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FACTSHEET

Navigating the financial impact of COVID-19

How people's physical health and financial well-being are being affected

Needless to say, coronavirus (COVID-19) has had, and will continue to have, a major impact on our lives. It is not just impacting on people's physical health but also their financial well-being. Research highlights how the finances of the UK's households have been affected by the coronavirus outbreak[1].

Given the economic uncertainties caused by COVID-19 and the extended lockdowns, financial worries have increased. During these uncertain times, it is very important to assess the current financial situation and gauge the long-term impact on our personal finance.

SAVING MORE MONEY

The pandemic has prompted many people to review their retirement plans, but they are divided about what they will do next. Fears about the future have prompted 18% of the general population to review their finances, and nearly one in four (23%) have been saving more money.

Nearly a third (31%) of consumers say they are worried about their finances, and 28% have seen their outgoings decrease in lockdown, leaving them with increasing amounts of money in their current accounts.

TAKING EARLY RETIREMENT

More than a quarter (28%) have seen the value of their pensions fall. Some 6% of the over-55s are considering taking early retirement, while conversely 4% are thinking of delaying retirement. Despite this, only 3% have consulted a professional financial adviser during this period.

Fewer than one in ten (8%) have increased the amount of money they are saving into a pension, while one in ten have cut their pension contributions. Part-time workers have been most affected by the coronavirus outbreak, with four out of ten (40%) seeing their incomes fall compared to a quarter (26%) of full-time employed people.

COMFORTABLY WELL-OFF

Although four out of ten (41%) of the comfortably well-off group[2] have seen a fall in their monthly outgoings (compared to 32% of the general population), one in four expect their finances to worsen over the next three months. More than one in four (25%) employed comfortably well-off people surveyed have seen a decrease in their income compared to 29% of the general employed population.

However, fewer than one in ten (9%) of this group surveyed have been furloughed compared to 12% of the general population. 35% have seen an increase in the amount in their current accounts compared to 28% of general population.

POLARISING PERSONAL FINANCES

Although relatively well-off families have been able to save more as they remain in employment and their monthly outgoings have reduced, coronavirus is further polarising the personal finances of people in the UK. And many people – particularly those who are self-employed or working part-time – have been hit much harder.

With this year's stock market volatility and fears about impending job losses, it's understandable that people are taking a safety-first approach and saving more into current accounts. However, saving too much into cash means you could miss out on future investment growth, while cutting pension contributions can cause you to have less money in retirement.

KEY TO YOUR FINANCIAL STABILITY

Regardless of the current or coming health effects of COVID-19 on you or your family, the pandemic has affected and will likely continue to affect household finances for years to come. Having a plan and using resources efficiently will be key to your financial stability. If you need help to reassess your finances, please contact us. ■

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Source data:

[1] LV= surveyed 4,004 nationally representative UK adults via an online omnibus conducted by Opinium in June 2020

[2] Comfortably well-off respondents were defined as those with £100,000 to £500,000 investable assets (excluding property) such as savings, Cash ISAs, Stocks & Shares ISAs, Premium bonds, Workplace DC pensions, Personal pensions/SIPPs, Transferable DB pensions, Stocks & Shares, Bonds