MONEY MATTERS INDEX ROUNDTABLE

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In partnership with

Mouthy MONEY

INTRODUCTION

Is the era of financial aspiration over?

Money is supposed to be aspirational. But have we reached a major tipping point toward pessimism? Will the impact of all this uncertainty be crucial for how people engage with money in the future?

Pessimism is perhaps unsurprising, given the current micro and macro-economic context. Soaring inflation, rocketing energy bills and interest rate hikes make for a precarious picture.

More people are living with precarity permeating through everything. It is not controversial to say their attitude toward money and financial security is bound to be shaped by it.

While many younger generations share the financial aspirations their parents had, how long before the constant precarity combined with systemic issues in (for example) the housing market or in saving for retirement really start to change how they regard their money?

Speak to young people and basic financial aspirations like owning a home and retiring with a decent pension seem virtually impossible to them (aside from a lucky few).

Will this shift people to being more risk averse and less likely to expose hard-earned money to financial markets or other products? Or will it precipitate a devil-may-care let's roll the dice mindset?

Financial services providers need to fundamentally understand how these tectonic plates are shifting and not get caught out as the new financial landscape terraforms.

In our latest Money Matters roundtable, we got together a panel of experts to consider this coming Age of Precarity; if it is too late to give people back the aspiration they so desperately need to build something for themselves; and what financial services, regulators and the Government can do to rectify the situation.

A big thank you to the panellists. Do get in touch if you'd like to talk about the themes of the discussion in more detail.

Chris Tuite
Director and Head
of Consumer Finance, MRM

Money Matters Index Roundtable Participants

Tom Selby
Head of retirement policy at AJ Bell

Anthony Morrow
Founder of OpenMoney

Samuel Miley
Senior Economist at the Centre for Economics and Business Research (Cebr)

Edmund Greaves
Co-editor of Mouthy Money

Samantha Seaton
CEO of Moneyhub

Laura Purkess
Financial Journalist at The Daily Mail

IS THE ERA OF FINANCIAL ASPIRATION OVER?

Edmund Greaves

“The problems we’re facing today are over a decade in the making. The pandemic and resultant inflation have given Governments and monetary policymakers a lot of cover for problems that have been a long-time brewing.

We had the financial crisis in 2008, then ultra-low interest rates for over a decade which just rewarded asset holders and punished workers, who have languished in unproductive jobs with miserable pay rises for over 10 years.

The ‘boiling frog’ metaphor is apt here. We’re at an inflection point where inflation has finally caught fire, and that’s made everything much worse much more quickly. The problems we’ve got now have been around for a long time but are finally reaching that boiling point.

There are still opportunities for people to create and build wealth, but there are fundamental structural problems in most western economies. There is a litany of issues not being resolved. It’s hard to see an end to it when policymakers tend to think more of the same medicine, that’s already killing the patient, is what we need.”

Samantha Seaton

"People are resilient. We're not going to be held down forever. But we are going to be pessimistic now, as it is very difficult to avoid that sentiment. It is difficult for any economy to withstand a global pandemic and a war in Ukraine bought about by Russia's invasion. No one's going to feel cheery about having less money in a Cost-of-Living crisis that impacts everyone as a result.

In terms of what is making people more pessimistic, jobs that we don't want to do is a growing problem. Everyone has become more educated resulting in an incredibly progressive society. However, if we still need and rely on repetitive and largely thoughtless jobs that are not meeting people's needs it's going to create pessimism and a lack of satisfaction.

The frustration is there, and we can't underestimate its impact. But I don't believe it's forever because people are incredibly industrious. You've only got to look back through time to see that, so I don't believe we'll stay in this mindset forever."

Laura Purkess

"There's no avoiding pessimism. The situation is giving way to an age of uncertainty. But with that said, many people are determined to take control of their finances and find new and creative ways that 'beat' the system and make money their own way.

It is depressing to see that no one is getting the help they need to achieve this. People have to help themselves more than ever. There is an element of aspiration in that, but whether it will last is hard to say. Uncertainty is driving people to be more proactive in a way that might not have been so evident in the past.

We're going to see more of that which makes me less pessimistic now than maybe six months ago. People have the attitude of: 'Right, we're in this now. We're not getting out of this for a while, we've got to take it into our own hands.' But ultimately, the Government at some point is going to have to come in and start helping people because that won't last forever."

Sam Miley

"The past 12 months have brought about a significant weakening of consumer finances. It's quite difficult to give any long-term answers, but in terms of data-driven points in the short term, there is already quite clear evidence of precarity.

