

Aviva Family Finances Report – Winter 2018

The hidden cost of divorce and separation

Retirement
Investments
Insurance
Health

Welcome to Aviva's Family Finances Report 2018

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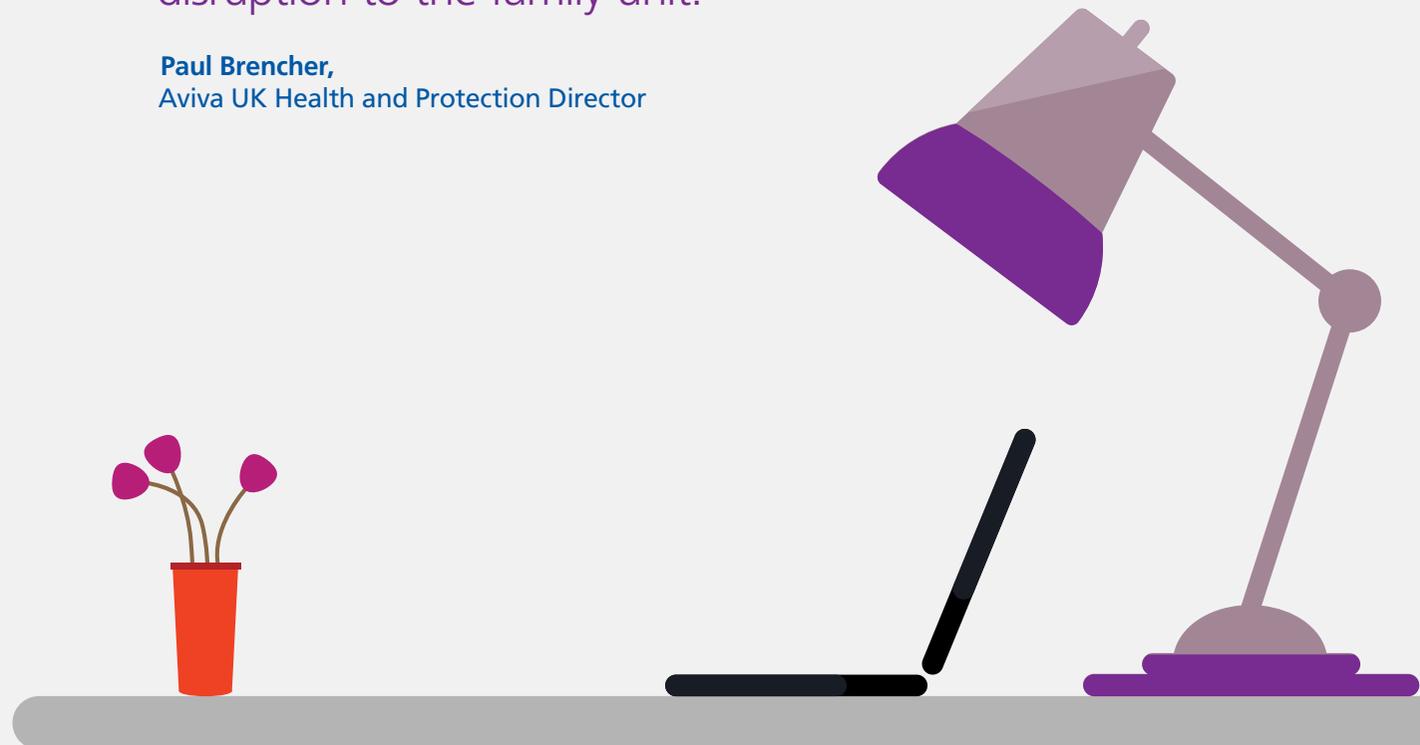
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“The breakdown of a marriage or long-term relationship is likely to be one of the most emotionally demanding life events for people who experience it. Such circumstances are made all the harder due to the lack of preparedness by many.

Without ever taking away from the primary emotional strain of going through a divorce or separation, there are other significant impacts which have the potential to cause further disruption to the family unit.”

Paul Brencher,
Aviva UK Health and Protection Director



Introduction



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Key spotlight findings:

- UK couples are spending £14,561 on average when they divorce or separate, rising 17% since 2014
- One in six (16%) who separate also buy a new home, spending an average of £144,600
- The majority of couples (68%) have financial matters to resolve when separating – a process that takes an average of 14.5 months
- Over a third (34%) found the process of divorce or separation worse than expected
- Affordability issues mean 51% of those who separate turn to the rental market, at an average annual cost of £7,519
- Of those currently renting as a result of their split, seven in ten (70%) feel that they will be unlikely to buy a property in the future
- The average time spent as a tenant post-separation is 4.7 years, however almost one in five (19%) people rent for more than a decade
- A quarter (25%) of people have worked longer hours after divorce or separation, with more than one in ten (12%) adopting flexible working patterns



Key financial tracker findings:

- Typical monthly family income has fallen 3% over the past year and now stands at £2,084, down from £2,151 in summer 2016
- The typical amount held in savings and investments has risen by 12% in 2017, up from £3,114 in winter 2016/17 to £3,494
- Fears over future price hikes in basic necessities cited by 43% of families, as cost of living warnings resonate



The breakdown of a marriage or long-term relationship is likely to be one of the most emotionally demanding life events for people who experience it. Such circumstances are made all the harder due to the lack of preparedness by many.

