INFLATION NATION

A report by
Yorkshire Building Society

YORKSHIRE BUILDING SOCIETY
Helping real life happen

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Foreword

Just as we come through a global pandemic, you'd be forgiven for thinking this was a challenge of a lifetime to navigate and things may settle to a new kind of normal. However, we now find ourselves in the midst of more financial turmoil. Household finances have been turned upside down and are being squeezed from every angle as the UK faces a cost of living crisis with rising inflation and commodity prices affecting consumers' ability to remain financially resilient.

Managing financial resilience is in everyone's interests and at Yorkshire Building Society we want to play our part by helping people to understand and therefore plan for the financial impacts of the cost of living crisis, whatever level of financial resilience they have today.

We have worked with Opinium to understand how consumers are feeling and conducted economic analysis with the Centre for Economics and Business Research (Cebr), to examine the current financial resilience of households across the UK. We have considered the impact of the cost of living crisis on an average household, but also split the 4,000 households in our consumer polling into three groups based on the ages of the adults living in the property, to shine a light on the potential impacts the current crisis may have on people's ability to be, and remain, financially resilient.

39%

Nearly 4 out of 10 people (39%) have had to dip into their savings to cover the cost of living in the last 12 months

Just like the Covid-19 pandemic, the current cost of living crisis will affect people in different ways. For some the squeeze on household finances will bring a complete collapse of their income and a dependence on benefits and savings. Others may have benefited from a sustained period of capped spending on travel and commuting throughout the last two years along with the ability to build their savings, which will now provide them with some protection from financial shocks like the current wave of price increases. However, with nearly four out of ten people (39%) saying they have already had to dip into their savings during the past 12 months, this current crisis is one that will impact many and demonstrates why having enough of a safety net in difficult times is crucial.

Even before Covid-19, the ability for UK households to save was limited, with the UK savings ratio one of the lowest in Europe and people in other nations saving two to three times more. Nor will this current test of household finances just affect our money - it will also hit our emotional wellbeing and mental health just as hard. Right now, worries about the cost of living crisis are already negatively affecting people's mental wellbeing across the country.

Saving isn't easy when we're facing day-to-day expenditure challenges along with low interest rates. But putting time and effort into building a safety net always pays off in peace of mind. This is something we have advocated and supported since 1864 and sits at the core of our purpose as a building society.

With the cost of living crisis hitting people hard, it's crucial that people have access to all the information and support they need to help weather this storm. Our role as a mutual is to deliver real help with real life, so as well as helping people save and own their own homes, we're helping people as they face challenges around skills, employment, financial education and wellbeing in many towns and cities around the UK.

The current crisis makes me more determined than ever to help our nation in a time of need. Saving really does make us all healthier, happier and as prepared as we can be for whatever life brings.

Stephen White
Interim Chief Executive of Yorkshire Building Society

Introduction

With the economy still recovering from damage sustained during the pandemic, and the tax burden increasing for many households, ongoing rises in inflation could not have come at a worse time.
Average weekly earnings are expected to grow by 4% a year on average between 2022 and 2024, but as ever- increasing energy and fuel costs push up the prices of goods and services, average weekly household spending is expected to rise by 6% a year on average over the next three years.

This means that the typical UK household will see less left over at the end of each month. It is this cumulative worsening of the situation over time – not sudden, headline-grabbing rises in single costs like fuel – that has the potential to cause serious and long-lasting financial problems for millions of people. The impact of those problems will be more immediate and more severe for households that lack financial resilience: access to additional financial resources in an emergency.

We asked Cebr to study national economic data and we surveyed 4,000 people with Opinium Research to understand the current financial resilience of households across the UK. We have considered the impact of the cost of living crisis on the average household as well as looking at people from different places and backgrounds and splitting these into three age groups. Those aged under 40, those aged 40-65 and those aged 65 plus.

Section	Indicators	Source
A higher cost of living: rising expenditure, falling real incomes	Tracking household incomes and spending, we have produced a time series for household spending as well as a structural breakdown of this spending. Alongside this, we have provided an outlook for other economic variables, such as unemployment rates and earnings, showing how they are set to change over time.	Living Costs and Food Survey, ONS Office for National Statistics Annual Population Survey, ONS Annual Survey of Hours and Earnings, ONS
Financial resilience in the face of unexpected events	Examining the true extent of financial resilience in UK households, we have revised consumer sentiment as to whether they feel they can withstand a major financial event, such as this current crisis. We also asked how much money they thought they would need to hold in accessible savings in order to feel financially resilient.	Opinium Consumer Research – conducted 11-15 March 2022
How can people improve their financial resilience?	Having more money in cash savings was cited by the largest number of people as the biggest factor to being more financially resilient. Here we look at how we can improve resilience.	YBS

Many households have already endured financially strenuous conditions during the Covid-19 pandemic. The pandemic and the imposition of lockdowns deepened a division between households with higher and lower incomes. Many higher income households spent less during the pandemic as they cut back on leisure activities or costs linked to travel to and from work, while their incomes remained steady or grew. But in many lower income households, incomes were more likely to fall, or to disappear altogether, while expenditure either remained the same or increased.

These effects will have undermined the financial resilience of some households. While some with higher incomes may have been able to save more and perhaps pay off debts more quickly, those with lower incomes are more likely to have been forced to spend some of their savings, if they had any, or take on more debt.

MAIN FINDINGS

1

As ever-increasing energy and fuel costs help push up the prices of goods and services, average weekly household spending is expected to reach £705 by 2024, up from £595 in 2021: an 18% cumulative increase, while earnings for the average worker are only set to rise by 13% over the same time period.

2

The share of spending accounted for by housing and utilities costs has increased significantly: it was only the fourth highest contributor to average weekly household spending in 2002, accounting for about 8.6% (£36.88), but by 2024 it will be in second place, accounting for 14.3% (£100.83), in part because this category includes energy prices.

3

Transport has been the largest contributor to household expenditure in 15 of the last 20 years and its share of overall spending will grow from 13.8% (£59.22) in 2002 to a predicted 14.5% (£102.39) in 2024.

4

Nearly four out of ten people (39%) say they have had to dip into their savings during the past 12 months. In addition, more than one in three adults (35%) say they are likely to dip into their savings during the next 12 months. However, worryingly more than one in ten people (12%) say they have nothing to fall back on.

