if unable to work

Among employees, **parents are around twice as likely to hold life insurance as non-parents (45% vs 24%)**

Chapter 4:
Building back stronger

More than half **(56%) of employees have improved or plan to make changes to improve their financial preparedness** – an increase from 50% in May 2020

The pandemic has spurred on more than one in five **(21%) employees to move house so as to secure a better quality of life** for themselves and their family

Nearly one in five (19%) employees aged between 65-74 and 14% of those aged 55-64 **have delayed their retirement as a result of the pandemic**

CHAPTER 1

WHEN A STORM HITS

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HOW FINANCIALLY PREPARED WERE EMPLOYEES FOR THE STORM, AND HOW HAS IT IMPACTED FINANCIAL HEALTH AND ANXIETY?

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The COVID-19 pandemic has severely rocked the UK economy, with the Office for National Statistics calculating that GDP fell by 9.9% in 2020. This has left few industry sectors unscathed by lockdowns and plummeting demand, and marks the biggest fall in annual GDP since the Great Frost of 1709, when the economy shrank by 13%.

MIXED LEVELS OF PREPAREDNESS

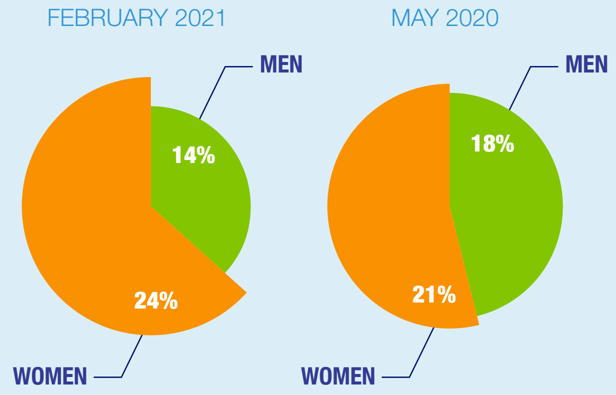
Having a bit of money set aside for a rainy day is a common enough habit for some people – our 2019 Financial wellbeing index findings found that just 22% of employees didn’t have an emergency savings pot. But 2020 wasn’t just a rainy day – it was a storm.

With a bit more hindsight, some easing of anxiety, and with tentative expectations that the UK is on a path toward economic recovery, this latest research finds that the number of UK employees who felt financially prepared is 58%. But one-in-five (19%) explicitly stated that they felt unprepared, including 8% of all workers who felt ‘very unprepared’.

ONE-IN-FIVE UK EMPLOYEES FELT FINANCIALLY UNPREPARED FOR THE PANDEMIC

The gender divide persists, with women found to feel significantly less prepared than men, with a quarter (24%) saying they felt unprepared compared to 14% of their male co-workers. Younger workers too felt it hard. The percentage of those aged 18-34 who said they were unprepared was 24%, rising to 31% among 18-24 year olds. Just 13% of those aged 55+ felt the same and 78% of those workers aged 65-74 said they felt prepared.

FINANCIALLY UNPREPARED FOR THE CORONAVIRUS CRISIS AND SUBSEQUENT LOCKDOWN



We see evidence of drops in financial wellbeing in the hardest-hit sectors such as consumer goods and services sectors, who were some of the most unprepared (33%).

Just as the COVID-19 pandemic was transforming the world as we know it, we carried out a lockdown financial health check on the UK as part of our ‘Changing trends of financial wellbeing’ report. This puts us in a unique position to examine how 12 months of lockdown has impacted those initial feelings. The past 12 months have made more people realise that they were not suitably prepared for what was to follow. The findings of our 2020 report found that just over half (54%) of workers in large businesses felt financially prepared for the coronavirus crisis. This was significantly higher than the average UK adult (44%).

FINANCIAL HEALTH CHECK-IN

Our findings revealed that a quarter of UK workers (23%) found that their financial health has worsened during the pandemic, with workers paid hourly (39%) hit significantly harder than those on a salary (22%). There are, however, some bright spots. Bank of England figures show that there was £16.6bn of net repayments on credit cards, personal loans, student borrowing etc. last year and this is reflected in our findings - nearly a third (32%) of UK workers have managed to emerge from the pandemic in more robust financial health than they went in.

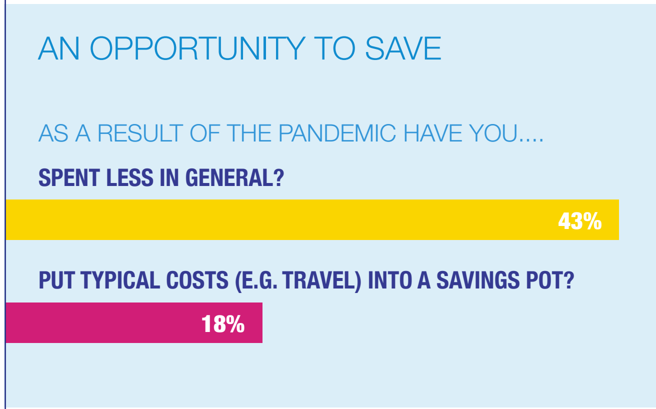
32%

OF UK EMPLOYEES HAVE MANAGED TO EMERGE IN MORE ROBUST FINANCIAL HEALTH THAN BEFORE THE PANDEMIC

FEELING THE FINANCIAL CONSEQUENCES

Just a third of UK workers (32%) say that they have not experienced any financial consequences as a result of the coronavirus. And there are some who have managed to improve their financial health.

Our 2021 findings also revealed that 43% of UK workers have spent less in general, with this being the case for 47% of female employees compared to 39% of their male co-workers. This reduction in day-to-day spending has afforded an opportunity for some to save. **Around one in five UK employees (18%) have put some of their typical costs not used in the last year (e.g. travel) into a savings pot rather than spending it elsewhere.**



ANXIETY RISING - MENTAL HEALTH IS THE BIGGEST CHALLENGE

A significant proportion of UK workers also admitted that the pandemic had prompted them to worry a lot more about their financial, mental, and physical health.