Without ever taking away from the primary emotional strain of going through a divorce or separation, there are other significant impacts which have the potential to cause further disruption to the family unit.

The latest edition of the Family Finances Report seeks to uncover the additional hidden costs of relationship breakdowns to better understand the added pressures that families face when two partners go their separate ways.

We hope that by bringing these themes to the fore, we can drive greater awareness among families of the need to look after their financial and personal wellbeing in good times and bad, while also helping society better comprehend the difficult circumstances such families may be going through.

We look at the core financial impact of divorce and separation and how it has evolved since we conducted a similar study on the cost of divorce in 2014, as well as also assessing families' financial preparedness and the holistic impacts upon home, work, wellbeing and family life.

The importance of financial preparedness is heightened by the uncertain outlook that exists among UK households, as revealed by our ongoing tracking of the family purse since 2010. After a year of great political change and economic uncertainty, families' fears of future price rises are emerging against a backdrop of falling monthly incomes. These trends bring added pressure at the best of times, and have the potential to intensify should families encounter their own one-off events such separation or divorce.

Paul Brencher,
Aviva UK Health and Protection Director

Part One: The cost of divorce and separation



Key findings:

- UK couples are spending more than £14,561 on average when they divorce or separate – up by 17% since 2014
- The average legal cost associated with divorce has more than doubled, from £1,280 in 2014 to £2,679
- One in six (16%) who separate also buy a new home, spending an average of £144,600
- Affordability issues mean 51% of those who separate turn to the rental market, at an average annual cost of £7,519

- The majority of couples (68%) have financial matters to resolve when separating – a process that takes an average of 14.5 months

For many couples, divorce or separation is the last resort after trying to make a failing relationship work. According to most recent data in 2016, there were 106,959 divorces of opposite sex couples¹ in England and Wales, representing a 6% increase from the 101,055 recorded in 2015, although still lower than the peak of 152,923 recorded in 2004. However, when placed in context versus the number of marriages annually, in 2014 there were 247,372 marriages in England and Wales², it still represents a significant proportion of couples each year deciding to part ways.

Alongside the long-term decline in divorce, more couples are also choosing to co-habit rather than legally marry, as this has become the fastest growing family type in the UK³. As such, it is likely that a growing number of people will be separating, as opposed to divorcing, should they choose to end their relationship.

The financial cost of divorce and separation

Aviva's research shows that excluding accommodation costs, UK couples are spending £14,561 on average when they divorce or separate, or £7,281 for each partner⁴. This is an increase of 17% compared to the same time in 2014 when on average, UK couples spent £12,432 when they divorced or separated, or £6,216 individually⁵.

This is calculated by dividing the total cost of divorce highlighted on page 3 (£1.7bn) by the total number of divorcees.

1 <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/divorce/bulletins/divorcesinenglandandwales/2016>

2 <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/marriagecohabitationandcivilpartnerships/bulletins/marriagesinenglandandwalesprovisional/2014>

3 Aviva Family Finances Report Winter 2016/17

4 Latest figures from the Office of National Statistics show that 106,959 marriages and 112 civil partnerships ended in England and Wales in 2016, while 9,619 marriages and 61 civil partnerships ended in Scotland in 2013/2014 according to latest figures for Scottish civil law cases. This equates to 116,751 divorces / dissolutions annually, relating to 233,502 people. The calculation is based on the total overall cost of divorce across the UK (£1.7 billion) divided by the total number of divorces or dissolutions annually. The total cost of divorce is based on multiplying typical cost per person by proportion of overall number of people who committed to each expense

5 Aviva Cost of divorce research, 2014 <https://www.aviva.co.uk/media-centre/story/17337/cost-of-divorce-reaches-44000-for-uk-couples/>



The cost of divorce and separation continued

“UK couples are spending more than £14,561 on average when they divorce or separate, or £7,281 for each partner.”



