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Research Report No 363

Understanding older people's experiences of poverty and material deprivation

Nicola Dominy and Elaine Kempson

A report of research carried out by the Personal Finance Research Centre,
University of Bristol on behalf of the Department for Work and Pensions

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Summary

Poverty in the United Kingdom has most usually been measured using a low income definition such as the Households Below Average Income series. In recent years there has been increasing interest in the use of material deprivation indicators in combination with, or instead of, data about income and poverty. The Department for Work and Pensions (DWP) has followed this lead by including a joint measure based on deprivation and income to measure child poverty.

Much is known about the incomes of older people, but less is known about how well material deprivation measures reflect the experience of poverty for older people. Income analysis points towards older people being on lower incomes. In addition, past research using material deprivation indicators suggests that pensioners are less likely to report deprivation than younger people with the same income. This research was, therefore, commissioned by the DWP to explore why older people report lower deprivation scores than families of working age even though pensioners typically report lower incomes than the younger group. As well as examining material deprivation measures, the research had a wider range of objectives, including to better understand pensioner's experiences of poverty, and their understanding of what poverty means; better understand why pensioners spend and save, and explore the impact that support from others has on older people's perceptions of their needs.

Methods

The study was qualitative and comprised of two stages: focus groups and depth interviews. The focus groups concentrated on older peoples' interaction with questions designed to capture material deprivation. There were six groups. Two were held in day-centres with less mobile people, with higher care needs. Two were held with people receiving Pension Credit, and two were held with people receiving Retirement Pension only.

The focus groups were followed by 42 depth interviews. These built on the initial exploration of indicators in the focus groups. In addition, they focused more closely on the sensitive issues of poverty and affordability, and the decisions individuals make when prioritising expenditure.

Preparation for retirement and current standard of living

Most people living on Pension Credit had been unable to make adequate provision for their old age. The reasons for lack of preparation were wide and varied, and often interlinked, reflecting the complexities in people's lives. Some had lived on low incomes for some considerable time. These included: people who had always been in low-paid employment; people who had been divorced or widowed when their families were young; people who had had to stop work because of ill-health; and people who had been made redundant earlier than the statutory pension age. A smaller number had been better off before retirement, but made inadequate provision. These included: people who had not made adequate provision through poor financial planning; and people who had not provided adequately for retirement because of a disruption in their lives. These tended to be younger and in their 60s, always single, and spenders rather than savers.

A sizeable minority felt better off in retirement or had always felt comfortable. However, a larger number felt worse off in retirement or felt that they had always struggled financially. People's assessment and understanding of their current standard of living, in comparison to their life before retirement, was explained by three inter-related factors. These were the level of financial assistance (usually from other family members) they received (had in addition to the Retirement Pension and Pension Credit; people's quality of life and incomes during working age; and whether or not they had additional financial commitments.

Expectations for retirement were surprisingly low, with the overwhelming majority having low expectations or a feeling that they would have to cut-back financially and lower their expectations. Those with low expectations of retirement had tended to have always experienced financial hardship, and retirement was purely about making ends meet and surviving. Those who had to lower their expectations had experienced varying levels of prosperity throughout their working lives and had had to make adjustments to their retirement plans because of their lack of preparation and lower income on retirement. A smaller number, who were more financially secure, had higher expectations for retirement. These typically included the pursuit of hobbies, leisure activities and travel.

Spending

Pensioners' approaches to money management can be classified into three groups: careful money managers, poor money managers, and those who no longer had responsibility for money management. The overwhelming majority were extremely careful money managers, adopting meticulous approaches to monitor their expenditure. They had adopted this approach because of four key factors: living within a new fixed lower income; concerns about debt and using commercial credit; protecting savings. A much smaller number were not managing their finances well. These people had always been poor money managers, and seemed unable or unwilling to change their behaviour on retirement. In addition a very small number,

all very elderly, had now relinquished all or most of their money management responsibility to their children. Those who made the biggest adjustment in money management were those who had worked all or most of their lives and had fallen on harder times in retirement, many of whom had not monitored their finances too closely while working.

How pensioners manage different types of expenditure provides real insight into how they are managing financially. Most managed well when paying off lumpy expenditure such as utility bills. The methods used to pay this type of expenditure were varied mirroring the payment methods available. However, the overwhelming majority preferred to spread out their payments, most using direct debits but some using pre-payment cards. A small number still preferred to pay quarterly. They were older, although a small number of younger pensioners on higher incomes also chose this method. Nobody reported using money from formal savings accounts or credit to make these payments. However, many regularly used informal '*rainy-day*' savings, either money saved up in the home or in current accounts to pay their utility bills, with some older people specifically setting money aside for precisely this purpose.

Many of the people interviewed could manage unexpected expenditure (replacing electrical goods, household maintenance, and car maintenance) independently and in relative comfort using their savings. Of the others, most relied on their families to help them out financially. However, smaller numbers said they used commercial credit, or had to make do or delay replacing goods until they could save the money required. These tended to be younger and in their 60s, had fallen on harder times, and were on very low incomes, with no savings or families to fall back on.

Budgeting approaches used for planned expenditure (holidays, leisure activities, decorating, and family presents) were quite different to those used for unexpected expenditure. Far fewer were prepared to use their existing savings for this type of expenditure. The smaller number using their savings for this type of expenditure had the highest level of savings, were older and in their 70s, were more content with their current savings levels and more willing to use them. Most however, preferred to save up for this type of expenditure. Much smaller numbers relied on family or credit. In addition a small number said this never arose as they could only cope with the necessities such as bills and food.

The prioritisation of expenditure was very important for most living on a low income, with money being carefully allocated to quite specific areas of spending. The areas of protected expenditure, where older people felt they could not cut-back on, were food, household bills (for example, rent, gas and electricity) and healthcare (for example, dental, eye care and medicines). The five main areas where people reported cutting back or going without because of financial reasons were: clothing, leisure, holidays, car and food. In addition, cutting back on bills, replacing electrical goods, replacing furniture and decorating the home, were mentioned by slightly lower but still significant numbers of people interviewed.

Although food and household bills were regarded as high priority spending areas, many older people reported making economies. Budgeting in these two important spending areas was closely associated with the more frugal approach most older people had to managing their finances. This approach was fuelled by a need to protect formal savings coupled with a fear of debt. The extent to which economies in food were made varied from week to week and depended very much on their demands on their income, and usually involved buying cheaper food from cheaper supermarkets. Cutting back on household bills involved using strategies to keep bills more manageable. These included limiting the amount of time their heating was on and not always heating all rooms in their home.

Saving

Most had saved some money at some stage in their lives, but for most of them it had been small amounts of money for relatively short periods of time. The most common form of saving over people's lifetimes was save-to-spend, where people periodically saved up for specific purposes and then spent all the money they put aside, such as for planned expenditure (such as Christmas, holidays). Of those who saved, a smaller number were rainy-day savers, who had always tried to save money for emergencies. A small number had never saved over their lifetimes. Non-savers fell into two distinct groups: those who experienced much financial hardship throughout their lives and struggled to save, and in contrast, those who had comfortable lives but preferred living life to the full, and preferred spending.

About three quarters of people had some savings. The amounts saved ranged from £50 to £60,000. Most had savings of between £1,000 and £5,000. The people with savings were not necessarily those who had been better-off in the past. However, those with larger amounts saved (over £10,000) had been better off during their working lives.

The overwhelming majority of older people were currently saving, although most of these were saving informally (for example, in current accounts or in their homes). A minority of them did, however, save into an account, and a smaller number used a combination of these two methods. Amounts saved ranged from five pounds to £250 per month. Informal savers, although saving regularly, saved smaller amounts, typically between £20 and £50 per month, and formal savers were saving higher monthly deposits, typically £100 per month. The much smaller number not actively saving had always had a low inclination to save, preferring to spend rather than to save for rainy days.

Informal and formal savings served very different functions. Formal savings were viewed as emergency funds, which older people were very reluctant to use. They tended to be used primarily for household maintenance, and replacing essential electrical items (i.e. for unexpected expenditure). Informal savings on the other hand, were usually viewed as being more accessible and for short-term needs, were used more frequently, mainly for paying household bills (i.e. for lumpy expenditure)

and leisure activities, holidays, Christmas and presents (i.e. for planned expenditure). These were the areas of spending all agreed formal savings were not to be used for.

Health and mobility

A wide variety of health complaints were represented and included: heart conditions, arthritis, lung conditions such as emphysema, high blood pressure, diabetes and dementia. We classified those interviewed into three categories according to severity and its impact: physically fit; those with slight limitations, and those severely restricted. Health impacted on a number of aspects of people's lives and required changes in their lives. These adjustments had emotional, social and financial implications. People who experienced slight restrictions because of their health found it impacted on their ability to undertake: household maintenance and decoration; transport; hobbies and leisure; and food. The impact was even greater for people who were severely restricted. These people had to make adjustments to many aspects including: house decoration; transport; hobbies and leisure activities; food; household tasks; money management; personal hygiene and holidays.

Family and friends influences on pensioners' financial situation

Nearly half those interviewed received some help from family and friends. This help was often not direct financial help, but given as presents of useful or needed items. In order of prevalence these included: giving electrical items (most common), clothes, holidays, car, furniture, bills and food. In addition many received practical help, such as decorating (most common), transport, shopping, food, gardening and cleaning (this support is listed in order of prevalence).

As well as providing financial, and practical support, family and friends also played a major role in the provision of social support. Many interviewed emphasised the importance of outings, shopping trips, visits and holidays. They also provided financial advice and support, for example, telling them about benefits or services they might be eligible for, and helping them claim benefits. In a small number of cases this also included providing full support for their finances.

For those not receiving this help, the main reasons included: they didn't need the help; their families were busy and living too far away; they had no close relatives; their families were experiencing their own hardship; and they were too proud to ask. Most of those who needed this help were struggling more financially and experiencing more hardship.

Services that helped people maintain independence

A number of services mentioned were helping people to maintain independence. These included transport as well as a range of home-based services. Transport services (car services, community transport schemes and vouchers for free taxis) were often mentioned as being key to retaining independence for those whose mobility was restricted. Other services mentioned included mobility aids, meals on wheels, day-centre care and social services home care. In addition, all receiving disability benefits welcomed the additional money, which enabled them to fund the extra costs they incurred because of their restricted mobility.

Those receiving this help spanned all age groups, and income groups. In addition many with **severe health restrictions** were not receiving the help. Many of these were receiving this support from their families, either because they were *'too embarrassed'* to ask for help, or because they lacked awareness of available support services. In addition, there was a group of people with **severe restrictions** who did not receive any additional support. These were all in their 70s, had no family living close by, and lacked awareness of where to go to find help from services.

The financial impact of help from family and friends and/or help from statutory and voluntary agencies

The people who had financial and/or health needs but received no support from family and friends were the most worse off. All were struggling in varying degrees to make ends meet, and had to regularly cut-back, sometimes on essential items like food and heating. These older people found it particularly difficult to meet unexpected expenditure, having little or no savings. Their financial hardship placed much strain on their lives, and all felt they were struggling, or indeed worse off in retirement.

Those receiving family help were financially better off in retirement and cushioned by this assistance. Without their families' help and assistance most would have had to cut-back on their spending in order to make ends meet, and would have struggled to meet unexpected expenditure.

People who had health-related needs also faced the prospect of cutting back in some areas of their life, and help from statutory and voluntary agencies helped to ameliorate these effects.

How well do existing deprivation indicators work for older people?

All interviewees were shown each of the 11 deprivation measures in turn, and then asked to provide a priority rating. This provided some indication of the relevance these indicators have in older peoples' lives. It also helped to determine whether

older people would buy these items if they had enough money, and whether people didn't rate a measure because of other reasons such as health reasons.

The four items currently included on the Family Resources Survey (FRS) that older people were most likely to consider essential were: having two pairs of all weather shoes; keeping their home adequately warm; being able to replace broken electrical goods such as a refrigerator or washing machine; and a hobby or leisure activity. These were also the things that older people interviewed in depth were least likely to go completely without.

In contrast the seven items older people considered less important to have were (in order of importance): having home contents insurance; keeping their home in a decent state of decoration; a holiday away from home for one week a year, not with relatives; replacing any worn-out furniture; having a small amount of money to spend each week on themselves, not on their family; having friends or family for a drink or meal at least once a month; and regular savings (of £10 a month) for rainy days¹. Older people were much more likely to go without these seven items, although not always because they could not afford it.

The focus groups also identified three further items that older people considered essential: food; transport; and dental treatment. The depth interviews confirmed the importance of these three items. Food and transport were generally considered essential; dental treatment was slightly less so.

Three factors in addition to income influence the ways that the deprivation indicators included on the FRS work. These are: age and ill-health; family support; lifetime incomes and standard of living; and the financial impact of retirement.

The decline in people's health placed many limitations on their daily activities including: getting about and transport choices; buying and preparing food; engaging in leisure activities; taking holidays and even day trips; household maintenance and domestic chores; and money management. All of the above impacted on how older people chose or indeed needed to spend their money. Lack of engagement in social activities did on the whole lead to a reduction in discretionary spending. On the other hand some changes led to increased expenditure, for example, the reliance on taxis when buses had been used in the past. These shifting needs impact greatly on older peoples' spending decisions and priorities, and need to be looked at carefully when exploring pensioner poverty.

The family has played a pivotal role in many older peoples' lives, providing a combination of financial, practical and emotional support. Examples of help

¹ Many interviewees interpreted this measure as referring to savings in formal accounts or savings that were rarely dipped into. They did not interpret this as measuring informal saving, and as a result the level of importance given to this measure does not reflect the level of active saving found.

provided by families included: decorating; transport; shopping; gardening; cleaning; replacing household items; holidays and day trips; and managing money. Indeed many of the people interviewed were leading more active and independent lives because of this help, and in many cases cushioned from financial hardship.

Lifetime income had an important impact on how people viewed how they were managing financially in retirement. Those on long-term incomes tended to feel more comfortable in retirement compared to those who experienced more significant changes in income. Lifetime income affected perceptions and understanding of poverty, and understanding of their current financial situation.

Table 1 **Extent to which health, family assistance and lifetime standard of living affect the Family Resources Survey indicators**

	Health and mobility	Family assistance	Lifetime standard of living
Home contents insurance			
Home decoration	o	oo	
Saving for a rainy day			
Holiday	oo	o	oo
Replacing electrical goods		oo	oo
Hobbies/leisure	oo		
Two pairs of shoes			
Spending money for self	oo	o	oo
Friends/family for a meal	oo		oo
Replacing furniture	o		oo
Adequate heating			
oo Strong effect			
o Medium to weak effect			

The relative importance of these factors does however, vary between indicators. In some cases, they play little role at all, while in others they seriously reduce the extent to which indicators capture deprivation (see Table 1).

There are also two other potential difficulties with some of the indicators, both of which lead to an under-identification of older people who say they go without things because they can't afford them. First, some people said they had items even though they could not afford to pay for them personally. Secondly, others said they did not have particular items because they did not want them, although in fact, they did not have the money to pay for them. There were also real cognitive problems with the personal spending money indicator that make it very difficult to interpret what it is measuring.

Items people had even though they couldn't afford them

On the whole, where older people did not go without the things captured by the FRS indicators it was because they could afford them either out of their regular income or by drawing on savings. There were, however, three indicators where significant numbers of older people did not go without, even though they could not afford them themselves. These were:

- being able to replace broken electrical goods such as a refrigerator or washing machine;
- keeping their home in a decent state of decoration; and
- replacing any worn-out furniture.

Most commonly it was because they had these things provided for them by their family. In contrast, those who did go without them because they could not afford them not only had low incomes but also had no family who were able to help them out. This being the case, the link between these indicators and income will be weakened but, arguably, they are capturing a wider aspect of deprivation than income alone.

Other strategies which enabled people to replace electrical items they could not otherwise afford include: using consumer credit, insuring electrical goods against loss, and buying second-hand replacements. These were strategies that they had used throughout their lives in response to long-term low incomes. People also bought furniture and shoes second-hand.

Items people could not afford but said they did not need

The focus groups showed that some older people felt embarrassed to say that they could not afford something when asked directly. This was most apparent among those who were older and poorer. It was evident, but less apparent, in the depth interviews – and this is most likely because they were more private than a focus group and also because the interviewers made a point of making people feel comfortable about admitting they could not afford items. However, in a more structured interview, such as those for the FRS, there is less scope for putting people at ease. Consequently, it is reasonable to expect a higher level under-reporting of people's inability to afford items than was the case in the depth interviews.

The depth interviews also showed that older people who had lived on low incomes all their lives had never been able to afford these items and over the years had lowered their expectations. This was especially true of holidays away from home, replacing worn-out furniture, saving for a rainy day and personal spending money.

There was also a group of indicators where a number of people who could not afford them said, instead, that they went without as a result of their age or ill-health. These again included holidays and replacing worn out furniture, but also included hobbies and leisure activities, and having friends or family round for a meal or drink.

Using the existing Family Resources Survey indicators for older people

In summary, there were real problems with two of the indicators currently used on the FRS which mean they do not capture the extent to which older people are able to afford them. These are having:

- a small amount of money to spend each week on themselves, not on their family, which was affected by cognitive problems;
- friends or family for a drink or meal at least once a month, which seemed to be capturing lifestyle rather than deprivation.

A third one – replacing any worn-out furniture – was not linked to income in any systematic way either in terms of not replacing items or distinguishing between those who could not afford to do so and those who chose not to.

A fourth one – a holiday away from home for one week a year, not with a relative – fails to adequately differentiate between people who cannot afford a holiday and those who do not want one.

A fifth indicator – maintaining adequate heating – was consistently associated with income in the quantitative analysis, which used survey data from 1999, but worked less well in the depth interviews. These showed that recent increases in the Winter Fuel Payment had apparently reduced this association, with many of the older people on lower income saying that it was no longer an area where they had to cut-back.

The remaining six indicators gave a more accurate picture of the extent to which older people could afford them, although they did so with varying degrees of accuracy (see Table 2).

We would, however, recommend that further quantitative analysis is undertaken to see whether a measure based on these six indicators is statistically robust.

It should be noted that most of these indicators are not likely to be appropriate for measuring deprivation of older people who are living with a son or daughter. The only ones that seem likely to be appropriate in these circumstances are ones relating to shoes and savings.

Table 2 **Extent to which Family Resources Survey indicators capture deprivation among older people**

	Captures link between income and lacking an item	Identifies people who cannot afford an item
Home contents insurance	oo	o
Home decoration	oo	o
Saving for a rainy day	oo	o
Holiday	oo	
Replacing electrical goods	o	oo
Hobbies/leisure	o	
Two pairs of shoes	o	
Spending money for self		
Friends/family for a meal		
Replacing furniture		
Adequate heating		

oo Captures income well
o Captures income fairly well

1 Introduction

Poverty in the United Kingdom has most usually been measured using a low income definition such as numbers under 60 per cent of median income, contained in the Households Below Average Income (HBAI) series. In recent years there has been increasing interest in the use of material deprivation indicators in combination with, or instead of, data about income to define poverty (Nolan and Wheelan, 1996). The Poverty and Social Exclusion survey (PSE), carried out in 1999, has been key to developing this approach to measuring poverty, (Gordon *et al.*, 2000). The Department for Work and Pensions (DWP) has followed this lead by including a joint measure based on deprivation and low income as one of its three definitions with which to monitor child poverty (DWP, 2003). Eleven adult, plus nine child-specific material deprivation indicators, have now been included in the annual Family Resources Survey (FRS) from 2004/05 onwards, following extensive research (McKay and Collard, 2004).

