Office for National Statistics

Wealth in Great Britain

Main Results from the Wealth and Assets Survey 2006/08

Edited by Chris Daffin

A National Statistics publication

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Contents

Chapter 6: Private pension wealth

Chapter 7: Household borrowing and arrears

Chapter 9: Demographics

Chapter 10: Technical details

List of figures and tables

Chapter 2: Total wealth

Chapter 3: Property wealth

Chapter 4: Financial wealth

Chapter 5: Physical wealth

Chapter 6: Private pension wealth

Chapter 7: Household borrowing and arrears

Chapter 8: Attitudes

Chapter 9: Demographics

Chapter 10: Technical details

Appendix A: Business assets

Preface

The Wealth and Assets Survey is a long awaited important new source of data, which will, for the first time, allow analysts to consider the economic well-being of households and individuals in Great Britain, from a single source of data.

It has been widely acknowledged that there were gaps in the official statistics in this area for many years, and a number of feasibility studies have been carried out. The Office for National Statistics was tasked to bring together interested government departments to consider how best to fill the gaps. It was decided that a dedicated sample survey of households was required.

The current development has only been possible with the co-operation and joint funding from a number of government departments including the Office for National Statistics, The Department for Works and Pensions, HM Revenue and Customs, Department for Business Innovation and Skills, Communities and Local Government, and Scottish Government.

I was involved in the early years of the project and have kept a keen interest in this exciting development, and am now able to welcome the first publication of results from the first full wave of the survey. My thanks to all those involved in this development and I look forward to this and future analyses of these data.

Jil Matheson

National Statistician

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Thanks also go to the interviewers and staff in the Social Data Collection Division, staff in the Methodology Directorate and Social Survey Division in the Office for National Statistics who developed the questionnaire, collected, edited and processed the data

This Office for National Statistics publication draws on information provided by individuals in the randomly selected private dwellings in Great Britain. As participation in the survey was voluntary their continued cooperation was very much appreciated; without it, the wide range of statistics published by the Office for National Statistics would not be available. The valuable conceptual and methodological contributions made by members of the survey Technical Group were also greatly appreciated as were the ongoing efforts of the panel of ONS interviewers. All information received by the Office for National Statistics from the survey was treated in strict confidence as required by the National Statistics Code of Practice Protocol on Data Access and Confidentiality.

Symbols and Conventions

Online availability of results

For the web version of this report users can access the data used to create the figures and tables by clicking on any figure or chart. This will access a spreadsheet containing the data and any additional information relevant to the figure or table.

Some further results can be obtained by clicking on the web links in the appendices.

Rounding and accuracy

Figures presented in the analytical text and tables of this report have been rounded and discrepancies may occur between sums of the component items and totals. This will also occur where variables allow more than one response to be reported. Published percentages were calculated prior to rounding and therefore discrepancies may also exist between these percentages and those that could be calculated from the rounded figures.

Billion

This represents one thousand million

Trillion

This represents one million million

Symbols

The following symbols have been used in tables:

..	not available or suppressed due to possible disclosure or not of publishable quality
.	not applicable
-	negligible (less than half the final digit shown)
0	nil

Executive summary

The Wealth and Assets Survey (WAS) aims to address gaps identified in data about the economic well-being of households by gathering information on, among others, level of assets, savings and debt; saving for retirement; how wealth is distributed among households or individuals; and factors that affect financial planning.

This report presents the first results from the 2006/08 WAS for Great Britain, wave 1 of the survey. This covers the period July 2006 to June 2008. Over the two-year period the WAS achieved a sample size of 30,595 private households. Grossed to the population, this represents 24,580,000 households.

The 2006/08 WAS survey sampled all private households in Great Britain. This means that people in residential institutions, such as retirement homes, nursing homes, prisons, barracks or university halls of residence, and also homeless people are excluded from the scope of the analysis presented here.

The measure of household wealth is split into four components for this report: property, financial, physical and private pension wealth. Chapter 2 brings together all four of these components of wealth while Chapters 3 to 6 look at the individual components. The analysis in these chapters covers household wealth. While it is possible to look at individual wealth in the WAS, this has not been done for this report because of the complexity of splitting household wealth among individual members of the household. The exception is Chapter 6 where the results on private pension wealth are presented for both individuals and households.

The remaining chapters look at different aspects of well-being other than the wealth measures presented in earlier chapters. Chapter 7 looks at household borrowing and arrears and Chapter 8 looks at people's attitudes to saving, pensions and debt. Chapter 9 presents some summary characteristics of households and individuals from the survey. Chapter 10 includes technical details of the survey. Appendix A presents results on business assets, which were not included in the main chapters. Appendix B contains links to further tables of results. The tables were too large to include in the body of the report but some of the figures contained in them have been quoted in the text of the report. In order to allow the reader to get an appreciation of the variability of the results Appendix C links to standard error estimates for some of the key variables used in the report.

In this report the median is the preferred measure of the average or central tendency of the data, as many of the data distributions are skewed to the right; that is there are relatively fewer high values. This skewness is an indication of inequality in the distribution. The median is the value below which 50 per cent of the observations lie. The report also presents several other statistics, such as the mean and quartiles, to help in understanding how the results are distributed. However, to simplify the presentation this executive summary concentrates on presenting median results only.

There is also a separate glossary available that defines terms used in this report.

Chapter 2: Total wealth

This chapter looks at net total wealth of private households in Great Britain; defined as the value of accumulated assets minus the value of accumulated liabilities. Net total wealth is the sum of net property wealth, net financial wealth, physical wealth and private pension wealth. This excludes; business assets owned by household members, for instance if they run a small business; and wealth held as rights to state pensions, which people accrue during their working lives and draw on in retirement.

The survey estimated total wealth (including private pension wealth) in Great Britain in 2006/08 at £9.0 trillion. Property wealth (net) and private pension wealth each accounted for 39 per cent of total

wealth in 2006/08 (£3.5 trillion), while financial wealth (net) and physical wealth each contributed 11 per cent (£1.0 trillion).

The median household wealth was £204,500 in 2006/08, including private pension wealth. That is half of the population (50 per cent) had this amount of wealth or less. Without private pension wealth, the median household wealth was £145,400.

A standard measure of inequality is the Gini coefficient; see Chapter 10 for a definition. This coefficient takes a value between 0 and 1, with 0 representing a perfectly equal distribution and 1 representing 'perfect inequality'.

In 2006/08 the Gini coefficient was 0.61 for total household wealth, including private pension wealth, indicating a degree of inequality in the distribution of total household wealth.

The inequality of total household wealth can also be seen by comparing the extremes of the distribution. The wealthiest 10 per cent of households were 2.4 times wealthier than the second wealthiest 10 per cent, and 4.8 times wealthier than the bottom 50 per cent. The least wealthy 10 per cent of households had negative values for both net financial wealth and net property wealth. They did, however, have some physical wealth.

In 2006/08, the least wealthy half of households in Great Britain had 9 per cent of total wealth (including private pension wealth), while the wealthiest half of households had 91 per cent of the total. The wealthiest 20 per cent of households had 62 per cent of total wealth including private pension wealth.

The extent of the unequal distribution of wealth varies according to the type of wealth. In 2006/08, the Gini coefficients for the components of wealth were:

- 0.62 for net property wealth
- 0.81 for net financial wealth
- 0.46 for physical wealth and
- 0.77 for private pension wealth

The above Gini coefficients show that the distribution of net financial wealth and private pension wealth were the most unequal while physical wealth was less so.

In 2006/08, the wealthiest part of Great Britain in terms of total wealth (including private pension wealth) was the South East with a median wealth of £287,900. The English region with the lowest median total wealth in 2006/08 was the North West with a median wealth of £168,200 (including private pension wealth).

Wealth varied by academic qualification. Those households headed by someone with a degree or above had the highest median total wealth of £400,200. The 'no qualifications' group was the least wealthy with a median of £105,100.

The employment status of the household head also affected the distribution of total household wealth. The wealthiest group was that of households headed by a self-employed person, with a median of £283,200. The second highest category was retired households, with a median of £268,600. Employee-headed households had median wealth of £217,500 in 2006/08.

Chapter 3: Property wealth

This chapter looks at household property wealth, which is made up of the value of the household's main residence and of any property or properties which were owned in addition to the main residence.

Over two-thirds of households in Great Britain owned their home in 2006/08; 32 per cent of households did not own their home, 30 per cent owned their home outright and 38 per cent were buying with the help of a mortgage.

The survey asked home owners to value their property. In 2006/08, the median value of the main residence for property owners was £190,000. Half of households with a mortgage on their main residence owed £70,000 or less. Property-owning households had a median property wealth of £150,000 or less, after mortgage liabilities were taken into account. The distribution of ownership of net property wealth is more equal than that of net financial wealth (Chapter 4) and private pension wealth (Chapter 6), but less equal than that of physical wealth (Chapter 5). In 2006/08, the Gini coefficient was 0.62 for net property wealth.

In 2006/08, the wealthiest parts Great Britain in terms of net property wealth were London and the South East of England with median net property wealth of £220,000 and £200,000 respectively. However, the proportion of households owning property in London was 57 per cent, which was the lowest of all the English Government Office Regions (GOR). In contrast, the South East had the highest proportion of households owning property (74 per cent). Scotland had the lowest median property wealth; 65 per cent of households in Scotland owned property in 2006/08 with a median net property wealth of £100,000.

Chapter 4: Financial wealth

This chapter looks at financial wealth, starting with the value of formal and informal financial assets held by adults, and of children's assets. The chapter then looks at total gross financial wealth, financial liabilities and net financial wealth. Net financial wealth is calculated by subtracting from financial asset values the value of any financial liabilities. Analysis in this chapter is at household level.

An estimated 96 per cent of households had a bank account or some kind of financial investment in 2006/08. The most common was the current account, held by 92 per cent of households in Great Britain in 2006/08 and 50 per cent of households had £1,000 or less in their accounts in 2006/08, if overdrafts are excluded.

An estimated 62 per cent of households had a savings account in 2006/08. However, 50 per cent of households with savings accounts had £3,500 or less in their account and 25 per cent had £500 or less.

In 2006/08, 98 per cent of households had net financial wealth – either positive balances, if assets were greater than liabilities (75 per cent), or negative balances if liabilities were greater than assets (23 per cent). Median values of financial wealth in 2006/08 were much lower than mean values, indicating a skewed distribution. Half of all households in Britain had gross financial wealth of £7,200 or less and net financial wealth of £5,200 or less. The analysis also shows that 25 percent of households had net financial wealth that was negligible: a large number of households at the lower end of the distribution had negligible, zero or negative net financial wealth.

The distribution of ownership of net financial wealth is more unequal than that of net property wealth (Chapter 3) and physical wealth (Chapter 5). In 2006/08, the Gini coefficient was 0.81 for net financial wealth, indicating a relatively unequal wealth distribution. In 2006/08, half of the households in Britain owned 1 per cent of net financial wealth, while the wealthiest 20 per cent owned 84 per cent of net financial wealth.

In 2006/08, the wealthiest part of Great Britain in terms of net financial wealth was the South East of England, with a median value of £10,400. London also had high median net financial wealth in 2006/08 of £4,900, and one quarter had zero or negative net financial wealth.

The parts of England with the lowest levels of net financial wealth were the North East and North West. In the North East, median net financial wealth in 2006/08 was £2,500 and in the North West; the median value was £3,100. Wales also had low levels of net financial wealth in 2006/08 with a median value of £3,500.

Chapter 5: Physical wealth

In the Wealth and Assets Survey, physical wealth is made up of the contents of the main residence and any other property of a household, collectables and valuables (such as antiques, artworks or stamps), vehicles and personalised number plates. All households had some form of physical wealth, because all households had a value for contents of their main residence (there were no zeros). The physical wealth estimates presented in Chapter 5 are based on data from the 'half sample' (see Chapter 1: Introduction).

In 2006/08, the median value of physical wealth was £29,900. A quarter of households had total physical wealth of £15,000 or less (first quartile value), and a quarter had physical wealth of £50,300 or more (third quartile value).

The distribution of ownership of physical assets is more equal than that of other assets such as property wealth (Chapter 3) and financial wealth (Chapter 4). This is not surprising, as all households had some kind of physical wealth and there were few households with extremely high values of physical wealth. By contrast, 32 per cent of households did not own a property and 4 per cent had no formal financial assets, while for those that did have property and financial wealth, some had negative net wealth (liabilities exceeding assets) and others had very high levels of wealth. The Gini coefficient was 0.46 for physical wealth.

This chapter also looks at the main components of physical wealth; contents, collectables and vehicles.

All households had household contents and the estimated median value in 2006/08 was £25,000. In 2006/08, 13 per cent of households owned collectables or valuables. While for those who owned collectables and valuables the median value was £5,000. The distribution of wealth held as collectables and valuables is skewed. A small number of households with such assets have considerable value stored in them, while a large number have only small amounts of wealth in the form of collectables and valuables.

The survey asked households about ownership of cars, motorbikes and vans. Almost three-quarters of households owned one or more vehicles of this type in 2006/08; the median value of vehicles for households owning cars, vans or motorbikes was £5,000.

Chapter 6: Private pension wealth

The Wealth and Assets Survey collected information about current membership of private pension schemes. Private pensions are all pensions that are not state basic retirement or state earnings related. In addition, information was collected on private pension schemes in which individuals had retained rights (in other words, from which they would receive an income in the future) or from which they were receiving an income (including pension income, based on a former spouse's pension membership).

This chapter differs from other chapters in that results are presented for both individuals and households.

Calculating the value of private pensions was more complicated than measuring the other forms of wealth discussed elsewhere in this report. There were nine categories of private pension wealth to which different valuation methodologies had to be used in order to arrive at figures that were comparable. All wealth from state pensions and the value of any potential benefits paid to the surviving spouse for DB scheme members were excluded from the private pension wealth figures.

Individuals who were in employment when surveyed were asked if they were at the time a member of a scheme offered by their employer. A similar proportion of men (18 per cent) and women (19 per cent) were members of such DB employer-sponsored schemes. However, on average men

had almost twice as much wealth held in this form. The median current DB pension wealth across men who belonged to such schemes was £120,300, compared with £60,800 for women.

Men were more likely than women to report being a member of a DC employer-sponsored scheme (11 per cent compared to 7 per cent). As was the case for employer DB schemes, women who were members of employer DC schemes held on average less wealth in this form than men who were members. Median employer DC pension wealth among women was £4,800, compared with nearly twice this figure (£9,000) for men.

Some individuals (both those not offered a pension scheme by their employer and also, in some cases, those who were) choose to make contributions to personal pensions. Men were much more likely than women to be contributing to a personal pension. Furthermore, among those men who were contributing, wealth is also higher than among women. Median personal pension wealth was £15,800 among men who were contributing, compared with less than half as much (£7,000) for women.

In 2006/08, 40 per cent of men and 32 per cent of women were contributing to any type of private pension at the time of the survey, with median wealth of £39,300 and £29,000 respectively, excluding those with no pension wealth.

The wealth from pensions in receipt is calculated as the present value of the future income stream that the individual will receive. More men than women received income from private pensions. In some age bands the proportion is much higher; for instance three-quarters of men aged 65 to 69 received some income from private pensions, compared with just under half of women. Furthermore, among those aged 65 to 69 who had some wealth from pensions in receipt, the median wealth for men (£113,000) was nearly twice that for women (£57,500). The pattern is similar in the older age groups.

This chapter shows that there is significant variation in the amount of private pension wealth that individuals have, both across all individuals and also across individuals within particular groups (whether by age, sex or some other identifier).

Much of the variation is to be expected. For example, since individuals accumulate pension wealth during their working lives and then run it down through drawing an income during retirement, we would expect private pension wealth to show significant age-related variation.

Chapter 7: Household borrowing and arrears

This chapter examines the levels of non-mortgage borrowing of households as well as the attitudes of households to spending. The chapter then looks at the level of arrears on household bills as well as, for households in arrears, what their attitudes were to spending.

Some 77 per cent of households had non-mortgage credit facilities of some kind, this included credit and store cards that were not in current use or were settled in full each month but did not include unused overdraft facilities. Once these unused credit facilities were excluded about a half of households had any non-mortgage borrowing (48 per cent).

Informal borrowing (borrowing from a friend, relative or other private individual) was uncommon. Only 1 per cent of individuals reported owing money in this way.

There was a greater use of sources of unsecured borrowing that offered a line of credit (credit and charge cards, overdrafts and store cards), compared with sources that offered a lump sum advance over a fixed term and with fixed – usually monthly – repayments (loans, hire purchase and mail order). Credit and charge cards that were not settled in full each month were the most commonly

used form of non-mortgage credit (25 per cent). The median amount owed on credit and charge cards among households with this type of commitment was £1,500.

Although credit and charge cards were the most common type of credit to be used by the household, other types of borrowing were associated with much larger balances. The median amount owed in personal and cash loans by households with this type of commitment, was £4,500. Among households with any non-mortgage borrowing the median amount owed in total was £2,700, with median monthly repayments of £100, including any interest being repaid. The median amount owed in loans from the Student Loans Company was £5,000.

The likelihood of owing any money in outstanding non-mortgage borrowing was the highest for households headed by someone aged 25 to 34 (68 per cent) and this group were also the most heavily borrowed, owing a median amount of £3,700.

Of households with one or more credit or store cards with an outstanding balance, 15 per cent had been unable to meet the minimum payments. If you include all financial commitments, 10 per cent of all households were in arrears for at least one commitment. The median amount owed across all types of commitment was £400.

The distribution of non-mortgage borrowing in the population was uneven, both in terms of the propensity to owe any money and the average amounts owed. The relationship with factors such as household type, housing tenure and income were particularly marked.

The likelihood of having fallen into arrears varied considerably by socio-economic status, with households comprising lone parents with dependent children, and households in which the head of household was unemployed or looking after the family home, among those most at risk of having done so.

Chapter 8: Attitudes

In this chapter the focus turns from households to individuals and from wealth to attitudes towards different aspects of people's financial lives. Everyone who responded in person was asked a range of questions about their attitudes towards; perceptions of and expectations about issues such as spending, saving, borrowing and, among those who were not yet retired, retirement planning.

The first part of this chapter looks at the attitudes of individuals towards spending. Responses to the three attitudinal statements that were asked were correlated with each other and strongly reflect a single underlying attitude. As such, they have been combined to create a single measure representing 'spending orientation' ranging from people who were strongly orientated towards spending to those who were strongly orientated away from spending.

Having a strong or moderate spending orientation decreased steadily with age until the 45 to 54 age group, falling away more steeply from 55 and over. The difference between women and men was most marked for those in the youngest age group (16 to 24), among whom19 per cent of women and 13 per cent of men had a strong or moderate orientation towards spending.

The chapter next looks at the attitudes of individuals to risk. Respondents to the survey were asked two questions aimed at determining their risk preference and time orientation. The results show that people were predominantly averse to risk and had short time horizons financially. More than three-quarters (78 per cent) of people said they would choose to receive a guaranteed payment of £1,000 rather than take a one in five chance of winning £10,000, while 22 per cent preferred the option of winning £10,000. Similarly, 80 per cent of people said they would rather receive £1,000 today than £1,100 next year, while 20 per cent said they would rather receive £1,100 next year.

The chapter then looks at individuals' savings attitudes. The survey asked individuals to report how often they had had money left over at the end

of the week or month over the past 12 months. This showed that 44 per cent of individuals had money left over at least most of the time, including 28 per cent who always had money left over, and 17 per cent said they 'never' had any money left over.

Individuals were asked whether or not they had ever saved any of their income other than to meet regular bills. Those who had put money away were asked when they had last done so. This showed that the population was divided largely between people who had saved from income recently, and those who had not saved for at least a year, if at all. While 37 per cent of people had saved in the last month, a similar proportion, 35 per cent, had never saved any of their income and a further 13 per cent had not saved actively in the past 12 months.

Individual's attitudes to debt are considered next. Everyone who was an active credit user was asked to say how much of a burden it was to keep up with the repayments on these commitments. Just over half (52 per cent) reported that keeping up with their repayment was a burden, including 18 per cent who found it a heavy burden. Among those who were additionally living in a household that was behind with the payments on household bills, these figures increased to 60 per cent and 30 per cent respectively.

Finally the chapter looks at individuals attitudes to retirement. All adults who were below the State Pension Age (SPA) and not yet retired were asked to say to what extent they agreed or disagreed with four statements relating to attitudes towards pensions and saving for retirement. Of all adults aged below SPA and not yet retired 40 per cent agreed with the statement that 'I would rather have a good standard of living today than save for retirement'

The survey asked individuals who were not retired what sources of income they expected would fund their retirement. Of those responding 83 per cent of individuals expected to receive a State Retirement Pension and 59 per cent expected to receive an occupational or personal pension. Other savings and investments were mentioned by 43 per cent. While 25 per cent of individuals expected that housing equity released through downsizing or moving to a less expensive area would provide a source of income in retirement, 10 per cent mentioned selling or renting [out] a property other than the main home and 19 per cent anticipated a future inheritance to provide a source of income. Very few individuals (3 per cent) expected to borrow against the value of their home to provide retirement income.

People aged over 40 and who were not yet retired were also asked how much income they were likely to have to live on in retirement compared with their current income. Over a quarter expected that their retirement income would be about the same as (18 per cent) or more than (9 per cent) their current income. This was higher among those without a private pension (42 per cent) than those with a private pension (21 per cent).

Chapter 9: Demographics

This chapter illustrates some summary characteristics of households and individuals in wave 1 of the Wealth and assets Survey (WAS). Each household has been categorised into one of ten types according to the number of people, family types and ages of the respondents. Individuals were also categorised according to their sex, age group, tenure, socio-economic status, region, educational attainment, employment status and ethnic origin.

Chapter 10: Technical details

This chapter of the report provides a summary of technical information to assist users in interpreting and using the survey estimates. This includes; descriptions of the survey design and methodology;

procedures used in the collection of data; derivation and quality of the estimates; and definitions and key concepts.

Appendix A: Business assets

Business assets were not included in total wealth, which is defined in the report as the personal wealth of households (see Chapter 2) and therefore does not include business assets owned by household members. However, the survey did collect information on business assets and some results are presented in Appendix A.

Appendix B: Links to additional tables

Many tables were produced during the analysis. Including these in this report would have added to its length considerably. However, the tables may be of interest and so they have been made available on the web site and links to them are included in this chapter. Some of the results in these tables have been used in the text of this report.

Appendix C: Link to standard errors for key variables

To enable the reader to gain an appreciation of the variability of the results presented in this report Appendix C gives a link to a spreadsheet that contains estimates of the standard errors of some key variables.

Appendix D: The estimation of income

The survey collected information on individual income. However, there were problems with the data and so the results have not been included in this report and Appendix D summarises the issues.

Chapter 1

Introduction

Section 1.1 Introduction

The economic well-being of households is sometimes measured by their income; this ignores the fact that a household's resources can be influenced by their stock of wealth. The increase in home ownership, the move from traditional roles and working patterns, a higher proportion of the population now owning shares and contributing to investment schemes as well as the accumulation of wealth of over the life cycle, particularly through pension participation, have all contributed to the changing composition of wealth. To understand the economic well-being of households it is increasingly necessary to look further than a simple measure of household income.

The Wealth and Assets Survey (WAS) aims to address gaps identified in data about the economic well-being of households by gathering information on, among others, level of savings and debt, saving for retirement, how wealth is distributed among households and factors that affect financial planning.

Section 1.2 Historical background

It has long been recognised that there was a need for data on household or individual wealth. The requirement for a survey of individuals' wealth was looked at seriously during the 1970s. The Royal Commission on the Distribution of Income and Wealth (RCDIW) in 1975 published a report reviewing existing sources of information on wealth holdings and came to a conclusion that there was a lack of reliable information on wealth.

The Performance and Innovation Unit (PIU) report, 'Adding It Up', which was published in January 2000, also noted that there was a lack of data available on the wealth and assets of private individuals.

There have been previous investigations into collecting data about personal wealth, for example a series of savings surveys conducted in the 1950s and early 1960s for the University of Oxford. These were, however, not comprehensive enough to define net personal wealth and therefore the RCDIW suggested that a survey was required and asked for a feasibility study to be undertaken.

Two feasibility studies were carried out in 1976 and 1977 by the Office of Population Censuses and Surveys (OPCS). These studies looked at the possible content of a questionnaire: sampling designs; likely response rates; data quality and acceptability of the subject matter to respondents. The feasibility work confirmed the difficulty in defining wealth and that respondents had difficulty in answering some of the questions. It was estimated as a result of the feasibility work that a response rate to a national survey would be unacceptably low. The indications were that non-response would be higher among those groups with higher incomes and substantial investment income. This confirmed the findings from earlier work and international studies. It was decided not to go ahead with a field trial as it would be subject to the same non-response problems as the earlier feasibility studies.

Since the 1970s there have been a number of developments. In 1992, the Department of Social Security commissioned the Family Resources Survey (FRS), which was designed to provide a comprehensive picture of income levels, with some details on assets and savings. It collects information on savings and (for over a quarter of the sample) more detailed information covering savings and investments, although details of other areas of wealth and assets are more limited.

The former Department of the Environment (DoE) ran an inheritance trailer on the General Household Survey (GHS) carried out in 1989/90 and 1990/91, which asked respondents about any inheritances they had received in the previous ten years focusing

principally on property. The DoE subsequently also commissioned questions on inheritance as part of the 1994 GHS.

In 1995 the Joseph Rowntree Foundation published the report from its 'Inquiry Group on Income and Wealth' and this was updated by a further report in March 1998 (Income and Wealth the Latest Evidence). These reports concentrated on using the 'Households Below Average Income' series (using data from the Family and Expenditure Survey (FES) and also the British Household Panel Survey (BHPS).

Until 2004 HMRC published estimates of wealth using data collected on estates of the deceased to produce a series of National Statistics tables with estimates of the composition and distribution of wealth. Their data sources have very little information on the less wealthy half of the population.

The English Longitudinal Survey of Ageing (ELSA), which went into the field for the first time in March 2002, included some questions on wealth and assets including pensions. The main aim of the survey is to investigate the relationships between health, economic position and social participation as people age. Information was collected from a representative sample of the English population aged 50 and over. Of the funding for ELSA 50 per cent was provided by a consortium of government departments. The questions on wealth and assets were developed by the Institute for Fiscal Studies.

History of the current development of the Wealth and Assets Survey

The current survey has been under consideration since 2000. Conclusion 30 of the PIU report 'Adding it up' stated that:

'ONS should bring together interested departments, by June 2000, to assess whether there is a business case for a regular survey of individual wealth and assets.'

In June 2000 the first meeting of the Wealth and Assets Steering Group was held. The main aim of this Group was to follow up conclusion 30 and to establish whether there was a business case for a new survey on this subject. In order to establish this ONS was given a remit by the Steering Group to establish:

- if the data currently available met users needs
- precise user requirements
- whether any additional data could be collected from existing surveys for example the Family Resources Survey (FRS), and the General Household Survey (GHS)

and failing this

- whether a new sample survey focused specifically on wealth and assets was feasible

A business case was developed and presented to the steering group in November 2001, recommending the development of a Wealth and Assets Statistical System, based on a dedicated Wealth and Assets Survey, supplemented with administrative data where possible. This recommendation was unanimously accepted by the steering group.

Since preparation of the business case, the Pensions Commission First Report identified a requirement for good quality data about people's saving over time, their assets, including pension wealth, and the savings of partners. In response to this and other data demands, the scope of the project has been broadened to include consideration of a longitudinal design, with questions on savings as well as on the values of assets and debts at a specific point in time.

Development of the current survey commenced in January 2004. The development was funded by a consortium of Government departments and the

development has been undertaken in full consultation with the departments concerned.

A feasibility study was carried out in June 2005, and following the success of this a pilot study was carried out early in 2006.

The first wave of data collection (wave 1) commenced in July 2006 and was completed in June 2008. The survey was planned around an original sample size of 32,000 households over this two-year period. The actual achieved sample in wave 1 was quite close to this at 30,595 responding households containing 53,299 individuals aged 16 and over. For more information see Chapter 10: Technical details.

Wave 2 of the survey commenced in July 2008 and covered the period up to June 2010. This re-interviews respondents from wave 1, approximately two years after their initial interview.

In addition to this WAS also follows up on an annual basis those in significant debt. This follow-up survey is carried out over the telephone and is a much shorter survey concentrating on indebtedness. No data from this survey is available at the time of writing this report and will be reported upon at a later date.

This longitudinal part of WAS is considered a key element of the design. It allows for better comparisons of changes over time between successive waves of the survey. The on-going intention is that WAS will continue with a longitudinal design where households are interviewed every two years (plus the annual debt survey) until they naturally leave the sample (death, non-contact, refusal etc.) which is periodically topped up to maintain the desired sample size. Plans for wave 3 of the survey, due to start in July 2010 are underway.

Section 1.3 The survey

The 2006/08 WAS survey sampled all private households in Great Britain. This means that people in residential institutions, such as retirement homes, nursing homes, prisons, barracks or university halls of residence, and also homeless people are excluded from the scope of the analysis presented here.

Data were collected in the field by Computer Assisted Personal interviewing (CAPI). This involved the interviewer using a laptop to record the respondents' answers.

The WAS questionnaire was divided into two parts with all adults aged 16 years and over (excluding those aged 16 to 18 currently in full-time education) being interviewed in each responding household. The first part of the questionnaire was the household schedule. This was completed by one person in the household (usually the head of household or their partner) and predominantly collected household level information such as the number, demographics and relationship of individuals to each other, as well as information about the ownership, value and mortgages on the residence and other household assets.

The second part of the questionnaire was the individual schedule. This was given to each adult in the household and asked questions about economic status, education and employment, business assets, benefits and tax credits, saving attitudes and behaviour, attitudes to debt, major items of expenditure, retirement, attitudes to saving for retirement, pensions, financial assets, non-mortgage debt, investments and other income.

Section 1.4 Data quality

As a new survey much effort has gone into considering the quality of the data once it has been through the standard ONS editing and checking. For more information see Chapter 10: Technical details.

In any sample survey, there will always be missing values for individual questions. These arise for a number of reasons, but mainly because a respondent does not know the answer to a question or is not willing to give an answer to a question. However, when considering the value of the components of wealth, it is necessary to obtain responses for all of these components. In order to assist respondents having difficulty giving precise values, on some occasions they were offered the opportunity to give a value in a banded[1] list.

The aggregate data has been subject to comparative checks against external sources. ONS have validated the general data, for example demographics. However, for specialist topics external validation has been carried out by the consortium members as they have expertise in a variety of subject areas.

Ideally household wealth would include any business assets held by individuals within the household. Questions on business assets were included but a high percentage of those who said they held business assets failed to provide an estimate of the value of such assets. There was insufficient information collected to attempt to impute the missing data.

Therefore this report is restricted to the personal wealth of households (see Chapter 2) and does not include business assets owned by household members. However, in recognition of the importance and interest, a limited set of results have been included in Appendix A of this report.

The questions included in the wave 1 questionnaire did not allow us to produce robust estimates of income. However, accurate estimation of income is not necessary as it does not form part of the estimate of wealth and is included to enable the presentation of breakdowns of the wealth measures; that is it is used for classificatory purposes only. In order to accurately estimate income a large number of questions would be required, as is found on the Family Resources Survey, a survey that focuses on income. Adding such questions would have significantly increased the length of the WAS questionnaire.

There were two issues found in measuring income. Firstly, in terms of earned income, employees and self-employed people were not asked for income on a consistent basis. Secondly, a more important issue was the quality of the benefits data, where proxy[2] respondents were not asked any information about benefits and a significant number of respondents declined to answer this section. There was insufficient information collected to attempt to impute the missing data.

However, the importance of income is recognised and at the time of writing a separate annex to the report on the analysis of income was being prepared for release on the same web page. The design of the income questions was reviewed for future waves of the WAS.

The Wealth and Assets Survey is a particularly long survey, taking on average some 90 minutes to be completed for each household. This became apparent during the development of the survey and every effort was made to reduce the burden on respondents where possible. In 2006/08, it was decided that some questions would be addressed to a sub-sample of respondents: 17,316 households (57 per cent of the full sample of 30,595 households). This became known as the ‘half sample’. Some topics that were ‘half sampled’ were components of physical wealth (Chapter 5). Therefore, the estimates of physical wealth in this report are based on responses for 17,316 households. As physical wealth is a component of total wealth, total wealth estimates (Chapter 2) are also based on the ‘half sample’.

This does not affect the reliability of the estimates in this report because the ‘half sample’ is sufficiently

large to produce robust results for the analysis presented. However, in order to provide the aggregate wealth estimates in Chapter 2, it has been necessary to use a 'rating up factor' in addition to our standard weighting procedures. This rating up factor is based on the relationship between total wealth including physical wealth and total wealth excluding physical wealth in the 'half sample'. Investigations have been made into modelling the physical wealth component for those respondents who were not included in the 'half sample', but this has not been possible to do in time to include in this report.

Assets held in Trusts were not included in the 2006/08 survey due to a problem with data collection. Trusts are held by the wealthiest households, so adding the missing data on Trusts would increase wealth at the top end of the distribution (see Chapter 4).

All the above issues were reviewed as part of the process to improve subsequent waves of the survey.

Some of the results presented in this report are closely related to other statistical information published as National Statistics. There are many reasons why statistics published elsewhere could be expected to differ from those in this report. These include: sampling variability, different estimation methods, different geographical coverage, different population coverage and different measurement units. For example the Gini coefficient, published by HMRC, reflects wealth at an individual level rather than the household level used in this report.

These factors should be borne in mind when comparing results in this report with other National Statistics. Readers with specific questions about any comparisons should direct them to the contact points of the National Statistics in question.

Section 1.5 Availability of detailed and unpublished data

The tables and charts in this report provide summary results. Each of these is linked to a spreadsheet giving the source data, and often more detailed results. The spreadsheets can be accessed by clicking on the table or chart. Where available, some additional results have also been made available via links, see appendix B.

It is also possible to request data from the wave 1 dataset in tabular form from ONS. Contact wealth.and.assets.survey@ons.gov.uk.

At the time of writing this report it is planned to make publicly available a wave 1 dataset in early 2010 via the UK Data Archive.

Footnotes

1. Where a respondent did not know the exact value of an item they were asked to choose from a list of possible groups or bands that the item could take.
2. A proxy respondent is a person who provides information on behalf of another member of the household who was unavailable at the time of the interview.

Chapter 2

Total wealth

Section 2.1 Introduction

This chapter looks at total wealth of private households in Great Britain. The definition of wealth used in this survey is an economic one: total wealth (gross) is the value of accumulated assets, and total wealth (net) is the value of accumulated assets minus the value of accumulated liabilities. This chapter looks at net wealth, which is defined as the sum of four components: property wealth (net) from Chapter 3, financial wealth (net) from Chapter 4, physical wealth from Chapter 5 and private pension wealth from Chapter 6.

Net wealth is a 'stock' concept rather than a 'flow' concept; in other words, it refers to the balance at a point in time. By contrast, income refers to the flow of resources over time. Wealth is capable of producing flows of income either in the present or – as in the case of pension wealth – in the future. Wealth accumulation allows households to consume more either now or in the future.

Our measure of net wealth is based on the personal, private wealth of households. This means that it does not include business assets owned by household members, for instance if they run a small business; nor does it include rights to state pensions, which people accrue during their working lives and draw on in retirement. Also, in 2006/08 assets held in Trusts were not included due to a problem with data collection. Trusts are held by the wealthiest households, so adding the missing data on Trusts would increase wealth at the top end of the distribution (see Chapter 4).

In Section 2.2, we present findings on the aggregate wealth of households in Great Britain and an analysis of the distribution of wealth. In Section 2.3 we present summary statistics for total household wealth, as well as for a measure of total household wealth excluding private pension wealth (as recommended by the Royal Commission on the Distribution of Wealth in 1976). In Section 2.4 we look at breakdowns of total household wealth by age, education, employment status and socio-economic classification of the household head, and by region and household type.

The information presented in this chapter is based on data from the 'half sample' of 17,316 households (see Introduction). This does not affect the reliability of the wealth distributions (Section 2.2) or the summary statistics at household level (Sections 2.3 and 2.4) because the 'half sample' is sufficiently large to produce robust results for the analysis presented. However, in order to provide the aggregate estimates shown in Section 2.2, it has been necessary to use a 'rating up factor' in addition to our standard weighting procedures[1] (see Chapter 10).

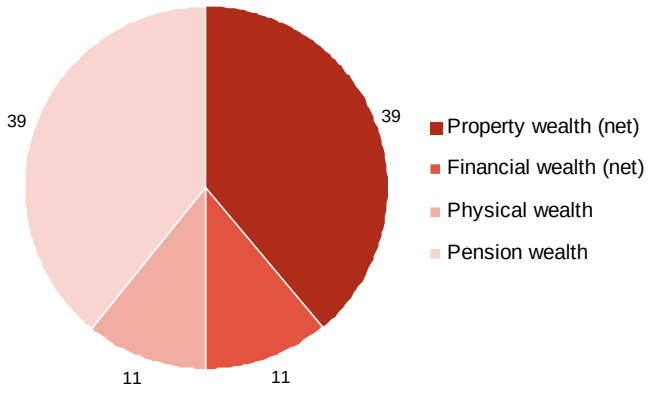
The tables and charts in this chapter provide summary results. Each of these is linked to a spreadsheet giving the source data, and often more detailed results. The spreadsheets can be accessed by clicking on the table or chart.

Figure 2.1

Breakdown of aggregate wealth: by components, 2006/08

Great Britain

Percentages



Source: Office for National Statistics

Section 2.2 Aggregate wealth and its distribution

The survey estimated total wealth (including private pension wealth) in Great Britain in 2006/08 at £9.0 trillion. Figure 2.1 shows how much of this total

came from each of the four components of wealth. Property wealth (net) and private pension wealth each accounted for 39 per cent of total wealth in 2006/08 (£3.5 trillion), while financial wealth (net) and physical wealth each contributed 11 per cent (£1.0 trillion).

Figure 2.2 shows total wealth (including private pension wealth) by deciles and the breakdown of each decile into its components. Deciles divide the data, sorted in ascending order, into ten equal parts so that each part contains 10 per cent (one tenth) of the wealth distribution – from the least wealthy households in the 1st decile to the wealthiest in the 10th decile.

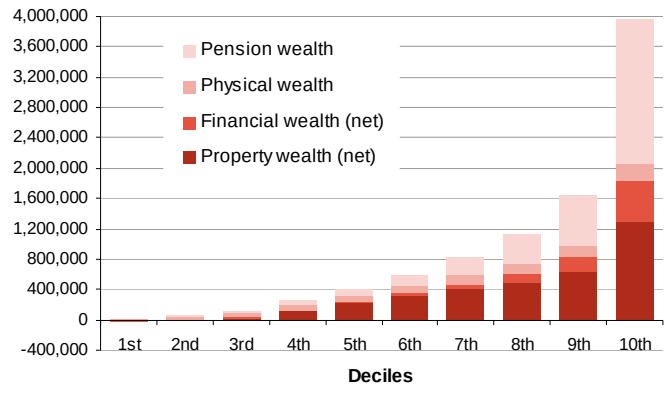
In 2006/08, the wealthiest 10 per cent of households were 2.4 times wealthier than the second wealthiest 10 per cent, and 4.8 times wealthier than the bottom 50 per cent (the bottom five deciles combined).

Figure 2.2

Breakdown of aggregate wealth: by deciles and components, 2006/08

Great Britain

£ million



Source: Office for National Statistics

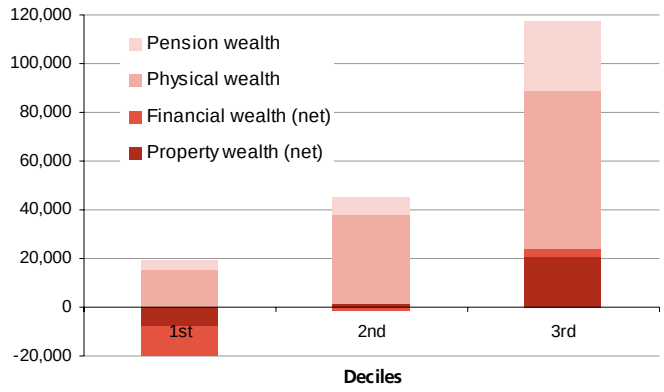
The analysis shows that there were differences between deciles in the composition of total wealth. In the lowest three wealth deciles, physical wealth makes the most important positive contribution to total wealth. From the 4th to the 8th deciles, net property wealth is the largest component of total wealth; it is most important in the 5th and 6th deciles, where it made up over half of the total in 2006/08. In the 9th and 10th deciles, net property wealth accounted for 39 and 32 per cent of total wealth respectively, while private pension wealth contributed 40 per cent in the 9th decile and 48 per cent in the 10th decile. The proportion contributed by net financial wealth gradually increases from the lowest to the highest deciles.

Figure 2.3

Breakdown of aggregate wealth: by lowest three deciles and components, 2006/08

Great Britain

£ million



Source: Office for National Statistics

Figure 2.3 shows the breakdown of the lowest three wealth deciles in 2006/08 in more detail:

- The least wealthy 10 per cent of households had negative values for both net financial wealth and net property wealth. They did, however, have some physical wealth and a small amount of private pension wealth.

- The 2nd decile was made up of physical wealth (86 per cent), private pension wealth (15 per cent), a small positive balance of net property wealth and a small negative balance of net financial wealth.

- By the 3rd decile, all components of total wealth were positive, with physical wealth still the most important component (55 per cent of the total) but with significant contributions from net property wealth (18 per cent) and private pension wealth (24 per cent). Net financial wealth contributed only 3 per cent of total wealth

in this decile, as many households still had negative balances.

The distribution of total wealth in Great Britain can also be shown using a Lorenz curve[2]. Figure 2.4 shows the distribution of wealth including and excluding private pension wealth in 2006/08. The closer the curve is to the 45 degree line, or 'line of perfect equality', the more equal the wealth distribution.

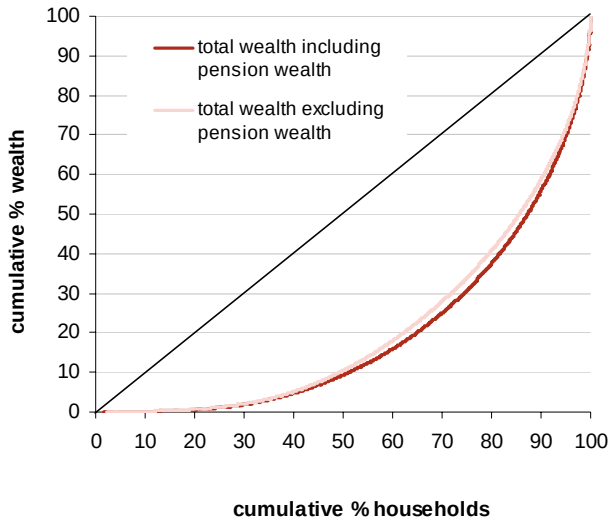
The vertical axis in Figure 2.4 shows wealth as a cumulative percentage of the total, when households were arranged in ascending order from the least to the most wealthy. It shows that in 2006/08, the least wealthy half of households in Great Britain[3] had 9 per cent of the total wealth (including private pension wealth), while the wealthiest half of households had 91 per cent of the total. The wealthiest 20 per cent of households had 62 per cent of the total wealth including private pension wealth.

Figure 2.4

Distribution of aggregate wealth: 2006/08

Great Britain

Percentages



Source: Office for National Statistics

The distributions of the different components of total household wealth can also be compared by calculating Gini coefficients for each component. The Gini coefficient takes a value between 0 and 1, with 0 representing a perfectly equal distribution and 1 representing 'perfect inequality'. In 2006/08, the Gini coefficient was:

- 0.62 for net property wealth (see Chapter 3)
- 0.81 for net financial wealth (see Chapter 4)
- 0.46 for physical wealth (see Chapter 5) and
- 0.77 for private pension wealth (see Chapter 6)

It is clear from Figure 2.4 that the distribution of total household wealth including private pension wealth is more unequal than the distribution excluding private pension wealth, but the difference is quite small. In 2006/08 the Gini coefficient was 0.61 for total household wealth including private pension wealth, and 0.59 if private pension wealth was excluded.

Section 2.3 Total household wealth

Our net wealth measure is created by adding together the different types of household wealth explored in Chapters 3, 4, 5 and 6: property wealth (net), financial wealth (net), physical wealth and private pension wealth. It should be noted that it does not include business assets, accrued rights to state pensions or assets held in Trusts (see Section 2.1). Further details about the four components of total household wealth can be found in the relevant chapters.

All households had wealth[4] in 2006/08. Our measure of wealth was positive for most households. However, if financial or property liabilities, or a combination of the two, exceeded household assets, total household wealth was negative. This was the case for 2 per cent of households surveyed.

In this section, we present the summary statistics for total household wealth including private pension wealth and also for total household wealth

excluding private pension wealth. The summary statistics comprise the mean, 1st quartile, median and 3rd quartile values. The 1st quartile, median and 3rd quartile values were obtained by sorting the data in ascending order and, starting from the lowest value, taking the value found a quarter, half and three-quarters of the way up the distribution. The median is lower than the mean in wealth distributions because the distributions are skewed. There are small numbers of households with high levels of wealth and large numbers with low or even negative wealth.

Table 2.5

Total household wealth[1]: summary statistics, 2006/08

Great Britain £

	Mean	1st quartile	Median	3rd quartile
Household wealth including pension wealth	367,600	46,600	204,500	460,500
Household wealth excluding pension wealth	223,200	30,000	145,400	286,300

1 Excludes assets held in Trusts (except Child Trust Funds) and any business assets held by households.

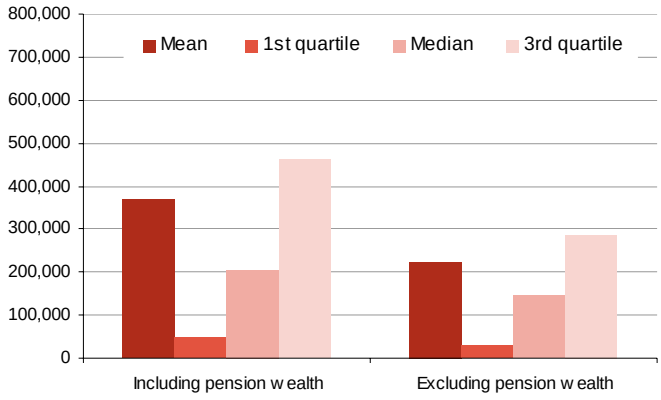
Source: Office for National Statistics

Figure 2.6

Total household wealth[1]: summary statistics, 2006/08

Great Britain

£



1 Excludes assets held in Trusts (except Child Trust Funds) and any business assets held by households.

Source: Office for National Statistics

If private pension wealth is included, mean household wealth was £367,600 in 2006/08 (Table 2.5 and Figure 2.6). However, half of all households had total wealth (including private pension wealth) of £204,500 or less, while one quarter had £46,600 or less. At the upper end of the distribution, one quarter of households had total wealth (including private pension wealth) of £460,500 or more. Excluding private pension wealth, mean household wealth was £223,200 in 2006/08 and the 1st quartile, median and 3rd quartile values were also lower (£30,000, £145,400 and £286,300 respectively).

Section 2.4 Total household wealth by key household characteristics

In this section, we present breakdowns of total household wealth including private pension wealth. Where there were important differences between the distributions including and excluding private pension wealth, we also present results for total wealth excluding private pension wealth. For those readers who are interested in exploring the comparison where it is not shown, it is possible to explore the distributions of total wealth including and excluding private pension wealth in the online version of this report by clicking on the charts.

Similarly, most of the charts in this section show only the mean and the median, but by clicking on each chart the reader can see the mean, 1st quartile, median and 3rd quartile values.

Wealth by age

Figure 2.7 presents total household wealth in eight age groups based on the age of the household head. The group with the highest average total wealth in 2006/08 was the 55 to 64 age group. This group had a mean of £634,900 and a median of

£416,100 for total wealth including private pension wealth; and a mean of £338,600 and a median of £243,300 for total wealth excluding private pension wealth.

In general, wealth increases from the younger age groups until the 55 to 64 age group (around State Pension Age, SPA), and then declines. This reflects the accumulation of wealth over people's working lives, followed by decumulation in retirement[5]. The second wealthiest age group in 2006/08 was 65 to 74 year olds. This group had a mean of £457,600 and a median of £306,000 for total wealth including private pension wealth; and a mean of £284,500 and a median of £213,200 for total wealth excluding private pension wealth.