Two in five (39%) UK workers say that they have experienced an increase in worries about their financial health as a result of the pandemic. The burden appears to fall once again on women and younger people. While more than a third of male workers noted an increase (34%), it was 44% among women. And while there were 27% of those aged 55+ who experienced increased worry, this is less than half of those employees aged 18-24 (58%).

Interestingly, more than half of those without an emergency savings pot (52%) experienced an uptick in financial worries but so did 35% of those with one – perhaps in recognition that **financial preparations are more than just the emergency fund.**

Anxiety about finances has also increased during the COVID pandemic. At the start of the lockdown, our 'Changing trends of financial wellbeing' report found that two in five workers (40%) had experienced increased financial anxiety in the wake of the coronavirus pandemic. It also showed this level of anxiety rising significantly among women (43% vs 38% men). 12 months on, it has increased.

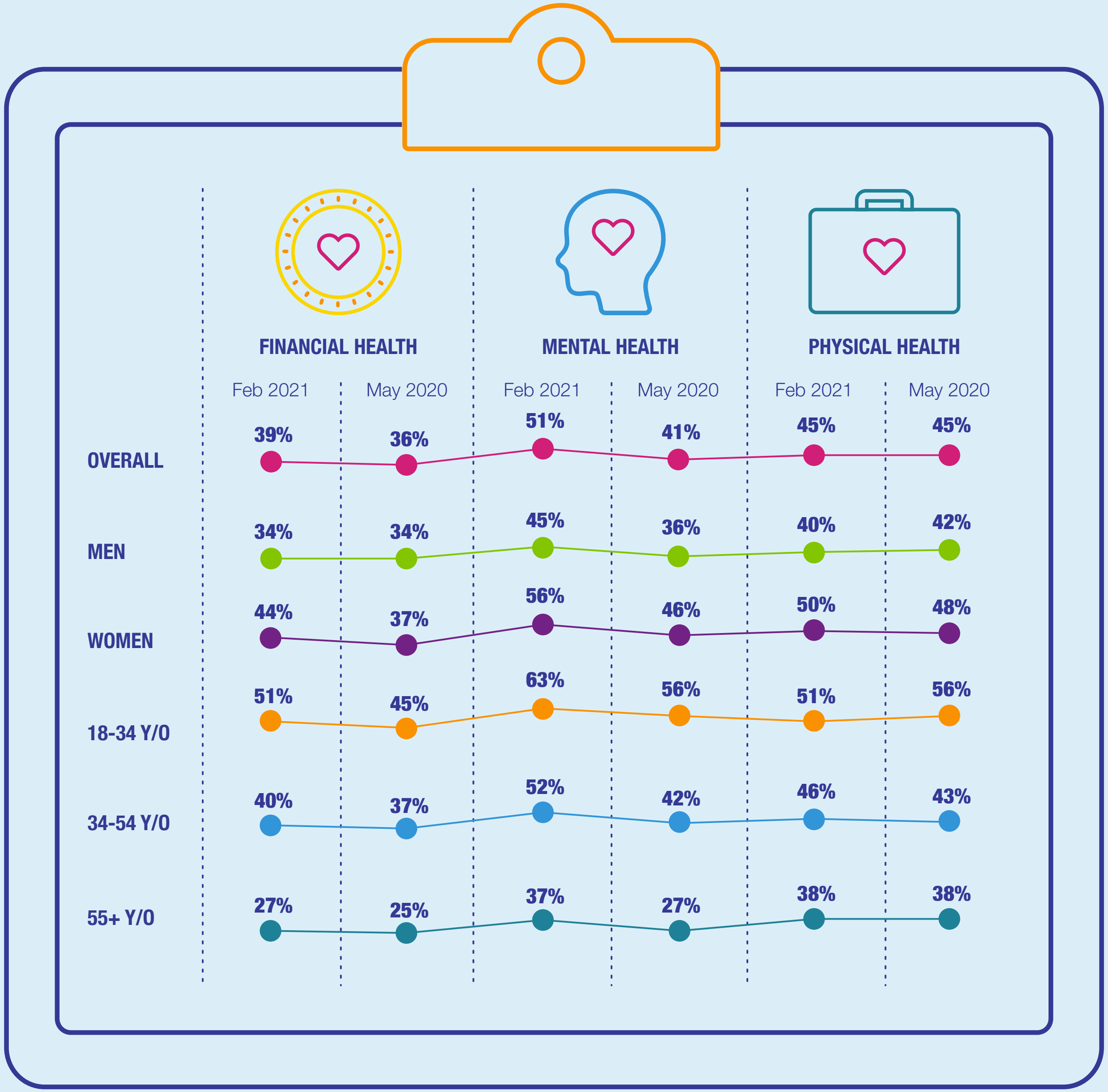
41% now say they have experienced heightened anxiety about their finances compared to before the pandemic, with a notable rise among women (45%) rather than men (38%). Those living in London (52%) and younger workers (52% of 18-34s) are the most likely to be more financially anxious.

Such increased levels of anxiety are likely to be one of the factors contributing to the jump in mental health worries as a result of the pandemic, with more than half of workers (51%) being increasingly worried about their mental wellbeing. It is younger workers who have struggled the most. Almost two thirds (63%) of 18-34s said that the lockdown had caused them to worry more about their mental health than before.

Sectors spotlight

Workers in the consumer goods and services sector have been most impacted by financial worries, with 50% saying they've been more worried about their financial health since March 2020. They are also the most likely to have worried more about their mental health (56%), followed by workers in the communications sector (55%) and professional and financial services (54%).

INCREASED LEVELS OF ANXIETY DUE TO THE PANDEMIC



CHAPTER 2

THE EMERGENCY POT IN ACTION

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"THIS CHAPTER EXPLORES HOW THE PANDEMIC HAS SHIFTED PERCEPTIONS ABOUT SAVING FOR AN EMERGENCY."

POT OR NOT?