5

UK adults require £13,856 to feel financially secure, but even for those with an adequate financial buffer, rising costs and galloping inflation mean households are already dipping into their savings by an average of £455 a month. This will see financial security deplete for many over time.

TESTING FINANCIAL RESILIENCE

The impact of the pandemic and the cost of living crisis will also vary according to other household characteristics, such as age, but in most cases the crisis presents a threat to households' financial resilience across the board. We asked people how much money they felt they needed in accessible savings to feel financially resilient.

Their responses show that at present, on average, households with savings have more money than they need in order to feel financially resilient. But our research also shows that almost four out of ten (39%) respondents had used some of their savings to cover living costs during the past year, with 17% of this group withdrawing more than £1,000. More than one in three (35%) of all respondents also think they will need to use some of their savings during the next year.

17%

17% of those who dipped into their savings to cover costs in the last 12 months, withdrew more than £1000

Once people are forced to use savings to meet routine expenditure, the limits of their financial resilience will be revealed. Households that have little or no money held in savings today will face severe difficulties: research from the Resolution Foundation suggests that a combination of the cost of living squeeze and a lack of additional support for people on the lowest incomes means 1.3 million people may fall into absolute poverty during the next 12 months[i].

This report raises a number of questions about the financial resilience of households in the UK. First, are those who think they have some financial resilience overestimating the amount of protection it will give them? Second, how badly will the cost of living crisis damage the financial resilience of UK households as people try to meet the costs of everyday necessities, let alone unexpected or significant life events? And finally, what can people do to try to mitigate the financial damage that the crisis could cause?

If households were better equipped to manage their financial resilience throughout the cost of living crisis the entire UK economy would ultimately benefit, as people would find themselves in a better position to spend, and with greater confidence too. Reaching that stage will be very difficult in the current circumstances, and even impossible for some people. But we can all play a part. At Yorkshire Building Society, we are committed to doing our best to help people to make the most of the resources they have, to make good financial decisions that help protect themselves and their families during these uncertain times; and to build foundations for a brighter financial future.

A higher cost of living: Rising expenditure, falling real incomes

Average weekly household spending will reach £705 by 2024

Yet, earnings will grow at an average of 4% per year, between 2022 and 2024, well below inflation.

Whatever is happening in the world, the cost of living is usually rising. Weekly expenditure in the average UK household has increased in almost every year since 2002. In 2018 and 2019 average weekly household spending was above £600, before it was dented by the pandemic in 2020 and 2021, but Cebr estimates that it will reach £705 by 2024.

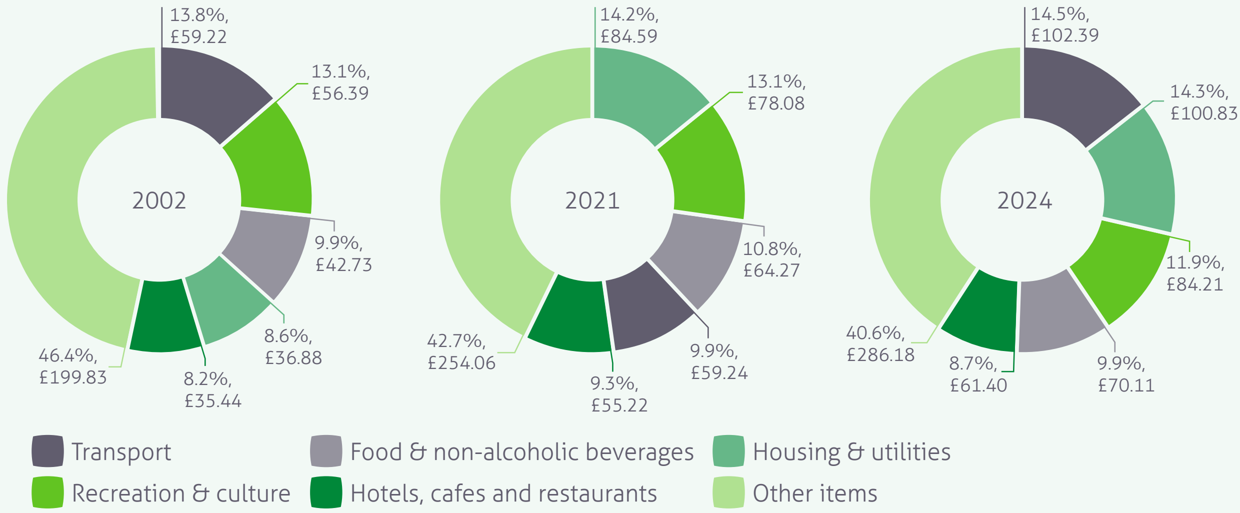
When we break down household spending by category and look back over the past 20 years, we can see there have been some striking changes during that time. The share of spending accounted for by housing and utilities costs has increased significantly: it was only the fourth highest contributor to average household spend in 2002, accounting for about 8.6%, or £36.88 per week, but by 2024 it will be in second place, accounting for 14.3%, or £100.83, in part because this category includes energy prices.

Transport has been the largest contributor to household expenditure in 15 of the years between 2002 and 2021 (temporary lifestyle changes forced upon people during the pandemic knocked it off the top spot in 2021); and its share of overall spending has grown from 13.8% in 2002 (£59.22) to a predicted 14.5% – £102.39 – in 2024.

Weekly expenditure of average UK household

Source: Living costs and food survey, Cebr analysis

Expenditure breakdown of average UK household, top five consumption categories



During the next 20 years, our analysis suggests transport costs will account for an even larger share of household spending as fuel prices increase, passing 14% in 2022 and reaching 16% within 20 years.

Clearly, in any household where financial resilience is limited, just keeping the lights and heating on at home, and travelling anywhere for work or pleasure, will become much more difficult over time.

