

Cash happy

The 2017 Annual Report



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Money does make us happy

Welcome to our third Cash Happy report – an annual study into the day-to-day finances of 3,000 UK households.

Cash Happy takes a detailed look at how UK households spend their money, but unlike other reports, we then plot that against happiness. So, not only are we able to see what people are doing with their money, but we can also see if what they are doing is making them happy.

In order to study the nation's spending habits, Cash Happy looks at the whole picture – with a particular focus on spare cash. Our previous Cash Happy reports have shown that it is spare cash (more than earnings) that can have the greatest impact on our happiness – because unlike our fixed costs, such as rent, utilities and food shopping, we are free to spend (or save) this money as we wish.

As a percentage of our earnings, spare cash is 32% – up from 29% in 2015 when we first commissioned this study. And, as spare cash is strongly linked to happiness, we have in turn, seen reported happiness increase too.

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About the report

Background

In April 2015, SunLife commissioned Charterhouse Research to carry out a comprehensive online survey of 3,000 UK householders to explore the pattern of household spending and saving, and the potential correlation between this and their personal and financial wellbeing.

This survey was designed to be repeated annually; it was conducted again in April 2016 and 2017. This year, we surveyed 3,013 UK households and each was asked to use their bank statements to complete a complex grid of weekly, monthly and annual spending statistics, as well as completing a series of questions on attitudes to life and money.

As over 50s insurance specialists, we are keen to learn more about financial wants and needs of people aged 50+. So, throughout the report, we have compared the household spending and saving habits of over 50s with those aged under 50 to gain greater insight into how their financial situations, priorities and attitudes differ.

Happiness index

To calculate happiness, respondents were asked the following three questions and asked to scale them between 1 and 10, with 1 being not at all satisfied / happy and 10 being extremely satisfied / happy:

1. All things considered, how satisfied are you with your life as a whole nowadays?
2. How happy did you feel yesterday?
3. Thinking forward to the next 5 years or so, how happy do you feel about your future?

The results were then averaged, to give an overall happiness index scaled from 1 to 10.

Calculations

Cash Happy looks at average spends and percentage share of income. Where spends are quoted, these are median values (i.e. values from an average household) and where % share of income is quoted, these are based on mean values (taking into account all households equally).

The reason the calculations are done in this way is because mean values tend to be higher than medians, due to the fact that a minority have very high incomes or very high expenditures. So if finances were calculated in this way, it would not be an accurate picture of the UK's income or expenditure. However, we have calculated the % each expenditure is of income using means because you cannot calculate shares using medians.

Where we use individual figures, this is based on the household figure divided by 2.36, which is the ONS figure for average adults per UK household.

Main findings

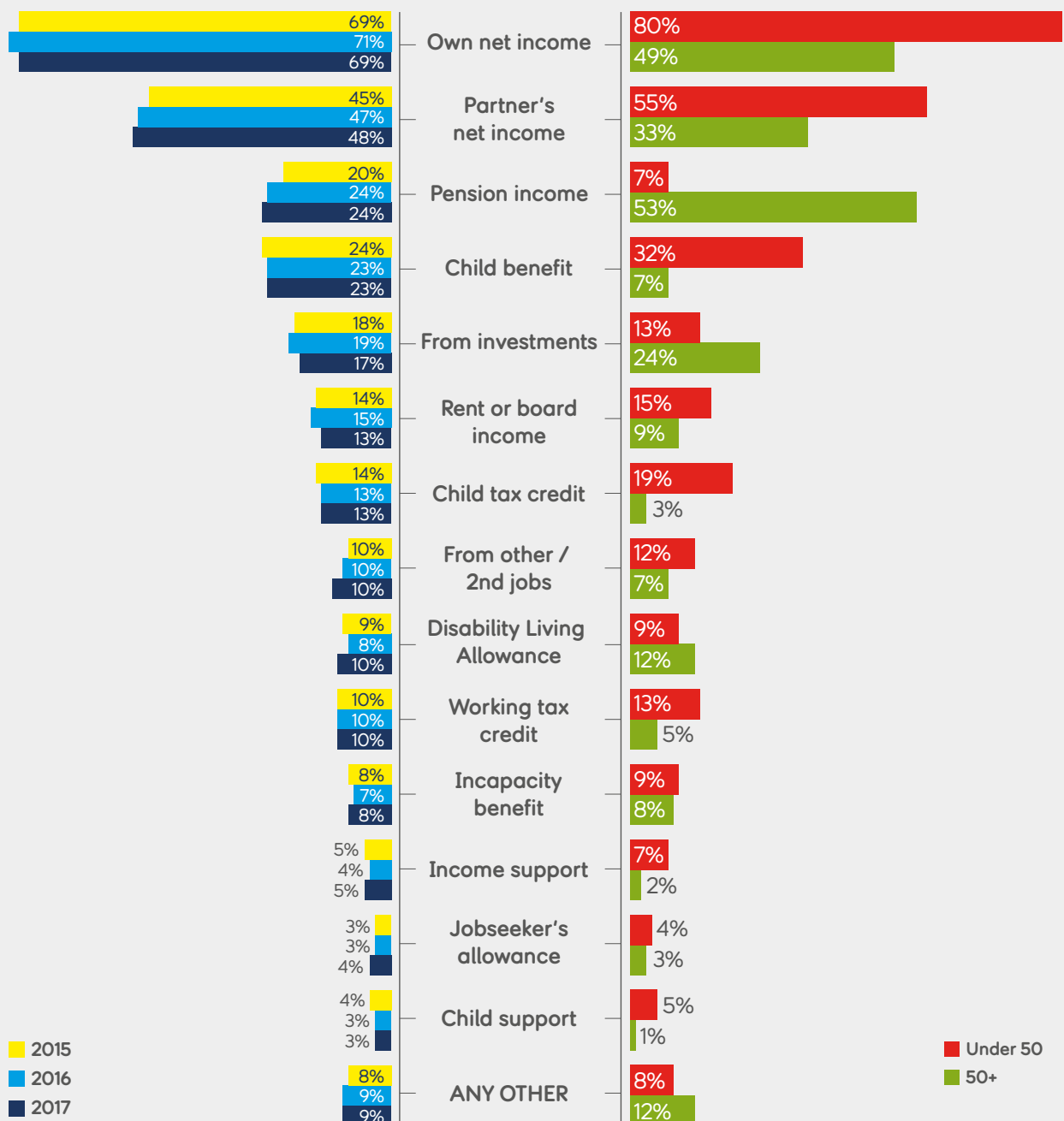
Income

The Cash Happy study finds that monthly income in the average UK household is now £2,100 – up slightly on 2016 (£2,083) and up 5% on 2015 (£2,000).

Households where the main financial decision maker is under the age of 50 have a monthly income of £2,265, which is 24% higher than over 50s households where the average income is £1,827.

Over 50s are almost twice as likely as under 50s to have income from investments, and far less likely to receive benefits.

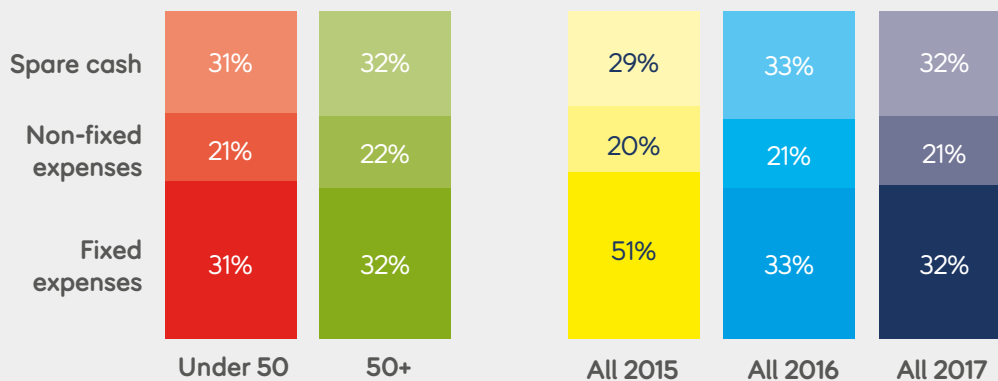
SOURCES OF INCOME IN AN AVERAGE HOUSEHOLD



Spending

In the average UK household, the share of net income taken up by fixed expenses is 47%. Non-fixed expenses makes up a further 21%, and the remaining 32% is discretionary, or what we call 'spare cash'. This works out as £447 per household, per month. This is an increase of just £6 or 1.4% since 2016, but an increase of 26% since 2015 when the figure was £355 a month.