Examining the levels of preparedness in a bit more detail, we find that **two thirds of employees (75%) in larger UK companies do have a savings pot for emergencies.** This is encouraging, but does represent a slight fall from the 78% figure from our 2019 Financial wellbeing index.

Most worrying are those approaching retirement age (over 65s), as one in five (20%) admit to not having an accessible savings fund for emergencies. There's also quite a variation across sectors. The highest proportion of employees without a savings fund for emergencies are in the communications (45%), consumer goods and services (32%), and health and pharma (31%) sectors.

ONE-IN-FIVE OF THOSE AGED 65+ DON'T HAVE AN ACCESSIBLE SAVINGS FUND FOR EMERGENCIES

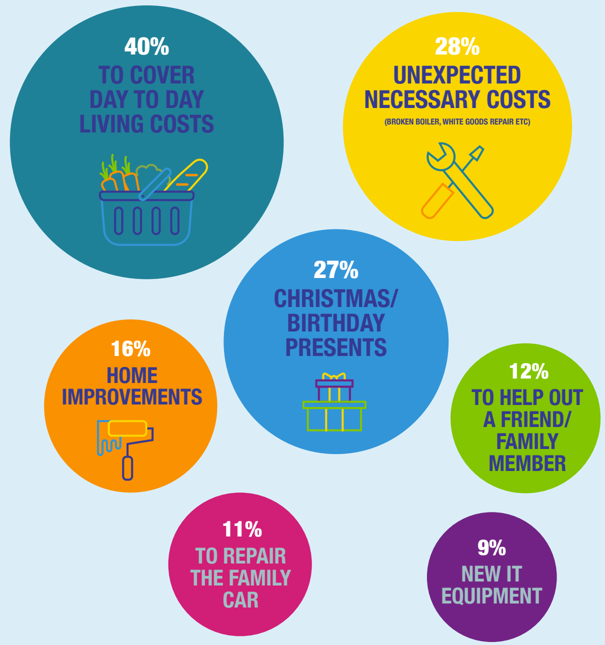
FINDING THEMSELVES IN AN EMERGENCY

Our findings indicate that around a third of workers with an emergency fund (30%) found themselves needing to use it as a result of the coronavirus crisis. **It was younger employees who were most likely to resort to their emergency fund, with two in five (41%) individuals aged 18-34 doing so and half of those 18-24 (50%).** This compares to around one in five (21%) of those aged 55+.

Half of workers in the IT and electronics sector say they've had to dip into their emergency pot (47%), the highest of any sector, and 35% of those in consumer goods and services say they've had to as well.

Looking closer at what prompted employees to use their emergency fund, of those who have done so, two in five (40%) used it to pay for day-to-day expenses, while over a quarter (28%) had to use it to cover unexpected necessary costs (broken boiler, white goods repair etc.). A similar proportion (27%) decided to use it for Christmas/ birthday gifts, suggesting that people's disposable income wasn't covering this type of expenditure.

REASONS WHY EMPLOYEES USED THEIR EMERGENCY POT

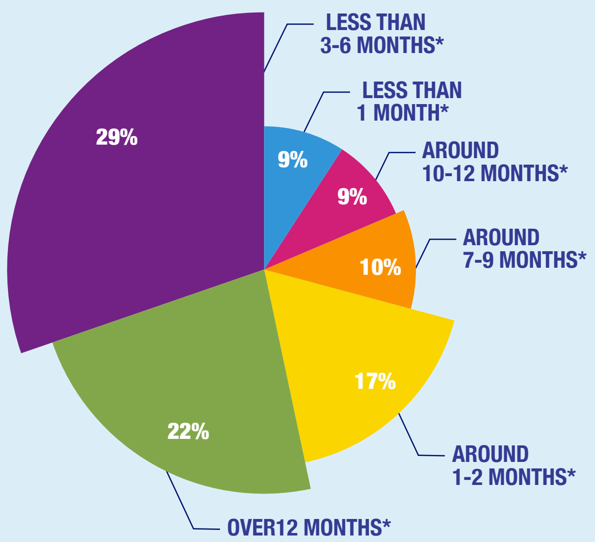


PERCEPTIONS AND REQUIREMENTS

The COVID-19 pandemic has acted as a wake-up call to many employees about their financial preparedness and resilience. **Two in five (41%) workers in large organisations say the likelihood they will need an emergency savings pot has increased as a result of the pandemic.**

Industry guidance suggests that an emergency pot should aim to cover approximately three to six months' worth of annual spending, and this message has clearly been received by the majority of UK employees. When asked, on average **workers said they should have 6.3 months' worth of savings set aside.**

THE SIZE OF THE EMERGENCY POT



*based on one month's typical outgoings

Examining their own actual preparations, around a quarter (27%) of those with an emergency savings pot admit that it would last them less than three months if their income stopped. But the average is encouraging. **If savings pot holders had to live solely off this fund while maintaining their current standard of living, workers say it would last on average 6.4 months.**

PEOPLE SHOULD HAVE AT LEAST 6 MONTHS WORTH OF SAVINGS SET ASIDE

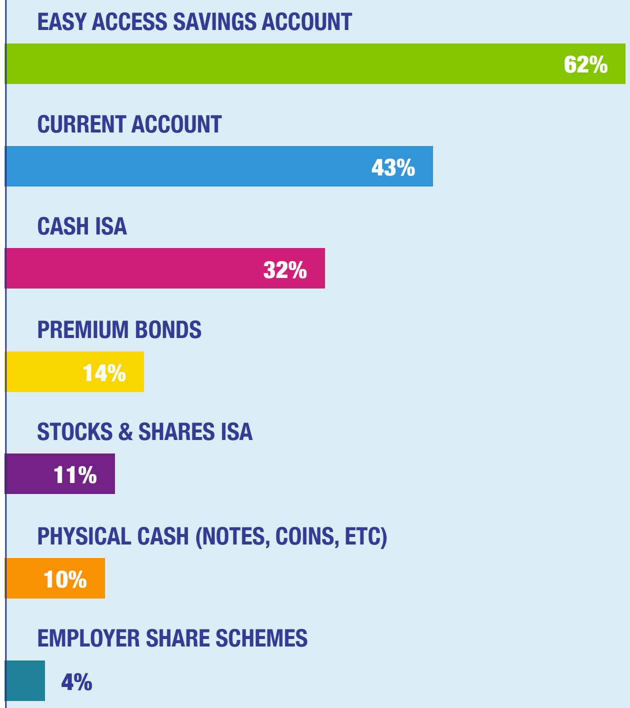
Comparatively, our 2019 'Financial wellbeing index' research found that 22% didn't have an emergency fund, 28% did and it would cover a month of spending or less. Half (50%) said theirs would cover 3-6 months typical spending, while one in five (20%) said it would cover 9+ months of typical spending.