A great deal is known about the incomes of older people, but less is known about how well material deprivation measures reflect the experience of poverty for older people. Income analysis shows that older people are living on lower incomes. However, analysis of the material deprivation indicators used in the PSE survey suggested that pensioners were less likely to be poor than non pensioners for example, (Gordon *et al.*, 2000). This suggests that pensioners are less likely to report deprivation than younger people with the same income. This research was therefore commissioned by the DWP to explore why older people report lower deprivation scores than families of working age even though pensioners typically report lower incomes than the younger group.

1.1 Objectives of the research

The overall aim of the project was to provide an understanding of pensioners' experiences of poverty and indicators of material deprivation. The study also had a number of broad aims and objectives which included:

- better understand pensioner's experiences of poverty, and their understanding of what poverty means;

- explore the comparisons older people make with regard to poverty. In their understanding of their own poverty;
- to identify factors that lead to material deprivation and the role that income plays in this;
- better understand why pensioners spend and save, what their spending priorities are, and when they are willing to use their savings;
- explore the impact that (financial and in-kind) support from others has on older people's perceptions of their needs;
- better understand older people's interpretation and responses to material deprivation indicators.

1.2 Material deprivation indicators

Material deprivation indicators attempt to measure poverty by an enforced lack of 'essentials', 'goods', 'activities' which should indicate poverty. The approach adopted for the new indicators in the FRS has been to ask respondents whether they have particular items, do not have them because they do not want them or do not have them because they cannot be afforded.

The list of 11 items (Table 1.1) incorporated into the FRS has been reduced from a longer list used in other surveys such as the PSE survey of Britain of 1999 (Gordon *et al.*, 2000). These measures were developed for the purpose of measuring child poverty.

Table 1.1 Adult material deprivation indicators used in the Family Resources Survey 2004/05

A holiday away from home for at least one week a year, whilst not staying with relatives
Friends or family around for a drink or meal at least once a month
Have a hobby or a leisure activity
Enough money to keep your house in a decent state of decoration
Household contents insurance
Replace any worn-out furniture
Replace or repair major electrical goods such as a refrigerator or a washing machine when broken
In winter, are you able to keep your accommodation warm enough
Two pairs of all weather shoes
Major regular savings of £10 a month or more for rainy days or retirement
Have a small amount of money to spend each week on yourself (not on your family)

Analysis of the PSE survey has shown that rates of poverty (measured as low incomes) are high among people over state pension age, and especially so among the very elderly. But deprivation (as measured by deprivation indicators) tends to be low (Patsios, 2000).

McKay (2004) has investigated each of the three steps in the logic of deprivation questions used in this survey and shown that:

- there was disagreement about which items should be considered 'agreed necessities' and which should not;
- although the proportion of people who did not have any particular item was strongly associated with income, the proportion saying they lacked it because they could not afford it was more strongly associated with age than with income. Older people were less likely to say they could not afford things, and more likely to say they did not want or need them;
- most people who said they could not afford some necessities, did, nevertheless, have other items that were generally considered non-essentials.

These findings – and the second one in particular – were explored further in this study. A parallel quantitative study also looked at them in more detail (Berthoud, Blekesaune and Hancock, 2006). A third, related study explored which pensioners do not spend all their income and why (Finch and Kemp, 2006).

Using data from the PSE survey, the quantitative study of deprivation indicators found that the strength of the relationship between income, age and deprivation was highly sensitive both to the questions asked and to the way that they were combined in an index. Indicators that appeared on the FRS which were most strongly associated with income among older people included having home contents insurance, regular saving for a rainy day and adequate heating in living areas. Those where there was no such association included having friends and family round for a meal, snack or drink and replacing worn-out furniture.

Using longitudinal data from the British Household Panel Survey¹, the research team then tested a number of possible explanations for older people appearing better off using deprivation indicators than their incomes might suggest. These included:

- a *cohort effect* – which might be because people born in an earlier generation had been brought up to have lower expectations with regard to the sort of things covered in deprivation indicators;
- a *beneficial ageing effect* – such as might occur if people's activities become more restricted as they get older so that they spend less on things captured by deprivation indicators;
- a *detrimental ageing effect* – whereby ageing might restrict people's activities so that they find it more difficult to afford the items included in the deprivation indicators.

² The British Household Panel Survey analysis re-interviews the same people each year. This analysis was based on annual interviews held between 1996 and 2002. Although this includes a number of indicators of deprivation, only four of them are currently included on the FRS: an annual holiday away from home, replacing worn-out furniture, having friends or family for a meal or drink and regular saving (other than to meet bills).

Their overall conclusion was that, using longitudinal data, there seems to be two counter-balancing processes: a cohort effect and a detrimental ageing effect. They also found that health had a small influence on the indicators and there were signs that deprivation scores were much less sensitive to income variations after retirement than before. The authors suggest that this might imply '*that other factors, besides income, become more important at that stage of life*' (Berthoud, Blekesaune and Hancock, 2006).

The third study, which investigated pensioner expenditure patterns among older people, found a clear ageing effect in the proportion of their income they spent. This decline in spending with age reflected an interrelated set of factors associated with increasing frailty and declining mobility (Finch and Kemp, 2006). It should be noted, though, that some of this analysis used spending on food as a proxy for low spending.

1.3 Previous research

Previous research indicates that a number of factors affect older people's perceptions of material deprivation, including:

- the need to be careful when spending;
- spending priorities;
- importance of family support;
- health and mobility.

1.3.1 The need to be careful when spending

Older people identify the need to be careful with their money, and use phrases like '*cut down*' or '*pulling in a bit*' and do not use phrases like '*can't afford*', which very much reflects their need to be seen to be managing (Finch and Elam, 1995). Indeed, economising and budgeting was very much part of their daily money management strategy, and had become second nature so many were no longer aware that they were making economies (Kempson *et al.*, 2002).

Particularly important for older people were decisions between immediate needs and the perceived needs to set aside money for a 'rainy day' (Cook *et al.*, 2004). When considering using savings it was difficult to assess whether the rainy day had arrived or whether there was worse to come. This meant that unexpected expenditure caused problems. These include appliances breaking down, spectacles, house repair/maintenance, and or an unexpectedly high utility bill (Finch and Elam, 1995; Whetherstone, 2002).

1.3.2 Spending priorities

A number of studies have identified older people's spending priorities (Finch and Elam, 1995; Kempson *et al.*, 2002; Whetherstone, 2002). These include: funeral/life insurance; telephone; heating costs/utility bills; television; car; and presents. Low priorities which could be cut down on included: meals out; holidays; furniture and furnishings; new clothes; food; house repairs; car; hair dressing; dental visits; and contents insurance.

1.3.3 Importance of family support

Research has shown that many older people do not like asking for financial assistance from family or friends. However, family members, friends and neighbours were important in that, if they did not provide financial assistance, they would bring gifts of food or clothing when visiting, or provide assistance with transport, housework and house repairs, and provide the more expensive household items (Whetherstone, 2002; Costigan *et al.*, 1999; Kempson *et al.*, 2002)

Survey evidence from 1995/96 suggests a great deal of financial assistance among low income older people with 35 per cent of Income Support recipients and 43 per cent of eligible non claimants receiving financial help from family, and around one-quarter of both with family willing and able to help financially (Costigan *et al.*, 1999). These findings led the researchers to conclude that support received from family and friends had a cushioning effect that prevented pensioners from recognising their level of need. Indeed, these findings were supported by a recent study of pensioners on the Minimum Income Guarantee where those receiving family support were more likely to consider themselves managing financially (Kempson *et al.*, 2002).

1.3.4 Health and mobility

Health and mobility has an impact on how older people carry out daily activities, but in particular it has a great impact on how older people use leisure activities or services. The PSE found that older pensioners in particular were more likely than younger pensioners and non pensioners to report difficulty getting to an activity (Patsios, 2000).

Bowling (2003) undertook research to explore older people's definitions of and priorities for a good quality of life. When asked what tended to make life bad or what takes quality of life away, Bowling found that more reported poor health (49 per cent) rather than not having enough money (23 per cent).

1.4 About the research

The research was undertaken during summer 2005, and comprised two stages: focus groups; and depth interviews. The focus groups looked more generally at the ways that older people interact with questions designed to capture material deprivation (and specifically at the 11 adult material deprivation indicators used in the FRS). We held six focus groups. Two were held in day-centres with less mobile people with higher care needs³. Two were held with people receiving pension credit, and two with people receiving retirement pension only. The size of the groups ranged from seven to 12 members, and were held in a mixture of urban and rural locations.

We carried out 42 depth interviews, to build on this initial exploration. These interviews focused more closely on the more sensitive issues of poverty and affordability, and the decisions individuals make when prioritising expenditure. They also explored in more detail older peoples' interpretation of questions used to capture material deprivation. These were carried out in four areas to allow for regional differences in cost of living and issues pertinent to older people living in urban and more rural locations. We also sampled three income groups, to enable us to better explore the impact money, or the lack of it, has on peoples' lives in retirement (Guarantee Credit, Savings Credit and State Retirement Pension).

The people interviewed ranged in age from 60 to 89 years, with just over two fifths aged 70 years and over. Approximately one quarter were couples, the others were equally split between divorcees and widowers, and in addition there were a small number of people who had always been single. One third had mobility problems and were receiving a disability benefit – in addition, just under one fifth had restricted mobility but were not receiving any benefits.

All interviews were recorded, and transcribed. The analysis was undertaken from verbatim transcriptions, using thematic grids.

1.5 This report

This report begins with a chapter exploring the preparations made for retirement, the living standards of older people, and the factors that make it easier to make ends meet. We then, in Chapter 3, look at attitudes to saving and spending, as well as the actual patterns of saving and spending. Chapter 4 explores ageing and health, and the impact help received has on standard of living. Finally, Chapter 5 provides an overview of how the indicators included on the FRS are interpreted by older people.

³ The two day-centre focus groups were with people receiving Pension Credit.

2 Preparation for retirement and current standard of living

This chapter begins by exploring people's preparations for retirement and why they may be receiving Pension Credit. It then explores people's current standard of life compared to their standard of life at working age. The third section moves on to examine people's expectations and aspirations for retirement, and whether these had to be adjusted because of living on a low income. We conclude this chapter by exploring whether or not people considered themselves poor and how poverty is defined among pensioners.

2.1 Preparation for retirement

Most of the people interviewed had not made sufficient provision for their retirement, either by saving in an occupational or private pension or making deposits in a savings account. The reasons for lack of preparation were wide and varied, and often interlinked, reflecting the complexities in people's lives. However, how people prepare for retirement can be classified into seven groups (see Table 2.1).

Table 2.1 Preparation for retirement

People who had lived on low incomes for some considerable time including:

- people who had always been in low paid employment
- people who were divorced or widowed when their families were young
- people who had to stop work earlier than the State Pension Age because of health problems
- people who had been made redundant earlier than the State Pension Age.

continued

Table 2.1 Continued

Those who had been better off before retirement, but made inadequate provision, including:

- people who had not made adequate provision through poor financial planning
- people who had not provided adequately for retirement because of a disruption in their lives.

Those who were financially comfortable both before and after retirement, having made sufficient, financial preparation.

2.1.1 Low income: low paid employment

The people who were unable to provide sufficiently for their retirement because they had always worked in traditional low paid jobs were typically in their late 70s and 80s. Most had been building labourers, a couple had been care assistants in hospitals, and one was a carpenter. Those in the building industry had had erratic work, and there was no option of occupational pensions. They were more likely to have built up little to no savings, have no private pension, and be on Guarantee Credit only. Those who had worked, had saved for small occupational pensions, but were still in receipt of Savings Credit. Their savings were slightly higher, but still modest ranging from £700 to £6,000. Most built up these savings after retirement.

Many of the women interviewed in this group had not worked. Others had worked part-time after their children had grown up. Like their husbands they too had paid jobs, for example, working as shop assistants or cleaners, where occupational pensions were not available. In addition, they had not been aware that they were going to receive such small state pensions, because they had paid the married woman's National Insurance contributions.

Case study – Low income: low paid employment

Mrs Jones was 77 years old, and widowed seven years ago. Her husband was a labourer. He was on a low income throughout his working life, always working for the same company and, unlike many doing similar work, had contributed to their pension scheme. This provided a very small pension. In order to make ends meet, she returned to work when the children were small, working as a part-time cleaner in the local school. Life was always a struggle, but was especially difficult when the children were smaller. There were times when her husband would have to walk miles to work because they were unable to afford the bus fare, and sometimes they would have to eat porridge for their evening meal. They continued to support both children through university, and there was never any spare money to put into savings. She is now receiving Pension Credit and has £700 in savings.

2.1.2 Low income: poor health

People who had their retirement preparations affected by poor health tended to be younger, with most aged in their 60s. Poor health had led them to retire from work before the statutory pension age, usually in their 50s, although one man had to stop full-time work aged 36 because of mental health problems. Some had small private pensions and were receiving Savings Credit. Three of these had been in the forces at some point or all of their working lives and were receiving private pensions from this period. Those not receiving an occupational pension had found themselves in this situation for a variety of reasons. One stopped working due to mental health problems, and then did casual work intermittently throughout the rest of his working life. One had had his own business, along with his pension, and lost both when his company went into receivership at the same time as his health declined. This group had very low levels of savings ranging from none to £2,000.

Case study: Low income: poor health

Mr Jenkins was 67 years old. He had to retire at age 57 because of an industrial injury in which he severed his fingers and part of his hand in a machinery accident. Being a carpenter he could no longer continue with his work and received disability benefits. He lived with his wife, who also suffered from poor health throughout her life because of Type 1 diabetes, and had never worked. He had taken out an occupational pension prior to the accident. However, he took this out late and, because of financial difficulties, the company he was working for were unable to contribute for two of the five years in which he made contributions. He is now in receipt of Savings Credit and has under £2,000 in savings in his current account.

2.1.3 Low income: divorced or widowed with young families

This group spanned all age groups and all were female. They were one of the worst off financially, with a high proportion on Guarantee Credit.

Most had been widowed or divorced in their 30s or early 40s, when their children were young. Many had large families of three children or over. The majority never worked. Two had children with disabilities and one woman had suffered from poor health which prevented her from working. Those who did work tended to do so as their children got older. They worked in low-paid part-time work such as catering, shop work and cleaning, and did not save in occupational pension schemes.

On the whole the divorcees were worse off than the widows, none were in receipt of an occupational pension and were receiving Guarantee Credit. Some widows were slightly better off, receiving small occupational pensions from their husbands. These ranged from £16 to £99 per month. Both those divorced and widowed struggled to save before retirement. Their level of savings post retirement, were very low. A sizeable majority had no savings, the others having low savings under £2,500, most of which had been saved since retirement. Only one had significant savings – £18,000 from equity released when she sold her home and moved into rented sheltered accommodation.

Case study – Low income: divorced or widowed with young families

Mrs Francis was a 78 year old widow. She was widowed when she was aged 45 and her youngest of two children was 13. Her husband did not like her to work, so she only worked after he died, doing part-time cleaning jobs. She never had any money to save while working as all her income was needed to keep the family afloat. She receives Pension Credit and has managed to save a little since retirement.

2.1.4 Low income: made redundant

People who had been made redundant in their late 50s, spanned all age groups, and had contributed towards occupational pensions. They tended to be in skilled manual work, representing a variety of trades, including a butcher, lorry driver and a printer. They all only managed to make small contributions to their pensions. Many found some work after redundancy, but this tended to be more casual or temporary work doing cleaning and pub work. Two were not in receipt of Pension Credit but were still struggling to make ends meet, with their pensions lower than anticipated. One had been doing temporary work to supplement his income, and the other had used £10,000 of her savings in the past two years.

The remainder of this group were in receipt of Guarantee Credit and/or Savings Credit, and had very modest savings, typically £1,000. The two not in receipt of Pension Credit had higher savings of approximately £10,000, the remainder of their redundancy money.

Case study – Low income: made redundant

Mr Mathews was 69 years old and married. He had been a lorry driver then ran a pub – she had been a shop assistant. They had both contributed to occupational pension schemes, but were both made redundant in their mid-50s, and been hoping for more time to save towards their pensions. He did receive £12,000 in redundancy but he needed this to supplement their income prior to retirement. When this had run out they then built up approximately £15,000 in credit card debts. They both receive occupational as well as state pensions, although these are lower than hoped, and are supplemented by Savings Credit. They have no savings (apart from their occupational pensions) and are still paying off their credit card debt.

2.1.5 Inadequate provision: bad financial planners

People who felt they had not provided adequately for retirement through poor financial planning tended to be in their 60s, financially comfortable during their working lives, always single and spenders rather than savers.

'I didn't make any preparations at all because we're never going to be that old are we....well you don't think about it. Things were going very nicely, and I didn't have any problems.'

They were all now receiving Guarantee Credit, having never contributed to a private pension. Furthermore, this group had not saved throughout their working lives, most having no savings, and if they did, they had less than £1,000.

Many in this group had been self-employed and had not considered contributing to a pension scheme while working. Similarly, those working for employers had also not contributed through their lack of financial planning. For example, one woman had worked 17 years in the NHS as a personal assistant to a consultant. She opted out of her occupational scheme because she had not intended to stay in the job that long, and forgot to opt back in. She bitterly regretted this. She also never managed to save through poor money management.

Case study – Inadequate provision: bad financial planners

Mr Arnold was 69 years old, had never been married and had no dependants. He was self-employed throughout his life working as a scaffolder and a rigger all over the world. Despite being relatively well off during his working life and earning a very comfortable income, he never saved or contributed to a private pension. Instead he preferred to spend his money on leisure activities. He now lives in a council flat, is on Guarantee Credit only, and has no savings.

2.1.6 Inadequate provision: unexpected events occurring late in life

A small number who had been relatively well off when younger, suffered from some disruptive life event just prior to retirement which greatly affected their income on retirement. One was divorced and the other widowed just before retirement age. These women found themselves on Savings Credit, with small occupational pensions and very small savings. In both cases this financial event had caused them much financial disruption, but affected the woman who was divorced in particular, as she had only had a small occupational pension, and had been expecting to live on her husband's pension as well. The other case concerned a man who moved to Britain from Iraq just before retirement. In Iraq he had had a very wealthy lifestyle and owned his own home, but now finds himself struggling on Guarantee Credit.