Cost of divorce / separation (excluding accommodation costs)

Expense	Average cost per person	Proportion who spent on this	Total UK cost of this expense
Legal fees	£2,679	54%	£337.8m
Setting up a new home	£3,321	40%	£310.1m
Annual child maintenance payments	£4,606	21%	£225.8m
Holiday	£1,348	18%	£56.6m
Buying a new car	£4,810	17%	£190.9m
New gadgets (e.g. TV, home cinema, sound system)	£1,017	17%	£40.3m
Buying a new home	£144,600	16%	£5.4bn
Annual childcare costs	£5,806	16%	£216.9m
Dating	£828	15%	£29m

Cost of divorce / separation (excluding accommodation costs) continued

Expense	Average cost per person	Proportion who spent on this	Total UK cost of this expense
Entertainment and gifts for children	£1,222	15%	£42.8m
Redecorating previously shared home	£2,369	12%	£66.3m
Makeover / new wardrobe	£1,118	11%	£28.7m
Taking up a new hobby	£736	10%	£17.1m
Legal fees as part of child custody battle	£5,671	9%	£119.1m
Therapy / counselling	£1,063	7%	£17.3m
Learning a new skill	£1,703	7%	£27.8m
Personal trainer or get fit regime	£1,261	5%	£14.7m
Jewellery	£1,067	4%	£9.9m
Total			£1.7bn

The cost of divorce and separation continued

The average legal cost has doubled in the last three years and is now

£2,679

1 in 6

people who divorce or separate buy a new home

£144,600

is the average spend on a new property

51%

move to temporary accommodation

£7,519

is the average annual rent

The average legal cost associated with divorce and separation has shot up by £1,399 in the last three years from £1,280 in 2014 and now stands at £2,679, with the expense for men (£2,837) slightly higher than for women (£2,547). Legal fees are also on average 22% more expensive for couples with multiple children (£3,165) than couples with just one child (£2,578).

Legal costs specifically related to dealing with child custody proceedings are experienced by almost one in ten (9%) couples, at an average cost of £5,671 – highlighting the potential added cost to families unable to resolve matters on their own.

Legal fees are far from the only expense people may incur when they divorce or separate. No longer living with an ex-partner can have an impact on travel with 17% of people buying a new car. Such a decision could be the result of no longer having access to a previously shared car.

Some people also spent money on buying a new home after their divorce or separation. One in six (16%) bought a new home, with an average cost of £144,600 per person. This is significantly lower than the average UK house price (£226,185)⁶, suggesting the likelihood that people also downsize to a smaller property. Over half (51%) also moved to temporary accommodation after separating, spending an average of £7,519 per year on rent, for an average tenure of 4.7 years.

Time is money: how long does it take to settle finances post-separation?

The majority of couples (68%) have financial matters to resolve when separating – a process that takes an average of 14.5 months, three months longer than the 11.5 months cited in 2014.

Property costs as a result of divorce or separation

Expense	Average cost per person	Proportion who spent on this	Total property costs as a result of divorce and separation across UK
Buying a new home	£144,600	16%	£5.4bn
Renting a home (for an average of 4.7 years)	£35,339	51%	£4.2bn

The proportion of married couples with financial matters to resolve when they separate rises to seven in ten (71%), with one in five (18%) stating that these issues remain unsettled. This rises to 83% among those who own a property together, highlighting the additional complexity that homeownership brings. In contrast, 56% of unmarried people who cohabited with their former partner had financial matters to resolve when separating, with 15% saying they remain unresolved.



⁶ Land Registry, July 2017 <http://landregistry.data.gov.uk/app/ukhpi>

Part Two: Financial preparedness and the wider impacts

Key findings:

- Over a third (34%) found the process of divorce or separation worse than expected
- A quarter (25%) of people have worked longer hours after divorce or separation, with more than one in ten (12%) adopting flexible working patterns
- Of those currently renting as a result of their split, seven in ten (70%) feel that they will be unlikely to buy a property in the future
- The average time spent as a tenant post-separation is 4.7 years, however almost one in five (19%) people rent for more than a decade

Financial preparedness

Aviva's data highlights couples in the UK are typically together for eight years and are 35 years old before deciding to divorce or separate, with many more spending even longer either married or in a committed relationship. As a consequence, separation or divorce can cause major upheaval for families due to the change it brings about and can often be difficult to financially anticipate or prepare for.

The majority of couples (73%) now have at least some shared finances – an increase from two thirds (66%) of separating couples who had joint finances in 2014, although just over a quarter (27%) of people kept their finances completely separate from their former partner when they were together.

However, more separating couples now face the often complicated and time-consuming process of untangling joint finances. Those who found the process of divorce or separation to be what they expected (29%) or better than they expected (34%) were more likely to have separate finances than those who found it worse than expected (19%).

Former couples aged 25-35 are least likely across all age groups to be equally responsible for their finances (31%), compared to 46% of former couples aged between 46 and 50. Furthermore, while almost two in five (38%) of couples were equally responsible, Aviva's data suggests men (54%) are most likely to have had sole responsibility for a couple's finances than women (43%). Having less responsibility for financial matters when together, has the potential to leave one side of the relationship more in the dark when it comes to addressing financial matters further down the line or understanding the value of assets that were held together.