Our [Cebr] monthly in-house consumer confidence indicator plunged to significant depths in 2022 and remains in negative territory. A particularly stark driver of that decline has been households' perceptions of their own finances, which have hit record lows, being significantly lower than during the global financial crisis.

What is clear is that households in the short term are becoming more negative regarding their financial sentiment. That in itself tends towards a situation of greater precaution.

In terms of what this might mean for the wider economy, we're already seeing evidence of consumers cutting back in several different spending areas, notably in hospitality and retail. Consumers are being more cautious and spending less and less in an environment of uncertain spending power and financial health."

Tom Selby

"These are undoubtedly incredibly difficult times for millions of people. The findings in the Money Matters Index report made quite painful if unsurprising reading. The fact that around a third of people's outgoings are larger than their incomings is quite stark.

It's worth remembering that for plenty of people life was already quite precarious before the last few years happened. The awareness of quite how financially precarious situations were for those worse off before going into the pandemic just wasn't there yet. Millions of people had barely anything saved in rainy-day funds.

Building household financial resilience needs to be front and centre of everything that the Government, the regulators and others should be trying to do at the moment. The ray of light in the report was that seven in 10 people said they're more attentive about their finances now than they were previously.

There's a hope that once we get through the immediate storm we might end up a population that is more interested in their personal finances and more clued up to opportunities and risks, and we're all in a position to better weather the next storm."

Anthony Morrow

"The situation we find ourselves in has been a long time coming. The pandemic and the war particularly simply accelerated structural problems that had been brewing for many years.

There are no short-term quick fixes to all this other than real Government intervention. Long-term ideas, for obviously political reasons, are short on the ground which leads naturally to pessimism. But people are resilient, even if their finances aren't. They will evolve and adapt.

People are naturally aspirational, but expectations could change. Looking at previous generations isn't particularly helpful even if it's easy to do. What people want from life is going to change. You're seeing that with a lot more people taking control over their employment, where they work, how they work, when they work.

The sort of mindset we'll see more of comes in terms of what people think having a successful and enjoyable life means, rather than perhaps the old materialistic aspirations of the late 20th century.

In the meantime, the Government needs to get across both sides of the issue. We need better long-term policy planning to address these problems over time."

Is the inflation shock worse than past financial crises?

Edmund Greaves

"This crisis is different to previous economic cycles because it isn't a jobs crisis per se, and the economy isn't yet in an official recession. In past crises you'd typically get elevated unemployment, business failures and other destructive impacts on an economy. But that isn't happening, at least not yet.

But one of the upsides of that destruction is that it tends to lead to renewal. People find new, more productive jobs, start new businesses unburdened by debt. This 'destructive renewal' leads to healthier economic renewal.

We're now stuck in a situation where no one is losing their jobs and businesses aren't failing. The problem with this is we're sustaining extremely unproductive economic output because unemployment and business failure has become politically unacceptable, to the Government and to central banks."

Sam Miley

"Household finances are in a more precarious state than in previous crises. The structure of the current crisis, in which inflation wipes out savings is driving that.

Job losses tend to be painful for those that experience them, but they also tend to be concentrated areas of the economy. But what we're seeing, in a regular report Cebr conducted with Asda, is that all households are being hit by inflation, everyone's spending power is being eroded. It is a broad-based crisis."

IS DEBT CONTRIBUTING TO THE PRECARITY?

Samantha Seaton

"Financial services firms have done very little to help people to cope with the situation. The FCA is pushing through key regulatory changes such as Consumer Duty as a result. Treating Customers Fairly (TCF) didn't achieve the results necessary.

Financial services are wired to make money and that's fine. But there's been a loss of balance in the way it makes money.

For instance, if a firm offers a credit card to a customer, why not also offer money management with it to help that customer stay on top of their finances and rely on credit only when necessary or sensible to do so?

It also leads to perverse outcomes such as credit card balances being counted toward an investment affordability test. That balance counts as a rainy-day fund when it is far from that."

Edmund Greaves

"Debt is a huge problem. 'Buy Now Pay Later' (BNPL) is the tip of the spear that's been stuck in the leg of the economy for over a decade. Low interest rates have perpetuated that. There's no responsible lending when people can take out as much as they like and rack up huge debts. Low interest rates have made debt too cheap and easy.

