

Life events and financial insecurity

Executive summary

“You’re in the sea and you’re drowning, and they’re asking you all these questions before they fling a life jacket at you.”

Foreword

If we've learned anything from the coronavirus pandemic, it's that life-changing events can shatter our well-being and can happen to any one of us; at any time.

From bereavement to illness, and from a relationship breakdown to unemployment, these life events can plunge people into financial hardship, particularly those who are already struggling to make ends meet. For many, the result can be a financial crisis in addition to the stress caused by the event itself. And for millions, the COVID-19 pandemic has only added to the challenges.

At Turn2us, we want to see a society where everyone who experiences financial hardship can get the support they need, when they need it. As a national charity, our main objective is to offer practical help and support to people who experience a life-changing event, and to stop them becoming trapped in a cycle of poverty. We focus, in particular, on supporting the people who are the most marginalised or excluded from the current financial system.

This new research is a significant step in understanding the impact of life events on people's finances, how they cope, and what measures they need to support them. This understanding is vital if we are to help them get back on their feet in the wake of a life event. The research explores a broad range of events that have an impact on people's finances in the areas of health, work, family, housing and legal circumstances

This report will cover four research questions:

- What is the scale and scope of life events, that may contribute to people being financially worse off, in the United Kingdom?
- How do people experience financial hardship after a life event?
- How do people cope financially after a life event?
- What are the barriers that delay or prevent people from seeking financial support?



What do you need to know?

- An estimated **15 million people (28%)** in the UK have experienced at least one life event that was either 'very difficult' or 'not possible' to pay for, using existing income and savings, during the past two years
- Women, younger people and people from ethnic minorities reported being more likely to experience a life event that has a negative impact on their finances
- After a life event that left them worse off, almost **50% of people** surveyed relied on a credit card to cover day-to-day spending, **23%** took out a payday loan; and more than one third (**36%**) missed bills or debt repayments
- More than four out of ten people who found it difficult to cover the costs of a life event did not look for any form of financial support
- The main barriers to seeking financial support after a life event were a lack of awareness, shame or stigma, the impact of stress, anxiety or depression, and negative perceptions of the benefits system

As with many of us motivated by social justice and equity, we want to be part of a fairer and more just society that doesn't leave any of us behind. It is our hope that the findings from this report help inform both the wider sector and those in positions to create change. Understanding the scale of life events, and the implications for millions of us across the UK, puts us in a good position to come together with people who have lived experience of financial insecurity to create long-lasting solutions. The time to do this is now because the people whose lives are being plunged into hardship, and even poverty, do not have the luxury of time when it comes to putting food on the table or keeping a roof over their family's heads.

If you would like to join us in continuing the conversation, please get in touch by emailing: partnerships@turn2us.org.uk



Methodology

We commissioned Censuswide to conduct a nationally representative survey of 6,056 adults in the UK aged 18 and above in July 2021. Thereafter, we added an ethnic minority sample boost of 514 adults. In addition, we carried out 19 semi-structured interviews to look more closely at how and why people's finances were impacted by life events, how they coped, and their awareness of (and ability to access) different forms of financial support. Unless we indicate otherwise, the statistics in this report are taken from the survey and the quotes are taken from the semi-structured interviews we conducted. A full list of life events we researched in the main report.

What is the impact?

Life events and financial hardship

“When the cancer struck I struggled to pay my mortgage”

Our analysis suggests that life events may increase financial hardship for people. From our research, we estimate that 15 million people (28%) in the UK have experienced at least one life event in the past two years that has left them struggling to cope financially, where they reported that it was either ‘very difficult’ or ‘not possible’ to cover the costs of a life event using their existing income and savings.