MONTHLY REGULAR EXPENSES AND SPARE CASH (as share of net income)



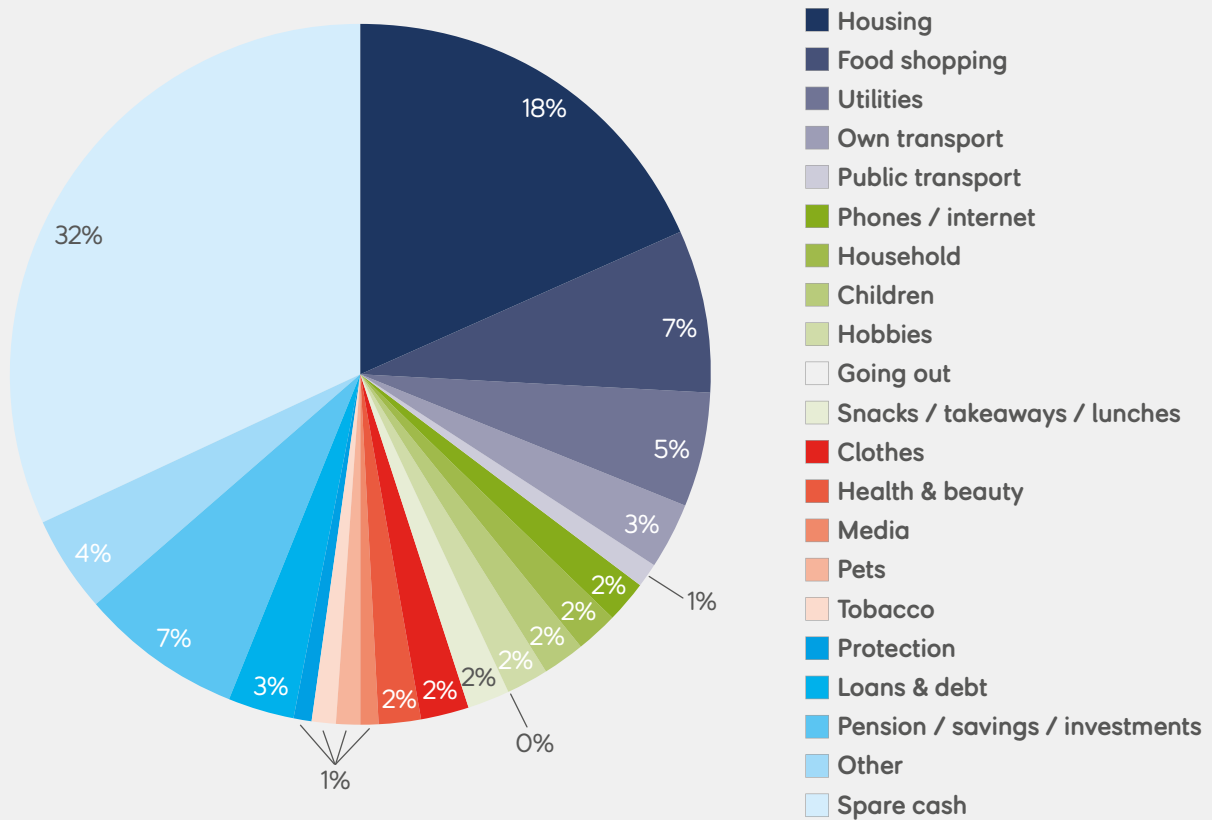
When looking at individual spare cash, rather than household, we have £189 spare each, per month, which works out as £44 a week or £6.23 a day – an increase of 9p a day on last year (£6.14) and an increase of £1.28 since 2015.

When you break this spending down further, it looks like this:

2017 (2016)	Housing	Unavoidable living expenses	Optional	Debt	Savings and protection	Spare cash
All	18% (19%)	21% (22%)	14% (12%)	7%	8%	32% (33%)
Under 50s	20%	20%	15%	6%	7%	32% (34%)
50+	14%	24%	12%	9%	9%	32% (31%)
Living alone	21%	22%	14%	9%	10%	24% (27%)
Living with partner	18%	17%	9%	6%	7%	43% (41%)
Young family	20%	21%	18%	6%	7%	28% (33%)
Older family	16%	23%	14%	8%	8%	31% (30%)
Empty nesters	13%	24%	12%	10%	9%	32% (32%)
Living with housemates	31%	22%	12%	4%	7%	24% (32%)

Within these broader categories, households spend their money like this:

THE WAY INCOME IS SPENT IN AN AVERAGE UK HOUSEHOLD IN 2017



After housing, food shopping is the largest category of regular expenditure.

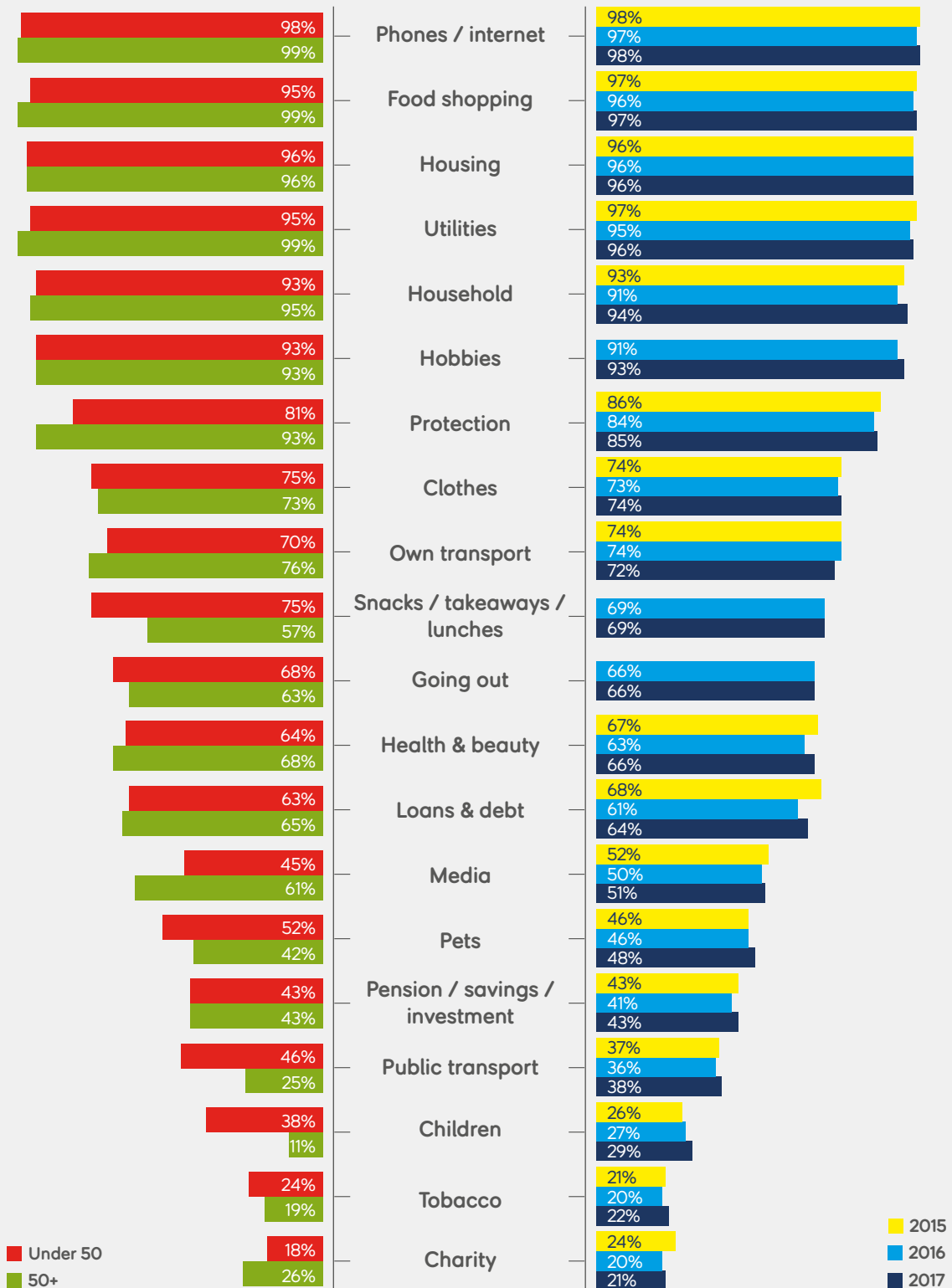
However, not all households spend on all these products or services – for example, only 64% have debts or loans, while just 43% have savings or pensions.

