The Aviva Family Finances Report

July 2014

AVIVA

Introduction and overview

The UK population is now so diverse that there is no single definition of a traditional family. Instead there are many family types, and they all experience the UK's economic situation in different ways.

The Aviva Family Finances Report looks at the contrasting fortunes of different family types, and has been examining data about their financial situations since 2011. This edition also looks at generational differences when it comes to raising children, contrasting the experiences of parents with children born between 1965 and 2014, who would be deemed members of Generations X, Y and Z.

Who goes out to work, and who stays at home with the children? Who uses childcare, and where do the grandparents help out? This edition paints a picture of a rapidly changing family landscape, where more women work, more families rely on two incomes, and more families come up with their own bespoke solutions for working alongside family life.

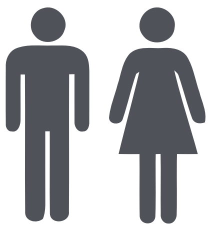
This summer's edition of the report is full of positive news for the finances of most UK families. Family income is at a record high, more people are able to save, and concerns about the rising cost of living are diminishing with the inflation rate. However, the headline figures mask problems for some family types, while new concerns such as rising mortgage rates are beginning to creep in.

Overview

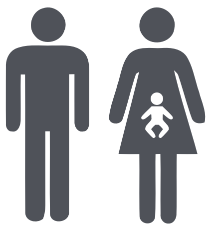
- **Income** – Typical incomes continue to rise overall, although some regions and family types have experienced a drop (pg 4).
- **Expenditure** – Spending continues to fall as families cut back, but housing expenditure nudges upwards (pg 6).
- **Family wealth** – Good news as the number of families saving creeps upwards and the amount saved each month grows (pg 8).
- **Housing wealth** – House prices reflect a boom in some parts of the country, with increasing mortgages to match, but other regions have actually seen a fall in value (pg 10).
- **Family borrowing** – Typical household debt continues to fall and has now halved compared to a year ago (pg 12).
- **Look to the future** – Mortgage re-payments raise concerns as the possibility of interest rate rises looms (pg 14).
- **Spotlight** – A look at how UK families and parental roles and responsibilities have changed from 1965 onwards, through generations X, Y and Z (pg 15).
- **A view across the UK** – A mixed bag of fortunes as London and the South East see their finances improve, but pockets in the North and Midlands reveal reduced means (pg 20).

The modern UK family

The 'nuclear family' of two parents and one or more children was considered the norm among the UK population thirty years ago. Since then socio-economic changes mean families are becoming increasingly diverse. Through the Family Finances Report, Aviva explores the contrasting fortunes among the most common types of modern family based on customer profiles and government data.



1. Living in a committed relationship* with no plans to have children

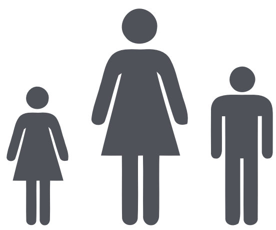


2. Living in a committed relationship with plans to have children

3. Living in a committed relationship with one child

4. Living in a committed relationship with two or more children

5. Divorced/separated/widowed with one or more children



6. Single parent raising one or more children alone

* For the purposes of this report, a committed relationship is defined as one where two people are either married or co-habiting.

Income

The last six months have seen the monthly incomes of UK families continue to rise. The typical family income is now £2,185, the largest monthly total seen by the Family Finances Report in the three and a half years since it launched. However, the rate of income growth has slowed considerably, from 3% for the last two six month periods to 0.8%.

Monthly family income has risen consistently since the first half of 2012, when it dropped by 3% from £2,066 to £2,003. This means that the typical UK family has £248 more monthly take-home income than it did when the index was launched in January 2011. At this time the typical family took home £1,937 per month.

How average income has grown

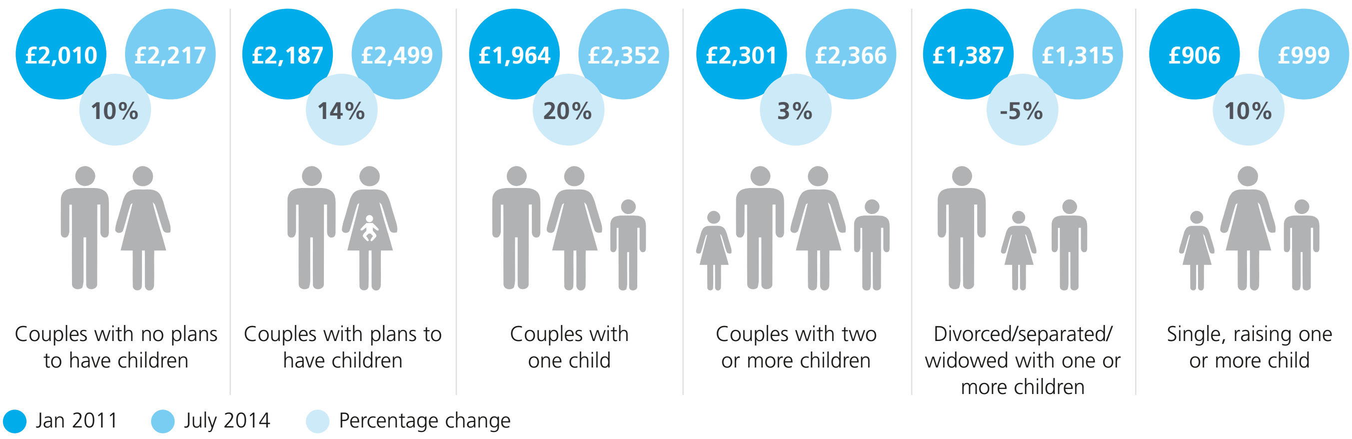
Married or committed couples who plan to have children remain the biggest earners, perhaps reflecting the income drop that some families see when children are born and parents change their working patterns. Couples who do not plan to have children have seen their incomes drop in the last six months, from £2,284 to £2,217.

Families who are divorced, widowed or separated with children have seen a drop in income since January 2011. However, the last six months has seen some reversal in their fortunes. They now take home £1,315 a month compared with £1,189 six months ago and £1,387 in January 2011.

This family type makes up 7% of all UK families and is the only type of family that has seen a fall in income over the years in which the index has been running, perhaps reflecting an overhaul to the benefits system during this time.

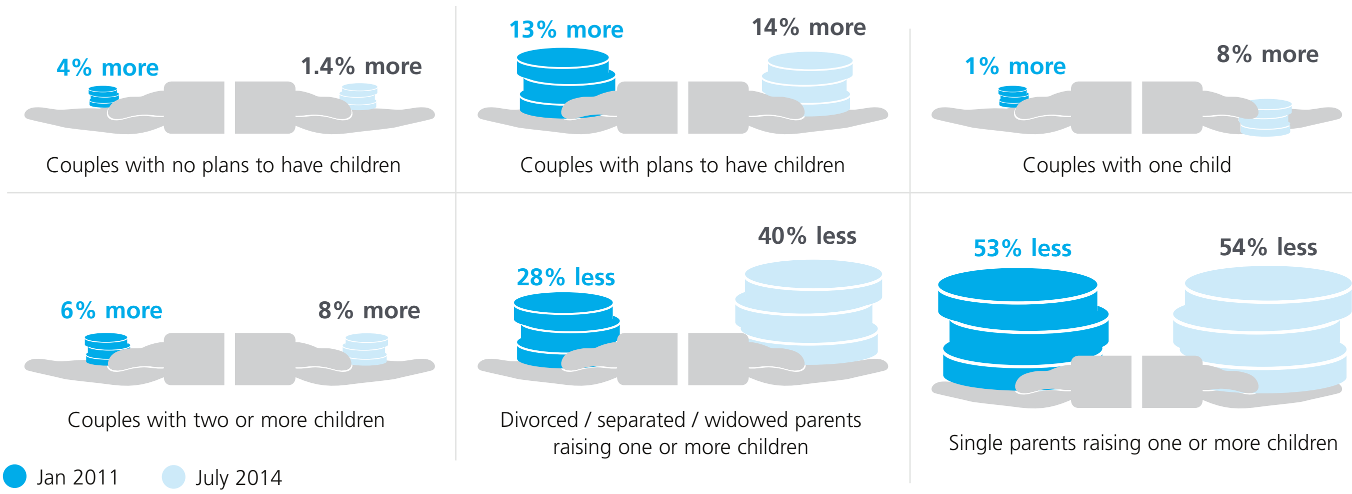
While married or committed couples with plans to have children remain the biggest earners in July 2014, those with one child have gained the most over the last three years in the form of a £388 (20%) boost to their monthly income, from £1,964 to £2,352. Those couples with plans to have children are close behind with a 14% uplift in income, from £2,187 to £2,499.