2.1.7 Adequate provision

Those who felt they had made adequate provision for retirement tended to have been in regular secure and relatively well-paid employment. This group contributed to their company pension schemes throughout their working lives. They also saved alongside their private pensions, building up savings ranging from £13,000 to £60,000. They were all above the threshold for receiving Pension Credit. None had experienced any significant life events that disrupted their income, the main hardship mentioned being when they were supporting their families when their children were young, and reliant on one income.

Case study – Planned for retirement and comfortable

Mr and Mrs Atkinson were a couple in their 60s. Both had been in steady employment throughout their working lives. He initially worked for the armed forces and then the police service, and his wife worked for a television company. They both contributed to occupational pension schemes. Their household income was £30,000 per annum; in addition they had £30,000 in savings, held in an investment portfolio. They own their own home and travelled a great deal in retirement, having invested in a motor home, and travelling abroad for considerable parts of the year.

2.2 Current standard of living

Overall, people's perceptions of their standard of living in retirement compared to when they were working age was very similar for those Guarantee Credit and/or Savings Credit. A sizeable minority said they were better off in retirement or had always felt comfortable. In most cases, however, this was mainly due to the financial and practical help they received from their families. This was especially true of those in their 70s and 80s.

A larger number either felt worse off in retirement or felt that they had always struggled financially. Those who had always struggled had always lived on a low income, always experienced financial hardship and continued to experience difficulties making ends meet in retirement. The group who felt worse off in retirement included those who had been better off in working age but, through poor financial planning, had not made sufficient provision for retirement, and those who had experienced some financial hardship during their working lives, most commonly forced early redundancy. In addition, those feeling worse off also tended to have an additional financial commitment in retirement, for example, commercial credit repayments or supporting other family members, which was making money management even more difficult.

People's assessment and understanding of their current standard of living, in comparison to their life prior to retirement, was complex. However, three key themes emerged which helped to explain why some people felt better in retirement and some people felt worse off, or continued to feel they were struggling. These were reduced mobility and additional financial assistance, standard of living during working age, and additional expenditure.

2.2.1 Reduced mobility, and additional financial assistance

A significant minority of people interviewed received Disability Living Allowance and Attendance Allowance and, as you might expect, this was higher for those aged 70 and over. This group were more likely to say they were better off in retirement. Some people had certainly seen their situations improve since receiving the additional disability benefits, for example, Mrs Mathews felt better off since receiving Attendance Allowance.

'The Attendance Allowance has made things less stressful, yeh, it's made a lot of difference... We are a bit better off now but we can't do as much as we could do... You've got money to spare in a way. Before we had to watch every penny.'

This improvement in some people's financial situation cannot solely be explained by the additional money received in Disability Living Allowance and Attendance Allowance benefits. Certainly, almost all those claiming these benefits were using this money to purchase community day-care services, and those whose mobility was restricted but were not claiming benefits struggled to meet their additional transport and care costs.

However, an additional factor which goes somewhat further in explaining this improvement in their financial situation was the restrictions placed on their daily activities by their disability. These restrictions led to many adapting their social activities, which in turn led to a drop in some areas of spending, but in particular discretionary spending on hobbies, leisure activities and holidays. This was especially true for the very elderly.

However, the additional monies received from benefits and the drop in discretionary spending did not fully explain why some were managing on disability benefits and others were not. Far stronger was the combination of additional benefits and high levels of assistance both financial and in kind from family members. This help tended to be provided by sons and daughters, and in some cases grandchildren, sisters or brothers.

The types of help provided was wide and diverse. It included replacing large electrical items when broken, assistance keeping cars on the road and help maintaining the house, both internally and externally. Practical help was also provided such as providing transport, doing the gardening or cleaning the house. And in a small number providing full support under their roof.

Those receiving high levels of assistance from their families were much more likely to feel better off, and those without this help were more likely to feel they were still struggling or worse off. So while the majority of those who felt better since retirement were receiving family help, this was true for a much smaller number of those who felt they were still struggling.

For those not receiving this help, the main reason tended to be a combination of family living too far away or/and having very busy and complex lives of their own. However, small numbers did not like to intrude on their families, were estranged from families or did not have any close family still alive.

Furthermore, those who felt that they were managing better in retirement were more likely to be getting disability benefits and getting help from their families. A sizeable majority were receiving both types of assistance, compared to much smaller numbers who were struggling or felt worse in retirement. Indeed, those experiencing the most hardship were more likely not to receive either forms of assistance.

Health, mobility and financial assistance will be covered more fully in Chapter 4.

2.2.2 Standard of living during working age

There was a link between people's quality of life during working age and their perception of their quality of life in retirement. People who had been on long-term low incomes, divorced or widowed early with young families, and retired early because of ill health tended to find retirement better than working age. For example, a 81 year old recent widow on Pension Credit, had spent all her life living on a low income. Her lowest point was in her early 50s when she was made redundant, divorced her husband and had to live in a mobile home for a while. She felt the best off she has ever felt in her life, and the increase of £16 per week from Pension Credit highlights the real struggle she, like many others in this group, had felt before retirement.

Interviewee *'This is the most comfortable and easiest I've ever had it.'*

Interviewer *'Why is that?'*

Interviewee *'Well the Pension Credit.'*

Interviewer *'Do you mind me asking how much you get in Pension Credit?'*

Interviewee *'I think it's £16 per week.'*

It was not just the increase in income which was important, it was also the fact that they now felt that they have fewer competing financial needs, especially those who had brought up families on low incomes and had always had to budget hard, cut-back and go without.

'I am definitely better off, and with this pension I don't have to worry. I've got my old age pension which is good and I've also got Pension Credit...I would say I was quite comfortable for living on my own. When I was working there was more things to worry about...well I was buying things for the boys and then the grandchildren. You always had to have something as a standby or let something go to pay for something.'

However, those who had been better off during their working lives but had seen their income decrease either through poor financial planning, divorce or early redundancy tended to feel worse off in retirement. They found themselves more constrained by their reduced incomes. This effect was felt more keenly by those in their 60s who had retired more recently, and those whose income change was the most dramatic.

For example, one woman, who was 66 and married had felt relatively well off when she and her husband both worked. However, early retirement because of ill health led to a decrease in expected retirement income. While working she could just afford to go to town and occasionally treat herself, but she now felt she had to watch every penny to make ends meet.

'When I used to work I'd get £800 per month, compared with now. You know I could go to town and just spend money, just buy anything I want. And now I can't buy nothing, because I have to think about all the bills.'

Mr Jenkins, a man in his 60s, illustrates how a dramatic fall in income can have a vast impact on all aspects of life. He had owned his own company, taking home £80,000 a year. However, he went bankrupt while he was in his 50s and he lost everything, including his home. He went from having everything to living on Guarantee Credit and clearly feels that this has affected his quality of life in retirement.

'I feel 25 per cent as good as when I was working. It's diminished very substantially. A good income gives you confidence, it gives you courage, it inspires you and it gives you impetus to go out and do things that you wouldn't do if you didn't have that money. Not having the money there is the mental imposition that you're impoverished. So automatically you feel that you don't have the same rights. It's not just financially impoverished, you're socially impoverished, you're culturally impoverished. At the end of the day primarily you live in a defensive mode. What you're trying to do is survive. That element of your wit becomes more and more to the fore and you lose your courage.'

2.2.3 Additional expenditure

There was an association between having additional expenditure and people's ability to make ends meet.

Only a small number of those who felt financially better off in retirement or had always felt comfortable had additional demands on their income. This compares with a much larger number of older people who felt they were financially worse off in retirement or had always struggled to make ends meet. For some, the additional demands on their income were quite substantial. For example, one divorcee (aged 60) on Guarantee Credit only who felt worse in retirement was paying £260 a month on a mortgage and, in addition, was still assisting one son through university. This was a struggle and she had got into arrears with her mortgage.

For others this additional expenditure was on consumer credit repayments, which ranged from £30 to £350 per month. In most cases credit use was built up in their late 50s when people were made redundant or had to retire early because of ill health, but had often continued into early retirement.

Another drain included providing support for dependants. For example, one couple who had recently left a prosperous life in Iraq recently had to move to the United Kingdom. Not only did they have to adjust to living on Guarantee Credit, but they had the additional burden of supporting their two sons who were unable to work.

Additional transport costs because of impaired mobility also put a strain on some people's finances. For some this necessitated keeping a car running, for others this meant using taxis frequently where other cheaper modes of transport were no longer feasible. The issues of mobility and transport will be discussed in further details in Chapter 4.

2.3 Expectations and aspirations for retirement

Expectations⁴ for retirement were low, with the overwhelming majority of the people interviewed having low expectations or a feeling that they would have to cut-back financially and lower their expectations. A smaller number had higher expectations, hoping to pursue travel, leisure and hobbies. However, many of these were unable to fully pursue these activities, largely because of financial constraints but for a small number these activities were affected by issues of health and mobility.

2.3.1 Always low expectations

People who had very low expectations of retirement had always lived on a low income. All age groups were represented in this group. Many had been widowed or divorced and brought up families by themselves. Some had had to finish work earlier than anticipated, usually in their 50s. They had all experienced high levels of hardship throughout their lives. This hardship had clearly impacted on their aspirations and expectations of retirement. Most just wanted to make ends meet, which meant having enough food, paying the bills and keeping a roof over their heads. In this group, like their earlier life, retirement was simply about survival.

Case study – Always low expectations

Ms Prosser, a 63 year old woman illustrates this group quite clearly. She was divorced when her four children were still young, received no help from her ex-partner, and never worked. She now lives on Guarantee Credit. One of her daughters and her granddaughter now lived with her. Her daughter, who was 39, was registered disabled and had mobility problems. She was unable to manage stairs, so slept on the kitchen table. She still struggled to make ends meet, and was paying off outstanding credit at £20 per month. For her, like many of the others in this group, retirement was simply about survival. *'No dreams. I'm comfortable, as long as I've got enough to pay everything out and I've got food in and I've got some gas and I've got my light, and me rents paid, I don't need anything else.'*

2.3.2 Low expectations: lowered or adjusted

Unlike those who always had had low expectations, people who had needed to lower their expectations were much more likely to feel worse off in retirement than they did while working. They had all had varying lengths and degrees of prosperity during their working lives, and had fallen on harder times running up to retirement. It was usually divorce or redundancy that had upset their financial preparations for retirement. They were all having to adjust to their new fixed lower incomes, were budgeting more tightly than before retirement, and were more likely to say they would be cutting back on basic items such as food or clothes to make ends meet.

⁴ It should be noted that as all respondents were currently retired, so their responses to the questions on expectations to retirement were described retrospectively.

Case study – Low expectations: lowered or adjusted

Ms Simmons was 69 years old and had been divorced twice. She had three adult children. She was struggling to make ends meet and had been working in a supermarket three days for eight years earning £500 per month to pay for her privately rented flat which cost £460 per month. She had been struggling especially over the last couple of years because she was unable to work for a while because of illness. She was paying off her Council Tax arrears of £35 per month, as well as £25 per month on credit cards and £120 per month to her son for a loan he had lent her during this period. Whereas while she was in both her marriages she had been relatively well off and had few financial worries. She was cutting back on everything, but was finding it especially hard having to buy second-hand clothes.

'I've had to readjust my life since retirement. Now I buy clothes – I wouldn't have dreamt of going to the Oxfam shops for clothes but you find that you do.'

2.3.3 Higher expectations: travel

A small number had expected to travel more widely in retirement, and this was their main aspiration for older age. Unlike the other groups, those mentioning travel were much more likely to have planned well for retirement. They tended to be younger, more well off, have good occupational pensions and a high level of savings.

Case study – Higher expectations: travel

Mrs Lane was a married woman aged 61. She had worked full time since her children started school and although her husband was made redundant just prior to retirement, they both received good occupational pensions and had £60,000 in savings. These savings were specifically set aside to fund their travel throughout their retirement. Indeed, during the last year alone they have had five holidays, These included visiting India, America and other European destinations.

Unlike those who made financial plans, those whose financial plans did not match their aspirations, usually through having to finish work earlier than planned, had to adjust them.

Case study – Higher expectations: travel

Mr Robinson had always contributed to a pension scheme throughout his working life but had never managed to save beyond that. He had to retire slightly earlier than planned. He always wanted a holiday home abroad on retirement, but quickly realised that his finances could not support this aspiration. He has had to adjust accordingly, and has now set himself the goal that he will save to go on holiday abroad bi-annually. Without making this adjustment early on he felt it would lead to unhappiness.

continued

'When I was working I always saved up for retirement, I always looked forward to this. The expectation was there to really have a place abroad. And, up to a point, I realise now that some of that really was only a dream, if you know what I mean, and it helped me known to live my life as happy as I can as a pensioner, knowing what my limitations are. It always seems, every time I try and run, there's always somebody trying to pull you back. So why bother to move forward.'

2.3.4 Higher expectations: hobbies and leisure activities

A sizeable number said they hoped to pursue their hobbies and leisure activities during retirement. Those mentioning hobbies and leisure activities were receiving either Guarantee Credit and/or Savings Credit, and had low to modest savings. They were younger, with most in their 60s, although a significant number were aged 70 or over. All ages were aware of the adjustments they had had to make. However, the younger pensioners tended to feel this adjustment more keenly, whereas the older pensioners had made these adjustments some time ago, so had got more used to them.

A very large number of those who had expected to pursue hobby and leisure activities, said they had had to adjust these aspirations. Some did this purely for financial reasons, and the others due to ageing and mobility issues.

Those whose plans had been altered for purely financial reasons talked about adjusting accordingly – this usually meant cutting out or reducing more expensive leisure activities like eating out, going to the pub, theatre or cinema. It also meant adjusting to less expensive hobbies, for example, walking, reading, gardening. This adjustment was more painful for some than it was for others. This was especially true for people who had experienced higher levels of prosperity during their working lives. Mr Jenkins talked about making this adjustment so as to avoid true unhappiness throughout his retirement.

'I suppose I'm adjusting my aspirations. Otherwise anger and frustration would take over and you would achieve nothing.'

Others were clearly affected not only by finance but also by ageing and mobility. For example, Mrs Salmon was in her 80s and had been housebound for a few years. When she was younger she used to enjoy going to town and shopping, flower arranging and going out and meeting friends. Due to her decline in health, she was no longer able to pursue these activities. She was now getting her pleasure from watching detective serials on the television, reading magazines and doing crosswords. For her, like many other people who had experienced a more gradual decline in health, the adjustment had also been slow, and certainly less painful than that experienced by those who have made adjustments for financial reasons.

'My life's much narrower now, because days go by and I don't see anyone at all. But I've got used to it. It didn't happen overnight it crept up on me.'

2.4 What is poverty?

All the people we interviewed were asked whether or not they considered themselves poor, and only a minority placed themselves in this category. None of those on higher incomes and above the threshold for Pension Credit considered themselves poor, nor did the majority of Pension Credit recipients.

The main factor explaining why many older people living on low incomes did not consider themselves as poor was the fact they were now receiving much financial and practical help from their families. Many of those receiving this help were aware that it was protecting them from financial hardship, and reduced the need to make financial cut-backs. They tended to classify poverty in terms of those who were homeless and going without the basic necessities of life such as shelter, food and clean clothing.

'Well, to be poor I think they have nowhere to live, drinking and filthy and dirty. But whilst you're clean and got a roof over your head, you're comfortable.'

I think the poverty line is like when you can't afford food and pay the bills. What I call poor is like people walking, dirty looking and hungry and on the street and begging and all those sorts of things.'

Many felt there should be no need for people to be in this situation, and those they classified as poor should receive the services and benefits which would help them out of this situation.

'There are a lot of people who slip through the net and can't afford the heating, but surely there's a bit of lack of support from the social services and lack of relatives or people who they'd ask for help.'

Those who were financially better off, receiving occupational pensions, and also had savings tended to class poverty in slightly different terms. For this group poverty was more about not being financially prepared for retirement by saving in occupational schemes, and therefore being reliant on the Government for financial assistance. For this group poverty in retirement was more about not being able to pursue hobbies and leisure activities, and struggling to make ends meet when trying to maintain the basic necessities in life such as food, shelter, heat and clothing.

All those who felt poor in older age were not receiving additional financial support from families. Many had been relatively comfortable throughout their working lives but had not prepared well for retirement and were experiencing the biggest problems adjusting to their new fixed lower income. A few had always experienced financial hardship. For those who defined themselves as poor, poverty was seen in terms of having to always cut-back hard, and sometimes having to go without essential items like food and heat.

'The poverty line is when I can't, I would think poverty is like when I can't afford food and pay bills and things.'

3 Spending and saving

Potentially, both how people use and replace their savings and how they manage their finances on a day-to-day basis could impact on their quality of life in retirement.

This chapter begins by looking at approaches to money management and how pensioners deal with different types of expenditure. It then turns to their spending priorities, looking at areas of high priority and areas where pensioners are cutting back because of financial reasons. Finally it looks at patterns of saving over people's lifetime, their current levels of saving and how they use their savings.

3.1 Money management

Pensioners' approaches to money management can be classified into three: careful money managers; poor money managers; and those who no longer had responsibility for money management. Most fell into the first group, and were extremely meticulous and strict when monitoring their expenditure. Indeed, many had improved their approaches to budgeting on or soon after retirement. On the other hand, a smaller number did not manage their finances well and did not have any systems for monitoring expenditure. These people had always been poor financial managers and seemed either unable or unwilling to change their behaviour on retirement. In addition, a very small number had now relinquished all or most of their money management responsibility to their children. These people were all very elderly.

3.1.1 Careful money managers

The overwhelming majority of people interviewed were very careful money managers, always making sure that they lived well within their income. All income and age groups were equally represented in this group.

This careful approach to budgeting was fuelled by three key factors: adjusting to living on a lower fixed income; protecting savings; and the fear of debt, and leaving that debt for families on their death.

Most of the careful managers felt that they had had to make adjustments to their approach to money management after they retired, in order to live within their new lower fixed income.

'When I was working, I could choose to do overtime or find a part-time job to boost up what I wanted. I find it difficult as a pensioner because I can't do that. It means always having to think about what you're going to spend money on and what you're going to do.'

This tight approach to budgeting was also affected by many people's concerns and dislike of commercial credit. This fear was felt most keenly by those who worried that they may not be able to repay instalments before they died.

'I take good care of my money, because I've got this awful feeling of making sure that I don't go and leave my children to pay a debt.'

The other main factor leading to tight budgeting among older people was the need to protect savings, many feeling that they were not in the position to replace these savings if they fell too low.

'I think I need a thousand pounds upwards in my savings account. Anything under that could go quite quickly...I always think a thousand pounds is prudent, and I'll try and keep that. If I think it my go under I'll cut-back and eat beans on toast for a whole week...I'll never be able to afford to save big amounts again.'

For those on a higher income, with higher levels of savings, the need to protect their savings was fuelled by the uncertainty of not knowing how long they might live, and what their financial needs might be as they get older, especially if their health failed. This group wanted to ensure they had adequate savings to maintain a reasonable quality of life throughout their old age.