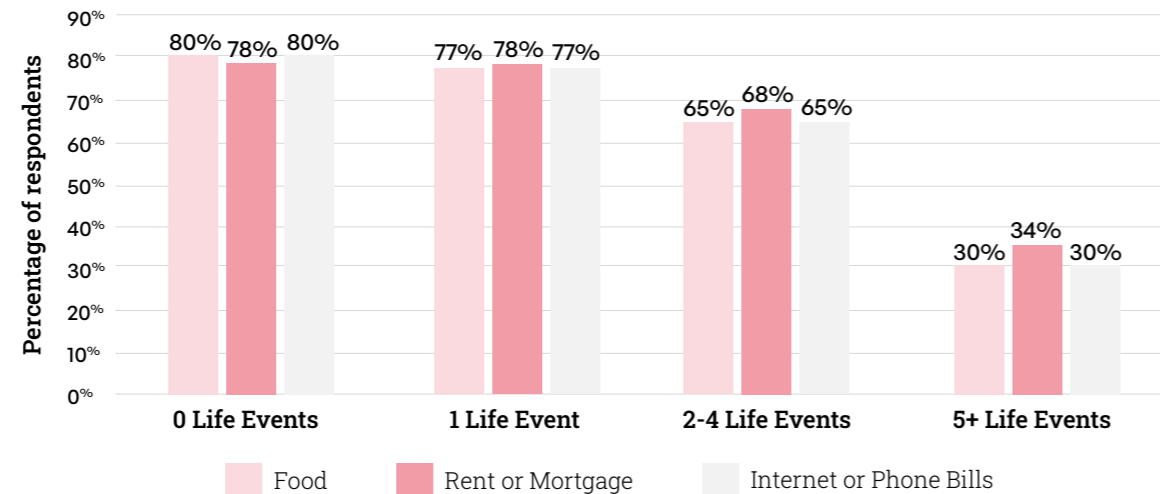
We also looked at the impact of a life event on hardship by exploring the extent to which respondents had always been able to afford food, their rent or mortgage payments, or their internet or phone bills, over the past two years. Firstly, people who have been through a life event in the past two years are twice as likely to report difficulty in paying for life essentials, such as food, rent and phone bills. For example, among people who have experienced at least one life event in the past two years, 42% are not always able to afford food, compared to 20% of those who have not experienced any life events.



Our data also shows that respondents who experienced multiple life events were more likely to report financial hardship than respondents who experienced fewer or no life events over that period. For example, respondents who suffered no life events were more likely to report that they could always afford food (80%), always afford their rent and

mortgage payments (78%), and always afford their internet or phone bills (80%). In comparison, respondents who reported experiencing five or more life events were far less likely to report that they were always able to afford food (30%), always able to afford their rent or mortgage payments (34%) and were always able to afford their Internet or phone bills (30%).

Percentage of respondents that reported that had always been able to afford Food; Rent or Mortgage Payments; and Internet or Phone Bills, by number of life events



Source: Censuswide Nationally representative survey. Percentages rounded to nearest whole number. Base: 0 life events (n=1141), 1 life event (n=1212), 2-4 life events (n=2331), 5+ life events (n=1372)

Life events and financial resilience

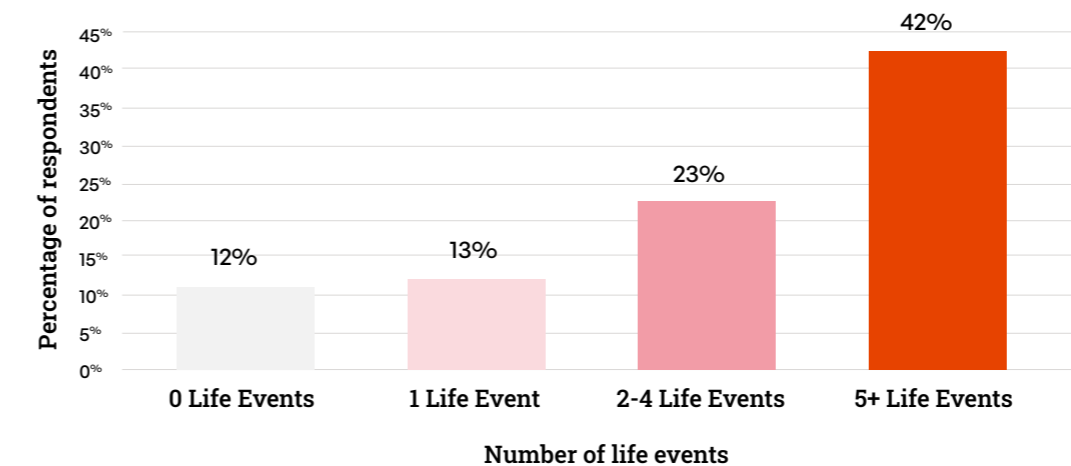
“It took me, probably, another four, five months to recover from that, because I used all my savings to survive in that period.”