How monthly incomes have changed for different families in the last three years



These varying family fortunes mean the spread of income has widened across the six family types. Back in January 2011, the highest and lowest earning family types were separated by £1,281 per month (equivalent to 66% of the typical UK family income). The gap now stands at £1,500 in July 2014 (69% of the typical UK family income).

How much do UK families take home compared to the 'typical' family?



The percentage of families surviving on less than £1,250 net monthly income has fallen slightly to 19% in the last six months (down from 31% back in January 2011). The percentage receiving more than £2,500 net income each month has risen slightly from six months ago from 34% to 36%. It was 34% at the start of this report series.

Income sources

Recent labour market statistics have shown a growth of employment rates among UK adults of working age, with Office for National Statistics data for the second quarter of 2014 showing that there were 30.54 million people in work for February to April 2014, 345,000 more than for November 2013 to January 2014 and 780,000 more than a year earlier.

This is reflected in families' income sources, with 75% receiving income from a primary job in December 2013: up from 74% in December and 72% back in July 2013. The percentage of families drawing income from a spouse's job has fallen in the last six months, down by two percentage points from December 2013 to 37%.

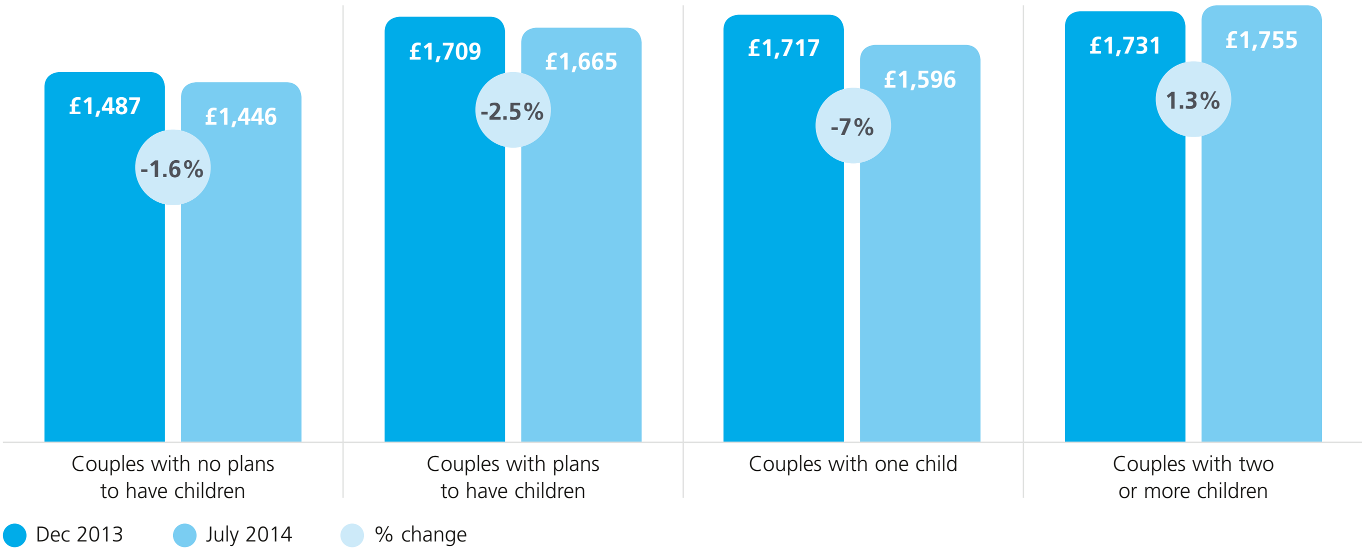
In contrast, the number of families receiving income from benefits continues to fall. Eighteen per cent of families now receive this income, down from 19% six months ago and 21% in January. Over half (54%) of single parents receive benefit income, compared with 11% of two-parent families with one child and 19% of two-parent families with more than one child.

Expenditure

Family spending has fallen since 2013, with families making cutbacks in many areas. UK families had monthly outgoings of £1,584 in July 2014, compared with £1,604 six months earlier. However, the rate of cutbacks has slowed. Customers shaved 8% off their outgoings in the last six months of 2013, but only 1.2% in the first six months of 2014. Total family expenditure has fallen by 13% since January 2013.

Of those couples who are married or in committed relationships, only those with two or more children have stopped cutting back. Those with only one child have trimmed their outgoings by 7%. Those planning to have children have cut their spending again. After trimming their spending by £206 in the last six months of 2013, they have cut a further £44 from their outgoings in the first six months of this year.

Couples continue to cut their outgoings



Families have managed to make cutbacks in many areas, including nursery and out-of-school childcare fees, where monthly spending across all families has fallen to £21.87 down from £26.29. Motoring is another area where outgoings have been reduced, from £86.02 to £83.77 a month.

However, the amount spent on housing each month, whether through rent or mortgages, has risen to £400.50 from £393.51.

The number of families who have spent money on holidays has risen by three percentage points, with 48% booking a break. However, this may reflect seasonality, with many families prioritising summer holidays over winter trips. A year ago, 51% of families were spending on summer holidays so this still represents a dip.

However, there is evidence that more families are becoming able to buy items that may be considered inessential. These include leisure goods, bought by 3% more families than last year. The percentage of families spending money on satellite television packages also rose.

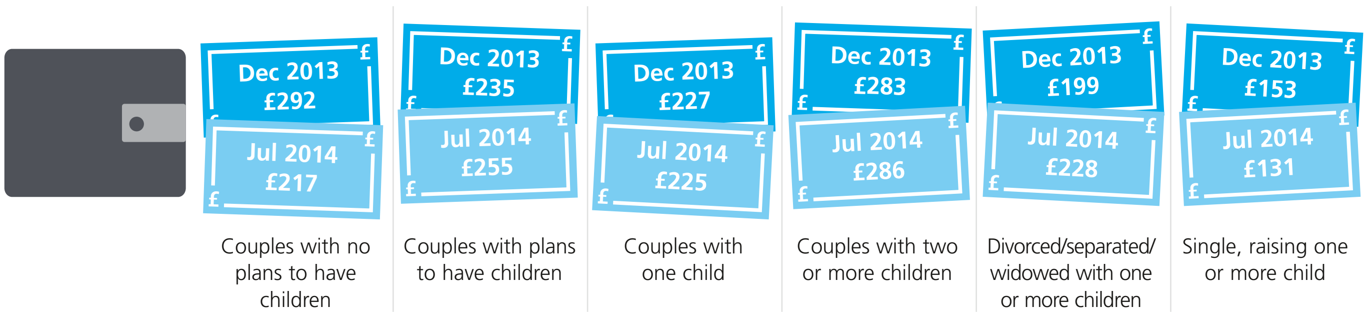
Spending on luxuries rises in six months

The proportion of families making monthly debt repayments has risen slightly from 44% to 45% - taking it back to the level it had reached last July. This is still a huge change compared with August 2012, when 57% of families spent their money repaying debts.

However, among those families who are repaying debt, the amount that they repay each month has fallen. July's typical monthly debt repayment is £247, down £10 from six months ago.

Different family types have adjusted their debt repayments in different ways. Those who are divorced, separated or widowed have increased their debt repayments by over 10% to £228 a month. Couples with two or more children, who have the highest monthly debt repayments, now pay £286 a month, £3 more than previously. Single parents, couples with no plans to have children and couples with one child have all reduced their debt repayments.

How families have adjusted their monthly debt repayments since winter 2013



"What a difference six months makes! Our figures show that UK families have more income than previously seen in the Family Finances series and with the inflation rate finally subsiding, it would appear it is no longer being eaten up by the rising cost of living. It's good to see that families are still managing to cut back on spending in areas such as childcare and motoring, which in turn could help them to prioritise paying off debts and even have some left over for leisure and luxuries."

Louise Colley, protection director, Aviva

Family wealth

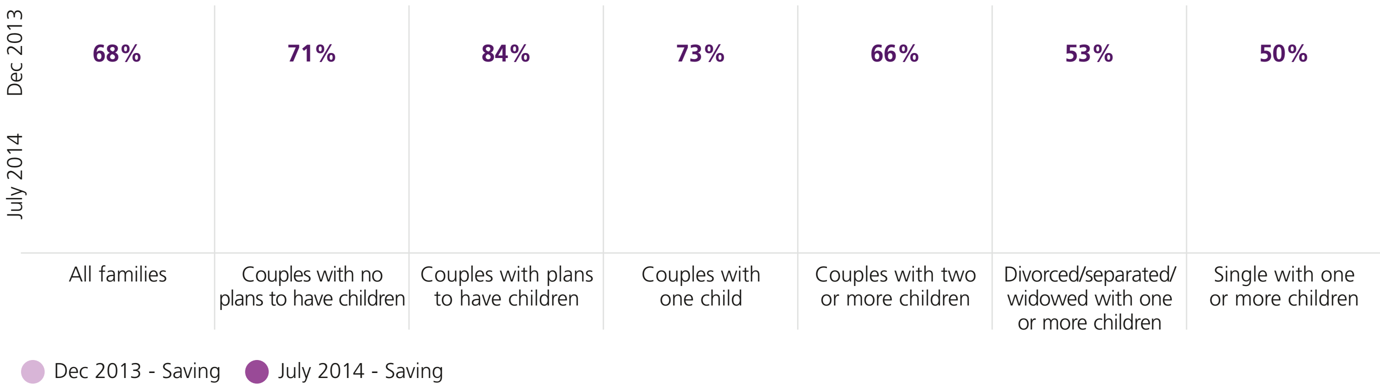
With family income at a record high and expenditure falling, the typical British family is able to save more than ever before. July 2014 sees a small rise in the number of families who are able to save or invest some money every month, up from 68% to 70%.