'You need to have enough to know that even if you lived a long time, there's money there for nursing home fees and things like that if you needed it. And that if you know that if you live a long time and you're healthy you could still go on spending and continue with the things you enjoy without worrying.'

For those on lower incomes, and with low to moderate savings, the need to protect their savings were primarily driven by two key factors. Firstly, the need to have adequate monies set aside for funeral expenses. Secondly the need to have some money set aside for financial emergencies, mainly maintaining their house and replacing any essential household items.

'I take the interest from my savings account. But I think I've got to leave the £1,800 there if anything happened to me. You see I've got nothing else, I've got no life insurance you see. It's also there like a comfort, if anything broke down like a washing machine, or you never know when you need a little bit of money. The way I look at it you never know when you might need it.'

For many, in particular those who had had worked throughout their lives and fallen on harder times in retirement, the adjustment was more pronounced than those

who had always struggled financially. This was especially true for those who had recently retired. Indeed many of those who were now adjusting to a much lower income in retirement had to adopt new budgeting skills, whereas in the past they had not had to monitor their finances too carefully.

'Well I didn't do much budgeting before I retired, I just lived from hand to mouth. I've only really come down to earth since I've been back here... Well I suppose when you're younger I could always go and find myself something extra to earn. But now I have to make do with what I have coming in for the first time in my life.'

3.1.2 Poor money managers

A minority had poor or very limited money management strategies. They had always been poor money managers, and indeed most had made no preparation for their retirement, purely through lack of financial interest. They tended to be younger and in their 60s and spanned all income groups.

Their poor financial management was continuing to cause them problems, with most living beyond their means every month and using commercial credit. One man had debts totalling £15,000, mostly on credit cards. He continued to use these, despite only being able to make the minimum repayments and, like many of the others in this group, recognised that he was a poor money manager.

'We don't really budget to be honest, we stumble along.'

3.1.3 Their children are their money managers

Three of the people interviewed no longer took full responsibility for their finances and gave power of attorney to their children. These were all elderly, aged 77, 80 and 89. They all felt they could no longer manage these well because of mobility and memory problems.

All felt financially comfortable and were relieved they had families who could help them live relatively independent lives. They all felt that their needs were being met, even when their families were spending their money for them, for example, by doing their shopping.

3.2 Dealing with lumpy, unexpected and planned expenditure

We all need to budget for lumpy, unexpected or planned expenditure. *Lumpy expenditure* includes the payments of all household bills, which traditionally required quarterly or annual payment. *Unexpected expenditure*, as the name implies, refers to any emergency requiring some payment to rectify. In the case of this study this usually meant replacing household electrical appliances, repairing the car, replacing clothes and shoes, or house repairs. Finally, *planned expenditure*, as the name implies, refers to all spending which can be foreseen. This included:

holidays; leisure activities; Christmas and birthday presents; and household decoration. Looking closely at the budgeting strategies used to manage these three types of expenditure provides real insight into how pensioners are managing financially.

3.2.1 Lumpy expenditure

There are now many methods of payment available for the repayment of traditionally lumpy expenditure, such as utility bills, and the variety of methods used by older people to pay these bills reflected this. A sizeable minority still used traditional quarterly payment methods for their utility bills. However, most people preferred to reduce the impact by spreading out their payment of bills, usually by direct debit, but sometimes using other methods such as prepayment cards and stamps.

All were managing to keep up with their bill payments, and nobody reported using their formal savings or commercial credit to make these payments. However, many older people who chose to pay quarterly managed to meet this lumpy expenditure by using informal '*rainy day*' savings – this was either money they had saved in the home or in their current accounts.

Although all were managing to pay their bills and were timely making their repayments, a small but sizeable number did experience some problems when budgeting for their utilities. They were managing financially by making economies and cutting back on their use of gas, electricity and the telephone to ensure their bills were affordable. It should be noted that many respondents said they were now less likely to need to cut-back on their use of utilities since the introduction of the Winter Fuel Payment and other energy efficiency grants.

Prepayment cards were adopted by younger pensioners. All were in their 60s. They were some of the poorest pensioners interviewed, who had also experienced much hardship throughout their working lives.

On the other hand, direct debits and quarterly repayments were used by pensioners from all income groups and all standards of life. Those choosing quarterly repayments were older, although a small number of younger pensioners on much higher incomes, who had always been comfortable, also chose this method.

3.2.2 Unexpected expenditure

As we have just discussed, most people had adopted very careful strategies to repay their utilities and were managing to keep up with these repayments. However, larger numbers of pensioners were finding budgeting and dealing with unexpected expenditure more difficult. The main examples of this type of expenditure were: household maintenance; replacing broken electrical goods; and car maintenance.

Many of the people interviewed could manage this expenditure independently, and in relative comfort, using their savings. They represented all income, standard of living and age groups. However, current saving levels ranged from the very low at

£300 to the highest at £60,000 and it is probable that a sizeable number would start to struggle if they needed to rely on their savings too often. Indeed, some with lower savings did make economies as a result of unexpected expenditure and certainly tried to replenish their savings after they had had to use them.

However, a large number were less able to deal with this type of expenditure so efficiently by themselves. They fell into three groups: those whose families helped out and paid; those who used commercial credit; and those who delayed until they could save up enough money.

Most in this group said they would need to rely on their families to help out and pay for any unexpected expenditure, smaller but significant numbers said they would have to use commercial credit or have to make do and delay dealing with this expenditure until they could save enough through cutting back and making economies. It was the final group in particular who expressed the most concern and worry about this type of expenditure.

'If my fridge freezer broke down it would be a crisis for a while, I would have to save for a new one. I'm sure my neighbours might store some food until I could get a new one. I'd have to buy stuff every day. It would be a real worry.'

Those who could rely on families to assist them with unexpected expenditure tended to be older, most were in their late 70s and 80s, and were all living on low incomes. The majority had no savings to rely on, and the rest had modest savings which were specifically allocated for their funerals.

Those who chose to use commercial credit or delay dealing with unexpected expenditure until they could save sufficient amounts were all younger and in their 60s, had not prepared well for retirement and on Guarantee Credit. They were therefore on the lowest incomes, without the additional resource of a private pension, and had no or very little money saved. Indeed the highest level of savings reported by people who used credit or delayed was £200. All, for a variety of reasons, could not ask for financial assistance from relatives.

3.2.3 Planned expenditure

The most common types of planned expenditure included holiday and leisure activities, decorating and family presents. Budgeting approaches used for planned expenditure were quite different to those reported for dealing with unexpected expenditure. Far fewer people reported being prepared to use their existing savings for this type of expenditure. In fact, people were much more likely to say they would use their existing savings for unexpected rather than planned expenditure.

Those who used their existing savings for planned expenditure had the highest levels of savings (over £10,000), and those with modest savings of between £2,000 to £3,000 were older and in their 70s. They were content with their current saving levels and willing to use them.

The most popular method used was saving up specifically for this type of expenditure. Much smaller numbers said they would rely on credit or family to support this expenditure. In addition a few said that planned expenditure never arose and that they only dealt with budgeting for the essential day-to-day expenditure, namely household bills and food. This small group were on the lowest incomes, had very low savings, and had experienced much financial hardship throughout their lives. This hardship continued into retirement and their goals and horizons reflected their constant fight for survival.

The saving levels of those preferring to save up for planned expenditure and protect their formal savings were lower – typically under £3,000. They were less content with their level of savings and felt they needed to protect them, mainly for funeral expenses and for unexpected emergencies.

3.3 Understanding pensioners spending priorities

In this section we look at older people's spending priorities. The prioritising process employed by older people was very much dependent on their income and influenced by their attitudes to money management (see Section 3.1). The three factors influencing spending patterns being: adjusting to living on a fixed lower income; protecting savings; and the fear of debt and of leaving that debt for families on their death.

In this section, we will first explore areas of protected expenditure, where older people felt they should not make economies. We then move on to look at areas of spending where those interviewed had **cut-back for purely financial reasons** and look at these in some detail.

3.3.1 Areas of protected expenditure

All those interviewed were asked what items they would never cut-back on when making their budgeting decisions. The three most frequently mentioned items were food, household bills (for example, rent, gas and electricity) and healthcare (for example, dental, eye care and medicines).

Many mentioned that they would never cut-back on food, quite simply because all saw this as a basic necessity of life.

'I wouldn't cut-back on food. We make sure that's there. If you've got food in your belly, a roof over your head, everything else is incidentals. That's what my mother used to tell me.'

For most the classification of food as a protected area of expenditure meant ensuring that they never went hungry or went without basic food essentials. However, further probing revealed that it did not include making less drastic economies such as buying cheaper cuts of meat, going without luxuries or shopping in cheaper supermarkets. This is discussed further in Section 3.3.2.

Interestingly, the people least likely to say they would not cut-back spending on food were those on the lowest income and with the lowest savings, and who had experienced the most hardship throughout their lives. Women were also more likely to say that they would not cut-back in this area.

Household bills were also prioritised by a large proportion of those interviewed. Unlike food, current income did not affect people’s propensity to state that they would prioritise bills. However, peoples’ past income and hardship did have a relationship. Nearly all those who said they would prioritise bills had experienced much hardship throughout their working lives. The other key factor was age: the majority of those prioritising payment of their bills were over 70 years old. Most were in their late 70s and early 80s.

The final area of spending where a high proportion said they prioritised was spending on healthcare. The main areas of spending people were referring to here were eye tests, replacing spectacles, dental care and buying any medicines or vitamins which maintained their general wellbeing. People’s current income and past standard of living did not affect whether they prioritised healthcare. The main factor influencing whether people prioritised spending on healthcare was their current standard of health. In fact, the majority of those who mentioned healthcare were receiving a disability benefit.

Other spending priorities where people felt they could not cut-back their expenditure included: cigarettes; television; presents for the family; and hobbies.

3.3.2 Items where people feel they cut-back for financial reasons

All those interviewed were asked to indicate areas of spending they cut-back or went without because of lack of money. Five items emerged: clothing; leisure; holidays; car; and food (even though many identified this as a protected area). In addition, cutting back on household bills, replacing electrical goods, replacing furniture and decorating the home were mentioned by slightly lower but still significant numbers of people interviewed (see Table 3.1). These were all considered by older people as areas where they could make economies, go without or cut-back on whenever necessary.

Table 3.1 Areas of spending where people report cutting back because of financial reasons

Highest level of cutting back	Medium to low level of cutting back
Clothing	Replace electrical goods
Leisure	Replace furniture
Holidays	Household decoration
Car	Household bills
Food	

Younger pensioners were more likely to say they needed to cut-back their expenditure for purely financial reasons. The areas where they reported cutting back were: household bills; clothing; holidays; leisure activities; and transport. However, it should be noted that older pensioners, especially those experiencing health problems, were just as likely to be cutting back on leisure activities and holidays as younger pensioners. However, these economies were more likely to be reported in terms of health problems rather than financial reasons, and it is likely that many would be unable to finance these discretionary areas of expenditure if health was not an issue. Household decoration was the one area where older pensioners were more likely to report having to cut-back because of financial reasons. All age groups said they cut-back on food expenditure.

Those reporting cutting back on leisure activities, transport and electrical goods tended to be the poorest pensioners, receiving Guarantee Credit, and with little or no savings. On the other hand, those who had prepared well for retirement and had occupational pensions and substantial savings were less likely to report needing to cut-back in any areas for purely financial reasons.

Food

The largest number mentioned food as the area where they had cut-back because of financial reasons. This is surprising seeing as many had said it was a priority spending area where they should not cut-back. Many of those who classed food as a high priority area of spending but still made economies in this area made small financial savings. These adjustments were not substantial and usually led to minor changes in their weekly consumption of food, and certainly did not mean they really went without. For many their thriftiness when food shopping had long been a way of life and they were now less conscious of the economies they were making.

Budgeting strategies used were wide and varied, and included buying cheaper cuts of meat, looking out for special offers, shopping at budget supermarkets, not buying pre-prepared food and only buying the very basics.

'I can't buy the nice cuts of meat I used to buy, or the good bacon, which I'm very fond of...I also look for bargains in Morrisons. The reduced labels or the buy-one-get-one-free. And I do all my own cooking.'

Unlike many of the other measures, all age groups and all income groups were as likely to report cutting back on their food expenditure for financial reasons. Standard of living in retirement compared to working age did not affect people's propensity to go without food. Nor did whether people had received family assistance. The fact that many older people, regardless of income and other important factors, were making these economies in their food budget can largely be explained by their more frugal approach to money management.

In addition, many older pensioners and in particular those pensioners with health and mobility problems were cutting back on food expenditure for health and not financial reasons (see Section 4.1.3).

Household bills

All those interviewed had received the Government's Winter Fuel Payment. Many really welcomed this and said it had made a real difference when managing their heating bills. They felt they no longer had to worry as much about the cost of heating their homes, and felt able to keep themselves warmer during the winter months.

'I get £400 from the Government at Christmas for the heating. It's marvellous, marvellous. That's why I had the heating on like I did last year.'

Furthermore, a small number who had cut-back on their heating in the past felt they no longer had to make these economies because of this benefit.

'I used to cut-back before the heating allowance. I used to be sitting here with a blanket around me. I had to shut up some of the rooms you see. Now I can at least go in and have heating on in there for my computer and the dining room, whereas I used to have to never heat the bedrooms and the other rooms. Today things are much easier than they were.'

In addition to the Winter Fuel Payment, a significant minority had also benefited from grants to make their homes more energy efficient. Such improvements included loft insulation and draft proofing, new gas boilers, heating controls and radiators. All these measures have of course helped some people to reduce their bills and make the fuel payment stretch much wider. However, the knowledge and awareness of such schemes is not widespread, and a significant number of people interviewed were making do with very old and inefficient central heating systems. For many, maintaining inefficient heating systems was a great source of worry, not only regarding the cost of keeping their homes warm but also regarding how they could replace or repair their failing heating systems in the future.

A minority of older people said they economised by cutting back on their household bills. This mainly involved reducing their use of gas and electricity, but also a small number said they had cut-back on their telephone use and were no longer paying for household contents insurance. Those making these economies were younger and felt that they were not managing so well in retirement. All received no financial assistance from their families.

Most of those economising on heating were cutting back as part of their more frugal lifestyle. These people had always been careful with money, despite their income.

'If you're practical with money it's amazing what you can do with it. With the price of gas and electricity and that, I find I'm consciously making sure all the lights everywhere are off, and there's only the light on in the room I'm in. ...I've heard of people putting their central heating on in summer. But, no, I have my gas fire on, things like that.'

However, there was a small number who were really struggling financially and making much bigger economies with their heating.

'There are times when I cut-back and that's the wintertime. It's just a fear of how much it's going to cost, can I afford it? That's the time when I'm not going to have the heater on. I'll put a jacket on or I'm not going to have the heater on in my bedroom, or this sort of thing because look how much this is going to cost, and I'm always looking at the meter'.

A small number said they tried to economise by limiting their telephone use, usually limiting this to incoming calls.

'I make a point of not phoning anyone unless I really need to. It's more there for people to contact me.'

Clothing

A sizeable minority said they cut-back expenditure on clothing. Those most likely to say they did so were younger, with many recently retired, and fallen on harder times. These people had experienced relative comfort during their working lives and had experienced the biggest drop in income on retirement. Some economised by not replacing clothing and making do.

'Oh, I've always loved clothes, I used to love getting clothes and that, but your needs alter. If you're not working and you're on Pension Credit you don't go in for those as much as you would like.'

'You reduce your expenditure to meet your needs. Suffice to say I haven't bought a shirt for three years, I haven't bought a pair of jeans for three years. These shoes I've had for five years. The only thing I renew is my underwear.'

Others economised by either shopping in charity stores or going to discount stores.

'I go and look in the charity shops for my shoes. If I'd been a younger man I wouldn't go to a charity shop. Or I go up to these stores that have 50 per cent off.'

Holidays

A sizeable minority said they cut-back on holidays. Again, the people in this group tended to be younger and had fallen on hard times. In addition they tended to have very little saved and received no additional financial assistance from their family.

'I would like to go on holiday, but the cost, but that's the only reason. This is one area that can take a lot of money.'

Although most people who went without holidays gave two other reasons for doing so. They said they went without for either health reasons which made it difficult to travel or because they had seldom if ever been on a holiday in their lives.

Leisure

Many said they had reduced their leisure activities. This included trips to the theatre or cinema, meals out, a drink in the pub, day trips or attending social events or gatherings. As with holidays, most of those cutting back on leisure tended to be

younger and in their 60s. In another similarity with holidays, these people were less likely to receive family assistance. However, in contrast to those cutting back on holidays, people who had reduced spending on leisure activities tended to be on the lowest incomes and receiving Guarantee Credit. In addition, they were as likely to have struggled financially over their lifetime as to have fallen on harder times on retirement.

'I suppose I cut-back on going out quite a bit. We'd get the taxi and I'd go with him, and he'd sit down and I'd have a look around the shops, and then we'd have a nosh as I call it, a bit of lunch, and that is cut out. I would do it if I had the cash in my purse. But it's no good getting in debt, you've got to pay your way and you know what your budget is.'

Car

A significant number said they had cut-back spending on a car for financial reasons. Most either had to give up running a car or had no alternative but to run an old or more unreliable one.

'We've got an old wreck now. We did have a mobility car, but we decided that we really needed the money. That was costing us £160 per month, that car. So we decided it was too expensive for what we use it so we gave it back... I miss it but we wouldn't be able to live if we didn't have her pension.'

Smaller numbers mentioned being unable to use their car as much as they would like because they could not afford the petrol.

'I don't use my car as much and I walk, as I don't want to spend as much money on petrol.'

'I don't rush around in the car as much as I did because I'm conscious of petrol. Whereas before I'd say, "oh come on then, lets put the dogs in the car and take them down to the beach", or something like that.'

Again people who had reduced spending on motoring tended to be younger and in their 60s. They were almost all on low incomes and receiving Guarantee Credit. By far their biggest barrier certainly to replacing a car was savings – all had very low savings, and indeed when asked how they budget for planned expenditure, only two used their existing savings. The rest would have to find the capital by other means, usually having to start saving up. In addition, all but one could not rely on their family for financial assistance.

Electrical goods

A large number said they had either had to make do or delay replacing electrical goods when broken or faulty. The electrical item most commonly mentioned was a cooker.

'I desperately need a new cooker. The oven doesn't work and every time I put on a certain electric ring it smokes, so I desperately need a new cooker. I can't go and buy a cooker for three or four hundred pounds. So I'm waiting 'till I can find someone who's giving one away or a second hand one, because I can manage with the microwave.'

Others had delayed replacing fridge freezers, washing machines, kettles and televisions.

Those making do or delaying purchasing white goods tended to be more recently retired and on the lowest incomes, with most in receipt of Guarantee Credit. Almost all received no financial assistance from family, which might have cushioned their low incomes. They all had low levels of savings; indeed none of them said they used these savings to pay for unexpected expenditure. Instead they preferred to save up to replace electrical goods, although a small number said they would use credit, and one thought they might get help from their family.