Our findings suggest that people who have experienced multiple life event in the past two years are more likely to have low financial resilience

We explored how a life event may impact financial resilience by asking respondents how long they would be able to make ends meet if they were to lose their main source of household income. Our findings suggest that people who experience multiple life events are more likely to report that they

would only be able to make ends meet for less than a month, compared to respondents who experience fewer life events. For instance, just over one in ten (12%) of respondents, who reported experiencing no life events, reported that they would only be able to make ends meet until the end of the month. In comparison, respondents who experienced between two and four life events (23%) and five or more life events (42%) were more likely to report that they would be only able to make ends meet for less than one month if they were to lose their main source of household income.

Percentage of respondents who said that they would be able to make ends meet for less than one month, if they were lose their main source of household income



Source: Censuswide Nationally representative survey. Percentages rounded to nearest whole number. Base: 0 life events (n=1141), 1 life event (n=1212), 2-4 life events (n=2331), 5+ life events (n=1372)



We may all experience life events that affect our finances, but we do not all have the same capacity to cope

“Then for two whole, two or three whole years my children didn’t eat meat because I couldn’t afford it”

When we look across the UK, our data suggest that six in ten people (60%) have experienced a life event which leaves them financially worse off, during the past two years. But we are not all fortunate enough to have the same financial resilience and resources to help us cope. Our findings suggested that almost half (45%) of people in the UK found it difficult to cover the costs of at least one life event using their existing income or savings, including 28% of people reporting a life event which was ‘very difficult’ or ‘not at all possible’ to cover using existing income or savings.

Respondents who experienced multiple life events were more likely to report that they found it difficult or not possible to cover the cost of at least one life event using their existing income or savings. For instance, respondents who experienced five or more like events were more likely to report that they found it difficult or impossible to cover the cost of a life event (86%). In comparison, respondents who experienced between two and four life events (55%) and one life event (22%) were less likely to report that they found it difficult or impossible to cover the cost of at least one life event, using their income or savings.



Our findings suggest life events and income shocks can affect wellbeing

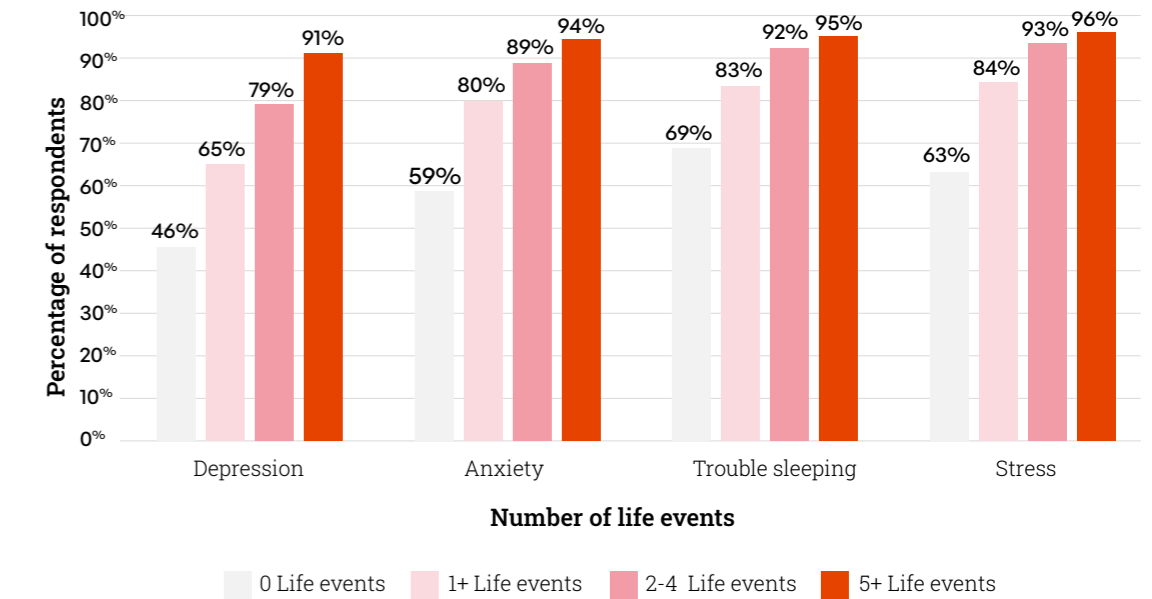
“I do sometimes panic, how I’m going to manage to pay everything, like credit cards off and stuff like that. Yes, I guess for me, it was the financial worry, being able to pay things off.”