Financial preparedness and the wider impacts continued

The wider impacts of divorce and separation

Alongside the direct impact of costs, the breakdown of a relationship can also greatly affect people's home and working life, their future financial stability, and their wellbeing and family relationships.

Impact on homeownership

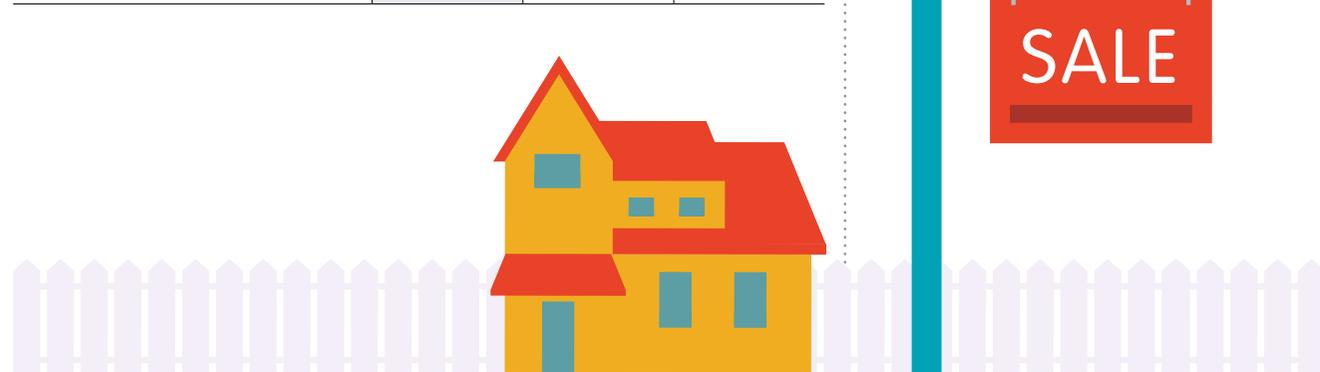
For most couples separating, their home is their largest shared asset, so what happens to it afterwards is a big decision. Of the 49% of couples who owned a property together before separating, a quarter (25%) opted to sell it and share the equity equally. Women (30%) are also more likely than men (21%) to fully own the property after divorce or separation and continue to reside at the same home.

As mentioned earlier, of those who moved out of their former home, half (51%) had to move into rented accommodation. While the average time spent as a tenant post-separation is 4.7 years, almost one in five (19%) people rent for more than a decade. With an average of £627 spent on rent per month, people are spending upwards of £7,519 on rental accommodation each year after divorce or separation.

Affording their own home in the future remains a concern for separated couples. While 16% of partners who divorced or separated bought a new home, a further 16% effectively separated but carried on living in the same house because they couldn't afford to move. Notably, this figure is highest for those in London (28%), where property prices are far higher than the national average, with two fifths (39%) having carried on this arrangement for longer than three months. Across the country, of those currently renting as a result of their separation (29%), seven in ten (70%) feel that they will be unlikely to buy a property in the future.

What happens to owned property as a result of divorce and separation

	Total	Male	Female
Own fully and currently reside	26	21	30
It was sold and proceeds divided equally	25	25	24
My former partner owns it and lives in it	20	25	16
It was sold and proceeds divided in my favour	7	5	9
It was sold and proceeds divided in my former partner's favour	7	8	6
It was sold and former partner received all of proceeds	5	7	3



Financial preparedness and the wider impacts continued

Impact on working life

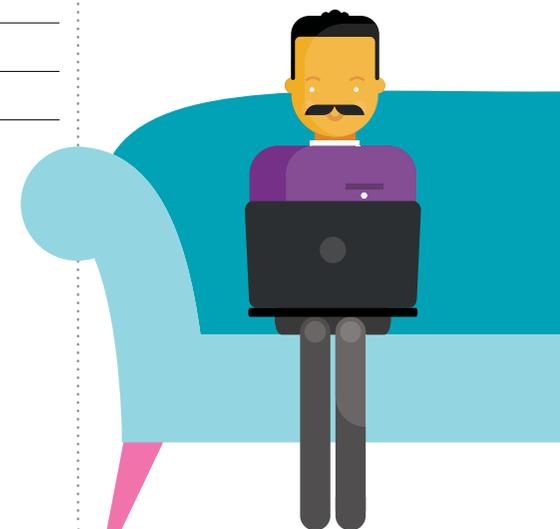
Divorce or separation can cause disruption to daily life, not just in dealing with any legal proceedings but also when considering factors such as childcare, which can necessitate taking time off work or adjusting working patterns.

In many cases, divorce or separation leads to people having to work longer hours (25%), change jobs to a higher-paid role (17%) or adopt flexible working (12%). Those who have separated with dependent children are more likely to alter their working lives than those without children, by working longer hours (28%) or changing jobs to earn more (19%).