The typical amount saved by UK families has risen by £6 to £97, the highest amount saved since Aviva started this report series three and a half years ago.

Across nearly all family types, there has been increasing effort made to improve saving pots. The only families where saving is less likely than it was six months ago are couples with one child. Here, the percentage of families saving has dropped from 73% to 70%.

Single and divorced, separated or widowed parents have made rapid gains when it comes to savings. Fifty five per cent of single parents are now saving, compared with 50% six months ago, while 58% of divorced, separated or widowed parents now have a savings account compared with 53% six months ago.

How the savings balance has shifted in the last six months



The savings habits of the nation have been transformed since the Family Finances report began. The first edition in January 2011 found 40% of families were saving nothing each month, and this climbed as high as 42% in January 2012. The percentage of families saving nothing has now fallen to 30%.

The amount in the average savings pot has also climbed. The typical family has more than three times the amount put away for a rainy day than they did three and a half years ago. Then, they had £849 of savings, and compared to £3,170 now. That is still slightly lower than the peak of £3,281 in July 2013, but up from £2,773 six months ago.

However, the number of families with no savings cushion at all has ticked up very slightly. This had fallen to a record low of 20% of respondents in December but now stands at 21%. This compares with 28% in August last year and 33% back in January 2011, indicating an improving trend.

When breaking down these figures by family type it is apparent that many families are maintaining their savings. However, the number of families with one child who have no savings has jumped slightly, from 17% to 19%, as has the percentage of couples with no plans to have children who have no savings (15% to 16%). However there has been a decrease of five percentage points in the proportion of divorced separated or widowed parents with no savings, to 32%.

This said, while more people are saving, the amount of money that they have as a savings cushion is still relatively small. Just under a third (31%) of all families have less than £500 in savings, up from 30% six months ago. Nearly half of all families have less than £5,000 in savings. Couples with no plans to have children have the greatest savings at the opposite end of the spectrum. One in ten has savings of more than £100,000, compared with 5% for all family types.

The distribution of family savings pots in July 2014

	Less than £500 saved	Less than £1,000 saved	Less than £2,000 saved	Less than £5,000 saved	Less than £10,000 saved	Less than £50,000 saved	More than £100,000 saved
All families	31%	35%	41%	48%	56%	75%	5%
Couples with no plans to have children	24%	26%	28%	35%	42%	62%	10%
Couples with plans to have children	22%	27%	35%	48%	56%	77%	7%
Couples with one child	26%	30%	36%	44%	54%	76%	3%
Married/committed relationship with two or more children	29%	33%	39%	46%	54%	75%	2%
Divorced/separated/ widowed - raising one or more children alone	46%	52%	57%	65%	73%	84%	1%
Single with one or more children	63%	65%	72%	77%	83%	91%	1%

Government changes to ISAs begin to increase uptake

Government efforts to increase the uptake of ISAs by increasing the flexibility of the product as well as the amounts that can be sheltered from the taxman, are already beginning to have an impact.

There was a one percentage point increase in the number of families with ISAs over the last six months, up from 39% to 40%.

Buy to let mortgages also became more popular in the period, perhaps fuelled by house price and rental growth. Four per cent of UK families now have a buy-let mortgage, compared with 3% six months ago.

While take up of both stocks and shares and premium bonds fell back slightly within the last six months, families have turned to buy-to-let as a way of saving for the future, with 4% of families overall holding a buy-to-let mortgage.
Couples without children, whether planning to have them later or with no plans to have them, are the most likely to have a buy-to-let property, with 5% of both family types owning a second home with a mortgage for buy-to-let purposes.

"It's great to see families making an effort to save, using their extra income to ensure that there is a savings cushion available for a rainy day. However, that cushion still looks relatively threadbare in some cases, with many families having less than £500 put away. Government changes to ISAs may encourage more people to save, and to save more, which would be beneficial for family security."
Louise Colley, protection director, Aviva

Housing wealth

The strength of the housing market has remained a major theme throughout the first half of 2014, with house prices rising particularly quickly in London and the South East.

Both the Nationwide and Halifax House Price Indices have shown significant growth, although this masks large regional differences. House prices in London showed annual growth of 18% in the first quarter of 2014 compared with 9.2% overall, according to Nationwide.

Aviva's data shows that the average family home is worth £230,030 – the largest figure ever recorded by the Family Finances Report. In December 2013 the average home was worth £222,817, so this represents a substantial increase in wealth of £7,213 or 3%.

There are clear regional splits within this data, however. Families in northern England have seen their homes fall in value by up to 7% since December. The average family house price in Yorkshire is now £197,004, down from over £201,000, while in the North East it is £158,036 down from more than £162,000. Family homes in the North West are now worth £170,719, down from £183,594.

Meanwhile the average London family home has increased in value from £359,331 to £372,931 – an increase of nearly 4%.

As house prices have risen, so have outstanding mortgages. The average owed on a mortgage is now £100,814, compared with £94,865 in December. The good news is that the amount of equity that families have in their homes has increased too, up from £153,009 to £155,579.

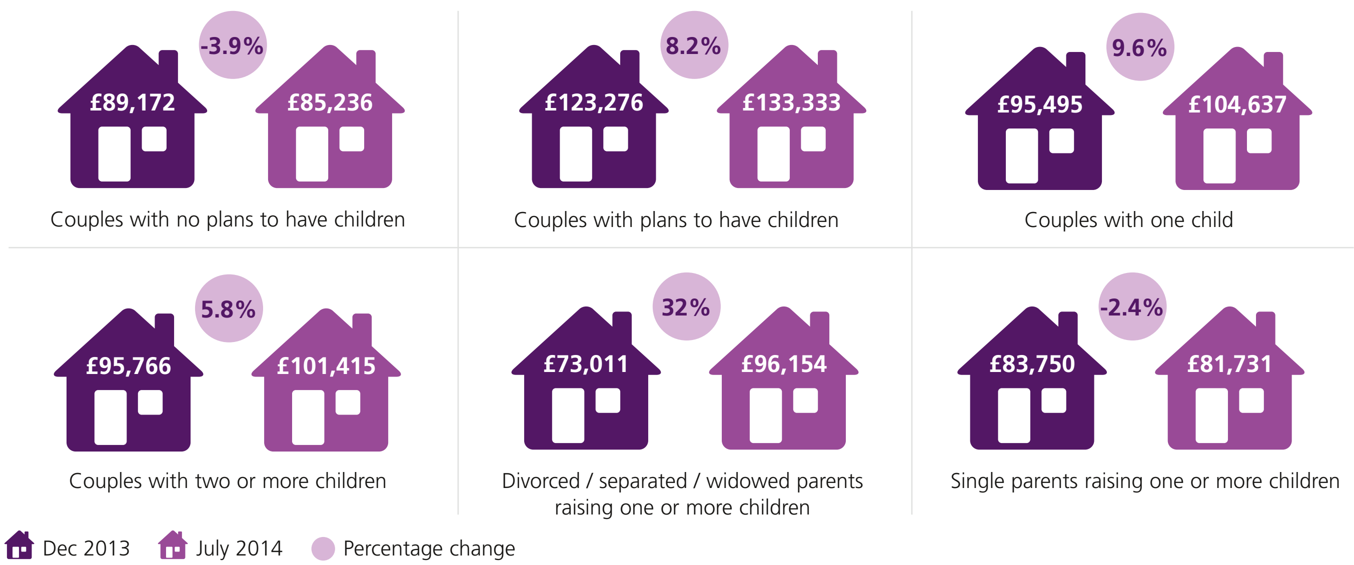
The increase in the average outstanding mortgage represents a change in direction for UK families. December 2013's report showed that families with mortgages owed less than at any point since 2011, and were using their disposable income to maintain or increase mortgage repayments. This new data suggests that rising house prices and continued squeezes on income are making it harder for families to pay down mortgage debt, while those who are buying new homes are needing to borrow more.