Transport expenditure of average UK household

Source: Living costs and food survey, Cebr analysis

A TALE OF DIFFERENT AGES

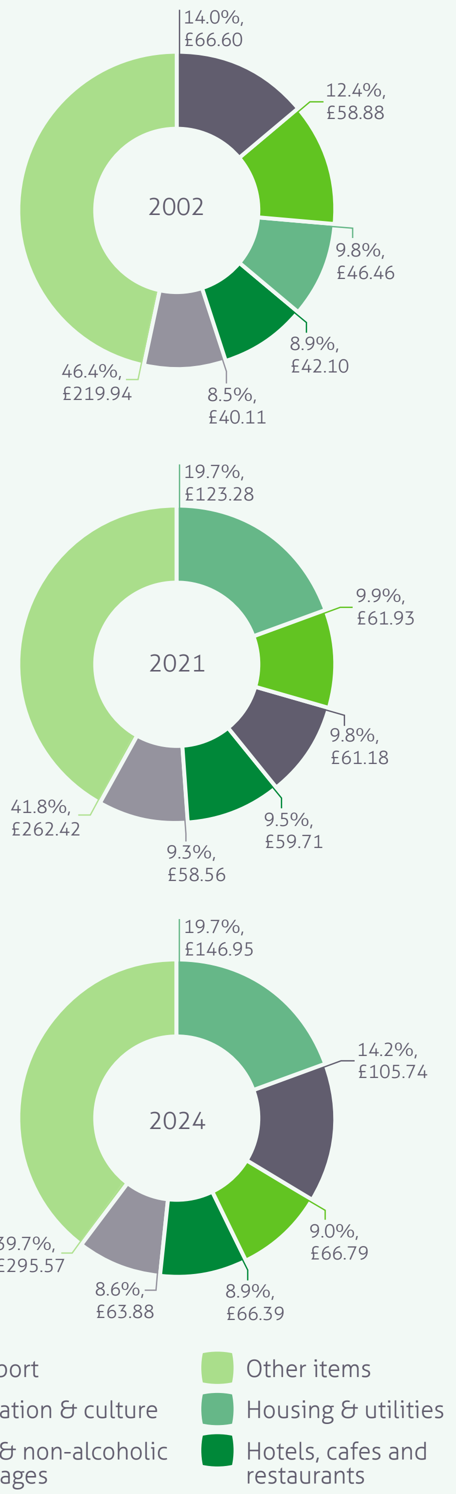
Where the adults in a household are aged under 40, weekly expenditure has risen and fallen more than it has for the average household during the past 20 years, with annual falls in expenditure seen five times during this period. Weekly spending by these households peaked at £642 per week in 2019 but is expected to reach £745 by 2024.

Housing and utilities costs now account for a fifth (19.7%) of total spending for the under 40s

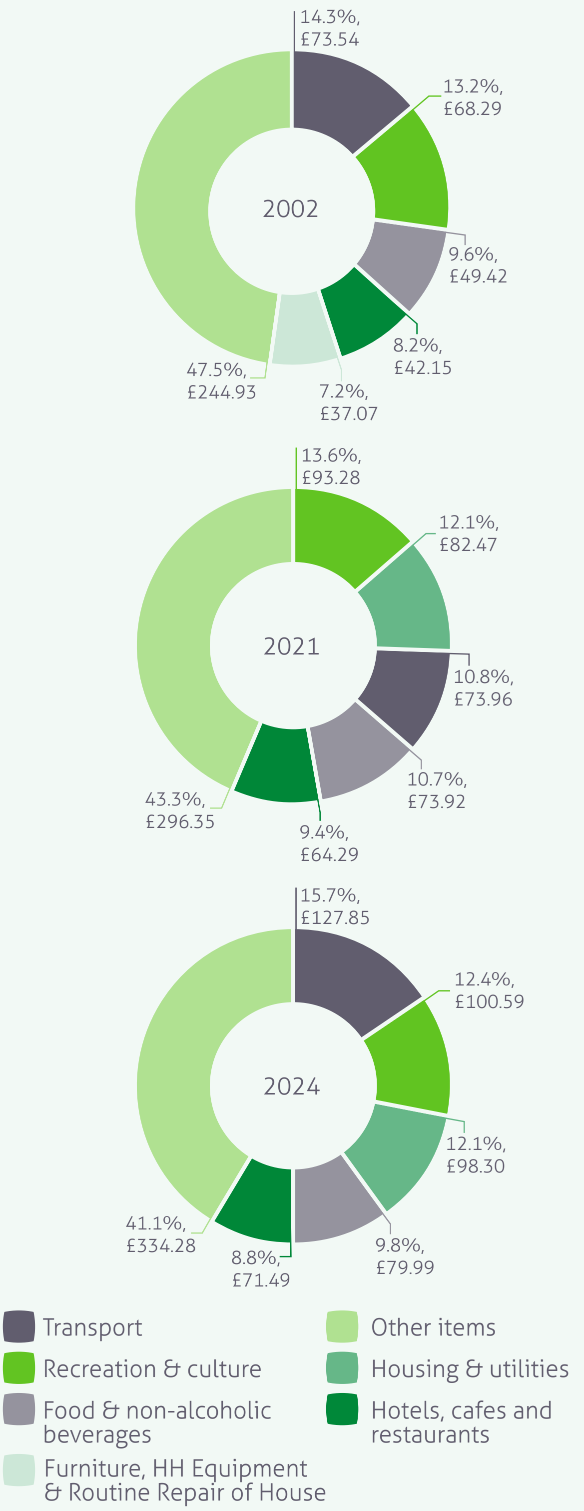
Our research findings show that people in this age bracket tend to spend a larger share of their weekly income on housing and utilities costs, which has accounted for the biggest share of spending in this age group in 14 of the years between 2002 and 2021. This is due in part to lower levels of home ownership within younger age groups, as this category of spending includes rent for housing.

Having accounted for only 9.8% of weekly spending in 2002, housing and utilities costs accounted for almost a fifth (19.7%) of spending for this age group in 2021 and our research suggests this will also be the case in 2024. Transport costs will take the second highest share, leapfrogging recreation and culture after a pandemic-suppressed 2021.