This is applicable to businesses as much as households. Firms that should probably have gone bust have been able to zombify and get by with cheap debt to just about stay ahead of their costs. It's a ticking time bomb. Cheap credit keeping all this economic deadweight on life support."

Anthony Morrow

"We should ban the word credit. It's pure marketing spin. Debt is debt. If you get a letter from your bank, it should say they've extended your debt allowance, not credit. The framing has very different implications.

Financial services firms need to address how it frames debt. This isn't a new problem. The same old debt facilities are rebadged as things like BNPL and it's flogged to normal people as a means to an end, that somehow its 'helping' them."

What can people do?

Laura Purkess

"Bad marketing has a part to play in this. But these companies are presenting a solution to people that others simply aren't. The long-termism of products such as pensions just doesn't convey the tangible benefits because they require patience and don't give relief to struggling households.

What people need are solutions that can help them immediately. Help them figure out 'how can I make extra money right now?' There are always better options out there, but these often aren't presented because they don't make money for providers."

Samantha Seaton

"Changing the way people work is potentially a huge solution. That was one of the benefits of the pandemic, the realisation for many that flexible ways of working are possible.

Why should one job and a 9 to 5 Monday to Friday working week be the norm anymore? In the long term I can see changes that people will have multiple jobs with multiple employers at the same time. We haven't touched the sides on the amount of flexibility that is coming in the workforce to meet both people and business's needs.

Another change I'd like to see is the way in which people get paid. Could you get paid daily if that's what you'd prefer? The technology is there to allow for these kinds of flexibilities, but companies aren't on the right page yet."

What should be done by Government, regulators, and financial services to HELP PEOPLE IN THE SHORT, MEDIUM AND LONG-TERM be more resilient and move away from potential precarity?

Anthony Morrow

"In a perfect world everyone would be better educated about finance and have more access to the right information. That's got to be part of the long-term solution. But even if you've got education in school today, there are four – five generations that don't have these tools to draw upon.

The immediate problem comes down to the way debt products are marketed as a solution, as if BNPL can help put food on the table. It needs to be stopped. You can't just shrug and say we need better financial education and then move on. It's perverse."

Edmund Greaves

"There are limitations to financial education unfortunately. It's important to help people understand massive financial products and decisions, such as getting a mortgage, how to manage a pension and why it's a good thing. I'd also love for people to understand better how and why they pay taxes.

But there is an element in there of letting financial firms wash their hands of the problem. Instead of teaching everyone to be their own financial adviser, why aren't we compelling financial firms to make their products easier to understand?

These products seem at times deliberately complicated, with novels for terms and conditions that no one ever wants to read. Firms should have a much greater obligation to explain the important elements clearly and in easily understandable formats."

Can Consumer Duty help?

Tom Selby

"Hopefully Consumer Duty will go some way to rectifying this. It should in theory raise standards and help consumers to understand the outcomes of taking on these kinds of products. It's not just about explaining to people in a way that's factually true.

It will be interesting to see how hard the FCA comes down on firms that fall below the required standards. Consumer Duty is much broader than just financial services though, so it's not easy to implement a principles-based framework across all industries equally when different sectors have very different levels of standards already. That's going to take time to align so everyone's on the same page."

Samantha Seaton

❝ There's a disconnect in the DNA of many organisations. The people who work in the organisations are great and incredibly well intentioned and customer focused, but the objectives and reward infrastructure of the business itself is not enabling or empowering that because they are still hard-wired to be product led not customer led. ❞

Tom Selby

❝ Even just basic information delivery needs improving. That's not necessarily about financial education. Who really remembers what they learned in their GSCEs? It's something people need to be able to access throughout their lives to make informed decisions. ❞

Sam Miley

❝ It's difficult to overcome short-termism. Organisations are often structured in a myopic way because it's in their interest to earn money now, rather than helping to provide tangible long-term benefits to the consumer.

It's tough to try and think in longer-term framing but education has an important part ultimately to protect people in the future, even if it's too late today. The failure to do that is a different kind of myopia from organisations that should be responsible for it. ❞

SHOULD GOVERNMENT TAKE RESPONSIBILITY?

Edmund Greaves

❝ Government has much to answer for here too. Products such as pensions are too complicated because of years of tinkering and tweaking. There's a huge mess of reliefs, bands and allowances. It creates layers of complexity that spawn entire sectors to try and explain and manage them.

Financial services firms are ultimately just working within the mould given to them by the Government in that respect.