It is also possible that some families are remortgaging onto more favourable rates and taking the opportunity to release some equity in their homes at the same time.

Across the tracked family types, all but two have seen their mortgage debt climb over the last six months. Single parents are one family type not to have taken on extra mortgage debt, while the other is couples who have no plans to have children.

Couples who plan to have children have the biggest mortgage debt at £133,333, reflecting the high cost that young couples must pay to buy a large enough property to start a family. Their mortgage debt has risen by over 8% in this period.

Changing levels of mortgage debt since winter 2013



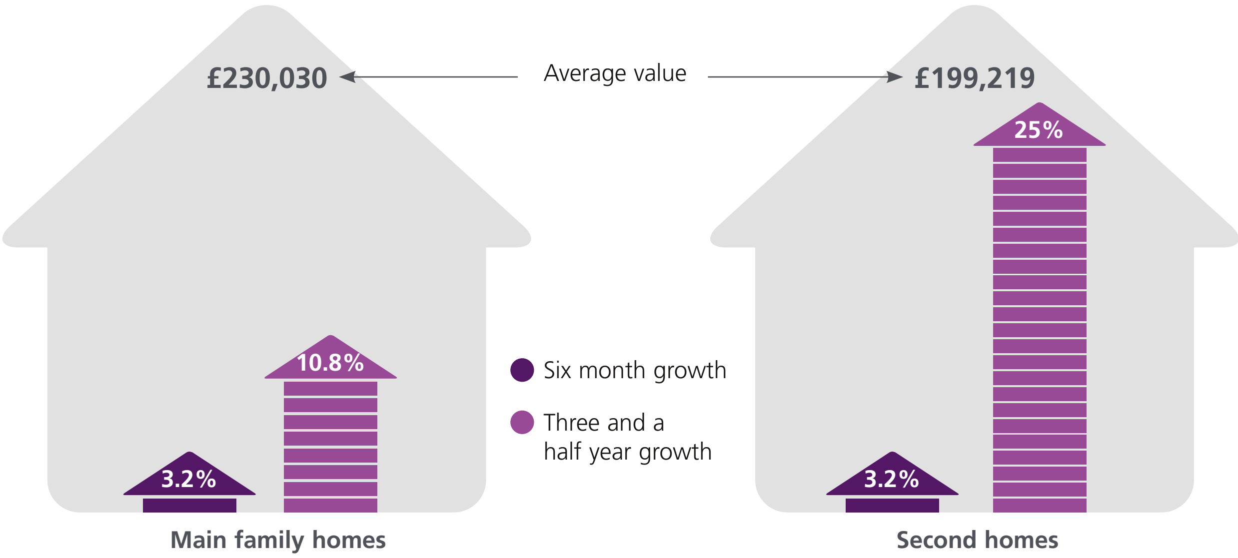
Levels of homeownership among UK families have risen very slightly to 68% from 67% over the last six months, with exactly half of all families (50%) owning their own home with a mortgage rather than owning it outright. Eighteen per cent now own their property outright, a rise of one percentage point. Private rented accommodation continues to provide a home for 16% of families, as in December 2013, while the percentage in social housing has returned to 15% after a one percentage point rise to 16% between last July and December 2013.

Rising prices and low rates on cash deposits have made property an increasingly attractive investment in recent times. Eighteen per cent of families say that they have a second property of some sort, including buy-to-let properties, holiday homes, timeshares or homes owned jointly with older children. Those in the 41-55 age group are the most likely to own a second home.

The average value of second homes has increased from £192,946 to £199,219 since December 2013. However, the average mortgage on these properties has increased too, from £136,530 to £144,516, suggesting that families are willing to take on more debt to get hold of a second property. This highlights the importance of protecting one's income in this situation, so that these obligations can be met if situations change.

For the last six months, the average value of second homes has increased at the same rate as the average value of first homes, giving those who have been able to purchase both types of property an uplift in wealth. Over a longer period, however, second properties have outperformed primary residences in terms of value, thanks to the buy-to-let phenomenon across the country. The value of second properties has risen by 25% in three and a half years, compared with 10.8% for first homes

Second properties outperform main homes in terms of value



However, because families have increased the mortgage debt on second properties they now have less equity in their second homes. In December 2013 the typical family in this category had £56,416 of equity tied up in a second property; this figure has since fallen by £1,713 to £54,703.

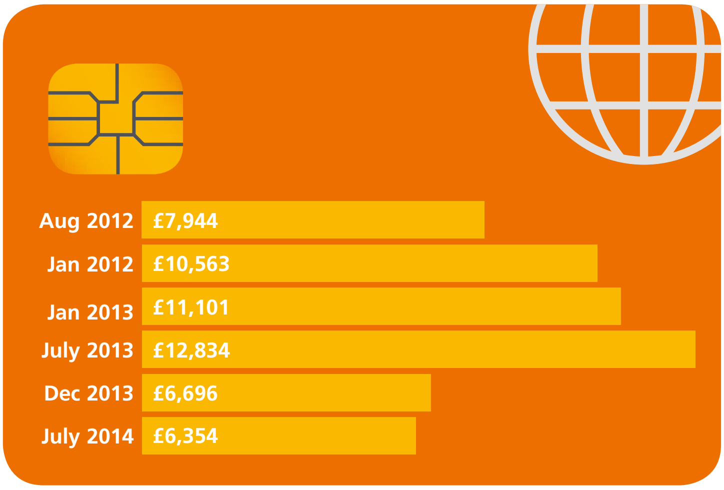
> "Strong house price performance has benefitted home-owning families, although the top line figures mask regional differences when it comes to increasing housing wealth, which has mostly been the preserve of those in London and the South East. However, the general trend towards reducing mortgage debt has reversed, suggesting that families who want to get onto the property ladder are having to take on bigger mortgages to fund their purchases while others lack the spare cash to pay down their debts."
>
> Louise Colley, protection director, Aviva.

Family borrowing

Household debt is now lower than it has been at any point since January 2012. This debt has frequently exceeded £10,000 over the last three years, and was as high as £12,834 in July 2013.

It is now at less than half that maximum level at £6,354, down £342 in the last six months alone.

How average household debt has fallen



Families have been able to use their extra income to clear debts. However, while the percentage of families who use most forms of household debt has reduced or stayed the same there is evidence that many families are still using a bank overdraft as part of household budgeting.

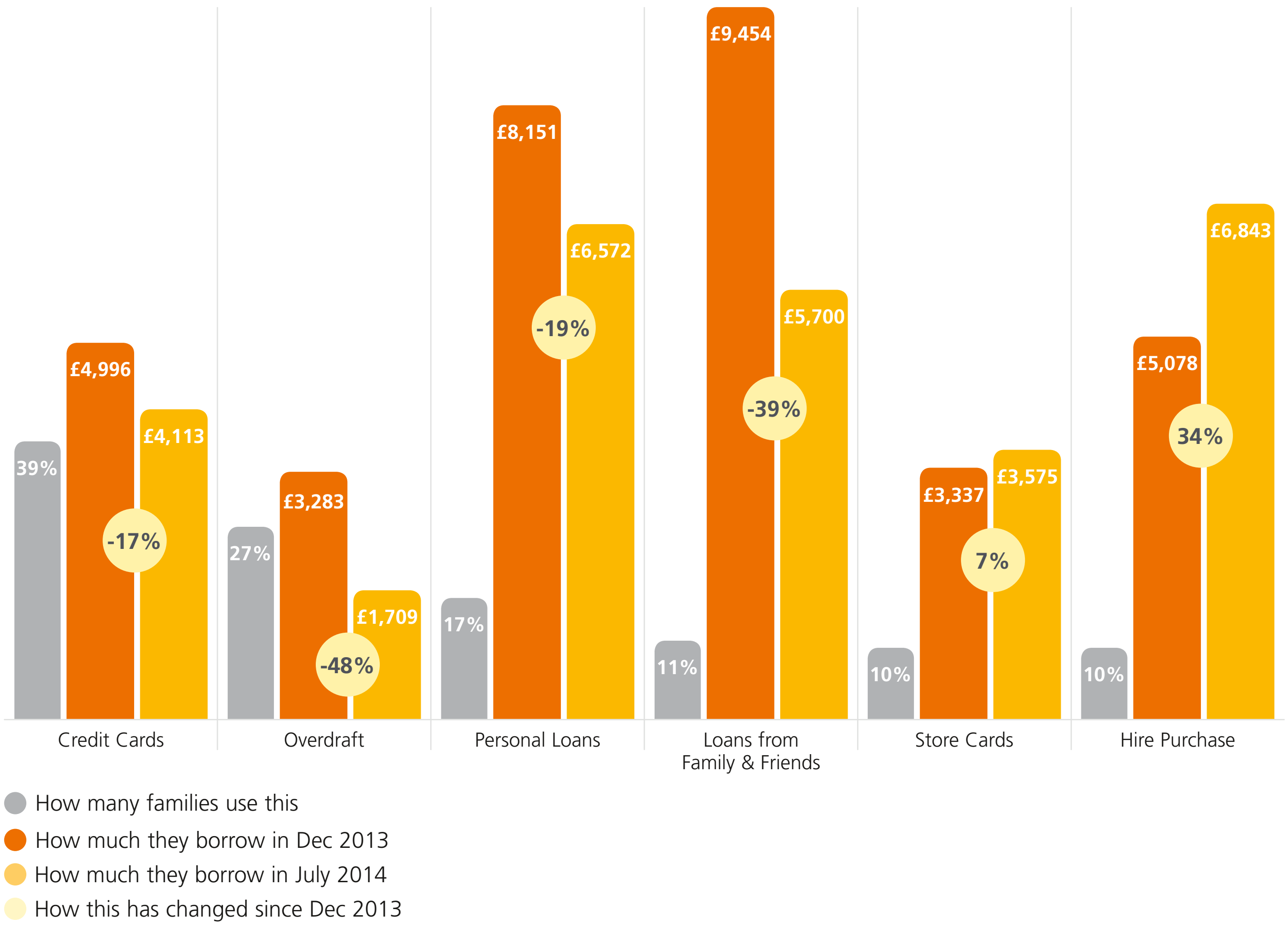
The percentage of families using a bank overdraft has increased from 20% to 27% in a six month period, although the average overdraft amount has decreased sharply in the same amount of time. Across all UK families, the average bank overdraft is now £318, down from £642 six months ago.