Expenditure breakdown of average under 40s UK household, top five consumption categories



Expenditure breakdown of average 40-65 year old UK households, top five consumption categories



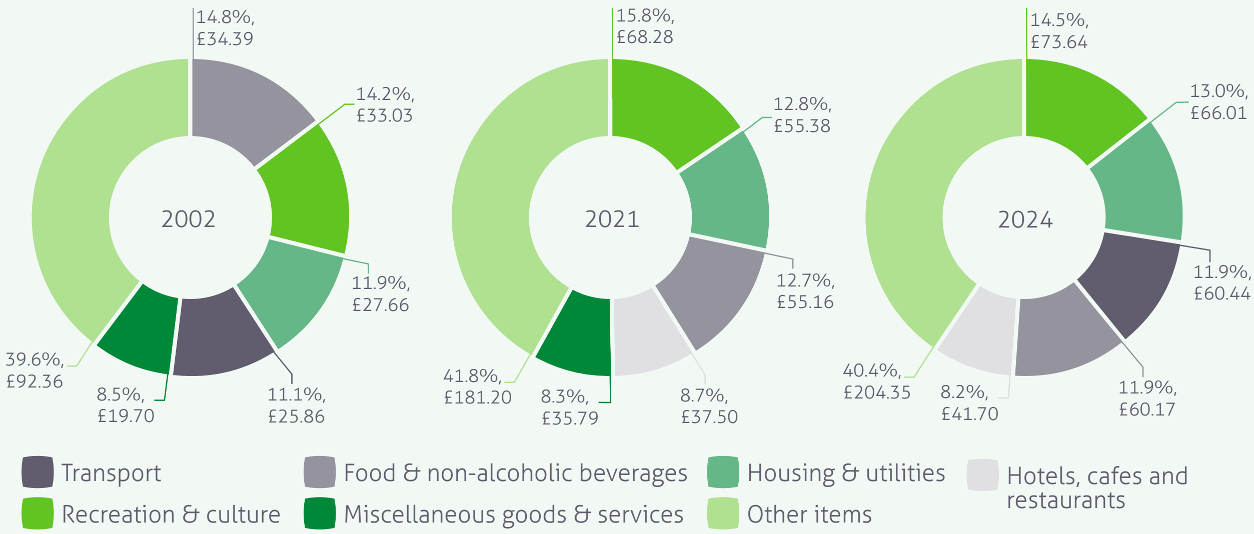
Households where the main owner-occupier is aged between 40 and 65 face the highest living costs of all three age groups. Weekly spending for these households hit a peak of £702 in 2019 and is expected to reach £813 by 2024. Transport costs have been the biggest costs for these households in 17 of the past 20 years; and this will be the case again in 2024, when they account for 15.7% of total weekly spending.

Households with adult members in this age group also tend to spend slightly more on recreation and culture than the average UK household does: this category took up 13% of their total spending between 2002 and 2021, compared to 12.6% for the average household.

£813

Weekly spending amongst 40 to 65 year olds to reach £813 by 2024

Expenditure breakdown of average over 65s UK households, top five consumption categories



Households where adults are aged 65 and over are the lowest spenders, with weekly expenditures peaking at £476 in 2018. Spending is expected to surpass this level in 2022 and reach £506 by 2024. Recreation and culture accounts for the largest share, ahead of housing and utilities.

But even if life can become less expensive as you get older, it's probably fair to say that people of all ages expect their spending to increase year on year. Our research shows that a substantial majority (75%) of people expect this to be the case in the next year, with 41% of those we surveyed saying they expect their monthly essential outgoings to increase by between £100 and £500 over the next 12 months. But with inflation still rising quickly, this might even be an underestimate of the increase in costs that lies ahead – and are people overly optimistic when it comes to their ability to meet increased expenses from their usual incomes?

41%

41% of those surveyed said they expect their monthly essential outgoings to increase by between £100-500, regardless of their age

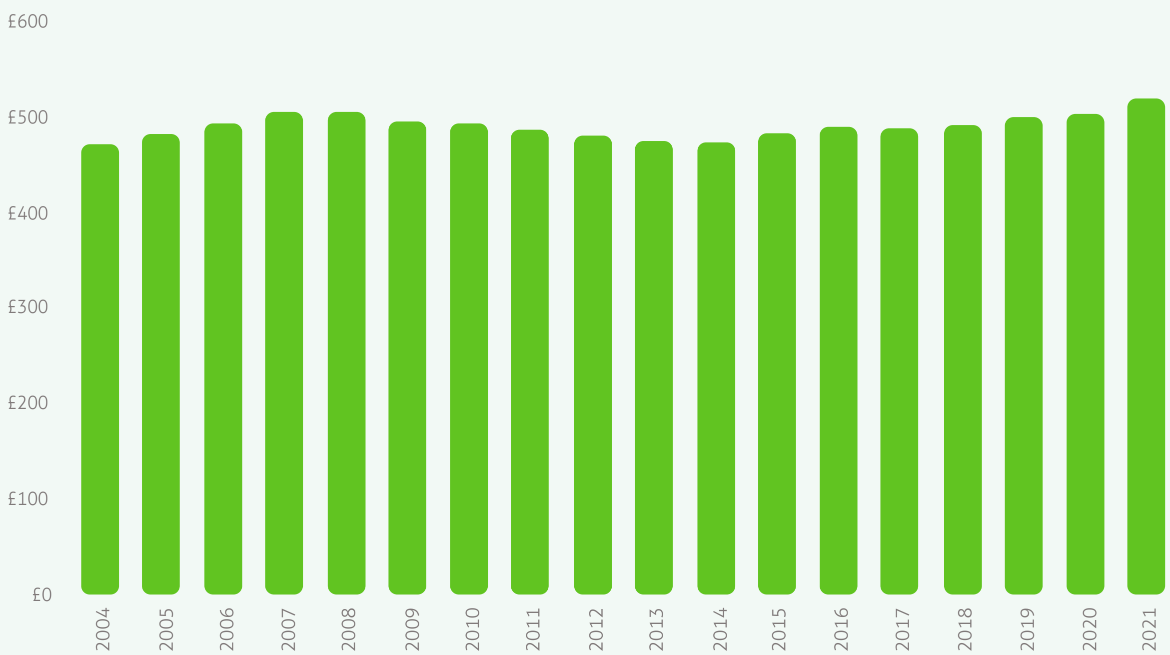
REAL EARNINGS ARE FLAT

Average weekly earnings have also been rising during the past 20 years. They reached £596 in 2021.

In real terms, earnings have only increased in nine of the years between 2004 and 2021, and worse, since the financial crisis real wages have followed a fairly flat pattern, although there has often been a small positive trend in recent years.