Replace furniture

A small but significant number said they had cut-back on replacing furniture for financial reasons. Those not replacing furniture did not replace essential items like beds, chairs and tables that were either broken or very worn indeed.

Nobody talked about replacing furniture which had become unfashionable. Unlike many of the other areas where people cut-back, there was a slightly higher proportion of older people in this group. This older generation expressed the need to make do and mend most strongly when talking about replacing furniture; and it was this deeply held belief that meant that many made do with furniture that many younger people would have felt was essential to replace.

'My furniture is all years old, it's comfortable and it's clean and wholesome. Even though it's fairly worn, I don't like wasting money.'

They came from all income groups, and they all had modest savings and tended to budget to meet planned or unexpected expenditure. A higher proportion of women mentioned cutting back.

Household decoration

A sizeable minority felt they had had to cut-back on household decoration because of financial reasons. This meant not painting or decorating the interior of the house or replacing carpets. A smaller number mentioned cutting back on maintaining the exterior of their home, although this was less common. Examples of exterior maintenance included not replacing windows that had rotten, and painting the exterior of the house.

Unlike many of the other areas where people said they cut-back, those cutting back on household decoration tended to be much older. Nearly all were in their 70s and 80s, and had modest savings. However, many did not have the additional financial and/or practical support of their families to help with this and felt that they could not face the additional cost and stress of using professional builders.

3.4 Saving

Savings were a vital resource for those pensioners' who had them and, as we have discussed earlier, were an important safety net for meeting unexpected expenditure. In this section, we will look more at: older people's lifetime pattern of savings; their current level of savings; whether they were actively saving in retirement; and their use of their savings.

3.4.1 Lifetime savings

Consistent with previous research, a small number of older people said they had never saved anything over their lifetimes (Whyley and Kempson, 1998). Those who had never saved fell into two distinct groups. Firstly, there were those who had experienced vast levels of hardship throughout their lives. They had only managed to save small amounts, although it had been a struggle.

'I saved on and off, but the trouble is I couldn't save it for long periods,' cos there was always something that needed attention, 'oh my gosh the Community Charge, the rent thing's come, I'll have to use my savings'. There was always many immediate things. Long-term saving was out the window.'

'I couldn't save, no not with the children. I had a job so I did scrape through. I did have a grant for the younger one, for his clothes and that when he were at school. I didn't have much else.'

The second group were those who had had comfortable lives but had preferred to spend their money rather than setting aside money for a rainy day.

'I've never been much of a saver. I preferred to spend all my money on wine, women and song.'

The most common form of saving over older people's lifetimes was *save to spend*. People following this pattern of saving will save up for a specific purpose, for example, a holiday or a new item of furniture, and will then spend all or part of this money on that item. Earlier research looking at the saving patterns of people on low incomes found similar patterns (Whyley and Kempson, 2000; Kempson, Collard and Taylor, 2002).

A smaller number of older people were *rainy day savers* over their lifetime – they have always tried to have money saved for emergencies or unexpected expenditure. Indeed, they were most likely to continue to save well into their retirement.

The final group of savers had never set aside money themselves over their lifetime but had got savings through some type of windfall. This was usually through redundancy money or equity released from the sale of their homes.

3.4.2 Current level of savings

The overwhelming majority of the people interviewed had some savings. The amounts of money saved ranged from £50 to £60,000. Most had savings of

between £1,000 and £5,000. However, smaller numbers had managed to save larger amounts, of over £5,000, and few had savings over £10,000.

The people who had *some* savings were not necessarily those who had been better-off in the past. However, as you might expect, those with larger amounts saved (over £10,000) had been better off during their working lives and felt the most comfortable in retirement.

Most of those with savings held them in a bank or building society account. However, a small number of people had other forms of savings. These included Individual Savings Accounts, Premium Bonds and shares.

Informal savings were also commonplace, with people saving coins in jars or tins. Others used their current account to save, building up and maintaining surpluses usually between £500 and £1,000.

Most informal saving was *'save to spend'*, with money saved for household bills, holidays, presents for the family or essential household items.

There was a large overlap between formal and informal saving, with most older people having both types of savings. Those who only had informal savings had the lowest amounts saved, usually in the hundreds. This group had experienced the most hardship over their lifetime and were still struggling in retirement. At the other end of the scale, people who only had savings in formal savings products had the highest levels of savings. They had savings of £5,000 and over. This group, unlike the exclusively informal savers, had experienced far less financial hardship over their lifetime and were more likely to feel comfortable in retirement. Older people who had a combination of formal and informal savings spanned all income groups, experiencing varying levels of hardship over their lifetime and comfort in retirement.

3.4.3 Savings and peace of mind

The older people who were most comfortable were those with the highest level of savings (over £10,000) and those with no savings.

People with savings of £10,000 or more were largely content that this level of savings would see them comfortably through retirement. Indeed many would have been happier with less savings. Despite this, most of them continued to save.

Those with no savings split into two groups. Some of those who were content not to have any savings had never given it a high priority. The others had always struggled and experienced hardship, and had never had money set aside for savings. This lifetime cycle of hardship had led to a view that day-to-day survival and paying bills was their main priority.

'I think anyone would like their money to be more. I would like to have savings, but for me it's just knowing that there is money somewhere that you're always going to be able to pay the bills.'

In contrast to those with savings at the two extremes, the overwhelming majority of people with savings between £1,000 and £10,000 felt that the amount they had in savings was not sufficient. Indeed, most of them were continuing to save.

For those with the lowest level of savings, peace of mind through savings was achieved in the knowledge that they had adequate savings to cover all financial emergencies, especially maintaining their homes and replacing essential household goods when broken. In addition, having enough to pay for their funeral and not leaving debt for their families was also important.

For those with medium savings, peace of mind was also derived from the above. In addition, this group also took comfort in the fact they had enough money to pursue hobbies and leisure activities well into old age.

3.4.4 Current savers

Most older people were actively saving at the time of interview. Most of those actively savings were saving informally, a sizeable minority used formal methods and a smaller number used a combination of formal and informal methods.

The amounts saved per month by active savers ranged from £5 to £250. The informal savers, although saving regularly, were saving the smallest amounts, typically between £20 and £50 per month. At the other end of the scale, those who only used formal methods to save were making much higher monthly deposits. These tended to be over £100 per month.

Active informal savers were regularly setting money aside for their immediate short-term use. Their main priorities for these savings were the payment of bills, leisure activities, presents for grandchildren, Christmas, holidays, household repairs and replacing worn or broken household items or clothes.

The smaller numbers adding to formal savings accounts were mainly doing so through the need to protect their level of savings so as they could remain as comfortable as possible throughout their retirement. These savings were set aside for household maintenance and the replacement of household goods. The other main purpose for saving being for their funeral expenses.

A minority of older people were not active savers. Most had no savings at the time of interview. The overwhelmingly majority of people not actively saving had always had a low inclination to save and had tended to spend rather than save for a rainy days. Most had fallen on harder times in retirement through poor financial planning and preparation for retirement.

'I've never been a saving person; I've always lived from day to day.'

In other words, although most were saving, only a minority were saving into a savings account for a rainy day.

3.4.5 Use of savings since retirement

Informal and formal savings usually served very different functions. This was especially true for those who had a combination of both types of savings. Most viewed their formal savings as an emergency saving pot which they were very reluctant to dip into.

When people did have to use their formal savings in retirement, it was usually used to maintain their house or replace electrical items. Many had withdrawn their savings to keep their home in good working order – this included roof repairs, replacing windows, painting and decoration, and replacing boilers. Others had used savings to replace electrical goods, usually fridge freezers but also cookers, microwaves, televisions and washing machines. A small number of people said they had used their savings for holidays or buying cars, or spending on presents for their family or meeting health costs for themselves (spectacles and dental bills) or their pets.

Informal savings on the other hand were usually viewed as being more accessible and for short-term needs.

'I use it as a standby...I've usually got something that I can use it for, like bills, bus fares and the grandchildren'.

The use of informal savings reflected this. Most older people dipped into them frequently using them to pay for general household bills and leisure activities. These were the two areas of spending all agreed their formal savings were not to be used for.

4 Ageing and health, help and support received from families and services, and the impact of standard of living

Peoples' health in old age and the help and support they received also impact on their emotional, physical and financial well-being.

This chapter begins by looking at health and mobility and the restrictions pensioners experience because of these restrictions. It then turns to the support received from families and friends and salutatory and not statutory organisations. Finally, it looks at the financial impact of receiving or not receiving help from family and friends and/or help from services.

4.1 Health and mobility

Health was a key concern among those interviewed. Indeed, for many, their contentment in retirement was often expressed in terms of *'keeping well'*.

'There's nothing really I want. I'd just like to be healthy.'

A wide variety of health complaints were represented and, as one might expect across this age group, they included: heart conditions; arthritis; lung conditions such as emphysema; high blood pressure; diabetes; and dementia. These were present in varying degrees of severity. We have classified the people interviewed into three categories of severity when looking at health and its impact:

- *Physically fit* and not restricted through health. Roughly one third were fit and able and did not experience any health related limitations.

- Those who had experienced *slight limitations* – who had become slower and less able to carry out more strenuous tasks.
- Those whose health problems had *severely restricted* what they were able to do and were increasingly more reliant on others to carry out basic tasks.

As Table 4.1 shows, health impacted on a number of aspects of peoples' lives and required changes in their lives. These adjustments had emotional, social and financial implications which will be discussed in detail throughout this chapter. People who experienced slight restrictions because of their health found it impacted on their ability to undertake: house maintenance and decoration; transport; hobbies and leisure; and food. As you might expect, the impact was even greater for people with severe restrictions. These people had to make adjustments to many aspects including: house decoration; transport; hobbies and leisure activities; food; household tasks; money management; personal hygiene; and holidays.

4.1.1 Fit and able and no restrictions felt

Many of the people interviewed described themselves as being fit and able and felt that their health was not placing any limitations on their day-to-day activities.

'I'm in excellent health. I don't need a car or anything like that. I walk to town, and manage to get around and do my shopping and everything like that. It's about a mile and takes me about a quarter of an hour.'

As one might expect, the people in this group were younger, with most in their 60s, and a few in their early 70s. Any restrictions experienced by this group were purely financial.

4.1.2 Slight restrictions due to ageing and health

A sizeable minority had felt their health was placing some limitations on their well-being which had led to them having to make some smaller adjustments to their daily activities. These spanned all ages but were most concentrated in their late 60s and early 70s.

Among those people, ageing meant they were slowing down and needing to rest more because they tired more easily. It also meant being less able to do more physically demanding jobs which they would have done before their health deteriorated. This typically meant being unable to decorate or carry out maintenance jobs around the house.

'The house needs painting but for the last few years I haven't been able to do much because of my hip. I'm too worried I might fall over.'

They now relied on others to carry out this work, and if there were no families and friends to assist with these jobs, this meant meeting the extra cost of using builders and decorators to do the work.

Table 4.1 Limitations experienced through ageing and health conditions

Fit and able	Slight restrictions	Major restrictions
No limitations felt	<p>House decoration and maintenance</p> <ul style="list-style-type: none"> • need professionals <p>Transport</p> <ul style="list-style-type: none"> • more reliant on transport public and/or own car • stop driving • drive shorter distances <p>Hobbies and leisure activities</p> <ul style="list-style-type: none"> • adopt new hobbies which are less physically demanding <p>Food</p> <ul style="list-style-type: none"> • more healthy diet including more fresh fruit, vegetables and lean meat and fish 	<p>House decoration and maintenance</p> <ul style="list-style-type: none"> • need professionals <p>Transport</p> <ul style="list-style-type: none"> • more reliant on transport public and/or own car • stop driving • keep car on road for mobility reasons • increased reliance on taxis • increased reliance on others to drive them places <p>Hobbies and leisure activities</p> <ul style="list-style-type: none"> • hobbies more house orientated including TV, reading and puzzles <p>Food</p> <ul style="list-style-type: none"> • more pre-prepared food • more meals on wheels <p>Household tasks</p> <ul style="list-style-type: none"> • More assistance with cleaning, washing, ironing and gardening <p>Manage money</p> <ul style="list-style-type: none"> • getting money • spending money • total control of finances provided by others <p>Personal hygiene</p> <ul style="list-style-type: none"> • assistance bathing, dressing, doing hair <p>Holidays</p> <ul style="list-style-type: none"> • stay with relatives • day trips- • stop

Health also impacted on the hobbies and leisure activities this group were now able to pursue. Many reported pursuing fewer leisure activities and hobbies; others talked about the fact they were no longer able to pursue more physical hobbies such as sports and walking.

The other main area where people experienced difficulties through their reduced mobility was getting out and about. Some had had to stop driving. For example, one man in his mid-60s had recently had his driving licence revoked because he had experienced two seizures. He had been told he would be unable to drive for 12 months and this would be reviewed thereafter. Others only now drove short distances.

'We're not as able to do as much as we could do. I don't like him driving as much now, so he only drives locally. If we go away our granddaughters take us.'

Those without a car became more reliant on public transport, using buses where they might have walked more in the past. Many had also become increasingly more reliant on taxis in order to pursue leisure activities and to do their weekly food shop. Families and friends also provided much assistance here, as we discuss later.

The final factor influenced by health for this group related to food and adjustments made to diet. Diabetes, high blood pressure or heart disease meant many had made changes to their diet and the foods they chose to eat. They now ate more healthy food, including fresh fruit, vegetables and lean meat or fish.

'It's mainly my blood pressure. I'm taking blood pressure tablets, but I'm also dropping off fatty foods, and keeping off frying. I hardly buy red meat, and now buy fish and chicken, for my condition. I also eat a lot of fruit and vegetables.'

4.1.3 Major restrictions due to ageing and health

A large number of those interviewed had experienced many limitations and restrictions because of their health in almost all aspects of their lives. This led to many feeling much more lonely and isolated.

Many of these people were in receipt of disability-related benefits, mainly Attendance Allowance and Disability Living Allowance. A few others had tried, unsuccessfully, to claim a disability-related benefit. This is covered in detail in Section 4.3.1. A small number were living in sheltered accommodation, and a few were living in their children's homes.

As with those experiencing slight restrictions because of health, people with more severe problems were also unable to undertake house decoration or maintenance tasks. Although, in contrast, they appeared to be more reluctant to have these tasks carried out, finding the upheaval just too much.

'I haven't had it done for a long while now. I used to do it all myself. I don't think I could have it done now. I'd have to pay for somebody. You don't want people coming in and making a mess, and I don't think that I could be [doing with the] upheaval. I'll have to leave here when it needs decorating.'

A small number were housebound as a result of poor health.

'No it's just because physically I can't get in the car, it's very difficult to get in the car. I mean, the last time they took me to the hairdresser, we managed to get in the car, but when I got down there we couldn't get out. So they had to wait for a man to come along and help me. It was quite embarrassing. And of course I can't get shoes on because my feet are so bad. It's embarrassing so I don't want to go out now.'

Even those who could still manage to get out had to make major adjustments as to how they used transport. For some who already had cars and valued their independence, especially those with severely restricting heart and lung conditions, keeping a car on the road was essential for mobility. This was especially true for those trying to preserve their independence for as long as possible. For example, one woman in her 70s experienced major restrictions because of a heart and lung condition and was only able to walk a few steps without experiencing difficulties. Her car enabled her to visit friends and pursue her hobbies. Running this car caused her great financial hardship and she cut-back on many items like replacing electrical goods, food and heating so that she could afford the car insurance, tax and petrol.

'What is a problem is if you have to have transport which I do. Just walking a few steps up the path in the morning I have to have a few puffs, so I can't really go shopping. But without a car I don't know, well my life would be curtailed to such an extent I don't know what I'd do.'

Others, who did not own a car, were also unable to manage public transport. They had become reliant on expensive taxis, and community transport, especially where families were unable to provide help with transport.

As one might expect, leisure and hobbies were greatly affected by restricted mobility and ill-health. All had had to make adjustments in varying degrees. For many, and in particular those who had become increasingly more housebound, this now meant switching to more home-based hobbies. These included reading, watching the television and doing puzzles and crosswords.

'I used to like going to the shops and people watching, but I can't do that now. But you've still gotta keep your brain active. I like reading, and I do a lot of competitions, listen to music. I like documentaries and I love detectives on television. I watch all the detectives. Anything that needs a brain – like Poirot says: your little grey cells have gotta work.'

Some still managed to enjoy day trips or pursued leisure activities, with families or friends providing transport and support. Typical pursuits included attending church, visiting friends, going to garden centres and having lunch out. A small number managed to meet others socially through attending local day-centres.

People who had previously enjoyed holidays before experiencing ill health had had to adjust this aspect of their lives. For many the thought of leaving their home was now too stressful. Consequently they were content not to go away and were happier with day trips. For others, holidays were now extended stays with their children.

Adjustments in the quantity and types of food eaten were particularly prevalent. Most of those with severe health restrictions were now eating much smaller portions of food.

'We don't eat as much as we used to. When you're not working you don't have the same appetite. It's because you don't do so much you don't feel hungry really.'

Some found preparing food and cooking more difficult, and had become more reliant on pre-prepared foods, especially microwave foods from the supermarket.

'We only have frozen vegetables, because I can't stand for long enough to do the fresh vegetables.'

'I now have to have microwave meals much more, and I find that's a big help. It just saves doing it yourself. But I don't buy all the dear ones, I buy the cheaper ones as well to even it [the cost] out.'

A small number of people either had their food prepared by family members or received meals on wheels services. In addition, getting out to buy food was also difficult. Many were reliant on their family or friends either to take them to the shops or actually do their shopping for them.

A small number had started to use internet home deliveries as a result of their mobility difficulties. These tended to be younger and in their 60s, and had enjoyed periods of relative prosperity during their working lives, although they had all fallen on harder times in retirement and were receiving Pension Credit.

In addition to cooking, other household tasks were also difficult for this group of people, and most of them experienced problems doing everyday household tasks such as washing, ironing and cleaning.

'I find a job to hang washing on the line. When I stand and do my ironing, which isn't a lot for myself, I find I've got very bad backache, but like my doctor says sit down and do it. But it's not the same sitting down. I can't do it.'

Many now required these tasks to be carried out by somebody else, either family and friends or social service carers.

For a small number of people, maintaining personal hygiene independently had become difficult. These people required help with bathing, or needed bathroom aids in order to carry out this function. Others also required assistance getting dressed. This help was typically provided by social services.

A small number of people who were housebound or who managed to get out of their homes only infrequently had become increasingly more reliant on others to collect their pensions, do their shopping and pay bills at the post office. In addition, a few had relinquished all responsibility for managing their finances to their families because of dementia.

4.2 Family, friends and neighbours influences on pensioners' financial situation

A large number of those interviewed received some type of help from family, friends or neighbours (see Table 4.2).