This may reflect the new deals offered by banks to incentivise customers to switch accounts under new rules. These deals tend to offer good overdraft rates, but only on small amounts. The decrease may also reflect banks' unwillingness to give out large authorised overdraft facilities following the credit crunch.

The use of most other forms of borrowing has either declined, stayed the same or increased only slightly. The number of people using a pawnbroker or hire purchase has increased by one percentage point (to 3% and 10% respectively), but the number of people using personal loans has declined by the same amount. The use of payday loans has remained static, at 4% of the population, despite new rules from the Financial Conduct Authority (FCA) which now regulates these loans. The amount of money owed on this type of loan has decreased, however. In the last six months, it has fallen from £348 to £331, representing a massive drop from the average £4,322 owed in November 2012.

Looking at the most common forms of unsecured borrowing among UK families, there has been a significant trend to reduce borrowing commitments on credit cards, bank overdrafts and personal loans as well as a huge reduction in the amount borrowed from family and friends. However, the amount borrowed on store cards and hire purchase has risen, reversing the trend from last year, when these balances were reduced.

How household debt balances have changed among those who use different forms of debt



A look to the future

Inflation is no longer the bugbear it was six months ago for Britain's families. May this year saw the UK rate of inflation fall to its lowest in four and a half years, to 1.5%.

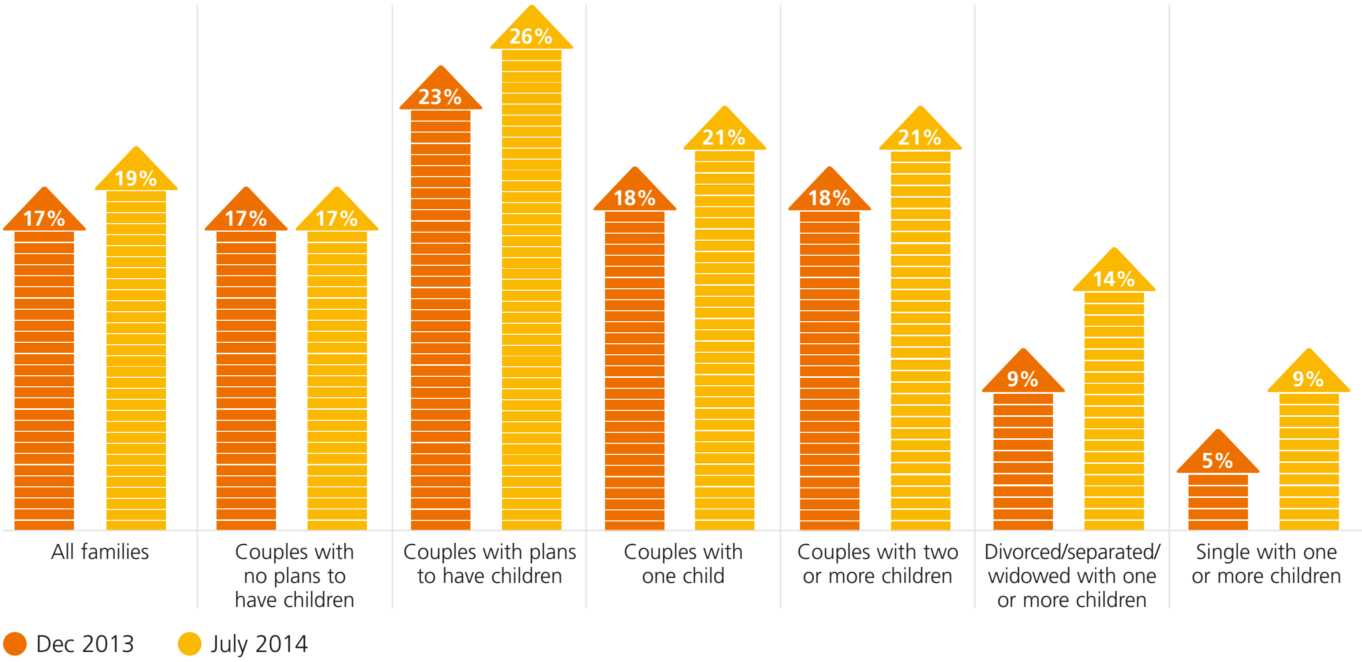
This is reflected in a fall in the number of families who rated the rising cost of living as a major concern. While 60% still raised the issue, this has fallen from 65% just six months ago.

Other concerns have taken its place for some families. With the economic recovery underway, remarks by Mark Carney, Governor of the Bank of England, seem to point to an interest rate rise sooner rather than later.

For some families, this is a concern, as this would have an effect on their monthly mortgage payments. Nineteen per cent of respondents rated rising interest rates as a concern, up from 17% six months ago. The worry is particularly acute in couples who plan to have children, who - as we saw earlier - have taken on increased mortgage debt in order to obtain a big enough house for their offspring. More than quarter (26%) of this type of family rated interest rate rises as a concern, compared with 23% six months ago.

Concerns about the loss of income from investments has risen by three percentage points over the same period to 8%, indicating that families are still concerned about the state of the economy.

Rising concern over rising rates – families are more concerned than six months ago



It seems families are taking steps to increase their level of protection in response to these emerging threats. An additional 4% of families have made a will in the last year (making 29% overall) while an extra 2% of families are saving for a rainy day (34% overall). It is also encouraging that the number of families who have made no financial preparations for the future has fallen to 24% (25% in December 2013 vs. 28% in January 2013).

Despite an improved economic situation and greater levels of income, there is a clear perception that the financial situation is still unstable. Lower levels of unsecured borrowing have helped to keep fears about meeting debt repayments in check, while the improving job situation means there's been a slight fall (1%) in the number of families worried about continuing unemployment. In every other respect, however, financial fears among UK families continue to rise.

Babies and breadwinners: How Britain's families went back to work

The last fifty years have seen a seismic shift in the way that we bring up our children in the UK, with fathers playing a more hands-on role in the home and mothers taking on greater responsibilities in the workplace.

The number of stay-at-home mothers has fallen to a record low of just over two million, a third fewer than when official records began in 1993.

This fall is showing no sign of abating. Official figures show that the number of women who define their occupation as "looking after the family or home' fell by 1% between January and March 2014.

One major factor that has contributed to the change in family status is rising house prices and the rising cost of living. In the last thirty years, the average house price has risen from three and a half times average earnings to four and three quarter times the average wage – making it harder for a single income family to buy a property.

Meanwhile, the government's reform of family benefits in recent years may mean that even more families with young children are opting to have two working parents.

Households where two parents work are often better off financially, but there are issues to consider. These include the cost of childcare and how to balance parental responsibilities outside and inside the home.

Far from a 'one size fits all' approach towards this change to the family structure, the parents of Britain's pre-schoolers are coming up with a wide range of bespoke solutions.

Some families are relying on either formal or informal childcare arrangements so that both parents can work full time. Other families are rearranging their working patterns so that one or both parents can work part time.