After housing, food shopping is the largest category of regular expenditure.

Below you can see the percentage of households that actually spend on each category. It shows that fewer over 50s spend money on public transport, takeaways, tobacco, children or pets. However, over 50s are more likely to spend on protection (insurance), charity and media.

PERCENTAGE OF HOUSEHOLDS THAT ACTUALLY SPEND ON EACH CATEGORY

The left shows over 50s vs under 50s. The right shows how the percentage that spend on each category in the average household has changed each year.



Of households that have the expenditures listed, this is how much is spent per month on average. As you can see from the figures, over 50s actually spend 50% more on pensions and investments, and give nearly twice as much to charity; while under 50s spend three times as much on housing.

Median spend in a household using this category	Total	Under 50	50+
Housing	£452	£552	£180
Utilities	£114	£117	£110
Phones / internet	£50	£57	£45
Household	£30	£30	£27
Food shopping	£200	£200	£200
Own transport	£91	£98	£81
Public transport	£50	£53	£30
Children	£69	£70	£50
Hobbies	£42	£45	£37
Charity	£15	£11	£20
Going out	£60	£60	£60
Snacks / takeaways / lunches	£40	£45	£25
Clothes	£30	£40	£20
Health and beauty	£30	£35	£29
Media	£16	£15	£17
Pets	£20	£20	£20
Tobacco	£45	£40	£50
Protection	£60	£69	£50
Loans and debt	£160	£155	£186
Pensions / savings / investments	£105	£100	£150
Other	£15	£15	£15

Is money linked to happiness?

You need £82 spare a week to be really happy

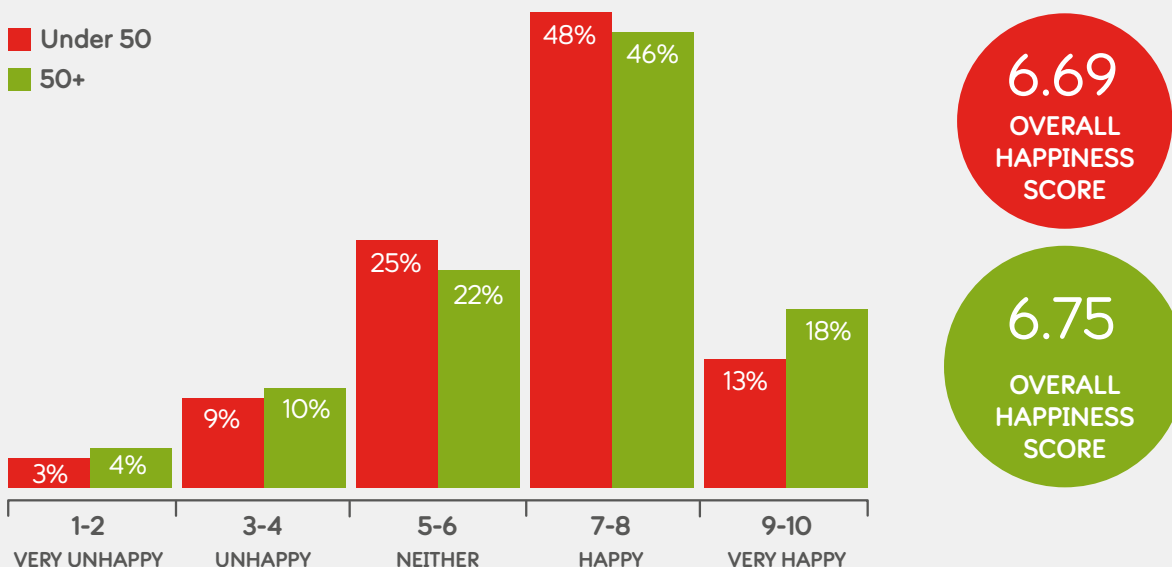
Most people in the UK describe themselves as happy, and happiness has increased in 2017 when compared with 2016. This is shown in various different ways:



The overall happiness index has increased from 2016 to 2017 (at 6.71 on average – compared to 6.64 in 2016 and 6.63 in 2015). How happy people felt yesterday and how happy they are feeling about the future has increased more than overall satisfaction with life nowadays.

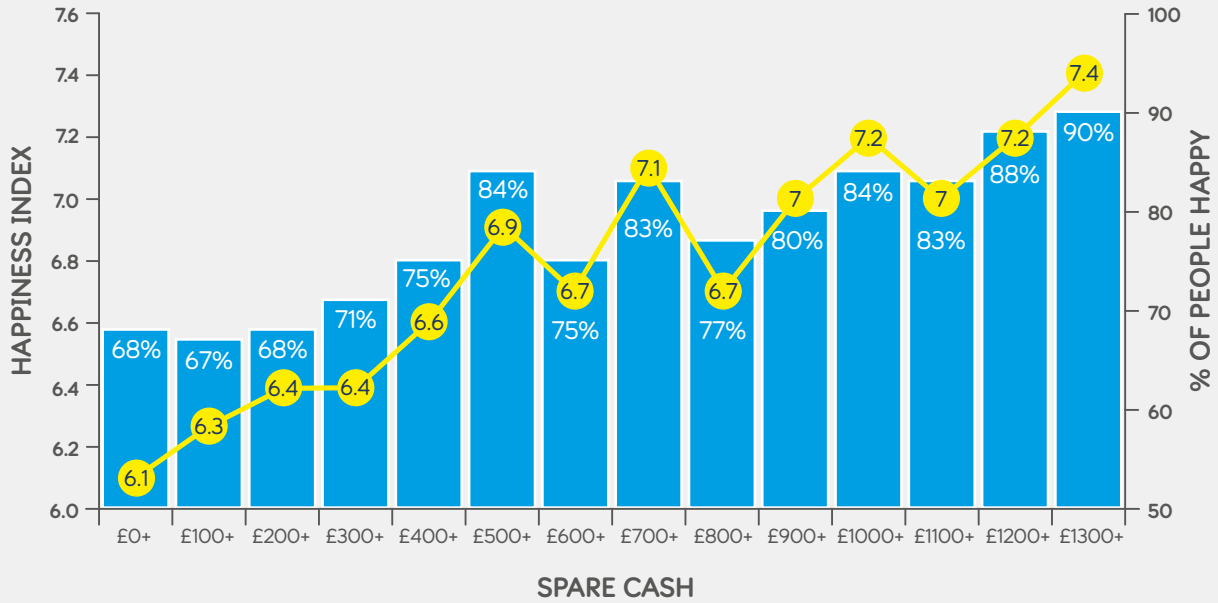
The overall happiness index for the over 50s is 6.75, which is higher than the under 50s (6.69 on average). It's also higher than the average happiness of the population as a whole (6.71). Almost one in five (18%) of over 50s describe themselves as 'very happy' compared to 13% of under 50s.

HAPPINESS INDEX



And, as a household's mean spare cash rises, so does the mean happiness index, showing that the two are clearly correlated.