THE SAVINGS TOOLKIT

Investing is a fundamental part of a successful financial plan. But it's also essential to have sufficient, easy to access savings set aside to be prepared for unexpected events just in case. While it might be frustrating in a period of historically low interest rates to see money in accounts offering lower interest, the role of the emergency fund is access as opposed to investment, so it provides that security, financial resilience and peace of mind.

The picture painted by our research findings is one of a sensible and pragmatic group. The majority of UK employees with an emergency fund are saving in

TOP PLACES EMPLOYEES ARE KEEPING THEIR EMERGENCY FUNDS



cash accounts (62%) with few bureaucratic hurdles to access it. They are typically low risk vehicles that will ensure the money will be there when called upon. They are also using current accounts (43%) and Cash ISAs too (32%).

It is not a necessity to keep all of the emergency pot in one place, but even when we examine how people are weighting their pot across different types of saving options, good decisions are being made. On average, almost half (44%) is held in easy access savings accounts, a quarter in current accounts (22%), and 19% in Cash ISAs.

PREPARATION PAYS OFF

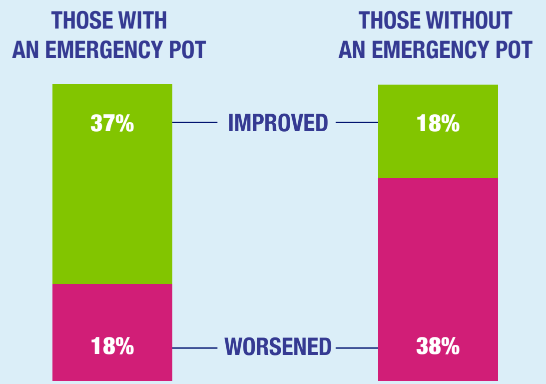
The proof of the pudding is in the eating, and our findings revealed that those who did have an emergency pot when the pandemic hit have fared better. Nearly three quarters (71%) said that they felt financially prepared for the coronavirus and subsequent lockdowns, with more than a quarter (26%) saying very prepared. Less than a quarter (24%) of those without the financial safety net felt prepared.

Those with a pot were found to be significantly less likely to have seen their financial worries rocket as a result of the pandemic. Just over a third (35%) said they had experienced an increase in worries about their financial health compared to more than half (51%) without an emergency savings pot.

UK employees with an emergency pot had a very different financial experience in the pandemic compared to those without. Less than one in five (18%) say their financial health worsened, while twice that figure (37%) saw it improve. The comparative figures for employees without an emergency fund are reversed – 38% and 18% respectively.

THE EFFECT OF THE EMERGENCY POT

HOW HAS THIS TIME DURING THE CORONAVIRUS PANDEMIC AFFECTED YOUR FINANCIAL HEALTH?



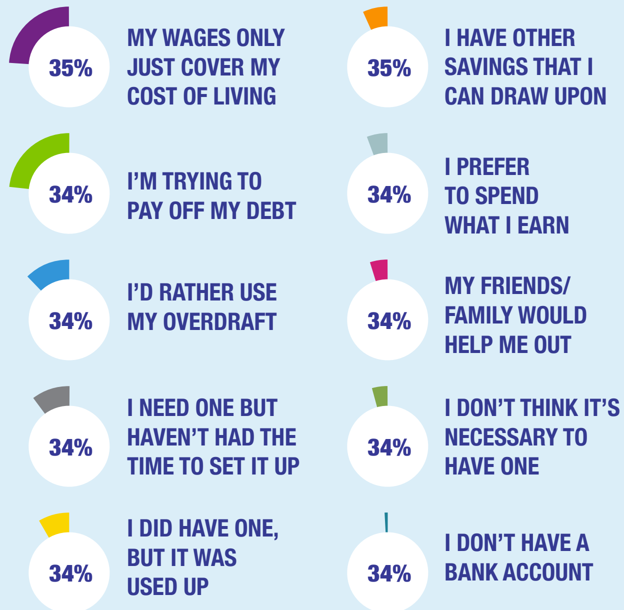
WALKING A TIGHT ROPE

Taking time to have a look at those that have so far not built up a savings pot for use in emergencies, our findings reveal that there are primarily two reasons for this. Firstly, it is because their wages are only just covering the cost of living, as opposed to allowing enough extra for saving (35%), and secondly, many are concentrating on paying off debt (34%) and so do not feel they're in a position to save. 6% believe that an emergency savings fund is not necessary.

It provides great insight for organisations that so few of their employees are walking the tight rope without a net willingly. Money management is clearly an issue. This highlights the importance of financial education as part of a financial wellbeing strategy, ensuring that the very basics of money management are addressed such as budgeting, planning and debt management as well as other areas such as pensions, savings and retirement.

It is also of great concern that despite being faced with the hard realities of having to cope with a tumultuous period of financial uncertainty, half of those without an emergency pot currently have not made and do not plan to make changes to their financial preparedness.