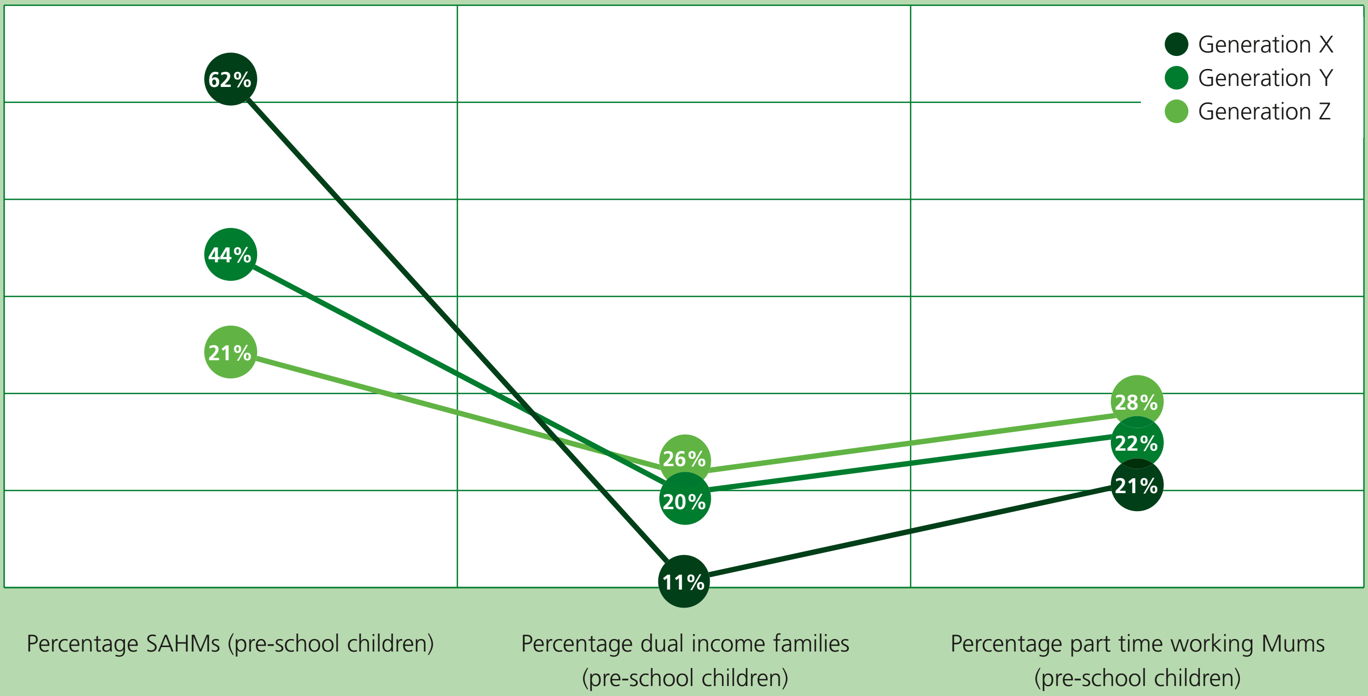
Aviva's Family Finances Report has tracked the changing employment patterns in British families over the last five decades.
A spotlight study has surveyed parents of the so-called Generation X (born between 1965 and 1980), Generation Y (born between 1981 and 2000) and the most recent Generation Z (who have birthdates from 2001 to 2014).

Shift in family dynamics

The percentage of families with a mum who is a full-time home-maker has almost halved between Generation X and Generation Z, from 62% to 34%, according to Aviva's research. Over the same period, the percentage of families who rely on two full-time incomes has doubled from 11% to 22%.

The change in working patterns has implications, both good and bad, for the financial resilience of Britain's families. With two incomes to protect, rather than one, it is more important than ever that families consider how they would cope financially if one wage earner was unable to work due to illness or unemployment, and that families are sure that they have the appropriate level of protection in place should the very worst happen, and a parent die unexpectedly.

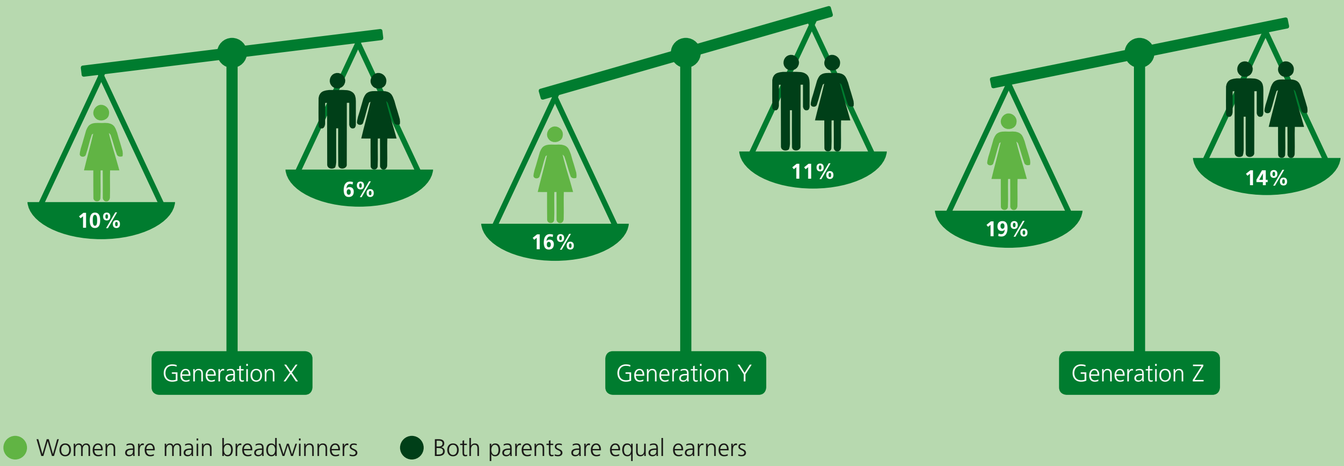
How the percentage of stay at home mums has decreased as dual income parents have increased



Breadwinning is shared more equally

While statistics from the TUC show that full-time working women still earn, on average, £5,000 a year less than men, Aviva's research shows that female breadwinners are on the increase in many British families. The number of families where both parents are equal earners is also increasing.

Women breadwinners and equal opportunities families increase



Childcare use is growing

As more parents have gone out to work, reliance on both paid and unpaid childcare has increased, which has further added to family expenses. According to childcare charity The Family & Childcare Trust, the cost of childcare has increased at a rate well above inflation in recent years and now outstrips the average mortgage.

For a family with two children in full-time childcare, the yearly bill is £11,700. This makes childcare costs 62% higher than the cost of the average mortgage for a family home.

Over the last five years childcare costs have risen by 27% – meaning that parents pay £1,214 more in 2014 than they did in 2009.

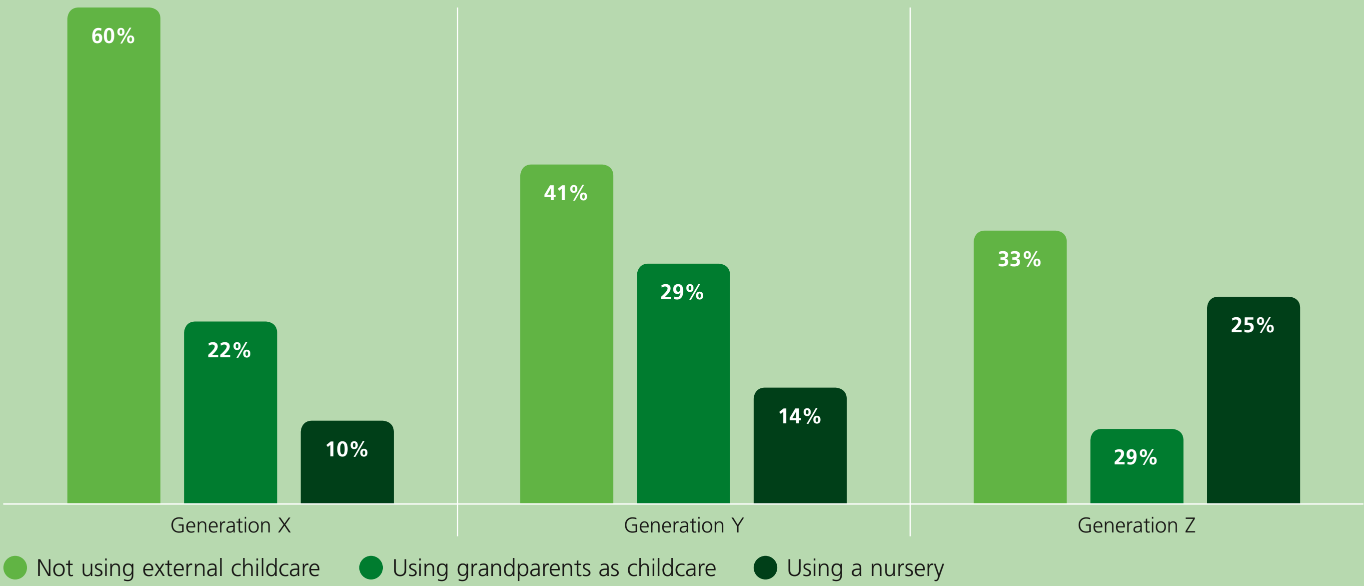
Despite these increases, the percentage of families that use no childcare at all has fallen dramatically.