SPARE CASH V HAPPINESS 2017



However, while happiness is linked to spare cash, you don't have to be a millionaire to be very happy.

While there is an increase in happiness as spare cash increases, it starts to plateau at £2,200 spare per household per month, which works out at about £932 per individual. But to be among the happiest in the UK, you don't need anywhere near that much. In fact, the happiest 10% of households in the UK have £841 of spare cash each month, which is £194 per week – just £91 more than the average. This means the average UK household needs to find just £13 extra a day to be among the happiest in the UK.

When you look at this spare cash in terms of individuals, £841 per household, per month, works out as £356 per person per month, or £82 a week. The average person in the UK has £44 left over each week, so to be among the happiest people in the country, we need to find £5 a day – that's just cutting out the takeaway coffees or shop bought lunches, or cycling instead of getting the bus!

Keeping up with the Joneses

However, while spare cash is linked to happiness, a stronger link is perceived wealth.

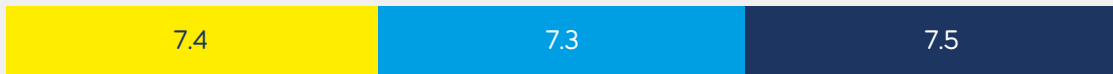
Cash Happy found that if you think you have less disposable income than your peers (regardless of your income) you are far less likely to be happy. Only those who think they have the same or more disposable income (regardless of what they actually earn) have above average happiness levels.

HAPPINESS INDEX

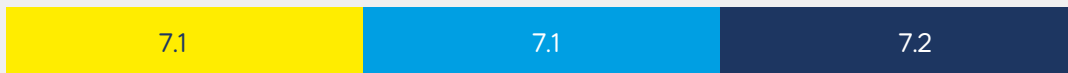
Compared to your peers (i.e. friends and family you socialise with on a regular basis) would you say your disposable income is...

■ 2015
■ 2016
■ 2017

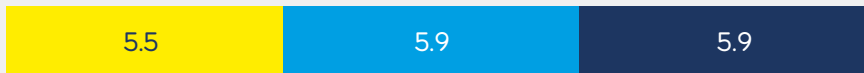
MORE than your peers



ABOUT THE SAME as your peers



LESS than your peers



Among the top 10% of happy people in the UK, 33% felt they had more disposable income than their peers – compared to just 8% of the bottom 10% of happy people in the UK.

Among the least happy 10%, three quarters (74%) felt they had less disposable income than their peers – compared to 19% of the top 10% of happy people.

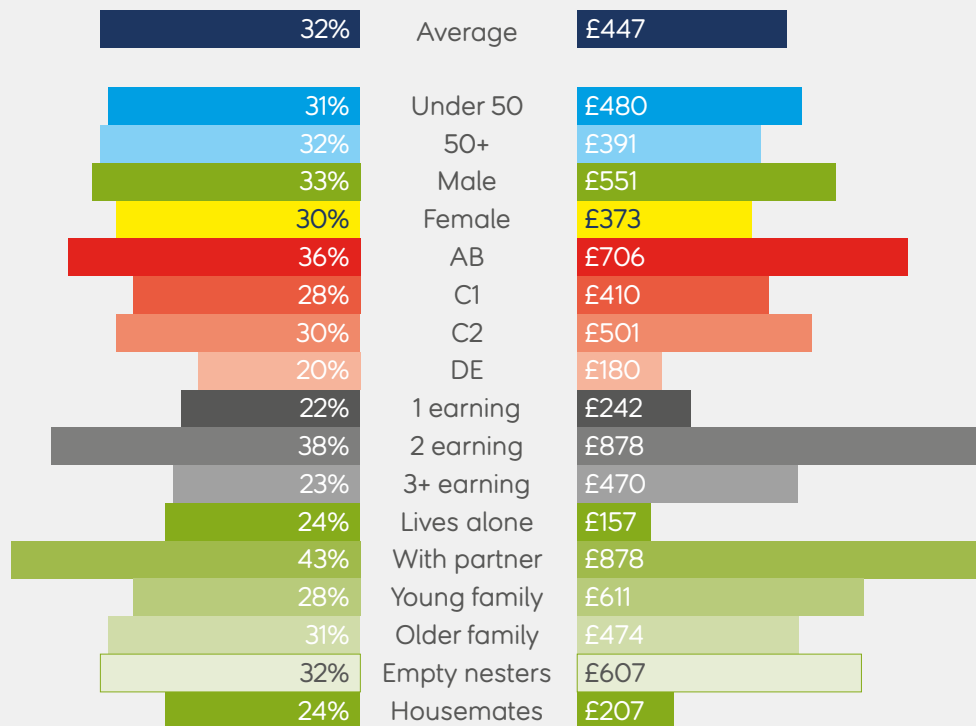
Who is 'cash' happiest?

Though spare cash is £447 per month in the 'average household', this varies hugely by household type and region.

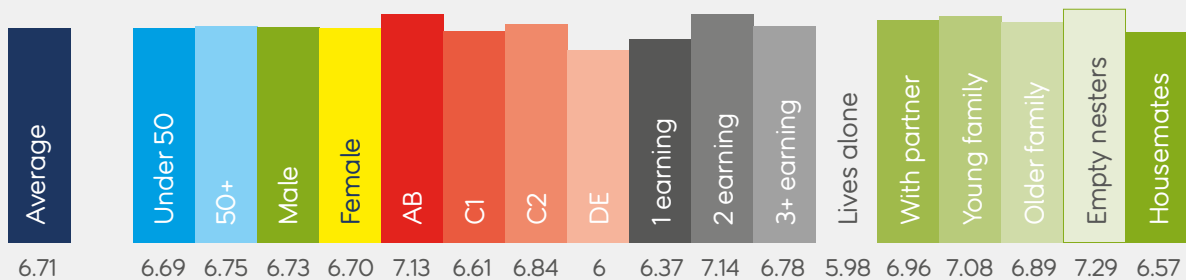
In absolute terms, over 50s have less than under 50s (£391 per month compared to £480), but in terms of spare cash as a percentage of their income, they have slightly more – which could be one of the reasons they are happier on the whole.

Those living with a partner have the most, both in term of absolute amount (£878) and as a percentage of net income (43%), and they are also one of the happiest household types.

2017 AVERAGE HOUSEHOLD MONTHLY SPARE CASH



HAPPINESS INDEX



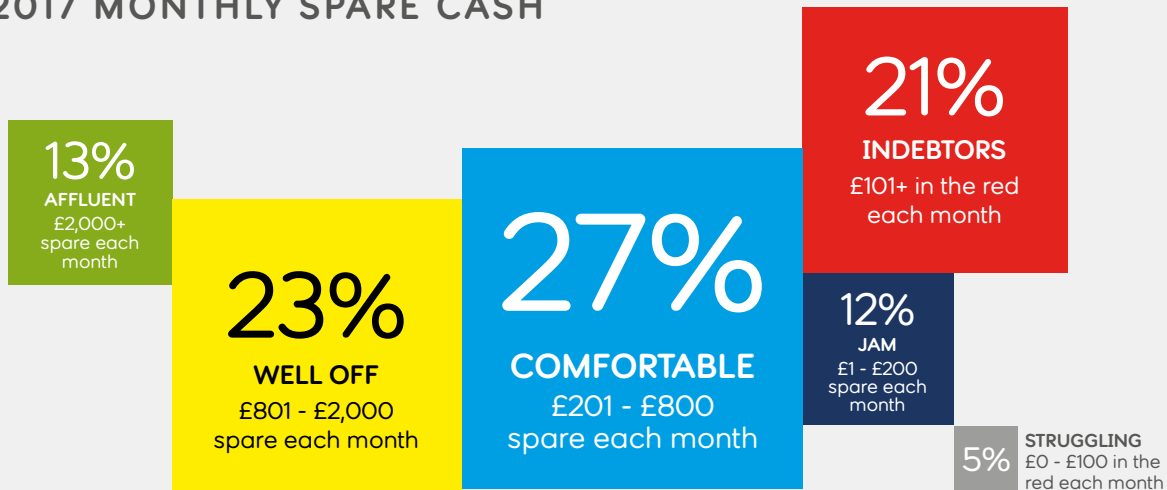
Nothing left

For some households there is no spare cash at all – one in four live beyond their means and almost one in 20 (4%) are more than £1,000 in the red each month. At the other end of the scale, almost a third have more than £1,000 left over each month and 23% have £1,300 or more spare, showing a huge divide between the richest and poorest households.