This help was often not direct financial help, but given as presents of useful or needed items. In order of prevalence these included: giving electrical items (most common); clothes; holidays; car; furniture; bills; and food. In addition, many received practical help, such as decorating (most common), transport, shopping, food, gardening and cleaning (this support is listed in order of prevalence⁵).

As well as providing financial, and practical support, family and friends also played a major role in the provision of social support to older people with severe health restrictions. Many of those interviewed emphasized the importance of outings, shopping trips, visits and holidays. As we noted above, relatives and friends also provided much financial advice and support. For example, telling them about benefits or services they might be eligible for, and helping them claim benefits. In a small number of cases this also included providing full support for their finances.

Table 4.2 Family and friends influences on pensioners financial situation

Practical Support

- decorating, transport, shopping, food, gardening, cleaning

Financial support (often given as presents)

- electrical items, clothes, holiday, car, furniture, bills, food

Social support

- daytrips and outings, home visits, providing holiday/respite in their home

Financial advice and support

- managing finances and payment of bills, providing financial advice, withdrawing and spending money
-

Quite clearly this type of support both financial and practical was providing a financial and emotional safety net for almost all that received it. It had vastly improved their quality of life and was allowing all to lead a relatively independent life.

⁵ This list notes support provided in order of prevalence. However, it should only be interpreted as indicative, as this research is qualitative and not based on a quantitative representative sample.

4.2.1 Reasons why people did not receive help from families and friends

The reasons why some people did not receive any help from families and friends was wide and varied, mirroring the complexities of family life.

Some simply did not need any help. They were recent retirees (so in their early 60s), in good health and quite comfortable finances.

'We don't really need help, but if we were really in need and we went to them they would do all they could to help us out.'

'What can you get somebody that's got everything they need.'

These people were often themselves providing help and support for members of their own families – looking after grandchildren or caring for their own parents.

In contrast, others struggling more financially, older and less fit would have benefited from this type of help and support from their families or friends. Most of these people lacked this help because their families lived too far away or/and had very busy lives of their own. However, a few felt they could not intrude on their families, had no close family alive or their families were in no position to help them through their own hardship.

Families busy and living too far away

Some older people, especially those in their 60s, could not rely on their families for either practical or financial support because their families lived too far away and were too busy. For example, one woman aged 66 had two sons both of whom lived over 200 miles away, and both had very busy professional jobs and young families. She only saw them twice a year when she visited them in their homes. Her main method of contact was the telephone. They were consequently unable to help with the practical jobs she was now struggling with. Because of her failing health, due to diabetes and heart disease, tasks such as shopping, travelling to hospital appointments and doing the housework and gardening had become increasingly difficult. She was on Guarantee Credit, was struggling to make ends meet and could not see how she could pay for help with these things.

No close relatives

Some simply had no living family members they could call on for help and assistance. They tended to be people who had never married or had children. They were also more likely to have not prepared well for retirement and were experiencing financial hardship in retirement. An example was a single woman aged 71 who had never married, never had a long-term partner and had no children. She had been an only child herself, and spent most of her working life in Spain where she ran a bar. She lost touch with many of her friends in the United Kingdom while in Spain and was starting to lose touch with her friends in Spain. Her parents were no longer alive and she felt very isolated and alone. After a life of relative affluence and independence in Spain, she was living on Guarantee Credit with few savings and was struggling financially, making many cut-backs. Her cooker needed replacing, as did her bed, and she was struggling to keep her car on the road.

Families experiencing their own hardship

Others could not turn to their families for help and assistance because they had their own financial difficulties. One woman aged 69 was experiencing much financial hardship. She had credit card debts and was also in arrears with some of her utility bills. She had three adult children, but they were all struggling to make ends meet and had young families of their own. One son had been able to help her in the past. However, none of them were in a position financially to help her out now, and she did not know how she would pay off the arrears.

Too proud

Pride and wishing to maintain a level of independence from outside help was another factor which clearly stopped a number of people asking for help who could have benefited.

'No, no. I would definitely not ask for help from them. I'm too proud.'

For example, a couple receiving Guarantee Credit were struggling to make ends meet. They only had between £200 and £300 saved in their current account which was needed to cover any unexpected or planned expenditure. Although they had seven children who all lived locally, they felt unable to ask them for help, even in a crisis. Although they were relatively fit, the husband had stopped driving – he no longer felt comfortable on the roads – and found it too expensive to pay for taxis to do their food shopping. Using buses had become too difficult as they found it too difficult to carry their shopping. They were having to cut-back spending in many areas in order to make ends meet. They now spent £20 per week on cheap frozen food and were unable to decorate their house, even though wallpaper was falling off the walls.

4.3 Services that helped people to maintain independence

A number of services mentioned were helping people to maintain independence. These included transport as well as a range of home-based services.

Transport services were often mentioned as being key to retaining independence for those with health conditions that restricted their mobility. These included mobility car services, community transport schemes and vouchers for free taxi journeys. Without these many more people would have been housebound.

Other services mentioned included mobility aids, meals on wheels, day-centre care and social services home care. These were all services which supported the capabilities of older people with health problems, often enabling them to live independently in their own homes.

In addition, all receiving disability benefits welcomed the additional money, which enabled them to fund the extra costs they incurred because of their restricted mobility.

Those receiving these services spanned all age and income groups. In addition a significant majority with *severe health restrictions* were not receiving this help. Many of these were receiving this support from their families, either because they were 'too embarrassed' to ask for help, or because they lacked awareness of available support services. Finally, there was a group of people with *severe restrictions* who did not receive any additional support, either from services or from families or friends. These were all in their 70s, had no family living close by and lacked awareness of where to go to find help from services.

4.3.1 Why some people are not receiving help from statutory or voluntary organisations

Given the fairly high incidence of health problems restricting people's lives, it was surprising that more people did not receive help from statutory and voluntary organisations. There were three main reasons for this: the stigma of claiming non universal benefits; fear of losing independence; and lack of awareness.

Stigma

Some expressed a strong dislike of claiming benefits or asking for services which were not universal or paid out automatically. Many expressed a fear of being refused a benefit claim. This was often rooted in some pensioners' deeply held belief that many people receiving benefits were undeserving.

'To be honest we didn't want to apply for anything. I sometimes hear people say well you've both worked all your lives, you've paid all the dues you're entitled to it. People that are getting this and they've never paid a penny into it, anything. But we weren't brought up like this. And say by chance we weren't supposed to get it, where would we be then.'

Applying for a benefit and then being rejected led to feelings of very low self worth, and reinforced the belief that they had been begging.

'This woman organised for me to go to this place where they help the poor. I went to this place, and there was a woman there, and she was asking me so many questions, and I said to her "what you've got for me you can keep", and that was it. I didn't bother no more. I didn't want the intrusion or to answer all her questions, and it felt demeaning. I'm worried it might be like that again, and I'd just rather do it myself now.'

This couple were unwilling to make a new claim, even though their health had deteriorated even further.

'I would rather cut-back than seek help. If I knew I could go somewhere and get help then fine. But all these rejection letters and so on and you're not entitled. I can't cope with them things now.'

Some said they would only ask for help if this help was volunteered. They would not make the initial approach.

'We did get some help, but we didn't ask. I happened to go for a flu jab, and while we were waiting there were two women going around with a piece of paper, and they asked if we would like home security improvements. So I said we would have asked, because that's how we are. We just like to tiggerle along as we are. We don't ask anything from anybody.'

Loss of independence

Many older people were very concerned to stand on their own two feet. Worries about losing independence led to a reluctance to admit that they were not managing, and for some, claiming benefits was seen as the first step towards being unable to manage independently.

'I've always tried to be independent and not wanted to intrude on others for things. I've always been like that.'

'We do things our own way and if we haven't got it we can't do it, if we've got it we can do it.'

Applying for disability benefits or homecare services was therefore often seen as a last resort.

Some pensioners who had recent unsuccessful claims for disability benefits felt angry or upset that they needed such benefits in order to maintain their independence. These pensioners were worried that they would not manage many household tasks like housework and shopping as their mobility deteriorated, and saw disability benefits as a way of helping them pay for home help or transport.

Lack of awareness

Older people were not always clear about benefits or services that might be available to them, the conditions of entitlement to them, or the names of income and disability-related benefits. One woman in her 70s experienced major restrictions on her health which necessitated keeping a car to ensure she maintained her independence. Her isolation and lack of family support heightened this need. Although experiencing much financial hardship, she was unaware that there might be services to help her.

'I don't know how to get help to run the car. It's very difficult to find out a lot of things. And I don't think you get disability benefits unless you have to have somebody with you 24 hours a day and you can't get to the toilet on your own, this is what it seems to come down to. I'm sure there must be some help with the car. There are lots of things you can't find out.'

Another woman in debt and really struggling to make ends meet was not claiming Pension Credit or receiving any help or advice from agencies. She had not realised other options, for example, using the Social Fund, were available to her until the interview.

'It wouldn't occur to me to ask for help [from services]. However, much I've got left in the bank, it won't last for long. So I thought I'd go and see if they [the bank] would give me a loan.'

The issues of pride and anxiety presented a further barrier to finding out about entitlements.

'I don't know any local organisations. I've never had any contact with them. I wouldn't know how to contact them, and quite honestly I'm a bit shy about doing things like that.'

4.4 The financial impact of help from family and friends and/or help from statutory and voluntary agencies

In this section we provide an overview of how these types of help interacted to provide older people with the help they needed for financial or health reasons (see Figure 4.3).

4.4.1 No help provided at all

A minority of those not receiving help had no need for financial health-related assistance. As you might expect, they were younger – in their sixties – and enjoyed good health. They had prepared well for retirement and were receiving good occupational pensions. They also had savings which they could draw on in a crisis. Consequently they could enjoy life without having to worry too much about making ends meet.

Financial need only

However, most of those not receiving any additional support were not doing so well in retirement. Some were in relative good health and quite clearly would have enjoyed a more contented retirement if they had been able to call on financial help.

Those in relative good health were in their 60s. They had been unable to prepare adequately for retirement and were living on low incomes and had no savings. In addition this group were more likely to have the additional financial burden of having commercial credit commitments, putting a further strain on their financial situation. Many had experienced relative prosperity during their working lives and were now clearly struggling to cope financially. Indeed they were often having to cut-back on many items to make ends meet, and really found it difficult to finance unexpected expenditure. Pride was a key barrier to seeking help from services for this group. In addition, they had no family to turn to for help in a crisis.

Financial and health-related needs

Others were experiencing mobility problems due to their deteriorating health and suffered as a result of having no help from family and friends, or local and national services.

These were older than those just requiring additional financial needs. They too, had also been unable to prepare well for retirement, so were living on low incomes and had low to modest savings (usually allocated for funeral expenses). They were particularly likely to have been on a low income all their lives and to have always

Table 4.3 The impact of help from family and/ or statutory and voluntary agencies

No help provided at all	Family and friends provide all help	Statutory and voluntary agencies sole providers of help	Combination of family, friends and agencies providing help
<p>No need</p> <ul style="list-style-type: none"> • Younger – in 60s • Good health • High savings and occupational pensions • Financially comfortable – no cutting back 			
<p>Financial need only</p> <ul style="list-style-type: none"> • Younger men – in 60s and never married • Good health • Lowest incomes, no savings and only ones in debt • Worse off financially since retirement • Pride barrier to help seeking help from agencies • No family to ask for help • Cutting back to make ends meet and struggle to meet unexpected expenditure 	<p>Financial need only</p> <ul style="list-style-type: none"> • Younger – in 60s • Good health • Low incomes, no savings or debt • Either worse off since retirement or always struggled financially • Family and friends meet most unexpected expenditure needs • Little cutting back to make ends meet 		
<p>Health as well as financial need</p> <ul style="list-style-type: none"> • Older – all in 70s • Poor health places strain on finances • Low incomes, low to modest savings • Either worse off since retirement or always struggled financially • Lack of awareness main barrier to seeking help from agencies • Family or friends unable to provide this support • Cutting back to meet unexpected expenditure 	<p>Health as well as financial need</p> <ul style="list-style-type: none"> • Older – in 70s and 80s • Poorest health, family help reduces impact on finances • Low savings • Tend to feel better off financially since retirement • Family and friends provide combination of financial and practical help • No awareness of help from agencies or too embarrassed as refused services in past • No cutting back for financial reasons 	<p>Health as well as financial need</p> <ul style="list-style-type: none"> • Younger – in 60s • Poor health, agency help reduces impact on finances • Low incomes and low savings • Always struggled financially • Families unable to help (own financial difficulties and busy) • Cutting back way of life, and unable to meet unexpected expenditure 	<p>Health as well as financial need</p> <ul style="list-style-type: none"> • Oldest – in late 70s and 80s • Poorest health, family and agency help reduce impact on finances • Low incomes and low or modest savings (accumulated in retirement) • All feel better off financially since retirement and have largest monthly surplus • Little need to cut-back, family tend to meet unexpected expenditure needs

struggled financially. Unlike those just requiring financial support, they had health and mobility problems that were placing an additional strain on their financial situation. Funding transport to maintain their independence was proving especially difficult. Many were having to make cut-backs so that they could keep their car on the road or pay for taxis. They found it difficult to meet unexpected expenditure and many were making do with electrical goods like cookers or washing machines that had broken. They were unaware of the statutory or voluntary services available and had no family or friends to help them out financially or practically.

4.4.2 Statutory and voluntary agencies sole providers of help and assistance

All those whose sole provider of help were the statutory and voluntary agencies needed financial help as well as having health needs. Older people who received help and support from statutory and voluntary agencies but received no additional support from family and friends were also struggling financially in retirement. These people tended to be in their 60s and often had to retire early, usually through ill-health. Many had always struggled on low incomes, even when working, and had been unable to prepare adequately for their retirement. Their incomes were low, as were their savings.

In addition, although relatively young, all of them experienced many restrictions because of their health and were in receipt of disability benefits such as Disability Living Allowance or Attendance Allowance⁶. Even with this financial support, many found maintaining their independence difficult. They received no financial or practical help from their families which could have helped alleviate this strain. Often their children were experiencing their own financial difficulties, or were too busy bringing up their own young families to provide ongoing practical support.

Cutting back for financial reasons was relatively prevalent, and had very much become a way of life. Meeting unexpected expenditure was especially problematic.

4.4.3 Family and friends provide all practical and financial help and support

Most of those where family were the sole providers of help and assistance had purely financial needs. Those people were in their 60s and in good health. For a whole variety of reasons they had not prepared well for retirement and were now on low incomes, many without any occupational pension. Almost all of them either had no savings at all or had less than £200 put by. They were also more likely to have the additional financial burden of debt. Many of them had experienced relative financial comfort during their working lives but were finding it more difficult living on their fixed lower income. A few had always struggled financially.

⁶ We reported in Section 2.2.1 that receipt of disability benefits led some people to feel better off, particularly when accompanied by family support. However, this group received no additional support from families or friends, and without this additional help experienced more strain on their finances.

Pride and low awareness were major barriers to help seeking from statutory and non-statutory services. Family and friends were providing a great deal of assistance, including buying major electrical items, clothing and furniture and food. They also provided help with gardening or decorating where needed. The assistance they got from the families helped most of them manage better financially, and meant they did not have to go without or make do when unexpected expenditure arose.

A minority of those only receiving help from their families had both financial and health-related need. They were older – in their 70s and 80s – and poor health restricted their lives.

Their incomes were low and they had low to modest savings, most of which they had managed to save in retirement. They all tended to feel better off in retirement, largely because of the large amount of financial and practical support they were receiving from family and friends. Their families were meeting most unexpected expenditure, as well as providing a good deal of practical support. This included decorating, providing food, driving them to appointments, taking them shopping or doing their shopping, doing the gardening and cleaning, and preparing meals.

With all this help they had no need to cut-back for purely financial reasons – any cutting back was due to health and mobility, and mainly involved holidays and leisure activities, and many were aware they were cutting back in these two areas. There were two main reasons why they were not receiving help from statutory and non-statutory agencies: a lack of awareness that there were services they could use; or embarrassment because they had been refused help in the past.

4.4.4 Receiving help from families and statutory and non-statutory agencies

The people who had received help from both family and friends and statutory and non-statutory agencies were the oldest and frailest. They were all in their late 70s and 80s. They experienced the poorest health which impacted on all areas of their lives, and were often housebound.

They were on low incomes and had low to modest savings, most of which had been saved in retirement. They were particularly likely to have experienced financial hardship throughout their lives, and felt better off since retirement. This new-found comfort and financial stability was largely due to a combination of needing to spend less because of their poor health and receiving much help from statutory and voluntary agencies, and family and friends. They had no need to cut-back for financial reasons, and all cutting back was due to ageing and mobility issues as they were less able to get out and spend their money on holidays, leisure activities, and general treats for themselves.

The people who had financial and/or health needs but received no support from family or friends were the most worst off. All were struggling in varying degrees to make ends meet, and had to regularly cut-back, sometimes on essential items like food and heating. These older people all found it particularly difficult to meet

unexpected expenditure, having little or no savings. Their financial hardship placed much strain on their lives, and all felt they were struggling, or indeed worse off in retirement.

In contrast, those receiving family help were better off in retirement and cushioned by this assistance. Without their families help most would have had to cut-back on their spending to make ends meet, and would have struggled to meet unexpected expenditure.

People who had health-related needs also faced the prospect of cutting back in some areas of their life, and statutory and voluntary agencies helped to ameliorate these effects.

5 How well do existing deprivation indicators work for older people?

Since 2004/5 the annual Family Resources Survey has included 11 adult-level material deprivation questions specifically designed to measure poverty⁷, with people being asked which they do not have at present and whether this is because they cannot afford it or do not want or need it (see Table 5.1 for the text of these questions). The choice of these particular indicators was informed by a detailed analysis of a much larger number used on other surveys including the Poverty and Social Exclusion Survey, Family and Children's Study and British Household Panel Survey (McKay and Collard, 2004).

Analysis of the Poverty and Social Exclusion Survey, however, has shown that rates of poverty (measured as low incomes) are high among people over state pension age, and especially so among the very elderly. But deprivation (as measured by deprivation indicators) tends to be low and not correlated with income (Patsios, 2000).

McKay (2004) has investigated each of the three steps in the logic of deprivation questions used in this survey and shown that:

- there was disagreement about which items should be considered 'agreed necessities' and which should not;
- although the number of people who did not have any particular item was strongly associated with income, the number saying they lacked it because they could not afford it was more strongly associated with age than with income. Older people were less likely to say they could not afford things, and more likely to say they did not want or need them;
- most people who said they could not afford some necessities, did, nevertheless, have other items that were generally considered non-essentials.

⁷ A further eight indicators relate specifically to children and were not included in this study.