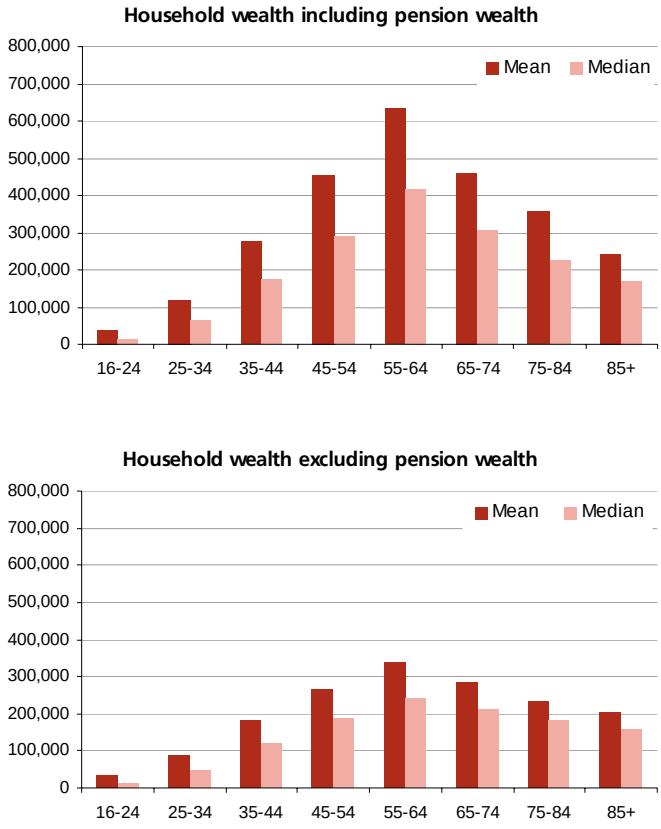
The 16 to 24 age group was the least wealthy group, with a mean of £37,600 including private pension wealth. Half of all households in this age group had total wealth of £12,900 or less in 2006/08 and a quarter had total wealth of £3,500 or less. In this age group, there was less difference between total wealth including and excluding private pension wealth than in the older age groups, probably because only a small proportion of people in the 16 to 24 age group had a private pension (see Chapter 6), or where they had one, had not yet accumulated much pension wealth.

Figure 2.7

Distribution of household wealth: by age of household head, 2006/08

Great Britain

£



Source: Office for National Statistics

Wealth by education

Figure 2.8 presents total household wealth including private pension wealth in 2006/08 by the highest educational qualification of the household head. Those households headed by someone with a degree or above had the highest total wealth, with a mean of £640,000 and a median of £400,200.

The 'no qualifications' group was the least wealthy, with a mean of £194,500 and a median of £105,100. One quarter of households headed by a person with no qualifications had total wealth of £15,600 or less in 2006/08.

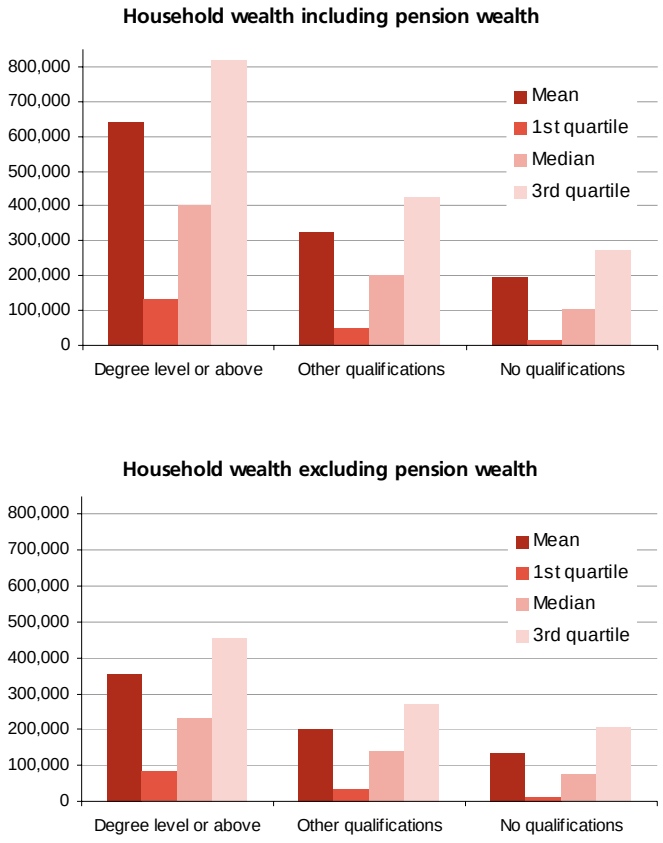
Figure 2.8 also shows the distribution of total wealth excluding private pension wealth. In the 'degree level or above' category, the mean was £355,200 and the median was £232,700. The 3rd quartile value was £455,000 if private pension wealth was excluded, compared with £818,500 for total wealth including private pension wealth.

Figure 2.8

Distribution of household wealth: by education of household head, 2006/08

Great Britain

£



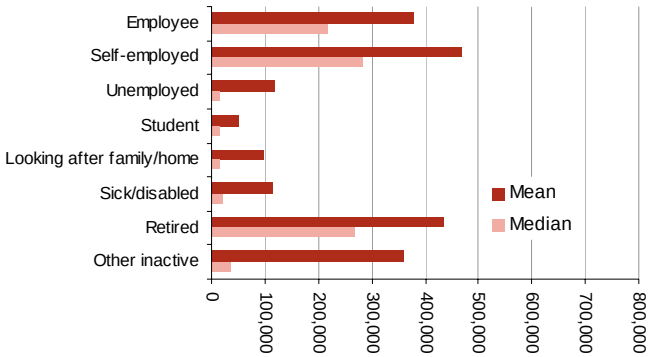
Source: Office for National Statistics

Figure 2.9

Distribution of household wealth including pension wealth: by employment status of household head, 2006/08

Great Britain

£



Source: Office for National Statistics

Wealth by employment status

Figure 2.9 shows the distribution of total household wealth including private pension wealth in 2006/08 by employment status of the household head. The wealthiest group was that of households headed by a self-employed person, with a mean value of £469,400 and a median of £283,200. The second highest category was retired households, with a mean of £435,100 and a median of £268,600.

Employee-headed households had mean wealth of £377,500 and median wealth of £217,500 in 2006/08. Excluding private pension wealth, employees had mean household wealth of £214,000 and median wealth of £142,400.

Student-headed households were at the bottom end of the wealth distribution, with a mean of £51,100 and a median of £13,300 (including private pension wealth). A quarter of student-headed households had total wealth of £5,400 or less in 2006/08. It should be noted that, because this is a household survey, student-headed households exclude students living in halls of residence; and, in the population as a whole, students living in private accommodation is a relatively small category.

The unemployed group was also at the bottom end of the wealth distribution in terms of median and 1st quartile values (£13,600 and £2,700 respectively, including private pension wealth). However, the mean value for this group was quite high, at £117,100, and it was above the 3rd quartile value of £75,600. This shows that there were a few households in this category with high levels of total wealth which pushed up the value of the mean, probably reflecting the presence of people who were between jobs at the time of the survey, or where the head of the household was unemployed but their partner was working. People who are unemployed for short periods of time are likely to have high levels of wealth compared with the long-term unemployed.

Wealth by socio-economic classification

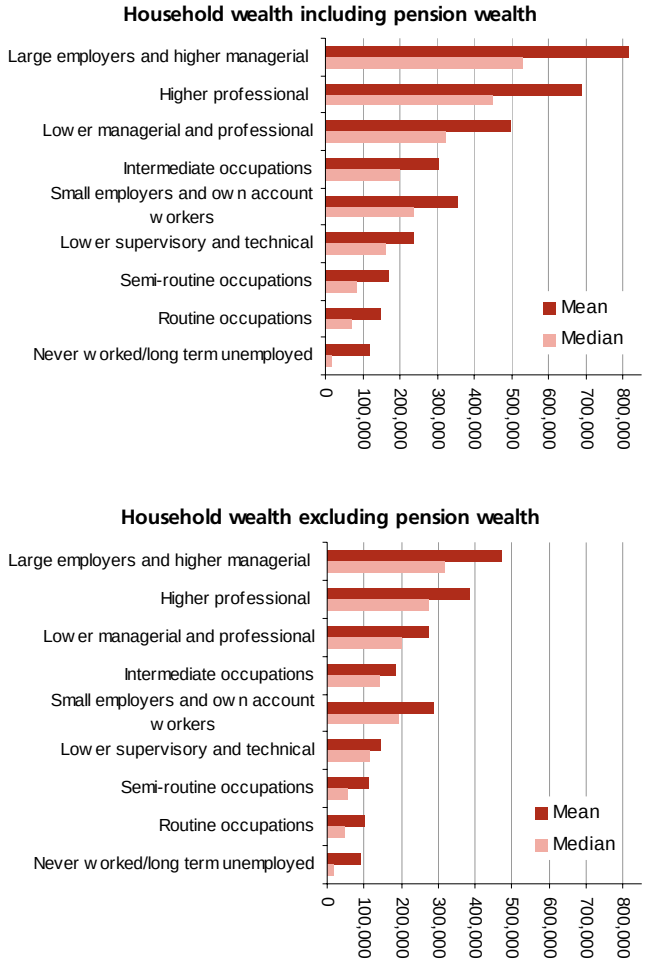
Figure 2.10 shows the distribution of households' total wealth in 2006/08 by the National Statistics Socio-economic Classification (NS-SEC)[6] of the household head.

Figure 2.10

Distribution of household wealth: by socio-economic classification of household head, 2006/08

Great Britain

£



Source: Office for National Statistics

The large employers and higher managerial occupations group had the highest total wealth (including private pension wealth) in 2006/08, with a mean of £816,800 and a median of £532,500. In the top three categories of the NS-SEC – the managerial and professional occupations – average total wealth including private pension wealth was much higher than the average excluding private pension wealth, indicating that a relatively high proportion of the wealth of households in these social groups is in the form of private pension wealth (see Chapter 6).

Small employers and own account workers had a mean value for total wealth (including private pension wealth) of £355,700 in 2006/08. Half of all households headed by someone in this category had total wealth of £236,600 or less.

Those with the lowest total wealth were households with a head who had never worked or was long-term unemployed. Half of all households headed by someone in this position had total wealth (including private pension wealth) of £15,000 or less in 2006/08, and one quarter had £3,200 or less. However, this group contained a small proportion of wealthy households, as indicated by the mean value of £117,300, which was higher than the 3rd quartile value of £93,100. This is similar to the pattern in the 'unemployed' category in Figure 2.9. In this case, the small proportion of wealthy households is probably due to the presence of one or more people (other than the head of household) who were working, or of households where there was sufficient wealth for all adult members of the household to choose not to work.

Wealth by region

Figure 2.11 shows total wealth in Great Britain in 2006/08 according to the location of the household. The breakdown shows Scotland, Wales and the nine Government Office Regions of England.

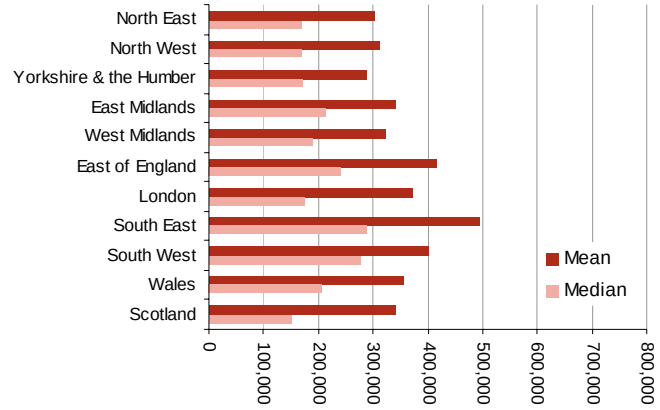
In 2006/08, the wealthiest part of Great Britain in terms of total wealth (including private pension wealth) was the South East of England, with median wealth of £287,900 and mean wealth of £494,300, followed by the South West and the East of England, with median wealth of £277,700 and £241,300 respectively.

Figure 2.11

Distribution of household wealth including pension wealth: by region, 2006/08

Great Britain

£



Source: Office for National Statistics

In terms of the median, the English region with the lowest total wealth in 2006/08 was the North West, where half of all households had £168,200 or less (including private pension wealth). However, mean wealth in the North West was £311,200 – higher than elsewhere in the north.

London had a mean household wealth (including private pension wealth) of £371,000 in 2006/08, while a quarter of households in London had wealth of £474,600 or more and a quarter had £19,100 or less. The median wealth value for London in 2006/08 was £173,400.

Average wealth (including private pension wealth) in Wales was higher than in Scotland in 2006/08. The mean value in Wales was £355,500, compared with £339,900 in Scotland. In Wales, the median value was £205,500, while in Scotland it was £150,600. In Wales, a quarter of households had total wealth of £62,000 or less in 2006/08, while in Scotland, a quarter of households had total wealth of £34,900 or less.

Wealth by household type

Figure 2.12 shows the distribution of total household wealth by the composition of the household. It shows the ten different categories for household type (see Chapter 9). Some caution is needed when comparing household types. We would expect households with more than one adult to have higher levels of wealth than single person households because, in general, each additional adult makes a contribution to wealth accumulation.

The type of household with the highest average total wealth in 2006/08 was ‘married/cohabiting with one person over SPA and one person under SPA, with no children’. This type of household had mean and median total wealth (including private pension wealth) of £771,200 and £478,400 respectively; and mean and median total wealth excluding private pension wealth of £399,400 and £277,900 respectively.

Two other types of household with considerable total wealth were households with adults who were married or cohabiting, with non-dependent children – which had a median value of £414,100 including private pension wealth and £250,600 excluding private pension wealth in 2006/08; and households with married or cohabiting adults, both over SPA, with no children – with median values of £363,600 including private pension wealth and £261,600 excluding private pension wealth.

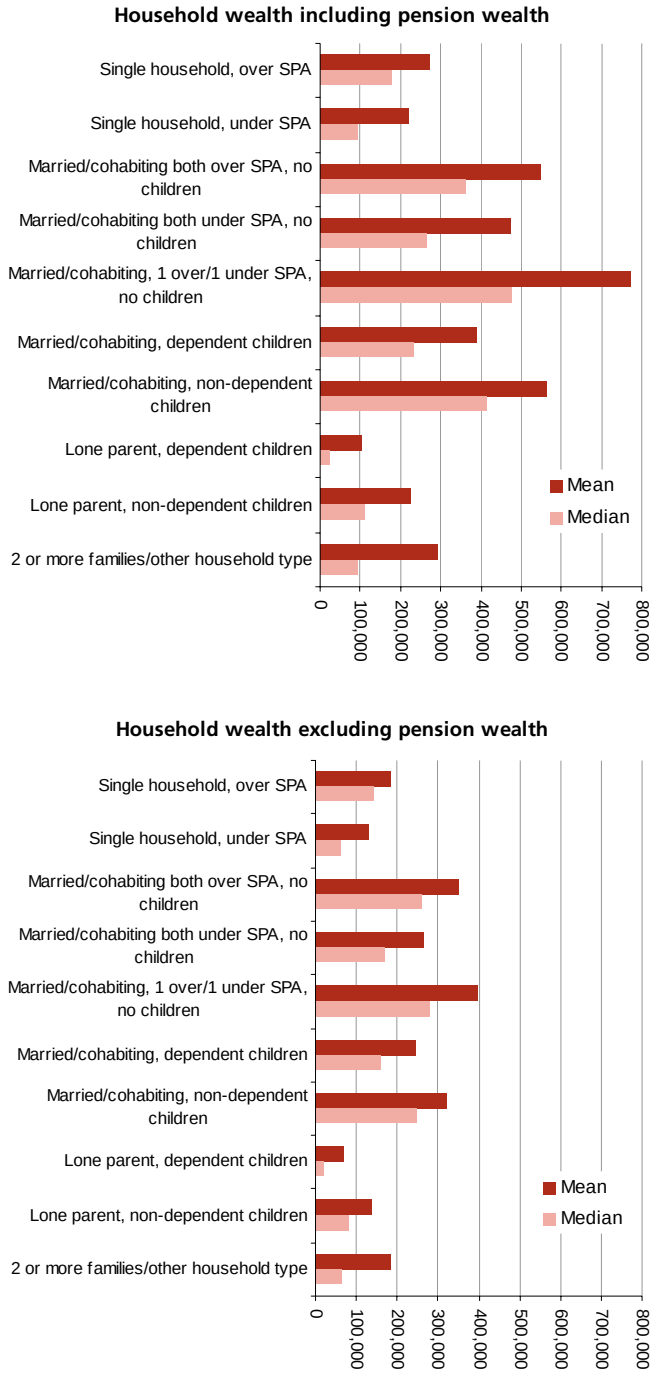
The type of household with the lowest average total wealth including private pension wealth in 2006/08 was the ‘lone parent with dependent children’ with a mean value of £104,300 and a median value of £24,600. The 1st quartile shows that a quarter of households of this type had total wealth of £7,300 or less. This type of household was also the one with the least difference between average wealth including and excluding private pension wealth, reflecting the fact that few households of this type had private pensions (see Chapter 6).

Figure 2.12

Distribution of household wealth[1]: by household type, 2006/08

Great Britain

£



1 SPA is State Pension Age (65 for men and 60 for women).

Source: Office for National Statistics

Section 2.5 Conclusion

The total wealth of households in Great Britain in 2006/08 was estimated at £9.0 trillion. Property and pension wealth contributed the most to wealth, accounting for over three-quarters of the total. The next chapters look in more detail at the four components of total wealth: property wealth (net), financial wealth (net), physical wealth and private pension wealth.

The distribution of total wealth in Great Britain in 2006/08 was unequal, as shown by the Gini coefficient of 0.61. The survey found that many factors are associated with the distribution of total wealth. These include age, education and socio-economic classification of the household head, where the household is located and household type.

Footnotes

1 The rating up factor used to produce aggregate wealth estimates was 1.7527. This is based on the relationship between total wealth including physical wealth and total wealth excluding physical wealth in the 'half sample'.

2 The Lorenz curve plots the cumulative percentage share of wealth (on the vertical axis) against the cumulative percentage share of the population (on the horizontal axis). The Gini coefficient is the ratio A:(A+B), where A is the area between the 'line of perfect equality' (the 45 degree line) and the Lorenz curve; and B is the area below the Lorenz curve. The Gini coefficient takes a value between 0 (perfect equality) and 1 (perfect inequality).

3 The analysis is for all households in the survey population, including those with no wealth (net). Negative net wealth is interpreted as equivalent to no wealth, so all negative values are converted into zeros for the analysis.

4 This is partly because of the way the question about contents of the main residence was asked in the survey (see Chapter 5). It was assumed that all households must have some physical wealth in the form of household contents, however minimal. Therefore, zero was not a valid response for household contents.

5 However, it should be noted that the results presented here do not provide a measure of asset accumulation over time. Different cohorts may have very different experiences which contribute to their current wealth position.

6 The definition of NS-SEC is available at: www.ons.gov.uk/about-statistics/classifications/current/ns-sec/index.html

Chapter 3

Property wealth

Section 3.1 Introduction

This chapter looks at household property wealth, which is made up of the value of the household's main residence and of any additional property or properties that it owns. First we look at the gross value of household property assets and the value of mortgages (liabilities). We then report on net property wealth (gross assets minus liabilities). Finally, we look at breakdowns by the age, education, employment status and socio-economic classification of the household head, and by region and household type.

The tables and charts in this chapter provide summary results. Each of these is linked to a spreadsheet giving the source data, and often more detailed results. The spreadsheets can be accessed by clicking on the table or chart.

Section 3.2 Property ownership

Home ownership

Table 3.1 shows that in 2006/08, 32 per cent of households did not own their home, while 30 per cent owned their home outright and 38 per cent were buying with the help of a mortgage.

Table 3.1

Ownership of main residence: 2006/08

Great Britain	Percentages
Not owned (rent or rent free)	31.9
Owned	68.1
of which own outright	30.1
of which own with mortgage	37.7
of which part rent and part own with mortgage	0.3

Source: Office for National Statistics

In 2006/08, 81 per cent of households lived in a house or bungalow, 18 per cent of households lived in a flat or maisonette and 1 per cent lived in a room or other type of accommodation. Renting was more common among those living in flats and maisonettes than for those living in a house or bungalow. Just over two-thirds of households living in flats and maisonettes were renting in 2006/08, compared with just over one fifth of those living in a house or bungalow.

Ownership of other property

Some households own a property or properties other than their main residence. In 2006/08, the most common form of other property ownership was other houses, flats or holiday homes in the UK (6 per cent), while 3 per cent of households owned land or property overseas (Table 3.2).

Table 3.2

Ownership of other property: 2006/08

Great Britain	Percentages
Other houses/flats or a holiday home in the UK	6.4
Other buildings	
e.g. shop/warehouse/garage in the UK	0.8
Land in the UK	0.8
Land or property overseas	3.0
Other real estate	0.1

Source: Office for National Statistics

Property wealth

Table 3.3 shows summary statistics for gross property wealth. It presents figures for the mean, 1st quartile, median and 3rd quartile. The 1st quartile, median and 3rd quartile values were obtained by sorting the data in ascending order and, starting from the lowest value, taking the value found a quarter, half and three-quarters of the way up the distribution.

In Table 3.3, information on main residence values and on the value of all property owned by households is presented for the whole population (including those who do not own a property) and also for property owners only. In the case of other property ownership, values are presented for property owners only because few households own such property.

Table 3.3

Gross household property wealth[1]: summary statistics, 2006/08

Great Britain £

	Mean	1st quartile	Median	3rd quartile
Main residence				
Property owners	231,500	135,000	190,000	275,000
Whole population	157,700	0	140,000	230,000
Other property				
Property owners	247,300	50,000	125,000	250,000
All property				
Property owners	260,700	135,000	196,000	299,000
Whole population	182,200	0	145,000	240,100

1 Results for 'property owners' exclude zeros (households that do not own any property); while results for the whole population include households which have zero values because they do not own any property.

Source: Office for National Statistics

Caution is advised when interpreting the figures in Table 3.3 because people may over-report the value of property that they own in surveys. Their point of reference is likely to be asking prices which they have seen advertised rather than the sold prices (which reflect true market value)[1].

In 2006/08, the mean value of the main residence for property owners was £231,500, while the median was £190,000. For the whole population, including non-property owners, the mean value of the main residence was £157,700 and the median was £140,000.

The mean value of property other than the main residence was £247,300 in 2006/08. However, a quarter of those with additional property valued it at £50,000 or less.

Overall, the mean value of gross property wealth for property owners in 2006/08 was £260,700, while the median was £196,000. For the whole population, the mean value of gross property wealth was £182,200 and the median was £145,000.

Section 3.3 Mortgage debt

The survey asked households about mortgages (including all-in-one accounts). The results show that:

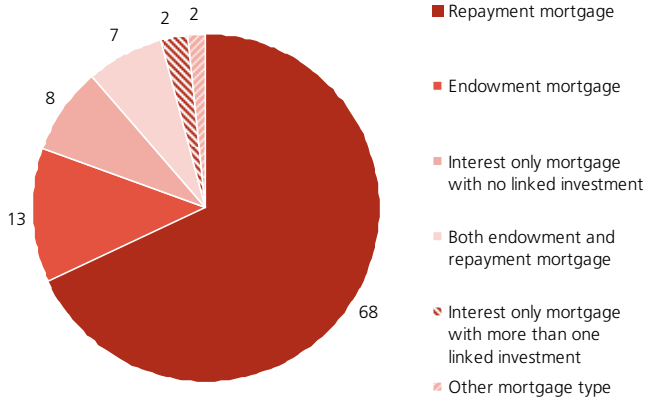
- 38 per cent of households had a mortgage on their main residence; and
- 4 per cent of households had a mortgage on another property or properties.

Figure 3.4

Breakdown of mortgages on main residence[1,2]: by type, 2006/08

Great Britain

Percentages



1 Households with mortgages only.
2 If household has more than one mortgage, main mortgage only.

Source: Office for National Statistics

Figure 3.4 shows that in 2006/08, of those households with mortgages on their main residence, just over two-thirds had repayment mortgages. Endowment mortgages were also quite common (13 per cent), while 8 per cent had interest only mortgages with no linked investment. Another 7 per cent had a combination of endowment and repayment mortgages.

Table 3.5 shows that for those households which had a mortgage on their main residence, the mean value in 2006/08 was £87,700. Half of households with a mortgage on their main residence owed £70,000 or less in 2006/08; a quarter owed £35,000 or less; and a quarter owed £116,000 or more. For those households with a mortgage on property other than their main residence, the mean value of the mortgage in 2006/08 was £130,400.

Endowments for the purpose of mortgage repayment are included in Table 3.5 for comparison with mortgage values. For those households with such an endowment, the mean value was £38,000 in 2006/08. Endowments are financial assets, so they are included in the estimate of household financial wealth (Chapter 4) rather than in the estimate of household property wealth presented in Section 3.4 below.

Table 3.5

Mortgages[1,2,3]: summary statistics, 2006/08

Great Britain £

	Mean	1st quartile	Median	3rd quartile
Mortgage				
On main residence[4]	87,700	35,000	70,000	116,000
On other property	130,400	35,000	80,000	136,000
Endowments	38,000	16,500	28,000	45,000

1 Households may have one or more mortgages.

2 Results exclude households without this type of asset/liability (zeros).

3 Mortgage values may not include mortgage arrears.

4 In a small number of cases, values reported may include mortgage debt owed by members of other households.

Source: Office for National Statistics

It should be noted that the mortgage values reported in Table 3.5 may not include mortgage arrears. As arrears were not explicitly mentioned in the questionnaire, there is likely to be an underestimate of true mortgage values. On the other hand, the questionnaire did not explicitly ask respondents to exclude any part of the mortgage debt for which members of other households were responsible; this may cause a slight upward bias in the estimates.

The survey also asked about equity release schemes, which are an alternative to mortgage borrowing for older people. The main types of equity release scheme are home reversion, which involves selling (part of) the home to a reversion company in return for cash or a monthly income, and lifetime mortgages, which involve borrowing against the value of the home. Some lifetime mortgages have a 'drawdown' option, where the borrower can take out a smaller amount at first, with the option of borrowing more later on. Overall, only 1 per cent of households were involved in equity release schemes in 2006/08. In the 65 and over age group, the proportion was 2 per cent.

Section 3.4 Household net property wealth

This section presents summary statistics for total household property wealth in Great Britain. While in Section 3.2 summary statistics were shown as gross values, in this section we present net property wealth. This is calculated as the sum of the values recorded for each household for the main residence plus any other property, **minus** the value of mortgage liabilities and equity release for each household. In Table 3.6, information on net household property wealth is presented for the whole population (including those with zero values, who do not own a property) and also for property owners only.

Table 3.6

Net household property wealth[1]: summary statistics, 2006/08

Great Britain £

	Mean	1st quartile	Median	3rd quartile
Property owners	205,500	85,000	150,000	245,000
Whole population	143,200	0	95,000	196,000

1 Results for 'property owners' exclude zeros (households that do not own any property); while results for the whole population include households which have zero values because they do not own any property.

Source: Office for National Statistics

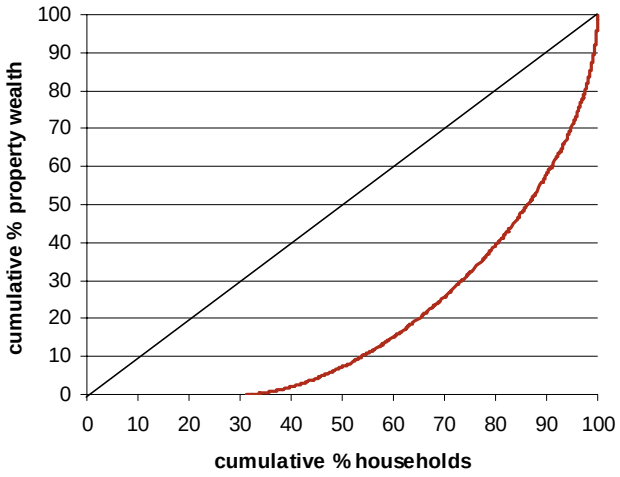
In 2006/08, mean net property wealth for property owners was £205,500; this compared with £143,200 for the whole population, including those who had no property. The median shows that in 2006/08, half of property-owing households had property wealth of £150,000 or less, after mortgage liabilities were taken into account. A quarter of property-owning households had net property wealth of £85,000 or less.

Figure 3.7

Distribution of net household property wealth: 2006/08

Great Britain

Percentages



Source: Office for National Statistics

The distribution of net household property wealth in Great Britain can be shown using a Lorenz curve[2] (Figure 3.7). The closer the curve to the 45 degree line, or 'line of perfect equality', the more equal the wealth distribution. The distribution of ownership of net property wealth is more equal than that of net financial wealth (Chapter 4) and private pension wealth (Chapter 6), but more unequal than that of physical wealth (Chapter 5).

The distributions of the different components of total household wealth (see Chapter 2) can also be compared by calculating Gini coefficients for each component. The Gini coefficient takes a value between 0 and 1, with 0 representing a perfectly equal distribution and 1 representing perfect inequality. In 2006/08, the Gini coefficient was 0.62 for net property wealth.

Section 3.5 Household property wealth by key household characteristics

In this section, most of the charts show the means and medians only. By clicking on the charts in the online version of this report, the reader can see the mean, 1st quartile, median and 3rd quartile values. The information shown in the charts in this section is for property owners only. Where the proportion of property owners in a particular group is high or low compared with the proportion of property owners in the population as a whole, this is highlighted in the accompanying text.

Property wealth by age

Figure 3.8 presents household property wealth (net) in eight age bands based on the age of the household head. It should be borne in mind that these results are for property owners only, and the proportion owning property varies considerably between groups, rising from 20 per cent in the 16 to 24 age group to 79 per cent in the 55 to 64 age group, before falling to 63 per cent in the 85 and over age group.

The distribution of net property wealth by age shows a gradual building up of property wealth over people's working lives – from their mid-20s to around State Pension Age (SPA) – as mortgages are paid off[3].

The age group with the highest mean net property wealth is 55 to 64, with a mean of £271,400 in 2006/08; this group is closely followed by those aged 65 to 74, with a mean value of £253,500. The median values for these age groups in 2006/08 were £200,000 and £195,000 respectively.

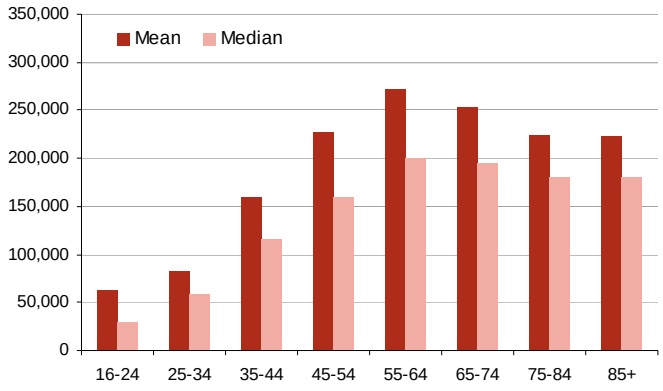
The 16 to 24 age group had the lowest net property wealth in 2006/08. The mean in this group was £62,700, and the median value was £30,000. Older people had relatively high net property wealth. In 2006/08, the mean value for property owners in the 75 to 84 age group was £224,100, and for those aged 85 and over it was £222,600. The median value for both these groups was £180,000.

Figure 3.8

Distribution of net household property wealth[1]: by age of household head, 2006/08

Great Britain

£



1 Results exclude households with zero net property wealth.

Source: Office for National Statistics

Property wealth by education

Figure 3.9 presents household property wealth (net) by education for property owners only. The results are split according to the highest educational level of the household head: degree level or above, other qualifications and no qualifications. The proportion of households owning property varies from 52 per cent for those with no educational qualifications to 83 per cent for those with degree level education or above.

Those with degree level education or above had the most property wealth, with a mean of £258,000, in 2006/08. This was also the group with the greatest inequality in property ownership: 25 per cent of the group had property worth £315,000 or more in 2006/08, while 25 per cent had property worth £88,500 or less.

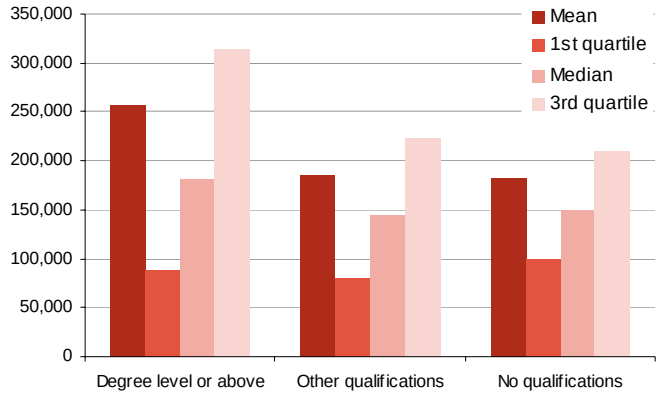
The lowest average property wealth was found in the 'no qualifications' group, which had a mean of £183,100 in 2006/08. The lower quartile in this group shows that a quarter of households with no qualifications who owned property valued their property wealth at £98,800 or less. However, there was little difference between this group and the group with 'other qualifications' – in fact, the other qualifications group had a slightly lower median (£145,000) compared with the 'no qualifications' group (£150,000).

Figure 3.9

Distribution of net household property wealth[1]: by education of household head, 2006/08

Great Britain

£



1 Results exclude households with zero net property wealth.

Source: Office for National Statistics

Property wealth by employment status

Figure 3.10 presents household property wealth (net) by employment status for property owners only. It shows how the employment status of the household head is associated with property wealth.

The category with the highest net property wealth in 2006/08 was the 'other inactive' category with a

mean value of £339,100. However, 44 per cent of all households in this category owned property, and the mean value for this group as a whole (including non-property owners) was £149,700. In the population as a whole, 'other inactive' is a relatively small category.

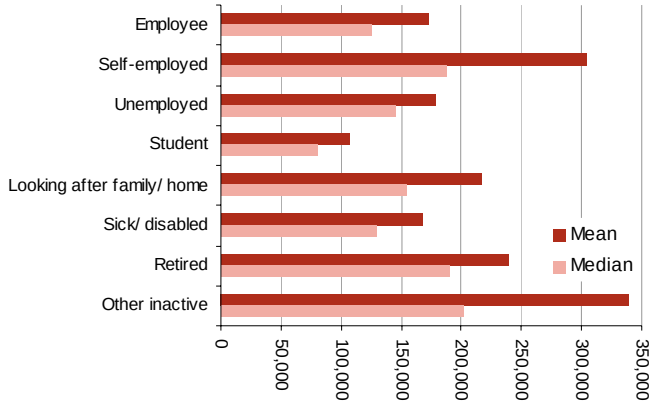
The group with the second highest net property wealth was the self-employed, with a mean value of £303,500 in 2006/08. The self-employed were the group with the highest proportion of property wealth, with 84 per cent.

Figure 3.10

Distribution of net household property wealth[1]: by employment status of household head, 2006/08

Great Britain

£



1 Results exclude households with zero net property wealth.

Source: Office for National Statistics

Employee-headed households also had a high proportion of property wealth (75 per cent), but mean net property wealth for this category was £172,500 in 2006/08, considerably lower than the 'self-employed' category. Median net property wealth for employee-headed households was £125,000.

The group with the lowest net property wealth was students, with a mean value of £106,500 and a median value of £80,000 in 2006/08. This was also the group with the lowest proportion of property wealth (15 per cent), so the mean value for the population of student-headed households as a whole (£17,200) was much lower than for student-headed households that owned property. It should be noted that, because this is a household survey, student-headed households exclude students living in halls of residence; and, in the population as a whole, students living in private accommodation is a relatively small category.

Property wealth by socio-economic classification

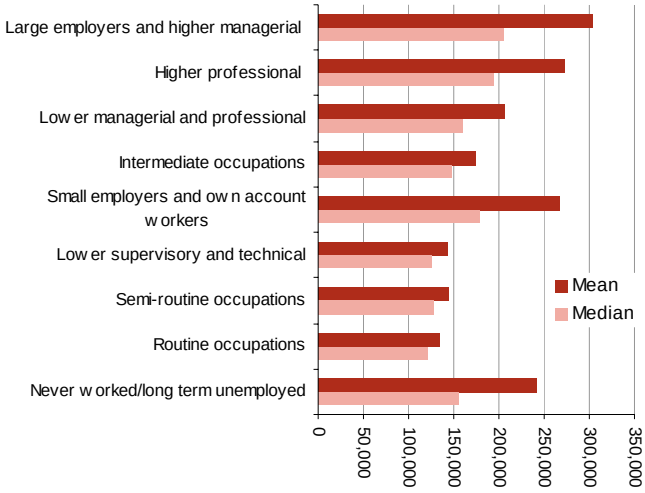
Figure 3.11 shows the distribution of household property wealth (net) by the National Statistics Socio-economic Classification (NS-SEC)[4] of the household head for property owners only.

Figure 3.11

Distribution of net household property wealth[1]: by socio-economic classification of household head, 2006/08

Great Britain

£



1 Results exclude households with zero net property wealth.

Source: Office for National Statistics

Large employers and higher managerial occupations had the highest net property wealth, with a mean value of £304,000 and a median value of £205,000 in 2006/08. The survey estimated that 92 per cent of households in this group had property wealth.

The 2006/08 mean values for the 'higher professional' and 'small employers and own account workers' groups were also high, at £272,500 and £268,000 respectively. The median values for these groups were £195,000 and £180,000 respectively.

Another group with a high mean value in 2006/08 was the 'never worked/long-term unemployed' with £242,100[5]. However, as only 26 per cent of households in this group owned property, the mean value for the group as a whole, including non-property owners, was much lower (£63,500).

The households with the lowest net property wealth were those headed by people with routine occupations. This category had a mean value of £134,900 in 2006/08. A quarter of households headed by people with routine occupations had net property wealth of £75,000 or less, and half had property wealth of £120,000 or less. The median values for the 'lower supervisory and technical' and 'semi-routine occupations' groups were similar: £125,000 and £127,000 respectively.

Property wealth by region

Figure 3.12 shows household property wealth (net) according to the location of the household, for property owners only. It shows Scotland, Wales and the nine Government Office Regions (GORs) of England.

In 2006/08, the wealthiest parts of England in terms of net household property wealth were London and the South East of England. London had mean net property wealth of £300,400 and median net property wealth of £220,000. The South East had mean net property wealth of £265,000 and median net property wealth of £200,000.

However, the proportion of households owning property in London was 57 per cent, which was the lowest of all the English GORs. By contrast, the South East had the highest proportion of households owning property (74 per cent).

If all households in London are taken into account, including non-property owners, the mean in 2006/08 was £174,400 and the median was £65,000.

The English GOR with the lowest net property wealth in 2006/08 was the North East, with a mean of £157,500, followed by Yorkshire and the Humber with a mean value of £161,100. Median net property wealth was £120,000 and £123,000 respectively in the North East and Yorkshire and the Humber.

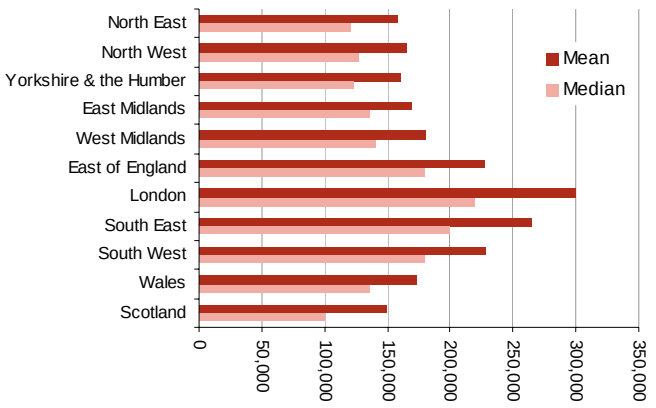
In Scotland, 65 per cent of households owned property in 2006/08, and mean net property wealth was £149,000. In Wales, 73 per cent of households owned property and mean net property wealth was £173,200. Median net property wealth was £100,000 and £135,000 respectively in the Scotland and Wales.

Figure 3.12

Distribution of net household property wealth[1]: by region, 2006/08

Great Britain

£



1 Results exclude households with zero net property wealth.

Source: Office for National Statistics

Property wealth by household type

Figure 3.13 shows household property wealth (net) according to the type of the household, for property owners only. It shows the ten different categories for household type (see Chapter 9).

The type of household with the highest average net property wealth in 2006/08 was 'married/cohabiting with one person over SPA and one person under SPA, with no children'. This type of household had a mean value of £286,500 and a median of £206,000. This was also the category with the highest proportion of households owning property (88 per cent).

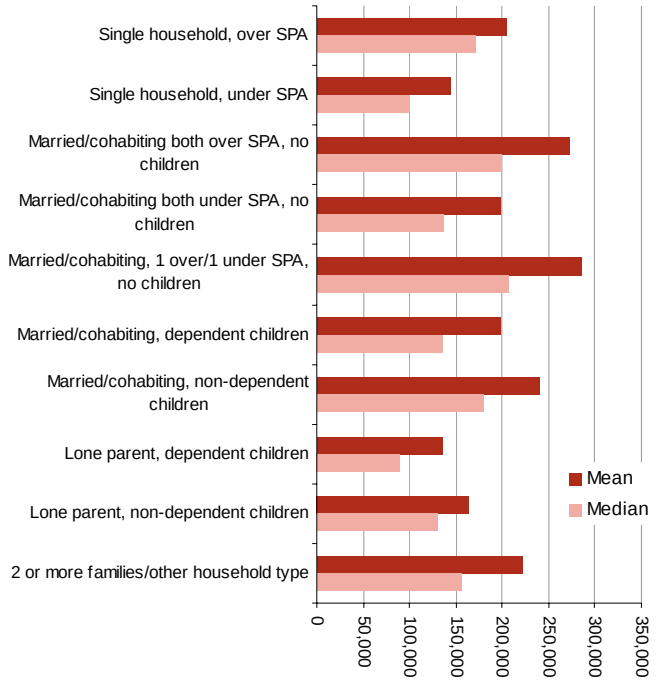
Households with adults who were 'married or cohabiting, both over SPA with no children' had the second highest net household property wealth, with a mean value of £272,600 and a median of £200,000.

Figure 3.13

Distribution of net household property wealth[1,2]: by household type, 2006/08

Great Britain

£



1 Results exclude households with zero net property wealth.

2 SPA is State Pension Age (65 for men and 60 for women).

Source: Office for National Statistics

The type of household with the lowest average net property wealth in 2006/08 was the 'lone parent with dependent children' with a mean value of £135,700 and a median value of £90,000. This was also the category with the lowest proportion of households owning property (33 per cent).

Section 3.6 Conclusion

Over two-thirds of households in Great Britain owned their home in 2006/08. The median value of the main residence for property owners was £190,000. For the whole population, including non-property owners, the median value of the main residence was £140,000. The survey also found that 38 per cent of households had a mortgage on their main residence; half of the households with such mortgages owed £70,000 or less in 2006/08; a quarter owed £35,000 or less; and a quarter owed £116,000 or more.

The median for net property wealth shows that in 2006/08, half of property-owing households had property wealth of £150,000 or less after mortgage liabilities were taken into account. However, the distribution of net property wealth is less unequal than that of net financial wealth (Chapter 4) or private pension wealth (Chapter 6).

Footnotes

1 Land Registry 'sold prices' for England and Wales can be found at www.communities.gov.uk/documents/housing/xls/table-585.xls.

2 The Lorenz curve plots the cumulative percentage share of wealth (on the vertical axis) against the cumulative percentage share of the population (on the horizontal axis). The Lorenz curve analysis is for all households in the survey population, including those with no property wealth (net). Negative net property wealth is interpreted as equivalent to no financial wealth.

The Gini coefficient is the ratio A:(A+B), where A is the area between the 'line of perfect equality' (the 45 degree

line) and the Lorenz curve; and B is the area below the Lorenz curve. The Gini coefficient takes a value between 0 (perfect equality) and 1 (perfect inequality).

3 However, it should be noted that the results presented here do not provide a measure of asset accumulation over time. Different cohorts may have very different experiences which contribute to their current wealth position.

4 The definition of NS-SEC is available at: www.ons.gov.uk/about-statistics/classifications/current/ns-sec/index.html

5 The 'never worked/long-term unemployed' group contained a small proportion of wealthy households, probably due to the presence of one or more people (other than the head of household) who were working, or of households where there was sufficient wealth for all adult members of the household to choose not to work.

Chapter 4

Financial wealth

Section 4.1 Introduction

This chapter looks at financial wealth. First we look at the value of formal and informal financial assets held by adults, and of children's assets. Then we present findings on total financial wealth (gross), financial liabilities and net financial wealth: asset values minus the value of any financial liabilities. Finally, we look at breakdowns by age, education, employment status and socio-economic classification of household head and by region and household type.

Analysis in this chapter is at household level. This means that all assets held by individuals have been added together to produce household totals. In some cases the household totals represent only one account or holding, whereas in others they represent multiple accounts held by one or more than one individual.

It should be noted that some of the information presented in this chapter may underestimate true proportions or values. In particular, analysis by HM Revenue and Customs (HMRC) using its own data and external data sources suggests more widespread ownership of Individual Savings Accounts (ISAs), Personal Equity Plans (PEPs) and National Savings certificates and bonds (including Premium Bonds) than that found by the survey. It also estimates higher average values in Child Trust Funds (CTFs). Informal financial assets may also be underestimated in the survey, as the questionnaire only asked respondents about informal saving or lending in excess of £250.

The tables and charts in this chapter provide summary results. Each of these is linked to a spreadsheet giving the source data, and often more detailed results. The spreadsheets can be accessed by clicking on the table or chart.

Section 4.2 Formal financial assets

An estimated 96 per cent of households had a bank account or some kind of financial investment in 2006/08 (4 per cent had no formal financial assets). Table 4.1 shows the findings of the survey on the proportion of households with different types of financial asset. The most common is the current account. Current accounts (including those with negative balances) were held by 92 per cent of households in Great Britain in 2006/08. This figure takes into account households that had accounts in credit (85 per cent) and those which had accounts that were overdrawn (17 per cent); these two figures do not add to 92 per cent because some households had more than one current account. It should be noted that in the survey, all-in-one accounts are included in mortgages (see Chapter 3), not in current accounts.

Table 4.1

Proportion of households with formal financial assets: 2006/08

Great Britain	Percentages
Current accounts incl overdrafts	92.2
Of which overseas current accounts	2.6
Current accounts excl overdrafts	84.7
Savings accounts	61.9
Of which overseas savings accounts	1.5
ISAs[1]	41.7
Cash ISAs	35.8
Stocks and shares ISAs	10.1
National Savings certificates and bonds[2]	23.7
UK shares	14.9
Insurance products[3]	10.5
Fixed term bonds	8.3
PEPs[4]	7.3
Employee shares and share options	7.3
Unit/Investment trusts	5.9
Overseas shares	1.9
UK bonds/gilts	1.1
Overseas bonds/gilts	0.1
Other formal financial assets	0.4

1 Individual Savings Accounts; note that households may have both cash ISAs and stocks and shares ISAs, so total is not the sum of cash plus stocks and shares ISAs.

2 Including Premium Bonds.

3 Excluding life insurance policies which only pay out in the event of death.

4 Personal Equity Plans.

Source: Office for National Statistics

Table 4.2 shows summary statistics for households which had each type of financial asset shown in Table 4.1. Household current account balances are shown including and excluding overdrafts. Further analysis of overdrafts is presented in Chapter 7 and overdrafts are included in the calculation of financial liabilities (see Section 4.5). The mean value held in households' current accounts (including overdrafts) in 2006/08 was £2,400; the mean value excluding overdrafts was £2,900. The median shows that 50 per cent of households had £800 or less in their accounts in 2006/08, or £1,000 if overdrafts are excluded.

An estimated 62 per cent of households had a savings account in 2006/08. The mean value held in households' savings accounts was £18,300. However, 50 per cent of households with savings accounts had £3,500 or less in their account and 25 per cent had £500 or less.

The third most popular type of formal financial asset is the ISA, which was held by 42 per cent of households in 2006/08. Cash ISAs were held by 36 per cent of households, while 10 per cent had stocks and shares ISAs (these figures do not add to 42 per cent because some households had both cash and stocks and shares ISAs). The mean value of ISAs was £14,900, lower than the mean for savings accounts; but the median value was double that of savings accounts, at £7,000. The median amount held by households in stocks and shares ISAs was £15,000, more than double the median amount in cash ISAs (£6,000).

Nearly one quarter of households had a National Savings certificate or bond in 2006/08. The mean value of National Savings certificates and bonds (including Premium Bonds) was £6,400, but 25 per cent of households with National Savings products had negligible values.

In 2006/08, 15 per cent of households in Britain owned UK shares. The mean value of UK shares that they held was £24,000, but 50 per cent of households who owned UK shares valued them at £4,000 or less.

One tenth of households had investments in insurance products (excluding life insurance policies which only pay out in the event of death[1]) in 2006/08. The mean value of insurance products held by these households was £33,000 and the median was £15,000.