Based on the amount of spare cash they have left over, we have categorised UK households into six main groups. One in five are debtors, one in 20 are struggling and a further one in eight are just about managing (JAM). Almost half (46%) of UK households have more than £800 left over each month and of those, more than a quarter have at least £2,000 to play with each month.

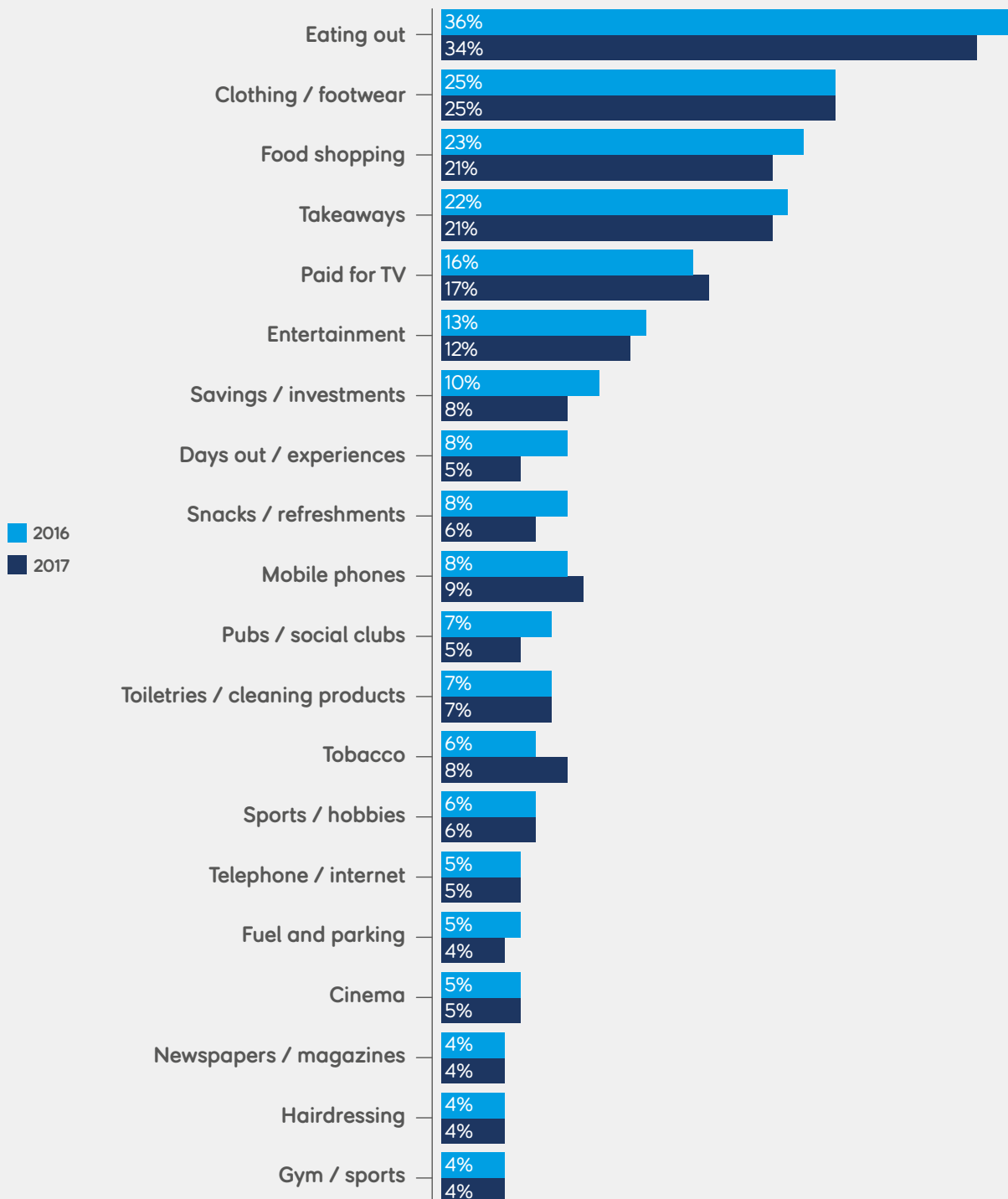
2017 MONTHLY SPARE CASH



Cutting back

When money does get tight, the first things the population as a whole would cut back on if they had to is eating out. We are also more likely to cut back on paid for TV and entertainment than our phones. Those who are very unhappy are more likely to cut back on food and toiletries, possibly because they have less choice on what they can cut back on and essentials are the only option.

WHAT ARE THE TOP THREE THINGS YOU WOULD CUT BACK ON IF YOU HAD TO?

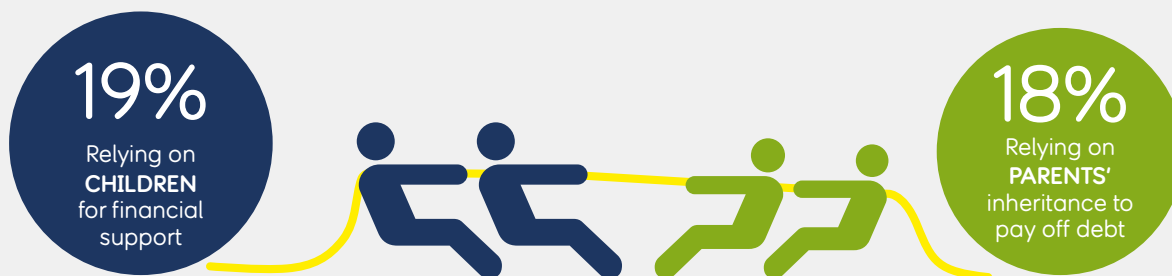


Family money

Cash Happy has found that almost one in five (19%) adults with children say they are anticipating their children will help support them financially when they are older. However, just 8% of over 50s aim to rely on their children compared to 27% of under 50s.

On the flip side, nearly one in five (18%) of adults with parents still alive say they are relying on inheritance in the future to either help pay off debts or supplement income – and more than one in ten (12%) would even go so far as to say their elderly parents are spending too much of their inheritance. This is up from 10% in 2016.

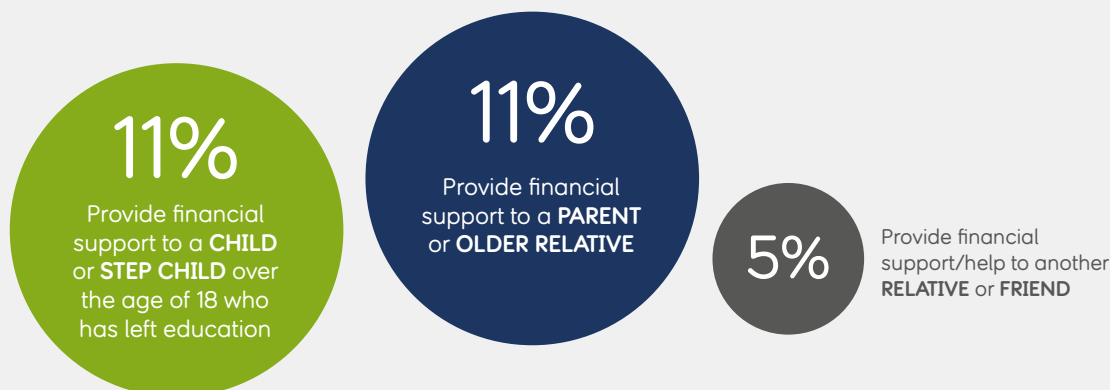
THE INHERITANCE TUG OF WAR



Just over a third (35%) of those who provide financial support for a relative typically struggle to do so, while a further 38% say it is occasionally a struggle.