In this final chapter we provide an overview of how the 11 adult-level indicators included on the Family Resources Survey were interpreted by older people. In particular, we look at which items they considered essential and, in some detail, at the explanations of why people went without each of the 11 items included in the deprivation. In doing so, we explore the inter-relationship between income and other factors to arrive at an overall assessment of how well each of them captured levels of poverty and deprivation. This assessment was based on two main considerations:

- whether there was a link between income and going without an item;
- whether there was a link between income and people saying they went without an item because they could not afford it as opposed to not wanting or needing it.

Where appropriate we explore any cognitive difficulties that were identified with specific indicators.

Table 5.1 Questions included on the Family Resources Survey

For each of the following things please tell me the number from the showcard which best explains whether:

- you and your family
- you and your partner
- you

have it or not or do it or not.

Possible responses

- We have OR do this/We have OR do this/I have OR do this
- We would like to have OR do this but cannot afford this at the moment/We would like to have OR do this but cannot afford this at the moment/I would like to have OR do this but cannot afford this at the moment
- We do not want/need this at the moment/We do not want/need this at the moment/I do not want/need this at the moment
- Does not apply

Adult deprivation

- A holiday away from home for at least one week a year, whilst not staying with relatives at their home
- Friends or family around for a drink or meal at least once a month
- Two pairs of all weather shoes for each adult
- Enough money to keep your home in a decent state of decoration
- Household contents insurance
- Make regular savings of £10 a month or more for rainy days or retirement
- Replace any worn-out furniture
- Replace or repair major electrical goods such as a refrigerator or a washing machine, when broken
- A small amount of money to spend each week on yourself (not on your family)
[asked to the individual about themselves, not of the family/partner]
- A hobby or leisure activity
[asked to the individual about themselves, not of the family/partner]
- In winter, are you able to keep this accommodation warm enough?
[yes/no answer only]

continued

Table 5.1 Continued**Child deprivation**

- A family holiday away from home for at least one week a year
- Enough bedrooms for every child of 10 or over of a different sex to have their own bedroom
- Leisure equipment such as sports equipment or a bicycle
- Celebrations on special occasions such as birthdays, Christmas or other religious festivals
- Swimming at least once a month
- A hobby or leisure activity
- Friends round for tea or a snack once a fortnight
- A toddler group /nursery /playgroup at least once a week
ELSE: go on school trips
- An outdoor space or facilities nearby where they can play safely

Debt

- Are you up to date with the bills on this card, or are you behind with any of (a list of bills)?

5.1 What do older people consider essential?

Focus group members and all the people interviewed in depth were shown each of the 11 deprivation measures in turn, and then asked to provide a priority rating, indicating whether or not they felt each measure was *'essential'*, *'desirable'*, or *'not important'*. This exploration provided some indication of the relevance these indicators have in older peoples' lives. It also helped to determine whether older people would buy these items if they had enough money, and whether people didn't rate a measure as essential because of other reasons unrelated to resources, for example, health reasons.

The four items currently included on the Family Resources Survey that older people were most likely to consider essential were:

- having two pairs of all weather shoes;
- keeping their home adequately warm;
- being able to replace broken electrical goods such as a refrigerator or washing machine;
- a hobby or leisure activity.

These were also the things that the older people interviewed in depth were least likely to go without.

In contrast, the seven items older people considered it less important to have were (in grouped order of importance):

- having home contents insurance;
- keeping their home in a decent state of decoration;
- a holiday away from home for one week a year, not with relatives;
- replacing any worn-out furniture;

- having a small amount of money to spend each week on themselves, not on their family;
- having friends or family for a drink or meal at least once a month;
- regular savings (of £10 a month) for rainy days.

Older people were much more likely to go without these seven items, although, as we discuss below, not always because they could not afford them.

The focus groups also identified three further items that older people considered essential:

- food;
- transport;
- dental treatment.

The depth interviews confirmed the importance of these items with most people rating these three measures either essential or desirable. Food and transport were generally considered essential; dental treatment was slightly less so. It should be noted that the Poverty and Social Exclusion Survey includes a number of indicators relating to food and transport.

In the sections that follow we consider each of these indicators in turn, providing for each of them an overview of the factors that influenced whether or not older people went without. Following this we give an overview of the indicators as a whole. We identify the items which some people could not afford but, despite this, did not go without. We also summarise the non-financial factors that determined whether people went without some items and assess whether these were separate from – or masked – financial ones. We conclude with some observations on how the Family Resources Survey indicators can be used most effectively to measure deprivation among older people.

5.2 Electrical goods

The great majority of people interviewed thought it would be essential to replace key white goods, like a cooker or fridge/fridge-freezer. There was rather less agreement about a washing machine and less still about brown goods. The very small number who considered being able to replace even the key white goods as not important had them provided and repaired for them by their landlord.

Only a minority of older people said they would not be able to replace broken electrical goods and most of these said they would have to wait until they could afford to do so. Some were actually in that position currently; others had faced the situation in the past. Only a small number said they would both need to and be willing to borrow the money – from commercial lenders, the Social Fund or an ex-husband. The people who could not afford to replace essential electrical goods were disproportionately living on Guarantee Credit and had very little in savings. On the

whole, they had been unable to plan for their retirement, and a very large number had been forced to retire early through ill-health or redundancy. They tended to be in their late 60s or very early 70s and most had no relatives in a position to help them financially.

Turning now to the majority of people who said they could replace broken electrical goods, around half of them said that they could afford to replace electrical items with new; all would draw on their savings to do so. Unsurprisingly, they tended to be people who were slightly better off and either not eligible for Pension Credit at all, or just the Savings Credit element of it. They had also been better-off in the past and had larger amounts in savings. They included equal numbers of people aged under and over 70.

The other half said they *would* be able to replace them, but could not afford to pay for new items themselves. Most commonly, these people said that their children would buy replacements for them and a small number (as we note above) would have essential items replaced or repaired by their landlord. Those able to call on help from their family were disproportionately on Guarantee Credit, they either had very little in savings or any money they had was being kept to pay for their funeral. They tended to be aged over 70 and to be receiving disability benefits. Others had no-one in a position to help them in this way and these people had either taken out insurance or said they would only be able to afford to buy second-hand replacements.

On the whole, then, this indicator worked reasonably well (as the quantitative analysis also found) in that most of those unable to replace electrical items were living on low incomes and they said they went without because they could not afford replacements.

It did, however, under-record people unable to replace electrical items in two ways. First it did not identify people on low incomes whose family had helped them buy replacements (which they could not afford); secondly it did not identify people who could only afford to buy second-hand electrical goods – a course of action that is often considered risky. Both these defects could, however, be overcome by careful rewording.

5.3 Heating

The great majority of people also thought it essential to have adequate heating in their home and most said that they did not cut-back expenditure in this area. The remainder split almost equally into those who said they cut-back because they could not afford adequate heating and those who did so for non-financial reasons – all of whom said they preferred a cooler home – especially in the bedrooms.

The only obvious difference between the circumstances of those who cut-back and those who did not was that the latter group included a greater number of people in receipt of disability benefits. They included a similar spread of people of different ages, income levels and life-time standard of living. Having said that, almost all those

who lived on low incomes but were able to heat their home mentioned that the Winter Fuel Payment enabled them to do so.

There were, however, some notable differences between the older people who cut-back because they could not afford to heat their homes and the ones who said that they preferred a colder home. Those who said they could not afford to keep their homes warm were new pensioners, most of whom had had a noticeable drop in income when they retired. Despite the fact that most of them had an occupational pension, they felt worse-off financially since retirement and their incomes were relatively low. They also often had homes that were expensive to heat.

In contrast, the people who said they preferred a colder home were older and in their 70s or 80s. Their incomes were lower than those who cut-back on heating for financial reasons and they had also been poorer throughout their lifetime. They were a generation and income group who were less accustomed to central heating.

In other words, although the quantitative analysis by the University of Essex (Berthoud, Blekesaune and Hancock, 2006), which used 1999 data, found that inadequate heating was significantly associated with low income, this analysis shows that recent increases in the Winter Fuel Payment may have reduced the link with income. Moreover, this indicator underestimates the number of older people unable to afford to heat their home as many of the poorest people in their 70s or 80s had never been accustomed to well-heated homes and consequently said that they chose a lower level of heating.

5.4 Hobby or leisure activity

Although hardly anybody said that having a hobby or leisure activity was unimportant, a clear distinction was drawn between hobbies and leisure activities. Hobbies were generally seen as essential to maintaining the quality of life in retirement and to ensuring physical and mental well-being. Consequently, as people got older they adapted them to accommodate reduced mobility and income rather than give them up altogether. In contrast, leisure activities (which were interpreted as taking place outside the home) were seen as less essential and were more often cut for both financial and other reasons.

Very few people had no hobby or leisure activity at all, but most of the people interviewed said that they had reduced expenditure on hobbies or leisure activities; only a minority had not. On the whole, there were very few differences in the circumstance of these two groups. Those who *did* cut-back were slightly less well-off, and they included slightly more women and single people. Most notable was the fact that all the people who received disability benefits had cut-back on both hobbies and leisure activities.

The two main reasons why older people had reduced spending on hobbies or leisure were because they could no longer afford the expenditure and because of ill-health or reduced mobility.

Only a handful had cut-back for other reasons. They included one of the youngest people interviewed (a woman in her very early 60s) who was caring for very elderly parents; a woman whose social life had been curtailed by the death of her husband and friends and an older man who had lost interest in gambling, which had been his main 'leisure activity' when younger.

There were some distinct differences between the people who had reduced spending on hobbies and leisure activities through lack of money and those who had done so through ill-health. People who cited lack of money tended to be younger, fairly recently retired and more inclined to say they felt worse off financially since retirement. Almost all of them had reduced their spending on leisure activities, which included meals in restaurants, visits to pubs with friends and visits to the opera, cinema or bingo. Few of them had cut their spending on hobbies.

In contrast, people who said they had reduced spending on hobbies or leisure for health reasons were, not unexpectedly, all either aged over 70 and/or ill-health restricted their mobility. They included all the people who were receiving disability benefits in their own right. They tended to be people who had lived on low incomes for most of their life and reported feeling better-off financially since they retired. Even when younger, few of them had had hobbies or leisure pursuits that involved much expenditure. So the main things they cut-back on were gardening or crafts such as knitting, tapestry or flower arranging – which restricted mobility and arthritis made more difficult.

The quantitative analysis undertaken by the University of Essex (Berthoud, Blekesaune and Hancock, 2006) has also shown this indicator did not work particularly well as very few people *did not have* a hobby or leisure activity (which is the wording of the indicator). If we look instead at *reductions in spending* on hobbies and/or leisure, there was a slight link with income although most of the people who said that they had cut-back for financial reasons were younger and slightly better-off retirees who had experienced a drop in income. In contrast, many of the poorest people who had reduced spending on hobbies or leisure attributed it to health and mobility problems not to lack of income and affordability.

5.5 Two pairs of all-weather shoes

Not only was having two pairs of all weather shoes considered important, it was the area of expenditure where fewest people cut-back. The great majority of people said they had two pairs of shoes and most of them could afford to replace worn out ones themselves⁸.

⁸ It should be noted that the question on the Family Resources Survey does not refer to replacing shoes – but to having two pairs of all-weather shoes. The depth interviews explored whether people had two pairs of shoes and what they would do if one pair wore out and could not be repaired.

Those who could not afford to replace shoes when they wore out included a very small number of people who said relatives had bought shoes for them; people who would either have to do without or buy a second-hand pair; and disabled people who did not want or need two pairs of shoes as they were either housebound or went out very little. Because the numbers of people involved are so small, we have not attempted any further analysis of their characteristics.

As very few people lacked two pairs of shoes it was not possible to test whether there was a link with low income. However, our analysis shows that this indicator could be improved by referring specifically to being able to afford *personally* to replace worn out shoes with *new* rather than second-hand ones. With these amendments it would give better indication of people unable to afford footwear.

5.6 Home contents insurance

On the whole, people polarised into those who felt that having home contents insurance was essential and those who felt it was not important. People considering it essential outnumbered those believing it was unimportant by more than two to one. Hardly anybody considered insuring their possessions merely desirable.

Most of the older people with current policies said that they had decided to insure the contents of their home because it gave them peace of mind and/or they would be unable to replace any stolen or damaged possessions. Despite this, most of them had savings of more than £1,000 and they included people from across the income range. They did, however, include all the people aged over 70.

In addition to this group, a small number of people lived with an adult child who had taken out the insurance for the whole household.

Older people who did not have home contents insurance currently divided into two sub-groups. First, there were people who said that they could not afford the premium. They were all receiving Pension Credit and all but one received Guarantee Credit. They had lived on a low income all their lives and had never been able to find the cost of insuring their possessions. They were doubly vulnerable as none of them had savings of more than £200.

Secondly, there were people who believed that it was not worth their while taking out home contents insurance – all of whom also thought it was unimportant. They were either opposed to insurance in principle (believing that insurance policies often failed to provide adequate cover) or they felt that they faced a low risk of burglary in particular. Their views did not seem to be linked to their financial circumstances. This is corroborated by earlier research on the reasons why some households are uninsured (Whyley, McCormick and Kempson, 1998), which found that among older people the two main reasons were being unable to afford premiums and believing home contents insurance did not offer value for money.

Notwithstanding these complexities, this indicator worked well in that people who lacked home contents insurance were disproportionately on low incomes. Moreover, most of the uninsured people on low incomes said that they could not afford the premium. This is consistent with the findings of the University of Essex quantitative analysis (Berthoud, Blekesaune and Hancock, 2006).

5.7 Home decoration

Here older people polarised into those who thought it essential to keep their home in a decent state of decoration and those who considered it merely desirable. A far smaller number considered it not important at all.

A large number of the people interviewed said they were able to keep their home in a decent state of repair. These people comprised two distinct groups of equal size: people able to afford to do so themselves (who were better-off, had money in savings and were fitter) and those who relied on help from their family (who were much poorer and had a much higher incidence of disability and ill-health).

The people who did not decorate their home as the need arose comprised three distinct groups. The largest of these three groups was people who could not afford to maintain their home. They had lower incomes and many of them suffered from disabilities or ill-health that prevented them from doing the work themselves. But unlike other people in similar circumstances they had no relatives who could help them out – they either had no immediate family at all or their close relatives lived some distance away.

A second and smaller group who did not maintain their home gave it a low priority and had done so all their lives. They included some people for whom the state of decoration of their home was genuinely unimportant and others who had always struggled financially and had, consequently, adjusted their expectations over their lifetime.

Finally there was a small number of people who for reasons of age or ill-health could not face the upheaval of having their home redecorated – so preferred to live with shabby decorations.

Overall, this indicator worked reasonably well, as the quantitative analysis has also shown. People who were not able to keep their homes decorated were drawn disproportionately from those living on lower incomes, although it should be noted that some people on low incomes were helped to maintain the decoration of their home by friends or relatives. The indicator did, however, underestimate the number of people lacking decoration for affordability reasons – as some people who had always lived on low incomes had adjusted their expectations and said they chose to keep their homes the way they did.

5.8 Replacing worn-out furniture

The older people interviewed were quite divided about whether being able to replace any worn-out furniture was essential, desirable or not important. Slightly more said it was desirable than gave either of the other replies; the number saying it was essential was the lowest of all the indicators considered here.

Reflecting the relatively low priority given to it, the majority of the older people interviewed said they would not replace worn-out furniture – the second highest number going without an item (after holidays). It was, however, hard to disentangle financial from non-financial reasons. A small number of people spoke only about being unable to afford to replace furniture, while a few others said they had a sentimental attachment to their furniture or that they were too old to bother replacing things that had worn out. But for most people it was a low priority, given their age and financial circumstances. Their furniture would need to be broken beyond repair for it to be replaced. Otherwise they would 'make do and mend'. Indeed, almost all of them had pieces of furniture in their homes that really needed replacing. Most would find it hard to say whether they had not replaced them because they did not want to or because they could not afford to do so.

Even among the minority of people who would replace worn-out furniture it was clear that not all could afford to replace them themselves. In fact they divided into those who had used savings in the past and would do so again if the need arose again, and those whose family had given them replacements and/or they had bought second-hand furniture. As might be expected, the main differences between these two groups were their incomes and the extent to which they had savings they could draw on.

Finally, it is important to note that three people were unable to give meaningful replies to this question – one lived in her daughter's home; one was about to move into (furnished) sheltered housing and a third already rented a furnished home. Nationally, many other older people would be in similar situations.

In conclusion, this indicator did not work particularly well. Like some of the other indicators above, it under-counts the number of people who are unable to replace furniture – where family buy them or they buy second-hand goods. Consequently there was no clear link between income and lacking furniture. Moreover, most people would have found it very hard to say whether they did not replace worn-out furniture because they could not afford it or because they did not want to do so.

5.9 A holiday away from home

We asked the people interviewed about taking a holiday away from home for one week a year, not staying with relatives. Again they were quite divided about whether this was essential, desirable or not important, although slightly more said it was desirable than gave either of the other replies. The number saying a holiday was essential was the second lowest of all the indicators.

Reflecting this low level of importance, only a minority of the people interviewed said that they took a holiday and most paid for it themselves. A small number were taken on holiday by their family, who met the costs. The ones who paid for their own holidays included people of all incomes; most, but not all, had at least £1,000 in savings and they spanned a wide range of ages. They were, however, people who were accustomed to having holidays and some regularly put money aside to finance them. The small number of people who were taken on holiday by their relatives were all very close to their families and received a lot of assistance from them. They tended to be elderly and/or disabled and living on low incomes.

Turning now to the majority who did without annual holidays, it was possible to identify three main reasons why they did not go away. Only a small number specifically said it was because they could not afford a holiday. These tended to be recent retirees who had fallen on harder times in retirement (see Section 3.3.2). The two main reasons were that they had seldom, if ever, been on holiday in their lives or that ill-health or ageing made it difficult to travel and stay away from home. In fact, many would have found it difficult to say whether they did not go away because they could not afford it or because they did not want or need to. Most of those who had seldom taken a holiday had never been able to afford to pay for one. But they were much more inclined, in their old age, to say they did not want or need one. Likewise, a number of those who were prevented from taking a holiday by ill-health could not have afforded to pay for one anyway and some had been unaccustomed to taking holidays all their life. They too would be very unlikely to say that they did not go on holiday because they could not afford the cost, as they felt their health had become the main barrier to them pursuing this activity.

On the whole, people who had not taken a holiday were less well-off than those who did. However, this indicator too suffers from the same problem as the one relating to home decoration – namely that it fails to differentiate between people who cannot afford a holiday and those who do not want one.

5.10 Having friends or family for a drink or meal

Having friends or family for a drink or meal at least once a month was really not important for most of the older people we interviewed. In fact this was the indicator with the highest number of people saying it was unimportant, and the second lowest saying it was essential.

The minority of people who did entertain family or friends regularly all said they had always done so and enjoyed it. They included people aged from 60 to 85, although there was a slight preponderance of people in their sixties. On the whole, they had been better-off when younger and felt worse off since retirement. That said, they also included some people who had struggled financially all their lives and some who felt better-off since retirement. In general, it seemed that life-style rather than finances were more important in their decision to invite family and friends to their home.