Table 4.2

Formal financial assets[1]: summary statistics, 2006/08

Great Britain £

	Mean	1st quartile	Median	3rd quartile
Current accounts incl overdrafts	2,400	200	800	2,400
Overseas current accounts	3,800	400	1,500	4,000
Current accounts excl overdrafts	2,900	300	1,000	2,700
Savings accounts	18,300	500	3,500	13,100
Overseas savings accounts	24,800	800	3,800	17,500
ISAs[2]	14,900	3,000	7,000	17,000
Cash ISAs	13,100	2,500	6,000	15,000
Stocks and shares ISAs	27,800	7,000	15,000	34,000
National Savings certificates and bonds[3]	6,400	-	300	3,600
UK shares	24,000	1,000	4,000	13,000
Insurance products[4]	33,000	6,000	15,000	35,000
Fixed term bonds	40,300	6,700	18,000	40,000
PEPs[5]	25,200	5,000	11,500	25,900
Employee shares and share options	30,900	1,000	4,100	15,000
Unit/investment trusts	41,900	5,000	15,000	40,000
Overseas shares	29,700	1,000	3,000	14,000
UK bonds/gilts	32,800	5,900	16,000	35,100
Overseas bonds/gilts	17,300	3,000	10,000	21,000
Other formal financial assets	111,200	5,000	30,000	90,000

1 Results exclude households without this type of asset (zeros).
2 Individual Savings Accounts.
3 Including Premium Bonds.
4 Excluding life insurance policies which only pay out in the event of death.
5 Personal Equity Plans.

Source: Office for National Statistics

An estimated 8 per cent of households owned fixed term investment bonds from a bank or building society in 2006/08. The mean value of fixed term investment bonds was £40,300, but 50 per cent of households who owned this type of asset valued their holdings at £18,000 or less.

A slightly lower proportion (7 per cent) had PEPs and employee shares and share options in 2006/08. For PEPs, the mean value of the investment was £25,200. However, these results

should be treated with caution. Early in 2007 it was announced that all PEPs would be converted into ISAs and from April 2008, all PEP accounts were redesigned as ISA accounts. As a result, households could have had both types of account up to April 2008. Therefore there may have been some confusion over the account type among survey respondents, which it was not possible to measure.

Trusts

The survey results show that a small proportion of adults in Britain had trusts in 2006/08. Some 2 per cent of adults reported being settlors of trusts, and 1 per cent of adults said they were beneficiaries of trusts. The information on the value of trusts held by adults is not included in this chapter or in the total wealth estimates in Chapter 2, owing to technical problems with recording the data during the survey. This omission may have a significant impact on wealth distributions: trusts tend to be held by the wealthiest households, so adding the missing data on trusts would increase wealth at the top end of the distribution.

Section 4.3 Informal financial assets

The survey asked about informal saving and lending for amounts in excess of £250. Informal saving comprises money saved in cash at home, money given to someone to look after or money paid into a savings and loan club.

The results show that 10 per cent of households in Britain had informal assets of more than £250 in 2006/08 (Table 4.3). An estimated 6 per cent had informal saving of more than £250, while 4 per cent had made loans to others of over £250 which they expected to be repaid.

Table 4.4 shows that amounts saved informally were generally quite small: three-quarters of households with informal savings in 2006/08 had less than £1,000 saved in this way. On the other hand, some informal lending involved quite large amounts: half of those lending to others informally in 2006/08 had lent more than £1,800, and a quarter had lent more than £5,000.

Table 4.3

Proportion of households with informal financial assets[1,2]: 2006/08

Great Britain Percentages

Households with informal financial assets	10.0
Money saved in cash at home or elsewhere	4.7
Money lent to someone (to be repaid)	4.4
Money given to someone else to look after	1.0
Money paid into savings and loan club	0.9

1 Excludes small values (less than £250).
2 Households may have more than one type of asset.

Source: Office for National Statistics

Table 4.4

Informal financial assets[1,2]: summary statistics, 2006/08

Great Britain £

	Mean	1st quartile	Median	3rd quartile
All informal financial assets	5,100	400	700	2,000
Amounts saved informally	1,300	300	500	1,000
Amounts lent to others informally	9,600	500	1,800	5,000

1 Results exclude households without this type of asset (zeros).
2 Excludes small values (less than £250).

Source: Office for National Statistics

The £250 minimum amount adopted by the survey probably means that it underestimated the true proportions of households with informal saving and lending in Great Britain. Previous research has shown that small amounts of informal savings are common in low-income households, and is often the only type of saving that such households engage in[2]. The exclusion of amounts below £250 is also likely to have produced an underestimate of financial (and total) wealth at the lower end of the distribution.

Section 4.4 Children's financial assets

The survey enquired about children's assets, including the Child Trust Fund (CTF), a savings and investment account for children. In general[3], all children born on or after 1 September 2002 are eligible for a CTF if their parent or guardian receives Child Benefit and they live in the UK. The Child Benefit claimant (usually the parent) receives a voucher worth £250 with which to open an account. There is an additional £250 for children born into low income families eligible for full Child Tax Credit. If the CTF account is not opened by the time the voucher expires (normally 12 months), HM Revenue and Customs will open an account for the child. Once the account is opened, family and friends can deposit up to £1,200 a year into the CTF on behalf of the child.

In 2006/08, 81 per cent of children born on or after 1 September 2002 reported having a CTF account in 2006/08. This figure appears low, given that all eligible children in this category should receive a CTF voucher. There are two possible reasons for the low figure: firstly, if the child was less than one year old at the time of the survey, an account may not yet have been opened on their behalf; and secondly, the survey may have underreported children with CTFs if the adult interviewed about a child was unaware that an account had been opened – either by another adult with responsibility for the child or by HM Revenue and Customs.

The survey found that for CTFs, the mean household value in 2006/08 was £600, and the median value was £300 (Table 4.5). Analysis by HMRC suggests that these results underestimate average values in CTFs.

The survey also asked whether children in the household had any other financial assets in their names. In 2006/08, 50 per cent of children (under 16 year olds) had such financial assets. Table 4.6 shows the value of other children's assets for households with such assets (which may include more than one child). The mean household value was £2,700, but half of households had other children's assets of £800 or less.

Table 4.5

Child Trust Funds[1,2]: summary statistics, 2006/08

Great Britain £

	Mean	1st quartile	Median	3rd quartile
Child Trust Funds	600	200	300	600

1 Results exclude households without this type of asset (zeros).
2 Child Trust Funds are for children born since 1 September 2002, so they would have been aged 0 to 6 years at the time of the survey.

Source: Office for National Statistics

Table 4.6

Other children's assets[1,2]: summary statistics, 2006/08

Great Britain £

	Mean	1st quartile	Median	3rd quartile
Other children's assets	2,700	200	800	2,400

1 Results exclude households without this type of asset (zeros).
2 Other children's assets are for under 16 year olds and exclude Child Trust Funds.

Source: Office for National Statistics

It should be noted that the results presented in Tables 4.5 and 4.6 cannot be compared with tables that present results for all households, including those without such assets.

Section 4.5 Household financial wealth

This section looks at the findings on gross financial wealth, financial liabilities and net financial wealth (see Box: Financial wealth definitions). In Britain in 2006/08:

- 95 per cent of households had gross financial wealth
- 50 per cent of households had financial liabilities and
- 98 per cent of households had net financial wealth – either positive balances, if assets were

greater than liabilities (75 per cent), or negative balances if liabilities were greater than assets (23 per cent)

Table 4.7 shows summary statistics for household financial wealth in Britain in 2006/08. It presents figures for the mean, 1st quartile, median and 3rd quartile. The 1st quartile, median and 3rd quartile values were obtained by sorting the data in ascending order and, starting from the lowest value, taking the value found a quarter, half and three-quarters of the way up the distribution.

Table 4.7

Household financial wealth[1]: summary statistics, 2006/08

Great Britain £

	Mean	1st quartile	Median	3rd quartile
Those with financial wealth[1]				
Gross financial wealth	45,900	1,200	8,600	41,000
Financial liabilties	7,200	600	2,700	8,100
Net financial wealth	40,800	-	5,700	36,500
Whole population				
Gross financial wealth	43,500	800	7,200	37,700
Net financial wealth	40,000	0	5,200	35,200

1 Excludes households without this type of asset or liability (zeros).

Source: Office for National Statistics

For those with financial assets, the mean value of these assets – or gross financial wealth – was £45,900 in 2006/08. For those with financial liabilities, the mean value of these liabilities was £7,200. Mean net financial wealth for those with such wealth was £40,800. Median values were much lower than mean values. Half of households with gross financial wealth in 2006/08 had £8,600 or less, and half of households with net financial wealth had £5,700 or less. For the whole population, the median values were £7,200 for gross financial wealth and £5,200 for net financial wealth. The 1st quartile value for net financial wealth (whole population) was zero, indicating that many households at the lower end of the distribution had zero or negative net financial wealth.

Financial wealth definitions

Gross financial wealth is the sum of: formal financial assets (not including current accounts in overdraft) + informal financial assets held by adults + children's assets + endowments for the purpose of mortgage repayment (see Chapter 3). Financial liabilities are the sum of: arrears on consumer credit and household bills + personal loans and other non-mortgage borrowing + informal borrowing + overdrafts on current accounts (see Chapter 7). Net financial wealth is gross financial wealth minus financial liabilities.

The mean is above the 3rd quartile value for gross and net financial wealth both for those with financial assets and liabilities and also for the population as a whole. This suggests a skewed distribution, with a relatively small proportion of households having high wealth values. If the missing data on the value of Trusts (see Section 4.2) were added to financial wealth, this would increase wealth at the top end of the distribution.

The distribution of net household financial wealth in Great Britain can be shown using a Lorenz curve[4] (Figure 4.8). The closer the curve is to the 45 degree line, or 'line of perfect equality', the more equal the wealth distribution. The distribution of ownership of financial wealth is much more unequal than that of property wealth (Chapter 3) and physical wealth (Chapter 5). It shows that half of the households in Great Britain[5] own 1 per cent of net financial wealth, while the wealthiest 20 per cent own 84 per cent of net financial wealth.

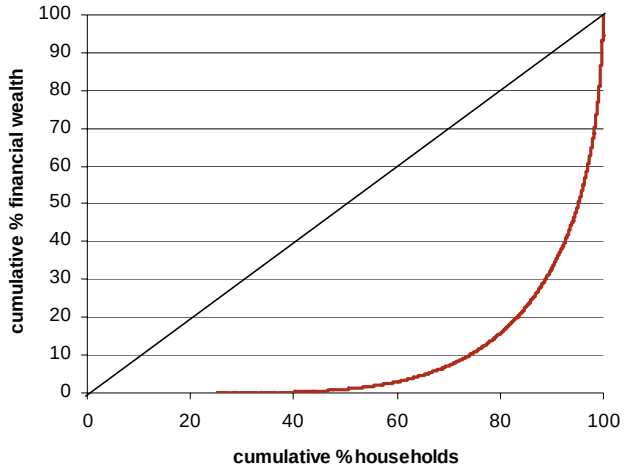
The distributions of the different components of total wealth (see Chapter 2) can also be compared by calculating Gini coefficients for each component. The Gini coefficient takes a value between 0 and 1, with 0 representing a perfectly equal distribution and 1 representing 'perfect inequality'. In 2006/08, the Gini coefficient was 0.81 for net financial wealth, indicating a relatively unequal wealth distribution.

Figure 4.8

Distribution of net household financial wealth: 2006/08

Great Britain

Percentages



Source: Office for National Statistics

Section 4.6 Household financial wealth by key household characteristics

In this section, most of the charts show the means and medians only. By clicking on the charts in the online version of this report, the reader can see the mean, 1st quartile, median and 3rd quartile values. The information shown in the charts in this section is only for those households that had net financial wealth in 2006/08, not for the whole population; but the survey found few households with no net financial wealth (2 per cent).

All the figures in this section show big differences between means and medians. This is a reflection of the skewed distribution of financial wealth, discussed above, including many households with negative net financial wealth and some households with very high values of net financial wealth. The text accompanying the figures in this section highlights these aspects of the analysis.

Financial wealth by age

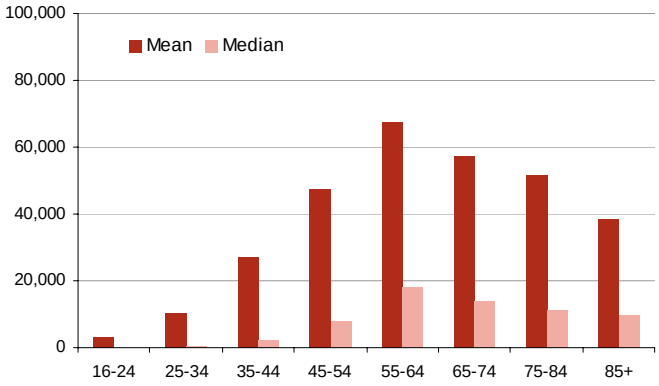
Figure 4.9 presents household financial wealth (net) in eight age bands based on the age of the household head. The distribution of net financial wealth by age shows a building up of average net financial wealth over people's working lives and some erosion in retirement[6]. This pattern applies to the mean, which in 2006/08 rose from £3,400 in the 16 to 24 age group to a peak of £67,300 in the 55 to 64 age group, before falling to £38,600 for those aged 85 and over. It also applies to the median, which in 2006/08 rose from £100 in the 16 to 24 age group to a peak of £18,000 in the 55 to 64 age group before falling to £10,000 in the 85 and over age group.

Figure 4.9

Distribution of net household financial wealth[1]: by age of household head, 2006/08

Great Britain

£



1 Results exclude households with zero net financial wealth.

Source: Office for National Statistics

The pattern for the 1st quartile is slightly different, and is of interest because it reflects the experience of households with very little net financial wealth, many of whom have negative net financial wealth (their liabilities outweigh their assets). In 2006/08, net financial wealth was negative at the 1st quartile in the 16 to 24, 25 to 34 and 35 to 44 age bands, showing that many younger households had debt burdens in the run-up to the credit crisis. The most

indebted age group was 25 to 34, where a quarter of households had net financial wealth of *minus* £2,800 or less. At the 1st quartile, net financial wealth was negligible for those aged 45 to 54. It was £900 in the 55 to 64 age group and then rose with age to peak at £2,500 for those aged 75 to 84.

Financial wealth by education

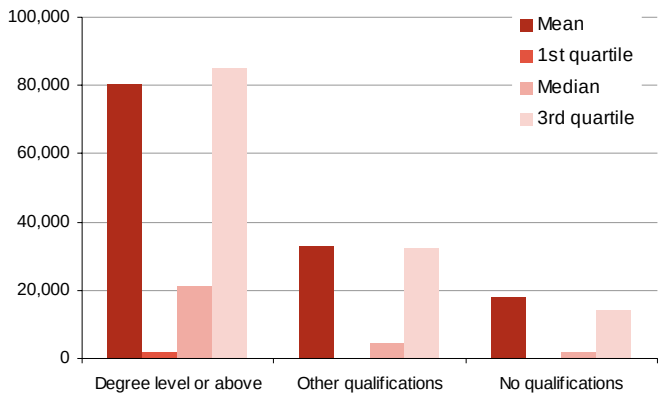
Figure 4.10 presents household net financial wealth by the highest educational level of the household head: degree level or above, other qualifications and no qualification. Those households where the head of household had degree level education or above had the most net financial wealth in 2006/08, with a mean of £80,600 and a median of £21,100. However, 25 per cent of households in this group had net financial wealth of £1,800 or less.

Figure 4.10

Distribution of net household financial wealth[1]: by education of household head, 2006/08

Great Britain

£



1 Results exclude households with zero net financial wealth.

Source: Office for National Statistics

The lowest mean net financial wealth was found in the 'no qualifications' category (£18,100). The lower quartile in this category is a negligible value, indicating that one quarter of households where the household head had no qualifications had negligible, zero or negative net financial wealth. At the 1st quartile, there was little difference between this group and the group with 'other qualifications'. However, the median value for the 'no qualifications' category was £2,000, while for those with 'other qualifications' it was £4,800.

There were big differences between the 1st and 3rd quartiles in all three educational groups. The extremes of the distribution were the most marked for the 'degree level or above' qualifications group, where 25 per cent of households had net financial wealth of £1,800 or less and 25 per cent had net financial wealth of £85,000 or more.

Financial wealth by employment status

Figure 4.11 shows how the employment status of the household head is associated with net financial wealth. Again there are big differences between means and medians, reflecting the skewed distribution of financial wealth. The category with the highest net financial wealth in 2006/08 was the 'other inactive' category, with a mean value of £60,800 – well above the median value (£900) and the 3rd quartile value (£23,500). The 1st quartile value for this category was *minus* £100. This suggests that the 'other inactive' category contained a large proportion of households with low or negative net financial wealth and a small proportion of wealthy households, probably due to the presence of one or more people (other than the head of household) who were working, or of sufficient wealth for all adult members of the household to choose not to work. However, in the population as a whole this is a relatively small category.

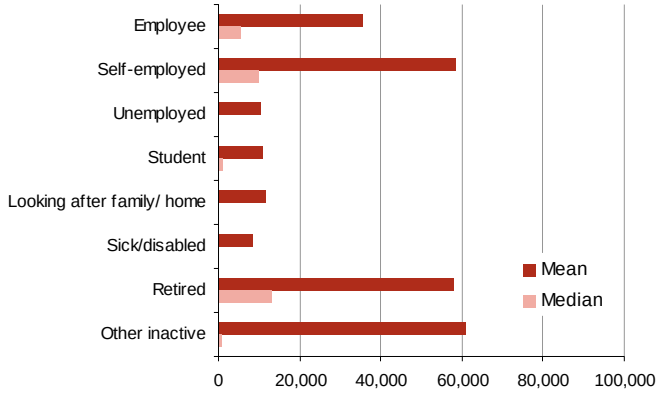
The self-employed had the second highest net financial wealth, with a mean of £58,600 in 2006/08. The median value for this category was £10,200. Similar values were recorded for retired people: £58,000 and £13,000 respectively. Households where the head of household was an employee had mean net financial wealth of £35,500 and median net financial wealth of £5,500 in 2006/08. A quarter of employees had net financial wealth of *minus* £400 or less.

Figure 4.11

Distribution of net household financial wealth[1]: by employment status of household head, 2006/08

Great Britain

£



1 Results exclude households with zero net financial wealth.

Source: Office for National Statistics

The categories of household with the lowest levels of net financial wealth were those headed by a sick or disabled adult, a home-maker, an unemployed person or a student. All of these categories had negative values for net financial wealth at the 1st quartile indicating that for at least a quarter of such households, financial liabilities exceeded financial assets. It should be noted that, because this is a household survey, student-headed households exclude students living in halls of residence.

Financial wealth by socio-economic classification

Figure 4.12 shows the distribution of households' net financial wealth by the National Statistics Socio-economic Classification (NS-SEC)[7] of the household head.

Large employers and higher managerial occupations had the highest net financial wealth, with a mean of £109,400 and a median value of £37,700 in 2006/08. The mean value for the 'higher professional' group was also high, at £86,600. Half of households in this group had net financial wealth of £32,200 or more.

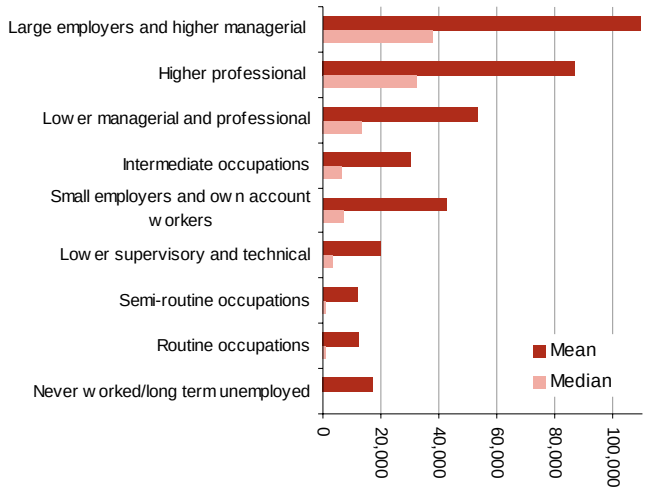
Those with the lowest net financial wealth were those with routine and semi-routine occupations. These categories had mean values of £12,400 and £12,100 respectively in 2006/08. Half of households in the routine occupations group had net financial wealth of £900 or less, while one quarter had net financial wealth of *minus* £200 or less. For semi-routine occupations, the median was £1,000 and the 1st quartile value was *minus* £300.

Figure 4.12

Distribution of net household financial wealth[1]: by socio-economic classification of household head, 2006/08

Great Britain

£



1 Results exclude households with zero net financial wealth.

Source: Office for National Statistics

The 'never worked/long-term unemployed' occupational category includes different types of household. In 2006/08, it had mean net financial wealth of £17,300 – well above the 3rd quartile value of £2,300, while a quarter of households in this category had net financial wealth of *minus* £400 or less and a half had net financial wealth of £100 or less. As with the 'other inactive' category in Figure 4.11, this suggests large numbers of households with low or negative net financial wealth and a small proportion of wealthy households due to the presence of one or more people (other than the head of household) who were working, or of sufficient wealth for all adult members of the household to choose not to work.

Financial wealth by region

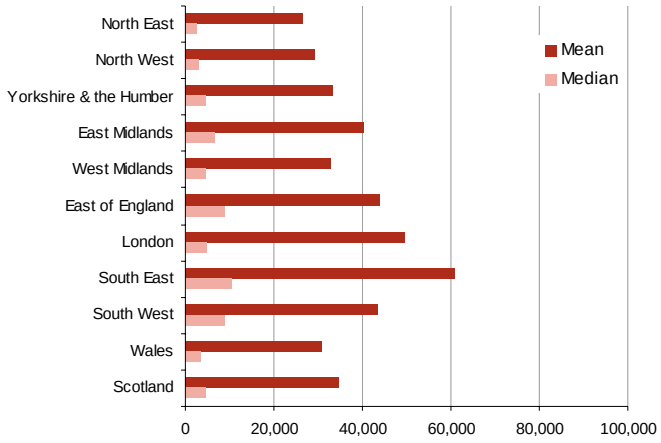
Figure 4.13 shows net household financial wealth according to the location of the household. It shows Scotland, Wales and the nine Government Office Regions of England.

Figure 4.13

Distribution of net household financial wealth[1]: by region, 2006/08

Great Britain

£



1 Results exclude households with zero net financial wealth.

Source: Office for National Statistics

In 2006/08, the wealthiest part of Great Britain in terms of net financial wealth was the South East of England, with a mean value of £61,100 and a median of £10,500. London also had high mean net financial wealth in 2006/08 – £49,600 – but half of households in London had net financial wealth of £4,900 or less and a quarter had negligible, zero or negative net financial wealth.

The parts of England with the lowest levels of net financial wealth were the North East and North West. In the North East, mean net financial wealth in 2006/08 was £26,500; half of households had net financial wealth of £2,500 or less, and at least a quarter had negative net financial wealth. In the North West, the mean, median and 1st quartile values were £29,200, £3,100 and *minus* £200 respectively.

Wales also had low levels of net financial wealth in 2006/08: the mean, median and 1st quartile values were £30,800, £3,500 and £200 respectively.

Financial wealth by household type

Figure 4.14 shows household net financial wealth according to the type of the household. It shows the ten different categories for household type (see Chapter 9).

The type of household with the highest average net household financial wealth in 2006/08 was 'married/ cohabiting with one person over State Pension Age (SPA) and one person under SPA, with no children'. This type of household had a mean value of £82,400 and a median value of £31,800. Households with adults who were 'married or cohabiting, both over SPA with no children' had the second highest net household financial wealth, with a mean value of £79,200 and a median value of £24,500.

As in the case of net property wealth (see Chapter 3), the type of household with the lowest average net financial wealth in 2006/08 was the 'lone parent

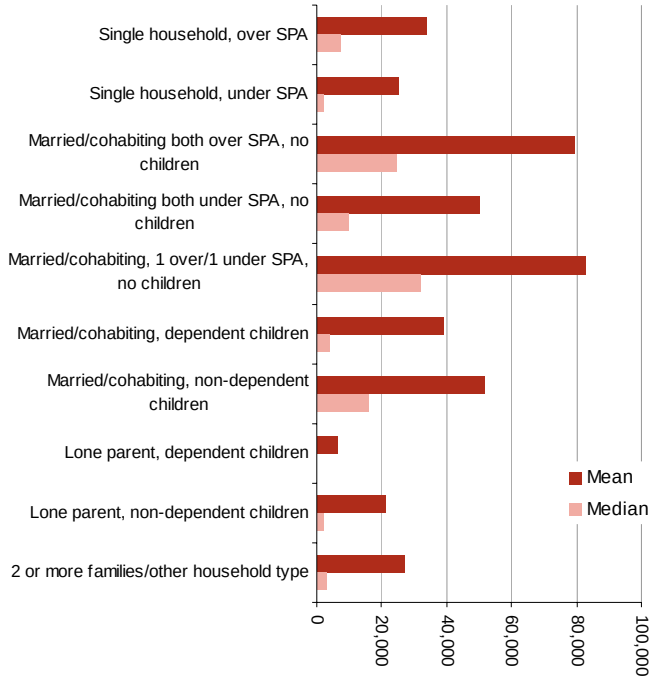
with dependent children' with a mean value of £6,400 and a negligible median value. The 1st quartile shows that a quarter of households in this category had net financial wealth of *minus* £1,500 or less in 2006/08.

Figure 4.14

Distribution of net household financial wealth[1,2]: by household type, 2006/08

Great Britain

£



1 Results exclude households with zero net financial wealth.

2 SPA is State Pension Age (65 for men and 60 for women).

Source: Office for National Statistics

Section 4.7 Conclusion

An estimated 96 per cent of households had a bank account or some kind of financial investment in 2006/08, while 4 per cent had no formal financial assets. The most common types of formal financial asset were current accounts, savings accounts and ISAs. Some 10 per cent of households had informal financial assets worth £250 or more in 2006/08. Children also held financial assets; half of children had assets in their names, while most children born since 1 September 2002 had Child Trust Funds.

In 2006/08, 98 per cent of households had net financial wealth – either positive balances, if assets were greater than liabilities (75 per cent), or negative balances if liabilities were greater than assets (23 per cent). Half of all households in Great Britain had gross financial wealth of £7,200 or less and net financial wealth of £5,200 or less.

The distribution of ownership of net financial wealth is much more unequal than that of net property wealth (Chapter 3) and physical wealth (Chapter 5). The survey found that a large number of households at the lower end of the distribution had either zero or negative net financial wealth. In 2006/08, half of the households in Britain owned 1 per cent of net financial wealth, while the wealthiest 20 per cent owned 84 per cent of net financial wealth.

Footnotes

1 In the questionnaire, respondents are asked first whether they have any life insurance, Friendly Society or endowment policies (excluding mortgage-linked endowments). They are then asked separately about (a) life insurance policies which have no value except in the event of death and (b) other types of insurance. The values reported here are for (b).

2 Kempson, E. (1998) 'Savings and Low-income Households'. London: Personal Investment Authority.

3 There are some exceptions: those who are subject to immigration control are not eligible; and there are a small number of children in local authority care who do not receive Child Benefit but are eligible for a CTF voucher.

4 The Lorenz curve plots the cumulative percentage share of wealth (on the vertical axis) against the cumulative percentage share of the population (on the horizontal axis). The Gini coefficient is the ratio A:(A+B), where A is the area between the 'line of perfect equality' (the 45 degree line) and the Lorenz curve; and B is the area below the Lorenz curve. The Gini coefficient takes a value between 0 (perfect equality) and 1 (perfect inequality).

5 The analysis is for all households in the survey population, including those with no financial wealth (net). Negative net financial wealth is interpreted as equivalent to no financial wealth.

6 However, it should be noted that the results presented here do not provide a measure of asset accumulation over time. Different cohorts may have very different experiences which contribute to their current wealth position.

7 The definition of NS-SEC is available at: www.ons.gov.uk/about-statistics/classifications/current/ns-sec/index.html

Chapter 5

Physical wealth

Section 5.1 Introduction

In the Wealth and Assets Survey, physical wealth is made up of the contents of the main residence of a household, the contents of any property which the household owns other than the main residence, collectables, valuables, vehicles and personalised number plates. The physical wealth estimates presented in this chapter are based on data from the 'half sample' (see Introduction).

The estimates of physical wealth presented in this chapter are less precise than the estimates in the chapters looking at financial, property and private pension wealth. This is because the largest component of physical wealth is contents of the main residence, and people find it hard to estimate the precise value of contents. Interviewees were asked to give 'the approximate replacement value of the household contents', which 'is the approximate cost of replacing the items now, and may be similar to the insured value'. Respondents were asked to select one of ten bands for the value of household contents, starting with 'less than £5,000' and ending at '£200,000 or more'.

The tables and charts in this chapter provide summary results. Each of these is linked to a spreadsheet giving the source data, and often more detailed results. The spreadsheets can be accessed by clicking on the table or chart.

Section 5.2 Household goods and collectables

Contents in the main residence

Household contents consist of goods found in the home such as furniture, clothing and electronic equipment. The questionnaire makes it clear that the value of household contents reported by interviewees should not include collectables, valuables, bicycles or other vehicles.

The survey assumes that all households had some contents in their main residence. There is no 'zero value' option on the card with the ten value bands shown to interviewees. Therefore the results in Table 5.1 show that 100 per cent of households had contents of some value in their main residence.

The mean value of household contents in 2006/08 was £30,300 (Table 5.2). The median value shows that 50 per cent of households owned goods in their main residence with a value of £25,000 or less.

Table 5.1

Proportion of households with goods and collectables: 2006/08

Great Britain	Percentages
Household goods in main residence	100.0
Household goods in property other than main residence	6.1
Collectibles and valuables	12.5

Source: Office for National Statistics

Contents in property other than main residence

As in the case of the household's main residence, interviewees were asked about the contents of any other property they own; in this case, there is a 'zero value' option on the card shown to interviewees. The survey found that 6 per cent of households had contents of some value in a property or properties other than their main residence in 2006/08 (Table 5.1).

The mean value of contents in another property or properties in 2006/08 was £23,000 (Table 5.2). Half of those who had contents of some value in a property or properties other than their main residence valued them at £7,500 or less.

Collectables and valuables

The survey asks households about collectables and valuables they own, such as antiques, artworks or stamps. In 2006/08, 13 per cent of households had collectables or valuables (Table 5.1).

Households are asked to estimate the market value of their collectables and valuables. In 2006/08, the mean value of collectables and valuables – for those who had them – was £12,900 (Table 5.2). However, the median value shows that half of all households that owned collectables and valuables had collectables and valuables worth £5,000 or less.

The high value of the mean compared with the 3rd quartile value (£10,000) shows that there is a skewed distribution for collectables and valuables. A small number of households with such assets had considerable value stored in them, while a large number had only small amounts of wealth in the form of collectables and valuables.

Table 5.2

Household goods and collectables: summary statistics, 2006/08

Great Britain £

	Mean	1st quartile	Median	3rd quartile
Household goods in main residence	30,300	15,000	25,000	45,000
Household goods in property other than main residence[1]	23,000	2,500	7,500	25,000
Collectibles and valuables[1]	12,900	2,000	5,000	10,000

1 Excludes households without this type of asset (zeros).

Source: Office for National Statistics

Section 5.3 Vehicles and number plates

Vehicles

The survey asked households about ownership of cars, vans and motorbikes[1]. Almost three-quarters of households owned one or more vehicles of this type in 2006/08, while just over one quarter of households did not. The breakdown is shown in Table 5.3. In addition, households were asked about ownership of other vehicles used mainly for leisure purposes, such as caravans and boats. 'Other vehicles' in Table 5.3 may include smaller vehicles such as bicycles, but these were not explicitly covered in the questionnaire.

Table 5.3

Proportion of households owning vehicles and personalised number plates[1], 2006/08

Great Britain Percentages

Cars	72.5
Vans	3.7
Motorbikes	4.0
No car, van or motorbike	26.5
Other vehicles[2]	4.8
Personalised number plates	5.2

1 Households may own one or more vehicles.

2 Includes caravans, boats and other types of vehicles.

Source: Office for National Statistics

Table 5.3 shows that in 2006/08:

- 73 per cent of households owned one or more cars
- 4 per cent of households owned one or more vans
- 4 per cent owned one or more motorbikes
- 5 per cent of households owned another type of vehicle or vehicles such as a caravan or boat

Table 5.4 shows that in 2006/08, the mean value of vehicles for households owning cars, vans or motorbikes was £8,000 and the median value was £5,000. A quarter of those who owned cars, vans or motorbikes valued these assets at £2,000 or less; and a quarter of those who owned cars, vans or motorbikes valued these assets at £10,000 or more.

The mean value of households' assets in the form of 'other vehicles' such as a caravan or boat was £7,800 in 2006/08. Half of those owning other vehicles valued these assets at £3,000 or less.

Table 5.4

Vehicles and personalised number plates[1,2]: summary statistics, 2006/08

Great Britain £

	Mean	1st quartile	Median	3rd quartile
Cars, vans, motorbikes	8,000	2,000	5,000	10,000
Other vehicles	7,800	800	3,000	8,500
Personalised number plates	1,400	300	500	1,000
All vehicles[3]	8,600	2,000	5,000	10,200

1 Households may own one or more vehicles.
2 Excludes households without this type of asset (zeros).
3 Includes personalised number plates.

Source: Office for National Statistics

Personalised number plates

Tables 5.3 and 5.4 also show results for ownership of personalised number plates.

Only 5 per cent of households owned personalised number plates in 2006/08. The mean value of personalised number plates was £1,400. However, half of households who owned personalised number plates valued them at £500 or less. As with collectables and valuables, the mean value is higher than the 3rd quartile value (£1,000), showing that there is a skewed distribution with small numbers of households owning particularly valuable personalised number plates.

Section 5.4 Household physical wealth

Total physical wealth is calculated as the sum of the values recorded for each household for contents of the main residence, contents of other property, collectables and valuables, vehicles and personalised number plates. Total physical wealth figures are presented gross[2]. All households had some physical wealth in 2006/08, because all households had a value for contents of main residence (there were no zeros).

Table 5.5 shows summary statistics for total household physical wealth in Great Britain. It presents figures for the mean, 1st quartile, median and 3rd quartile. The 1st quartile, median and 3rd quartile values were obtained by sorting the data in ascending order and, starting from the lowest value, taking the value found a quarter, half and three-quarters of the way up the distribution.

In 2006/08, the mean value of household physical wealth was £39,700. The median shows that 50 per cent of households had physical wealth valued at £29,900 or less. A quarter of households had total physical wealth of £15,000 or less (1st quartile value), and a quarter had physical wealth of £50,300 or more (3rd quartile value).

Table 5.5

Household physical wealth: summary statistics, 2006/08

Great Britain £

	Mean	1st quartile	Median	3rd quartile
Household physical wealth	39,700	15,000	29,900	50,300

Source: Office for National Statistics

Figure 5.6 shows the breakdown of household physical wealth into its four main components. In 2006/08, the value of contents in the main residence made up over three-quarters of the total, while vehicles accounted for 16 per cent.

The distribution of household physical wealth in Great Britain can be shown using a Lorenz curve[3] (Figure 5.7). The closer the curve is to the 45 degree line, or 'line of perfect equality', the more equal the wealth distribution. This shows that the distribution of ownership of physical wealth in 2006/08 was more equal than that of net property wealth (Chapter 3) and net financial wealth (Chapter 4). This is not surprising, as all households had some kind of physical wealth and there were few households with extremely high

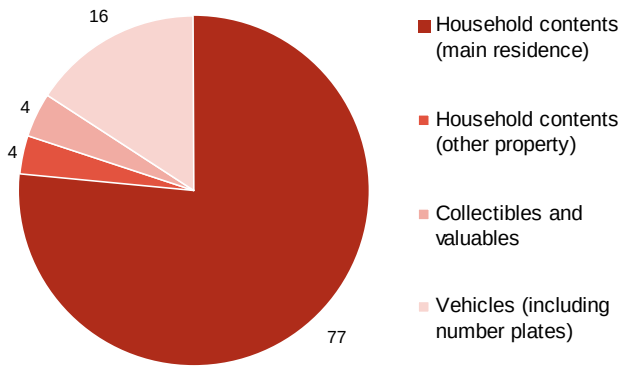
values of physical wealth. By contrast, 32 per cent of households did not own a property and 4 per cent had no formal financial assets, while for those that did have property and financial wealth, some had negative net wealth (liabilities exceeding assets) and others had very high levels wealth.

Figure 5.6

Breakdown of household physical wealth: 2006/08

Great Britain

Percentages



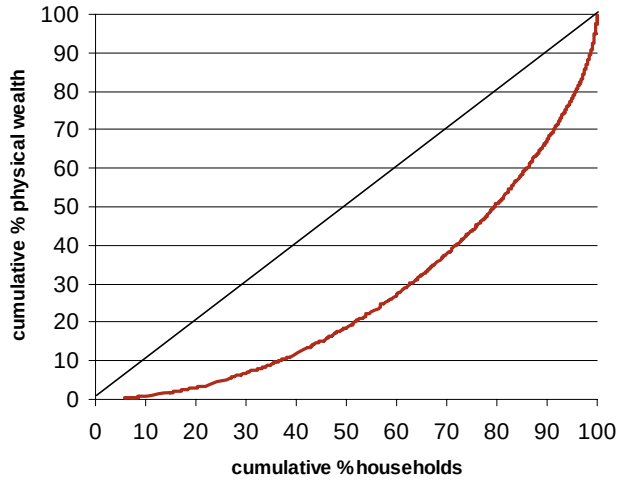
Source: Office for National Statistics

Figure 5.7

Distribution of household physical wealth: 2006/08

Great Britain

Percentages



Source: Office for National Statistics

The distributions of the different components of total household wealth (see Chapter 2) can be compared by calculating Gini coefficients for each component. The Gini coefficient takes a value between 0 and 1, with 0 representing a perfectly equal distribution and 1 representing 'perfect inequality'. In 2006/08, the Gini coefficient was 0.46 for household physical wealth.

Section 5.5 Household physical wealth by key household characteristics

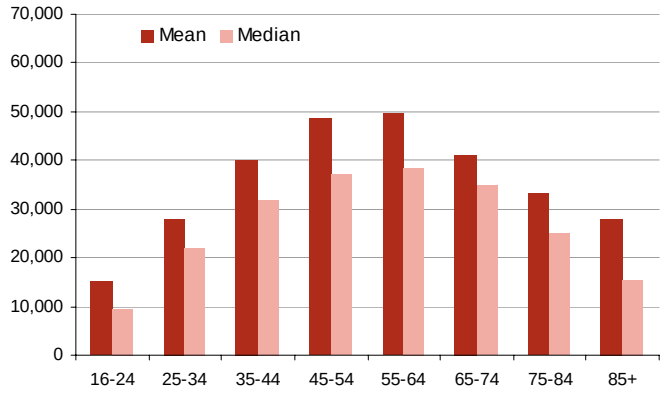
In this section, most of the charts show the means and medians only. By clicking on the charts in the online version of this report, the reader can see the mean, 1st quartile, median and 3rd quartile values.

Figure 5.8

Distribution of household physical wealth: by age of household head, 2006/08

Great Britain

£



Source: Office for National Statistics

Physical wealth by age

Figure 5.8 presents household wealth in eight age bands based on the age of the household head. In 2006/08, the age group with the highest physical wealth was 55 to 64, with a mean of £49,600 and a median value of £38,600. This age group represents people nearing retirement (or recently retired), suggesting that households have most

physical wealth as they reach the ends of their working lives. In the 45 to 54 age group, the mean and median values were slightly lower than those of the 55 to 64 age group: £48,600 and £37,000 respectively.

Young households, headed by people aged 16 to 24, had the lowest physical wealth in 2006/08, with a mean of £15,200 and a median value of £9,500. At this age, people are starting their working lives and have had little time to save and accumulate valuable items.

The difference between the mean and the median values is greatest in the 85 and over age group. Mean physical wealth in this age group was £27,800 in 2006/08, while half of all households in this group had physical wealth of £15,500 or less.

Physical wealth by education

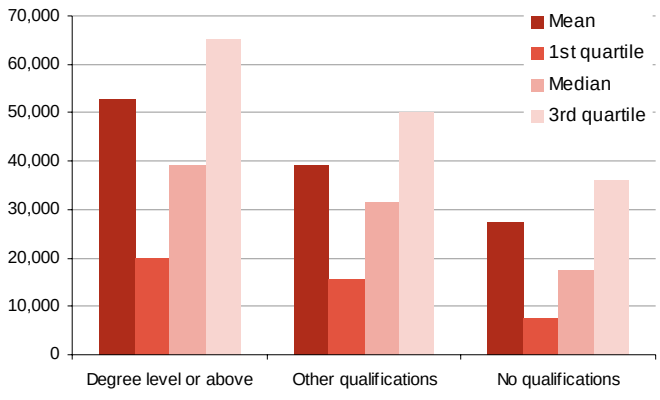
Figure 5.9 presents household physical wealth by the highest educational level of the household head: degree level or above, other qualifications and no qualification.

Figure 5.9

Distribution of household physical wealth: by education of household head, 2006/08

Great Britain

£



Source: Office for National Statistics

Those with degree level education or above had the most physical wealth in 2006/08, with a mean of £52,600. The lowest mean physical wealth value was in the 'no qualifications' category (£27,300).

For each educational level, there were big differences between the top and bottom ends of the physical wealth distribution. As a result, the bottom 25 per cent of those with degree level education or above had less physical wealth (£20,000 or less) than the top 25 per cent of those with no qualifications (£36,000 or more).

Physical wealth by employment status

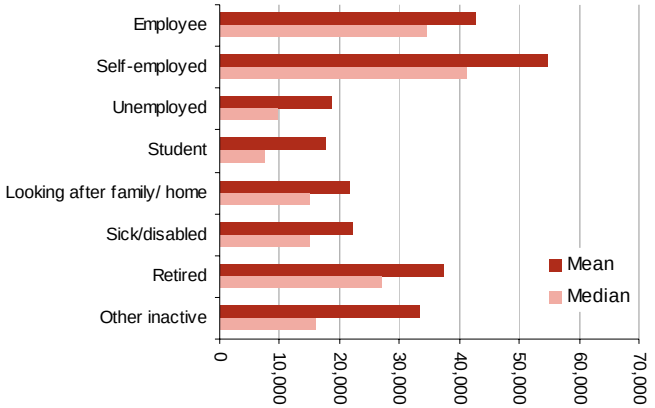
Figure 5.10 shows how the employment status of the household head is associated with physical wealth. The self-employed had the most physical wealth in 2006/08, with a mean value of £54,900. Employees had the second highest physical wealth, with a mean value of £42,800.

Figure 5.10

Distribution of household physical wealth: by employment status of household head, 2006/08

Great Britain

£



Source: Office for National Statistics

Student-headed households had the lowest physical wealth values in 2006/08, with a mean of £17,500. A quarter of student-headed households had physical wealth worth £2,500 or less. Student-headed households had a similar distribution of physical wealth to that of the group aged 16 to 24

in Figure 5.8, probably because many of the same households were in both groups. As this is a household survey, student-headed households exclude students living in halls of residence, and in the population as a whole, students living in private accommodation is a relatively small category.

Physical wealth by socio-economic classification

Figure 5.11 shows the distribution of household physical wealth by the National Statistics Socio-economic Classification (NS-SEC)[4] of the household head.

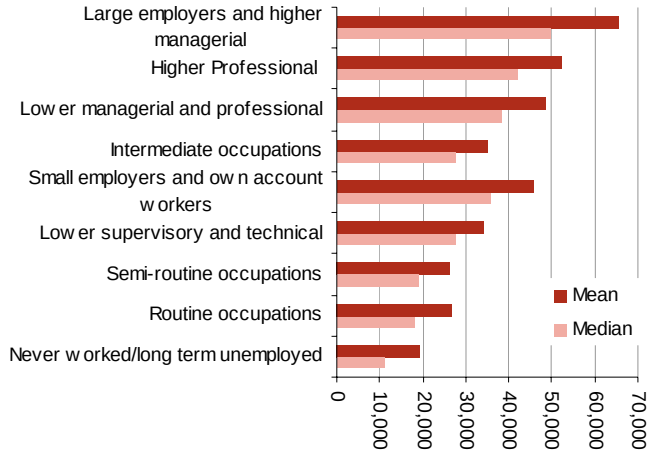
Large employers and higher managerial occupations had the highest physical wealth, with a mean value of £65,600 and a median value of £49,700, in 2006/08. The lowest physical wealth values were found in households where the head of household had never worked or was long-term unemployed. In 2006/08, this category had a mean value of £19,500 and a median value of £11,000.

Figure 5.11

Distribution of household physical wealth: by socio-economic classification of household head, 2006/08

Great Britain

£



Source: Office for National Statistics

Small employers and own account workers had higher mean and median values than might be expected. This may be explained by the presence of self-employed workers, who had high levels of physical wealth (see Figure 5.10).

Physical wealth by region

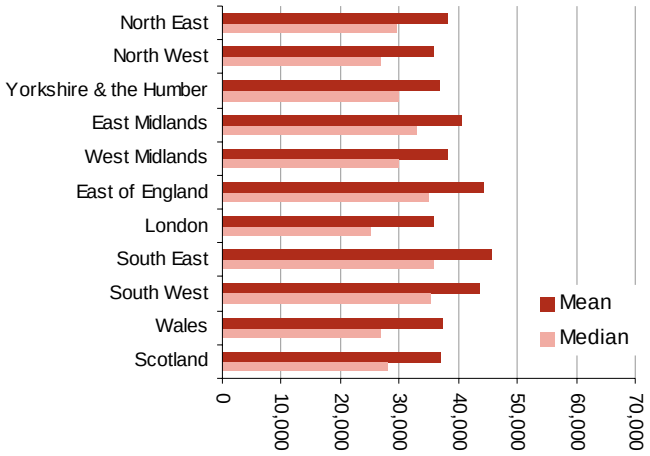
Figure 5.12 shows household physical wealth according to the location of the household. It shows Scotland, Wales and the nine Government Office Regions of England. Overall, the differences in average physical wealth between households in different locations were small compared to the differences between households grouped by the age, education, employment status and socio-economic classification of the household head.

Figure 5.12

Distribution of household physical wealth: by region, 2006/08

Great Britain

£



Source: Office for National Statistics

The location with the highest average household physical wealth in 2006/08 was the South East of England, with a mean value of £45,800, closely followed by the East of England, with a mean value of £44,200 and the South West of England with a mean of £43,700. Scotland had the lowest mean household physical wealth (£37,100).

London had the lowest median value for physical wealth in 2006/08 (£25,000). It also had a

significantly lower 1st quartile value than any other part of Great Britain, with 25 per cent of households owning physical assets worth £7,800 or less in 2006/08.

Physical wealth by household type

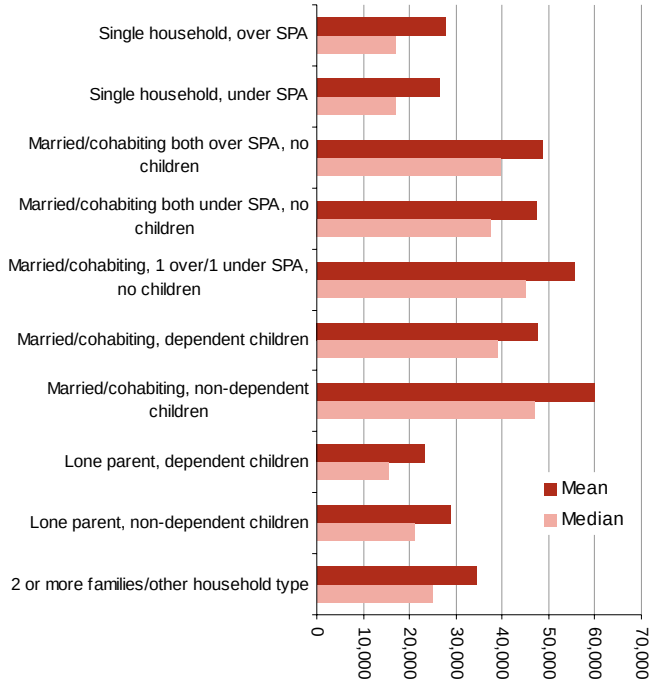
Figure 5.13 shows household physical wealth according to the type of the household. It shows ten different categories for household type (see Chapter 9).

Figure 5.13

Distribution of household physical wealth[1]: by household type, 2006/08

Great Britain

£



1 SPA is State Pension Age (65 for men and 60 for women).

Source: Office for National Statistics

The type of household with the highest average physical wealth in 2006/08 was 'married/cohabiting adults with non-dependent children', with a mean value of £59,800. Households made up of adults who were 'married/cohabiting with one person over State Pension Age (SPA) and one person under SPA, with no children' had the second highest physical wealth, with a mean value of £55,600.

The type of household with the lowest average physical wealth in 2006/08 was the 'lone parent with dependent children' household, with a mean value of £23,200 and a median value of £15,500.

Section 5.6 Conclusion

Household physical wealth is made up of the contents of the main residence, the contents of any additional property which the household owns, collectables, valuables, vehicles and personalised number plates. The median value of household physical wealth in 2006/08 was £29,900.