Real average weekly earnings

Source: ONS, Cebr analysis



Nominal employee earnings are currently expected to increase by 3.7% during 2022 and at similar levels during the next two years, but at the time of writing inflation is already at 6.2% and is expected to continue to rise – some experts believe it will reach double figures during 2022. That means we can expect a fall in earnings in real terms.

In addition, as we have seen, weekly earnings are expected to increase to £672 by 2024, a far slower rate of growth than overall spending. Households where adult members are aged under 40 tend to have lower incomes than the national average, reaching a high of £547 in 2021, behind an average of £596.

By contrast, earnings among those aged 40 to 65 have been higher than the average every year since 2004.

For the oldest age group, it may be most useful to consider increases in the state pension, rather than increases in average earnings. The state pension is expected increase in line with inflation in 2023 – so by at least 6% - and our research suggests it could rise by 4.8% the following year. However, this will still leave actual payments at no more than about £160 per week. In households where this is a primary source of income spending and financial resilience is minimal, spending will have to be much lower than the predicted weekly average of £506 for this age group in 2024.

Earnings are expected to increase by 3.7% in 2022 - but inflation could reach double figures

So even if some households will be less squeezed than others by this combination of rising costs and falling incomes, most will suffer some sort of negative effect. Will they have the financial resilience needed to withstand the effects of this squeeze and to meet rising household costs such as the cost of energy?

Nitesh Patel
Strategic Economist at Yorkshire Building Society shares his thoughts on the regional rankings:

The early months of 2022 have seen inflation rise to its highest level since March 1992 – hitting 7% in April 2022. A year ago the annual rate had been just 0.4%. For some households the squeeze on living standards is intensifying, and it will get even worse as higher energy prices and increases in tax continue to hit. Indeed, there were three interest rate hikes between December 2021 and April 2022, and more rises are to be expected as the Bank of England tries to control inflation.

Covid-19 has had a lasting effect on inflation levels. Significant short-term changes in prices that occurred during the lockdown period (known as base effects) resonate in the data today, long after the strictest rules have been eased. The prices of goods and services that were cut sharply during lockdown are now getting back to 'normal', and this change is contributing to the high overall inflation rate.

Global consumer spending, especially in the United States, has rotated away from services and towards goods. That has put additional pressure on global supply chains which had already been disrupted by Covid outbreaks, and this in turn has led to sharp increases in input and transport costs, as well as backlogs and shortages in production.

The increases in the UK's energy price caps since April 2021 and a third implemented in April 2022 have played a big part too. Higher energy prices accounted for about six-tenths of the rise in headline inflation in advanced economies in 2021. Other drivers were transport costs, second-hand cars, clothing and footwear.

However, firms' input costs are also rising. Brent crude oil has increased from \$66 per barrel to \$99 per barrel. Whilst natural gas has risen to \$6.16 per therm, up from \$2.83 per therm. Geopolitical tensions between Russia and Ukraine are a key driver of the more recent increase.

Gas and oil make up three-quarters of UK energy consumption and, as a net energy importer, UK households have been hard hit by prices set in the global wholesale energy markets. In April 2022 the industry regulator OFGEM raised the average annual household energy price cap from £1,277 to £1,971; a 54% or £693 increase.

Energy prices have continued to rise since this decision to raise the cap was made, particularly after Russia invaded Ukraine. This has led to speculation about another possible increase in the price cap in October 2022. Some analysts have suggested that the cap could rise by 40% - 50% to around £2,800-£3,000 a year. This would raise the average household bill by £829-£1,029 a year.

This price cap applies to households only, and businesses are feeling the full brunt of the energy price surge. But as businesses increasingly pass on the extra cost into higher prices charged to consumers, households will be hit further as inflation surges. It is increasingly likely inflation will reach double figures in 2022 – surpassing levels not seen since 1990.

The leap in oil prices has already meant that the average petrol price has risen to a record high of £1.78 per litre. Estimates suggest fuel prices will have risen by 12% month-on-month in March, which would be the largest monthly rise on record and would add 0.3 percentage points to CPI inflation. With petrol prices now 50p per litre higher than at the start of the pandemic, the 5p fuel duty cut by the Chancellor in the Spring Statement, whilst helpful, is merely a snip around the edges.

Financial resilience in the face of unexpected events

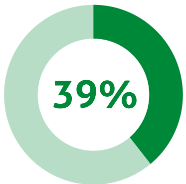
A majority of UK adults are either not saving any more now than a year ago – so are saving less in real terms – or are not saving anything at all

Almost four out of ten people (39%) have used savings to meet living costs during the past year; more than one in three (35%) expect they will have to do this during the next 12 months

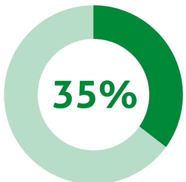
The research that Yorkshire Building Society has commissioned shows that until now, if there has been a shortfall in income, households' savings have often been used to plug the gap, providing the necessary additional financial resilience. But besides the potential for this to become a more regular event as the shortfall between income and expenditure increases, there are other reasons to be concerned about the true extent of financial resilience in UK households.

Almost half of UK adults (47%) say their monthly savings have not changed since last year. This means that, as inflation has grown significantly over that time, they are now saving less in real terms. When we asked why people were being prevented from saving more than they do at present, more than half (53%) cited high living costs.

Perhaps more worrying is that more than one in ten people (12%) say they are saving nothing at all at present. For some people this may always have been the case, and that means these individuals have no savings or only very limited savings to fall back on.



The amount of money people have withdrawn from savings during the past year



The amount of money they expect to withdraw during the next year

Nearly four out of ten people (39%) say they have had to dip into their savings during the past 12 months to cover living costs. Of these people, 23% withdrew between £200 and £500 from their savings, 12% took between £500 and £1,000 and 17% took more than £1,000.

In addition, more than one in three adults (35%) say they are likely to dip into their savings during the next 12 months to cover living costs. One in five (20%) of these people say they expect to withdraw up to £200, 23% expect to withdraw between £200 and £500; and 10% think they will take out more than £500.

One concern must be that as inflation continues to rise, all of these expectations turn out to be underestimations. Another is that every withdrawal from savings effectively undermines the financial resilience of these households.

CAN BRITAIN'S HOUSEHOLDS ADAPT?