More than one in three (35%) also needed to take annual leave as a result of their split, including one in 10 (10%) who needed more than a month's leave.

Impact on working life as result of divorce or separation %

	Total	Male	Female	With dependent children	No children
Work longer hours	25	26	25	28	15
Changed jobs to earn more money	17	13	19	19	8
Changed jobs for geographical reasons	13	19	9	14	14
Have adopted flexible working	12	8	15	16	6
Work less hours	8	7	9	9	3
Asked employer for pay rise	4	5	3	5	2
No longer work	1	1	2	2	2



Financial preparedness and the wider impacts continued

Impact on financial behaviour

After separating, many people have to take additional financial measures to supplement the potential change in household income. Nearly one in three (31%) people rely on savings to tide them over, while a quarter (26%) use credit cards or borrow from friends and family (23%).

Moreover, 6% resorted to cancelling their protection cover, with the same number also deciding to cut back their protection cover. In addition, 6% said they have cancelled their pension contributions in order to supplement income after divorce or separation. Combined with increased credit and diminishing savings, this could leave them vulnerable to further financial trouble in the long-term. Furthermore, almost one in three (31%) agree that they need to revise their life protection cover since the separation, but haven't got round to doing so. A fifth (21%) of people also said they did not have life protection in place when they were in a relationship, and still do not, suggesting that some of those who have not got round to doing so, have no existing policy in place at all.

When it comes to pensions and long-term saving, while more than one in three (36%) people who have separated or divorced have their own pension in place to provide for them in retirement, 15% think they will be considerably worse off in retirement due to their separation. Men are more likely to be prepared, with 44% citing they have their own pension, versus 30% of women. Moreover, almost one in ten (9%) women admit they have no pension because they were relying on their former partner to finance their retirement.

Measures taken to supplement income post-divorce or separation

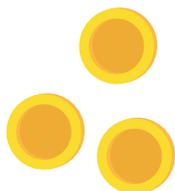
	Total	Male	Female
Spend savings	31	28	34
Use credit cards	26	26	25
Borrow from friends or family	23	20	26
Regularly sell clothing/toys/other household items	13	5	19
Take out a personal loan	12	15	10
Cancel protection cover (e.g. life insurance, critical illness cover, income protection)	6	4	7
Cut back level of protection cover (e.g. life insurance, critical illness cover, income protection)	6	7	5
Cancel pension contributions	6	6	6



Financial preparedness and the wider impacts continued

Impact on pension savings as a result of divorce / separation %

	Total	Male	Female
I have my own personal pension plan which will provide for me during retirement	36	44	30
I made no claim on my former partner's pension when we divorced/separated and it was not included as an asset in the settlement	19	15	22
I will be significantly worse off in retirement as a result of my divorce/separation	15	14	15
I don't have my own pension plan /pension savings as I was relying on my partner's to finance our retirement	8	7	9
Due to a period of time not working, I will not reach the minimum threshold of years worked in order to qualify for a state pension	5	3	7



Financial preparedness and the wider impacts continued

Impact on wellbeing and family relationships

As highlighted earlier, the emotional impact of divorce or separation is the primary cost faced by people and is unique to each family based on their circumstances.

Encouragingly almost half (47%) of people said their emotional wellbeing has improved after having gone through with the divorce or separation, with 44% also highlighting that family wellbeing has improved.

However, given the associated costs outlined by Aviva's research, over a third (36%) of separating couples state that their financial wellbeing has worsened.

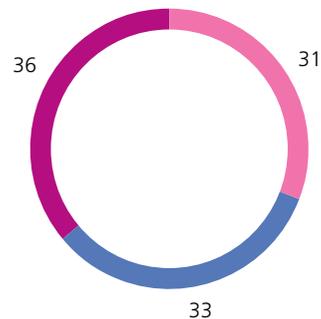
More than two in five (44%) people consider their family wellbeing to have improved since they split with their partner, with over a quarter (27%) confident their divorce or separation will have no long term impact on their children.

However, one in five (21%) worry about the effects their split has had on their children with a similar number (20%) outlining that they fear their relationship with their children – or their ex-partner's relationship with their children – has deteriorated as a result.

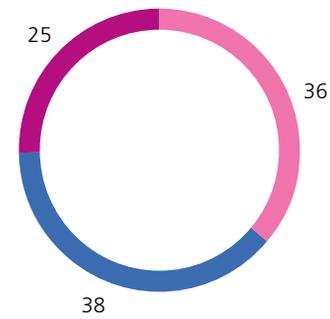
Impact of separation on four areas of wellbeing

■ Improved
■ Stayed the same
■ Worsened

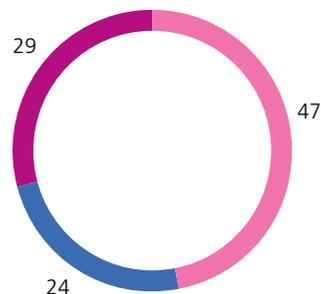
Financial wellbeing



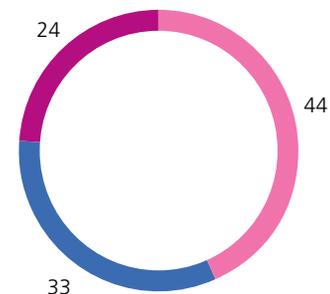
Physical wellbeing



Emotional wellbeing



Family wellbeing



“More than two in five (44%) people consider their family wellbeing to have improved since they split with their partner.”