While 60% of Generation X parents did not need to use childcare for their children, just 33% of Generation Z said the same. A quarter of Generation Z parents use nursery-based childcare, compared with 10% of Generation X parents.

Unpaid childcare, generally from grandparents, has risen as well. Nearly a third (29%) of Generation Z parents rely on grandparental childcare, compared with 22% of Generation X parents.

However, the tradition of using grandparents as a source of free or cheap childcare may be under threat, given the rising retirement age. Recent ONS statistics show that one in 10 people aged over 65 has a job, up from one in 20 in 1993. The state pension age is due to rise to 67 in 2028 meaning that fewer grandparents may have the leisure time to help their children care for their families.

How childcare use has risen

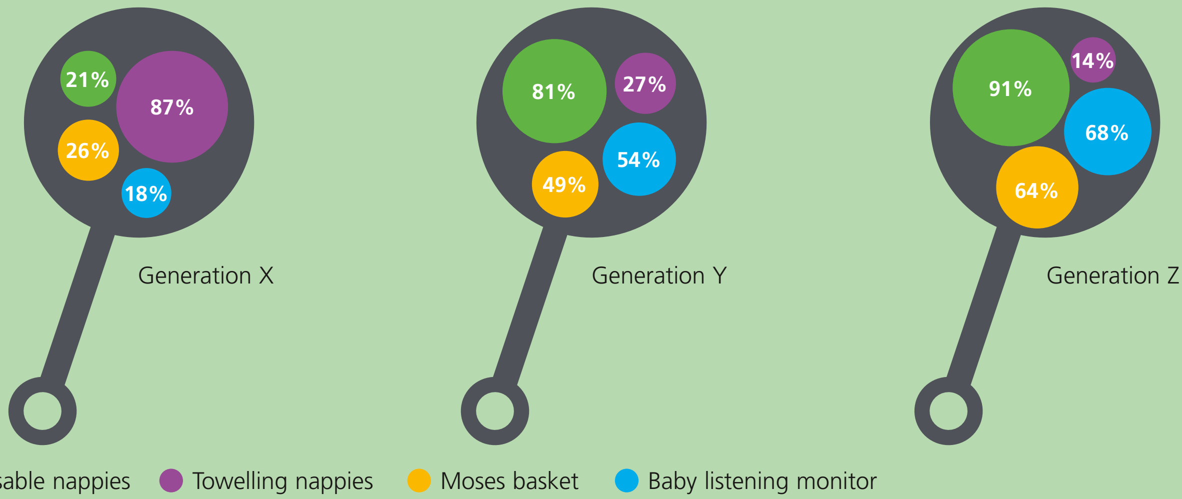


With more parents using childcare, and more women working, there has been a shift towards shared parenting, rather than one or the other parent taking the lion's share of the family duties. Although 70% of families say mothers still take on the main task of looking after the children, this has dropped from 83%, while over a quarter of families have parents who share the childcare equally. Only 15% of Generation X parents said the same.

Non-essential purchases increase

With working families and shared parenting has come not only a rise in living standards, but also more money spent on what are arguably 'non-essentials' to make parents' lives easier. Over 90% of families with small children now use disposable nappies, compared with 21% of Generation X mums and dads, while 68% of parents now have a baby listening monitor, compared to 18% of Generation X parents. Parents are also more likely to have bought a Moses basket, although previous Aviva research has shown this is one of the main items many new parents never use. Over 60% of parents of pre-schoolers now have one of these debatably 'inessential' items, compared with 26% of the parents of earlier generations.

Parents buy baby items to make life easier



Dual-income families still struggle to save

While today's families have money available for small-scale 'luxuries', they are struggling to save for themselves or to find enough money for a house deposit.

Aviva's figures show that, in recent years more families with pre-school children are still in rented accommodation. Only 10% of families with babies born between 1981 and 2000 were living in rented accommodation, but that has now risen to 18%.

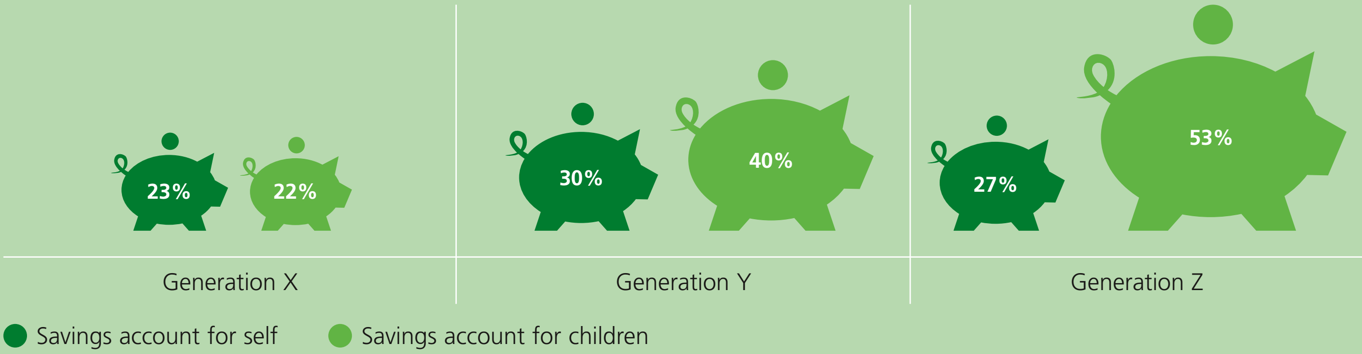
This highlights the effect of the credit crunch as well as rising house prices on British families – with mortgage finance scarce and banks demanding higher deposits, families remain in rented accommodation for longer, and must save for a deposit whilst paying a monthly rent cheque.

Some families are taking steps to protect their two incomes against unemployment or illness. Ten per cent of Generation Z families took out critical illness or income protection cover shortly after having their first child, up from 4% in Generation X. However, this percentage has remained static for some time. Life insurance rates, although higher at 28%, have dipped from 33% pre credit crunch, suggesting that some families cut back on protection as times became tough.

Despite tough financial conditions, families are still opening savings accounts for their children. The compulsorily opened Child Trust Funds for children born between 1 September 2002 and 2 January 2011 may have contributed to the increased percentage of children with savings accounts, up from 22% for Generation X babies to 53% for Generation Z babies. Other new products such as the Junior Isa may also be a factor, while the introduction of tuition fees for university may have encouraged parents to save for their children's futures.

However, parents are far less likely to be saving for themselves than they are for their children, unlike in previous generations. While 23% of Generation X parents had a savings account for themselves and 22% had one for their children, 27% of Generation Z parents held an account for themselves compared with 53% who held an account for their children.

Savings for self and children



Positive Developments

Most families regard changes to working patterns, legally enshrined parental leave and the ability to work flexibly as broadly positive things. Six out of 10 parents across all generations feel that today's parents are lucky to be able to combine their family life with working, despite the cost of childcare and other pressures that this can bring.

Seventy seven per cent of parents feel that fathers are more hands-on with their children than they were in previous generations, while 80% feel that today's fathers are lucky to have more opportunities to spend time with their children.

"Family life has changed massively in the last fifty years, with many fathers taking a more hands-on role in the home, while more mothers go out to work. In many ways, this has had very positive repercussions, with families enjoying an increased living standard thanks to dual incomes, and parents enjoying a shared approach to childcare.

However, parents should be vigilant to ensure that their finances adapt to changing family circumstances. Whether it is ensuring that the financial contribution of both earners is protected against illness or unemployment, or putting strategies in place to deal with rising childcare costs, the dual-income family has its own financial pressures that must be borne in mind."

Louise Colley, protection director, Aviva.

The view across the UK

Summary

While the financial picture for families in the UK has seen positive changes over the last six months, there have been marked differences across the regions. Londoners still have the highest average monthly income at £3,280, which is 50% more than the average family at £2,185.

Families in the South East continue to take second place when it comes to monthly incomes.

While there have been healthy increases of 6% and 2% in London and the South East respectively, families in other areas have seen their incomes fall slightly. In Yorkshire, the South West, the North East and the East Midlands, incomes have fallen. The largest fall was in the North East, where incomes have declined from £2,172 to £2,031, a fall of 6%.

The lowest incomes in the UK can be found in Wales and Yorkshire, where average monthly incomes currently stand at £1,577 and £2,018 respectively.

