

**Managing money in older age:
Are pensioners really as
financially vulnerable as commentators
suggest?**

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Outline

- ◆ Paper origins
- ◆ Myths
- ◆ Reality – our research findings
- ◆ Implications for policy



Background to the paper

- ◆ Study of tenants' views on Housing Benefit payment methods.
- ◆ Characteristics of pensioners in study group:
 - ◆ 18 male, 22 female
 - ◆ 10 couples and 30 singles
 - ◆ aged 58-90
 - ◆ opted in



Myths

- ◆ What do we mean by a ‘myth’?
 - ◆ Commonly or widely believed idea
 - ◆ False idea
- ◆ Urban myth = ‘of uncertain origin’, ‘circulated as though true’
- ◆ To mythologise = ‘to create a false picture of a situation’



Myths about pensioners and money

- ◆ Financial capabilities

“Maybes, you know, like elderly people who don’t understand or can’t get about, people who ... simply just don’t understand...”
(Female, aged 24)

- ◆ Attitudes towards using cash and banks

“Older people may feel less comfortable with the process of electronic transmission and withdrawal of money through cash cards, and may prefer to use more familiar methods of money management.”
(HM Treasury, 2004)



Confirming or contesting myths about financial capabilities

- ◆ Myths can be broken down into a number of components:
 - ◆ being forgetful and confused about finances
 - ◆ being unable to track finances and budget accordingly
 - ◆ finding money management a mental and physical hassle



Being forgetful and confused

Research evidence to contest myths:

- ◆ Skills, attitudes and circumstances
 - ◆ past employment, voluntary and home-life experiences
 - ◆ paying for what can be afforded
 - ◆ having time, living alone
- ◆ Approaches to managing money
 - ◆ centred on automated payment methods
 - ◆ well-established and effective personal routines
 - ◆ affording to be less ordered



Being unable to track finances and budget accordingly

Evidence to contest myths:

- ◆ Monitoring finances
 - ◆ using bank statements or ledgers
 - ◆ monitoring to know how much there was available for spending, to ensure there was enough money to cover bills, to feel assured about finances
 - ◆ monitoring in advance of payment
 - ◆ monitoring retrospectively
- ◆ Budgeting
 - ◆ avoiding debt v. spending
 - ◆ building saving into budget
 - ◆ wanting to rely on personal financial resources



Finding money management a mental and physical hassle

Research evidence to confirm myths?

- ◆ Expectations about older age

“... at the moment I manage very well, you know, and I’m pleased, you know, that I can manage, because every time I’m getting older, you know, and now I tend to forget little things ...” (Female, aged 69)

“... you know, I’m getting too old anyway to be bothered with a lot of (laughs) financial dealings” (Female, aged 82)



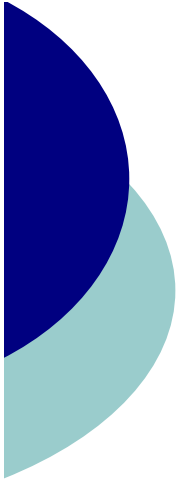
Finding money management a mental and physical hassle

Research evidence to confirm myths?

- ◆ Expectations about older age
- ◆ Physical barriers

Research evidence to contest myths

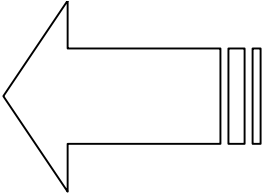
- ◆ Not considered a hassle
- ◆ Adjusting to cope with mental and physical limitations in order to continue controlling finances:
 - ◆ use of automated payment facilities
 - ◆ use of helpers/friends/family members
 - ◆ use of telephone and internet banking



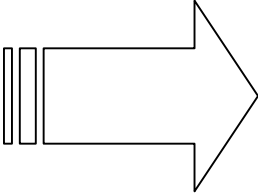
Confirming or contesting the myth of a cash-only generation

Continuum of bank use

Manual methods only
(cash, cheque)



Comprehensive use of automated payments
(standing order, direct debit)



Greater or lesser use of automated payments

Varying use of online and telephone banking



Limited or no use of automated payment facilities

- ◆ Control
- ◆ Familiarity
- ◆ Understanding



Control

I don't like direct debits, they keep nagging me, some of them, 'Can you do it by direct debit, for the electricity' ... I'd rather just make out my cheques and that's it, you know, then I know what's going on ... You know it's done with because you've made the cheque out (female, aged 84).

I'm the type of person I like to pay things myself. I don't like doing things through the bank and different things like that ... When I go up and pay it weekly I know it's paid and I know I haven't got to worry about how much money have I got in the bank because such-and-such has come out (male, aged 66).



Familiarity

Respondent: *I'm just in the habit of going into the Post Office, getting my pension, pop over and get my pet food from the shop opposite, just a habit for me.*

Interviewer: And then you go down and do your bills as-and-when?

Respondent: *Well I do them all in the Post Office, that's where I prefer it that way.*

Interviewer: One stop shop kind of thing?

Respondent: *Yeah.* (Female, aged 72)

I suppose there'd be advantages but I'm so used to my way I can sit back and say it's all OK. I know probably it would be all OK on the other system but not in my way. (Male, aged 82)



Understanding

We're having a job to keep up with the technical advances. Perhaps in a few years young people that's growing old will be quite happy with it, but there seems to be such an advancement in credit cards and what have you that it can overwhelm the elderly. (Male, aged 71)

I can't tell whether it's not yet been deducted or whether it's coming off next month or the month after, and you hear these whole tales about if you try to cancel them it takes such a long time for it to take effect. In my mind, my whole sort of finance would be out the window (male, aged 70).



Evidence behind the myths?

- ◆ Pensioners are largely financially capable
- ◆ Evidence of adjusting when faced with mental and physical limitations
- ◆ Not all pensioners are fixed within a cash-only mentality
- ◆ But the study found substantial evidence of such attitudes and behaviours
- ◆ *Qualitative research can give a deeper understanding of these capabilities, attitudes and behaviours*



Issues for consideration

- ◆ Pensioners are not a homogenous group
- ◆ Pensioners may be no different from younger people, or indeed may be better equipped to manage their finances
- ◆ Having a bank account does not necessarily equate to financial inclusion



Implications

- ◆ Potential vulnerability among pensioner couples
- ◆ A need for information and advice about automated payment methods
- ◆ A need for recognition of people's skills and preferences?