THE TOP 10 REASONS FOR NOT HAVING AN EMERGENCY SAVINGS FUND



CHAPTER 3

THE PROTECTION GAP

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WHILE AN ENCOURAGING PROPORTION OF UK EMPLOYEES DO HAVE AN EMERGENCY POT, IT'S A DIFFERENT STORY WHEN LOOKING AT EMPLOYEES WHO TAKE ADVANTAGE OF THE ADDITIONAL PROTECTION AND PEACE OF MIND OFFERED BY INSURANCE PRODUCTS.

THE PRICE OF PEACE OF MIND

It is evident from our findings that UK employees, across all demographics, have seen their worries about financial, mental and physical wellbeing rise significantly as a result of the pandemic. While some have managed to save more, **financial anxiety has sky-rocketed and that sense of financial fragility is likely to cast a lasting shadow over UK employees.**

An emergency fund to draw upon during times of financial stress is a vital part of building financial resilience, but it is not a silver bullet. There are a host of protection products available, designed to cushion a fall and help on the road to recovery.

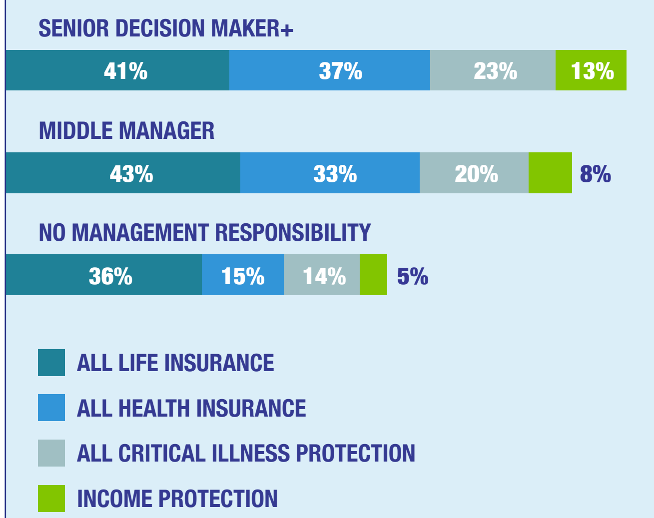
THE CLOAK OF PROTECTION

Our 2019 'Financial wellbeing index' found that UK employees scored just 43 (out of 100) regarding their understanding of personal financial protection, with 12% having purchased critical illness protection, 8% income protection, and 25% life insurance in preparation for unexpected financial events. Whilst not all of these protections will be needed or suitable for every UK employee, understanding the value of suitable personal protection is at the heart of good financial health.

Our latest findings reveal that the vast majority of workers in large organisations have held an insurance policy in the last 12 months (90%), with the most common policies being car and home insurance. However, when it comes to those products designed to protect their financial, mental and physical health, the numbers for UK employees are significantly lower. While there has been some slipping, the direction of travel is positive. **Around two in five (37%) now have life insurance, one in five (20%) have health insurance, and 16% have critical illness protection.** Only 6% of UK employees have income protection products – despite one million employees a year finding themselves unable to work due to a serious illness or injury, according to the Association of British Insurers. Across each of the above, the take-up rate is higher among men than women. But the age demographic split is more notable. Just under a third of those aged 18-34 hold life insurance, which climbs to 37% of those aged 55+. Among this older demographic however, just 9% have critical illness protection – almost half the number for 18-34 year olds (19%). It is those aged 35-54 who are typically most likely to have these key protection products.

Looking in detail at the differences in employee groups, there is a stark divide. It is those workers with no management responsibility, likely on lower income and less of a financial cushion, who are least likely to have accessed key protection products.

ACCESS TO PROTECTION PRODUCTS BY LEVEL OF SENIORITY



COVID CRISIS AND PROTECTION AROUND THE UK

Looking at the use of protection products across the UK regions, there are significant variations. While employees in London are some of the least likely to have life insurance (35%), they are the most likely to have taken steps to include a health insurance product in their financial planning strategy. When it comes to the take-up of critical illness protection, it is employees in Northern Ireland who are most likely to have chosen that as a financial safety net with more than a quarter having done so.