Assets and savings

Families in the capital continue to have the largest savings pots (£9,998), although the size of their savings pots has fallen from £10,249 six months ago and from £11,499 a year ago, perhaps reflecting the large amounts needed for house deposits and the high cost of living. In contrast, those in the East Midlands, who have the second-largest savings pots at £5,768, have managed to increase their savings by £770 in the last six months. Those in the North East have the smallest savings pots at £498, although they have managed to increase them from £192 in the last six months, a notable increase of 159%.

The most dedicated savers live in London, with 77% of families here making monthly contributions to their savings pots. However, this is a decrease of three percentage points since December. However, families in the North East have made a real change to their savings habits over the last six months. Sixty-two per cent of families in this area are now saving regularly, compared with 55% six months ago.

Borrowing

Londoners remain the most likely to have a credit card, and the proportion who do has risen by five percentage points to exactly half since December 2013. However, they have managed to reduce the average bill so that it now stands at £2,221, down from £2,399.

Welsh families, who back in December were those with the smallest credit card bills, have seen an unexpected leap in borrowing from £855 to £2,635.

Families in this area have the lowest incomes in the UK, and the rising cost of living in past months has clearly put a strain on the family finances.

Housing

The average family house price in London (£372,931) has risen by 3.7% over the past six months, following a 5% rise between July and December 2013. It is now above the record price of £371,081 reached in January 2013. In contrast, the average family home in Wales is valued at just £165,489.

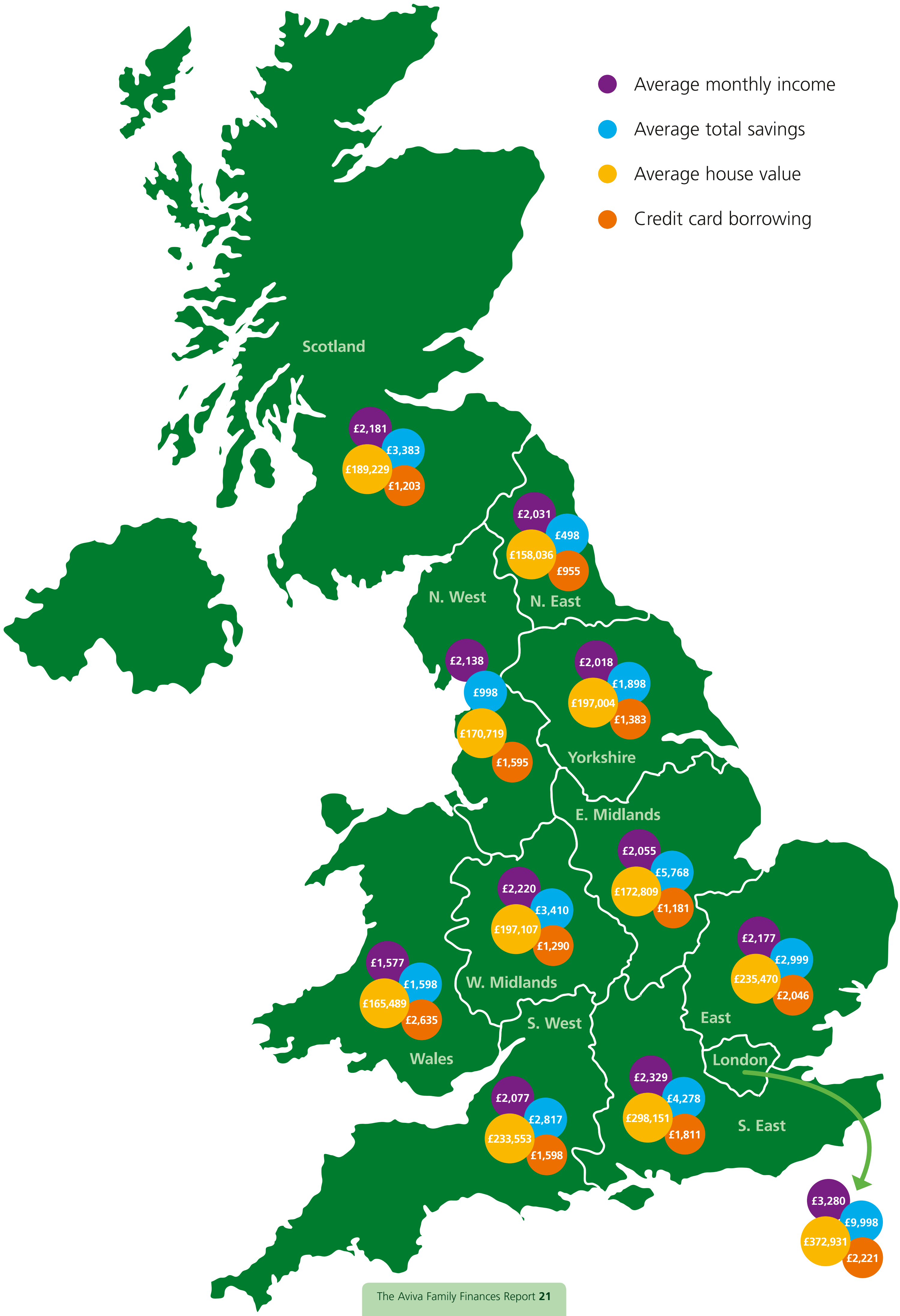
Fifty-one per cent of people in London own a home with a mortgage, while a further 17% own their homes outright. This compares with 50% across the UK as a whole, while only 44% in the South West own a home with a mortgage, and 16% own outright.

Despite London's high house prices, a larger proportion of families than elsewhere in the UK own a home with a mortgage.

Long-term financial security

Families in the North West are the least likely to be paying into a personal or employer pension, with only 31% doing so. This compares with 44% of people in both the South East and the South West.

Life insurance is most likely to be bought in East Anglia, where 39% hold the product compared with 33% countrywide. Just under a third of the nation has made a will. Those in East Anglia are most likely to have done this – 44% of people in this area have made a will – compared with only 17% in the North East of England. Nine per cent of people in Yorkshire have bought an investment property for the future, compared with 5% across the UK.


Average monthly income
Average total savings
Average house value
Credit card borrowing
Scotland
£2,181
£3,383
£189,229
£1,203
N. East
£2,031
£498
£158,036
£955
N. West
£2,138
£998
£170,719
£1,595
Yorkshire
£2,018
£1,898
£197,004
£1,383
E. Midlands
£2,055
£5,768
£172,809
£1,181
W. Midlands
£2,220
£3,410
£197,107
£1,290
Wales
£1,577
£1,598
£165,489
£2,635
East
£2,177
£2,999
£235,470
£2,046
S. West
£2,077
£2,817
£233,553
£1,598
S. East
£2,329
£4,278
£298,151
£1,811
London
£3,280
£9,998
£372,931
£2,221

So what does this tell us?

Record levels of income, together with families being able to save more and spend more on their leisure time, shows that the broader economic improvements are trickling down to UK residents.

However, it is clear that rising house prices are still affecting large swathes of Britain's families. Although housing wealth has increased, the amount of money people are spending on their mortgages has risen, while more people are listing worries about mortgage rate rises as a financial concern.

More families are managing to save, but many people still only have savings of £500 or less, which would not last long if a main breadwinner was unable to work due to illness, injury or worst still, death. There is also still regional inequality, with incomes rising in some areas but falling in others.

The amount owed to payday lenders is falling, which is great news, but more families than ever are dipping into their bank overdrafts, which suggests that their financial stability is still finely balanced.

Putting the big picture to one side for a moment, our spotlight shows that many families are changing their approach to work and childcare. Today's parents are more likely to share parenting than in earlier generations, and also more likely to rely on childminders, nurseries or grandparents to take care of the children.

Rising house prices and the expectation of a higher standard of living has led to many families feeling that they need two incomes in order to survive. With this in mind it is important that families ensure that they have protection in place for both breadwinners, and a clear sense of how they would cope if something went wrong.

With so many needs to balance, it can often help to pause for breath and consider whether the available options to save, invest or protect an income might provide some extra security and help provide peace of mind. No-one can predict the future, but taking careful steps wherever possible can often put families in a stronger position to manage any change that comes their way.

Louise Colley,
Protection director, Aviva

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 findings.

In total, 22,000 UK consumers have been interviewed between January 2011 and May 2013. This data was combined with additional information from the sources listed below and used to form the basis of the Aviva Family Finances Report. All statistics refer to figures released in July 2014 unless stated otherwise.

Additional data sources include:

- Office for National Statistics.
- Nationwide House Price Index
- Halifax House Price Index
- Family and Childcare Trust
- Lloyds Banking Group
- TUC

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.
- An average or **mean** is a single value that is meant to typify a list of values. This 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 Sarah Poulter at the Aviva Press Office on 01904 452828 or sarah.poulter@aviva.co.uk

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