The distribution of ownership of physical wealth is relatively equal compared to property wealth (Chapter 3) and net financial wealth (Chapter 4). This is not surprising, as all households have some kind of physical wealth and there are few households with extremely high values of physical wealth. By contrast, in 2006/08, 32 per cent of households did not own property and 4 per cent had no formal financial assets, while for those that did have property and financial wealth, some had negative net wealth (liabilities exceeding assets) and others had very high levels of wealth.

Footnotes

1 The survey focuses specifically on ownership of vehicles. Respondents are asked not to include leased vehicles and company vehicles, as these do not belong to the household. Thus, the figures in this section do not indicate how many households have the use of vehicles.

2 Households may borrow money to buy vehicles. This is not subtracted from total physical wealth (gross) to produce a net figure. However, borrowing to finance vehicle purchases is covered by borrowing in Chapter 7, which feeds into net financial wealth in Chapter 4 and thus into the total wealth estimates presented in Chapter 2.

3 The Lorenz curve plots the cumulative percentage share of wealth (on the vertical axis) against the cumulative percentage share of the population (on the horizontal axis). The Gini coefficient is the ratio A:(A+B), where A is the area between the 'line of perfect equality' (the 45 degree line) and the Lorenz curve; and B is the area below the Lorenz curve. The Gini coefficient takes a value between 0 (perfect equality) and 1 (perfect inequality).

4 The definition of NS-SEC is available at: www.ons.gov.uk/about-statistics/classifications/current/ns-sec/index.html.

Chapter 6

Private pension wealth

Section 6.1 Introduction

The Wealth and Assets Survey (WAS) collected information about membership of private pension schemes, including the types of these pensions and the value of assets held in these schemes, at the time of the survey. In addition, information was collected on private pension schemes from which the respondents expected to receive an income in the future on the basis of contributions made by a former spouse and also private pensions from which they were receiving an income at the time of the survey (including pension income based on a former spouse's pension membership). Where possible, interviewees were encouraged to consult recent statements from their pension provider to improve the accuracy of their responses.

The 2006/08 WAS survey sampled all private households in Great Britain. This means that people in residential institutions, such as retirement homes, nursing homes, prisons, barracks or university halls of residence, and also homeless people are excluded from the scope of the analysis presented here.

Calculating the value of private pensions was more complicated than measuring the other forms of wealth discussed elsewhere in this report. There were nine categories of private pension wealth to which we had to apply slightly different valuation methodologies in order to arrive at figures that were comparable. These nine categories were: defined benefit (DB) pensions, defined contribution (DC) pensions and personal pensions to which the individual was contributing at the time of the interview, additional voluntary contributions (AVCs) made to current pensions, retained rights in DB and DC schemes, pension funds from which the individual was drawing an income through income drawdown, pensions in payment, pensions expected in future based on the pension contributions of a former spouse.

The precise method of calculating the pension wealth figures is explained in more detail in Chapter 10. However, broadly speaking, the pension wealth figures presented here represent the amount of money that an individual would have needed to set aside at the date of interview to provide themselves with the same income stream throughout retirement as that which they will receive from their private pensions, given the pension rights accrued at the date of interview.

Definitions

Private pensions are all pensions that are not state basic retirement or state earnings related. They include occupational and personal pensions, including those for public sector employees.

Defined contribution (DC) pensions: A pension scheme in which the benefits are determined by the contributions paid into the scheme, the investment return on those contributions, and the type of annuity purchased upon retirement. It is also known as a money purchase scheme.

Defined benefit (DB) pensions: A pension scheme in which the rules specify the rate of benefits to be paid. The most common defined benefit scheme is a salary-related scheme in which the benefits are based on the number of years of pensionable service; the accrual rate; and on the final salary, the average of selected years' salaries, or the best year's salary within a specified period before retirement. Other types of DB schemes include career average and hybrid schemes.

Unlike the other forms of wealth discussed in this report, pension wealth is not immediately accessible for most individuals. With the exception of the commutation of very small pension pots, individuals cannot currently draw directly on their pension wealth until they reach at least age 50.

All wealth from state pensions has been excluded from the pension wealth figures. The exclusion of state pension wealth leads to two issues relating to the comparability of pension wealth across individuals.

Firstly, some individuals would have been 'contracted-out' of the second tier of the state pension system, receiving rebates of their National Insurance Contributions that would have been invested in their private pension. For these individuals, this element of pension wealth will show up in the private pension wealth figures below, whereas for those who did not contract out of the second tier, this wealth will show up in state pension wealth This is not included in this chapter (or anywhere else in this report).

Secondly, some DB pensions are 'integrated' with the state pension system – that is, the pension income that members will receive from their private DB scheme will be reduced by the amount of their entitlement to state pensions. To this extent, for some individuals the DB pension wealth quoted below will include some wealth that ought more correctly to be labelled as state pension wealth and excluded from these figures. However, knowledge of scheme integration has been found to be extremely low and so no attempt was made in WAS to distinguish individuals whose schemes were integrated from those whose schemes were not.

The figures in this chapter relate to private pension wealth only. Since wealth from state pensions is more evenly distributed than wealth from private pensions (as a result of the contribution and benefit formulae), the distribution of total pension wealth (i.e. state plus private) will be more even than that described in the figures below.

For consistency of presentation with the other chapters, a limited set of statistics are shown in each of the tables. Further statistics on the distribution of the pension wealth measures are available by clicking on each table and chart. Some additional results have also been made available for this chapter via a link, see appendix B. These additional tables include sample sizes.

Section 6.2 Components of private pension wealth

There are three main categories of private pension scheme to which individuals might currently be contributing: employer-provided defined benefit (DB), employer-provided defined contribution (DC), and personal pensions. Evidence on the proportions of individuals who were members of these schemes and the amount of wealth they held is presented separately for each category of pension scheme at the beginning of this section. We then show the total proportion of individuals contributing to a pension scheme at the time of interview and the distribution of wealth holdings (as measured at the time of the survey) in these private pensions.

In addition to pensions to which they were contributing at the time of the survey, individuals may have previously been members of other pension schemes. If this was the case, at the time of the survey, they may either have been receiving an income from the scheme or they may have retained the right to draw an income in the future. Wealth from such schemes is particularly important for older individuals and is discussed at the end of this section.

Employer-provided defined benefit pensions: current members

Some employers offer their employees the opportunity to join a pension scheme from which the income received will depend on some function of the member's years in the scheme multiplied by some fraction (typically 1/60th or 1/80th), multiplied by some measure of the member's salary. These types of schemes are known as defined benefit (DB) pensions.

Individuals who were in employment when surveyed were asked if they were at that time a member of such a scheme offered by their employer. Table 6.1 shows the proportions of all individuals who reported being members of these schemes.

Table 6.1

Member's wealth held in defined benefit occupational pensions and membership: by age and sex, 2006/08

Great Britain £

	Men			Women			All		
	% with	Mean[1]	Median[1]	% with	Mean[1]	Median[1]	% with	Mean[1]	Median[1]
16–24	5	26,400	16,300	7	19,400	15,200	6	22,400	15,600
25–34	20	68,400	46,600	25	48,200	34,600	23	57,100	39,700
35–44	29	170,500	122,000	30	99,500	64,700	30	133,200	90,300
45–54	31	310,500	212,700	33	158,600	93,800	32	230,300	137,100
55–64	19	373,800	225,300	17	198,600	117,600	18	288,800	159,300
65+	-	..	..	-	..	..	-	246,400	107,700
All	18	223,200	120,300	19	117,600	60,800	19	167,400	83,800

1 Excludes those with zero pension wealth.

Source: Office for National Statistics

A similar proportion of men (18 per cent) and women (19 per cent) were members of these schemes. However, on average men had almost twice as much wealth held in this form: mean current DB pension wealth across men who belonged to such schemes was £223,200, compared with £117,600 for women. Due to the way in which wealth accumulates in these schemes, this lower wealth among women is likely to reflect a combination of fewer years of membership and lower salaries.

Unlike most other forms of wealth, individuals' wealth in DB pensions is not subject to asset price fluctuations in the same way as defined contribution or personal pensions. The latter two may well be affected by asset price changes, whereas the former may be much less so.

Very few of those aged 65 and over were contributing to an employer DB pension scheme. This was not surprising given the low employment rates among those aged 65 and over and the fact that the vast majority of DB schemes have a normal pension age of either 60 or 65, which provides a strong incentive for scheme members to begin drawing their pension at this point and not after.

Table 6.2

Wealth of individuals making Additional Voluntary Contributions: by age and sex, 2006/08

Great Britain £

	Men			Women			All		
	% with	Mean[1]	Median[1]	% with	Mean[1]	Median[1]	% with	Mean[1]	Median[1]
16–24	-	..	..	-	..	..	-	..	..
25–34	-	..	..	-	..	..	-	5,400	2,000
35–44	2	18,500	7,500	1	10,600	5,300	2	16,100	6,800
45–54	3	22,100	12,000	2	12,800	12,000	3	18,500	12,000
55–64	3	20,400	12,000	2	14,200	7,000	2	17,900	10,000
65+	0	.	.	-	..	..	-	..	..
All	2	19,700	10,000	1	12,300	7,000	1	16,900	9,500

1 Excludes those with zero pension wealth.

Source: Office for National Statistics

Additional voluntary contributions to employer-provided defined benefit pensions: current members

Individuals who belong to a DB scheme offered by their employer can choose to build up extra pension entitlement by making Additional Voluntary Contributions (AVCs). These contributions are placed in a separate fund and the pension income derived from them at retirement will depend on the investment return earned on this fund.

Very few individuals reported having made AVCs. Only those who were members of employer DB pensions (shown in Table 6.1) would have been able to make this type of pension contribution – in other words, only 19 per cent of all those aged 16 and over. However, even taking this into account, only a small fraction of eligible individuals (1 per cent of all individuals, or 6 per cent of eligible individuals) were making this type of additional contribution. Among those who were making AVCs, the value of the funds accrued is, on average, quite small.

Employer-provided defined contribution pensions: current members

Some employers offer their employees the opportunity to join a pension scheme from which the income received will depend on the contributions paid in and the investment return received on those contributions. These types of schemes are known as defined contribution (DC) pensions.

Individuals who were in employment when surveyed were asked if they were members of such a scheme offered by their employer. Table 6.3 shows the proportions of all individuals who reported being members of such schemes.

Men were more likely than women to report being a member of such a scheme (11 per cent compared with 7 per cent). As was the case for employer DB schemes, women who were members of employer DC schemes held on average less wealth in this form than men who were members. Mean employer DC pension wealth among women was £15,200, compared with more than twice this figure (£34,000) for men.

Table 6.3

Member's wealth held in defined contribution occupational pensions and membership[1]: by age and sex, 2006/08

Great Britain £

	Men			Women			All		
	% with	Mean[2]	Median[2]	% with	Mean[2]	Median[2]	% with	Mean[2]	Median[2]
16–24	5	2,800	1,000	4	2,700	1,700	4	2,800	1,300
25–34	17	20,000	5,300	12	8,900	3,300	15	15,300	4,000
35–44	17	26,900	8,000	12	16,700	6,000	14	22,600	7,000
45–54	15	46,600	15,900	10	21,000	5,700	13	35,900	10,000
55–64	11	60,900	20,000	6	19,100	7,000	8	46,000	12,000
65+	-	..	..	-	..	..	-	..	..
All	11	34,000	9,000	7	15,200	4,800	9	26,200	6,500

1 Individuals in employment only.

2 Excludes those with zero pension wealth.

Source: Office for National Statistics

Table 6.4

Member's wealth held in personal pensions and membership: by age and sex, 2006/08

Great Britain £

	Men			Women			All		
	% with	Mean[1]	Median[1]	% with	Mean[1]	Median[1]	% with	Mean[1]	Median[1]
16–24	1	11,800	2,400	1	..	..	1	12,300	2,000
25–34	11	15,100	5,700	7	9,400	4,000	9	12,700	5,000
35–44	25	24,500	13,300	14	15,700	6,500	20	21,200	10,000
45–54	26	49,000	20,000	13	22,700	10,000	19	40,000	15,800
55–64	21	67,400	30,000	8	26,400	12,000	14	55,500	22,000
65+	-	..	..	-	..	..	-	121,200	30,000
All	15	40,600	15,800	8	18,600	7,000	11	32,800	12,000

1 Excludes those with zero pension wealth.

Source: Office for National Statistics

Personal pensions: current members

Individuals (including the self-employed, those not currently working, those not offered a pension scheme by their employer and also, in some cases, those who are) are eligible to make contributions to personal pensions should they choose to do so. Personal pensions are usually purchased from a pensions or insurance company by an individual and as such, in most cases, do not attract any employer contributions. Table 6.4 presents figures for members of and wealth held in personal pensions (to which the individual was contributing or could have contributed) at the time of the interview – this includes Group Personal Pensions and Stakeholder Pensions offered by employers where individuals choose not to classify these as employer-provided or occupational pensions.

Men were more likely than women to be contributing to a personal pension. For example, among men aged 35 to 44, 25 per cent were contributing to a personal pension, compared with 14 per cent of women of the same age. Furthermore, among those men who were contributing, wealth was also higher than among women. Mean personal pension wealth was £40,600 among men who were contributing, compared with less than half as much (£18,600) for women.

Table 6.5

Member's wealth held in private pensions and membership: by age and sex, 2006/08

Great Britain £

	Men			Women			All		
	% with	Mean[1]	Median[1]	% with	Mean[1]	Median[1]	% with	Mean[1]	Median[1]
16–24	10	14,700	4,200	12	13,200	5,600	11	14,000	4,900
25–34	45	42,400	17,000	42	32,800	16,600	43	37,700	16,900
35–44	63	96,400	37,000	52	67,500	30,000	57	83,000	33,000
45–54	64	182,100	65,000	52	111,900	45,800	58	150,100	55,700
55–64	46	203,600	66,000	29	130,900	48,800	37	174,800	60,000
65+	1	207,800	65,000	-	146,100	62,100	1	180,800	62,100
All	40	128,100	39,300	32	79,700	29,000	36	105,900	34,000

1 Excludes those with zero pension wealth.

Source: Office for National Statistics

All current private pension membership

Taken together, 40 per cent of men and 32 per cent of women were contributing to any type of private pension at the time of the survey, Table 6.5. This proportion was only 1 per cent among those aged 65 and over. Most individuals in this latter age group would have already started to draw a pension from any private pension that they previously contributed to. These pensions are discussed below.

Those aged 16 to 24 were also much less likely to have been contributing to a private pension. This is not surprising given that some of this group would still have been in full-time education. Even those who were in work may have rationally chosen not to contribute to a pension. This may be because they had not exhausted their allowances in other tax-favoured savings vehicles (such as ISAs) or they wished to keep any savings in a more accessible form than a pension. They may have had debts which they had not yet paid off (for example, Chapter 7 shows that almost a quarter of those aged 16 to 24 had fallen into arrears on one or more household bills or borrowing commitments, and this proportion does not include those with debts who are not in arrears).

Changes to the law in 2006, known as 'A Day', mean that individuals can now transfer large sums of money (up to 100 per cent of earnings) into private pensions in any tax year, capped by an Annual Allowance of £245,000 for 2009/10, above which tax is paid at 40 per cent on the excess. It is therefore now possible for individuals to save in more accessible forms when they are young (if, for example, they face credit constraints) and then transfer the assets into their pension later on. A low rate of private pension participation among the 16 to 24 group therefore may not necessarily be cause for concern.

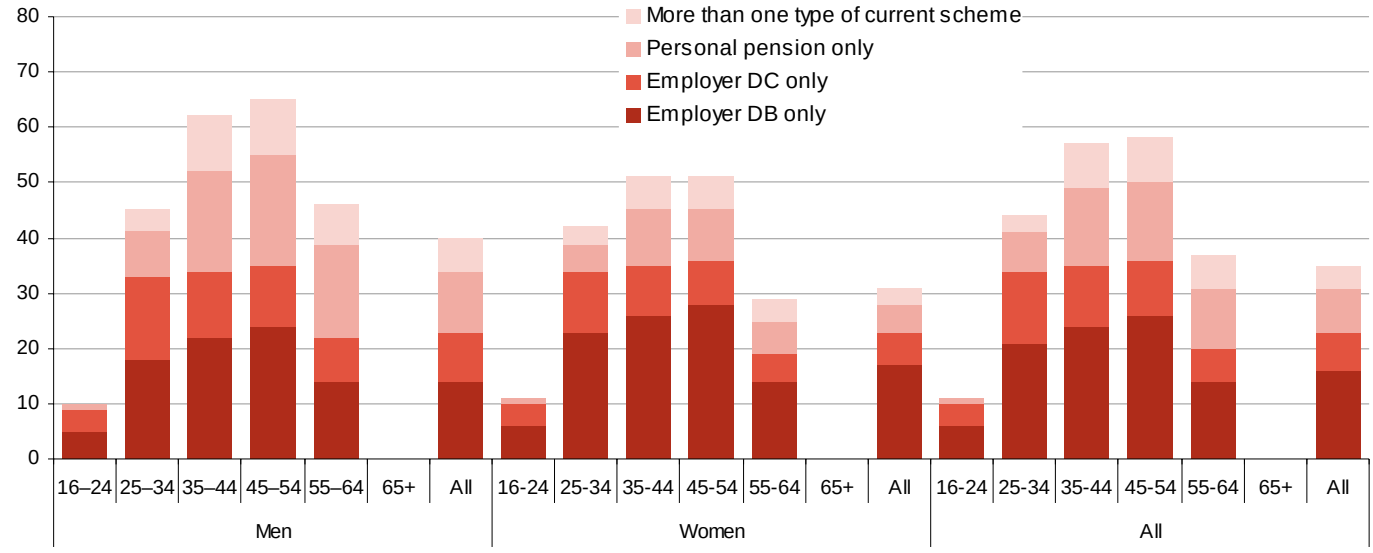
Rates of current private pension membership were over 60 per cent for men aged 35 to 54, while for women this figure was just above 50 per cent. Mean current pension wealth among those who were contributing was highest in the 55 to 64 age group. Men in this age group who were contributing to a pension had a mean level of pension wealth in their current pension schemes of £203,600, while women in this age group had mean wealth of £130,900.

Figure 6.6

Current private pension membership: by age and sex, 2006/08

Great Britain

Percentages



Source: Office for National Statistics

As Figure 6.6 shows, the majority of individuals only contributed to one type of private pension scheme. However, there was a non-negligible group that contributed to more than one type of current pension, particularly among those aged from 35 to 54. This included those who were making AVCs to a DB pension.

Retained rights in private pensions

Some individuals have a private pension scheme to which they can no longer make contributions but from which they are not yet drawing an income. This will typically be the case when an individual has been a member of their employer's pension scheme and then left that employer. The proportion of individuals with this type of scheme therefore increases with age, before falling again once individuals start cashing in their retained rights and drawing their pension incomes.

In 2006/08, 9 per cent of individuals had wealth held in pensions to which they could not contribute but from which they were not yet drawing an income (Table 6.7). This proportion was highest among those aged 45 to 54, among whom 16 per cent had such retained rights in private pension schemes. However, some of those that did have retained pension rights had substantial wealth held in this form - for example, the mean level of this type of wealth for men aged 55 to 64 was £99,500.

Private pensions in receipt

Table 6.8 shows figures for the proportion of individuals who were receiving any income from a private pension and the distribution of this wealth. This includes private pensions received from a former spouse. Since very few individuals under the age of 50 received any income from private pensions, the age categories shown in Table 6.8 are different from those shown in previous tables in order to focus on the distribution of pension receipt within the older population.

The wealth from pensions in receipt was calculated as the present value of the future income stream that the individual will receive over their remaining life. Almost by construction, therefore, the older group had lower levels of wealth than the younger groups, as the former had shorter remaining life expectancies at the time of interview.

More men than women received income from private pensions. In some age groups the proportion is much higher; for instance three-quarters of men aged 65 to 69 received some income from private pensions, compared with around half of women. Furthermore, among those aged 65 to 69 who had some wealth from pensions in receipt, the mean wealth for men (£238,900) was nearly twice that for women (£122,100). The pattern is similar in the older age groups.

Table 6.7

Wealth of individuals held as retained rights in private pensions: by age and sex, 2006/08

Great Britain £

	Men			Women			All		
	% with	Mean[1]	Median[1]	% with	Mean[1]	Median[1]	% with	Mean[1]	Median[1]
16–24	1	..	..	1	..	..	1	11,600	3,000
25–34	7	19,700	5,000	6	17,200	4,900	6	18,600	5,000
35–44	15	57,100	14,000	12	43,300	10,000	14	50,700	12,500
45–54	19	97,500	29,500	13	85,800	12,000	16	92,700	20,700
55–64	17	99,500	30,000	7	85,600	17,000	11	95,500	25,900
65+	2	98,100	32,000	-	..	..	1	111,200	31,000
All	11	77,300	20,000	7	61,100	10,100	9	70,700	15,200

1 Excludes those with zero pension wealth.

Source: Office for National Statistics

Table 6.8

Value of future income stream for those receiving income from private pensions: by age and sex, 2006/08

Great Britain £

	Men			Women			All		
	% with	Mean[1]	Median[1]	% with	Mean[1]	Median[1]	% with	Mean[1]	Median[1]
<50	1	237,900	229,400	1	219,900	185,400	1	230,400	219,500
50–54	9	367,600	213,000	6	252,900	176,100	7	321,800	193,500
55–59	20	457,900	284,900	13	248,000	127,700	17	376,700	231,100
60–64	48	357,300	239,500	42	195,300	85,900	45	277,200	149,500
65–69	75	238,900	125,900	49	122,100	69,900	62	191,600	97,400
70–74	77	212,400	96,700	50	129,600	58,700	63	176,700	80,500
75+	74	138,200	46,200	48	78,700	28,800	59	109,200	36,500
All	21	247,400	113,000	16	137,500	57,500	18	197,900	82,500

1 Excludes those with zero pension wealth.

Source: Office for National Statistics

Section 6.3 Individual private pension wealth by key characteristics

This section draws together the various sources of private pension wealth discussed in the previous section, plus pension wealth expected in future from a former spouse, and summarises the level of total private pension wealth among individuals in Great Britain by certain key characteristics.

Table 6.9 shows the distribution of total individual private pension wealth by age and sex and also shows the proportion of individuals who had any private pension wealth in each group.

Those aged 16 to 24 were very unlikely to have any private pension wealth. However, as discussed earlier, this may be perfectly rational given that they may wish to keep their assets in more accessible forms and may not have exhausted their allowances in other tax favoured savings vehicles: as Chapter 4 shows, median financial wealth among those aged 16 to 24 was £0.

Table 6.9

Wealth held by individuals in private pensions: by age and sex, 2006/08

Great Britain £

	Men				Women				All			
	Mean[1]	Median[1]	% with	Mean[2]	Mean[1]	Median[1]	% with	Mean[2]	Mean[1]	Median[1]	% with	Mean[2]
16–24	1,900	0	10	17,900	1,600	0	11	14,200	1,700	0	11	16,000
25–34	20,300	0	48	42,700	15,200	0	45	33,500	17,700	0	46	38,200
35–44	72,100	13,500	70	102,900	42,000	3,900	59	70,900	56,700	8,000	64	87,900
45–54	155,300	38,800	76	203,000	79,500	7,800	63	127,100	116,800	20,000	69	168,300
55–64	240,300	81,700	79	304,900	101,700	8,700	57	178,400	169,300	32,700	68	250,300
65–74	178,500	75,200	78	230,000	65,600	900	50	130,000	119,400	29,200	63	188,300
75+	103,000	24,100	74	138,400	39,300	0	49	80,700	65,100	8,500	59	110,100
All	111,200	12,800	64	174,700	51,700	200	50	102,400	80,400	4,900	57	141,500

1 Includes those with zero pension wealth.

2 Excludes those with zero pension wealth.

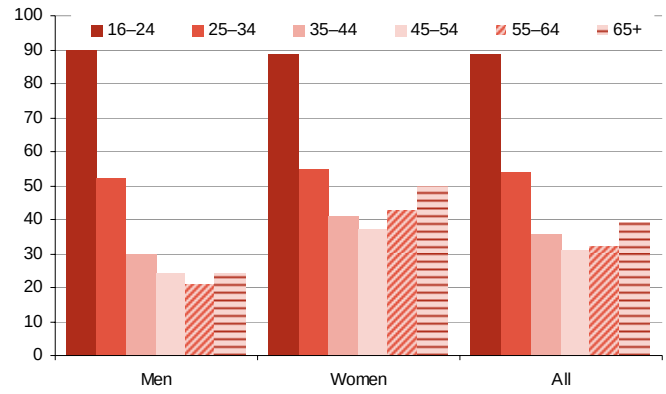
Source: Office for National Statistics

Figure 6.10

Proportion of individuals with no private pension wealth: by age and sex, 2006/08

Great Britain

Percentages



Source: Office for National Statistics

There was skewness in the distribution of private pension wealth among those with some pension wealth. While mean pension wealth overall was £80,400, many people had zero, and hence median pension wealth – the value of pension wealth where half the population lie below and half lie above - was just £4,900, Table 6.9. Looking just within the group of those with some positive levels of pension wealth, mean values were £141,500.

Men in each age group had, on average, substantially higher pension wealth than women of the same age and older individuals had lower average wealth than those in late working life.

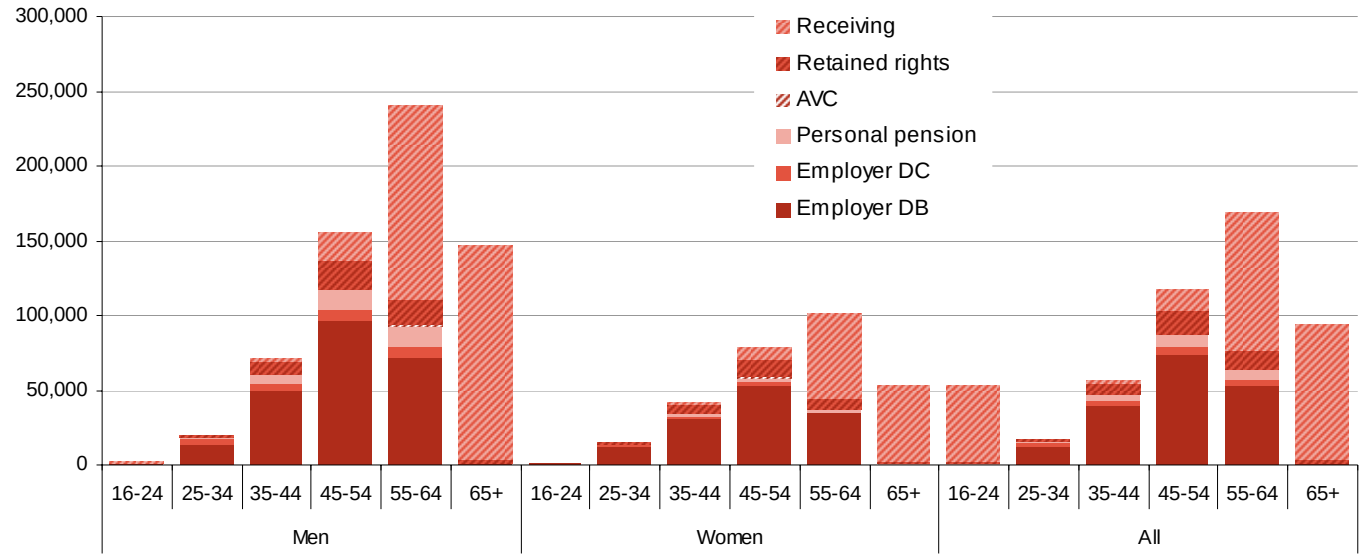
There was some evidence of variation in private pension membership across cohorts born at different points in time, Table 6.9. Taking the two oldest age groups, we see that the proportion with any form of private pension wealth is lower for the oldest group than for their younger counterparts. Since it is the richest members of each cohort that are most likely to survive to older ages, and since pension membership is positively associated with occupation and income (see for example Table 6.14), we can be confident that this indicates lower lifetime private pension membership in the older group than in the younger cohort. This was true for both men and women.

Figure 6.11

Mean wealth held by individuals in private pensions[1]: by type of pension, age and sex, 2006/08

Great Britain

£



1 Includes those with zero pension wealth.

Source: Office for National Statistics

Figure 6.10 shows that just under a quarter of men aged 65 and over had no private pension wealth, compared with just over half of women aged 65 and over. Older cohorts of women were less likely to have been in paid work than their younger counterparts. Even those who were in work were more likely than men to have been working part-time and prior to a European Court of Justice ruling in 1995, many employers did not offer pension provision to part-time workers. These two factors mean that many women in the older cohorts would have had less opportunity to accrue private pension provision than men of the same age or women in later cohorts.

Coverage rates among men and women in the younger age groups were much more similar; 10 per cent of men aged 16 to 24 had some private pension wealth, compared with 11 per cent of women; meanwhile, 48 per cent of men aged 25 to 34 and 45 per cent of women had some private pension wealth.

Figure 6.11 shows the composition of private pension wealth, by age and sex. Among those aged under 55, the majority of private pension wealth was (in 2006/08) held in employer-provided defined benefit pensions. This was true for both men and women.

Individual private pension wealth by housing tenure

Housing tenure (whether one owns or rents one's home) can be thought to be a good proxy for lifetime prosperity – owners are typically wealthier over their lifetimes than renters.

Table 6.12 therefore shows the distribution of private pension wealth by age and whether or not the respondent lives in owner-occupied housing.

Owner-occupiers were more likely to have pensions and had on average higher private pension wealth than renters. The differential was particularly pronounced among the older age groups. Of renters 31 per cent had some private pension wealth compared with 67 per cent of owners. While the renting group was likely to be younger on average, this was not the only factor driving the low coverage among renters, as coverage rates (and levels of private pension wealth) also differ markedly between owners and renters within each age group.

Table 6.12

Wealth held by individuals in private pensions: by age and housing tenure[1], 2006/08

Great Britain £

	Owners				Renters				All			
	Mean[2]	Median[2]	% with	Mean[3]	Mean[2]	Median[2]	% with	Mean[3]	Mean[2]	Median[2]	% with	Mean[3]
16–24	2,100	0	14	15,400	1,300	0	8	17,000	1,700	0	11	16,000
25–34	23,800	3,000	59	40,500	8,400	0	28	30,700	17,700	0	46	38,200
35–44	70,500	18,000	75	93,500	19,200	0	35	54,700	56,700	8,000	64	87,900
45–54	139,600	37,000	78	179,800	31,900	0	39	82,500	116,800	20,000	69	168,300
55–64	197,700	54,900	74	268,000	44,700	0	41	109,500	169,400	32,700	68	250,300
65–74	141,700	46,700	69	205,500	38,100	0	43	88,200	119,400	29,200	63	188,300
75+	82,100	16,700	65	126,300	22,200	0	44	50,100	65,100	8,500	59	110,100
All	104,800	16,800	67	156,000	19,600	0	31	63,100	80,400	4,900	57	141,500

1 Excludes some individuals for whom housing tenure is unknown.

2 Includes those with zero pension wealth.

3 Excludes those with zero pension wealth.

Source: Office for National Statistics

Table 6.13

Wealth held by individuals in private pensions for ages 35 to 64 only: by age, sex and employment status[1], 2006/08

Great Britain £

	Men				Women				All			
	Mean[2]	Median[2]	% with	Mean[3]	Mean[2]	Median[2]	% with	Mean[3]	Mean[2]	Median[2]	% with	Mean[3]
Age 35–44												
Employed	89,500	26,000	79	113,800	55,900	14,600	73	77,100	73,000	20,000	76	96,500
Self-employed	24,100	5,000	63	38,100	25,200	500	54	46,800	24,500	3,500	60	40,700
Not working	18,400	0	24	75,200	8,200	0	24	33,900	11,400	0	24	46,900
Age 45–54												
Employed	193,600	74,000	85	228,500	100,800	26,000	76	133,100	146,700	45,400	80	182,800
Self-employed	76,900	15,200	75	102,300	37,800	2,800	60	63,400	65,200	10,000	70	92,500
Not working	60,300	0	39	153,900	30,600	0	26	117,700	41,500	0	31	134,700
Age 55–64												
Employed	264,500	116,100	86	306,300	115,800	28,200	71	163,200	193,900	64,000	79	245,400
Self-employed	177,500	38,000	82	217,600	77,100	5,300	60	128,600	149,500	29,000	76	197,800
Not working	230,600	52,000	67	344,500	92,500	0	45	205,300	147,200	5,500	54	273,900

1 Excludes some individuals for whom employment status is unknown.
2 Includes those with zero pension wealth.
3 Excludes those with zero pension wealth.

Source: Office for National Statistics

Individual private pension wealth by employment status

Private pension wealth by employment status is shown in Table 6.13 for those aged between 35 and 64. Employment status in Table 6.13 is defined purely on the basis of the respondent's economic activity at the time of interview. For example, those who were not in paid work and considered themselves to be retired were classed as not working. The 35 to 64 age group is shown here as private pension membership was highest among this group. As Table 6.5 shows, about half of this age group were contributing to a pension scheme, while (as Table 6.9 shows) this figure rises to two-thirds when we include past pensions. Table 6.13 highlights how private pension wealth varies by current employment status among this age group.

Rates of pension membership were highest among the employed, followed by the self-employed, with the lowest rates being among those who were not in paid work. These differences were particularly pronounced at younger ages. Over three-quarters of 35 to 44 year olds who were in employment had some private pension wealth, compared with 60 per cent of the self-employed and just a quarter of those not working. Of course, it is not surprising that these differences were less pronounced at older ages as it is more likely that older individuals who were self-employed or not working when interviewed might at some point in the past have been employed.

Table 6.13 also shows that differences in the proportions of women and men holding private pension wealth was not exclusively driven by the higher likelihood of women currently being out of paid work. Even among those who were in employment or self-employment, a higher proportion of men had some pension wealth and on average they had more pension wealth. However, these current differences may still reflect differences in work patterns earlier in life, for instance when women have taken time out of the labour market to raise children.

Table 6.14

Wealth held by individuals in private pensions: by sex and socio-economic classification[1], 2006/08

Great Britain £

	Men				Women				All			
	Mean[2]	Median[2]	% with	Mean[3]	Mean[2]	Median[2]	% with	Mean[3]	Mean[2]	Median[2]	% with	Mean[3]
Large employers and higher managerial	302,900	132,200	90	337,800	142,400	48,500	83	171,800	251,400	97,800	87	287,400
Higher professional	224,800	69,300	83	270,700	123,200	36,700	79	155,100	196,200	57,900	82	239,200
Lower managerial and professional	168,900	50,100	79	213,400	108,900	30,000	73	148,900	136,100	38,300	76	179,400
Intermediate occupations	105,400	23,300	68	155,400	46,100	6,000	61	75,500	60,300	8,500	63	96,200
Small employers and own account workers	51,100	5,000	60	85,800	25,800	0	42	61,500	43,400	2,200	54	80,000
Lower supervisory and technical	71,800	12,100	66	108,600	30,600	0	46	67,100	59,700	6,000	60	99,300
Semi-routine occupations	45,200	500	51	88,600	18,300	0	39	47,400	27,500	0	43	64,100
Routine occupations	36,100	0	47	77,200	10,700	0	27	39,100	24,300	0	38	64,400
Never worked /long-term unemployed	12,500	0	11	118,600	6,600	0	8	81,900	8,400	0	9	95,300
All	114,600	15,000	65	175,000	53,100	800	52	103,000	82,800	6,000	58	142,100

1 Excludes those individuals for whom socio-economic classification is not known.
2 Includes those with zero pension wealth.
3 Excludes those with zero pension wealth.

Source: Office for National Statistics

Individual private pension wealth by occupation

Men and women in managerial and professional occupations were significantly more likely to have a private pension and also more likely to hold more pension wealth than those in other occupations, Table 6.14.

Some 90 per cent of men in ‘large employers and higher managerial occupations’ and 83 per cent of men in higher professional occupations had some private pension wealth, with mean wealth across all men in these two groups being £302,900 and £224,800, respectively. In contrast, less than half of men in routine occupations had any private pension wealth. However, for this latter group, who have on average relatively low lifetime earnings, state pension provision may provide a relatively high level of income compared with their working life earnings and so, to maintain the same standard of living during retirement they may not require as much additional private pension provision.

Section 6.4 Household private pension wealth

In many cases, couples may have made joint provision for retirement. For example, if one partner worked and the other did not, the working partner may have contributed additional amounts to his or her private pension to ensure the final income would be sufficient to support both partners during retirement. Therefore, it makes sense to examine total private pension wealth held by all members of the household to supplement the individual picture presented in the previous section.

Household wealth was calculated as the sum of private pension wealth across all members of the household. This section presents many similar descriptive statistics to those presented in section 6.3, but at the household level rather than the individual level, with household characteristics defined as being those of the household head where appropriate.

Table 6.15

Distribution of household private pension wealth: summary statistics, 2006/08

Great Britain £

	Mean	1st quartile	Median	3rd quartile
Current occupational DB pensions[1]	207,700	41,000	107,900	256,700
Current occupational DC pensions[1]	31,200	3,000	8,900	25,400
AVCs[1]	18,500	4,000	10,000	20,000
Personal pensions[1]	38,800	5,300	15,000	37,000
Retained rights in DB pensions[1]	109,000	5,300	25,400	101,700
Retained rights in DC pensions[1]	24,000	2,600	7,200	22,000
Rights retained in pensions for drawdown[1]	100,200	22,500	32,500	189,000
Pensions in receipt[1]	234,400	32,800	98,700	250,900
Pensions expected from former spouse/partner[1]	46,800	300	3,700	28,100
Total pension wealth[1]	198,000	21,200	76,700	220,000
Total pension wealth (whole population)[2]	141,900	0	29,200	144,200

1 Excludes those with zero pension wealth.

2 Includes those with zero pension wealth.

Source: Office for National Statistics

Table 6.15 shows the distribution of each type of pension wealth across households who have at least some of the relevant type of pension wealth. In addition, the bottom row of Table 6.15 shows the distribution of total private pension wealth across all households including those who hold no pension wealth. Looking at the whole population, average household pension wealth is £141,900 and half of all households have private pension wealth of less than £29,200.

Household private pension wealth by age and household type

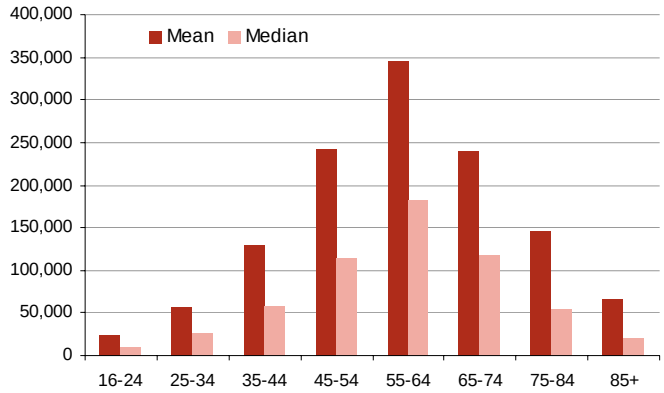
Figure 6.16 shows that, among those households with at least some private pension wealth, mean and median levels increase with age up to about retirement age and then decline thereafter. The household type with the highest level of mean and median pension wealth, among those with at least some private pension wealth, is couples where one is aged under and one over the State Pension Age, with no dependent children (Figure 6.17).

Figure 6.16

Distribution of household private pension wealth[1]: by age of household head, 2006/08

Great Britain

£



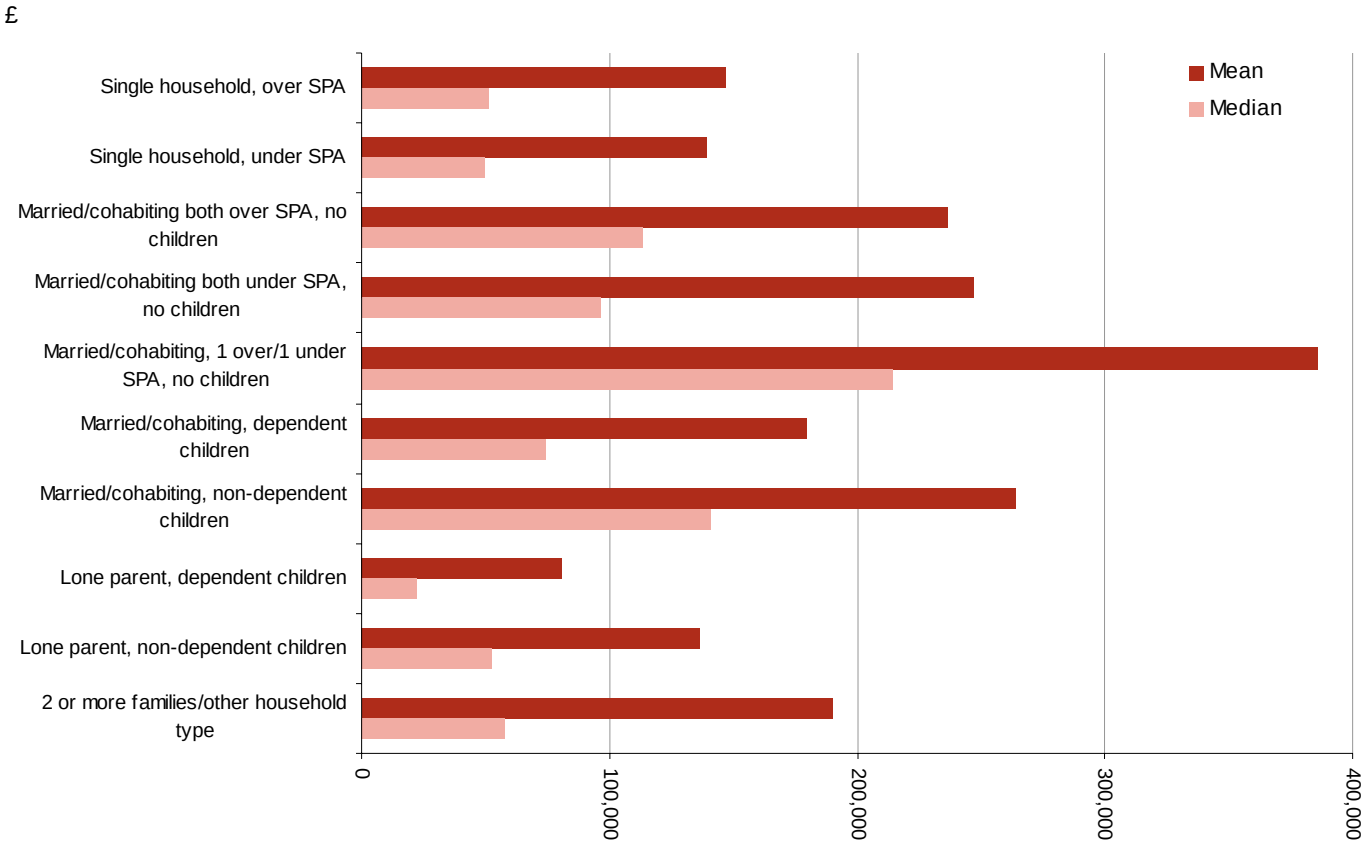
1 Excludes those with zero pension wealth.

Source: Office for National Statistics

Note that Figures 6.16 to 6.21 exclude those with zero pension wealth and instead focus on the differences in mean and median wealth between groups amongst those who have some private pension wealth. To the extent that different groups are differentially likely to have zero private pension wealth there will be aggregate differences between the groups that are not captured in these figures.

Figure 6.17

Distribution of household private pension wealth[1,2]: by household type, 2006/08
Great Britain



1 Excludes those with zero pension wealth.
2 SPA is State Pension Age (65 for men and 60 for women).

Source: Office for National Statistics

As an example, this might be important to bear in mind when interpreting the age patterns at the youngest ages in Figure 6.16, since the earlier analysis of this chapter (Table 6.9) showed large differences in the proportion with positive pension wealth at young ages compared to those aged 35 and over.

Table 6.18 shows the distribution of household private pension wealth for three broad types of households – single men, single women and cohabiting couples. While we saw in the previous section that women had on average lower levels of pension wealth than men, Table 6.18 shows that (at least among those aged under 65) single women did not have substantially lower levels of pension wealth than single men. This suggests that lower average levels of wealth among younger women overall (shown above) was driven by lower pension wealth among women in couples than men in couples.

Couples had higher average wealth than singles. This was what we would have expected given that this pension wealth would be used to provide for both partners' retirement consumption. However, the presence of economies of scale would lead us to expect couples to be able to achieve the same standard of living with less than twice the income of singles. Table 6.18 shows that on average couples have about twice as much private pension wealth as singles which would therefore more than compensate for the increased costs of living faced by the couple.

Table 6.18

Distribution of household private pension wealth: by age and broad household type, 2006/08

Great Britain £

	Mean[1]	Median[1]	% with	Mean[2]
Single men				
<50	41,800	1,000	54	77,700
50–64	164,200	30,000	69	238,400
65+	121,900	20,800	69	176,300
All	90,900	8,300	61	148,500
Single women				
<50	30,300	0	45	67,900
50–64	148,000	19,000	64	232,600
65+	70,400	15,400	65	108,700
All	70,000	4,800	56	124,400
Couples				
<50	114,000	30,000	77	148,000
50–64	314,300	143,200	88	357,900
65+	202,100	80,300	83	243,500
All	187,100	60,400	81	230,400
All				
<50	84,200	12,300	66	127,000
50–64	257,000	91,900	80	321,600
65+	139,000	36,500	74	188,200
All	141,900	29,200	72	198,000

1 Includes those with zero pension wealth.
2 Excludes those with zero pension wealth.

Source: Office for National Statistics

Household private pension wealth by education, employment status and socio-economic status

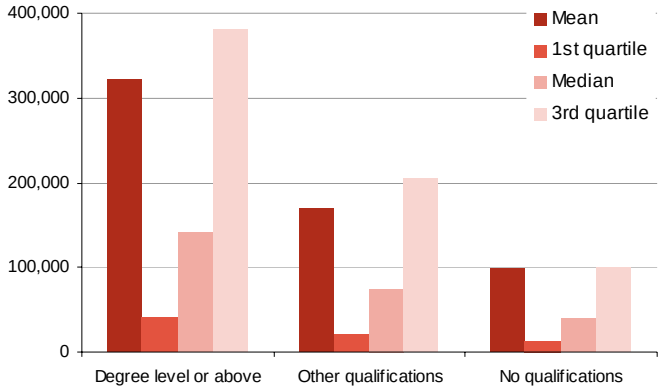
The patterns of private pension wealth observed by education, socio-economic status and employment status in section 6.3 at the individual level are broadly replicated in Figures 6.19 to 6.21 at the household level. Amongst those households with some private pension wealth, those households whose heads have higher levels of education or belong to large employers and higher managerial or professional occupations tend to have higher levels of private pension wealth.

Figure 6.19

Distribution of household private pension wealth[1]: by education of household head, 2006/08

Great Britain

£



1 Excludes those with zero pension wealth.

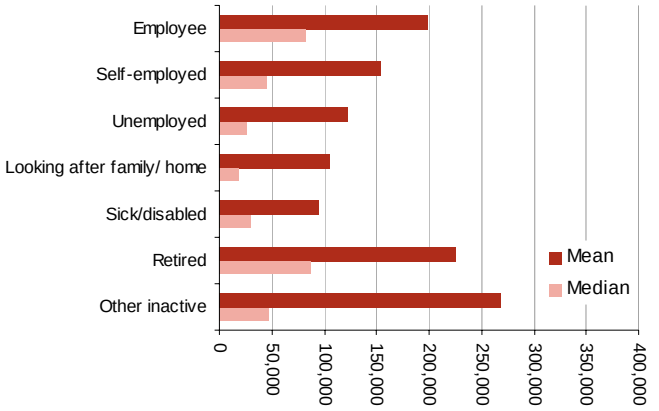
Source: Office for National Statistics

Figure 6.20

Distribution of household private pension wealth[1]: by employment status of household head, 2006/08

Great Britain

£



1 Excludes those with zero pension wealth.

Source: Office for National Statistics

Household private pension wealth by region

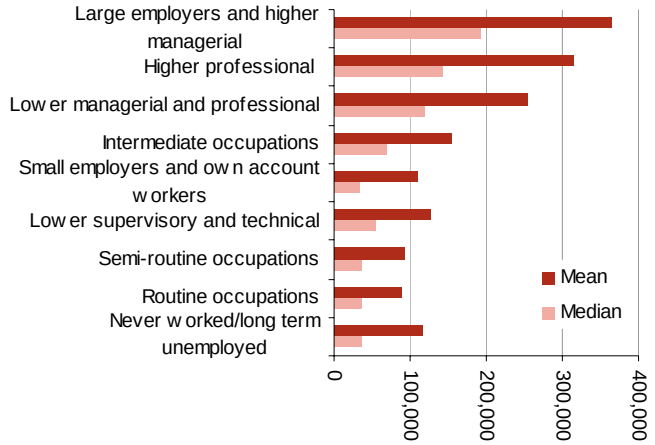
Table 6.22 shows the distribution of private pension membership and household private pension wealth across the regions and countries of Great Britain. The first column of Table 6.22 shows that 72 per cent of households in England contained at least one individual who had ever contributed to a private pension. This compares with 70 per cent of households in Wales and Scotland.