Financial preparedness and the wider impacts continued

Impact of divorce or separation on family life %				
	Total	One dependent child	Two dependent children	More than two dependent children
I don't think my divorce/separation has had or will have a long term impact on my child or children	27	23	19	18
My child or children have had to move home	22	21	28	29
I worry about the long term impact of my divorce/separation on my child or children	21	19	26	29
I felt I had to spend more time with my child or children	20	20	28	23
My or my ex-partner's relationship with our child or children has deteriorated	20	18	23	18
I felt I had to spend more money on my child or children	13	13	18	14
My child or children are performing better at school/college/university	12	11	17	19
My or my ex-partner's relationship with our child or children has improved	10	11	11	16
My child or children have had to move school	9	11	9	14
My child or children are performing worse at school/college/university	8	7	9	16
My child has or children have struggled to adjust to having step-siblings or step-parents	6	5	7	7

"One in five (21%) worry about the effects their split has had on their children."



“The financial cost of divorce or separation goes far beyond just the associated legal fees. Separating couples across the UK are faced with significant costs as they get back on their feet after the breakdown of their relationship, including setting up a new home, buying a new car or paying for a newfound need for childcare. It’s little surprise that as a consequence, people are drawn towards eating into their savings, working longer hours or borrowing from friends and family.

“It can be really difficult or even seem unnecessary to plan for such an unfortunate life event. Without such a back-up plan, a number of people reduce or even cancel pension contributions and protection to ease the cost of separation, leaving them financially at risk in the event of unexpected ill-health and retirement. Many more give up large assets as part of the separation, such as property, that could help support them in later life.

“It is alarming that many couples do not have joint understanding and responsibility over their finances before they split. Having no knowledge of household finances can not only make the immediate separation process more difficult, but can also lead to issues further down the line for the partner with less knowledge. Ensuring a better understanding of household finances while in a relationship can be helpful preparation for dealing with the costly process of separation if it happens, and preventing long term financial planning from going off-course.”



Paul Brencher,
Aviva UK Health and
Protection Director



Practical tips

- ✔ **Tip 1:** While in a relationship, ensure you take an active interest in financial affairs, even if one half of the relationship tends to take the lead
- ✔ **Tip 2:** If you have limited responsibility over your finances as a couple, consider what financial advice or free public guidance may exist (for example, the Money Advice Service, Citizens Advice or Resolution.org) to help you make financial decisions on your own
- ✔ **Tip 3:** You don’t have to go to court to decide what to do when you separate unless you really have to. Trying to reach an amicable agreement can save both time and money on expensive legal fees. If you need an independent third party, a mediator can often work out cheaper
- ✔ **Tip 4:** While reducing pension contributions may seem like a quick-fix to boost income, this should be carefully considered given the potential impact upon retirement income in the long-term
- ✔ **Tip 5:** Employees have a legal right to make a flexible working request with their employer and should not be put off raising the subject. It may be possible to alter working patterns in order to provide greater work / life balance

Family Finances Tracker

Key findings:

- Monthly family income has fallen 3% over the past year and now stands at £2,084, down from £2,151 in summer 2016
- The typical amount held in savings & investments has risen by 12% in 2017, up from £3,114 in winter 2016/17 to £3,494
- Fears over future price hikes in basic necessities cited by 43% of families, as cost of living warnings resonate

Aviva has been tracking the finances of families since 2010, to provide a barometer of the financial health of households across the UK. The latest findings present an uncertain outlook for the family purse with pressures on monthly incomes and levels of household debt coupled with fears of inflationary strain.

Income

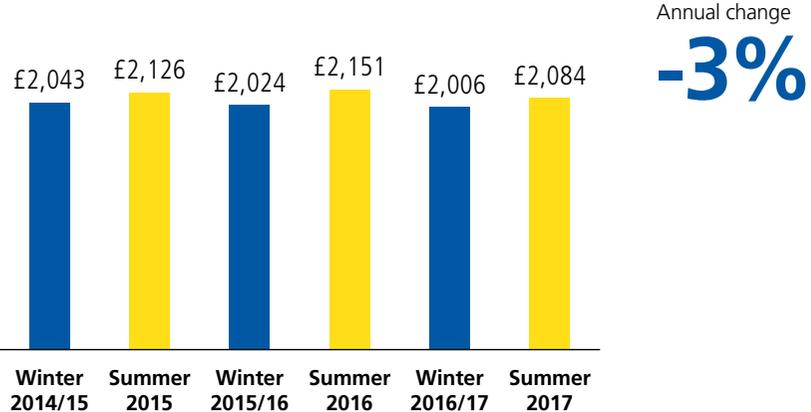
The latest findings show monthly family incomes have risen slightly since winter 2016/17 by 4% from £2,006 and now stands at £2,084, although this has dropped by an annual rate of 3% when compared to summer 2016.