Our research suggests that people whose finances are undermined by a life event are likely to experience poor wellbeing, such as stress and anxiety, which may make it harder for them to get back on their feet. Most people who were financially worse off after a life event also reported that they had experienced some stress (93%), trouble sleeping (92%), anxiety (90%) or depression (81%) in the past two years.

Our data also suggests that respondents who reported experiencing multiple life events where at least one left them financially worse off were more likely to report well-being-related issues than respondents who experienced fewer life events or no life events. For instance, respondents who did not experience a life event were least likely to report that they experienced any depression at all in the past two years (56%). In comparison, respondents who reported that they experienced one life event (65%), between two and four life events (79%), respondents who experienced five or more life events (91%) reported that they experienced depression at some point. Similar trends can be seen for anxiety, trouble sleeping and stress.



Percentage of respondents who reported experiencing wellbeing related issues in the past two years, by number of life events and if they reported that at least one left them financially worse off



Source: Censuswide Nationally representative survey. Percentages rounded to nearest whole number. It is not possible for respondents who did not report experiencing a life event to indicate that they were financially worse off. Base: 0 life events (n=1141), 1 life event (n=479), 2-4 life events (n=1828), 5+ life events (n=1311)

Who is particularly affected?

Women, younger people, and people from ethnic minorities reported being more likely to experience a life event that has a negative impact on their finances

“He left me in a situation where I had to start my life over again, having a baby all by myself. I never planned for this.”



Women

The findings suggest that women were more likely to report that they experienced a life event in the past two years, which had left them financially worse off. Just over six in ten (64%) female respondents reported that they experienced a life event, which had left them financially worse off. In comparison, 55% of male respondents reported that they had experienced at least one life event, which left them financially worse off.

Younger people

Younger people (under the age of 35) in the UK are more likely to suffer a life event that left them financially worse off, compared to older people. In all, 75% of people in the UK aged 25 to 34 had experienced at least one life event in the past two years which left them financially worse off. A similar share of respondents aged 18 to 24 (73%) had also been left worse off. In contrast, respondents aged 55 and older were the age group least likely to report that at least one life event had caused them to be financially worse off (46%).

Younger respondents (18-24) were also most likely (65%) to report that they found it difficult or didn't find it possible to cover the costs of at least one life event with their existing income or savings. In comparison, respondents between 25 and 34 (63%); 35 and 44 (58%); 45 and 54 (43%); and 55+ (26%), were less likely to report that they found it difficult or not possible to cover the costs of at least one life event they experienced with their existing income or savings.

People from ethnic minorities

White Gypsy or Irish Travellers (84%) and White Irish (80%) respondents were most likely to report that at least one life event left them worse off. Similarly high rates were found among respondents who were White and Black African Mixed (76%); Black Caribbean (71%); any other respondents of mixed descent (71%); and White and Asian Mixed respondents (71%). In contrast, White British respondents were less likely to report that a life event had made them financially worse off (58%).

Benefit claimants

Respondents who reported that they claimed an income-related benefit were more likely to report that they had experienced a life event that left them financially worse off than respondents who did not. For instance, respondents on Income-Based Job Seekers Allowance (86%); Universal Credit (80%); Tax Credits (77%); Income-Related Employment and Support Allowance (77%); Income Support (75%); Council Tax Support (70%); Housing Benefit (69%); and Pension Credit (67%) reported that they experienced a life event that left them financially worse off. In comparison, respondents that were not claiming income related benefits, were less likely to have reported that a life event left them financially worse off (51%).

Lower-income households

Respondents in the lower monthly household income bands were more likely to report that they experienced a life event in the last two years that left them financially worse off than respondents in the higher household income bands. For instance, just over seven in ten (71%) respondents in households earning less than £500 and between £501-£1001 (72%) reported that they experienced a life event that left them financially worse off. In comparison, just over half (53%) of respondents in households earning above £2500 a month reported that a life event left them financially worse off.