Figure 6.21

Distribution of household private pension wealth[1]: by socio-economic classification of household head, 2006/08

Great Britain

£



1 Excludes those with zero pension wealth.

Source: Office for National Statistics

Table 6.22

Distribution of household private pension wealth: by region, 2006/08

Great Britain £

	% with	Mean[1]	1st quartile[1]	Median[1]	3rd quartile[1]
All England	72	139,300	0	29,500	145,600
North East	68	128,800	0	21,400	142,900
North West	70	127,700	0	25,900	135,100
Yorkshire & the Humber	72	113,900	0	26,100	120,100
East Midlands	73	127,800	0	30,900	144,100
West Midlands	71	124,100	0	25,000	130,300
East of England	76	157,600	700	38,900	164,100
London	61	130,500	0	13,400	109,900
South East	78	181,100	2,700	46,800	191,600
South West	76	137,700	400	35,500	162,600
Wales	70	167,000	0	25,300	131,000
Scotland	70	151,800	0	27,100	138,100

1 Includes those with zero pension wealth.

Source: Office for National Statistics

The region with the lowest private pension coverage was London (61 per cent), while the South East contained the highest proportion of households where at least one individual had contributed to a private pension (78 per cent).

However, the amount of pension wealth varied rather differently across the regions and countries. Though London had relatively low prevalence of private pension membership, some of those households who had private pensions had large amounts of wealth in them (Figure 6.24). This meant that overall mean pension wealth in London was higher (at £130,500) than mean wealth in other regions that had higher prevalence of membership. Yorkshire and the Humber was the region with the lowest mean pension wealth.

Some of the differences in private pension wealth were due to differences in the age composition of the population in each region or country – as Table 6.18 shows, mean private pension wealth tended to be higher among households aged between 50 and 64 than among younger or older households. Regions or countries with relatively young populations on average (such as London) will therefore tend to have lower average levels of pension wealth, while those with a relatively large proportion aged 50 to 64 (such as the North East and the South West) will tend to appear to have high average levels of pension wealth. Therefore, Table 6.23 shows the distribution of pension wealth within each age group, by region and country.

Figure 6.24 shows mean and median pension wealth by region and country across all households that hold at least some private pension wealth. It is clear that the distribution of pension wealth is more skewed in some regions and countries than others – those regions or countries with the highest mean pension wealth are not necessarily also the ones with the highest median wealth.

Table 6.23

Wealth held by households in private pensions: by region and age of household head, 2006/08

Great Britain £

	<50				50-64				65+			
	Mean[1]	Median[1]	% with	Mean[2]	Mean[1]	Median[1]	% with	Mean[2]	Mean[1]	Median[1]	% with	Mean[2]
All England	84,300	12,300	66	127,200	252,500	96,700	80	314,100	134,400	38,200	74	180,700
North East	79,700	5,300	61	130,100	208,700	79,900	77	272,300	134,900	25,600	71	188,800
North West	78,700	11,300	66	119,000	232,400	90,800	77	301,200	114,900	30,600	69	166,500
Yorkshire & the Humber	72,000	11,500	67	106,800	216,100	75,500	79	274,700	92,200	29,100	75	123,200
East Midlands	76,100	14,400	66	114,500	247,000	98,900	83	296,600	104,000	37,200	76	136,700
West Midlands	71,300	8,000	64	111,700	225,300	87,200	81	278,200	123,400	35,400	76	163,200
East of England	109,200	17,300	71	153,200	263,000	103,000	84	313,300	145,600	56,100	78	187,500
London	67,500	3,600	56	121,500	248,000	72,000	73	338,900	190,300	29,200	67	286,100
South East	110,400	25,000	74	149,400	330,300	140,400	86	385,300	169,000	54,900	78	215,900
South West	87,600	16,900	71	122,700	244,600	105,000	82	299,800	117,400	46,000	77	151,600
Wales	75,800	12,200	67	113,800	300,600	65,900	77	391,400	189,000	25,100	70	268,400
Scotland	87,500	13,100	66	132,900	272,900	75,700	78	351,000	149,100	32,100	72	208,500

1 Includes those with zero pension wealth.

2 Excludes those with zero pension wealth.

Source: Office for National Statistics

Section 6.5 Distribution of net private pension wealth

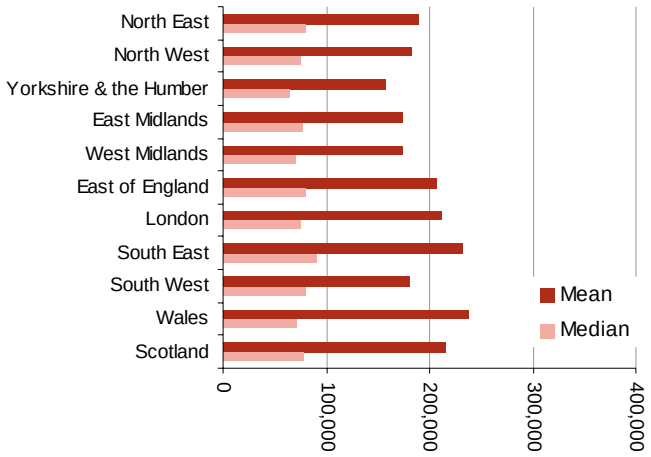
The distribution of net household wealth in Great Britain can be shown using a Lorenz curve[1] (Figure 6.25). The closer the curve is to the 45 degree line, or 'line of perfect equality', the more equal the wealth distribution. The distribution of ownership of pension wealth was much more unequal than that of property wealth and physical wealth (Chapter 5), and similar to that of net financial wealth (Chapter 4). It shows that half of the households in Great Britain owned 2 per cent of pension wealth, while the wealthiest 20 per cent owned 79 per cent of pension wealth.

Figure 6.24

Distribution of household private pension wealth[1]: by region, 2006/08

Great Britain

£



1 Excludes those with zero pension wealth.

Source: Office for National Statistics

The distributions of the different components of total household wealth can also be compared by calculating Gini coefficients for each component (see Chapter 2). This coefficient takes a value between 0 and 1, with 0 representing a perfectly equal distribution and 1 representing 'perfect inequality'. In 2006/08, this coefficient was 0.77 for pension wealth, indicating a relatively unequal wealth distribution. However, as we have argued in the previous section, some of this inequality – particularly that due to age – is to be expected and will not reflect overall inequalities assessed over an individual's lifetime.

Section 6.6 Conclusions

This chapter shows that there was significant variation in the amount of private pension wealth that people have, both across all individuals and also across individuals within particular groups (whether by age, sex or some other identifier).

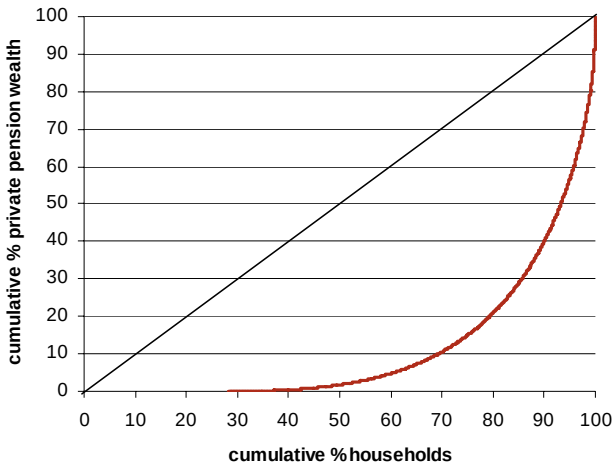
Much of the variation was to be expected. For example, since individuals accumulate pension wealth during their working lives and then run it down through drawing an income during retirement, we would expect private pension wealth to show significant age-related variation.

Figure 6.25

Distribution of household private pension wealth: 2006/08

Great Britain

Percentages



Source: Office for National Statistics

Footnotes

1 The Lorenz curve plots the cumulative percentage share of wealth (on the vertical axis) against the cumulative percentage share of the population (on the horizontal axis). The Lorenz curve analysis is for all households in the survey population, including those with no private pension wealth.

The Gini coefficient is the ratio A:(A+B), where A is the area between the 'line of perfect equality' (the 45 degree line) and the Lorenz curve; and B is the area below the Lorenz curve. The Gini coefficient takes a value between 0 (perfect equality) and 1 (perfect inequality).

Chapter 7

Household borrowing and arrears

Section 7.1 Introduction

This chapter examines the levels of non-mortgage borrowing and arrears on household bills[1], mortgage and non-mortgage borrowing by households. Non-mortgage borrowing was defined as the use of any credit or store cards that were not settled in full each month, overdrafts and all forms of fixed-term loans (including personal loans, hire purchase agreements and mail order accounts). It did not include mortgages. Households were defined as being in arrears if they had fallen behind with any household bills, such as utility bills, council tax and rent, a mortgage on the main home or if any household member was behind with non-mortgage borrowing repayments.

The 2006/08 WAS survey sampled all private households in Great Britain. This means that people in residential institutions, such as retirement homes, nursing homes, prisons, barracks or university halls of residence, and also homeless people are excluded from the scope of the analysis presented here.

The questions on which the findings of this chapter are based were asked of each individual account held, for each type of account. With the exception of mortgage arrears and arrears on household bills, these questions were asked of each responding adult, with the responses being aggregated at the household level. The questions relating to household bills and mortgage arrears were asked of one household member only.

The chapter starts by looking at non-mortgage borrowing in Section 7.2 and then breaks this borrowing down by key household characteristics in Section 7.3. Non-mortgage borrowing in these sections does not include any arrears and Section 7.4 therefore looks at household arrears separately and Section 7.5 presents results for household arrears by key household characteristics.

The tables and charts in this chapter provide summary results. Each of these is linked to a spreadsheet giving the source data, and often more detailed results. The spreadsheets can be accessed by clicking on the table or chart.

Section 7.2 Household non-mortgage borrowing

Some 77 per cent of households had non-mortgage credit facilities of some kind[2]. This included credit and store cards that were not in current use or were settled in full each month but did not include unused overdraft facilities. Once these unused credit facilities were excluded then about a half of households had any non-mortgage borrowing (48 per cent) (Table 7.1).

Table 7.1

Household non-mortgage borrowing: by type, 2006/08

Great Britain	Percentages
Credit and charge cards[1]	25
Overdrafts (in use)	17
Personal and cash loans	15
Hire Purchase	14
Mail order	9
Store cards and charge accounts[1]	5
Loans from the Student Loans Company	3
Any non-mortgage borrowing	48
Excluding overdrafts	44
Excluding loans from the Student Loans Company	47

1 Limited to cards with outstanding balances.

Source: Office for National Statistics

Chapter 3 reported that 38 per cent of households had a mortgage on their main residence and 4 per cent had a mortgage on another property or properties, equating to 40 per cent of households with either type. There was a moderate degree of overlap between non-mortgage borrowing and mortgage borrowing, 54 per cent of households with non-mortgage borrowing commitments also had an outstanding mortgage. Conversely, 65 per cent of households with a mortgage also owed money in non-mortgage borrowing.

Table 7.2

Distribution of amounts outstanding for household non-mortgage borrowing: by type of borrowing, 2006/08

Great Britain £

	Mean	1st quartile	Median	3rd quartile	Total mean[1]
Personal and cash loans	9,300	1,300	4,500	9,900	1,400
Loans from the Student Loan Company	7,700	1,700	5,000	10,400	200
Hire purchase	5,100	700	2,500	6,300	700
Credit and charge cards	3,200	500	1,500	3,800	800
Overdrafts	1,300	200	500	1,100	200
Store cards and charge accounts	500	100	200	500	-
Mail order	500	100	100	400	-
Any non-mortgage borrowing	7,200	600	2,700	8,200	3,400
Excluding overdrafts	7,300	700	3,000	8,500	3,200
Excluding loans from the Student Loans Company	6,800	600	2,500	7,600	3,200

1 Mean of all households, including those without this type of commitment (zero amounts).

Source: Office for National Statistics

Informal borrowing (borrowing from a friend, relative or other private individual) was uncommon, only 1 per cent of people reported owing money in this way. However, the majority of households borrowing informally also had formal non-mortgage borrowing commitments (82 per cent).

There was a greater use of sources of unsecured borrowing that offered a line of credit (credit and charge cards, overdrafts and store cards), compared with sources that offered a lump sum advance over a fixed term and with fixed – usually monthly – repayments (loans, hire purchase and mail order). Table 7.1 shows that credit and charge cards that were not settled in full each month were the most commonly used form of non-mortgage credit (25 per cent). Active use of overdraft facilities on current account was the second most common form of non-mortgage borrowing used by households (17 per cent). In addition, 15 per cent of households had one or more outstanding personal or cash loans[3], and a similar proportion had hire purchase or credit agreements (14 per cent). In contrast, very few households owed money on store cards or charge accounts (5 per cent) and 3 per cent of households had a loan from the Student Loans Company that they had yet to repay.

Household amounts outstanding

Those with non-mortgage borrowing commitments were asked a series of questions to enable the total amount outstanding to be calculated. Among households with any non-mortgage borrowing, the mean amount owed in total was £7,200, equivalent to £3,400 for all households (Table 7.2). The additional statistics shown, however, indicate that most households owed much less than this, with 50 per cent owing £2,700 or less. The large difference between the mean and median occurs because the mean average was influenced by a small minority of households who owed very large sums. As such, it is particularly appropriate to consider both the mean and median alongside each other when considering the average amounts owed in non-mortgage borrowing, the mean providing the arithmetic average and the median providing a better indication of the typical amounts owed.

The mean amount owed on credit and charge cards among households with this type of commitment was £3,200, although half of households owed £1,500 or less.

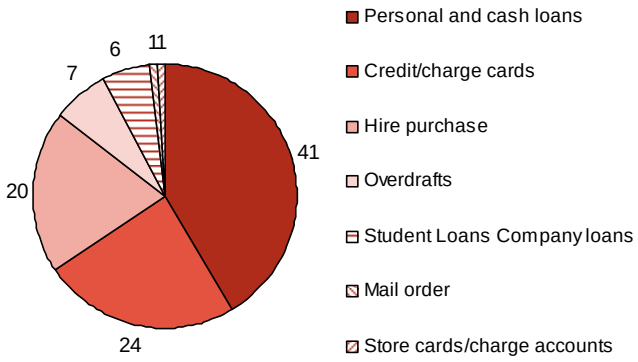
Relatively small amounts were owed on store cards and charge accounts (mean value of £500) and mail order accounts (mean value of £500).

Figure 7.3

Household total non-mortgage borrowing[1]: by type, 2006/08

Great Britain

Percentages



1 No. of responding households was those with any money owed in non-mortgage borrowing.

Source: Office for National Statistics

Figure 7.3 shows that money owed in personal loans, cash loans, credit cards and charge cards represented around two-thirds of the total amount owed across all types of non-mortgage borrowing. Of the total amounts owed in non-mortgage borrowing, 41 per cent comprised personal and cash loans and 24 per cent of the total was owed on credit and charge cards. An additional 20 per cent was owed on hire purchase agreements and 7 per cent of the total amount outstanding was accounted for by overdraft balances. The remaining 8 per cent comprised Student Loans Company loans (6 per cent), mail order accounts (1 per cent) and store cards and charge accounts (1 per cent).

Household monthly repayment amounts

Table 7.4 shows the average amounts households with any non-mortgage borrowing were paying in total each month to repay the money they owed (including any interest being repaid)[4].

The mean monthly repayment amount was £200. A half of these households were repaying £100 per month or less, and three-quarters were paying no more than £200. This indicates that a small minority of borrowers were making much larger monthly repayments than the mean.

Across all households (including those without active non-mortgage borrowing commitments), this was equivalent to a mean monthly repayment of £100.

Table 7.4

Distribution of monthly repayments of household non-mortgage borrowing[1]: summary statistics, 2006/08

Great Britain £

	Mean	1st quartile	Median	3rd quartile
Total monthly repayments	200	-	100	200

1 No. of responding households was those with any money owed in non-mortgage borrowing, although the values shown exclude any repayment of overdrafts and Student Loan Company loans not yet being repaid.

Source: Office for National Statistics

Section 7.3 Non-mortgage borrowing by key household characteristics

The graphs in this section report the mean and median amounts outstanding in non-mortgage borrowing among households with any current commitments of this kind. The graphs do not show the proportions of households that had any current commitments; instead these were given in the accompanying text wherever they differ substantially from the average. By clicking on each graph, the reader can reveal data for the mean, 1st quartile, median and 3rd quartile values, along with the overall mean (including zero values) and the proportion of households with any money owing in

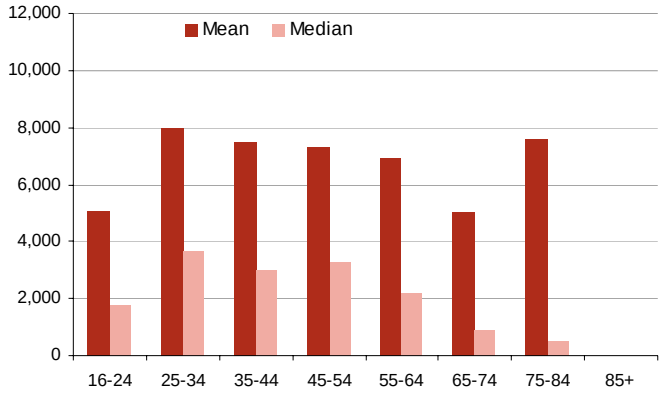
non-mortgage borrowing. Additional consideration is given to non-mortgage borrowing excluding loans from the Student Loans Company for the breakdowns by age and employment status.

Figure 7.5

Distribution of non-mortgage borrowing[1]: by age of household head, 2006/08

Great Britain

£



1 No. of responding households was those with any money owed in non-mortgage borrowing.

Source: Office for National Statistics

Non-mortgage borrowing by age

The prevalence of non-mortgage borrowing varied considerably with age, being much more common in the households headed by someone in the younger age groups. It peaked among those aged 25 to 34 at 68 per cent before falling away steeply after the middle age groups to 10 per cent among those aged 75 and over. Figure 7.5 shows that the average amounts owed by those with non-mortgage borrowing traces a fairly similar pattern.

Households in the 16 to 24 age group owed a mean of £5,100, if they owed anything at all. However, this figure was much higher than the median value (£1,800), showing that many owed much smaller amounts than the mean suggests, and that only a small proportion in this age group had very heavy borrowing.

The likelihood of owing any money in outstanding non-mortgage borrowing was the highest for households headed by someone aged 25 to 34 (68 per cent), this group was also the most heavily borrowed on average, owing a mean amount of £8,000. The median shows, however, that a half owed £3,700 or less.

For those aged 35 to 44, the average amounts outstanding in non-mortgage borrowing began to fall away, albeit only gradually at first. The mean amounts owed by those aged 35 to 44 and 45 to 54 were £7,500 and £7,300; while the amounts owed among those aged 55 to 64 and 65 to 74 were £6,900 and £5,000 respectively.

Although households headed by someone aged 75 to 84 were comparatively unlikely to have any non-mortgage borrowing (10 per cent), the mean average amount owed by those with outstanding commitments was relatively high, at £7,600. However the much lower values for the median (£500) and third quartile (£2,100) suggest that this was influenced greatly by a small minority who owed large sums in borrowing, and that the typical amounts borrowed by this group were considerably lower than for other age groups. Those aged 85 or over were least likely of all to have any active commitments (3 per cent).

When loans from the Student Loans Company were excluded from the measure of any non-mortgage borrowing, the proportion of households in each age group with outstanding credit commitments was similar to those recorded for all types of non-mortgage borrowing. However, the amounts owed by those with borrowing commitments were considerably lower on average for those in the younger age groups. The mean amounts owed fell from £5,100 to £3,700 among those aged 16 to 24 and from £8,000 to £7,200 among those aged 25 to 34. The effect of removing loans owed to the Student Loans Company on older age groups than these was marginal.

Non-mortgage borrowing by education

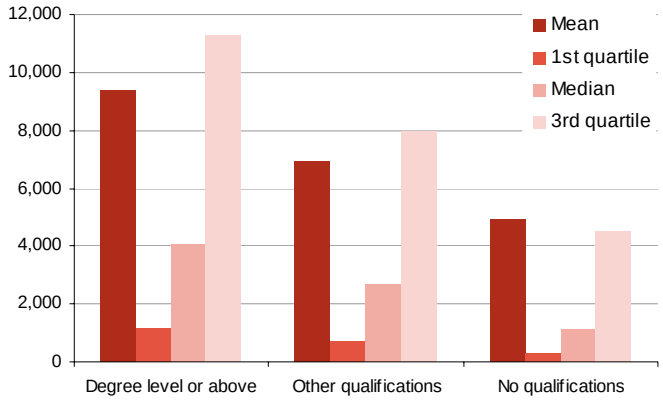
Similar proportions of households headed by someone with qualifications at degree level or above (50 per cent) and or with other qualifications (53 per cent) had one or more outstanding commitments, compared with those with no qualifications (32 per cent). However, those educated to at least degree level owed the largest amounts on average (Figure 7.6).

Figure 7.6

Distribution of non-mortgage borrowing[1]: by education of household head, 2006/08

Great Britain

£



1 No. of responding households was those with any money owed in non-mortgage borrowing.

Source: Office for National Statistics

Households headed by a person with degree-level education or above owed a mean amount of £9,400 in non-mortgage borrowing. A quarter owed less than £1,200 and a half owed less than £4,100.

Those with qualifications up to but not including degree level owed a little less, with a mean of £6,900 and a median of £2,700.

The lowest average amount owing was found among those with no qualifications at all. This group owed about half that of the first group, with a mean of £4,900 and 25 per cent owing £4,500 or more. This strongly reflects the distribution by age, since those aged 65 and over (47 per cent) were much more likely than those aged under 65 (15 per cent) to have no qualifications at all.

Non-mortgage borrowing by employment status

The prevalence of non-mortgage borrowing varied considerably by the employment status of the household head. Retired people were at the lower end of the range, with 17 per cent owing any amount (reflecting the distribution by age reported above), rising to 61 per cent of employees and 62 per cent of those looking after the family home.

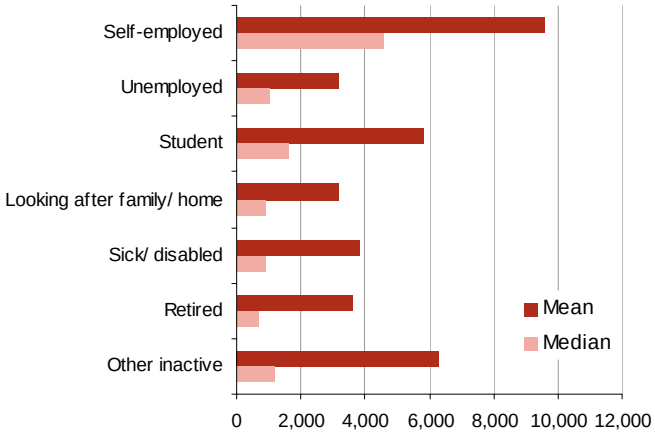
A different pattern emerges when the amounts outstanding are examined (Figure 7.7). Households headed by someone who was self-employed owed the largest mean amount in non-mortgage borrowing, at £9,600, with a half of these households owing £4,600 or more. Households headed by someone who was an employee owed the second largest amounts, a mean average amount of £8,100 (and a median of £3,700).

Figure 7.7

Distribution of non-mortgage borrowing[1]: by employment status of household head, 2006/08

Great Britain

£



1 No. of responding households was those with any money owed in non-mortgage borrowing.

Source: Office for National Statistics

In contrast, although those who were looking after the family home were highly likely to have some non-mortgage borrowing (62 per cent), the amounts owed by these households were on average among the lowest (a mean of £3,200),

alongside those who were unemployed (a mean of £3,200), and those who were temporarily sick or disabled (a mean of £3,800).

Among those owing anything, those who were retired also owed relatively small amounts, on average a mean amount of £3,600.

Finally, more than a half of households headed by a student had some non-mortgage borrowing (53 per cent). The mean amount owed by these households was also relatively high, at £5,800,

It is reasonable to expect that loans taken out from the Student Loans Company make up a significant proportion of borrowing by students. When excluding these types of loans, from the overall measure of non-mortgage borrowing, a similar proportion of students had some outstanding commitments (51 per cent), compared with the proportion with borrowing when including these loans (53 per cent, as reported above). This shows that the vast majority of households headed by a student had other types of non-mortgage borrowing.

However, the effect of excluding loans from the Student Loans Company on the average amounts owed by students was very marked. The mean amount owed by those with borrowing was £3,000 when excluding loans from the Student Loans Company compared with £5,800 when including these loans. Three-quarters of students with borrowing other than loans from the Student Loans Company owed £2,800 or less, compared with £4,100 when including these types of loans.

The effect on other employment status groups was marginal both in terms of the proportions with any outstanding commitments and the amounts owed.

Non-mortgage borrowing by socio-economic classification

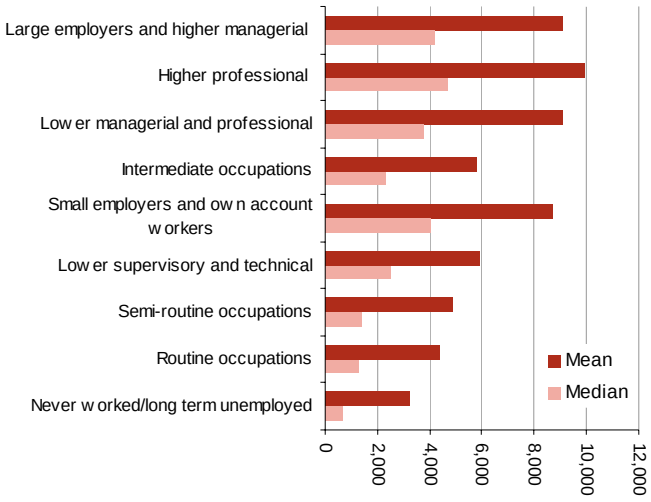
Compared with employment status, the distribution of non-mortgage borrowing by the socio-economic classification of the household head was much less marked. However, there were some notable patterns (Figure 7.8).

Figure 7.8

Distribution of non-mortgage borrowing[1]: by socio-economic classification of household head, 2006/08

Great Britain

£



1 No. of responding households was those with any money owed in non-mortgage borrowing.

Source: Office for National Statistics

In terms of the amounts owed among those with any non-mortgage borrowing, households headed by someone who was in a higher professional occupation were at the high end of the range. The mean amount owed by these households in 2006/08 was £9,900, with a quarter owing £12,000 or more.

The mean amounts owed by the large employers and higher managerial (£9,100), the lower managerial and professional (£9,100) and the small employers and own account workers (£8,700) groups were also considerably higher than the average of £7,200 across all households with commitments (Table 7.2).

At the other end of the range, those in routine occupations owed a mean average of £4,400. Those who had never worked or who were long-term unemployed were the least likely to owe any money (35 per cent), and of those who did, owed comparatively small amounts on average (mean of £3,200; median of £700).

Households in Wales (41 per cent) and Scotland (43 per cent) were less likely than the average across Great Britain (48 per cent) to have non-mortgage borrowing commitments. Among those owing any money in this way, households in Scotland typically owed relatively small amounts on average, with a mean of £5,200 and a half owing less than £1,600. The amounts owed by those in Wales were £7,000 and £2,200 respectively.

Non-mortgage borrowing by region

Figure 7.9 shows the variation in the average amounts borrowed by region.

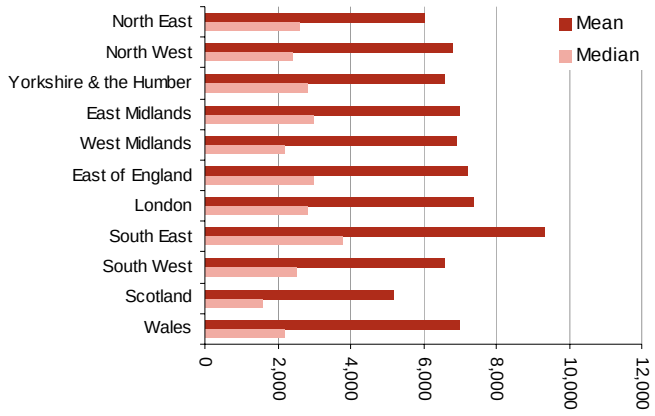
Half of households in the South East of England had outstanding non-mortgage borrowing commitments in 2006/08. These households owed the largest amounts on average, with a mean of £9,300 and a median of £3,800. Although the mean amount owed by households in London with any mortgage borrowing was somewhat lower, at £7,400, the third quartile values for London and the South East were similar (at £9,700 and £9,900 respectively).

Figure 7.9

Distribution of non-mortgage borrowing[1]: by region, 2006/08

Great Britain

£



1 No. of responding households was those with any money owed in non-mortgage borrowing.

Source: Office for National Statistics

Non-mortgage borrowing by household type

The likelihood of a household owing any money in non-mortgage borrowing varied considerably depending on its composition in 2006/08. Households comprising single people over the state pension age (SPA) (14 per cent) and couples without children where both partners were aged over SPA (18 per cent) were the least likely of all household types to have any outstanding commitments. At the other end of the range, around two-thirds of couples with dependent children (65 per cent), lone parents with dependent children (65 per cent) and couples with non-dependent children (63 per cent) owed some money in this way.

However, Figure 7.10 shows that a slightly different picture emerges in relation to the average amounts owed among those with borrowing in 2006/08. Couples with and without children were at the top end of the range, while lone parents with dependent children owed the least on average.

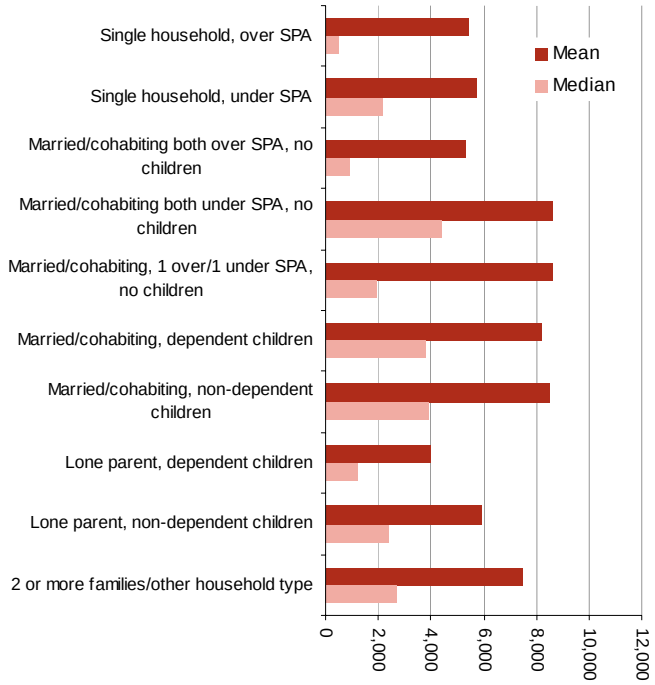
Among those with any borrowing the largest mean amounts were owed by households comprising a couple (both under SPA) without children (£8,600), a couple with non-dependent children (£8,500), and a couple with dependent children (£8,200). The median average amounts owed by these households were also the highest of all the household types, at £4,400, £3,900 and £3,800 respectively. However, these figures indicate that amounts owed by the majority of these households were much lower than the mean values suggest.

Figure 7.10

Distribution of non-mortgage borrowing[1,2]: by household type, 2006/08

Great Britain

£



1 No. of responding households was those with any money owed in non-mortgage borrowing.

2 SPA is State Pension Age (65 for men and 60 for women).

Source: Office for National Statistics

Households comprising a couple (one under and one over SPA) without children also owed relatively large mean average amounts (£8,600) if they had non-mortgage borrowing of any kind. However, compared with the couple households mentioned above, the median amount owed was much lower at £1,900 (with a quarter owing £400 or less). Additionally, only 33 per cent of households of this composition had any active commitments. Taken together, this suggests that these households were less likely than many other types of couple households to have borrowing and those who did tended to owe much smaller amounts with only a minority owing considerably larger sums.

While households composed of single adults aged over SPA, and couples both aged over SPA without children, were much less likely than other household types to have any non-mortgage borrowing (14 per cent and 18 per cent respectively), those who did owe money had a mean average amount of £5,400 and £5,300 outstanding respectively. However, a half of the single adult households (over SPA) with any borrowing owed only £500 or less and a half of couple households (both aged over SPA) owed £900 or less, again showing that the typical amounts borrowed were far lower than the arithmetic means suggest.

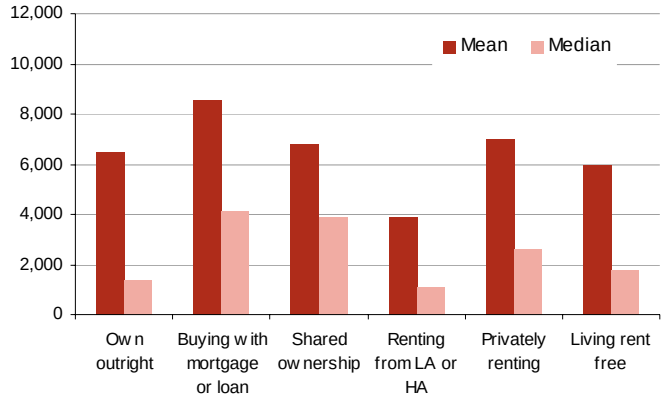
Lone parent households with dependent children, owed a mean average £4,000, with a half owing £1,200 or less and three-quarters owing £4,100 or less.

Figure 7.11

Distribution of non-mortgage borrowing[1]: by housing tenure of main residence, 2006/08

Great Britain

£



1 No. of responding households was those with any money owed in non-mortgage borrowing.

Source: Office for National Statistics

Non-mortgage borrowing by housing tenure

The likelihood of having any non-mortgage borrowing varied widely according to housing tenure, ranging from 22 per cent of households that owned their main home outright to 65 per cent of those that were paying for their main home with a mortgage. Far higher rates of non-mortgage

borrowing than the average were also found among those with 'Shared Ownership' of their main home (59 per cent) and those renting privately (58 per cent).

Figure 7.11 shows that households that owned their main home with a mortgage also owed the highest mean (£8,600) and median (£4,100) average amounts of all the groups.

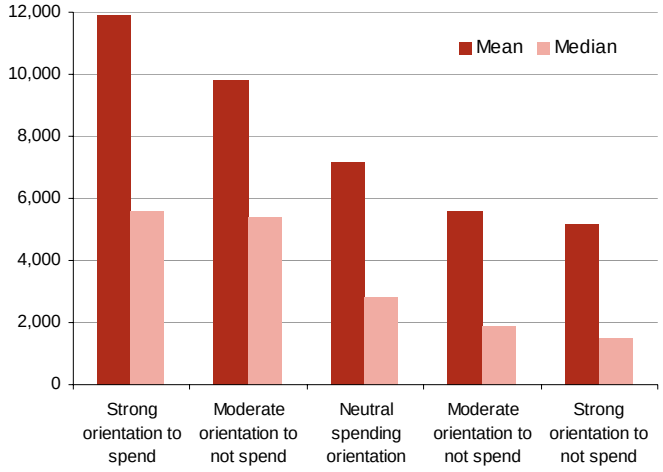
Although households renting their home from a local authority or housing association (48 per cent) were about as likely as the average (48 per cent) to have any non-mortgage borrowing, this group owed relatively small amounts if they owed anything at all, with a mean of £3,900 and median of £1,100.

Figure 7.12

Distribution of non-mortgage borrowing[1]: by spending orientation of household head, 2006/08

Great Britain

£



1 No. of responding households was those with any money owed in non-mortgage borrowing.

Source: Office for National Statistics

Non-mortgage borrowing by attitudes to spending

All survey respondents were asked a series of questions aimed at understanding their underlying attitudes towards spending, credit use and saving. These have been combined to create a single measure of a person's overall orientation to spending (see Chapter 8 for further details). Here the degree of orientation to spending of the household head was reported as a proxy indicator of household attitudes (although the orientation of the household head was not necessarily representative of all adults in the household who contribute to the measures of non-mortgage borrowing or arrears).

The analysis shows that the proportions of households that owed any money on non-mortgage borrowing and the amounts owed by these varied markedly depending on the spending orientation of the head of household (Figure 7.12).

Of households headed by someone with a strong orientation to spend, 90 per cent had at least one outstanding commitment and, among these, owed a mean average of £11,900.

Only slightly fewer households headed by someone with a moderate orientation to spend owed any money (84 per cent); this group owed a mean average of £9,800.

In contrast, only a quarter headed by someone orientated strongly to not spend, had outstanding commitments (26 per cent) owing a mean of £5,200, much lower than the average across all households with commitments (£7,200).

Non-mortgage borrowing by frequency of running out of money

In order to understand how well they were currently managing financially, all respondents to the survey were asked questions to determine how often they felt they ran out of money before the end of the

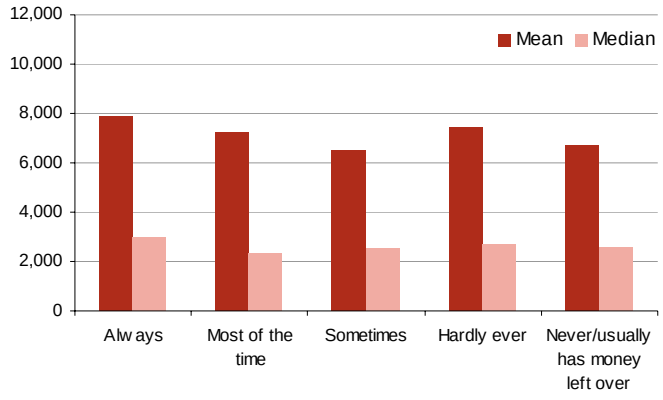
week or month. Again the response of the head of household was adopted for analysis here, though other adults in the household – whose credit use was also taken into account in the measure of non-mortgage borrowing – may have reported running out more or less often. Although the proportions of households with any current non-mortgage borrowing varied considerably by the frequency of running out, Figure 7.13 shows that the average amounts outstanding did not vary greatly. Nearly three-quarters of households headed by someone who said they always ran out money had current commitments (73 per cent). The mean amount owed by these households was £7,900, with a half owing £3,000 or less.

Figure 7.13

Distribution of non-mortgage borrowing[1]: by frequency of running out of money of household head, 2006/08

Great Britain

£



1 No. of responding households was those with any money owed in non-mortgage borrowing.

Source: Office for National Statistics

A similar proportion (71 per cent) of those who said they ran out of money 'most of the time' had one or more commitments, owing a mean amount of £7,200.

Some 63 per cent of households were headed by someone who said they ran out of money 'sometimes' and 50 per cent of those who 'hardly ever' ran out had one or more commitments, owing a mean amount of £6,500 and £7,400 respectively.

Although only 36 per cent of households were headed by someone who said they never ran out of money or that they usually had money left over, the mean amount owed by this group was similar to those of other groups, at £6,700.

Section 7.4 Arrears

This section shifts the focus from levels of non-mortgage borrowing to levels of arrears on household commitments of all types, including non-mortgage borrowing, mortgage borrowing and rent and other household bills.

Survey respondents were asked whether or not they had fallen behind with the payments on the various types of commitments for each individual commitment they had. Respondents with fixed-term types of non-mortgage borrowing (personal and cash loans, hire purchase and mail order accounts) were asked whether they were keeping up with their repayments or were behind by two or more consecutive payments; those who said they were behind were asked to give the amount they were in arrears. Respondents with credit or store cards were asked whether they had been unable to meet the minimum monthly payment on their account at any time in the past six months. Individuals' responses were aggregated at the household level.

Arrears on household bills (including rent) and mortgage arrears were also defined as having fallen behind with the payment by two or more consecutive months. However, only one household member was asked these questions, the first household member interviewed in the case of rent and household bills and the household head or their partner in the case of mortgage arrears. Those who were in arrears on household bills were also asked how much they were in arrears.

Table 7.14 shows that 14 per cent of households with one or more credit or charge cards with an outstanding balance had been unable to meet the minimum payments on their account at least once in the past six months. Taking into account households without these types of credit

commitments, this was equivalent to 4 per cent of households overall. Similarly 13 per cent of households with store cards or charge accounts had been unable to make the minimum payment, though this was equivalent to just 1 per cent of all households.

Altogether, 15 per cent of households with either type of commitment had been unable to meet the minimum payment, equivalent to 4 per cent of all households.

Table 7.14

Proportion of households unable to meet the minimum payment on credit and store cards[1]: 2006/08

Great Britain Percentages

	Account Holders[2]	All
Credit or charge card	14	4
Store card or charge accounts	13	1
Any credit or store card	15	4

1 At any time in the past 12 months.

2 Households with this type of account (whether in use or inactive) at the time of interview.

Source: Office for National Statistics

Table 7.15

Proportion of households behind with fixed-term non-mortgage borrowing[1]: 2006/08

Great Britain Percentages

	Account Holders[2]	All
Personal and cash loans	5	1
Mail order	4	-
Hire purchase	2	-
Any fixed term non-mortgage borrowing	4	1

1 Behind by two or more consecutive payments.

2 Households with this type of account.

Source: Office for National Statistics

Table 7.15 shows that 4 per cent of households with any personal or cash loan, hire purchase or mail order agreement were behind with one or more of these by two or more consecutive payments. This equates to 1 per cent of all households. Households with personal loans (5 per cent) or mail order accounts (4 per cent) were more likely to have fallen behind than those with hire purchase agreements (2 per cent).

Finally, a tiny minority of households with mortgages on their main homes (1 per cent) were two or more consecutive months behind on the repayment of these at the time they were interviewed. This was equivalent to less than 1 per cent of households overall. However, some 6 per cent of all households were behind on at least one household bill (including rent) by two or more consecutive payments.

Table 7.16

Proportion of households with arrears of any kind[1]: by borrowing, 2006/08

Great Britain Percentages

Households with any non-mortgage borrowing	17
Households with any borrowing[2]	13
All households	10

1 Unable to make minimum payments on revolving credit or behind with mortgage, fixed-term credit or household bills by two or more consecutive payments.

2 Mortgage or non-mortgage.

Source: Office for National Statistics

Bringing together different types of commitments, credit and store cards, fixed-term non-mortgage borrowing, mortgages and household bills, Table 7.16 shows that 10 per cent of all households were in arrears on at least one commitment. This increased to 13 per cent among households with any borrowing commitments, that is, a mortgage or non-mortgage borrowing. It was higher still among those with any non-mortgage borrowing, whether or not they also had a mortgage (17 per cent).

Respondents who had fallen behind with the repayment of fixed-term types of non-mortgage borrowing or with household bills were also asked how much their household owed in these arrears. Table 7.17 shows that, of the 7 per cent of households with arrears on either type of commitment, the mean amount owed across these types was £1,100. However, most households that were in arrears owed much smaller amounts than this, with half owing £400 or less.

Table 7.17

Distribution of household arrears[1]: by type, 2006/08

Great Britain £

	Mean	1st quartile	Median	3rd quartile
Personal and cash loans	2,300	100	400	1,600
Hire purchase	900	100	200	700
Mail order	300	-	100	300
Any fixed-term non-mortgage borrowing	1,600	100	200	900
Household bills	900	100	400	900
Any fixed-term non-mortgage borrowing or household bills	1,100	200	400	1,000

1 No. of responding households was those with behind by two or more consecutive payments on specified commitment.

Source: Office for National Statistics

Personal and cash loans were associated with the largest mean arrears (£2,300), although a half of households who were behind with loan repayments owed £400 or less and only a quarter owed more than £1,600. This shows that most were behind by relatively small amounts, while a small minority had arrears of a relatively large amount.

The mean value of arrears on household bills was £900, though again most owed far less than this, with a half owing only £400 or less.

Section 7.5 Arrears by key household characteristics

This section considers the likelihood of having fallen into arrears on one or more household commitments (bills, mortgage or non-mortgage borrowing) by key household characteristics.

Arrears by age

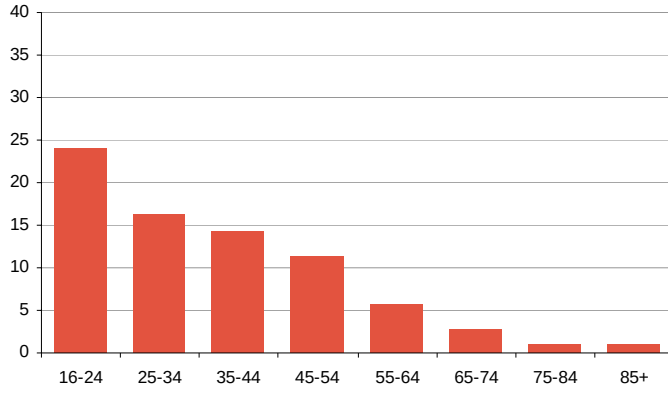
Figure 7.18 shows that the prevalence of arrears fell consistently with increasing age. Households headed by someone aged 16 to 24 were the most likely to have fallen into arrears on at least one commitment (24 per cent). The likelihood dropped fairly sharply for the two subsequent age groups: 16 per cent of those aged 25 to 34 and 14 per cent of those aged 35 to 44 had fallen into arrears. The prevalence in older age groups was lower still, falling steadily to 3 per cent of those aged 65 to 74 and 1 per cent of those aged 75 and older.

Figure 7.18

Proportion of households in arrears: by age of household head, 2006/08

Great Britain

Percentages



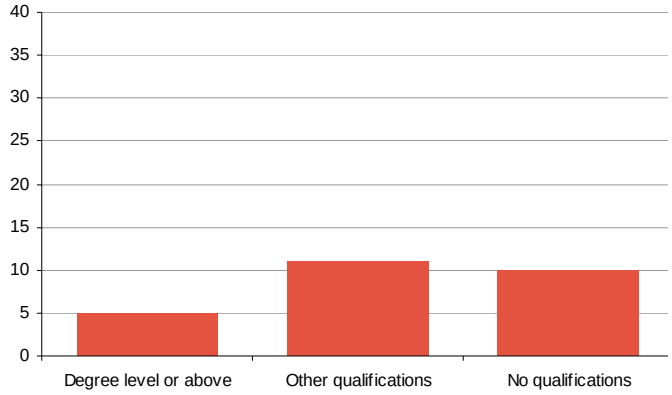
Source: Office for National Statistics

Figure 7.19

Proportion of households in arrears: by education of household head, 2006/08

Great Britain

Percentages



Source: Office for National Statistics

Arrears by education

Although Figure 7.6 above showed that households headed by someone who was educated to degree level or above were among those with the largest amounts owing in non-mortgage borrowing, Figure 7.19 shows that this group were about a half as likely to have fallen into arrears on payments of any kind as households headed by someone with lower qualification levels or no qualifications at all.

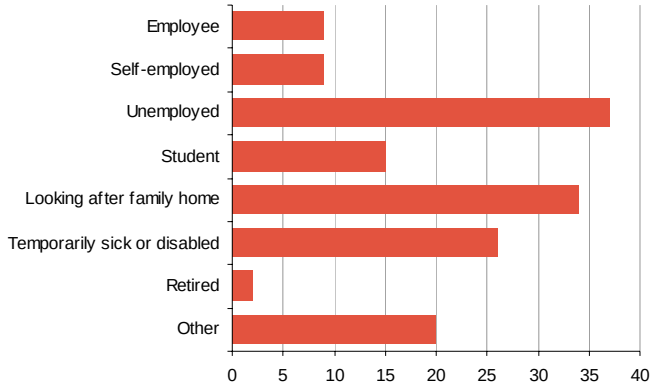
Of those educated to degree level or above 5 per cent reported being behind with payments on at least one household bill or borrowing commitment. Of those with other qualifications 11 per cent were in areas, and 10 per cent of those with no qualifications at all were in arrears.

Figure 7.20

Proportion of households in arrears: by employment status of household head, 2006/08

Great Britain

Percentages



Source: Office for National Statistics

Arrears by employment status

Figure 7.20 shows marked differences in the prevalence of arrears by the employment status of the household head.

About a third of households headed by someone who was unemployed (37 per cent) or who was looking after the family home (34 per cent) were in arrears on at least one commitment – more than three times the overall average. The likelihood was also much higher than the average among households headed by someone who was unable to work because they were sick or disabled (26 per cent). These groups were among the sub-set of groups (the other being those who were retired) that were reported earlier (see Figure 7.7) to have owed relatively small amounts in outstanding non-mortgage borrowing.

The propensity to be in arrears was about twice the average among those who were economically inactive for 'other reasons' (20 per cent), while 15 per cent of households headed by a student were in arrears. The likelihood of having fallen into arrears was about average among the self-employed (9 per cent) and employees (9 per cent). Finally, households headed by someone who was retired were the least likely of all the groups to have fallen into arrears (2 per cent).