This means that 8% of UK adults are struggling on a regular basis to financially support a relative, and a further 8% are occasionally struggling. Perhaps unsurprisingly, those who are struggling are less happy than average.

MORE THAN ONE IN FIVE PEOPLE SAY THEY PROVIDE FINANCIAL SUPPORT TO RELATIVES



Are we spending happy?

Cash kids

When asked how people would spend the spare cash they have left each week, more than half said they would save it and nearly two in five said they would put it towards a holiday. Spending on clothes, going to the cinema and eating out were also popular.

However, when we looked at which spending actually makes us the happiest, the list was quite different.

Savings and treating ourselves to new clothes slipped right down, and giving extra cash to the kids went from the bottom of the list to the top. So, while we may think we begrudge giving our spare cash to the kids, it is actually what makes us the most 'cash happy'!

	What we WOULD do with the money	What we SHOULD do with the money	Position change
1	Save it (55%)	Children's pocket money	↑ 13
2	Holidays (39%)	Theatre	↑ 8
3	Clothing (33%)	Bowling	↑ 10
4	Cinema (29%)	Holidays	↓ 2
5	Eating out (29%)	Newspapers / magazines	↑ 7
6	Days out (27%)	Eating out	↓ 1
7	Pubs / social clubs (23%)	Music events	↑ 4
8	Takeaways (19%)	Sports / hobbies	↑ 1
9	Sports / hobbies (11%)	Days out	↓ 4
10	Theatre (10%)	Cinema	↓ 6
11	Music events (10%)	Save it	↓ 10
12	Newspapers / magazines (7%)	Clothing	↓ 9
13	Bowling (5%)	Pubs / social clubs	↓ 6
14	Children's pocket money (5%)	Takeaways	↓ 6

Tooth fairy inflation hits 4.9%

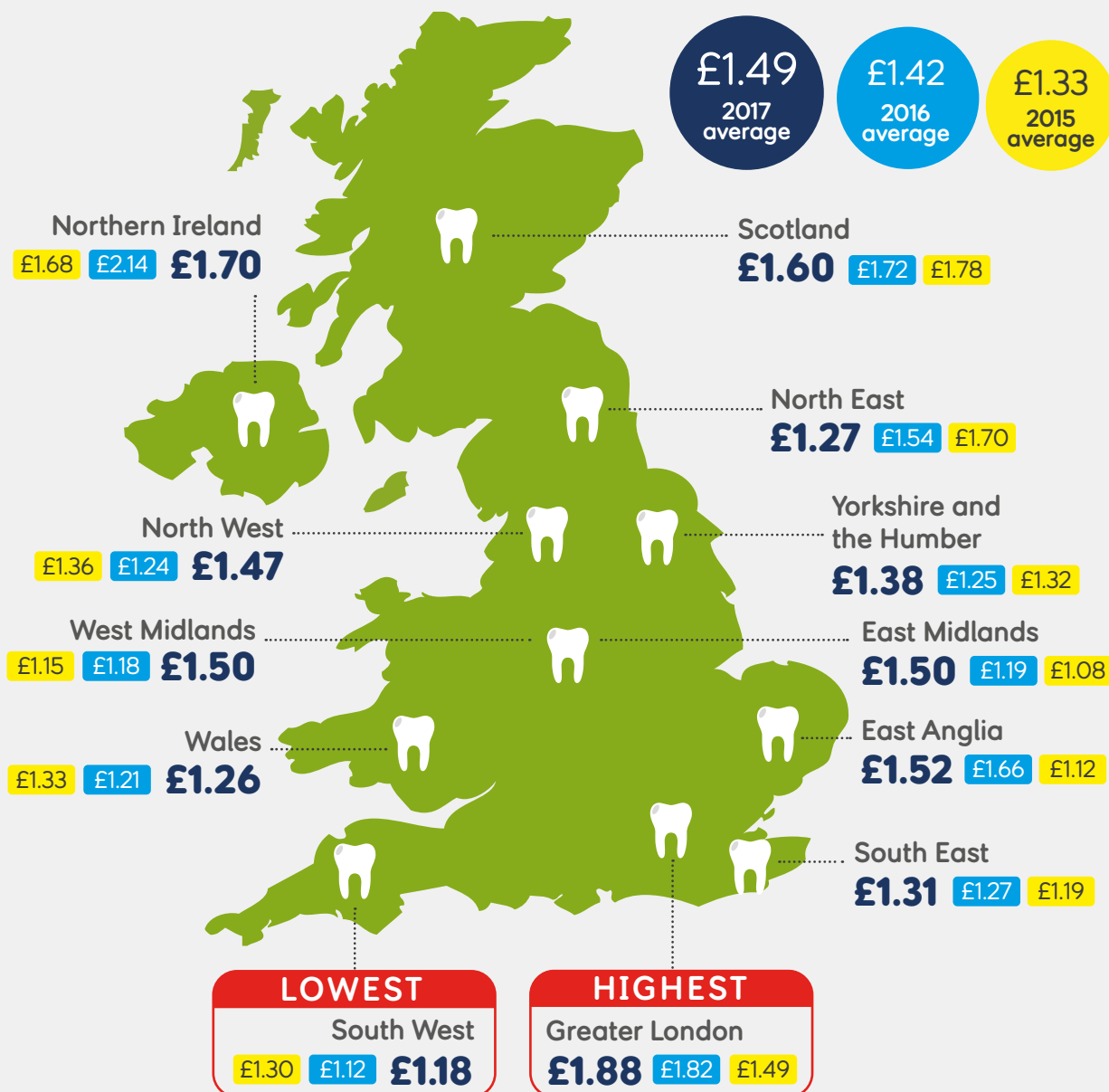
The fact that spending money on the kids makes us feel happier could explain why the tooth fairy is becoming more generous. In just a year, the amount the tooth fairy gives has increased by 4.9%, from £1.42 to £1.49, which follows a 16p (or 6.7%) increase from 2015 to 2016. In comparison, our spare cash has increased at less than a third of the rate.

The most common coin to be left is £1 – two in five get this much. The next most popular coin is £2 – one in seven get this, then 50p (one in 11), while one in 12 lucky children get more than £2.

We can see that there is also bit of a tooth fairy postcode lottery. Kids in London get the most (£1.88), and one in nine kids in the capital getting £5 per tooth – that’s £100 for a mouthful!

Kids in the South West get the least (£1.18), while children in Northern Ireland, the North East and Scotland have all seen their teeth drop in value, by 30p, 27p and 12p respectively.

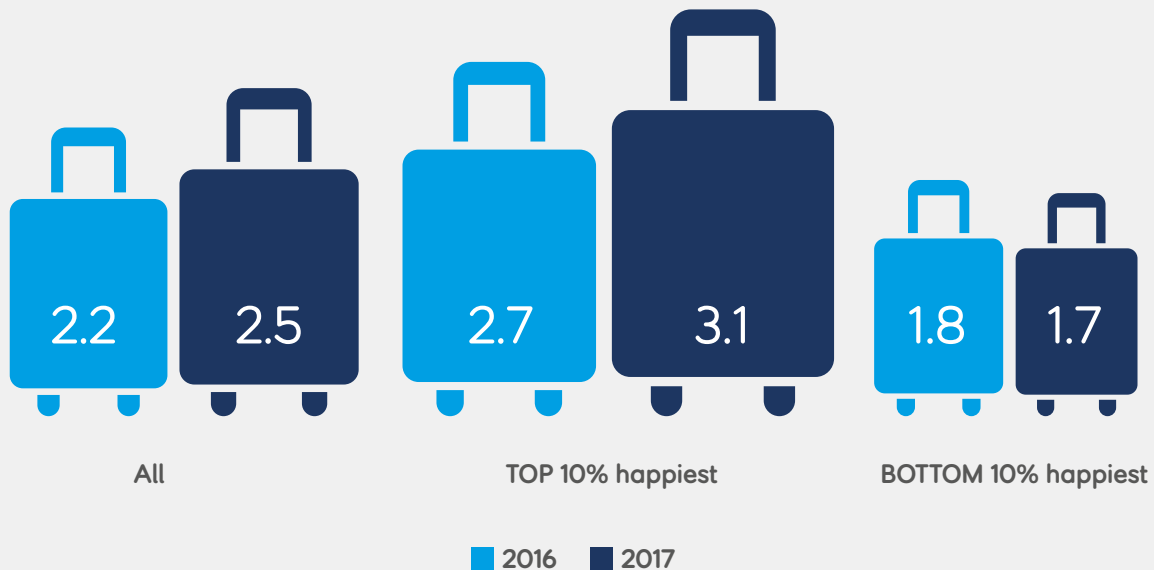
PILLOW PENNIES



Happy holidays

Holidays were high up on the list of things we would spend our money on, which is good because they do make us happy! Cash Happy found that the happiest 10% of people took an average of 3.1 holidays in the past year compared to the bottom 10% who took 1.7. The average number of holidays taken by the happiest people has increased, while the average number of holidays taken by the least happy people has dropped.