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How do people cope?

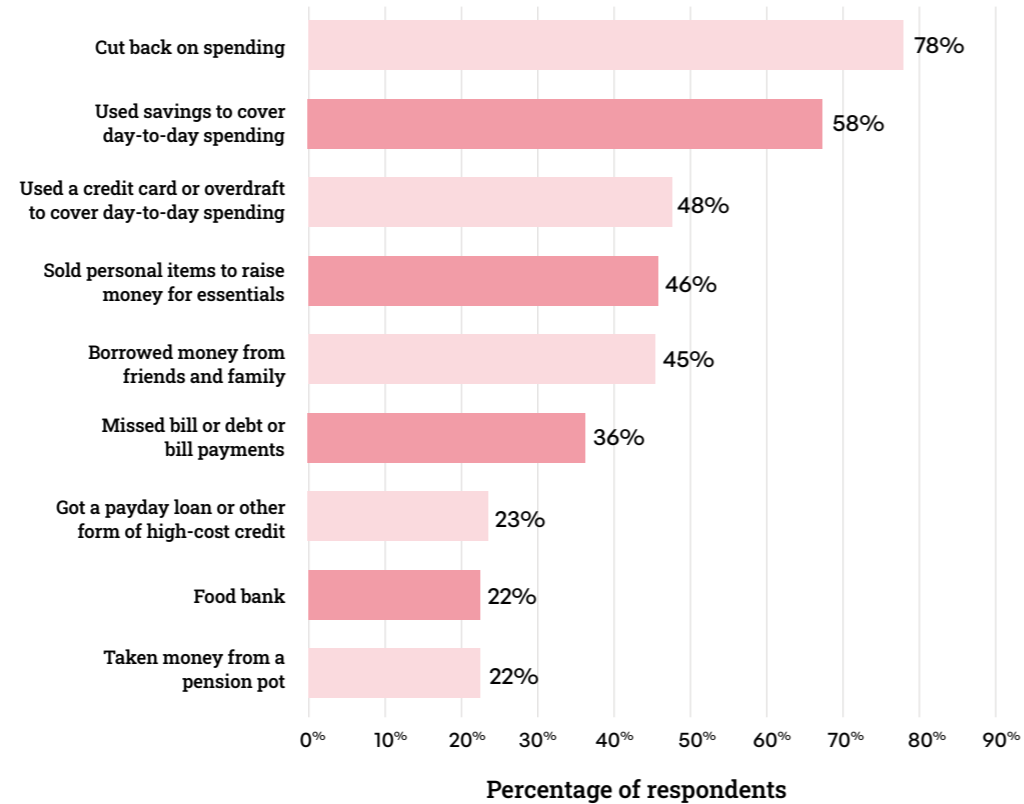
After a life event leaves them worse off, most people use coping mechanisms that erode their long-term resilience

“It was a loan, yes. It wasn’t from a bank or anything like that, it was just someone...he wasn’t with anybody in particular. Word of mouth-type thing, in the community-type person... similar to a loan shark”

The short answer to the question of how people cope is that many do not. Even after cutting back on spending and using up their savings, most people still turn to other forms of credit and debt to cover the financial cost of life events, and this erodes their financial resilience still further.

Almost 50% of those surveyed who had been through a life event relied on a credit card to cover day-to-day spending after the financial impact, 23% took out a payday loan; and more than one third (36%) missed bills or debt repayments. Some people who had experienced at least one life event and reported that they were worse off, also said that they had used risky coping behaviours more than twice. For example, 14% reported missing bill or debt repayments more than twice; and 9% had used a payday loan or another form of high-cost credit more than twice. This suggests that a substantial share of people could become trapped in a cycle of repaying high interest on money they have borrowed after experiencing a life event.

Percentage of respondents who reported the using the following coping mechanisms to cover costs, if they reported that they experienced at least one life event that left them worse off



Source: Censuswide Nationally representative survey. Figures rounded to nearest whole number. Base: (n=3618).



Few people seek financial help when they need it most

“I find asking for money degrading. So it took me, five, six months after [my] redundancy before I even applied for Universal Credit and looked online for help. The intention was just to find another job and get back working.”