Across specific family types a similar drop in the past 12 months has been recorded. Families in a married or committed relationship with two or more children have seen a 2% drop from £2,272 in summer 2016 to £2,225 this year. Single parents raising one or more children alone – the family type on the lowest income according to Aviva’s research – have witnessed a 5% annual drop from £1,173 to £1,115.

Such a fall could be indicative of a broader squeeze on income within the economy, as evidenced by a recent fall of 0.4% in real wages in July⁷.

⁷ ONS, Analysis of Real Earnings, September 2017

Family net monthly income across all family types



Family Finances Tracker

continued

Expenditure

Families' monthly expenditure has risen just 1% from summer 2016 and spending has decreased after a spike in winter 2016/17 in a sign that families are looking to keep their spending under control.

Despite recent warnings of rising food prices as inflation reached a five year high of 2.9% in August⁸, families are spending £15 less on their weekly food shop when compared to summer 2016.

Family expenditure across all family types⁹

Category	Summer 2015	Winter 2015/16	Summer 2016	Winter 2016/17	Summer 2017
Housing (rent or mortgage repayments)	505	490	504	495	508
Utility bills	293	280	289	297	295
Debt repayment	225	215	205	216	208
Holidays	176	190	204	231	210
Weekly food shop (excl. alcohol)	206	199	200	208	185
Childcare/school and university fees	209	199	187	237	184
Motoring	135	142	137	160	140
Household goods and services	106	105	114	137	113
Entertainment and recreation	110	116	114	134	115
Public transport	99	108	102	138	113
Alcohol, cigarettes and tobacco	103	115	103	133	105
Personal goods and services	92	97	92	120	95
Total	2,259	2,255	2,252	2,507	2,271

8 ONS, Consumer Price Index, September 2017

9 All outgoings are monthly, except for weekly food shop

Family Finances Tracker

continued



Household debt

Household debt (excluding student debt and housing) has increased by 7% from the same time in summer 2016, rising from £11,250 to £12,050.

Personal loans (£2,160) and credit cards (£2,100) remain the highest sources of debt although both have fallen slightly when compared to summer 2016.

The annual increase in overall debt has been driven in part by a 27% increase in loans from family members, having risen from £1,060 in summer 2016 to £1,350 this year, and a 21% rise in other informal borrowing, jumping from £1,120 last summer to £1,350 this year.

Top five sources of debt

Source	Summer 2016	Summer 2017	Annual change
Personal loans	£2,250	£2,160	-4%
Credit cards	£2,190	£2,100	-4%
Hire purchase	£1,360	£1,370	1%
Loan from family member or friend	£1,060	£1,350	27%
Any other informal borrowing	£1,120	£1,350	21%

Family Finances Tracker

continued

Savings & investments

The typical amount held by families in savings and investments has risen by 12% in summer 2017, up from £3,114 in winter 2016/17 to £3,494. However, this is still £932 lower than the level of £4,426 recorded in summer 2016. Despite the rise this year, there has been little movement in the number of families not saving at all each month, with 24% not putting anything away – little change from 25%

in winter 2016/17 and 24% in summer 2016. This suggests those who save are taking steps to increase their financial safety net while those who cannot or do not save remain potentially exposed.

Moreover, there has also been little change in the proportion of families that state they have nothing saved at all, up from 16% in summer 2016 and now stands at 17% this year.

Homeownership and housing wealth

The number of families who own their home has fallen by three percentage points over the past year from 68% in summer 2016 to 65% this year, with those owning a home with a mortgage falling from half (50%) of families to 47% over the same time period. This could be at the expense of more families renting, with an annual uptick recorded in the proportion that do from 16% in summer 2016, to 18% this year.

Families have also seen a second successive rise in outstanding mortgage debt, up 11% on summer 2016 from £66,580 to £74,210. This follows an increase in winter 2016/17 to £71,040.