We also asked people whether they felt their finances could withstand a major financial event, such as losing their job, or a change in their marital circumstances. We asked how much money they thought they would need to hold in accessible savings in order to feel financially resilient.

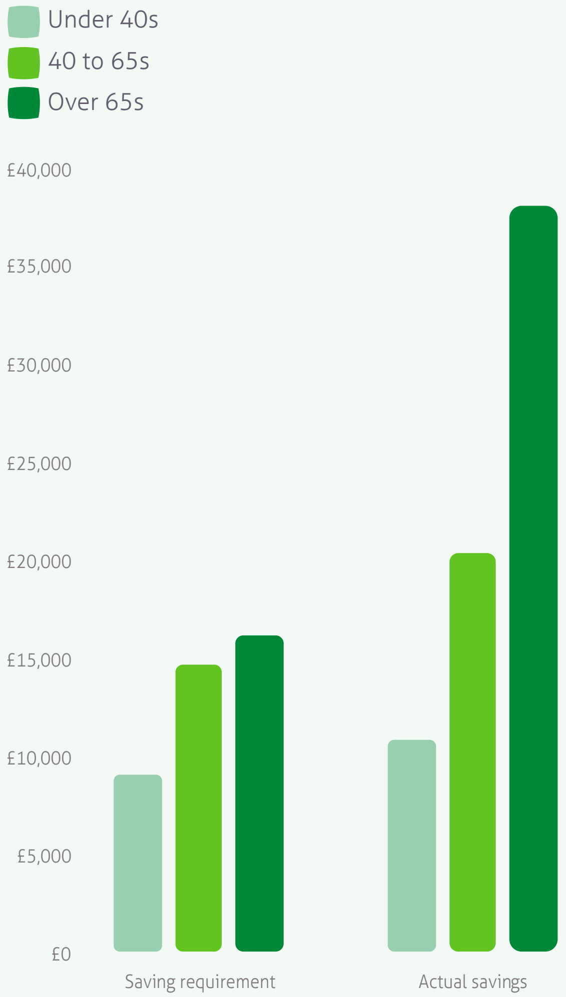
Those aged over 65 – who hold considerably larger amounts in both savings and investments than those in the younger age groups – cited the largest figure: an average of £16,100. For those aged 40 to 65 the average was £14,600 and for those under 40 it was £9,000. In each case, the amount cited by respondents in each age group was a lower figure than the average amount of savings held by households in their age group.

But again, while those findings suggest that the current level of financial resilience of these households might enable them to cope with some financial disruption, in the context of galloping inflation there has to be some doubt over whether those estimates of likely financial need are high enough.

Savings across all age groups enough for people to feel financially resilient - but how will this be impacted by inflation?

Savings required to feel financially resilient vs actual savings by age group

Source: Opinium, Cebr analysis



CAUSES FOR CONCERN

As noted above, almost three-quarters (74%) of the people we surveyed think the cost of living crisis will have a negative financial impact upon them. We also asked what are the biggest financial concerns people have at the moment. Seven out of ten (70%) cited utility prices, 60% cited the cost of food and drink; and 58% cited the cost of fuel.

Two-thirds of respondents (66%) said they would reduce spending on non-essential items if this was necessary to meet household costs. That figure rose to 70% for the under 40s; and 69% for those aged between 40 and 65. Just under a quarter (24%) of all respondents said they would try to reduce non-essential weekly outgoings by up to £99, while a further 19% said they would try to cut back by between £100 and £200.

74%

74% of the people we surveyed think the cost of living crisis will have a negative financial impact upon them

But if the rising cost of living forces people to reduce household spending it will also restrict the amount of money that households will be able to save. It is clear that this is already happening to some degree: 29% of people aged under 40 who would like to save in order to buy their own homes say they are already finding this impossible because living costs are already so high.

HOW LONG MIGHT THIS CRISIS LAST?

There is some optimism about how long the crisis will last: two-thirds (66%) of people think it will only be temporary. But nobody can be sure about that. If costs continue to rise steeply over the longer term this will also reduce the amount of money people can save over the same period.

66% of people think the cost of living crisis is temporary - but what about the longer term impacts?

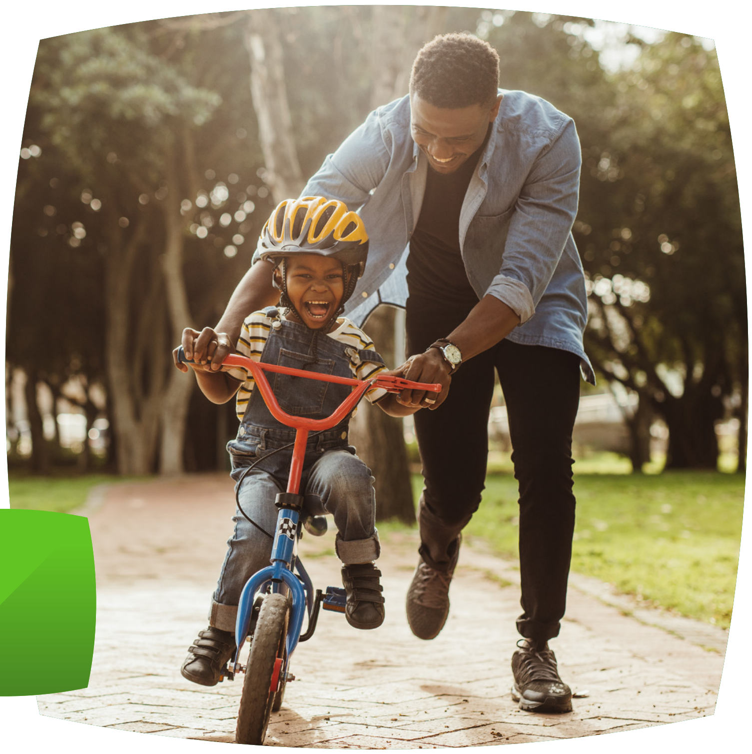
That could have significant financial impacts which might stretch years into the future, such as increasing the length of time it would take people to accumulate a deposit for a first home, for example, or impacting retirement plans. It would also make it more difficult for people in older age groups to help support younger family members financially – including helping them to buy a home. So, the cost of living crisis could have detrimental effects on the financial resilience of households of all kinds far into the future and well beyond the current crisis.