Arrears by socio-economic classification

Figure 7.21 shows a marked relationship between having fallen into arrears and the socio-economic classification of the household head.

Prevalence of arrears was lowest among households headed by someone classified in the 'large employers and higher managerial' (3 per cent) and the 'higher professional' groups (3 per cent).

Households headed by a person classified as never having worked or long-term unemployed were the most likely of all the groups to have fallen into arrears (24 per cent); the next highest rates were found among those in routine (15 per cent) and semi-routine occupations (15 per cent).

Figure 7.21

Proportion of households in arrears: by socio-economic classification of household head, 2006/08

Great Britain

Percentages

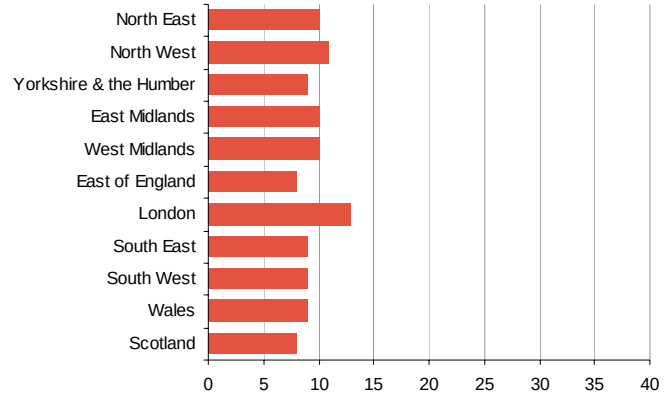
Source: Office for National Statistics

Figure 7.22

Proportion of households in arrears: by region, 2006/08

Great Britain

Percentages



Source: Office for National Statistics

Arrears by region

Figure 7.22 shows that the propensity to have fallen behind with the payments on household commitments by region did not differ greatly from the average of 10 per cent across all households.

In terms of the propensity to have fallen into arrears, households in London were at the high end of the range (13 per cent), followed by those in the North West of England (11 per cent). Households in the East of England (8 per cent) and Scotland (8 per cent) were towards the lower end of the range.

Arrears by household type

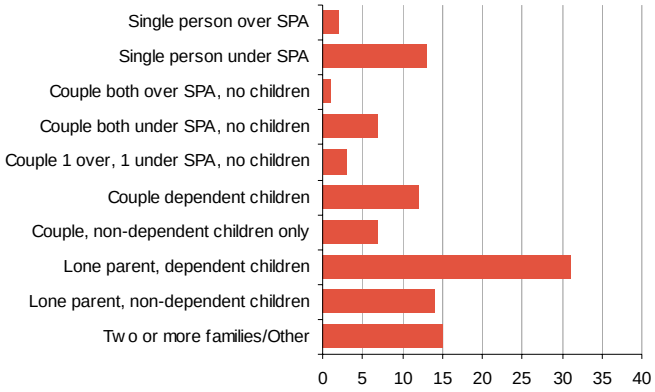
Earlier in this chapter, it was reported that lone parent households with dependent children were among those most likely to have non-mortgage borrowing commitments. Figure 7.23 shows clearly that households of this type were far more likely than any other group to have fallen into arrears on one or more household bills, mortgage or non-mortgage borrowing commitment (31 per cent).

Figure 7.23

Proportion of households in arrears: by household type[1], 2006/08

Great Britain

Percentages



1 SPA is State Pension Age (65 for men and 60 for women).

Source: Office for National Statistics

About half as many lone parent families with non-dependent children (14 per cent) and households comprising two or more families or another household structure (15 per cent) had been in arrears. Above average proportions of single-person households (under State Pension Age (SPA); 13 per cent) and couples with dependent children (12 per cent) had also fallen into arrears.

Very few couples (one over SPA, one under SPA) without children (3 per cent), single person (over SPA) households (2 per cent) and especially couple households without children where both partners were over SPA (1 per cent) had fallen into arrears.

Arrears by housing tenure

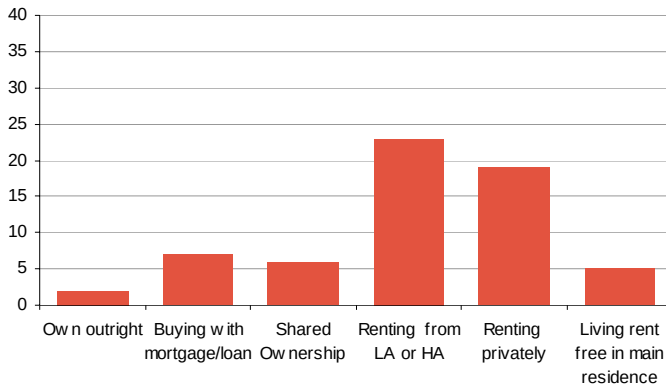
Figure 7.24 shows that the likelihood of having fallen into arrears varied markedly with housing tenure.

Figure 7.24

Proportion of households in arrears: by housing tenure of main residence, 2006/08

Great Britain

Percentages



1 LA - Local authority, HA – Housing authority.

Source: Office for National Statistics

Households renting their main home from a local authority or housing association were the most likely of all the groups to have fallen into arrears on one or more commitments (23 per cent), followed by those who were renting privately (19 per cent).

Only 5 per cent of households living rent-free in their main home had fallen into arrears, while those that owned their main residence outright were very unlikely to have missed payments on household bills or borrowing commitments (2 per cent).

Arrears by attitudes to spending

The propensity to have fallen into arrears on one or more financial commitments varied, depending on the spending orientation of the head of the household (Figure 7.25). Of households headed by someone who was strongly orientated to spend, 33 per cent had fallen behind with at least one commitment, more than three times the overall average of 10 per cent.

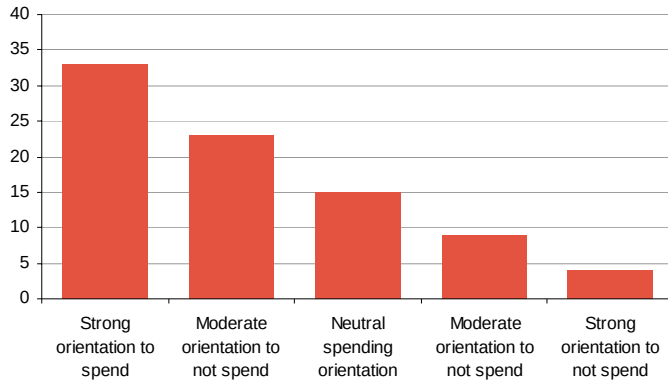
In contrast, just 4 per cent of those headed by someone strongly orientated not to spend had fallen into arrears.

Figure 7.25

Proportion of households in arrears: by spending orientation of household head, 2006/08

Great Britain

Percentages



Source: Office for National Statistics

Rather than being a direct reflection of attitudes, this was likely to relate to the increased rates of non-mortgage borrowing among those orientated to spend reported above (Figure 7.12) and the increased pressure discretionary spending places on disposable income.

Arrears by frequency of running out of money

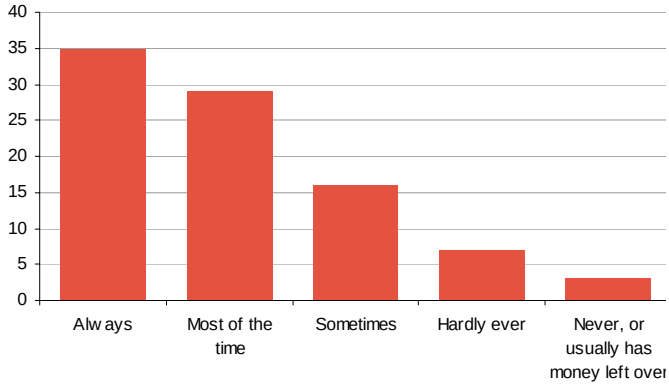
Figure 7.26 shows that the likelihood of a household having fallen into arrears on at least one commitment varied by how frequently the household ran out of money before the end of the week or month (represented by the response given by the household head).

Figure 7.26

Proportion of households in arrears: by frequency of running out of money of household head, 2006/08

Great Britain

Percentages



Source: Office for National Statistics

At almost four times the average likelihood, 35 per cent of households headed by someone who said they always ran out of money had fallen into arrears.

By comparison, the likelihood of having fallen into arrears was lower than the average in households headed by someone who said they hardly ever ran out of money (7 per cent) or that they never ran out or usually had money left over (3 per cent).

Section 7.6 Conclusions

Nearly a half of households (48 per cent) owed money in non-mortgage borrowing, with a half of these owing £2,700 or less. Credit and charge cards were the most commonly used type of non-mortgage borrowing facility, although the balances on personal and cash loans comprised the largest proportion of the total amounts owed by active credit users as a whole. The distribution of non-mortgage borrowing in the population was uneven, both in terms of the propensity to owe any money and the average amounts owed. The relationship with factors such as household type and housing tenure were particularly marked.

Some 10 per cent of households had fallen behind with the payments on one or more household commitment, rising to 17 per cent of those with any ongoing non-mortgage borrowing commitments. The likelihood of having fallen into arrears varied considerably by socio-economic status, with households comprising lone parents with dependent children, and households in which the head of household was unemployed or looking after the family home, among those most at risk of having done so.

Footnotes

1 Household bills comprise: electricity bills; gas bills; Council Tax; telephone bills; water rates; rent; child maintenance payments; court fines; Income Tax payments; Value Added Tax payment; and 'other bills'.

2 This excludes any overdraft facilities that were not in use at the time of the interview.

3 Personal and cash loans comprise: a personal loan (e.g. with a bank, building society, or finance house); cash loan from a company that comes to your home to collect payments; loan from a pawnbroker/cash converters; loan from a credit union; loan from the Social Fund; loan from an employer; student loan from a bank or building society; a loan from a payday lender; or another type of loan. The category excludes loans from the Student Loan Company or a loan from a friend, relative or other private individual.

4 Payments of a different periodicity have been re-calculated as the equivalent monthly amount. The value for store and credit cards was calculated as 2 per cent of the outstanding balance or £5, whichever was the higher value. Loans from the Student Loans Company that were not yet being repaid were excluded from the values shown. Any repayments of overdrafts repayments were also excluded.

Chapter 8

Attitudes

Section 8.1 Introduction

In this chapter the focus turns from households to individuals and from wealth to attitudes towards different aspects of people's financial lives. Everyone who responded in person to the Wealth and Assets Survey was asked a range of questions about their attitudes towards, perceptions of and expectations about issues such as spending, saving, borrowing and, among those who were not yet retired, around retirement planning.

The 2006/08 WAS survey sampled all private households in Great Britain. This means that people in residential institutions, such as retirement homes, nursing homes, prisons, barracks or university halls of residence, and also homeless people are excluded from the scope of the analysis presented here.

The tables and charts in this chapter provide summary results. Each of these is linked to a spreadsheet giving the source data, and often more detailed results. The spreadsheets can be accessed by clicking on the table or chart.

Section 8.2 Attitudes towards spending, saving, credit and risk

Spending, saving and credit

All individuals were asked to rate their level of agreement or disagreement with three statements relating to their attitudes towards spending, saving and credit use. Table 8.1 provides a detailed breakdown of the findings.

People were far more likely to disagree (80 per cent) than agree (13 per cent) with the statement, 'I tend to buy things when I can't really afford them'. Similarly, 71 per cent of people disagreed with the statement 'I tend to buy things on credit and pay it off later', compared with 20 per cent who agreed. When asked if 'I am more of a saver than a spender', 43 per cent of people agreed, compared with 32 per cent who disagreed and an additional 24 per cent who said they neither agreed nor disagreed.

These three attitudinal statements were correlated highly with each other and strongly reflect a single underlying attitude[1]. As such, they have been combined to create a single measure representing 'spending orientation' ranging from people who were strongly orientated towards spending to those who were strongly orientated away from spending. This new measure reflects the distribution of responses to the three individual measures, showing that a minority of people were orientated towards spending, with 3 per cent strongly and 7 per cent moderately so, 24 per cent were fairly neutral in their spending orientation. The majority of people (65 per cent) were orientated to not spend, including 40 per cent strongly and 26 per cent moderately.

Table 8.1

Attitude towards spending, saving and credit[1,2]: 2006/08

Great Britain Percentages

	Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree	Don't know/ no opinion[3]
I tend to buy things when I can't really afford them	3	10	6	25	55	1
I am more of a saver than a spender	17	27	24	20	11	1
I tend to buy things on credit and pay it off later	5	16	8	21	50	1

1 Level of agreement with each statement.
2 Adults responding in person.
3 Spontaneous only.

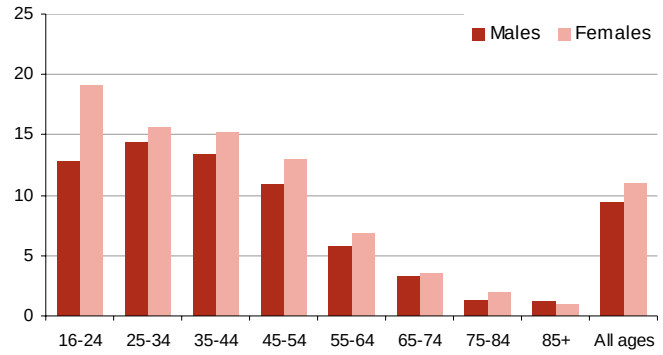
Source: Office for National Statistics

Figure 8.2

Strong or moderate orientation towards spending[1]: by age and sex, 2006/08

Great Britain

Percentages



1 Adults responding in person excluding 'don't knows'.

Source: Office for National Statistics

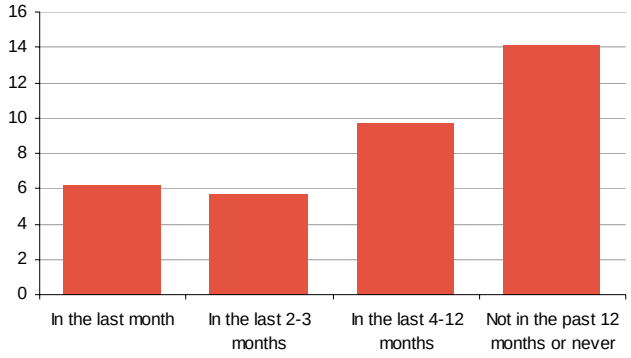
Figure 8.2 shows variations in the proportions of people defined as having a strong or moderate orientation towards spending by age and sex. Having a strong or moderate orientation towards spending decreased steadily with age until the 45 to 54 group, falling away more steeply from 55 and over.

Figure 8.3

Strong or moderate orientation towards spending[1]: by when last saved from income, 2006/08

Great Britain

Percentages



1 Adults responding in person excluding 'don't knows'.

Source: Office for National Statistics

Slightly more women (11 per cent) than men (9 per cent) had a strong or moderate orientation towards spending and the gender difference is apparent for most age groups.

The difference was particularly marked for those in the youngest age group (16 to 24), among whom 19 per cent of women and 13 per cent of men had a strong or moderate orientation towards spending.

Spending orientation varied considerably depending on whether or not the person had active credit commitments[2]. Of active credit users, 20 per cent had a strong or moderate orientation towards spending, compared with 4 per cent of people without active credit commitments.

Conversely, the less recently someone had saved from their income the more likely they were to be strongly or moderately orientated towards spending. Figure 8.3 shows that 14 per cent of people who reported never saving from income or not having done so in the past 12 months had a strong or moderate spending orientation. Meanwhile, only 6 per cent of people who said they had saved actively in the last month or in the last 2 to 3 months had a strong or moderate orientation towards spending. This small group was likely to include people who had sufficient disposable income to spend on discretionary items while also saving some of their income.

Risk preference and time orientation

Respondents to the survey were asked two questions aimed at determining their risk preference and time orientation. The results show that people were predominantly averse to risk and had short time horizons financially. More than three-quarters (78 per cent) of people said they would choose to receive a guaranteed payment of £1,000 rather than take a one in five chance of winning £10,000, while 22 per cent preferred the option of winning £10,000. Similarly, 80 per cent of people said they would rather receive £1,000 today than £1,100 next year, while 20 per cent said they would rather receive £1,100 next year.

An examination of the responses to the two questions in combination confirms that a large proportion of people preferred both certain and more immediate outcomes. Approaching two-thirds of people (63 per cent) preferred both a guaranteed payment of £1,000 (rather than a chance on winning £10,000) and £1,000 today (rather than £1,100 next year). Only 16 per cent preferred a chance of winning £10,000 but would rather have £1,000 today and 15 per cent preferred the guaranteed payment but would rather receive £1,100 next year. The remaining 5 per cent stated a preference for a chance of winning £10,000 and receiving £1,100 next year.

Table 8.4

Risk preference and time orientation[1]: by spending orientation, credit use and savings, 2006/08

Great Britain Percentages

	Guaranteed £1,000 or chance to win £10,000		£1,000 today or £1,100 next year	
	£1,000	£10,000	Today	Next year
Spending orientation				
Strong, to spend	74	26	87	13
Moderate, to spend	77	23	86	14
Neutral	77	24	82	18
Moderate, to not spend	79	21	80	20
Strong, to not spend	80	20	76	24
Has active credit comitments				
Yes	78	22	82	18
No	79	21	78	22
Has liquid savings of any value				
Yes	78	22	79	21
No	81	19	87	13
Total	78	22	80	20

1 Adults responding in person excluding 'don't knows'.

Source: Office for National Statistics

Table 8.4 shows that an individual's preferences varied to a certain degree by their spending orientation. Those who had a strong orientation to spend were more likely to prefer the chance of winning £10,000 (26 per cent) than those who – at the other end of the range – had a strong orientation to not spend (20 per cent). More strikingly, people with a strong orientation to not spend (24 per cent) were much more likely than those with a strong orientation to spend (13 per cent) to say they would prefer to receive £1,100 next year than have £1,000 today.

Table 8.4 also shows that there were only small differences in the likelihood of preferring a chance of winning £10,000 or receiving a guaranteed £1,000 by whether or not the individual had active credit commitments or formal liquid assets ('savings'). However, there were again more marked differences for the time orientation question. A preference for receiving £1,100 next year was more common among people without any active credit commitments (22 per cent) than among those with such commitments (18 per cent). Conversely, 21 per cent of people with savings expressed a preference for taking £1,100 next year, compared with 13 per cent of those without savings.

Section 8.3 Saving behaviour and intentions

Having money left over

The survey asked individuals to report how often they had had money left over at the end of the week or month over the past 12 months.

Table 8.5 shows that 44 per cent of people had money left over at least most of the time, including 28 per cent who always had money left over. Some 17 per cent said they 'never' had any money left over, although in practice this group is likely to include people who have put money into savings routinely during the course of the month, as discussed later in this chapter (see Figure 8.10).

Women were less likely than men to say they had always had money left over at the end of the week or month in the last 12 months (26 and 30 per cent respectively). Conversely, women were more likely to say they never or hardly ever had money left over (37 per cent) compared with men (33 per cent).

Table 8.5

Frequency of having money left over at the end of the week or month in the past 12 months[1]: 2006/08

Great Britain Percentages

	Males	Females	All
Always	30	26	28
Most of the time	17	16	16
Sometimes	18	19	19
Hardly ever	17	20	19
Never	16	18	17
Too hard to say/varies to much[2]	2	1	2

1 Adults responding in person excluding 'don't knows'.
2 Spontaneous only.

Source: Office for National Statistics

As Table 8.6 shows, the frequency of having money left over varied quite widely by a person's orientation towards spending and whether or not they were an active credit user.

People with a strong orientation to not spend (61 per cent) were far more likely than those who were strongly orientated towards spending (13 per cent) to report having money left over all or most of the time. Just over a half (54 per cent) of people with no active credit commitments had money left over all or most of the time, compared with 30 per cent of people with credit commitments.

Frequency of having money left over varied quite considerably depending on whether the individual had savings (of any value). Some 49 per cent of people with savings reported having money left over most or all the time, and an additional 20 per cent said they had money left over sometimes (Table 8.6). In contrast, only 12 per cent of those with no savings whatsoever reported having money left over most or all the time, with an additional 14 per cent saying they had money left over sometimes. This leaves just under three-quarters (74 per cent) who said they never or hardly ever had money left over.

Table 8.6

Frequency of having money left over at the end of the week or month in the past 12 months[1:] by spending orientation, credit use and savings, 2006/08

Great Britain Percentages

	Always or most of the time	Some-times	Hardly ever or never
Spending orientation			
Strong, to spend	13	13	74
Moderate, to spend	20	20	61
Neutral	31	22	47
Moderate, to not spend	45	21	34
Strong, to not spend	61	17	23
Has active credit commitments			
Yes	30	21	49
No	54	18	27
Has liquid savings of any value			
Yes	49	20	32
No	12	15	74
Total	45	19	36

1 Adults responding in person excluding 'don't know' and 'Too hard to say/varies too much'.

Source: Office for National Statistics

Those who had money left over at least sometimes were also asked what they mainly did with the money. Table 8.7 shows that people were most likely to say they had tended to put it into or leave it in a current account (46 per cent) or savings account (23 per cent). An additional 11 per cent said they would leave it in their current account before moving it into savings or investments. A similar number of people (11 per cent) said they mainly spent it.

What people reported doing with any money they had left over varied little by how often they had money left over. The main exceptions were that the more often people had money left over, the less likely they were to report spending the money and the more likely they were to report either putting the money into or leaving it in savings or leaving it in a current account before moving it to savings or investments (Table 8.7).

Table 8.7

What people mainly did with the money left over[1,2]: by frequency of having money left over, 2006/08

Great Britain Percentages

	Always	Most of the time	Sometimes	All
Put it into/ leave it in current account	44	48	47	46
Put it into/ leave it in savings account	30	22	14	23
Leave it in current account and then put into savings/investments	14	11	6	11
Keep it in purse/wallet for the next week	1	2	4	3
Save it in cash at home	1	2	3	2
Give it to someone else to save for me	-	-	-	-
Spend it	6	11	19	11
Give it away	0	0	0	0
Depends on amount left over/ varies too much to say	2	3	5	3
Something else	1	1	1	1

1 Individuals who reported having money left over at least sometimes at the end of the week or month.
2 Excludes 'don't knows'.

Source: Office for National Statistics

Among those who 'always' had money left over, only 6 per cent said they mainly spent it, compared with 19 per cent of those who 'sometimes' had money left over. Nearly a third (30 per cent) said they tended to put or leave it in a savings account, compared with 14 per cent of those who 'sometimes' had money left over. A further 14 per cent said they left it in a current account before transferring it to a savings or investment account, compared with 6 per cent of those who 'sometimes' had money left over.

Saving from income

The survey asked all individuals whether or not they had ever saved any of their income, for example by putting money away in a bank, building society or Post Office account other than to meet regular bills. Those who had put money away were asked when they had last done so.

Table 8.8 shows that the population was divided largely between people who had saved from income recently, and those who had not saved for at least a year, if at all. While 37 per cent of people had saved in the last month, a similar proportion, 35 per cent, had never saved any of their income and a further 13 per cent had not saved actively in the past 12 months. This overall picture differed very little by sex.

Table 8.8

When last saved from income[1,2,3]: by sex, 2006/08

Great Britain Percentages

	Men	Women	All
In the last month	38	36	37
In the last 2-3 months	7	7	7
In the last 4-6 months	4	4	4
in the last 7-12 months	3	4	3
Has not saved from income in the past 12 months	14	13	13
Has never saved from income[3]	34	36	35

1 In addition to any money saved to meet regular bills.
2 Excludes don't knows.
3 Declared at previous question.

Source: Office for National Statistics

Reporting having saved in the last month varied markedly by spending orientation and, as might be expected, how often people had money left over at the end of the week or month. Relatively few

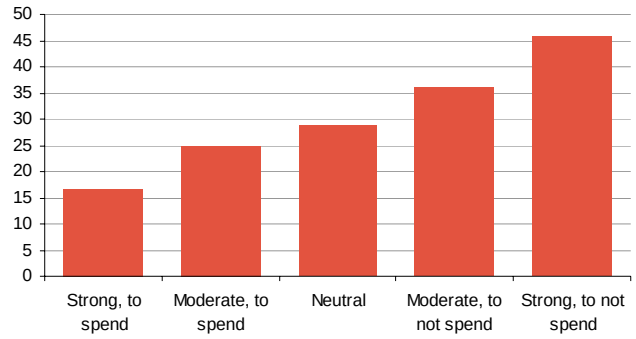
people with a strong orientation towards spending had saved in the last month (17 per cent), increasing to almost a half (46 per cent) of people strongly orientated to not spend (Figure 8.9).

Figure 8.9

Proportion who saved from income in the last month[1]: by orientation to spending, 2006/08

Great Britain

Percentages



1 Adults responding in person excluding 'don't knows'.

Source: Office for National Statistics

Almost two-thirds of people who said they always had money left over (64 per cent) had saved in the last month, compared with just 17 per cent of those who hardly ever had money left over (Figure 8.10).

Unexpectantly, 12 per cent of people who had previously said they never had money left over went on to say they had saved in the last 12 months (Figure 8.10). This group is likely to include people who saved routinely (for example using a regular standing order) at the start of their budgeting cycle.

Finally, 32 per cent of active credit users had saved in the last month compared with 40 per cent of people without credit commitments.

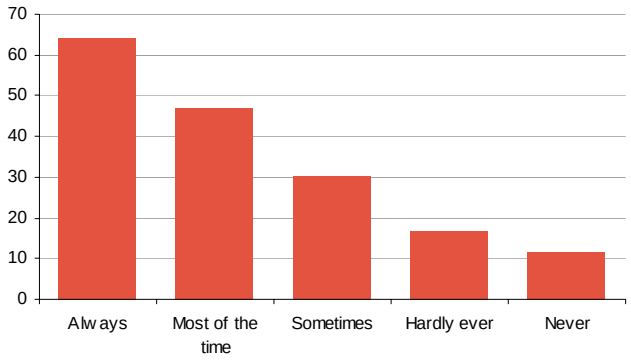
People who said they had saved in the last 12 months were additionally asked their main reasons for saving this money. Table 8.11 shows that 57 per cent said they had saved for unexpected expenditures while 49 per cent had saved for holidays or other leisure or recreational activities and 33 per cent had saved to meet a planned expense.

Figure 8.10

Proportion who saved from income in the last month[1]: by frequency of having money left over, 2006/08

Great Britain

Percentages



1 Adults responding in person excluding 'don't knows'.

Source: Office for National Statistics

Table 8.11

Main reasons for saving[1]: 2006/08

Great Britain	Percentages
For unexpected expenditures	57
For holidays or other leisure/ recreation	49
To cover a planned expense in the future	33
To provide income for retirement	20
To see my money grow/ good interest rates/ speculation	19
For other family members (including for gifts or to leave an inheritance)	19
For a deposit to buy a property	6
As speculation/ recreational	6
To provide regular income over the next 12 months	6
Other reasons	3

1 Individuals who had saved in the last 12 months.

Source: Office for National Statistics

People who had not saved in the past 12 months or who had never saved were asked to give the reasons for this. Table 8.12 shows that the overall majority (81 per cent) said they had not saved because they ‘could not afford to’. A few non-savers (6 per cent) cited unexpected expenditure(s) as a reason for not having saved

and 5 per cent said they were not interested in saving or had not thought or got around to it. Increasing to 11 per cent among the group who had money left over always or most of the time.

Very few non-savers said they had not saved because they did not need to (4 per cent) or did not want to (4 per cent), rising to 10 per cent and 7 per cent respectively among those who often had money left over. A lack of trust in financial institutions was mentioned as a reason for never or hardly ever saving (less than 1 per cent overall) (Table 8.12).

The group of people who said they could not afford to save warrants further consideration because it was so large. This group seems to include people who could not afford to save because of a lack of money after essential expenditure has been met. Some 93 per cent of people who had said that they never or hardly ever had money left over at the end of the week or month said they could not afford to save.

However, this group also seems to include another set of people who appeared to have other priorities for their disposable income. More than a half (56 per cent) of those who had not saved but who also said they had money left over almost or most of the time said they did not save because they could not afford to (Table 8.12). Looked at another way, 16 per cent of people who said they could not afford to save often had money left over at the end of the week or month. For this group, it was likely that saying they 'could not afford' to save was a substitute for saving not currently being a priority for them.

Intention to save in the future

People who reported either never having saved from income or not having done so in the past 12 months were also asked if they thought it was likely they would save any money in the next 12 months. Overall, only 23 per cent (21 per cent of women and 25 per cent of men) thought they were likely to do so. This comprised 28 per cent of those who had not saved in the past 12 months falling to 21 per cent of those who said they had never saved.

Table 8.12

Reasons for not saving[1]: by frequency of having money left over, 2006/08

Great Britain Percentages

	Frequency of having money left over			
	Always or most of the time	Sometimes	Never or hardly ever	All
Can't afford to - general	56	78	93	81
Had unexpected expenditure/s	7	8	5	6
Not interested/not thought about it/got round to it	11	5	2	5
Don't need to save	10	4	2	4
Don't want to save	7	5	2	4
Too late to start saving now	2	1	1	1
Don't trust financial institutions	1	1	0	1
Would lose out on benefits	0	0	0	0
Don't know how to save/invest	0	0	0	0
Other	10	6	3	5
Don't know (spontaneous only)	2	1	0	1

1 Individuals who had never saved or had not saved in the last 12 months.

Source: Office for National Statistics

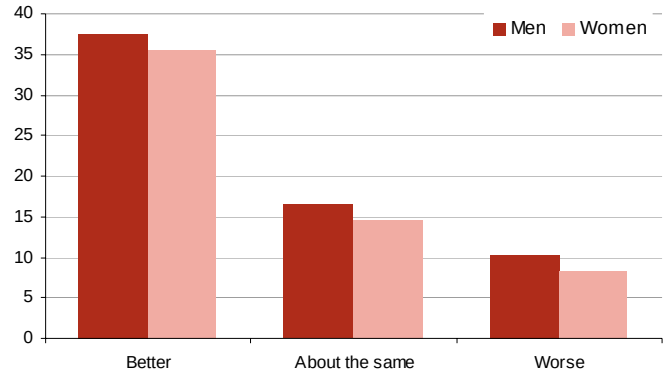
Figure 8.13 shows the relationship between people's intention to save and their expectations for their financial situation for the next two years. People who expected their financial situation to improve were most likely to say they thought they would save in the next 12 months (37 per cent), while those who expected their situation to get worse were much less likely to report this intention (9 per cent). This overall picture did not differ greatly by gender.

Figure 8.13

Proportion likely to save in the next 12 months[1]: by expected financial situation in the next two years and sex, 2006/08

Great Britain

Percentages



1 Individuals who had never saved or had not saved in the last 12 months.

Source: Office for National Statistics

Section 8.4 Financial difficulties

Burden of non-mortgage and mortgage borrowing

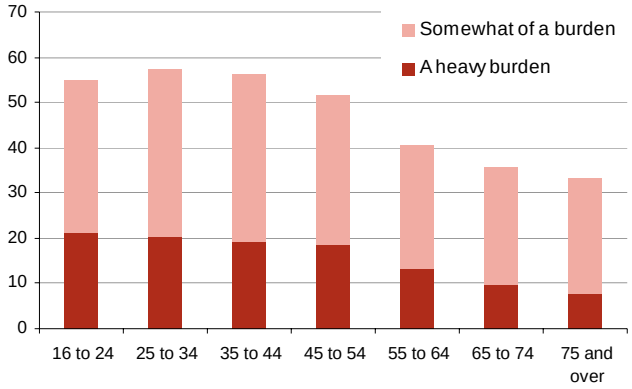
Everyone who was an active credit user was asked to say how much of a burden it was to keep up with the repayments on these commitments.[3] Just over half (52 per cent) reported that keeping up with their repayment was a burden, including 18 per cent who found it a heavy burden. Among those who were additionally living in a household that was behind with the payments on household bills, these figures increased to 60 per cent and 30 per cent respectively.

Figure 8.14

Financial burden of non-mortgage borrowing repayments[1,2]: by age, 2006/08

Great Britain

Percentages



1 Individuals with any outstanding unsecured commitments.
2 Excludes don't knows.

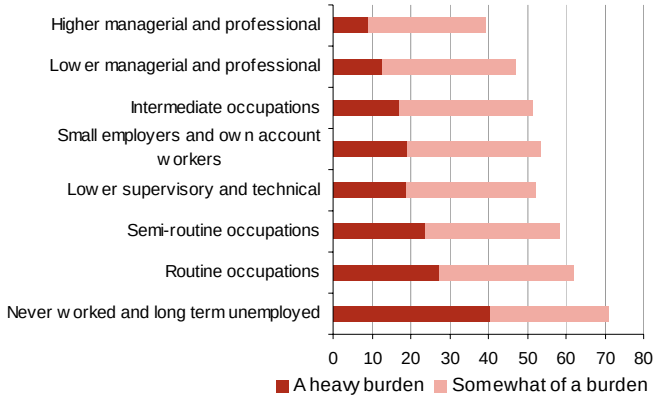
Source: Office for National Statistics

Figure 8.15

Financial burden of non-mortgage borrowing repayments[1,2]: by socio-economic status, 2006/08

Great Britain

Percentages



1 Individuals with active credit commitments.
2 Excludes don't knows.

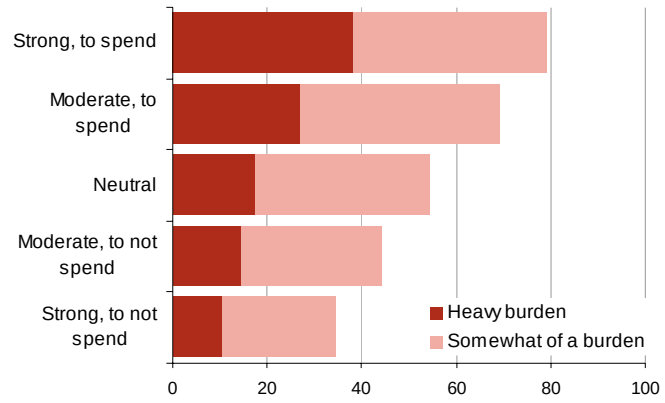
Source: Office for National Statistics

Figure 8.16

Financial burden of non-mortgage borrowing repayments[1,2]: by spending orientation, 2006/08

Great Britain

Percentages



1 Individuals with active credit commitments.
2 Excludes don't knows.

Source: Office for National Statistics

The likelihood of reporting non-mortgage borrowing repayments to be a burden was examined further in Figures 8.14 to 8.16. Figure 8.14 shows that reporting repayments to be a burden was most common among those in the youngest age groups and tended to decrease thereafter. For example, 57 per cent of 25 to 34 year olds, 51 per cent of 45 to 54 year olds and 33 per cent of those aged 75 and over said their payments were a burden.

Figure 8.15 shows that there was considerable variation by socio-economic status, ranging from 39 per cent of higher managerial or professionals reporting finding their repayments a burden to 62 per cent of people in routine occupations and 71 per cent of people who had never worked or were long-term unemployed.

The likelihood of saying that keeping up with the payments on non-mortgage borrowing was a burden also varied according to people's spending orientation (see Figure 8.16). Active credit users with a strong orientation towards spending were highly likely to report it to be a burden (79 per cent) compared with much smaller proportion of those strongly orientated to not spend (35 per cent).

Active credit users who also lived in a household with an outstanding mortgage were asked a second, similar question about the burden of repayments, taking all of these commitments into account. This was associated with a heightened propensity overall to say that keeping up with the repayments was a burden (61 per cent, including 19 per cent who said they were a heavy burden). Again, among those who were additionally living in a household that was behind with the payments on household bills, these figures increased to 62 per cent per cent and 31 per cent respectively.

On the whole, similar types of people who reported finding these repayments altogether to be a burden also reported the repayments on credit commitments alone to be a burden. For example, younger age groups, those in routine occupations and people with an orientation towards spending were among those more likely to report finding these repayments to be a burden.

Running out of money

Table 8.5 showed that many people often did not have money left over at the end of the week or month. People who said they had money left over only sometimes or less often than this were asked how often they actually ran out of money before the end of the week or month.

Taking into account those who had said earlier that they had money left over always or most of the time, Table 8.17 shows that almost a third of people (31 per cent) overall ran out of money at least sometimes, including 9 per cent who ran out most the time and a further 7 per cent who always ran out.

The tendency to run out of money at least sometimes varied considerably with age, spending orientation and how much of a burden people found keeping up with the payments on their credit commitments. Table 8.18 shows that a half (50 per cent) of individuals aged 16 to 24 ran out of money

before the end of the week or month at least sometimes. The proportions fall steadily with increasing age, such that 33 per cent of people aged 45 to 54 said they ran out of money at least sometimes, while people aged 85 or over were unlikely to report running out of money this often (8 per cent).

Table 8.17

Frequency of running out of money[1,2]: 2006/08

Great Britain Percentages

Always	7
Most of the time	9
Sometimes	16
Hardly ever	11
Never, or usually has money left over[3]	57
Too hard to say/varies too much (spontaneous only)	1

1 Includes times when respondent has run out of money and used a credit card or overdraft to get by.
2 Excludes don't knows.
3 Includes those who reported they usually or always have money left over at a previous question.

Source: Office for National Statistics

Of people with a strong orientation to spend, 70 per cent reported running out of money at least sometimes, falling steadily to just 17 per cent of people who had a strong orientation to not spend.

The relationship between running out of money and the feeling that the repayments on non-mortgage borrowing commitments were a burden was very strong indeed. Some 81 per cent of people who found it a heavy burden said they at least sometimes ran out of money before the end of the week or month. This compares with 27 per cent of those saying their debts were not a problem at all.

People who reported running out sometimes or more often than sometimes were asked what they usually did when their money ran out. Table 8.19 presents the responses people gave to this question, grouped into the broad types of actions that people took.

Table 8.18

Frequency of running out of money sometimes or more often[1,2]: by age, orientation towards spending and burden of non-mortgage borrowing, 2006/08

Great Britain Percentages

Age	
16 to 24	50
25 to 34	41
35 to 44	40
45 to 54	33
55 to 64	23
65 to 74	17
75 to 84	12
85 and over	8
Orientation to spending	
Strong spending orientation	70
Moderate spending orientation	58
Neutral spending orientation	43
Moderate non-spender	30
Strong non-spender	17
Burden of non-mortgage borrowing[3]	
A heavy burden	81
Somewhat of a burden	55
Not a problem	27

1 Includes times when respondent had run out of money and used a credit card or overdraft to get by.
2 Excludes don't knows.
3 Limited to those with any outstanding non-mortgage borrowing commitments.

Source: Office for National Statistics

More than a third said they usually borrowed using formal sources of unsecured credit (38 per cent) such as using an authorised overdraft (28 per cent) or using a credit or store card (14 per cent). Far fewer reported using an unauthorised overdraft (4 per cent) or a commercial loan (2 per cent).

A similar number said they borrowed money from informal sources (36 per cent), typically borrowing from friends or family members (36 per cent) and very rarely from non-commercial sources of borrowing such as pawn brokers or cash converters (1 per cent).

Table 8.19

What do respondents usually do when they run out of money[1,2] : 2006/08

Great Britain Percentages

Borrow from commercial sources	**38**
Use authorised/arranged overdraft	28
Use credit or store card(s)	14
Use unauthorised overdraft	4
Take out commercial loan	2
Borrow from non-commercial sources	**36**
Borrow from family/friends	36
Use a pawn brokers or cash converters	1
Draw money out of savings or transfer savings which had not planned to use	**15**
Other	**50**
Cut back on spending/do without	43
Do overtime/ earn extra money	5
Something else	4
Depends on amount needed/varies too much to say	2

1 Individuals who ran out of money before the end of the week or month at least sometimes.

2 Excludes don't knows.

Source: Office for National Statistics

It was more unusual for people to say they usually drew money out of savings they had not planned to use (15 per cent). However, a large proportion (50 per cent) of people who ran out of money at least sometimes did something other than borrow or draw on savings.

These included 43 per cent who said they cut back on spending or did without, and 5 per cent said they earned extra money, including doing overtime.

Section 8.5 Retirement attitudes and expectations

Attitudes towards retirement planning and pensions

All adults who were below State Pension Age (SPA) and not yet retired were asked to say to what extent they agreed or disagreed with four statements relating to attitudes towards pensions and saving for retirement. Table 8.20 presents the detailed breakdown of responses to these four questions. In response to the first of these statements, 'I would rather have a good standard of living today than save for retirement', 40 per cent of people agreed, including 13 per cent who agreed strongly. Men and women were equally likely to agree with the statement (39 per cent and 40 per cent respectively).

People without a private pension were more likely to agree than those with a private pension, 48 per cent compared with 34 per cent respectively. There were also notable variations by education level, region and an individual's orientation towards spending.

Table 8.20

Attitude towards pensions and retirement planning[1]: 2006/08

Great Britain Percentages

	Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree	Don't know/no opinion[2]
I would rather have a good standard of living today than plan for retirement	13	27	26	25	7	2
I understand enough about pensions to make a decision about saving for retirement	12	28	15	26	16	4
Having a pension is the best way to save for retirement	15	35	20	18	8	4
Investing in property is the best way to save for retirement	20	37	22	13	4	4

1 Individuals below SPA and not retired.

2 Spontaneous only.

Source: Office for National Statistics

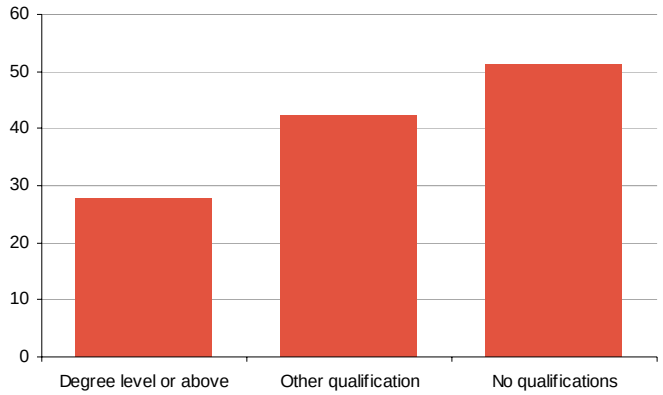
Just over a quarter (28 per cent) of those with a degree or above agreed, rising to a half (51 per cent) of those with no qualifications (Figure 8.21).

Figure 8.21

Proportion who would rather have a good standard of living today than plan for retirement[1]: by education, 2006/08

Great Britain

Percentages



1 Individuals below SPA and not retired.

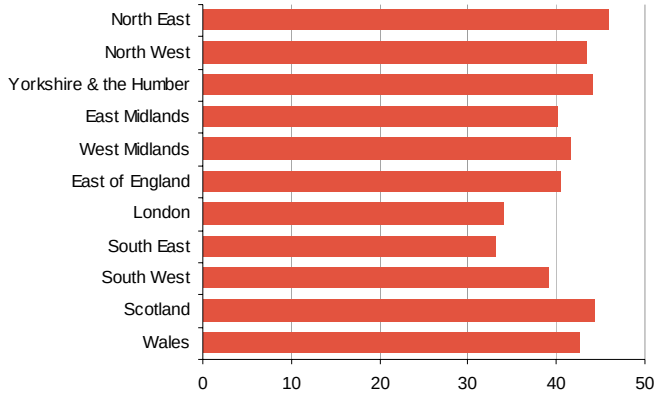
Source: Office for National Statistics

Figure 8.22

Proportion who would rather have a good standard of living today than plan for retirement[1]: by region, 2006/08

Great Britain

Percentages



1 Individuals below SPA and not retired.

Source: Office for National Statistics

Figure 8.22 shows the variations by region. While about a third of people living in the South East (33 per cent) or London (34 per cent) agreed with this statement, the figure rises to 46 per cent of people living in the North East of England.

The variation by spending orientation is presented in Figure 8.23, showing that 59 per cent of people with a strong orientation towards spending preferred a good standard of living today rather than saving for retirement. At the other end of the range, around half as many people (31 per cent) who had a strong orientation to not spend agreed with the statement. The apparent differences by gender are not statistically significant.

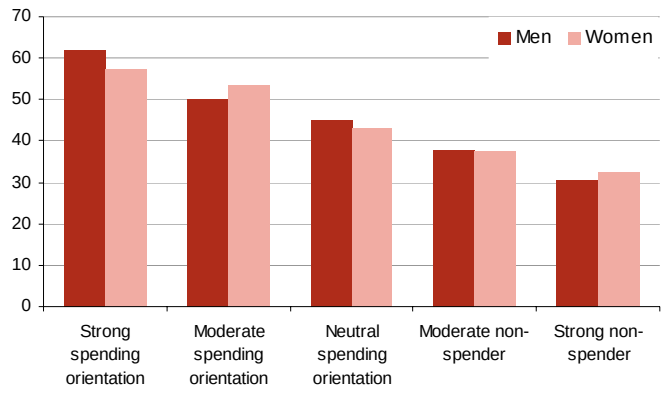
Table 8.20 additionally shows that 40 per cent of adults aged below SPA and not yet retired agreed to some extent with the statement 'I understand enough about pension to make decisions about saving for retirement'. In contrast to the previous statement, agreement was far higher among those who had a private pension (49 per cent) than those who did not (27 per cent).

Figure 8.23

Proportion who would rather have a good standard of living today than plan for retirement[1]: by spending orientation and sex, 2006/08

Great Britain

Percentages



1 Individuals below SPA and not retired.

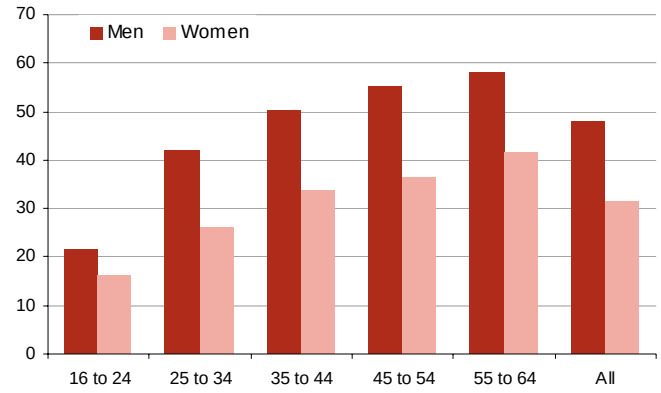
Source: Office for National Statistics

Figure 8.24

Proportion who understand enough about pensions to make a decision about saving for retirement[1]: by age and sex, 2006/08

Great Britain

Percentages



1 Individuals below SPA and not retired.

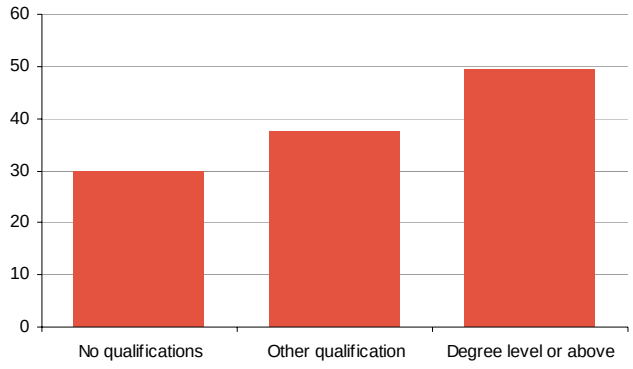
Source: Office for National Statistics

Figure 8.25

Proportion who understand enough about pensions to make a decision about saving for retirement[1]: by education, 2006/08

Great Britain

Percentages



1 Individuals below SPA and not retired.

Source: Office for National Statistics

Figure 8.24 shows the variation in agreement with the statement by age and gender, 19 per cent of people aged between 16 and 24 agreed, with the proportion increasing with age such that 52 per cent of those aged between 55 and 64 agreed. Women were less likely to agree with this statement than men (31 per cent compared with 48 per cent) and this gender difference was to be found in all age groups.

There were some marked differences when broken down by educational level (Figure 8.25). Almost a half (49 per cent) of people educated to degree level or above agreed that they understood enough about pensions to make a decision about saving for retirement, compared with 30 per cent of those with no qualifications.

All adults aged below SPA and not yet retired were also asked two questions about the best way to save for retirement (Table 8.20), 57 per cent agreed with the statement, 'Investing in property is the best way to save for retirement'. Fewer people (50 per cent) agreed that 'Having a pension is the best way to save for retirement'.

The strength of agreement or disagreement with these two statements were scored and combined to create a single measure of perceptions of the best way to plan for retirement.

The majority of people (30 per cent) felt equally strongly about property and pensions as the best ways of saving for retirement, or did not have a view. Overall, 39 per cent of people were more inclined towards property as the best way of saving for retirement, including 10 per cent who expressed much stronger views in favour of property than they expressed in relation to pensions.

Conversely, 31 per cent were more inclined towards pensions as the best way of saving for retirement, including just 5 per cent who expressed much stronger views towards pensions compared with property as the best way of saving for retirement.

The strength of feeling about one source as a way of planning for retirement compared with the other varied depending on whether or not an individual had private pension provision. Among those with private pension provision, 35 per cent were more inclined towards pensions and 38 per cent were more inclined towards property for retirement

provision. This compared with 25 per cent and 41 per cent (respectively) from among those without private pension provision.