And then there's a failure to follow through from Government too. Products such as the Lifetime ISA, which is a good product, were once considered to be the long-term replacement for pensions. But the Government never finished what it started and it's now a halfway house that doesn't work for a lot of people.

Politics creates enormous distractions and leads to half-baked ideas. Politicians also lack the courage to make difficult choices and are constantly triangulating the most expedient outcome – which is quite often just storing the problem up for future generations to unpick. ❞

Samantha Seaton

"The technology is there to help provide tailored solutions to people's needs. Open Banking was a huge step toward providing more precise information. But it's easy to get into the weeds on issues when often they're outliers to a broader set of outcomes that need to be addressed.

It's straightforward to tell someone they should be saving into a pension and using data to explain what the outcomes could or should be. Not everyone needs complex advice to get to that conclusion.

Employers have a really important role to play here. They can be a conduit for better decision-making. Like with auto enrolment, they're the infrastructure needed to deliver real change and scale up solutions to people's needs."

Edmund Greaves

"Sometimes the Government does get it right. The Help to Save Scheme for instance is a fantastic idea and is very generous for people who could be considered in the most precarious position. But it's woefully implemented, and the uptake is terrible because no one is there to encourage the right people to take it on.

It's the same with products such as ISAs. Creating attainable goals can be very persuasive. The LISA is great because the annual allowance is relatively low, it sets a more achievable target for people to aim for. The regular ISA limit of £20,000 is a fantasy most people will never get anywhere near on an annual basis, so what's the point of it?"

Tom Selby

"It's up to financial firms to handle that complexity. Most people don't need complex instructions, but some do, and firms must figure that out with the information they're given.

The Government and regulator must figure out that complexity though. Rules such as the Money Purchase Annual Allowance (MPAA) are inherently complicated and must be dealt with carefully. That's not the fault of the firms dealing with it. But if you look at areas such as pension policy over the last decade, change simply hasn't been forthcoming."

CLOSING THOUGHTS

IS PRECARITY HERE TO STAY OR WILL ASPIRATION RETURN?

Edmund Greaves

"One day we'll look back on the current period in the same way that we looked at eras such as the Great Depression. Long periods of time where people's lives simply didn't improve and leaders didn't make the right decisions at the right time. But even the Great Depression passed eventually and gave way to one of the longest periods of economic growth and increase in prosperity in human history.

We're at a fork in the road right now in terms of inflation and interest rates which will have a big effect on what happens next. Rates have gone up and could stay higher for longer. This will serve to wash away a lot of the dead wood in the economy, but the human and capital price of that will be sharp and painful.

The other option is we go back to the medicine of the past decade, low rates, cheap debt and miserable productivity, employment and earnings. Ultimately all that is going to do is stave off the inevitable correction anyway.

It is painful and politically almost impossible to conceive as an option, but possibly the only way that we can return to an era of true aspiration. The status quo has to change so it's whether policymakers are prepared to accept that and get on with the business of providing new opportunities to those that desperately need it."

Tom Selby

"The situation is most certainly precarious at the moment. But the optimist in me sees an opportunity because more than ever before as a nation we've engaged and are actively considering our own personal finances. For many people it will be the first time ever that they've had to consider it so closely.

And while there are plenty of issues, there are long-term solutions in play already such as auto enrolment. While not perfect, it's a good start to help people build a nest egg for the future. It's hard to keep some of these positives in focus when you're faced with such a big near-term challenge.

Ultimately long-term savings are one of the biggest challenges facing western economies. The current circumstances are slowing the solution down, but not stopping it dead. I'd love to see more from the Government in consideration of how to help households become more resilient, build up a savings buffer to protect them from economic shocks. That will go a long way to preventing precarity in the future.

And in other areas, where Government, regulators and financial services need to do better, the solutions are there for the making with changes such as Consumer Duty. So it's not all doom and gloom in that respect."

Samantha Seaton

“I am an optimist. There is always a silver lining to be had. It's very easy to be pessimistic at the moment, households are hurting thanks to serious price rises. No one feels cheery about that and nor should they.

But people are, and always have been, incredibly adaptive and industrious. It is remarkable how so many of us can absorb a shock, pick ourselves up and move on with our lives. I think we'll look back on this time and see that society has improved.

We might have less of a voracious consumer appetite, no bad thing for the planet, and we'll get back into savings habits given the right tools and opportunities. We'll break our reliance on credit and be grateful for the things we've learned in such an acutely difficult financial period. Often it is the toughest episodes that help us to learn, adapt and become more resilient.”