Looking for support at the right time after a life event can be pivotal in enabling to someone to get back on their feet again and recover financially. Yet our analysis finds that more than half of those affected financially by a life event do not seek financial support, and many delay looking for help for more than a month.

Even among people who did seek support, only 52% looked for support within a month of the life event; 26% waited between one and three months; and 18% waited more than three months.

Less than half (49%) of the respondents who reported that they were financially worse off after experiencing a life event said that they looked for financial support to help them cover costs. Furthermore, even among people who found it difficult or not possible to cover the costs of at least one life event, just under six in ten (59%) looked for help to cover the financial cost. In other words, there were just over four in ten (41%) who found it difficult or not possible to cover the cost of a life event that did not seek financial help.

Older people are particularly less likely to seek financial support to cover costs, when they find it difficult to cope with the costs of a life event. Our analysis suggests there are age-related trends in who seeks support when they are left financially worse off. For instance, only 24% of people over 55 reported that they looked for help to cover the cost of a life event. In contrast, respondents between 18 and 24 (76%), 25 and 34 (66%), 35 and 44 (54%); and between 45 and 54 (42%) were more likely to report they sought help to cover the costs of a life event.

What are the barriers that stop people seeking support?

Social and behavioural barriers stop people seeking support. In particular, people do not seek financial support because they are unaware of their right to help or where to find it, because of shame and stigma, and because of stress and anxiety in the aftermath of a life event. In addition, many people hold negative perceptions of the benefits system that should support them at a time of crisis.

Lack of awareness

“What happened, I didn’t even know what was the Universal Credit, so I discovered everything in the period. So by the time that I started to apply for the Universal - I discovered what it was, because it took me time, because it was not that easy finding information”

Less than half of the people surveyed (45%) said that they would know who to ask for support if they needed financial help in the future. This suggests that a large proportion of people would not immediately know where to go if and when they need support. As a result, this may well delay any attempt to seek support, as they would first have to search for the support they need.

Shame and stigma

“I’ve never not been in work, so to be sat there, and desperate, and humiliated ... I did feel a sense of shame”

Shame, stigma and a reluctance to ask for help are all key factors in people either delaying their search for support, or in not asking for any support at all. Our survey suggests that only half of people in the UK would feel comfortable asking for financial support from the Government, 42% would feel comfortable asking for help from their local council, and only 27% of people would feel comfortable asking for financial help from a charity. Furthermore, half of people would wait until the situation was very serious if they needed financial support in the future.

Interviewees expressed a view that there is widespread stigma and shame regarding applying for welfare benefits in the wake of a life event, which prevents or delays people in seeking support:

Wellbeing

“I’d probably say about eight months, until I started looking for help with COVID, because I was just getting depressed and tired and stressed, and a lot of anxiety”

The findings raise a major concern about the impact of stress, anxiety and depression on delays in seeking help, signaling the need for support for mental health as well as finance. In all, 35% of those surveyed agreed with the statement that they would be too stressed to ask for help if they experienced a life event. This suggests that for a significant amount of people, the immediate mental impact of a life event, and the subsequent financial shock, would make it harder to ask for the very support they need. For people already susceptible to poor mental health, this risks creating a vicious cycle of worsening mental wellbeing and financial resilience, which then feed into and reinforce each other.

Negative perceptions of the benefits system

“The more honest you are with them, you find that you don’t get the support actually, you get a lot of judgement placed on you.”

In addition to lack of awareness, shame and stigma and the impact of stress and anxiety, another barrier to seeking help that was cited frequently by our respondents was their negative perceptions of the welfare system – and the benefits system in particular.

Many of our interviewees reported feeling unfairly treated when asking for welfare support and spoke of negative experiences when dealing with the Department for Work and Pensions (DWP). Interviewees also spoke about how these barriers had either prevented or delayed them in accessing support after a life event.