Notably, 60 per cent of self-employed people expressed more favourable attitudes towards property than pensions for provision in retirement, including 24 per cent whose views were strong. Meanwhile, only 17 per cent appeared to favour pensions over property in their answers to the two questions with just 2 per cent expressing strong views.

Retirement planning

People who were not yet retired were asked whether or not they had considered how many years they would need to fund in retirement. Only a third (32 per cent) overall said they had considered this.

However the likelihood of having considered how many years of retirement would need to be funded varied considerably by age and gender (see Figure 8.26). The likelihood of reporting having considered this issue increased steadily with age, peaking among those aged 55 to 64, the age at which most people will be considering retiring, at 40 per cent. Overall, women (29 per cent) were less likely than men (34 per cent) to say they had considered this issue, a difference which was reflected to a greater or lesser extent for every age group.

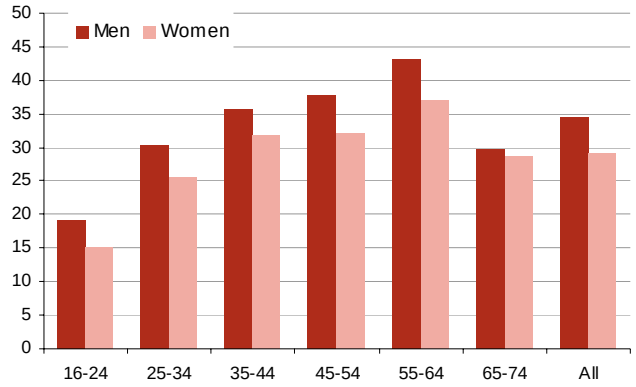
There was also considerable variation by private pension holding. Among adults who were not yet retired, 41 per cent of those with any private pension wealth of their own said they had considered how long they would need to fund retirement compared with 20 per cent without private pension wealth.

Figure 8.26

Proportion who considered how many years they will need to fund retirement[1,2]: by sex and age[3], 2006/08

Great Britain

Percentages



1 Individuals not yet retired.

2 Excludes 'don't knows'.

3 The 'All' category includes those aged 75 or over who were not yet retired.

Source: Office for National Statistics

The proportion of people who had considered this issue was lower among those who lived in a household with private pension provision (even though they may not have had pension provision of their own) at 37 per cent compared with 41 per cent who had private pension provision of their own (as reported above). This suggests a degree of reliance on partners or other household members by some individuals in relation to retirement planning. Meanwhile, only 18 per cent of those living in a household without any private pension provision had considered the issue.

Overall, 55 per cent of people aged below 60 were not saving into a pension (and were not already receiving an income from one). Table 8.27 shows the reasons people gave for not saving into a pension. The most commonly cited reason by far related to being unable to afford to contribute to a pension, being on a low income, out of work or still in education (65 per cent), 11 per cent mentioned not being interested in pensions, not having given it much thought or not having got around to it.

Table 8.27

Reasons for not saving into a pension[1]: 2006/08

Great Britain Percentages

Can't afford to contribute/low income/ not working/still in education	65
Not interested/ thought about it/got around to it	11
Prefer alternative forms of saving	9
Too many debts/bills/financial commitments	7
Don't know enough about pensions	6
Too early to start a pension	6
Don't trust pension companies/schemes	6
Not eligible/employer doesn't offer a pension scheme	3
Too late to start a pension	2
Not staying with employer/looking for a new job /recently changed jobs	2
Past pension arrangements are adequate	1
Don't think I will live that long	1
Employer scheme not attractive/generous	1
Other	2
Don't know (spontaneous only)	-

1 Individuals aged under 60 not paying into a pension and not receiving a pension.

Source: Office for National Statistics

Of the remaining options, preferring alternative forms of saving (9 per cent), having too many debts or other financial commitments (7 per cent), not knowing enough about pensions (6 per cent) feeling it was too early to start a pension (6 per cent) and not having trust in pension companies or schemes (6 per cent) were the most common.

Retirement income expectations

The survey asked people who were not retired what sources of income they expected would fund their retirement, and those naming more than one source were asked which one they expected would provide the largest source of retirement income.

Table 8.28 shows the proportion of people who mentioned each of the sources listed. Overall, 83 per cent of people expected to receive a State Retirement Pension and 59 per cent expected to receive an occupational or personal pension. Other savings and investments were mentioned by 43 per cent. While 25 per cent of people expected that housing equity released through downsizing or moving to a less expensive area would provide a source of income in retirement, 10 per cent mentioned selling or renting [out] a property other than the main home and 19 per cent anticipated a future inheritance to provide a source of income. Very few people (3 per cent) expected to borrow against the value of their home to provide retirement income.

Table 8.28

Expected sources of retirement income[1]: 2006/08

Great Britain Percentages

	Any mention[2]	Sole/ largest source
State retirement pension[3]	83	31
Occupational or personal pension[4]	59	33
Savings or investments	43	10
Downsizing/moving to a less expensive home	25	6
Inheritance in the future	19	4
Earnings from part-time/freelance work	14	2
Sell or rent another property[5]	10	4
Financial support from family/partner	7	2
State benefits/tax credits[6]	7	1
Drawing an income from your own/partner's business	3	1
Borrowing against the value of your home	3	1
Renting out rooms in your home	2	0
Sale of valuables[7]	2	0
Something else	1	1
Don't know/no opinion	4	5

1 Individuals not yet retired.
2 More than one response was possible.
3 Including State Second Pension.
4 Including one not yet started.
5 Other than the main home.
6 Including Pension Credit.
7 Including art, jewellery, antiques etc.

Source: Office for National Statistics

Three-quarters of people (75 per cent) named at least two sources that they expected to be sources of income in retirement, while 22 per cent named only one source (the remainder responded that they did not know or had no opinion). Table 8.28 therefore also shows the percentage of people naming each source as either the sole or largest source of retirement income.

The most commonly cited sole or largest source was an occupational or personal pension (33 per cent). This was followed closely by the State Retirement Pension (31 per cent), with a further 1 per cent saying that they would rely on state benefits, for example Pension Credit. Some 10 per cent expected to rely on savings or investments (other than a pension) as their sole or main source of retirement income.

Altogether, 11 per cent of people intended relying on property in some way as their sole or largest source of retirement income. This comprised 6 per cent who expected to rely on downsizing or moving to a less expensive home, 4 per cent who cited selling or renting [out] a property other than their main home, and a small proportion (less than 1 per cent) who intended to borrow against the value of their home.

Of the remaining sources, 4 per cent of people were expecting an inheritance to be the sole or main source and 2 per cent of people were expecting to rely on family or their partner for financial support.

Table 8.29 shows the sole or largest source of expected retirement income broken down by private pension holding. Almost a half (48 per cent) of people without private pension provision were expecting to rely on State pension provision, compared with just 19 per cent of those with private pension provision. This was the only source cited by substantially more people without a private pension than those with one.

Conversely, 51 per cent of those with private pension provision expected the sole or largest source to be their private (occupational or personal) pensions compared with 11 per cent of those without private pensions at the time of the interview. It is notable that 9 per cent of those without a private pension said they did not know where they expected to get their retirement income (or had no opinion), compared with just 2 per cent of those with a private pension.

Table 8.29

Expected sole or largest source of retirement income[1]: by any private pension, 2006/08

Great Britain Percentages

	Has private pension	No private pension
State retirement pension[2]	19	47
Occupational or personal pension[3]	51	11
Savings or investments	8	12
Downsizing/moving to a less expensive home	7	5
Inheritance in the future	4	4
Earnings from part-time/freelance work	2	2
Sell or rent another property[4]	4	4
Financial support from family/partner	2	2
State benefits/tax credits[5]	0	2
Drawing an income from your own/partner's business	1	1
Borrowing against the value of your home	1	1
Renting out rooms in your home	0	0
Sale of valuables[6]	0	0
Something else	0	1
Don't know/no opinion	2	9

1 Individuals not yet retired.
2 Including State Second Pension.
3 Including one not yet started.
4 Other than the main home.
5 Including Pension Credit.
6 Including art, jewellery, antiques etc.

Source: Office for National Statistics

People aged over 40 and who were not yet retired, were also asked how much income they were likely to have to live on in retirement compared with their current income (Table 8.30). Of this group, 28 per cent expected that their retirement income would be about the same as or more than (18 and 9 per cent respectively) their current income. This was

higher among those without a private pension than those with a private pension (42 and 21 per cent respectively). A further 18 per cent overall expected to receive about two-thirds of their current income, 25 per cent thought their retirement income would be about half their current income and 30 per cent thought they would receive about a third (16 per cent) or less than a third (13 per cent).

Table 8.30

Expected retirement income compared with current income[1,2]: by any private pension, 2006/08

Great Britain Percentages

	Has private pension	No private pension	All
More than my income now	7	14	9
About the same as my income now	14	28	18
Two thirds of my income now	20	12	18
Half of my income now	28	19	25
A third of my income now	18	12	16
Less than a third of my income now	13	15	13

1 Individuals aged 40 or over and not retired.
2 Excludes 'don't knows'.

Source: Office for National Statistics

In a related question, people who were not retired and had a private pension of some kind (occupational or personal) were asked, regardless of age, how they expected the income from their private pension to compare with their current income.

Table 8.31 shows that only 13 per cent expected it to be either more (6 per cent) or the same (7 per cent) as their current income; this was similar among men (12 per cent) and women (13 per cent). Many more (49 per cent) expected it to be about a third of current income (20 per cent) or less than a third (29 per cent); this was higher among women (53 per cent) than men (44 per cent).

Finally, everyone aged below State Pension Age and not yet retired was asked how confident they were that their retirement income would bring them the standard of living they hoped for when they retired. Table 8.32 shows that 57 per cent of them were either very (8 per cent) or, more commonly, fairly (49 per cent) confident that it would bring them the standard of living they hoped for. Nonetheless, 43 per cent were either not very confident (32 per cent) or not at all confident (11 per cent) that it would do so.

Table 8.31

Expected value of private pensions in retirement compared with current income[1,2]: by sex, 2006/08

Great Britain Percentages

	Men	Women	All
More than my income now	5	6	6
About the same as my income now	7	7	7
Two thirds of my income now	16	11	13
Half of my income now	27	23	25
A third of my income now	19	21	20
Less than a third of my income now	25	32	29

1 Individuals with any private pension and not retired.
2 Excludes 'don't knows'.

Source: Office for National Statistics

Table 8.32

Confidence that retirement income will bring the standard of living hoped for[1,2]: by sex, 2006/08

Great Britain Percentages

	Men	Women	All
Very confident	10	6	8
Fairly confident	51	47	49
Not very confident	30	35	32
Not at all confident	9	12	11

1 Individuals aged below SPA and not retired.
2 Excludes 'don't knows'.

Source: Office for National Statistics

Men were more likely to be very confident (10 per cent) or fairly confident (51 per cent) that their retirement income would bring the standard of living they hoped for compared with women (6 per cent and 47 per cent respectively).

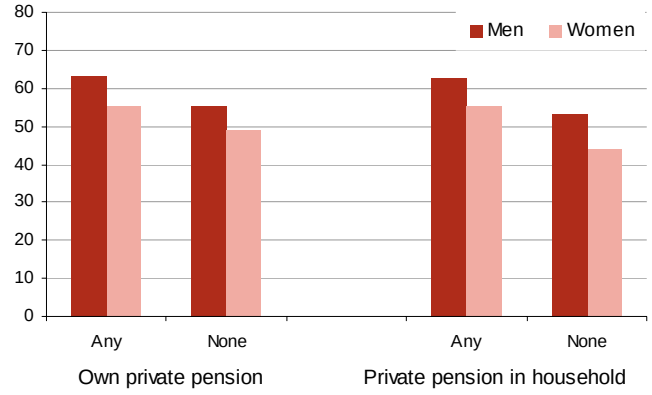
Figure 8.33 shows the percentage of men and women who were confident that retirement income will bring the standard of living hoped for by whether or not they had any private pension provision, both in terms of their own provision and any provision within the household. People with a private pension of their own (59 per cent) were more likely to be confident compared with those without a pension (52 per cent). This is true for both men and women, but, notably the difference by gender reported above remains apparent regardless of private pension provision.

Figure 8.33

Confidence that retirement income will bring the standard of living hoped for[1,2]: by sex and private pension provision, 2006/08

Great Britain

Percentages



1 Individuals aged below SPA and not retired.
2 Excludes 'don't knows'.

Source: Office for National Statistics

It might be expected that the difference between men and women would be diminished once pension provision at the level of the household was taken into account. However, even then, the overall picture did not change (Figure 8.33). Among people living in households with private pension provision, 63 per cent of men and 55 per cent of women felt confident compared with 53 per cent of men and 44 per cent of women without such provision.

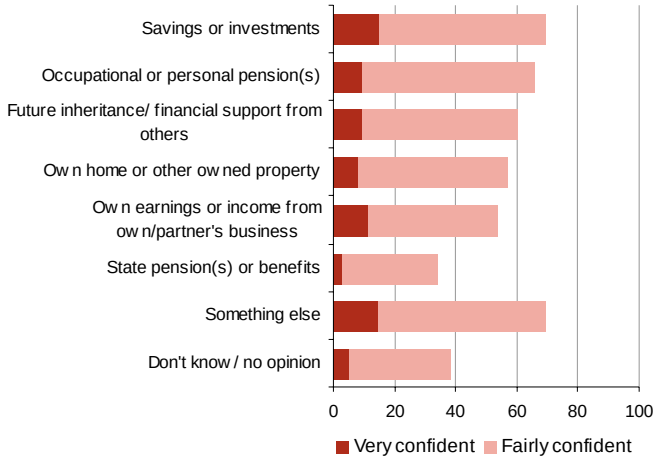
Figure 8.34 additionally shows the relationship between the main or sole source of income people expected to rely on in retirement and their confidence regarding the standard of living it would bring.

Figure 8.34

Confidence that retirement income will bring standard of living hoped for[1,2]: by main or sole source of retirement income, 2006/08

Great Britain

Percentages



1 Individuals not yet retired.
2 The category 'Something else' includes sale of valuables.

Source: Office for National Statistics

Confidence was most commonly expressed by the people who anticipated relying on savings and investments (69 per cent) other than a pension or private pensions (66 per cent).

People who were least likely to report being confident were those who said they expected to rely on the state pensions or state benefits (34 per cent).

It is interesting to note that 60 per cent of people relying on an inheritance or financial support from others and 57 per cent of those relying on deriving an income from property in some way were confident that the income they would get would provide them with the standard of living they hoped for when they retired.

Section 8.6 Conclusions

Most people in 2006/08 did not have a strong orientation towards spending and many reported having money left over at the end of the week or month at least sometimes. However, only a half of people had actively saved any of their income in the last 12 months and few of those who had never saved or had not saved in the past 12 months felt they were likely to start to do so in the next 12 months. Meanwhile, it was common for people with active credit commitments to report finding the repayment of these a burden, even more so when those with mortgages were asked to take the repayment of these into account.

People who had not yet retired were slightly more likely to indicate that they felt property was the best way to save for retirement, as opposed to having a pension. Nonetheless, most said they expected a private pension (even if they did not yet have one) or the State Retirement Pension would be either their sole or largest source of retirement income. Most people below SPA and who were not retired were confident that their retirement income would bring them the standard of living they hoped for in retirement, despite the finding that most of those who were aged 40 or over only expected their retirement income to be half or less than half of their current income.

Nonetheless, individuals varied considerably in their attitudes towards spending, borrowing and saving as well as planning for retirement. Characteristics such as age seemed to be particularly important, while a person's spending orientation also correlated with many of the other attitudinal measures. Current private pension holding seemed an important factor for understanding some aspects of people's attitudes towards retirement planning.

Footnotes

1 Principal Components Analysis (PCA; a form of multivariate analysis) shows that all three attitudinal statements correlate strongly with a common underlying dimension, interpreted as 'orientation towards spending'. The three measures have therefore been collapsed into a single measure, based on the level and direction of agreement with each statement.

2 Active credit use was defined as any non-mortgage borrowing, excluding credit and store cards that were unused or paid off in full each month and overdrafts facilities that were not in use.

3 Some of these respondents had previously reported on behalf of their household that they were currently behind on household bill payments by two or more consecutive months. These were asked to take household bill payments into account when answering questions about the burden of their own borrowing commitments.

Chapter 9

Demographics

Section 9.1 Introduction

The final analytical tables in this report illustrate some summary characteristics of households and individuals in wave 1 of the Wealth and Assets Survey (WAS). The figures presented in this chapter are grossed to the private household population of Great Britain. This means that people in residential institutions, such as retirement homes, nursing homes, prisons, barracks or university halls of residence, and also homeless people are excluded from the scope of the analysis presented here. Each household has been categorised into one of 10 household types according to the number of people, family types and ages of the respondents. Individuals were also categorised according to their sex, age group, tenure, socio-economic status, region, educational attainment, employment status and ethnic origin.

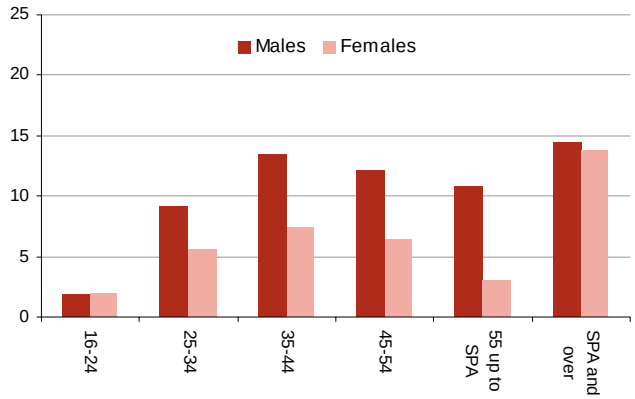
The tables and charts in this chapter provide summary results. Each of these is linked to a spreadsheet giving the source data, and often more detailed results. The spreadsheets can be accessed by clicking on the table or chart. Some additional tables have also been made available for this chapter via links, see appendix B.

Figure 9.1

Proportion of household heads: by age[1] and sex, 2006/08

Great Britain

Percentages



1 State pension age (SPA) is 65 for men and 60 for women.

Source: Office for National Statistics

Section 9.2 Households

Wave 1 of the Wealth and Assets Survey (WAS) sampled 30,595 households across Great Britain. Grossed to the population, this represents 24,580,000 households.

For some topics it is necessary to select one person in the household to indicate the characteristics of the household more generally. In common with other government surveys, WAS uses the Household Reference Person (HRP) for this purpose. A definition of the HRP can be found in Chapter 10. However, for ease of presentation in this report we use the term household head to refer to the HRP.

Age and sex of household head

The household head was more likely to be male (62 per cent) than female (38 per cent). The majority of household heads were aged 45 and over (61 per cent) with 28 per cent of all household heads being over state pension age (Figure 9.1).

Household type

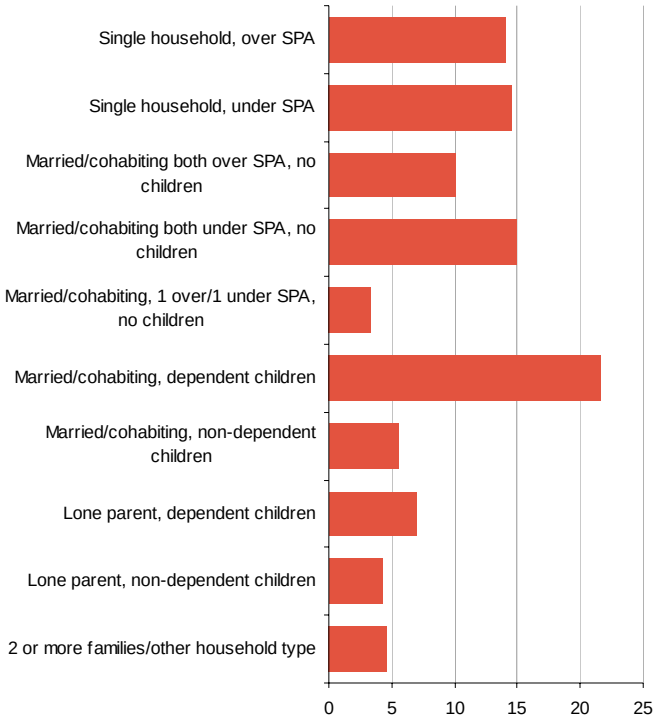
In 2006/08, 56 per cent of households consisted of married or cohabiting couples, 29 per cent were single person households, 11 per cent were lone parent households, and the remaining 5 per cent were made up of two or more families or other combinations. Of the ten household types 22 per cent were made up of married or cohabiting couples with dependent children[1], with a further 15 per cent being married and cohabiting couples both under state pension age[2], with no children (Figure 9.2).

Figure 9.2

Proportion of households: by household type[1], 2006/08

Great Britain

Percentages



1 State pension age (SPA) is 65 for men and 60 for women.

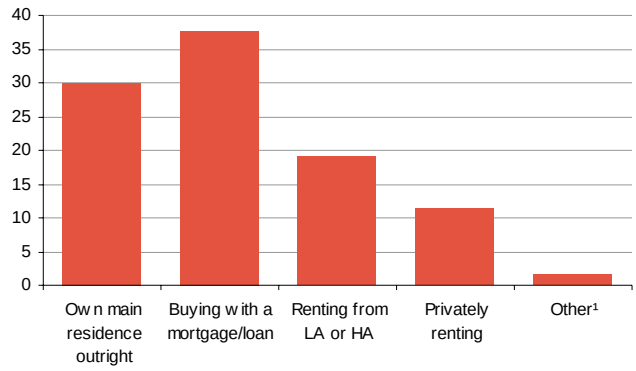
Source: Office for National Statistics

Figure 9.3

Proportion of households: by tenure of main residence, 2006/08

Great Britain

Percentages



1 Made up of 3 tenure types: shared ownership of main residence; living rent free in main residence; squatting in main residence.

Source: Office for National Statistics

Tenure

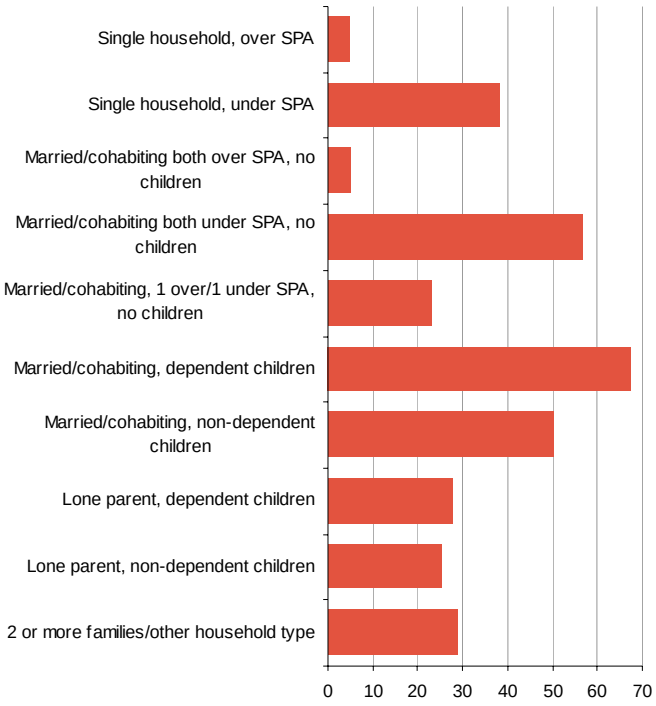
For many households, the equity accumulated in owning their home represents a major component of their household wealth. As well as financial security, this equity also provides benefits such as collateral for loans and for other investments. As Chapter 3 shows, 30 per cent of households in Great Britain owned their main residence outright while 38 per cent were buying their home with the help of a mortgage or loan (Figure 9.3).

Figure 9.4

Proportion of households buying main residence with mortgage/loan: by household type[1], 2006/08

Great Britain

Percentages



1 State pension age (SPA) is 65 for men and 60 for women.

Source: Office for National Statistics

The tenure of a household was generally associated with life-cycle stages and over half of single person households where the resident was over state pension age[2] owned their main residence outright (57 per cent). This contrasts with single person households where the resident was below state pension age[2], where only 16 per cent

owned their main residence outright (Table A9.1, Appendix B).

Tenure was also associated with household type and married and cohabiting couples who were both over the state pension age[2] and had no children living with them were more likely to own their main residence outright (79 per cent), than any other household type. In contrast, only 5 per cent of lone parents with dependent children[1] owned their main residence outright. This was more than half of the proportion of married couples with dependent children[1] (9 per cent).

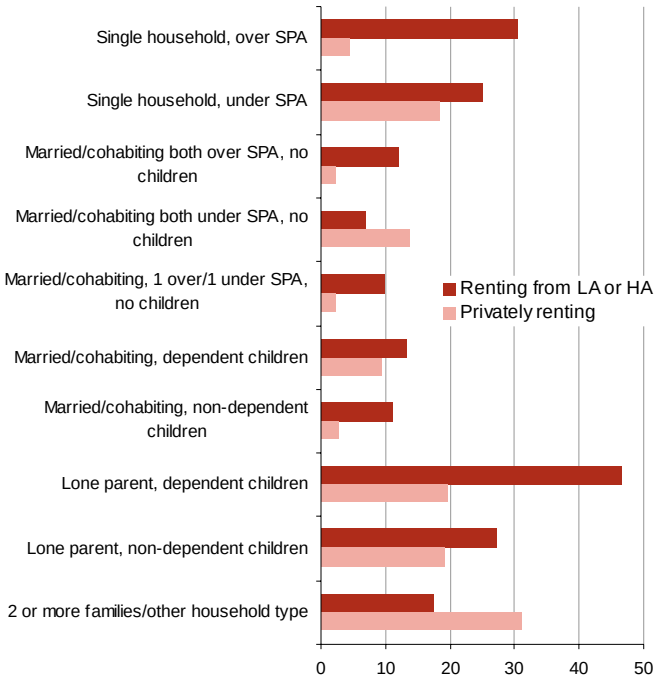
Figure 9.4 shows that over two-thirds of households consisting of married and cohabiting couples with dependent children[1] (68 per cent) were buying their main residence with a mortgage or loan, more than double the proportion of households consisting of lone parents with dependent children[1] (28 per cent).

Figure 9.5

Proportion of households renting main residence: by household type[1], 2006/08

Great Britain

Percentages



1 State pension age (SPA) is 65 for men and 60 for women.

Source: Office for National Statistics

Renting a property provides a home but does not contribute directly to the wealth of the renting household. Nearly a third of households (31 per cent) rented their main residence, with 19 per cent renting from a Local Authority or Housing Association and 11 per cent renting from a private landlord. Households consisting of two or more families or other household types (31 per cent) were more likely than families in any other household type to be renting their main residence from a private landlord. The proportion of all other household types renting their main residence from a private landlord ranged from 2 per cent in households of married and cohabiting couples, one above and one below state pension age[2] with no children and households of married and cohabiting couples, both over state pension age[2] with no children to 20 per cent in households of lone parents with dependent children[1] (Table A9.1, see appendix B).

Figure 9.5 shows that the proportion of lone parents with dependent children[1] (20 per cent) renting their main residence from a private landlord, was more than twice that of married couples with dependent children[1] (9 per cent). Lone parents with dependent children[1] (47 per cent) were more likely than households of any other type to be renting their main residence from a Local Authority or Housing Association. This proportion was more than three times that of married couples with dependent children[1] (13 per cent).

Employment status of household head

The majority of the household heads were employees (52 per cent) with a further 27 per cent being retired from work. Self-employed people made up 8 per cent and those who were sick or disabled represented a further 6 per cent (Table 9b, see appendix B).

Lone parent households with dependent children[1] (28 per cent) were more likely to be looking after

the family and home compared with the household head of any other household type. This proportion was nearly 10 times that of lone parent households with non-dependent children only (3 per cent).

The majority of lone parent households with dependent children[1] were in employment (51 per cent), with a further 28 per cent looking after the family and home. This was very similar to the position of lone person households with non-dependent children only, among whom 50 per cent were in employment. However, among this group 27 per cent were retired.

The majority of household heads in households composed of married and cohabiting couples both below state pension age[2], with no children living in the household were employees (78 per cent), with a further 10 per cent being self-employed. The majority of household heads from households composed of married and cohabiting couples, both above state pension age[2], with no children were retired (88 per cent), with just 7 per cent being employees and 4 per cent self-employed. Household heads of households composed of couples with dependent children[1] (77 per cent) were more likely to be employees than were household heads of households composed of couples with non-dependent children only (64 per cent).

There was no statistically significant difference between household types in the proportions of household heads who were students. However, single person households below state pension age[2] (17 per cent), were more likely to be sick or disabled compared with household heads of any other household type, where the proportion ranged from 1 per cent for households of married or cohabiting couples, both over state pension age[2] with no children to 10 per cent for lone parent families with non-dependent children only.

Socio-economic status of household head

As figure 9.6 shows, overall, 6 per cent of household heads were large employers or in higher managerial occupations, while a further 9 per cent were in higher professional occupations (Table A9.3, see Appendix B). The largest group (25 per cent) of household heads were of lower managerial and professional socio-economic status, 9 per cent of household heads were in intermediate occupations, while 8 per cent were small employers and own account workers, 10 per cent performed lower supervisory and technical occupations, while 27 per cent were in semi-routine and routine occupations. The least common socio-economic status of household heads was never having worked or being long-term unemployed, with just 3 per cent falling into this category. Just 2 per cent of household heads could not be classified into a socio-economic status. These include full-time students and occupations which were not stated or inadequately described.

Figure 9.6

Proportion of households: by socio-economic status of household head, 2006/08

Great Britain

Percentages

Source: Office for National Statistics

Regional distribution of households

The largest proportion of households came from the South East (14 per cent), with an additional 12 per cent from both the North West and London. The North East represented the smallest proportion of households, with just 4 per cent (Figure 9.7).

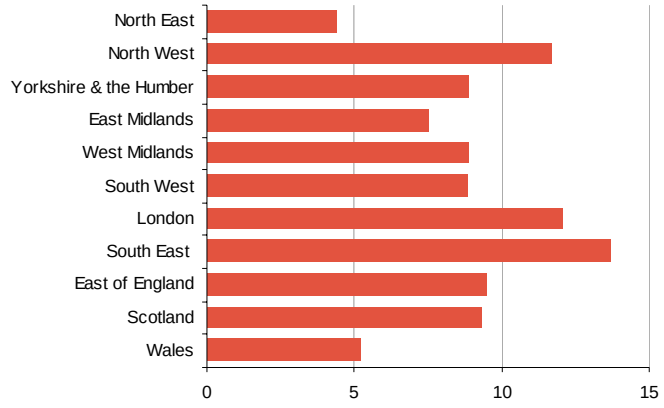
Household heads living in the South East were more likely to be large employers or in higher managerial occupations (9 per cent), compared with household heads from any other region. Household heads living in London were more likely to be of higher professional socio-economic status (13 per cent) compared with household heads from any other region. Furthermore, household heads living in London were also more likely never to have worked or to be long-term unemployed (5 per cent), compared with household heads from any other region. No other significant relationship between region and the socio-economic status of a household head was found (Table A9.3, see appendix B).

Figure 9.7

Proportion of households: by region, 2006/08

Great Britain

Percentages



Source: Office for National Statistics

Educational attainment of household head

Across Great Britain, 23 per cent of household heads had a degree, or degree equivalent and above. The majority of household heads (54 per cent) had other qualifications, while 23 per cent of household heads did not have any qualifications (Table A9.4, see appendix B).

Among regions, London had the greatest proportion of household heads with a degree or degree equivalent and above (37 per cent) (Figure 9.8). In comparison, the West Midlands and the North East had the lowest percentage, at just 17 per cent.

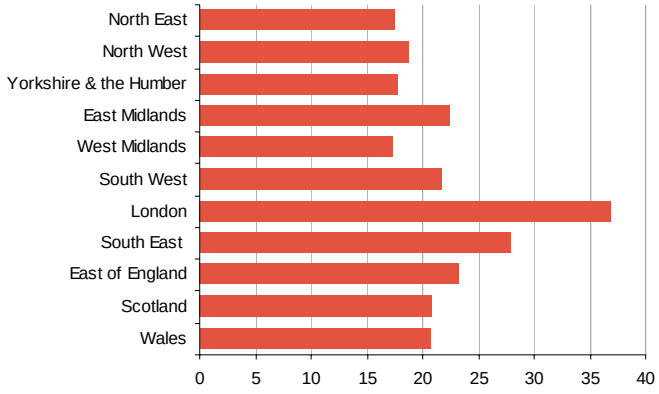
Figure 9.9 shows that 82 per cent of household heads living in the South East had a qualification, degree, degree equivalent and above or other qualification, the highest out of all regions.

Figure 9.8

Proportion of household heads who attained a degree or degree equivalent and above: by region, 2006/08

Great Britain

Percentages



Source: Office for National Statistics

Male household heads aged from 25 to 34 (39 per cent) were more likely to have a degree or degree equivalent and above than males in any other age group (Table A9.4, see appendix B). In comparison, male household heads aged 65 and over (15 per cent) were least likely to have a

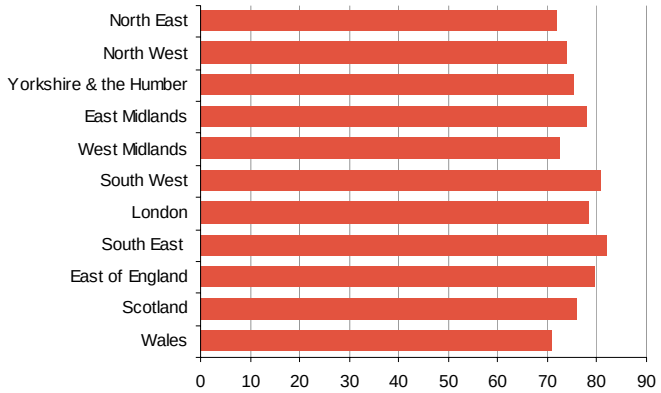
degree or degree equivalent and above than males of any other age group. Figure 9.10 shows, over Great Britain as a whole, and within most age groups, there was a higher proportion of female household heads without qualifications than among their male counterparts. This pattern was true within most regions.

Figure 9.9

Proportion of household heads with a qualification[1]: by region, 2006/08

Great Britain

Percentages



1 Both 'Degree, or Degree equivalent and above' and 'Other qualification'.

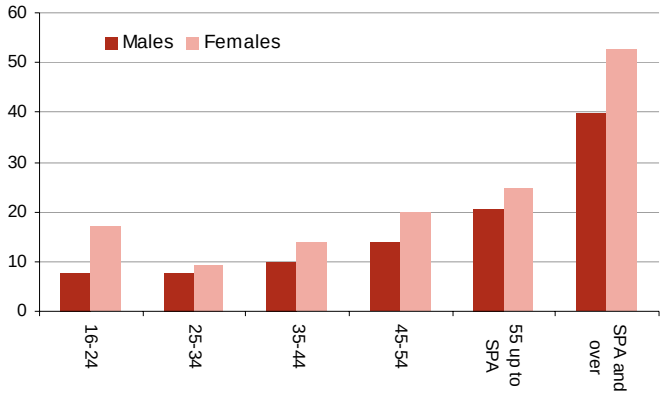
Source: Office for National Statistics

Figure 9.10

Proportion of household heads without a qualification: by age[1] and sex, 2006/08

Great Britain

Percentages



1 State pension age (SPA) is 65 for men and 60 for women.

Source: Office for National Statistics

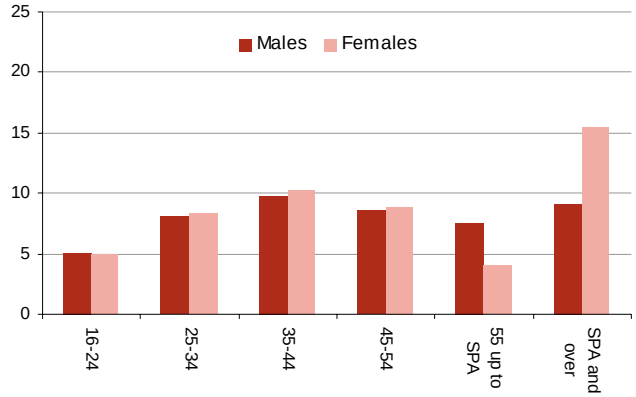
In Great Britain as a whole, household heads aged 25 to 34 were most likely to have a degree or degree equivalent and above (38 per cent), compared with any other age group. Among those aged 35 and older, there was an inverse relationship between age and educational attainment. For both males and females, the lowest percentage of household heads with a degree or degree equivalent and above, was found among those of State Pension Age[2] and above (males 15 per cent and females 9 per cent, Table A9.4, Appendix B).

Figure 9.11

Proportion of individuals: by age[1] and sex, 2006/08

Great Britain

Percentages



1 State pension age (SPA) is 65 for men and 60 for women.

Source: Office for National Statistics

Section 9.3 Individuals

Wave 1 of the Wealth and Assets Survey (WAS) sampled 53,298 individuals across Great Britain. This equates to 43,395,210 individuals once the data are grossed.

Age, sex and household type

The proportions of males (48 per cent) and females (52 per cent) were similar (Table A9.5, Appendix B). Figure 9.11 shows that, in general, there was an even proportion of male and females in each of the age groups. The only exception to this was

found in the oldest two age groups. This is explained, in part, because State Pension Age[2] was used as a cut-off for these age groupings and women aged 60 and over were included while men do not reach State Pension Age until 65. However there was also a higher proportion of females aged 60 and over, as on average women live longer than men[3].

Respondents over State Pension Age living alone were considerably more likely to be females (74 per cent) than males (26 per cent), reflecting the fact that women live longer than men[3] on average. However, those below State Pension Age[2] who lived alone were more likely to be male (64 per cent) than female (36 per cent). Among men below State Pension Age[2] who lived alone, 33 per cent were aged 25 to 44, twice the proportion of women living alone in this age group (17 per cent)

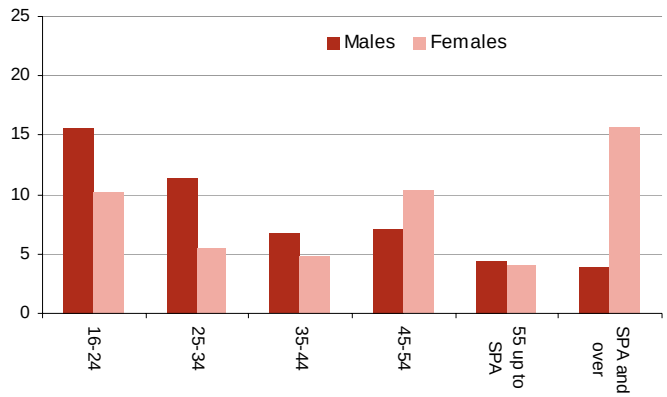
In households of married and cohabiting couples with non-dependent children only, the majority of adults were male (55 per cent). There was a higher proportion of males (14 per cent) aged 16 to 24 in this household type than of females (9 per cent) of the same age, because adult sons tend to leave home later than daughters[4].

Figure 9.12

Proportion of individuals living in lone parent households with non-dependent children only: by age[1] and sex, 2006/08

Great Britain

Percentages



1 State pension age (SPA) is 65 for men and 60 for women.

Source: Office for National Statistics

Lone parent households were classified into two types; lone parent families with dependent children[1]; and those with non-dependent children only. In lone parent households, females were more likely to be living with dependent children[1] (85 per cent) than with non-dependent children only (51 per cent). The majority of lone parent households with dependent children[1] (54 per cent) contained females aged 25 to 44, but only 4 per cent of males from the same age group lived in this household type. When observing the same age group in lone parent households with non-dependent children only, there was a higher proportion of males (18 per cent) living in this household type compared with their female counterparts (11 per cent).

Figure 9.12 shows that in lone parent households with non-dependent children only, the proportion of males decreased as age increased, with the highest proportion of males being aged 16 to 24 (16 per cent). The relatively high proportion of young males in this household type was likely to be related to the fact that sons often move out of the parental home much later than daughters[4]. The pattern for females in lone parent households with non-dependent children was different, with the proportion fluctuating as age increased. The highest proportion of females in lone parent households with non-dependent children only were aged 60 and over (16 per cent).

Almost half of all adults living in households of two or more families and other household types were aged 16 to 34 (49 per cent), with little difference between the sexes. A further 16 per cent of all adults living in this type of household were of State Pension Age[2] or over, the majority of which were female (12 per cent). This may be due to older parents living with their married children and their grandchildren, and may reflect the statistically longer life span of women[4].

Employment status

Employment status is associated with a person's wealth, and consequently upon the wealth of the household that they are a part of. As well as producing earnings, employment status can also have an impact on an individual's ability to obtain loans, mortgages and credit cards, all of which can have an impact upon wealth.

More than half of all respondents were employees (53 per cent), with a further 23 per cent being retired from work. In total, 60 per cent of all respondents were working, either as an employee or as self-employed. Just 3 per cent of respondents were unemployed, and 2 per cent were students (Table A9.7, see appendix B).

Respondents who were self-employed were considerably more likely to be male (71 per cent) than female (29 per cent) (Figure 9.13). However, there was little difference in the proportion of male and female respondents who were employees (males 51 and females 49 per cent). In contrast, adults looking after the family and home were considerably more likely to be women (94 per cent). In particular, respondents who were looking after the family and home were most likely to be females aged 25 to 44 years (57 per cent), compared with just 3 per cent of males of the same age. Just 3 per cent of the self-employed population were aged 16 to 24, while over half (52 per cent) were males aged 35 to up to State Pension Age[2], with their female counterparts of the same age making up just 21 per cent of self-employed people (Table A9.6, see appendix B).

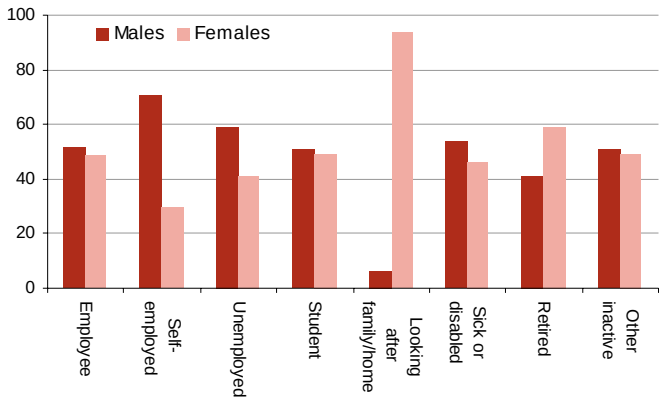
Students were most likely to be men aged between 16 and 24 (41 per cent) with women in this age group comprising an additional 33 per cent of the student population. For both male and female respondents, as age increased, the proportions who were students decreased. It should be noted that students living in halls of residence were not included in the sample.

Figure 9.13

Proportion of individuals: by employment status and sex, 2006/08

Great Britain

Percentages



Source: Office for National Statistics

The majority of respondents who were unemployed were male (59 per cent). A high proportion were males aged 16 to 44 (44 per cent) with women of the same age compromising an additional 32 per cent. The proportion of unemployed males in each age group was always higher than the proportion of unemployed females.

Almost half (44 per cent) of all adults who were sick or disabled were male aged 35 to up to State Pension Age[2], with women in this age group compromising an additional 35 per cent.

The retired population was more likely to be female aged 60 and over (56 per cent), with an additional 35 per cent being males aged 65 and over. However, as females reach State Pension Age 5 years before males, this will clearly have an impact on the proportion of females and males in retirement after reaching State Pension Age[2]. It was also found that 8 per cent of the retired population had taken retirement before they had reached State Pension Age[2], the majority of whom were male.

Socio-economic status

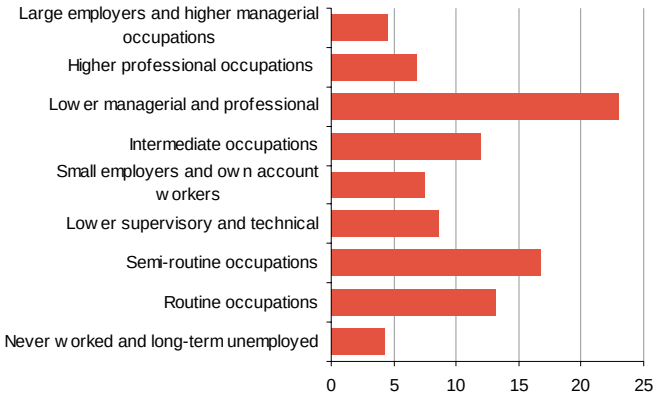
As figure 9.14 shows, the highest proportion of respondents were in lower managerial and professional occupations (23 per cent). The smallest socio-economic group was those who had never worked or were long-term unemployed (4 per cent). Some 11 per cent of respondents were in the top two socio-economic statuses, and 30 per cent were in routine or semi-routine occupations. Just 4 per cent of respondents could not be classified into a socio-economic status. These include full time students and occupations which were not stated or inadequately described.

Figure 9.14

Proportion of individuals: by socio-economic status, 2006/08

Great Britain

Percentages



Source: Office for National Statistics

Ethnicity

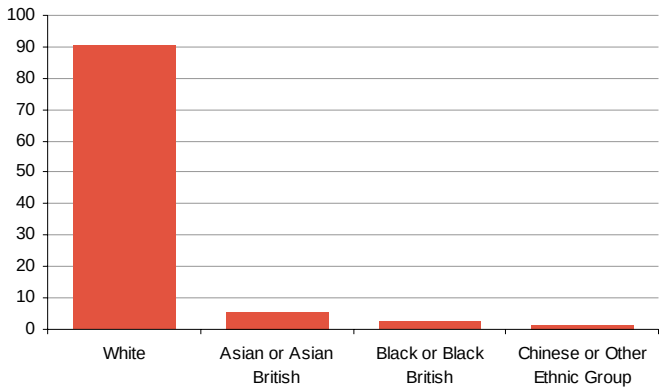
Respondents were more likely to be of white ethnic origin (90 per cent), with the remaining 10 per cent of individuals being of non-white ethic origin. Specifically, 5 per cent of respondents were of Asian or Asian British ethnic origin, 3 per cent were of Black or Black British ethnic origin and 2 per cent were of Chinese or Other ethnic origin (Figure 9.15).

Figure 9.15

Proportion of individuals: by ethnicity, 2006/08

Great Britain

Percentages



Source: Office for National Statistics

A respondent's ethnic origin had no significant relationship with the likelihood of being an employee or self-employed. Figure 9.16 shows, all respondents, no matter their ethnic origin, were more likely to be an employee than any other employment status. However, there was a relationship between ethnic origin and the likelihood of being unemployed. Non-white respondents (5 per cent) were more likely to be unemployed when compared with white respondents (2 per cent). Non-white respondents (10 per cent) were more likely to have not been classified into a socio-economic status compared with white respondents (3 per cent).

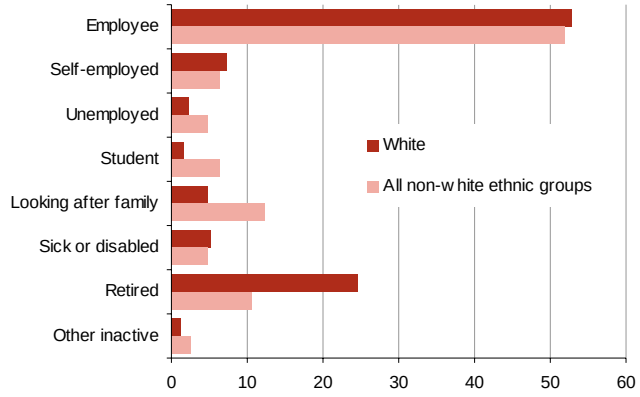
Overall just 2 per cent of all respondents were students. However, respondents of non-white ethnic origin (7 per cent) were more likely to be students than those of white ethnic origin (2 per cent). Respondents of a non-white ethnic origin (12 per cent) were also more likely to be looking after the family when compared with those of white ethnic origin (5 per cent, Figure 9.16).

Figure 9.16

Proportion of individuals: by employment status and ethnicity, 2006/08

Great Britain

Percentages



Source: Office for National Statistics

A greater proportion of respondents of white ethnic origin (25 per cent) were retired compared with respondents of non-white ethnic origin (11 per cent). However these differences may be because non-white ethnic groups have a younger age structure than white ethnic groups[5].

Footnotes

1 These households may also include non-dependent children.

2 At the time of the survey state pension age for men was 65 and for women was 60.

3 Probability of survival to age 75 for local areas in England and Wales 2005-07, ONS, 2009.

4 Social Trends - 2009 Edition, Labour Force Survey, ONS, 2009.

5 Census, April 2001, Office for National Statistics; Census, April 2001, General Register Office for Scotland.

Chapter 10

Technical details

Section 10.1 Introduction

This chapter provides a summary of technical information to assist users in interpreting and using the survey estimates, including descriptions of the survey design and methodology, procedures used in the collection of data and the derivation and quality of the estimates.