CHANGE IS NEEDED

As it is ultimately in everyone's interests to improve the financial resilience of households across the UK, it is Yorkshire Building Society's view that policymakers could and should do more to support households that are struggling to save money, to enable those households to build up financial resilience, to help protect them against the rising cost of living and unexpected financial shocks.

Policy changes that might be made include extending existing schemes such as Help to Save to provide additional support to a wider range of households, rather than only those that qualify for support from benefits. In addition, it would clearly be a useful change to make it easier to access financial guidance, to help ensure that people feel more able to make informed decisions about their finances at key moments throughout their lives.

The need to make such a change is illustrated by the findings of the most recent Money & Pensions Service (MaPS) Financial Wellbeing Survey[ii]. It showed that in 2021, less than half of working age adults (48%) said they felt 'very confident' in their ability to manage their personal finances, compared to 57% who said this was the case in 2018. The financial uncertainty that has gripped the nation during the pandemic and which is now being exacerbated by the cost of living crisis has clearly taken its toll; and the need to understand financial decisions and to be able to access expert-led, easily understood financial guidance is arguably now even more important.



How can people improve their financial resilience

If more UK households were able to increase their financial resilience, we would all feel the benefit of increased economic confidence. We asked people what would make them feel more financially resilient. The factor cited by the largest number of people was having more money in cash savings, cited by 31%. This was followed by having paid off their debts (cited by 20%); and owning their own property (also cited by 20%).

In one sense, these aspirations should be music to the ears of any building society. However, we recognise that for many people achieving them may be very difficult while current conditions persist and that there is no quick win to halt the impact of the crisis. Here are just a few small actions people can take that could help in small ways:

Get into the habit of checking the state of your household finances and spending. Compare it to previous months or the previous year and try to identify when you might have to increase spending in the near future.

Go digital – using online banking services will make it easier to monitor finances. This doesn't mean you can't still enjoy those face to face visits to your local branch, but digital banking gives access to your finances around the clock.

Consider creating a financial plan, for general and/or retirement savings, reducing debt and taking other measures to increase your financial resilience. Set goals and review progress towards them regularly.

If you find you're able to save money, set up a regular transfer to a savings account, or a standing order on or just after pay day. If you have any extra money left over at the end of the month, add that to your savings too. Over time, even small amounts, saved regularly, will build up some useful additional financial resilience.

Ask for help by reviewing options available. Such as opting for a one to one appointment with Citizens Advice – their advisers offer independent advice in private to assist people with a wide range of issues, including financial wellbeing.

Find out what assistance is available and ask for help. Organisations and charities are there to support you. Our partnership with Age UK has highlighted initiatives like their Building Better Lives project. This aims to help around 5,000 older people to become more financially resilient in later life whilst helping to address and overcome issues such as fuel poverty, unsuitable housing and the financial shocks that later life can bring.

Consider reviewing your savings to ensure your current options are working for you, both with access that suits you as well as the best interest that matches your needs – and consider speaking to an adviser if you are unsure where to start.

Review debt commitments. Make sure you aren't paying over the odds. By switching mortgages, credit cards or loans to different providers you could find a better deal and save money on the amount of interest paid. Repurpose those savings back into household income to pay off more debt or save some for future needs.

If monthly mortgage payments are becoming challenging, consider increasing the term on your mortgage to give yourself some breathing space month by month – or, if you can, overpay a little on your mortgage now in order to reduce the amount you will have to pay in future. Speak to your lender for the best options to suit your circumstances and consider that making changes could cost more interest overall.

Shop around to find better deals for utility prices – it's very difficult at present to change energy providers, but still possible in some cases. However, for internet and phone tariffs and insurance contracts it often pays to ensure you are on the best possible deal.

Check you are not still paying any direct debits that you no longer need. Going back to checking over your finances on a regular basis will mean you no longer pay for things you don't want or need.

Try to plan ahead if you can see an expensive event coming up on the horizon. Schemes like envelope stashing and saving pennies a day have become viral sensations over recent years, yet simply making plans and saving towards them will make purchases easier to manage.

Ask yourself if you really need an impulse purchase. Make it harder for yourself to buy things quickly online by not allowing websites to keep your card details for future purchases. Go back to your basket after a 48-hour gap: not only will you really know if you need the purchase, but you may find the retailer emails with discounts in the meantime.

If things get too tough, always remember there is help out there. Organisations such as The Samaritans, StepChange and Citizens Advice are there to help.

The squeeze on our cost of living has highlighted the challenges many people face not only with their finances but with skills, employment, financial education and wellbeing. In response to this, Yorkshire Building Society has increased its support for communities, helping people at every stage of their lives.

CITIZENS ADVICE PARTNERSHIP

To support people in our communities, Yorkshire Building Society launched a new partnership with Citizens Advice last year, which has recently seen an increase in demand for their advice services. The partnership, which is now available in 18 of the Society's branches, hosts Citizens Advice expert advisers who provide free and confidential assistance to both members and non-members. This helps the Society's communities access the right advice to help them find a way forward; such as helping people access benefits they may be entitled to through to those impacted by the current crisis. The scheme has already benefitted more than 740 people since launching in May 2021, which has led to an estimated average potential income gain of £7,249 per client.

AGE UK PARTNERSHIP

For older people, the current climate presents financial challenges, with some having to delay planned retirements or increase pension withdrawals. The Society launched a partnership with Age UK in 2020 to support people in later life with financial wellbeing. Over the next two years, the Society will raise £1m to support the Building Better Lives programme to prevent older people reaching a financial crisis point.

Trained expert advisers are providing in-depth, tailored one to one support through sessions that are designed to be holistic. They focus on the older person and the issues they are facing, helping them to set goals, overcome their challenges and identify areas that could become an issue before they reach a crisis point.

So far, Age UK's Building Better Lives programme has supported over 1,600 older people and unlocked over £2.5m worth of benefits that older people were entitled to but not claiming. For many, this extra income and support will be life changing.

Dame Clare Moriarty
Chief Executive of Citizens Advice:

"With the cost of living crisis hitting people hard, it's crucial that people can access the advice they need to help weather this storm. Our partnership with Yorkshire Building Society will help even more people get the advice they need."