NUMBER OF HOLIDAYS TAKEN IN THE PAST YEAR



We are also spending more money on holidays – £2,105 compared to £1,964 last year – and the number of households saving specifically for holidays has also increased. This year 43% said their savings or some of their savings are earmarked for holidays compared to 32% last year.

The over 50s took slightly fewer holidays (2.3 vs 2.7), but spent more on them (£2,410 vs £1,948). Under 50s are more likely to set up a specific savings account to pay for holidays, while over 50s are more likely to take money from a general savings account. Use of credit cards to pay for holidays is slightly more prevalent in the under 50s than the over 50s.

We are also spending more money on holidays – **£2,105** compared to £1,964 last year

Planning is key

Best budgeters

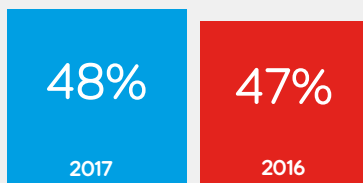
Cash Happy has found that just under half (48%) budget formally – which is up slightly from 2016 (47%) and up more significantly from 2015 when 45% said they budget formally.

Perhaps in line with the increase in formal budgeters, those who budget informally has fallen from 48% last year to 46% this year. But this still means that one in 20 have absolutely no idea about the state of their finances, and one in seven only have a very rough idea.

Interestingly, under 50s are much more likely to budget formally (54%) than the over 50s (38%), possibly because less of their income is earmarked for fixed expenses, so money is not so tight.

BUDGETING METHODS

BUDGET FORMALLY



Spreadsheet on PC



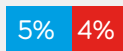
Notebook or note making



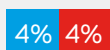
Budgeting app on mobile or PC



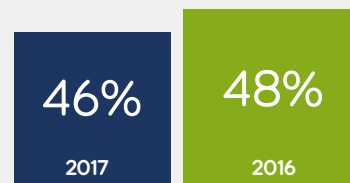
Budgeting tool online



Another method



BUDGET INFORMALLY



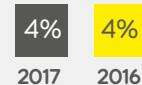
With a CLEAR IDEA of finances, incomings and outgoings



With a ROUGH IDEA of finances, incomings and outgoings



DO NOT BUDGET



Almost one in four (23%) check their bank accounts daily, 35% several times a week, 27% weekly and just 15% less often.

Three quarters (76%) use online banking to check their bank account (down from 78% last year), while the use of banking apps has seen a significant increase over the years, rising from 27% in 2015 to 30% in 2016, and up to 35% in 2017.

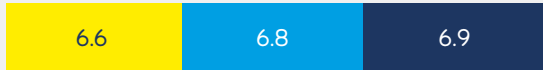
Over 50s are likely to check their bank account less frequently than those under 50:

- **19%** of over 50s check daily compared to 26% of under 50s
- **30%** of over 50s check several times a week compared to 38% of under 50s.

Cash Happy also reveals a strong correlation between budgeting and happiness. The happiest people in the UK are significantly more likely to budget formally and check their bank accounts daily.

BUDGETING AND HAPPINESS

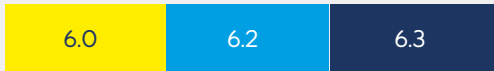
Budget FORMALLY



Budget INFORMALLY



DO NOT budget

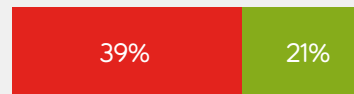


2015 2016 2017

TOP 10% of happy people



BOTTOM 10% of happy people



Budget FORMALLY Check bank accounts DAILY

Cash is (not) king

When looking at ways to pay for small incidental items, cash has significantly dropped off over the past three years as the main method, while both debit and credit card use has increased. The number of people using contactless has doubled in just a year (from 4% in 2015 to 8% in 2017).

METHOD USED TO PAY FOR INCIDENTAL ITEMS

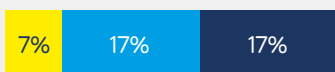
CASH



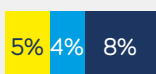
DEBIT CARD



CREDIT CARD



CONTACTLESS



2015
2016
2017

Over 50s are more likely to use cash than under 50s, and under 50s are more likely to use a debit card or a contactless card than over 50s.

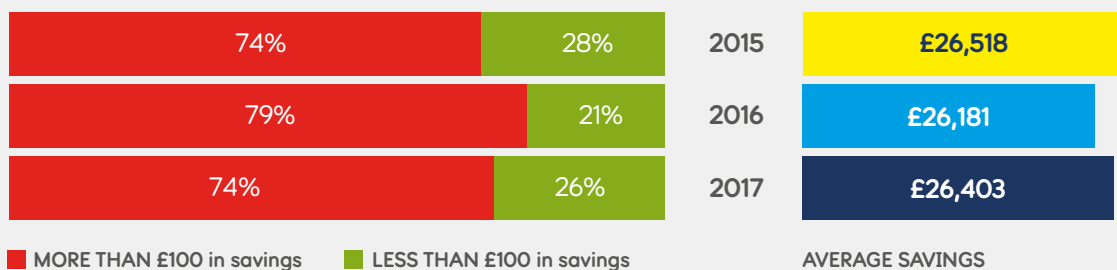
Super savers

As last year, Cash Happy has found a strong correlation between savings and happiness. Those who are in the happiest 10% of people in the UK are more likely to have savings (81%) than those in the bottom 10% of happiness where just 47% have any savings.

This happiest 10% have, just under £42,000 in savings on average, while the unhappiest 10% have just over £16,000.

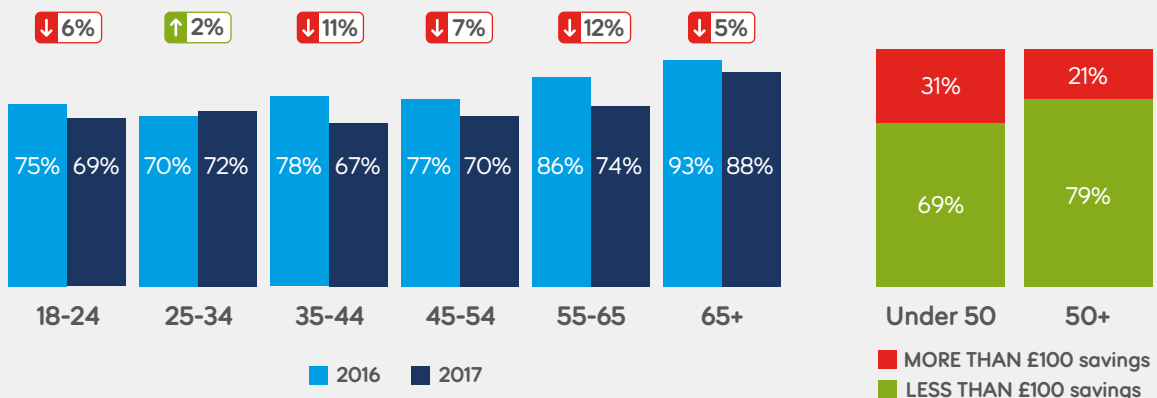
Overall, 2017 has seen a drop in the overall proportion of people with at least £100 in savings – now, 28% have no savings at all, which is an increase of 7% since last year. However, while the number of savers has decreased, the amount that those who do save has increased compared to 2016.