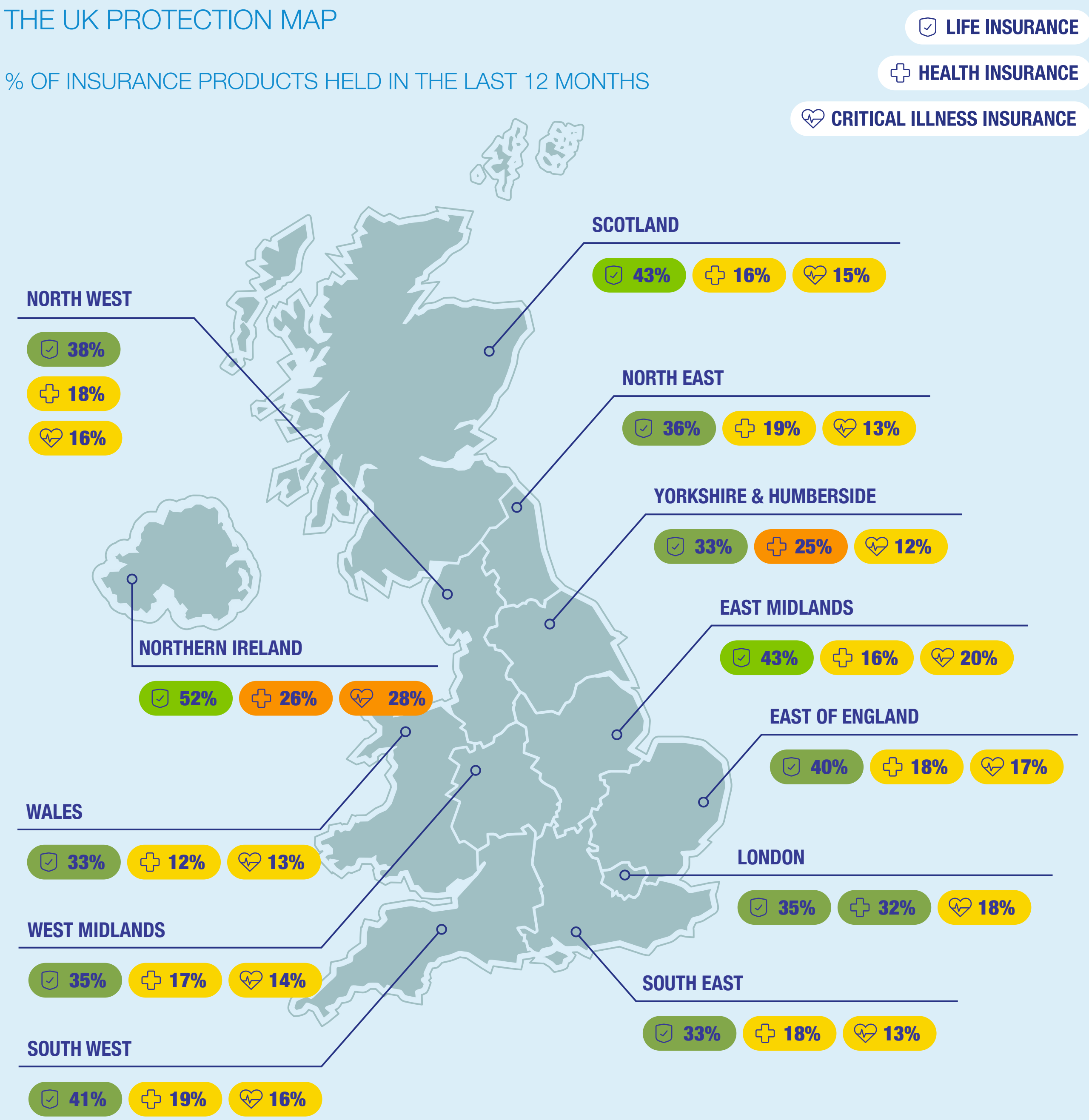
THE PARENTAL IMPERATIVE

As expected, when it comes to protection products, we see the most dramatic variation between those with and without children. Parents are around twice as likely to hold life insurance as non-parents (45% vs 24%). They are also twice as likely to have income protection (7% vs 4%). However, health insurance among parents, while higher than non-parents, is still less than a quarter (24%).

PARENTS ARE TWICE AS LIKELY TO HOLD LIFE INSURANCE AS NON-PARENTS (45% VS 24%)

THE UK PROTECTION MAP

% OF INSURANCE PRODUCTS HELD IN THE LAST 12 MONTHS



CHAPTER 4

BUILDING BACK BOLDER

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BUILDING BACK BOLDER

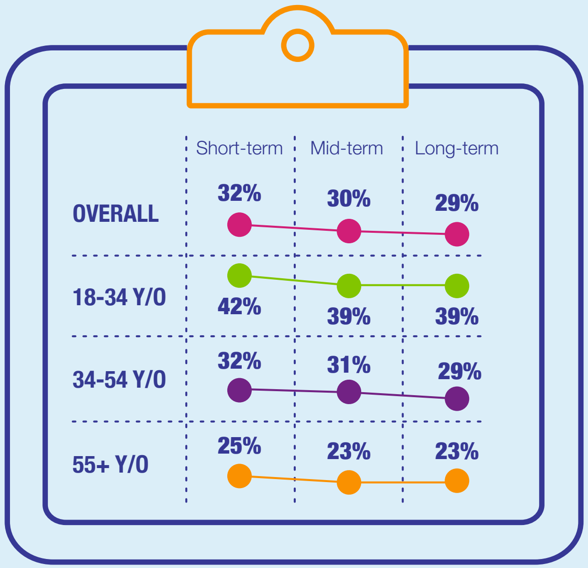
"AS THE UK STARTS TO EMERGE FROM THE PANDEMIC, WHAT WILL BE ITS FINANCIAL LEGACY AND WHAT DOES IT MEAN FOR THE FUTURE? WHAT HAS IT MEANT FOR CONFIDENCE ABOUT SAVINGS GOALS, AS WELL AS BIGGER LIFESTYLE AND WORK CHANGES? AND WHAT DOES THIS THEN MEAN FOR FINANCIAL WELLBEING AND FINANCIAL EDUCATION GOING FORWARD?"

CONFIDENCE

Financial confidence is a critical indicator for wellbeing. A sharp hit can often knock someone off-course and be tough to recover from. However, despite the significant challenges of the past 12 months, our findings reveal that the confidence of a significant cohort of UK employees remains not just unshaken but strengthened. **They are in fact twice as likely to be more confident (32%) than less (14%) compared to before the pandemic.**

Despite seemingly being hardest hit by the pandemic, 18-34 year olds are revealed to have been given a shot in the arm when it comes to their confidence about short, medium and long-term savings goals.

SHORT, MEDIUM AND LONG-TERM SAVING GOALS CONFIDENCE COMPARED TO 12 MONTHS AGO



A third of UK workers are also more confident about weathering a fresh financial storm compared to before the pandemic (30%). This rises to 36% among 18-34 year olds. It is not unreasonable to think that these employees have taken on board the lessons of the last 12 months and are already putting them into action.

There is significant disparity when it comes to employees across different sectors. Two in five workers in IT and electronics (40%) and 39% of those in the industrial goods and services sectors, are emerging from the coronavirus pandemic more confident about their ability to weather a financial storm. But the communications sector has had the biggest dent in confidence with 17% more confident but 28% less so.

PREPARATION UNDERWAY

In terms of the impact on behaviour, **three in ten (30%) workers in large organisations have already made some changes to improve their financial preparedness,** while a further quarter (26%) are planning on making changes to improve it.

56%
HAVE OR PLAN TO MAKE CHANGES TO IMPROVE THEIR FINANCIAL PREPAREDNESS

Interestingly, younger workers are much more likely to have made a change or plan to make a change (73% of 18-34s) compared to older workers (42% of those aged 55+).

Crucially, of those who don't have an emergency pot, half either have already made, or are making plans to improve their financial preparedness.

BUT PREPARING HOW?