Sam Miley

“We can learn a lot from history. We're in an unfortunate situation in terms of household finances, and those households are clearly in a more precarious position than before, certainly compared against two years ago before the pandemic. Going forward inflation could become more heavily embedded if wages start to catch up with inflation, creating a spiral effect. But as of yet there isn't too much evidence of this.

But we've been in structurally similar positions before. Most recently we can look to the 1970s when inflation and turbulent labour markets were rife. Society has a tendency to bounce back from these difficulties, no matter how bad they look when we're inside them.

While things might not look good right now, the long-term trend is for households to be able to have aspirations that include home ownership, financial stability and saving for the future. If we're in an 'age of precarity' this is likely to continue until the mid-2020s thanks to powerful macroeconomic trends. But beyond that I'd be inclined to suggest conditions will normalise given time and financial aspiration will return.”

Anthony Morrow

“I think confidence and aspiration will slowly return as we adapt to a more cautious, and possibly less materialistic, world. Our expectations will shift in terms of how we live our lives and what's important.

Clearly this will change at different speeds for different people and there will certainly be a swathe of people who will continue to struggle as they always have. The current situation we find ourselves in has only been a sudden shock for the few; for the many life has been tight for years and decades. That sort of thing doesn't change overnight.

What would you say to people that are feeling pessimistic about their financial future?

It's churlish to tell people not to worry or not to be pessimistic. Life is tough out there and there are a lot of things conspiring to slow people's recovery down.

What we need to do is to balance responsibility over what support we give to people to help them through these times. More debt isn't going to be the answer but fairer treatment of people who are struggling is.”

Money Matters Index Roundtable – Who's Who

Anthony Morrow

Founder of OpenMoney

Anthony is founder of OpenMoney, a digital personal finance adviser launched in 2017. He is also an investor and non-executive director of a number of other fintech businesses in the consumer space. Anthony is committed to ensuring more people have access to advice to help them avoid making poor decisions especially those who have little to lose. Prior to OpenMoney, Anthony was a co-founder of Tatton Asset Management plc and missing spells at consultancies including KPMG and Andersen.

Edmund Greaves

Co-editor of Mouthy Money

Edmund has spent over a decade in journalism, currently as Co-editor of Mouthy Money and Head of Editorial at MRM. Before that he was Deputy Editor of Moneywise magazine & website. He started in journalism as a political writer, editor and consultant in the European Parliament in Brussels in 2012 and then spent two years freelancing around the globe before moving into financial journalism in London in 2016.

Samuel Miley

Senior Economist at the Centre for Economics and Business Research (Cebr)

Sam is a senior economist at the Centre for Economics and Business Research (Cebr). His work focuses on the consumer sector, covering the outlook for household spending and living standards. Sam is also a key contributor to The Prospects Service, Cebr's membership platform, which provides regular updates on economic data releases and both national and international forecasts.

Laura Purkess

Financial journalist at The Daily Mail

Laura Purkess is an experienced financial journalist, currently a reporter on the Money Mail desk at the Daily Mail where she covers all things personal finance. Previously she served as news editor of Citywire's New Model Adviser magazine.

Samantha Seaton

CEO of Moneyhub

Sam is an internationally-recognised fintech pioneer, a thought leader on diversity and inclusion, and a champion of financial wellness.

She is the CEO of Moneyhub, the award-winning Open Banking, Open Finance, and Open Data platform that transforms data into personalised digital experiences and initiates payments. She joined Moneyhub following a distinguished career at Willis Towers Watson and at fintech eValue.

Sam is passionate about the power of technology to improve financial wellbeing for all. She is a non-executive director at the Charities Aid Foundation Bank, a founding member of Open51, a group transforming financial services and building the new digital economy, and an advisory board member at impact investment platform The Big Exchange. She also serves on several industry panels, as well as representing the UK and Europe as a non-executive director on the Financial Data and Technology Association's (FDATA's) Global Board.

Sam is an avid horse rider and regular eventer, and treasures time with her husband and horses.

Tom Selby

Head of retirement policy at AJ Bell

Tom is AJ Bell's head of retirement policy and a prominent commentator on retirement issues. He is passionate about helping people save for their future and boosting financial resilience. Tom's views on saving and retirement are regularly sought by national print and broadcast media, including appearing on a weekly BBC Radio London personal finance slot. Tom joined AJ Bell as a senior analyst in 2016, having previously spent six years as a financial journalist. He has a degree in Economics from Newcastle University.

GET IN TOUCH

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