Overall, our qualitative responses indicated that interviewees had a negative perception of the welfare system:

“No, I don’t think it serves its purpose, I really don’t think it serves its purpose”

Some interviewees reported that they felt that they had been treated unfairly. Claims of unfair treatment were mostly directed at the DWP, with most comments indicating negative interactions:

“Yes, because I came from an art background and stuff like that, and history of art. He was trying to push me to apply for jobs like catering and things like that. Other industries that I wasn’t really familiar with”

“The only thing I think is unfair is that people who have a mortgage like myself are not able to get any help towards that, whereas people who rent get all their rent paid. I think that’s a little bit unfair”

There were also reports of distrust of the DWP itself, with some interviewees reporting that their interactions with the Department had resulted in frustration and anger:

“No, Universal Credit breaks its own regulations in order to save itself money.”

“They’re looking at you and they’re thinking, oh, you’re young, there’s nothing wrong with you, you should be working”



Solutions

The findings of this report highlight two areas where policy interventions are urgently needed:

- measures that boost financial resilience, and
- interventions that ease the impact of life events, to prevent a severe financial crisis.

The findings also confirm the need to reinforce two key principles:

- ensuring that every person has enough income to thrive, and
- ending shame and stigma from financial hardship

Ensuring that every person has enough income to thrive

We must uphold every person's right to support after a life event. It is vital to ensure that people are both aware of and able to access the benefits, grants, and financial and social support to which they are entitled.

A good social security system matters for us all because any one of us can be affected by life events that leave us needing extra support. We believe that the system is currently not fit for purpose and falls short of offering the support that many people need.

Our social security system must ensure that everyone has an income that will not only cover daily essentials but also help people to weather life events that might otherwise plunge them into a financial shock.

Even before the £20 per week cut to Universal Credit which came into effect in October 2021, benefit levels had failed to keep up with the cost of living.

Social security and income levels simply need to be set at a level that provide a buffer to protect people from life events by, for example, enabling them to put something aside for a rainy day. Schemes like Help to Save are good initiatives to reward and encourage people to save, but do not – and cannot – work for people whose income is already too low to meet their daily costs, let alone have anything left over.

As well as increasing the provision of social security to provide people with a better income, the Government should also increase salaries, including the National Living Wage.

Tackling shame and stigma

Benefit stigma in the UK is driven primarily by the perception that claimants are 'undeserving'. Benefits have become increasingly stigmatised by a media and political discourse that suggests that they create welfare dependency and encourage a culture of 'scrounging and shirking'. Turn2us research has, however, revealed that at least £15 billion of benefits went unclaimed in 2020.

We know that the shame and stigma experienced by people in poverty leads to social exclusion, limited social capital, low self-worth, and a lack of agency that could all serve to prolong poverty.

As our research has found, many people feel uncomfortable asking for the help to which they are entitled and will wait until the situation is absolutely dire before doing so.

As well as boosting financial resilience, the Government should improve the safety net for people to prevent financial crisis when people are severely affected by a life event. The main principle for this form of support is that it must be timely and accessible.

First, we need measures that result in people receiving support earlier. This includes improving systems such as reducing the five-week wait for Universal Credit but also addressing the behavioural factors that make people delay their search for support. This must include tackling the shame and stigma associated with needing support and claiming benefits.

Social security needs to be repositioned and promoted as a lifeline available to all of us at times of need, and the harmful rhetoric of 'scrounging' needs to end. A fundamental shift in the claimant experience is also needed, and we urge the DWP to address negative claimant perceptions and ensure all claimants feel that they are treated with fairness and empathy. This may include examining the caseloads and skills of coaches and assessors to ensure that they have adequate time to tailor support and properly understand the needs of their claimants.





This research will inform and guide the work of Turn2us, so we can improve our support to those in greatest need.

We also hope that it will help to shape and inform effective policies and programmes for those of us who are struggling to cope financially after a life-changing event. We will use this research evidence to advocate for a change in both public behaviour and national policy, so that when people experience a life event, they can access the support services they need, to achieve financial security.

If you would like to find out more about our work and how you or your organisation can get involved or lend support, please contact our partnership or fundraising teams:

Partnerships@turn2us.org.uk

Fundraising@turn2us.org.uk

All the people pictured in this document are Turn2us service users with lived experience of financial insecurity. We are grateful to each and everyone of them for their generosity in agreeing to be photographed and sharing their stories with us.

Turn2us is a trading name for Elizabeth Finn Care, a charity registered in England and Wales No: 207812; and in Scotland No: SC04098