SUPERSAVERS



Last year, the 35-44 age group was one of the most likely to save. This year, the number of 35-44s that have savings has dropped considerably, from more than three quarters to two thirds.

MORE THAN £100 IN SAVINGS 2016-2017



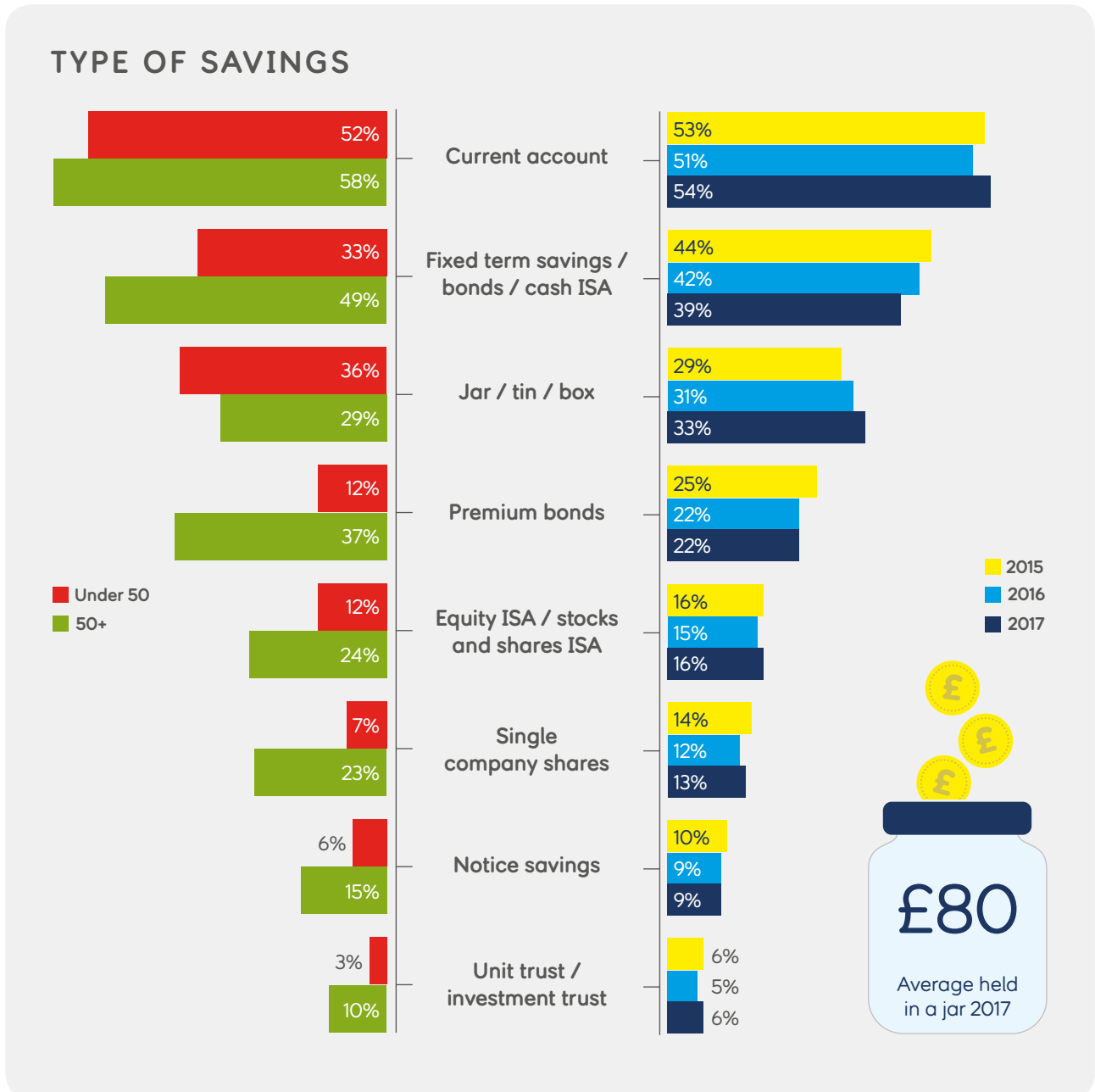
The over 50s are more likely than under 50s to hold savings and investments, and have significantly more money saved: Within the over 50s group, empty nesters are more likely to have savings:

- 89% of empty nesters have savings. On average they have £53,470.
- 80% of older families have savings. On average they have £45,690.
- 78% of those living with their partner have savings. On average they have £49,407.
- 72% of those living alone have savings. On average they have £38,293.

Money box hoarders

Saving into a current account remains the most popular way of saving – 54% of people save in this way, up from 51% last year. The number of people saving into a Cash ISA, bond or fixed term savings account has actually dropped, while those using a jar, money box or a biscuit tin is becoming more popular.

This year, a third (33%) said they save into a jar or tin in the house (up from 31% in 2016 and 29% in 2015) making it the 4th most popular method of saving, above stocks and shares ISAs and notice accounts. On average, households have £80 saved in money boxes.



When looking specifically at over 50s, this group is much more likely to have investments such as equity ISAs, single company shares and unit trusts. In fact, over 50s are twice as likely to have equity ISAs, and three times as likely to have single company shares and unit trusts than under 50s.

Savings products such as instant access savings accounts, notice savings accounts and premium bonds are also much more prevalent among over 50s. Under 50s are 25% more likely than the older group to have savings in a jar.

Specific saving

We have already seen that the happiest 10% of people are more likely to have savings and have more in savings. The happiest people are also more likely to be saving for specific items such as holidays and home improvements, while the least happy people are less likely to have a purpose for saving. Over 50s are more likely than under 50s to be saving for the future generally, while under 50s are more likely to be saving for retirement.

Main reasons for saving:	Overall	Top 10% happiest	Bottom 10% happiest	50+	Under 50
For my future generally	56%	52%	46%	60%	51%
Rainy day	53%	55%	55%	53%	54%
Holiday	43%	51%	20%	44%	41%
Retirement	25%	33%	17%	20%	33%
Home improvements	24%	27%	18%	24%	24%
Children's future	12%	13%	10%	12%	12%
Family event (e.g. wedding)	10%	13%	8%	12%	6%
School / university fees	6%	7%	5%	8%	3%

Protection for peace of mind

As well as being more likely to save and have specific reasons for saving, the happiest people in the UK are also more likely to have protection (insurance) in place.

Overall, 85% of UK households have some sort of protection, but the happiest people in the UK spend almost double on protection compared to the unhappiest.

Over 50s, who we have already seen are happier than under 50s, are more likely to have protection than under 50s (93% compared to 81%).

Protection	Overall	50+	Under 50	Top 10% happiest	Bottom 10% happiest
% that have protection	85%	93%	81%	88%	73%
£ spent each month	£50	£48	£54	£67	£31

Conclusion

Does money make us happy? Well, it is clear that happiness and money are linked – but the good news is that it is spare cash rather than income that has the greatest effect on our happiness.

So, while there may not be much we can do about how much we earn, we can do something about our spare cash, and that, in turn, means we can do something to affect our happiness.

Cash Happy has shown that to be amongst the top 10% of happiest households in the UK, we need to find an extra £394 per month, which is £91 extra per household, per week or £38 per individual. This may sound like a lot, but when you think that a takeaway coffee and a sandwich costs around £5 a day, it doesn't look quite so challenging.

But even for those who can't increase their spare cash, spending it more wisely could have just as positive an effect. Cash Happy has shown that even the simple task of putting a budget in place can actually make us happier – so by watching the pennies and making sure we spend our spare ones in the most 'cash happy' way, we can all be a little bit happier. And if all that fails, as long as you think you've got more than your peers, it doesn't actually matter if you have or not!