There was a range of reasons why the majority of people did not entertain family or friends in their home at least once a month. Some had never been in the habit of inviting family or friends to their home; others either had no-one to invite or no-one living close enough to entertain monthly. Some preferred to go out and meet family and/or friends and some had no choice as their home was too small for entertaining. A small number of people said that ill-health prevented them from cooking a meal for others and a similar number said that they only had people in for a cup of tea (and did not class this as having people in for a 'meal or drink'). Only one person said she did not entertain family or friends because she could not afford to do so, although others clearly would have found it difficult to meet the cost. They included people who were struggling financially and who had cut-back expenditure in a large number of other areas. This final group who said they '*didn't want*' rather than they '*couldn't afford*' to have family and friends around for a drink or meal did so because the other social and physical barriers were far greater.

In short, this indicator seems to be capturing life-style choices not the extent of deprivation.

5.11 Small amount of personal spending money

It is clear from the replies given by the people we interviewed that there are real cognitive problems with the indicator 'having a small amount of money to spend each week on yourself, not on your family'. As a consequence, it does not work at all well as an indicator of deprivation.

It was interpreted in various ways, a number of which overlapped with other indicators. They included: having money for hobbies and leisure activities; going out for a drink or meal; buying cigarettes; going to the hairdresser; buying clothes; buying toiletries and cosmetics; buying 'luxuries' such as flowers, magazines, books, chocolate or sweets or lottery tickets; and buying food 'treats'. Clearly the sums of money involved varied enormously. Moreover, those who took the question to mean spending on clothes and/or going to the hairdresser often said they did not do this every week. Others economised and said that they treated themselves occasionally but not every week. Very few regularly spent money on themselves without cutting back.

On the whole, older people polarised into those who thought it was essential to have some spending money and those who thought it unimportant. Very few considered it merely desirable.

A large number said they hardly ever spent on themselves. Some said that their need for spending money had reduced as they got older; some (mostly women) had gone without it all their lives; others (again mostly women) placed a much higher emphasis on spending money on their family.

Slightly fewer people said they did spend *some* money on themselves, although the sums of money were relatively modest. Most of these had always lived on a low income and had never been accustomed to spending a lot on themselves. They

interpreted the question to mean buying the occasional treat. Others among them said that they were worse off financially since they retired and had consequently reduced the amount of money they spent on themselves. They interpreted the question in terms of spending on leisure activities.

That leaves a small group of people for whom personal spending money was given a fairly high priority. Most of them were drawn from the better-off people we interviewed, although three single men in their late 60s were spending fairly large sums each week on drugs and alcohol – betting and cannabis for ‘recreational’ use – even though they were receiving Guarantee Credit.

In summary, there were real cognitive problems with this indicator which meant that it fails to capture deprivation.

5.12 Regular savings

Section 3.3.4 showed that saving among older people was common but that this tended to be undertaken informally and not necessarily into an account. However, this was the third indicator (along with spending money and having friends or family for a meal) where there was a high degree of polarisation between those thinking regular saving (of £10 a month) for a rainy day was essential and those seeing it as unimportant. Therefore, despite the findings in Section 3.3.4, few people believed it was desirable. The reasons for this appear to be many interviewees interpreted the wording in this measure as referring to saving in formal accounts or savings that were rarely dipped into. They did not interpret this as measuring the type of informal saving that most engaged in, and as a result the level of importance given to this measure does not reflect the level of active saving found. In addition, the following factors added to the difficulties with this measure (see bullets below).

There were also some cognitive problems with this indicator. Money was only considered to have been saved for a rainy day if it was paid into a savings account and left there untouched. Consequently, the people we interviewed broadly fell into four groups of equal size:

- People who regularly paid money into a savings account, who tended to be better-off but, above all, gave a high priority to saving for a rainy day.
- Those who regularly saved money informally at home, who tended to be on lower incomes and often felt better-off in retirement. They did not recognise this as saving because the money was not being paid into a savings account and was dipped into to cope with frequent rainy days. This is a well-documented pattern of saving among people on low incomes (Kempson, McKay and Collard, 2005; Kempson, 1998; Whyley and Kempson, 2000; Whyley, Collard and Kempson, 2000).
- People who had never saved for a rainy day (only to buy something specific) and placed a low priority on doing so. These people span all income groups, including some who would find it difficult to save regularly.

- Those who were not saving even though they gave it a fairly high priority. They included people who would have liked to save but were prevented from doing so by their low income, as well as those who felt that they had sufficient in savings already.

In other words, this indicator is capturing a combination of ability to save and priority afforded to saving. It also under-estimates the number of poorer people who *do* save some money even if they do so informally and not necessarily for a rainy day.

However, as stated above, the *wording used on the Family Resources Survey* – being able to afford to save £10 a month for a rainy day or retirement – led many interviewees to interpret this measure as referring to savings in formal accounts or savings that were rarely dipped into. They did not interpret this as measuring informal saving and as a result the level of importance given to this measure does not reflect the level of active saving found. However, this ‘misinterpretation’ does give a fair interpretation of many older people’s circumstances, not saving money formally into an account was linked to income, i.e. it did help identify those who could not afford to save into an account. But this is more by accident as the cognitive problem with the measure means it is open to misinterpretation.

5.13 Other potential indicators

In addition to the indicators currently in use on the Family Resources Survey, we also explored in more detail three further areas which the focus groups suggested might provide an indication of deprivation. Two of these (food and transport) are included in other surveys such as the Poverty and Social Exclusion Survey; the third (dental treatment) is not.

The parallel quantitative analysis showed that three of the food indicators used on the Poverty and Social Exclusion Survey – being able to afford meat, fish or a vegetarian equivalent every other day; having two meals a day; and having a roast joint or its equivalent at least once a week – were not closely and consistently associated with income for older people (Berthoud, Blekesaune and Hancock, 2006). The study of expenditure by older people found that spending on food was related to income but that there was also a strong ageing effect (Finch and Kemp, 2006).

One of the transport indicators (running a car) was strongly associated with income; the other (coach or train fares to visit family/friends) was not (Berthoud, Blekesaune and Hancock, 2006).

5.13.1 Food

The depth interviews showed that many older people said they cut-back on food expenditure; the rest did not. In fact the majority of people who reduced spending in this area did so for financial reasons and were not as well-off as those who did not economise on food. The interviews do, however, shed light on why the parallel quantitative analysis found that the three food indicators it tested were not related to income.

The most common strategies deployed by older people when money was tight were not to cut out meat and fish⁹ (although a minority did) or to go without meals. Instead, they said that they bought the cheaper food when they needed to economise. For those who lived on low incomes, this meant buying the cheapest food from the cheapest supermarkets even if it was less nutritious. It included buying food that was at its sell-by date or reduced in price, as well as buying low-cost filling food (very cheap sausages for example). For those who were better-off it meant buying cheaper food than they had previously been accustomed to eat. It was also clear that the extent to which some older people deployed these strategies varied from week to week, depending on the demands on their income.

Moreover, many of the people interviewed also said that they ate less food at each meal – mainly because their appetites had become smaller as they got older. In some cases, lack of money clearly played a part but was not given as the main reason for eating less.

Capturing this complexity in an indicator would be difficult – as the analysis of the Poverty and Social Exclusion Survey has shown (Berthoud, Blekesaune and Hancock, 2006).

5.13.2 Transport

In the depth interviews we asked older people about transport in general, teasing out whether they owned and ran a car themselves, used public transport (including taxis), or relied on others for lifts.

Looking at car ownership in more detail, fewer than half of the older people interviewed owned and ran a car. Compared with those who did not, they were a great deal younger, in better health and also rather better-off. They tended to see a car as important to maintaining independence. For those on lower incomes it was a struggle to meet the costs and they economised in various ways – limiting their car use, buying very old second-hand cars or car-sharing with others. A small number of people received help with the costs of motoring from their children.

There were four reasons why more than half of older people did not have a car. Some had never had one (often for financial reasons); some women had never learned to drive and had given up the car when they were widowed; some, predominantly older people, had stopped driving for health reasons, while others had given up their car because they could no longer afford to run it.

As noted above, people without a car met their transport needs in various ways. Some managed to do so with relative ease; for others it was a real struggle financially. A small number relied almost entirely on lifts from family or friends. Others were younger and relatively fit and able to walk to many of the places they

⁹ The two measures used in the Poverty and Social Exclusion survey, which were reanalysed in the parallel quantitative study on Pensioner Poverty.

needed to get to and to use buses for longer distances. People aged over 80, however, often found it very difficult to get around but equally could not afford to take taxis very often. Consequently they went out less often and normally struggled to use buses when they did.

On the whole, then, an indicator based on car ownership might be expected to reflect deprivation reasonably well. What it does not capture, however, are the financial problems some people on low incomes have retaining a car. Nor does it identify the financial difficulties faced by non-car owners who have low incomes and limited mobility but have no-one to give them regular lifts. The Poverty and Social Exclusion Survey indicator capturing the ability to afford coach or train fares to visit relatives also fails to identify these day-to-day transport problems. There may also be important differences between rural and urban areas. None were apparent in the depth interviews.

We do think that further work would be needed to develop a suitable indicator on car ownership, as current measures do not adequately capture the complex day-to-day financial difficulties and decisions experienced by older people funding their transport needs.

5.13.3 Dental treatment

Although the focus groups suggested that an indicator relating to dental treatment might be a useful addition to those included on the Family Resources Survey, the depth interviews showed this is unlikely to be the case.

A large number of the people interviewed said they regularly visited the dentist; these divided into those who paid for dental treatment and those able to find one offering check-ups and treatment on the National Health Service. Almost all the people receiving free treatment were on low incomes, receiving Guarantee Credit, and would have found it very difficult to pay for dentistry. In contrast, those who received private treatment tended to be much better off, receiving occupational pensions that took them beyond the limits for Pension Credit of any kind. The small number of private patients who were on lower incomes had all struggled to meet the costs.

On the whole, older people who did not visit the dentist regularly were drawn from the less well-off. There were a number of reasons for their infrequent visits, of which cost was the most important. All of those deterred by cost had last used a private dentist and the size of the bill meant that they had decided to ration use in future. Others said they did not visit the dentist because they had dentures; while others said that they avoided visiting the dentist as they found it an unpleasant experience – indeed many of those with dentures said the same!

This indicator did not work particularly well at capturing material deprivation, mainly because of the different pay structures in operation through NHS and private treatment.

5.14 Overview of indicators

This analysis has shown that three factors, in addition to income, influence the way that the deprivation indicators included on the Family Resources Survey work. These are: age and ill-health; family support; life-time incomes and standard of living, and the financial impact of retirement.

Age and ill-health

The decline in peoples' health placed many limitations on their daily activities including: getting about and transport choices; buying and preparing food; engaging in leisure and social activities; taking holidays and even day trips; household maintenance and domestic chores; and money management. All of the above had some affect on how older people chose or indeed needed to spend their money. Lack of engagement in social activities did on the whole lead to a reduction in discretionary spending on hobbies, eating out, shopping and holidays. On the other hand some changes did lead to increased expenditure, for example, changes in transport needs, and the reliance on taxis when buses had been used in the past. These shifting needs caused by changes in health impact greatly on older people's spending decisions and priorities, and need to be looked at carefully when exploring pensioner poverty.

Family support

Quite clearly the family has played a pivotal role in many older people's lives, providing a combination of financial, practical and emotional support. Examples of help provided by families included: decorating; transport; shopping; gardening; cleaning; replacing household items; day trips or holidays; and managing money. Indeed many of the people interviewed were leading more fulfilled and independent lives because of this help. In addition, many would have experienced great financial hardship without this additional support. No assessment of pensioner poverty and income should proceed without a full understanding of the nature of this assistance, both monetary and in-kind.

Lifetime income and standard of living

Lifetime income had an important impact on how people viewed whether they were managing in retirement. Those who had always been on long-term low incomes tended to find retirement better than working age. However, those who had been better off during their working lives but had seen their incomes decrease tended to feel the worse off in retirement. They found themselves more constrained by their reduced incomes. This effect was felt most keenly by those in their 60s who had retired more recently, and those whose income change was the most dramatic. The impact of lifetime income affects older peoples' perceptions of their financial situation in retirement, how they feel they're managing financially and whether they feel they consider they are cutting back on items.

The relative importance of these three factors does, however, vary between indicators. In some cases, they play little role at all, while in others they seriously reduce the extent to which indicators capture deprivation (see Figure 5.2).

Table 5.2 Extent to which health, family assistance and lifetime standard of living affect responses to the Family Resources Survey indicators

	Health and mobility	Family assistance	Lifetime standard of living
Home contents insurance			
Home decoration	o	oo	
Saving for a rainy day			
Holiday	oo	o	oo
Replacing electrical goods		oo	oo
Hobbies/leisure	oo		
Two pairs of shoes			
Spending money for self	oo	o	oo
Friends/family for a meal	oo		oo
Replacing furniture	o		oo
Adequate heating			

oo Strong effect

o Medium to weak effect

We have also identified two further potential difficulties with some of the indicators used on the Family Resources Survey, both of which lead to an under-identification of older people who say they go without things because they cannot afford them. First, some people said they had items even though they could not afford to pay for them personally. Secondly, others said they did not have particular items because they did not want them, although, in fact, they did not have the money to pay for them. We explore each of these areas of difficulty in more detail below.

There were also real cognitive problems with the personal spending money indicator that make it very difficult indeed to interpret what it is measuring.

5.14.1 Items people had even though they could not afford them

On the whole, where older people did *not* go without the things captured by the Family Resource Survey indicators it was because they could afford them either out of their regular income or by drawing on savings. There were, however, three indicators where significant numbers of older people did not go without, even though they could not afford them themselves. These were:

- being able to replace broken electrical goods such as a refrigerator or washing machine;
- reaping their home in a decent state of decoration;
- replacing any worn-out furniture.

Most commonly it was because they had these things provided for them by their family. In contrast, those who did go without them because they could not afford them not only had low incomes but also had no family who were able to help them out. This being the case, the link between these indicators and income will be weakened but, arguably, they are capturing a wider aspect of deprivation than income alone.

Other strategies which enabled people to replace electrical items they could not otherwise afford include: using consumer credit; insuring electrical goods against loss; and buying cheap second-hand replacements. These were strategies that they had used throughout their lives in response to long-term low incomes. People also bought furniture and shoes second-hand.

In addition, a significant number of the people who made regular visits to the dentist had low incomes and could only do so only because they were able to find free check-ups on the National Health Service. Without this they, like others on similarly low incomes, would have had to ration use.

5.14.2 Items people could not afford but said they did not need

The focus groups, in particular, showed that some older people felt embarrassed to say that they could not afford something when asked directly. This was most apparent among those who were older and poorer. It was evident, but less apparent, in the depth interviews – but this is most likely because they were more private than a focus group and also because the interviewers made a point of making people feel comfortable about admitting they could not afford items. However, in a more structured interview, such as those for the *Family Resources Survey*, there is less scope for putting people at ease. Consequently, it is reasonable to expect a higher level under-reporting of people's inability to afford items than was the case in the depth interviews.

The depth interviews also showed that older people who had lived on low incomes all their lives had never been able to afford the items and over the years had lowered their expectations. This was especially true of holidays away from home, replacing worn-out furniture, saving for a rainy day and personal spending money.

There was also a group of indicators where a number of people who could not afford them said, instead, that they went without as a result of their age or ill-health. These, again, included holidays and replacing worn-out furniture, but also included hobbies and leisure activities and having friends or family round for a meal or drink.

5.15 Using the existing Family Resources Survey indicators for older people

In summary there were real problems with two of the indicators currently used on the Family Resources Survey which mean that they do not, therefore, capture the extent to which older people are able to afford the items. These are:

- having a small amount of money to spend each week on themselves, not on their family, which was affected by cognitive problems;
- having friends or family for a drink or meal at least once a month, which seemed to be capturing lifestyle rather than deprivation.

A third one – replacing any worn-out furniture – was not linked to income in any systematic way either in terms of not replacing items or distinguishing between those who could not afford to do so and those who chose not to.

It is also interesting to note that the parallel quantitative research showed that none of these three indicators was consistently associated with lower incomes across age groups (Berthoud, Blekesaune and Hancock, 2006).

A fourth one – a holiday away from home for one week a year, not with relatives – fails to differentiate between people who cannot afford a holiday and those who do not want one.

A fifth indicator – maintaining adequate heating – was consistently associated with income in the quantitative analysis, which used survey data from 1999, but worked less well in the depth interviews. These showed that recent increases in the Winter Fuel Payment had apparently reduced this association, with many of the older people on lower income saying that it was no longer an area where they had to cut-back. In summary, it would be advisable to test it on more up-to-date information from the Family Resources Survey when this becomes available.

The remaining six indicators gave a more accurate picture of the extent to which older people could afford them, although they did so with varying degrees of accuracy. The home contents insurance indicator worked best capturing the link between income and both be uninsured and, more specifically, being unable to afford to take out a policy (see Table 5.3). At the other extreme, the ones relating to hobbies/leisure and two pairs of all-weather shoes worked least well as so few people went without them (Table 5.3).

We would, however, recommend that further quantitative analysis is undertaken to see whether a measure based on these seven indicators is statistically robust.

Table 5.3 Extent to which Family Resources Survey indicators capture deprivation among older people

	Captures link between income and lacking an item	Identifies people who cannot afford an item
Home contents insurance	oo	o
Home decoration	oo	o
Saving for a rainy day	oo	o
Holiday	oo	
Replacing electrical goods	o	oo
Hobbies/leisure	o	
Two pairs of shoes	o	
Spending money for self		
Friends/family for a meal		
Replacing furniture		
Adequate heating		

oo Captures income well

o Captures income fairly well

It should, however, be noted that most of these indicators were not really appropriate to measuring the deprivation of older people no longer living independently – including those living with a son or daughter. The only ones that seem likely to be appropriate in these circumstances are the ones relating to shoes and saving.

5.16 Improving the indicators

In the longer term there are a number of ways that the existing indicators could be improved, by slightly amending their wording. First, it would be desirable for the electrical goods and furniture indicators to specify new, rather than second-hand, replacements. Consideration might also be given to revising the shoes indicator so that it refers to replacing worn out shoes with new, not second-hand ones.

Secondly, if the indicators are to be used to measure rather than understand deprivation, it would be useful to take account of the extent to which help from family and friends masks an inability to afford certain things. This applies particularly to maintaining the decoration of people's homes and to replacing electrical goods. Wave 12 of the British Household Panel Survey included questions about family relationships and contact and the data could be used to explore this wider, 'social capital' perspective on deprivation.

Finally, consideration might be given to further work to see if a suitable indicator could be developed to capture car ownership or wider transport needs. The depth interviews showed that it worked as well as many of the indicators already covered by the Family Resources Survey and a good deal better than some. The parallel quantitative analysis also showed that it was consistently associated with income across age groups (Berthoud, Blekesaune and Hancock, 2006).

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