Looking ahead

Despite the drop in overall expenditure by families, fear over future price hikes in basic necessities has soared in the past year from 36% in summer 2016, to become

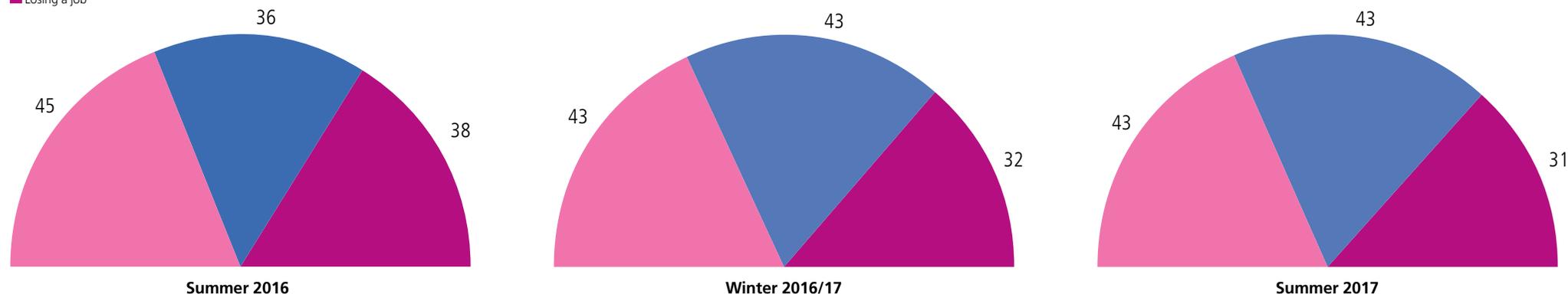
the number one threat facing families, cited by 43% of households, alongside unexpected expenses.

In an indication of potential action being taken by households to counter such predictions over the course of 2017, 43% say they are putting money aside for a rainy day – up from just over one in four (43%) back in the summer of 2016.

Biggest threat to families' standard of living in next three months

%

- Unexpected expenses
- Significant increase in the price of basic necessities
- Losing a job



“Families are clearly more apprehensive about what the future may bring. Fears over rising prices among families have become a more dominant concern although, as of yet, the family purse has not experienced a considerable jump in expenditure. And while some families are still unable to or are choosing not to save at all, the fact that those families who do are putting more aside for a rainy day is welcome, signalling the uncertain economic outlook is changing behaviour.

“That said, the increase in household and mortgage debt and fall in monthly income is a cause for concern that could result in a considerable squeeze for families if such trends continue. As families prepare for the winter months, they should take stock now to ensure they have budgets and plans for their finances in place. And I would urge families not to put off important financial decisions such as saving for retirement and considering income protection and life insurance in case of unexpected ill-health.”



Paul Brencher,
Aviva UK Health and
Protection Director



Practical tips

- ✔ **Tip 1:** Consider setting a monthly budget for essential spending, such as food shopping, to provide greater clarity on what is affordable
- ✔ **Tip 2:** It can sometimes be a false economy to pay down small amounts of a credit card balance each month due to the build up of interest. Instead, it could be worth using savings to pay down debt quicker
- ✔ **Tip 3:** Setting clear family financial goals, both short and medium term, can make it easier to understand how much money should be put away each month
- ✔ **Tip 4:** As many of us tighten our belts after the festive season, use the New Year as an opportunity to take another look at your monthly outgoings. Could you be getting a better deal on bills or utilities if you shopped around?
- ✔ **Tip 5:** Don't put off important financial discussions such as protection policies or saving for retirement. It may seem less of a priority when family life is busy but could result in greater financial stress if the unexpected occurs

Methodology

Over 2,000 people aged 18–55 who live as part of one of six family groups were interviewed to produce the report's latest tracker findings for winter 2018.

Over 1,000 people aged 18–55 who live as part of one of six family groups were also interviewed to produce the report's spotlight section on the cost of divorce and separation.

This data was combined with additional information from external sources cited within the main report and used to form the basis of the Aviva Family Finances Report. All statistics refer to figures from the latest wave of research unless stated otherwise.

The family types surveyed in this research are:

- Married/civil partnership – defined as those who are married or in a civil partnership and living together, including those who don't plan children, plan children or have one or more children. For the purposes of this report, all mentions of 'married' refer to those who are married or are in a civil partnership.
- Cohabiting – defined as those who are in a committed relationship (but not married) and living together, including those who plan children, don't plan children, or have one child or more.
- Divorced/separated/widowed, raising one or more children alone
- Divorced/separated/widowed, no children
- Single, raising one or more children alone

Technical notes

- A median is described as the numeric value separating the upper half of a sample, a population, or a probability distribution, from the lower half. Thus for this report, the median is the person who is the utter middle of a sample. All figures are medians unless otherwise specified and are referred to as 'typical' rather than 'average' (mean).
- A mean is a single value that is derived by adding all the values on a list together and then dividing by the number of items on said list. This can be skewed by particularly high or low values.

For further information on the report or for a comment, please contact Melissa Loughran at the Aviva Press Office on [01904 452791](tel:01904452791) or melissa.loughran@aviva.com



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