MONEY MINDS FINANCIAL EDUCATION PROGRAMME

Young people have also faced some of the greatest adverse impacts from the pandemic, but just like those over 18 they are also feeling the strain of the current financial climate. Recent research completed by Yorkshire Building Society showed almost all (93%) 11-18 year olds knew about the cost of living crisis and over three-quarters (77%) have been told by parents that they may have to cut down on spending causing almost a third (30%) to already be worried about what that means.

To support young people, the Society is relaunching its flagship financial education programme, Money Minds, this month. We significantly expanded the digital resources available, providing an innovative education platform aimed at young people aged 11-19.

Money Minds does two great things. It's a financial education programme that teaches children and young people about money, preparing them for the future. It's also a way for our employees to volunteer in the community, and pass on what they know.

Through our Money Minds programme, we have already supported 28,000 young people to learn all about budgeting in the real world, lending and borrowing, and the complexities of relationships and money, as well as careers support in interview skills and CV writing. It helps them begin to understand what they'll need to do to get the lifestyle, career and salary they want in future. This year the Society is investing in a Money Minds digital platform that hopes to reach a further 55,000 11-19 year olds by the end of 2022.

I can't recommend these resources highly enough. As we all know, time as a teacher is precious and these resources have been developed to not only present vital information to our young people in a genuinely engaging, age appropriate way, but are created to make the lives of teachers so much easier. It's an easy to navigate site, with a plethora of lessons which can be delivered as a scheme or as a standalone.

They also come with suggested homework pieces, lesson plans and a tool to create your own 'playlist' of lesson sessions.

They are not your run of the mill company resources, they're made with continuous real-life teacher input and feedback, and will honestly make a hugely positive impact on your teaching and your students learning.

Sarah
Secondary School Teacher

OUR MEMBERS

We're also conscious that times are tough for those that can continue to save. To help deliver better value for our savers, we always try to offer the most competitive rates we possibly can, the Society paid 0.32% above the rest of the market average in 2021, which means savers benefited from an additional £107m of interest.

Committing to supporting our savers is a key element of the Society's purpose, and ensuring we deliver value to our members, which in turn supports their financial resilience. We recently made further increases to our savings products and as a result, 99% of our interest-bearing variable rate accounts benefited from increased interest.

Chris Irwin
Director of savings at Yorkshire Building Society said:

"Now more than ever, with current and potential future economic uncertainty, it's important for people to try and build their financial resilience where they can. Our founding purpose as a building society is to provide our members with real help for real life so we're committed to exploring ways that can help our members reach their financial goals or establish healthy savings habits".

OUR COLLEAGUES

This year we have agreed further support for our colleagues in light of the cost of living crisis and as a one-off approach provided a £1,000 annual salary increase for all colleagues effective 1 May 2022. This averages at 2.6% - a £2.4m investment in our people. This approach is more equitable as it further benefits those on lower salaries. In addition, senior leadership have agreed to forego any salary increase this year.

We also have a partnership with Salary Finance which aims to help make it easier for people to start a savings habit. Employees choose a regular amount of money to save and deposits are taken directly from their salary. This allows savings to be kept separate from day-to-day spending. However, money can still be accessed and withdrawn at any time, without loss of interest, if it's needed. Our partnership with Salary Finance has enabled 111 colleagues to save in 2021.

Conclusion

After a difficult period battling the pandemic, the cost of living crisis feels like something we are just as unprepared for and without exception will touch just as many lives in some form.

This analysis has enabled us to see what changes have happened to the nation's finances over the past 20 years and what impact the current crisis is likely to have across 2022 and in the future.

It's reassuring to see that the financial safety net that many have built up, especially over the last two years, will now support in some way their ability to withstand the current increases to household outgoings. However, for some groups, this won't be the case and the analysis shows a stark reality of what is in store.

Our role as a mutual is to deliver real help with real life and help people find a place to call home. We do this by providing mortgages, funded by our members' savings alongside our conviction to engage with and support the communities we serve to ensure we further help those people facing challenges.

As we navigate this economic uncertainty, it's crucial everyone keeps thinking about how to make the right choices with money. From financial literacy lessons in schools to saving whatever they can, we're determined to help make that happen – and to empower the nation to grow its financial wellbeing and ultimately its safety net to withstand future shocks.

i Lack of support for low-income families will see 1.3 million people pushed into absolute poverty next year • Resolution Foundation
ii Reference for the MaPS findings: 24 million UK adults don't feel confident managing their money. Talk Money Week is here to help. | The Money and Pensions Service (maps.org.uk)
And
Financial Wellbeing Survey 2021 | The Money and Pensions Service

[iii] YBS / Opinium research, fieldwork conducted 11 to 15 March 2022 with nationally representative weighting;
[iv] At the start of 2019, the UK's Household Savings ratio was 6.2%, lower than 17 EU countries (sources: Office of National Statistics; Eurostat)
[v] YBS / Opinium research, fieldwork conducted 11 to 15 March 2022 with nationally representative weighting; 46% respondents agreed The 'cost of living crisis' is having a negative impact on my mental wellbeing
[vi] YBS/Opinium research, fieldwork conducted 31st March – 4th April 2022 with 1000 young people in the UK aged 11-18 years old

About Yorkshire Building Society

As a mutual organisation, we serve our members' best interests. We're proud of the difference we make to people's lives by supporting them with the financial ambitions which enable them to achieve their goals in life.

Although the world has changed enormously since our establishment in 1864, for the past 155 years, our purpose has remained the same. We are here to create long-term value for our members by helping people to have a place to call home and supporting people towards greater financial wellbeing.

For more information on Yorkshire Building Society visit http://www.ybs.co.uk/

For further media information please contact: Press Office on 0345 1200 890.

About CEBR

Cebr – the Centre for Economics and Business Research – is one of the UK's leading economics consultancies. Renowned commentators on business and consumer developments, Cebr's analysis spans the globe. Cebr's expertise spans a variety of economic applications, including impact studies and econometric forecasting.

As a recognised independent forecasting house, Cebr's forecasting predictions are published by HM Treasury and followed by the Bank of England, European Commission, most large international banks, and many world governments. For over 25 years, Cebr has combined robust economic analysis with a solid understanding of how to present insights, helping messaging resonate with key stakeholders in media and policy.

YORKSHIRE BUILDING SOCIETY

Helping real life happen