Of those who have already made changes or plan to make changes to their financial preparedness, these people are doing this in two main ways - keeping a closer eye on day-to-day spending (63%) or saving more regularly into an emergency savings fund (61%).

63%
PLAN TO KEEP A CLOSER EYE ON DAY-TO-DAY SPENDING

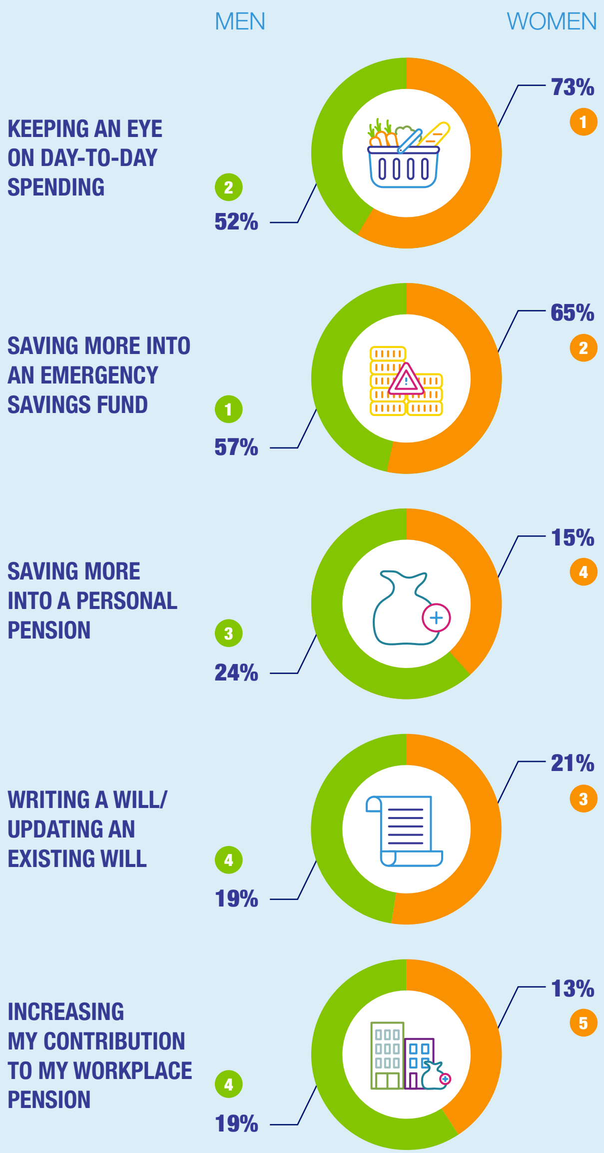
If we compare the steps being taken as a result of the pandemic to those from our 2020 'Changing trends of financial wellbeing' findings, we see that there has been a further uptick in the proportion of employees recognising that they need to improve their financial preparedness and the way they're doing it. As the first lockdown was biting in May 2020, more than half (54%) were planning to keep a closer eye on day-to-day spending and 46% were saving more into an emergency fund - with women significantly more likely to do so than their male co-workers (54% vs 39%).

Once again, men and women appear to be taking a varied approach. Three quarters of women who either have or are making changes are doing so by keeping a closer eye on day-to-day spending, compared to 52% of men.

It appears that men are viewing this as an opportunity to increase their liquidity, with 16% of those taking action saying they plan to hold more of their investments in cash (compared to 6% of women) and 8% are reducing the amount they invest in the stock market (compared to 2% of women). Part of this could be explained by the fact that men are in a position to de-risk more than women, having greater exposure to investments according to a recent Fidelity report. This increased caution is also seen in the fact that our findings reveal that men are twice as likely to have taken the opportunity to take out an income protection product (8% vs 3%).

More than a quarter of those aged 55+ are either writing a will or updating an existing one as part of their drive to increase financial preparedness. The coronavirus pandemic has prompted 14% of those aged 18-34 who are taking steps to increase their financial preparedness, to get a mortgage rather than rent.

TOP FIVE ACTIONS TO IMPROVE FINANCIAL PREPAREDNESS



HUGE BEHAVIOURAL SHIFTS

With a light at the end of the tunnel, now is also a great time to take stock and examine the extent to which this period of economic and social uncertainty has shifted employees' lifestyles, as well as impacted the decisions they are making about their work and career.

Lifestyles re-examined

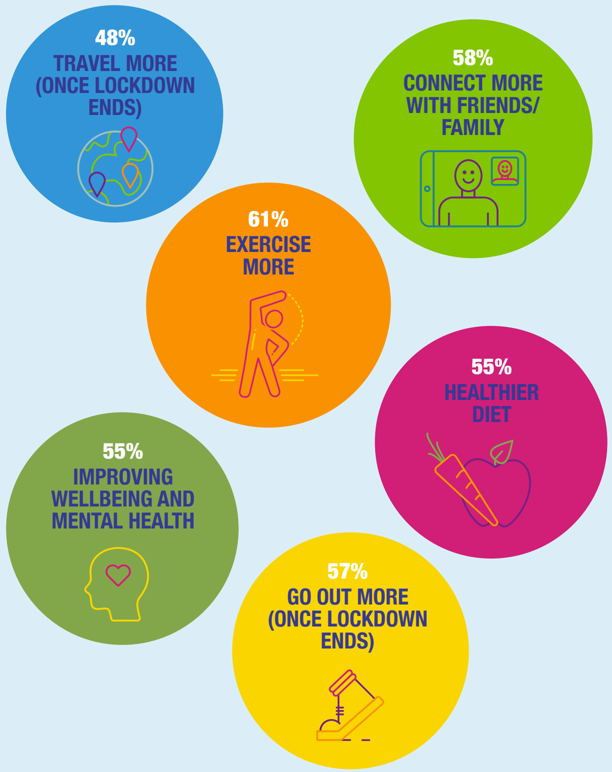
UK employees' lifestyles have undergone a dramatic shift as a result of the COVID-19 pandemic. Physical health has been brought into sharper focus, as evidenced by our findings that **61% are exercising more.** More than half are eating better too, with **55% benefiting from a healthier diet, and the same percentage focusing more on activities to improve their general wellbeing and mental health.**

Social interaction and travel are also set for a bounce, with **57% planning to go out more and 48% to travel more when lockdown ends.** More than half are also determined to connect more with friends and family.