The tables and charts in this chapter provide summary results. Each of these is linked to a spreadsheet giving the source data, and often more detailed results. The spreadsheets can be accessed by clicking on the table or chart.

Section 10.2 Sampling

Sample design

The Wealth and Assets Survey (WAS) is a longitudinal survey, which commenced with a first wave of interviews carried out over two years from July 2006 to June 2008. Consenting responding households from the wave 1 were approached for a wave 2 interview two years on from their initial interview. The 2006/08 WAS survey sampled all private households in Great Britain. This means that people in residential institutions, such as retirement homes, nursing homes, prisons, barracks or university halls of residence, and also homeless people are not included in the sample.

In developing the survey, precision targets for change on key estimates were agreed in consultation with funding departments. From these, it was estimated that an overall achieved sample of approximately 32,000 households, spread evenly over the two years of wave 1 was required.

In addition to the above precision targets there was a further target to achieve a two-year sample of 4,500 households above the top wealth decile for wave 1. This was well above the 3,200 households that would be above the top wealth decile for an equal probability sample[1]. Oversampling the wealthiest households allows for more detailed analysis of this group and gives more precise estimates of the levels of wealth across the whole population.

Sampling frame

Wave 1 of the WAS sample was drawn from the Postcode Address File (PAF), which is the Royal Mail's database of all addresses in the UK. The sample was restricted to Great Britain and excludes Scotland north of the Caledonian Canal, the Scottish Islands and the Isles of Scilly.

In common with all ONS general population samples, the extract of the PAF used for sampling was restricted to those addresses defined as being small user addresses[2]. In addition, those small user addresses with an organisation name, indicating a small business, were excluded. The ONS copy of the PAF is updated twice a year to ensure that recently built addresses are included and demolished or derelict properties are removed quickly.

The ONS PAF sampling frame is held in a hierarchical structure, with addresses grouped into primary sampling units (PSUs) each comprising a postcode sector, or smaller sectors grouped together. The postcode sector is defined as all addresses sharing all but the last two characters of the postcode.

Sample structure

The sample for the wave 1 of the survey was selected in two stages. At the first stage, a stratified sample of PSUs was drawn. Then a second-stage sample of 26 addresses was drawn from each sampled PSU. For each year of wave 1 of the survey, 1,200 PSUs were selected, leading to a set

sample of 31,200 addresses per year. It was estimated that once ineligible addresses were excluded, along with survey non-contacts and refusals, there would be a sample of approximately 16,000 achieved households per year.

Stratification at the first stage of sampling

The annual sample of 1,200 PSUs was drawn using a form of systematic random sampling, with probability proportional to size, from an ordered sampling frame of PSUs[3]. The annual samples were drawn separately, creating independent samples.

Allocation of sampled PSUs to months

The sampled PSUs were allocated to months at random. This was done using a repeating random permutation which ensured that PSUs allocated to the same quarter and month were evenly spread across the original sample, while still ensuring that each sampled PSU had an equal chance of being allocated to each month. This even spread meant that monthly and, particularly, quarterly samples were balanced with respect to the regional and census-based variables used in the stratification.

Sampling addresses within sampled PSUs

The distribution of wealth variables in the population is skewed, with relatively few people owning many times the average level of wealth. To make the sample more efficient, addresses more likely to contain wealthier households were sampled at a higher rate than the rest. This higher sampling rate for wealthier households also led to a higher proportion of the sample above the top wealth decile, as required by the funding consortium.

A limited amount of information is available about the type of household resident at a particular address on the PAF and what is generally available relates to the area around the address, rather than being specific to an address. However, HMRC collects data on income and certain components of wealth in order to administer the tax system and the Self-Assessment regime.

By combining this information, HMRC was able to identify those addresses where at least one person was likely to have total financial wealth above a certain threshold. This was carried out using anonymised address records and no tax or personal information was used directly in the sampling process that follows. The addresses meeting this criterion and falling within the PSUs sampled for WAS were flagged on the ONS PAF database.

From each sampled PSU, 26 addresses were sampled using systematic random sampling from the list of addresses sorted by postcode and street number. This sampling was carried out in such a way that the flagged addresses had two-and-a-half times the chance of being sampled as non-flagged addresses. In the second year of fieldwork, flagged addresses had three times the selection chances as non-flagged addresses

A small proportion of addresses on the PAF have more than one resident household. The PAF provides a multiple occupancy (MO) count field which has been shown to be a useful indicator of the number of households present in Scottish addresses, but less accurate in England and Wales. Because of this, Scottish addresses with an MO count of three or more were sampled with probability proportional to the MO count.

Generally, the sampled addresses from a PSU would be allocated to one interviewer to complete within a month. However, given the expected long interview times for WAS, it was judged that this would often be too much work for one interviewer. As a result, the sampled addresses from a PSU were split into two batches of 13 addresses that

could be independently allocated to one or two interviewers.

Field sampling procedures

Where an interviewer discovered a multi-household address in England and Wales or a Scottish address with an MO count less than two, up to a maximum of three randomly sampled households from the address were included in the sample. For Scottish addresses sampled with an MO count of three or more, a single household was sampled if the MO count equalled the actual number of households present. If the number found differed from the MO count, the number of households sampled was adjusted but again to a maximum of three. The number of additional households that could be sampled was subject to a maximum of four per PSU.

Some occupied dwellings are not listed on the PAF. This may be because a house has been split into separate flats, only some of which are listed. If the missing dwelling could be uniquely associated with a listed address, a divided address procedure was applied to compensate for the under-coverage. In these cases, the interviewer included the unlisted part in the sample only if the associated listed address had been sampled.

Any sampled addresses identified by the interviewer as non-private or non-residential were excluded as ineligible.

Section 10.3 Data Collection

Field procedures

WAS is one of ONS's largest population surveys in terms of sample size. Each month a total sample of 2,600 addresses was assigned to the ONS interviewer panel across Great Britain. Selected addresses were initially sent a letter in advance informing them of their selection, briefly outlining the purpose of the survey and advising them that an ONS interviewer would be making contact to arrange a suitable time to conduct the survey interview.

Interviewers were required to attempt to complete each monthly quota of 13 addresses within 5 visits to the area and up to 28 working hours excluding travel time. Best practice procedures whereby interviewers varied their calling times and days in the area were also employed in an attempt to maximise response to the wave 1 of WAS.

Computer-assisted personal interviewing

Once contact had been established, the WAS questionnaire was administered using Computer Assisted Personal Interviewing (CAPI). There are a number of advantages to this methodology over traditional paper interviews which include:

- the ability to use complex sequencing to define specific populations for questions
- the automatic routing of respondents to those questions relevant to them
- the inclusion of in-field edit checks which allow seemingly inconsistent responses to be confirmed at the time of the interview
- the automatic application of alternate question wording according to each respondent's characteristics and prior responses
- automated questionnaire coding that dispenses with the need for a separate data input stage and reduces the potential for input error and
- the reduction in cost, timing and security issues around the transport and safe storage of paper forms as interviewers receive and transmit work via a secure modem in their own homes

Questionnaire content

The WAS questionnaire was divided into two parts and all adults aged 16 years and over (excluding those aged 16 to 18 currently in full-time education) were interviewed in each responding household. The first part of the questionnaire was the household schedule. This was completed by one person in the household (usually the head of household or their spouse) and predominantly collected household-level information such as the number in the household, their demographics and the relationship of individuals to each other. It also collected information about equity release; the ownership, value and mortgages on the residence; and other household assets.

The second part of the questionnaire was the individual schedule. This was administered to each adult in the household and asked questions about the person's economic status, education and employment, numerical ability, business assets, benefits and tax credits, saving attitudes and behaviour, attitudes to debt, major items of expenditure, retirement, attitudes to saving for retirement, pensions, financial assets, non-mortgage debt, investments and other income.

It should be noted that the values that were collected in WAS are as reported by the respondents. However, interviewers were asked to record whether documentation was consulted after key questions had been asked in the pensions, business assets and income from employment modules.

The questionnaire was designed in consultation with representatives from each of the funding departments with additional advice being provided by analysts with expert knowledge in particular topic areas. Factors considered in designing the questionnaires included the required output, the length and complexity of individual questions, the use of easily understood words and concepts, the sensitivity of topics, the number of topics covered and the overall length of the questionnaire.

The WAS questionnaire was also fully field tested prior to the main enumeration to ensure:

- it was adequately addressing the data requirements from the survey and that it obtained data in the most effective and efficient way
- there was minimal respondent concern about the sensitivity or privacy aspects of the information sought and there were acceptable levels of respondent load
- there was effective respondent/interviewer interaction and
- the operational aspects of the survey such as the arrangement of topics, sequencing of questions, adequacy and relevance of coding frames were satisfactory

The average interview length for the wave 1 of WAS was approximately 1 hour and 19 minutes, with the time varying according to the size of the household and its circumstances. Approximately 25 per cent of interviews lasted 1 hour and 36 minutes or longer with approximately 10 per cent of interviews lasting 2 hours and 6 minutes or longer.

WAS interviewers

All interviewers who worked on WAS were recruited from the ONS trained interviewer pool and had previous experience conducting ONS household surveys.

Prior to commencing WAS fieldwork interviewers were briefed on the background, features and importance of the survey as well as the content of the questionnaire. Interviewer training also emphasised an understanding of the survey specific concepts and definitions, and the necessary procedures to ensure a consistent approach to data collection. Interviewers were further required to complete a number of assessed

training exercises prior to commencing work in the field.

During an interview, interviewers were able to access question-by-question help programmed into the CAPI instrument that provided additional information and clarification about the concepts covered by individual questions. To ensure consistency of approach however, interviewers were instructed to ask the interview questions exactly as worded in the questionnaire.

To enhance data quality further, interviewers encouraged respondents to consult relevant documentation such as bank statements to ensure the information collected was as accurate as possible. Whether or not documents were consulted was recorded for some questions to assist users of the data to assess the accuracy of the results.

The proportion of households judged by interviewers to have given 'fairly' or 'very' accurate financial information was consistently high at between 91 per cent and 97 per cent per month for the wave 1 of WAS.

Where a respondent was not fluent enough in English to undertake the WAS interview, and if it was suggested by the respondent, another person in the household was able to act as an interpreter. If not, arrangements were made, where possible, for the interview to be conducted either by an ONS interviewer fluent in the respondent's language or with assistance from an interpreter service.

Response rates

Of the 62,823[5] selected households in the wave 1 sample, 55,834 were found to be within the scope of the survey and therefore eligible to be interviewed. Of these, 30,595 households either fully or partially responded and were included as part of the estimates in this report, Table 10.1.

In total, 28,957 households (52 per cent) fully co-operated, 1,638 households (3 per cent) partly cooperated, 19,210 households (34 per cent) refused to be interviewed and the interviewer could not make contact with 4,135 households (7 per cent). A further 1,889 households (3 per cent) were coded to other non-response which includes things such as illness, physical or mental inability and language difficulties.

Table 10.1

Household response rates for wave 1: 2006/08

Great Britain

	Number	Percentage
Sample	62,800	
Eligible cases	55,829	100
Fully responding households	28,957	52
Partially responding households	1,638	3
Non-contact	4,135	7
Refusal to office	3,759	7
Refusal to interviewer	15,451	28
Other non-response	1,889	3
Wave one household response rate	30,595	55

Source: Office for National Statistics

The overall response rate for wave 1 was 55 per cent[6]. The region with the highest response rate was Wales where 59 per cent of all households selected responded, Table 10.2. The region with the lowest response rate was London where only 48 per cent of the selected households co-operated. The relatively low response rate in London reflects the outcome in other major surveys, including the Family Resources Survey (FRS) and the Living Costs and Food Survey (LCF).

Table 10.2

Household response rates for wave 1: by region, 2006/08

Great Britain

Percentages

Region	Eligible cases Count	Responding households	Non-contacts	Refusals	Other non-response
North East	2,588	53	7	36	3
North West	6,680	54	7	36	3
Yorkshire and Humberside	4,851	58	7	33	3
East Midlands	4,187	58	6	35	2
West Midlands	5,091	54	7	36	2
South West	4,854	54	8	35	3
London	6,672	48	12	34	5
South East	7,823	56	7	34	4
East of England	5,416	55	5	36	3
Scotland	4,867	58	7	32	3
Wales	2,805	59	6	31	4

Source: Office for National Statistics

Section 10.4 Data Editing and Validation

An extensive range of computer edits were applied to both the household and individual questionnaires during data entry in the field and to the aggregate data file once it became available. These edits check that:

- logical sequences in the questionnaire have been followed
- all applicable questions have been answered
- specific values lie within valid ranges
- there were no contradictory responses
- relationships between items were within acceptable limits

Edits were also designed to identify cases that, although not necessarily errors, were sufficiently unusual or close to specified limits to warrant further examination.

Once an interview had taken place, the WAS data were transmitted back to ONS and were aggregated into monthly files. Further editing occurred at this stage and included:

- recoding text entries if an appropriate response category was available
- investigating interviewer notes and utilising the information where applicable
- confirming that overridden edit warnings have been done so correctly
- broad data consistency checks

Once this had occurred validation checks on key input and output variables were conducted to ensure that the data had been correctly converted to the new format. Following this, additional validation were undertaken, including base checks, detailed internal consistency checks, range checks and extreme value checks.

Variables on the WAS file were either formed directly from information recorded at individual survey questions or derived from answers to several questions. During validation, data for both types of variables were output as frequency counts and tables containing cross-classifications of selected variables for further checking. These processes aimed to identify any problems in the input data that had not previously been identified as well as errors in derivations and other inconsistencies between related items.

In the final stages of validation, comparative checks were undertaken to ensure that estimates conformed to known or expected patterns and were broadly consistent with data from other external data sources, allowing for methodological and other factors that might impact on comparability. This phase of validation is discussed more comprehensively in section 10.7 Data Quality.

Section 10.5 Imputation

Imputation is an adjustment process used to determine and assign replacement values to resolve problems of missing, invalid or inconsistent data. For ease of reference, such values are referred to as 'erroneous'. Imputation of WAS data was achieved by changing as few of the responses as possible to ensure that plausible, internally consistent records were created. Whenever possible, erroneous records were amended during the face-to-face interview with the respondent. However, with a complex household survey it was not usually possible to resolve all such items in this way. Hence, there was a requirement for some form of imputation process to correct for the remaining erroneous records.

The problem of erroneous data in WAS was approached in two stages: firstly a deductive imputation method then a statistical method:

Deductive imputation

Deductive imputation was applied where a missing or inconsistent value could be deduced with certainty. For example, if an individual's total annual income was known to be £35,000 comprising £30,000 from earnings and an unknown amount of interest from savings it can be deduced that the annual interest from savings, was £5,000. Deductive imputation was applied wherever possible before applying statistical methods.

Statistical imputation

There are many differing statistical methods of imputation available. Since WAS collects mainly quantitative data, it was preferable to use a nearest-neighbour imputation method where information from a donor record that had no errors or missing values was used to replace the erroneous values for a recipient record. Nearest-neighbour imputation selects a donor record based on a set of matching variables or predictors. With this method of imputation, the goal is not necessarily to find a donor that matches the recipient exactly on the matching variables. Instead, the goal is to find the donor that is closest to the recipient in terms of the matching variable within the imputation class - to find the nearest neighbour. This statistical closeness is defined by calculating a distance measure between two observations using a set of matching variables. For example, if the gross earnings variable was missing, the variables used to search for the nearest neighbour would be based on the reported net earnings and pay period.

ONS uses the generalised statistical edit and imputation system CANCEIS (CANadian Census Edit and Imputation System) which was developed by the Canadian Statistical Office and implements a highly efficient nearest-neighbour imputation methodology. CANCEIS performs the simultaneous imputation of categorical and numeric variables. The software has been extensively tested at ONS and analysis confirms that CANCEIS consistently preserves the variance and complex relationships among the variables.

Issues for imputation

Progress through the WAS questionnaire was governed by a complex routing architecture. Routing variables are indicators of whether the associated subset of questions should contain responses or should be set to 'No Code Required'. For example, it was necessary to establish whether a respondent was an employee before asking their amount of earnings from paid employment. This led to two complications, which occur when applying imputation on household surveys:

i. Completeness of routing variables

Where the responses to routing variables contained erroneous values, it was necessary to impute the routing variables before considering the target variables. The imputation of routing variables was often more complex than the imputation of the target variables themselves as there were associated sets of rules defining when a respondent was eligible to enter the variable subset.

ii. Number of variables to be imputed

Often the requirement was to impute a single target variable, however, other variables within or preceding the subset also needed imputation. As a simple example consider earnings from main employment: in order to impute a value for the target variable (main employment), whether the respondent worked and, if so, whether they worked full time or part time was also required.

Further considerations for imputation

i. Level at which imputation applies

Information collected in WAS was analysed and presented at both person level and household level (and also for units within the household, such as for benefit units). There is, for example, interest in the variation between individuals in pension scheme membership and in holdings of different types of accounts and investments but these data are aggregated to household level as contributors to total household assets. Thus, although the imputation was applied at the person level for items asked in the individual questionnaire, the methodology also accounted for the relevant characteristics of the household or of the household reference person.

ii. Treatment of proxy information

Proxy respondents to WAS used the standard questionnaire so a proxy response does not, in itself; add a further tier of item non-response. Proxy interviews were only allowed in situations where the person interviewed was likely to have detailed knowledge of the missing person's financial affairs, usually the spouse or partner of the named person. This approach sought to ensure that the number of missing items in proxy interviews was minimised. Proxy response was therefore not a major complication for imputation, as it can be on some surveys.

iii. Missing values in banded variables

The focus of imputation was on missing values at individual questions. A large number of the variables were collected in a banded form when the response to the continuous variable was unknown or declined. The widths of the bands were necessarily uneven so as to obtain a roughly even spread of the sample across the different categories. Where the response to an individual variable was missing and a banded value was present, the individual value was imputed using the banding as a hard imputation class that is by selecting a donor record with a continuous response which was within the relevant band.

iv. Use and release of imputed values

For WAS, the main requirement was to provide imputed values for key survey estimates. These estimates were derived using a large number of collected variables, so imputation was applied across all of the variables that formed the building blocks for key outputs.

The final WAS dataset only includes imputed values for variables relating to key derived estimates. ONS does not release imputed values across the full dataset for a number of reasons, chiefly:

- the greater effect of small sample numbers and skewness of the data at the level of individual variables
- the false impression of accuracy in outputting imputed values at this level
- the greater resources that would be needed to develop and implement imputation methodology for output at this level

Section 10.6 Weighting

Survey data are routinely weighted to compensate for the different probabilities of individual households and people being included in the analysis data and to help reduce the random variation in survey estimates. Some of the variation in the inclusion probabilities can be controlled as, for example, WAS has been designed to give those addresses predicted to have higher wealth a higher chance of selection than others. If this were not compensated for in the weighting, estimates of wealth from the collection would be biased upwards. Therefore, the initial step in weighting WAS data was to create a design weight equal to the reciprocal of the address selection probabilities.

If it were possible to achieve complete response, the design weight alone would be sufficient to give unbiased estimates from the collected survey data. However, differences in the survey outcomes between sampled households that do or do not respond to the survey would lead to non-response bias. For example, if wealthier households were less likely to take part in the survey, then there is a risk that wealth estimates will be biased downwards.

It was not possible to directly test whether response rates were different for different wealth levels as WAS data were only recorded for the responding households. However, a limited amount of information was available for both the responding and non-responding households. This can be used in sample-based non-response weighting to compensate for non-response bias.

This was done by estimating the response rate for different classes and weighting by the reciprocal of the observed response rate for each class. For a bias reduction on a survey estimate, the following information was required:

- The weighting classes have different response rates
- The survey variable used in the estimate has a different mean in different weighting classes
- The mean of the survey variable was similar for responders and non-responders within each weighting class

The key available information for both responding and non-responding households was the Financial ACORN code[7]. This uses census and survey information to segment the UK population according to financial sophistication into 11 groups and then 49 types. The Financial ACORN code was attached through the postcode of the sampled address.

Using a logistic regression analysis, the Financial ACORN type variable was found to be a significant predictor of household response to WAS. The response rate was calculated and weighted using the design weight for each of the Financial ACORN types. The reciprocal of this response rate was used as a weight factor to compensate for non-response to the survey. The original design weight was multiplied by this non-response weight factor to produce an initial weight taking account of both the design and non-response adjustment.

The initial weight derived above can be used to produce estimated population counts for different groups defined by age, sex and region. ONS publishes regular population projections for different groups based on the census and information about births, deaths and migration. The estimates from WAS using the initial weight will differ from these population projections because of non-response not yet accounted for and because of random variation. The initial weight was adjusted using a process called calibration to produce a final weight that ensures that the survey estimates of the population match the population projections.

As the fieldwork was balanced on a monthly basis it was possible to divide the two-year fieldwork period into smaller time frames to provide estimates for those particular time points. Consequently, the sample was conceived as permitting the following sets of estimates: eight quarterly, two annual and one biennial. This process necessitated the creation of a set of 11 weights. The eight quarterly

weights were constructed independently, as described below. The sum of the weights from the first four quarters was then divided by four to get an annual weight for Year one. This averaging process was used again to create a year two weight from quarters five through eight. Finally, the two annual weights were averaged to produce a biennial weight.

Each of the quarterly weights was calibrated to fixed population totals of the number of residents living in private households for age group[8] by sex and for region[9] derived from official mid-year population estimates. The weighting was carried out at the household level so that a single weight was produced at the household level that could be used for both individual-level and household-level analysis.

Table 10.3 shows a summary of the weight distribution at each stage of the weighting process[10]. For ease of presentation, only the biennial weight is shown. At the first stage, the range of design weights is due to the oversampling of the predicted high wealth addresses. The ratio of the 95th percentile to the 5th percentile is 3 to 1.

At the second stage, the design weights were multiplied by the non-response weighting factor to produce the initial weight. The ratio of the 95th percentile to the 5th percentile increased a little to 3.3 to 1. The final WAS weight includes the impact of calibration. This tends to increase the range of weights and in particular it can be seen that there were a few outlying weights to the right of the distribution. The ratio of the 95th percentile to the 5th percentile has increased to 4 to1.

The weights are only part of the impact of outlying values on the variance of the survey estimate. The overall impact can be summarised by the product of the weight and the survey variable contributing to the estimate. If this contribution is considered to be too large, it is possible to reduce the weight to reduce volatility in the estimates while accepting a small bias.

Table 10.3

Summary of weight distribution at each stage in the weighting: 2006/08

Great Britain

	Percentile points						
	min	0.01	0.05	0.5	0.95	0.99	max
Design weight	137	146	166	434	520	571	716
Initial weight	237	267	301	802	975	1,105	1444
Final weight	133	239	293	831	1,212	1,432	2245

Source: Office for National Statistics

Section 10.7 Data Quality

All reasonable attempts have been made to ensure that the results in this report are as accurate as possible; however there are certain factors that affect the reliability of estimates and for which no adequate adjustments can be made. These two potential sources of error are known as sampling and non-sampling errors and should be kept in mind when interpreting the WAS results.

Sampling error

The estimates in this report are based on information obtained from a sample of the population and are therefore subject to sampling variability. Sampling error refers to the difference between the results obtained from the sample population and the results that would be obtained if the entire population were fully enumerated. The estimates may therefore differ from the figures that would have been produced if information had been collected for all households or individuals in Great Britain.

Standard errors and estimates of precision

One measure of sampling variability is the standard error. Standard errors are one of the key measures of survey quality, showing the extent to which the estimates should be expected to vary over repeated random sampling. In order to estimate standard errors correctly, the complexity of the survey design needs to be accounted for, as does the calibration of the weight to population totals (see section 11.6 Weighting). WAS has a complex design that employs a two-stage, stratified sample of addresses with oversampling of the wealthier addresses at the second stage and implicit stratification in the selection of PSUs.

Typically, PSUs tend to be characterised by a positive intra-class correlation coefficient, that is people within a PSU are more alike to each other than they are to people in the rest of the sample. This acts to increase the standard error of an estimate relative to simple random sampling. Conversely, stratification can act to decrease the standard error if people within a stratum are relatively homogeneous and there is consequently a greater degree of heterogeneity between strata. Both these elements of the design should be accounted for when calculating standard errors.

An identifier of the PSU is included on the WAS dataset. Selection of the PSUs was done by ordering the frame. The first ordering principle was geographic (region x district); whereas the second was socio-demographic, that is within each of the 26 regional districts further ordering was done on the basis of the socio-demographic characteristics of the PSU populace. This ordering fulfils two purposes. Firstly it spreads out the sample in terms of socio-demographic characteristics ensuring people from higher and lower ends of the socio-demographic dimensions were included in the sample. Secondly, it enables stratification. The primary stratification variable, the 26 regional districts, was identified on the dataset but because of the way the sample was selected from the ordered frame it can be regarded as a design selecting a single PSU per stratum. Consequently, it was possible to incorporate a much finer stratification procedure using a ‘collapsed stratum’ approach.

Finally, the calibration to population totals needs to be taken into account. This will have a beneficial effect, both in terms of adjusting for residual bias after non-response weighting and in reducing the variance of estimates. The extent to which the variance was reduced was related to the extent to which the survey variables were related to the variables in the calibration. The calibration variables were household counts of people within each age group by sex and regional category, so it was to be expected that, for example, the total wealth of a household will be associated with these variables.

The method for taking account of the calibration when calculating standard errors is described in the report ‘Variance estimation for Labour Force Survey Estimates of Level and Change’, GSS Methodology Series no. 21, Holmes and Skinner[12].

Non-sampling error

Additional inaccuracies which are not related to sampling variability may occur for reasons such as errors in response and reporting. Inaccuracies of this kind are collectively referred to as non-sampling errors and may occur in any collection whether it's a sample survey or a census. The main sources of non-sampling error are:

- response errors such as misleading questions, interviewer bias or respondent misreporting
- bias due to non-response as the characteristics of non-responding persons may differ from responding persons
- data input errors or systematic mistakes in processing the data

Non-sampling errors are difficult to quantify in any collection, however every effort was made to minimise their impact through careful design and testing of the questionnaire, training of interviewers and extensive editing and quality control procedures at all stages of data processing. The ways in which these potential sources of error were minimised in WAS are discussed below.

Response errors generally arise from deficiencies in questionnaire design and methodology or in interviewing technique as well as through inaccurate reporting by the respondent. Errors may be introduced by misleading or ambiguous questions, inadequate or inconsistent definitions or terminology and by poor overall survey design. In order to minimise the impact of these errors the questionnaire, accompanying supporting documentation and processes were thoroughly tested before being finalised for use in the wave 1 of WAS.

To improve the comparability of WAS statistics, harmonised concepts and definitions were also used where available. Harmonised questions were designed to provide common wordings and classifications to facilitate the analysis of data from different sources and have been well tested on a variety of collection vehicles.

WAS is a relatively long and complex survey and reporting errors may also have been introduced due to interviewer and/or respondent fatigue. While efforts were made to minimise errors arising from deliberate misreporting by respondents some instances will have inevitably occurred.

Lack of uniformity in interviewing standards can also result in non-sampling error, as can the impression made upon respondents by personal characteristics of individual interviewers such as age, sex, appearance and manner. ONS uses training programs, the provision of detailed supporting documentation and regular supervision and checks of interviewers' work to achieve consistent interviewing practices and maintain a high level of accuracy.

One of the main sources of non-sampling error is non-response, which occurs when people who were selected in the survey cannot or will not provide information or cannot be contacted by interviewers. Non-response can be total or partial and can affect the reliability of results and introduce a bias.

The magnitude of any bias depends upon the level of non-response and the extent of the difference between the characteristics of those people who responded to the survey and those who did not. It is not possible to accurately quantify the nature and extent of the differences between respondents and non-respondents however every effort was made to reduce the level of non-response bias through careful survey design and compensation during the weighting process. To further reduce the level and impact of item non-response resulting from missing values for key items in the questionnaire, ONS undertook imputation (see section 10.5 Imputation) prior to the release of the full wave 1 dataset for analysis.

Non-sampling errors may also occur between the initial data collection and final compilation of statistics. These may be due to a failure to detect errors during editing or may be introduced in the course of deriving variables, manipulating data or producing the weights. To minimise the likelihood of these errors occurring a number of quality assurance processes were employed which are outlined in more detail below and in 10.4 Data Editing and Validation and 10.6 Weighting.

External source validation

In the final stages of validating the WAS data, comparative checks were undertaken to ensure that the survey estimates conformed to known or expected patterns and were broadly consistent with data from other external sources. This work was undertaken by ONS and analysts from the funding departments as well as a number of academics

who had expertise in the various topics included in WAS. The following guidelines were recommended by ONS when undertaking the external source validation process:

- identify alternate sources of comparable data
- produce frequencies and cross tabulations to compare proportions in the WAS dataset to those from external sources
- if differences were found, assess whether these were significant
- where significant differences were found ensure that reference periods, populations, geography, samples, modes of collection, questions, concepts and derivations were comparable

Results from these analyses indicated that estimates from the Wealth and Assets Survey were broadly in line with results from other administrative and survey sources. Further work to produce more detailed analyses and comparisons is ongoing and any data quality issues which are identified with WAS variables will be fully documented and made available on the ONS website.

Section 10.8 Concepts and definitions

Household reference person

For some topics it is necessary to select one person in the household to indicate the characteristics of the household more generally. In common with other government surveys, WAS uses the Household Reference Person (HRP) for this purpose. The HRP is defined as follows:

- in households with a sole householder, that person is the HRP
- in households with joint householders the person with the highest income is taken as the HRP
- if both householders have exactly the same income, the older is taken as the HRP

Note that this definition does not require a question about people's actual incomes; only a question about who has the highest income.

Definition of the Lorenz curve and Gini coefficient

The Lorenz curve (named after the US economist who developed the concept, Max Otto Lorenz) is a graph for showing the concentration of ownership of economic quantities such as wealth and income. It is formed by plotting the cumulative distribution of the amount of the variable concerned against the cumulative frequency distribution of the individuals possessing the amount. The closer the curve to the 45 degree line, or 'line of perfect equality', the more equal the income distribution in the population; the further away from this line, the more unequal the income distribution.

The Gini coefficient is the ratio A:(A+B), where A is the area between the 'line of perfect equality' and the Lorenz Curve; and B is the area below the Lorenz curve. The Gini coefficient takes a value between 0 (perfect equality) and 1 (perfect inequality).

Justification for using the Lorenz curve and Gini coefficient

Lorenz and Gini originally developed their methodology to describe income distributions, but similar curves can be used to describe wealth distributions. This approach has been used because curves based on the Lorenz curve provide a neat way of describing graphically the distribution of wealth in the population, and of comparing the relative (in)equality of the different components of

wealth (property, financial, physical and pension wealth). The Gini coefficient was used because it summarises the relative (in)equality of the distributions.

It should be noted that an adjustment was necessary when producing wealth distributions based on the Lorenz/Gini approach. While income of households is always positive, the net wealth position of a household may be negative – particularly for components of wealth such as financial and property wealth. In this report, the adjustment that that has been made assumed that if net wealth of a household was negative, then the household was given a value of zero for the purposes of the distributional analysis using the Lorenz/Gini method.

How the wealth estimates are derived

The wealth estimates in this report are derived by adding up the value of different types of asset owned by households, and subtracting any liabilities. The report presents two different totals: total wealth with and without pension wealth. Information is presented both at aggregate level (for Great Britain as a whole) and at household level.

Total wealth with pension wealth is the sum of four components:

- net property wealth
- physical wealth
- net financial wealth and
- private pension wealth

Total wealth without pension wealth is the sum of three components: net property wealth, physical wealth and net financial wealth.

The components are, in turn, made up of smaller building blocks:

- Net property wealth is the sum of all property values minus value of all mortgages and value of amounts owed as a result of equity release
- Physical wealth is the sum of values of household contents, collectables and valuables, and vehicles (including personalised number plates)
- Gross financial wealth is the sum of values of formal and informal financial assets, plus value of assets held in the names of children, plus value of endowments purchased to repay mortgages

Some points to note:

- While all other wealth variables in the dataset are imputed, the value of financial assets held in the names of children are not imputed
- Iinformal financial assets exclude very small values (less than £250)
- Money held in Trusts – other than Child Trust Funds – is not included
- Financial liabilities are the sum of current account overdrafts; plus amounts owed on credit cards, store cards, mail order, hire purchase and loans; plus amounts owed in arrears
- Net financial wealth = Gross financial wealth - Financial liabilities
- Private pension wealth is the sum of the value of current occupational pension wealth, retained rights in occupational pensions, current personal pension wealth, retained rights in personal pensions, AVCs, value of pensions expected from former spouse or partner and value of pensions in payment

Note that while net property wealth, physical wealth and net financial wealth are calculated simply by adding up the value of assets (minus liabilities, if

applicable) for every household in the dataset, private pension wealth is more complicated because modelling is needed to calculate the value of current occupational pension wealth, retained rights in occupational pensions etc for each household. As with all models, the results depend on the assumptions made.

Derivation of private pension wealth measures

As outlined in Chapter 6, nine separate components of private pension wealth were calculated based on the WAS survey responses. There were four categories of pension to which respondents were making (or could have made) contributions to at the time of the survey:

- Defined benefit (DB)
- Additional Voluntary Contributions (AVCs) to DB schemes
- Employer-provided defined contribution (DC)
- Personal pensions

The distinction between employer-provided DC pensions and personal pensions is as reported by the respondent. So, for example, if an individual had a Stakeholder Pension facilitated by their employer and chose to report that as an 'employer-provided/occupational scheme', this is counted as an employer-provided DC pension. Conversely, if an individual reported this simply as a Stakeholder Pension, it would be included in personal pensions.

In addition to these five categories of current pension scheme, we also calculated wealth from four other types of pension:

- Pensions already in receipt
- Retained rights in DB-type schemes
- Retained rights in DC-type schemes
- Pension funds from which the individual is taking income drawdown
- Pensions expected in future from a former spouse

How the wealth for each of these components was calculated is described in detail in the following sections.

Definition of current defined benefit occupational pension scheme wealth

Individuals could report up to two current defined benefit pensions[1]. The wealth in each of these schemes was calculated separately (as described below) and then summed together to get total wealth in current defined benefit (DB) occupational schemes.

Wealth in these schemes was defined as:

$$W_i = \frac{A_R Y_i^{\,p} + L_i}{(1+r)^{R-a}}$$

Where:

A_R is the age and sex specific annuity factor at normal pension age, R, based on (single life) inflation-linked annuity rates quoted by the Financial Services Authority. In other words, it is the pot of wealth required to deliver a price indexed income stream of £1 per year every year from age R to death.

Y_i^P is annual pension income, defined as

$$Y_i^{\,P} = \alpha_i n_i s_i$$

α_i is the accrual fraction in the individual's scheme

n_i is the individual's tenure in the scheme

s_i is the individual's gross pay at the time of interview

L_i is the lump sum that the individual expects to receive at retirement

r is the real investment return (assumed to be 2.5 per cent per annum)

R is the normal pension age in the pension scheme

a is the individual's age at interview

Since these are individual not household pension wealth measures, and due to the complexity of the calculations and the information that would have been required from respondents, survivor benefits are not modelled. In practice this would lead to a underreporting of pension wealth for women, since the expected future survivors benefits that they will receive when they (on average) outlive their husbands will not be measured. To the extent these survivors benefits will be sometime in the future for most women, their omission will have only a small effect on the calculations.

The investment return assumed clearly has a significant impact on the current valuation of DB pension wealth. We have assumed a 2.5 per cent real return on investments. This is the same as the AA corporate bond rate used in official calculations of the liabilities of public sector pensions in 2008.

Definition of wealth from Additional Voluntary Contributions (AVCs)

Individuals who reported being members of an occupational DB scheme were asked whether they had made any AVCs and, if so, what the value at the time of interview of their AVC fund was. Current AVC wealth is, therefore, simply defined as the fund value reported by the respondent at the time of the interview.

Definition of current defined contribution occupational pension scheme wealth

Individuals could report up to two current defined contribution pensions. The wealth in each of these schemes was calculated separately (as described below) and then summed together to get total wealth in current defined contribution (DC) occupational schemes. We also followed this procedure for those who reported that their employer-provided scheme was a hybrid scheme or that they did not know the type of scheme.

Individuals were asked to report the value of their fund at the time of the interview and were encouraged to consult recent statements where available. Current occupational DC pension wealth is, therefore, simply defined as the fund value reported by the respondent at the time of the interview.

Definition of current personal pension wealth

Individuals could report up to two current personal pensions; current being defined as schemes to which the individual was (or could have been) contributing at the time of interview. The wealth in each of these schemes was calculated separately (as described below) and then summed together to get total wealth in personal pensions.

Individuals were asked to report the value of their fund at the time of the interview and were encouraged to consult recent statements where available. Current personal pension wealth is, therefore, simply defined as the fund value reported by the respondent at the time of the interview.

Definition of retained rights in defined benefit occupational pension schemes

Individuals could report up to three pensions in which rights have been retained. These could be either DB of DC schemes. The wealth in each DB retained scheme was calculated separately (in much the same way as for current DB schemes described above) and then summed together to get total wealth held as retained rights in defined benefit (DB) occupational schemes.

Wealth in these schemes was defined as:

$$W_i = \frac{A_R Y_i^p + L_i}{(1+r)^{R-a}}$$

Where:

- A_R is the age and sex specific annuity factor at retirement age, R (see above)
- Y_i^P is expected annual pension
- L_i is the lump sum that the individual expects to receive at retirement
- r is the real investment return (assumed to be 2.5 per cent a year)
- R is assumed to be 65, or the individual's current age if he/she was already aged over 65
- a is the individual's age at interview

Definition of retained rights in defined contribution occupational pension schemes

The wealth in each DC retained scheme was calculated separately (in much the same way as for current DC schemes described above) and then summed together to get total wealth held as retained rights in DC schemes. Specifically, individuals were asked to report the value (at the time of interview) of their retained DC fund.

Definition of rights retained in schemes from which individuals are drawing down

Individuals could also report that they were already drawing down assets from a retained pension scheme. In these cases, individuals were asked to report what the remaining fund value for their scheme was at the time of interview. The wealth in each of these schemes was then summed together to get total wealth held in schemes of this type.

Definition of pensions expected in future from former spouse/partner

Individuals were asked to report in total how much they expected to get in future from private pensions from a former spouse or partner. Respondents were given the choice to report this either as a lump sum wealth figure, or as an expected annual income. Two slightly different approaches were followed, depending on how the respondent answered.

For those who reported a total lump sum value, this figure was taken as the relevant wealth measure and discounted back to the time of the interview. For those who reported an expected future annual income, wealth was calculated in much the same way as for DB schemes described above:

$$W = \frac{A_R Y^p}{(1+r)^{R-a}}$$

Where:

- A_R is the age and sex specific annuity factor at retirement age, R (see above)
- Y_i^P is expected annual pension
- r is the real investment return (assumed to be 2.5 per cent a year)

R is assumed to be 65, or the individual's current age if he/she was already aged over 65

a is the individual's age at interview

Definition of wealth from pensions in payment

In order to calculate the value of the future stream of income provided by pensions from which the individual was already receiving an income, we essentially calculated what lump sum the individual would have needed at the time of interview to buy that future income stream from a pension provider at that time. Wealth from pensions in payment was therefore defined as:

$$W = A_a Y^p$$

Where

A_a is the age and sex specific annuity factor based on respondent's current age, a (see above)

Y^P is reported current annual private pension income

For those age groups for whom no market annuity price was available (ages 75 and over), we predicted a hypothetical annuity price based on the information from those ages where annuity prices were available.

Footnotes

1 This figure also assumes an even response profile across the wealth distribution.

2 All addresses on the PAF are assigned to a postcode. A large user postcode is one that is assigned to a single address due to the large volume of mail received at that address. The remainder are small user postcodes, each with on average 15 addresses assigned, although this can vary between 1 and 100. See Royal Mail PAF Digest for more details: www.royalmail.com/link/download?catId=4200004&mediaId=5800028

3 The sample at the first stage was not formally stratified as the sampling within different strata was not independent. However, the impact on precision is similar.

4 The estimate will, in general, understate total financial wealth held outside of tax-exempt savings vehicles and it will exclude wealth on which no income accrued, for example shares not paying a dividend. It will also understate wealth to the extent that taxpayers have under-reported their income.

5 This number exceeds the 62,400 addresses issued because it includes incidences of multiple households at the same address.

6 The response rate was calculated prior to rounding and therefore discrepancies may occur between sums of the component items and the total.

7 The Financial ACORN codes were supplied by CACI. See www.caci.co.uk for details.

8 The age groups used were: 0–9, 10–15, 16–24, 25–34, 35–39, 40–44, 45–49, 50–54, 55–59, 60–64, 65–74, 75 and above.

9 The regional variable was the Government Office Regions for England: North East, North West, Yorkshire and the Humber, East Midlands, West Midlands, East of England, London, South East, South West, plus Wales and Scotland.

10 The distribution of weights is shown for the responding households only.

11 Where there was an odd number of PSUs within a region the last PSU was added to the previous pair, giving a stratum containing three PSUs.

12 See: www.statistics.gov.uk/StatBase/Product.asp?vlnk=9220

13 Respondents can report a maximum of two current pension schemes. For example, an occupational DB scheme and a personal pension.

Appendix A

Business assets

Business assets were not included in total wealth, which is defined in the report as the personal wealth of households (see Chapter 2) and therefore total wealth does not include business assets owned by household members. However, the survey did collect information on business assets. The results show that 12 per cent of households had business assets in 2006/08.

People with businesses were asked how much they would get if they sold a business, or their share of a business, at the time of the survey (the market value of the business). Respondents were asked to include the value of financial assets, accounts receivable, inventories, land, property, machinery, equipment, customer lists and intangible assets.

However, only 4 per cent of households were willing to provide a valuation of their businesses. The high level of non-response may have introduced bias into information collected. Therefore, the results shown below should be treated with caution, and are therefore presented separately rather than in the main body of the report.

The tables and charts in this chapter provide summary results. Each of these is linked to a spreadsheet giving the source data, and often more detailed results. The spreadsheets can be accessed by clicking on the table or chart.

Table A.1

Business assets[1]: summary statistics, 2006/08

Great Britain £

	Mean	1st quartile	Median	3rd quartile
Business value	256,000	5,000	25,000	140,000

1 Results are for business owners only.

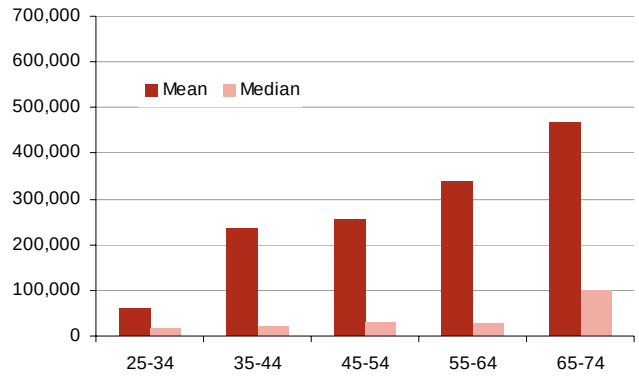
Source: Office for National Statistics

Figure A.2

Distribution of business assets[1]: by age of household head, 2006/08

Great Britain

£



1 Results are for business owners only.

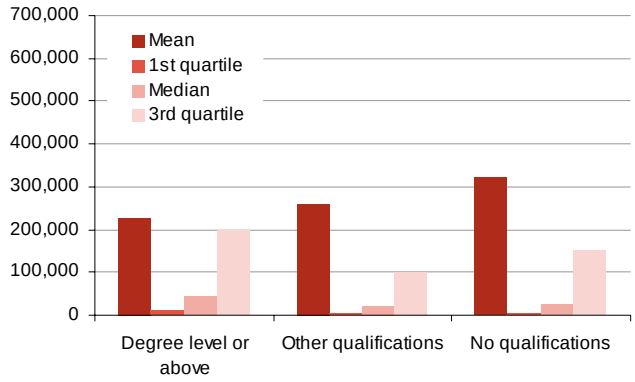
Source: Office for National Statistics

Figure A.3

Distribution of business assets[1]: by education of household head, 2006/08

Great Britain

£



1 Results are for business owners only.

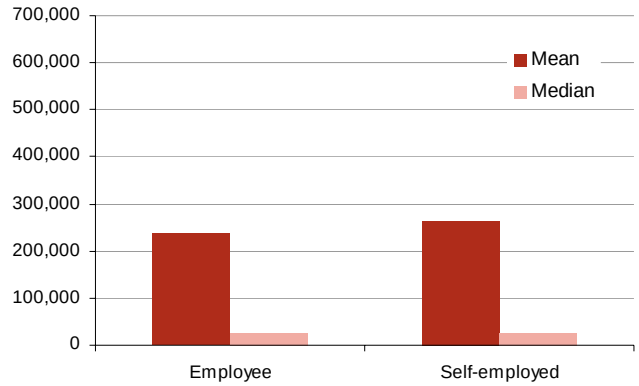
Source: Office for National Statistics

Figure A.4

Distribution of business assets[1]: by employment status of household head, 2006/08

Great Britain

£



1 Results are for business owners only.

Source: Office for National Statistics

Figure A.5

Distribution of business assets[1]: by socio-economic classification of household head, 2006/08

Great Britain

£

1 Results are for business owners only.

Source: Office for National Statistics

Figure A.6

Distribution of business assets[1]: by region, 2006/08

Great Britain

£

1 Results are for business owners only.

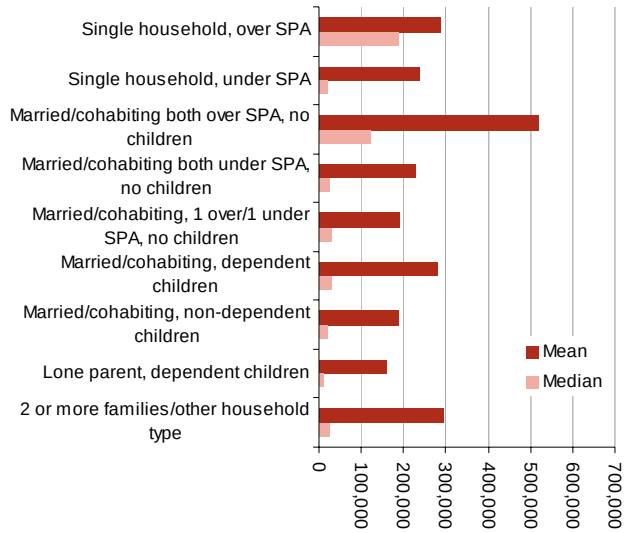
Source: Office for National Statistics

Figure A.7

Distribution of business assets[1]: by household type, 2006/08

Great Britain

£



1 Results are for business owners only.

Source: Office for National Statistics

Appendix B

Links to additional tables

Appendix B

Many tables were produced during the analysis. To have included these in this report would have added to its length considerably. However, the tables will be of interest to the readers and so they have been made available on the web site and links to them are included in this chapter.

Additional tables for Chapter 6; Private pension wealth can be found here. These tables include sample sizes.

Additional tables for Chapter 9; Demographics can be found here.

Appendix C

Link to standard errors for key variables

Appendix C

To enable the reader to gain an appreciation of the variability of the results presented in this report, estimates of the standard errors of some key variables have been produced. These estimates are in a spreadsheet that can be access by clicking here.

Sampling error

The estimates in this report are based on information obtained from a sample of the population and are therefore subject to sampling variability. Sampling error refers to the difference between the results obtained from the sample population and the results that would be obtained if the entire population were fully enumerated. The estimates may therefore differ from the figures that would have been produced if information had been collected for all households or individuals in Great Britain.

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Standard errors and estimates of precision

One measure of sampling variability is the standard error. Standard errors are one of the key measures of survey quality, showing the extent to which the estimates should be expected to vary over repeated random sampling. In order to estimate standard errors correctly, the complexity of the survey design needs to be accounted for, as does the calibration of the weight to population totals (see section 11.6 Weighting). WAS has a complex design that employs a two-stage, stratified sample of addresses with over sampling of the wealthier addresses at the second stage and implicit stratification in the selection of PSUs.

Appendix D

The measurement of income

Appendix D

The questions included in the wave 1 questionnaire did not allow us to produce robust estimates of income. However, accurate estimation of income is not necessary as it does not form part of the estimate of wealth and is included to enable the presentation of breakdowns of the wealth measures; that is it is used for classificatory purposes only. In order to accurately estimate income a large number of questions would be required, as is found on the Family Resources Survey, a survey that focuses on income. Adding such questions would have significantly increased the length of the WAS questionnaire.

There were two issues found in measuring income. Firstly, in terms of earned income, employees and self-employed people were not asked for income on a consistent basis. Secondly, a more important issue was the quality of the benefits data, where proxy respondents were not asked any information about benefits and a significant number of respondents declined to answer this section. There was insufficient information collected to attempt to impute the missing data.

However, the importance of income is recognised and at the time of writing a separate annex to the report on the analysis of income was being prepared for release on the same web page. The design of the income questions was reviewed for future waves of the WAS.