

Financial fallout from COVID-19

Impact on the nation's wealth and financial security

It is becoming uncomfortably clear that while not everyone has been physically affected by coronavirus (COVID-19), every single one of us will be impacted financially. During the pandemic, savings and investments have been volatile, as have wages and jobs.

As a result, the virus has affected the majority of people's savings habits according to new research^[1]. 6 in 10 savers (59%) have made changes to their monthly savings since the start of the pandemic. Employment status in particular is driving significant differences in savers' actions.

The average increase among those who are saving more is £197, but this is even higher among those in full-time employment. More than 4 in 10 (43%) of those in full-time employment and not furloughed have been able to increase their savings, with the average additional contribution being £216.

DECREASED SAVINGS

This increase is significant and equivalent to around 10% of average monthly earnings^[2]. Young people aged between 18-34 have been disproportionately likely to increase their savings, with an average increase of £218.

By contrast, 3 out of 10 (28%) savers have decreased or stopped saving, with an average cut of £159 per month. The greatest reductions in savings are amongst the self-employed, where over half (53%) have decreased savings by an average of £239, and furloughed workers, where over 4 in 10 (42%) have decreased savings by an average of £176.

FINANCIAL SECURITY

While the coronavirus is first and foremost a health crisis, it is also having a big impact on the nation's wealth. The research shows that there is a stark divide between those who have been able to save more because their expenditure in lockdown has reduced and those who have had to cut back or stop regular savings.

If this divide in savings patterns continues for any length of time, it will have a big impact on the future financial security of different groups. For those fortunate enough to have continued in employment, there's been a positive impact on saving.

SHARP CONTRAST

With less money being spent on the daily commute, leisure activities and eating out, our research finds many have taken the opportunity to increase their monthly savings by an average of £197. But in sharp contrast, the self-employed and those employees who have been furloughed are the groups most likely to have reduced or stopped savings.

In these uncertain times, many have no option but to focus on today's challenges. But where possible, putting more aside into savings can help people build up greater financial security for their futures. Before making any major changes to savings, it often pays to seek financial advice. ■

YOU FINANCIAL WELL-BEING

The coronavirus pandemic has turned many people's emotional and financial lives upside down. Attention is now turning to the economic consequences and the need for greater financial guidance. If you would like to discuss any aspects of your financial well-being, we're here to help support you.

Source data:

[1] Opinium research for Aegon surveyed 2,000 adults between 15 and 19 May 2020

[2] ONS report median weekly earnings as £585 or £2,342 per month – <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours>

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