More than one in five (21%) have been spurred to move house so as to secure a better quality of life for themselves and their family, and around one in eight (13%) to move closer to parents so as to help provide support. In this spirit of community and giving, more than a quarter (28%) will be taking more time to help others in their community through volunteering.

21% EMPLOYEES ARE CONSIDERING MOVING HOUSE TO SECURE A BETTER QUALITY OF LIFE

LIFESTYLE CHANGES MADE AS A RESULT OF THE PANDEMIC



Work re-evaluated

The situation has also marked a tectonic shift for many when it comes to their career. Lockdown has acted as the catalyst for flexible working and **two in five employees are likely to move to working remotely full-time as a consequence, with 30% doing it part-time.** As we think about the modern office and employee benefits, this growing cohort of arms-length employees will need innovative ways to build teams, support career development and to ensure they remain engaged and valued.

TWO IN FIVE EMPLOYEES ARE LIKELY TO MOVE TO WORKING FROM HOME

Retirement has also been significantly impacted. Around one in ten (9%) say they have been prompted to take early retirement and 13% to delay their retirement as a result of the pandemic. On this latter point, this rises to one in five (19%) of those employees aged between 65-74. It will be interesting to see how much this shifts as economic uncertainty eases, and markets improve. However, reductions in the normal flow to retirement is a trend many organisations will need to manage and could create succession planning issues and higher employee costs.

REDUCTIONS IN THE NORMAL FLOW TO RETIREMENT IS A TREND MANY ORGANISATIONS WILL NEED TO MANAGE

Our findings also reveal that the past 12 months has sparked a real upheaval of jobs and careers. Not only are 16% changing job, but 14% have decided to use this opportunity to retrain for a completely new career. Notably, it is senior decision makers within the workforce who are most likely to have undergone such career shifts. A third (32%) have changed job while 31% are changing career and retraining.

Interestingly, in terms of sectors, it is the IT and electronics (22%) and communications (21%) sectors whose employees are most likely to be retraining.

A FRAMEWORK FOR THE FUTURE

The COVID-19 pandemic is an era-defining event, and its ramifications will ripple through society and the workplace for years to come. It has been challenging for many. ONS data one year on from the first lockdown revealed that **726,000 fewer people were in payrolled employment than before the start of the pandemic.** Almost three-fifths of this fall, 425,000, were younger than 25.

WORK/ CAREER CHANGES MADE AS A RESULT OF THE PANDEMIC

But there's a positive story too. Huge numbers of UK employees have taken stock of their financial, physical, and mental wellbeing and sought to implement lifestyle changes to make improvements. Conversations that have been going on for years about financial resilience and planning are now suddenly in the front of everyone's mind – so it's a perfect time and opportunity for employers to really get to grips with implementing, embedding or improving their financial wellbeing strategies.

However, it is not without fresh hurdles. Employees are even more disconnected from their employer than ever before, and the likely permanence of flexible working means that **digital and distance learning are going to be a central feature for many.**

But this is not insurmountable and in fact may be a real opportunity. Our findings have shown the extent to which employees at different life stages, of different genders, and in different sectors have been impacted. **It truly drives home the necessity for employers to implement an impactful, flexible, multi-channel and targeted financial wellbeing strategy for their people.**

WE MUST SEIZE THIS OPPORTUNITY TO HELP PEOPLE REBUILD THEIR FINANCIAL RESILIENCE, AND PREPARE FOR THE UNEXPECTED

We expect the economic effects of the pandemic to be felt for years to come, so **it is essential we re-think the role organisations play in providing support to those who need it during this exceptional time.** Financial wellbeing is inextricably linked with mental and physical health, and so it's imperative we seize this opportunity to help people rebuild their financial resilience and prepare for the unexpected.

RESEARCH METHODOLOGY

Expecting the unexpected: a post-pandemic spotlight on preparing for a crisis (2021)

The 'Expecting the unexpected' report is based on a survey carried out on behalf of Close Brothers by Opinium. The sample was 2,000 UK based employees working for companies with 200 or more employees. The research was carried out between 22nd and 28th January 2021.

Changing trends of financial wellbeing (2020)

The 'Changing trends of financial wellbeing' report is based on surveys conducted among 2,000 UK employees working for companies with 200 or more employees. The research was carried out between 31 January and 6 Feb 2020.

Following the Covid-19 pandemic, additional research was carried out to supplement the 'Changing trends of financial wellbeing' report. 1,000 workers in businesses of 200 or more employees were surveyed, alongside a wider sample of 2,000 nationally-representative adults. This research was carried out between 1 May and 5 May 2020.

Both pieces of research were carried out on behalf of Close Brothers Asset Management by Opinium.

The financial wellbeing index (2018)

The data referred to within the report is based on surveys conducted among 1,003 employers with 200 or more employees, and 5,003 employees from companies with 200 or more employees. The research was carried out on behalf of Close Brothers Asset Management by Opinium between the dates of 29th October and 11th November 2018.

The employee Financial wellbeing index 2018 examines how financially fit employees in the UK feel across the seven pillars of financial wellbeing in eight key categories. These are money worries, budgeting and planning, debt, protection, savings and investments, retirement, properties and mortgages, and tax. Each category was assigned a score out of 100, according to a scale developed by Close Brothers Asset Management. An average of each category score delivers the overall index figure.

The lifetime savings challenge (2017)

The lifetime savings challenge report is based on surveys conducted amongst 1,000 employers with 200 or more employees and 2,009 employees from companies with 200 or more employees. The research was carried out on behalf of Close Brothers Asset Management by Opinium between the dates of 16 and 22 August 2017.

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Driving financial wellbeing