

NEWS RELEASE

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**FOUNDATION WELCOMES NATIONAL ROLL OUT OF MONEY GUIDANCE SERVICE
ANNOUNCED IN BUDGET**

Today the Government has announced that the national roll-out of the Money Guidance Service will begin in 2010, subject to early results from the pathfinders. The regional Money Guidance pathfinders were launched earlier this month in the North East and North West. This announcement would see free and impartial advice being extended across the country.

The Resolution Foundation, which has championed this cause on behalf of the UK's 13.4 million low earners since 2005, is delighted to welcome this landmark announcement.

As part of today's Budget, the Government has said that it:

"...is committed to ensuring that every adult in the UK will be able to access impartial financial guidance to help them make informed decisions and avoid the distress of unmanageable debt. The Government announces that the roll-out of a national Money Guidance Service will begin in 2010...It intends to introduce legislation to implement Money Guidance and to direct dormant account funds for financial capability to support delivery of the service." Budget 2009, p.98

Clive Cowdery, Chairman of the Resolution Foundation said:

"The economic context has accelerated the need for free and impartial advice to help people avoid financial crisis. The government should be congratulated on recognising this and responding quickly. The national roll-out of the Money Guidance Service will help millions of low earners stay in control of their money and maintain their financial health. Our recent polling has revealed that 1 in 5 low earners worry 'all the time' about money, double the number two years ago.¹"

The Foundation has been working on the issue of financial advice since it discovered an 'advice gap' for 9.1 million low earners of working age and a further 4.4 million low earners in retirement. The Foundation developed proposals for a national generic financial advice service.² This work led to HM Treasury's *Thoresen Review* which recommended in March 2008 that a Money Guidance service be set up. The Treasury then announced the pathfinders of 'MoneyMadeClear' which were launched earlier this month.³

The pathfinders are jointly run by the Government and the Financial Services Authority (FSA) backed by £12 million. They offer help with money issues online, over the phone and face-to-face across the North West and North East of England. The pathfinder builds on the FSA's MoneyMadedeclear website and helpline, which people can access wherever they are in the UK.

This announcement could not come at a more crucial time. A poll conducted for the Resolution Foundation last month found that nearly 3 million low earners now worry 'all

the time' about their personal finances. This is double the number in 2007 (the same poll was carried out for the Foundation in 2007).⁴ In 2007, only 1 in 10 low earners worried 'all the time', compared to nearly 1 in 5 today.⁵ The poll also found that, today, nearly 90 per cent of low earners worry at least 'sometimes' about their personal finances.⁶

The two polls also found amongst the general public that:

- in 2007, 45% of respondents said that they would go to a bank and building society for financial advice compared to only 29% today
- in 2007, 32% of respondents said that they would use an Independent Financial Adviser as a source of advice compared to only 20% today
- today, 45% of people still rely on friends and family for their financial advice (a similar figure to two years ago) rather than trained financial advisers

The Foundation's poll suggests confidence in the banking sector and in financial advisers has fallen since 2007. This makes it even more imperative that low earners have a source of impartial, free, information and advice to help them manage their money and avoid getting into financial trouble.

The Foundation's previous research has shown that greater access to financial advice could leave young low earners £60,000 better off by the time they reach 60, deliver welfare savings of £100 million within 10 years and provide long term benefits to the financial services industry.⁷

Why low earners⁸?

'Low earners' is the term the Foundation uses for the group of people who are 'too rich' to qualify for state support yet often 'too poor' to access the benefits of private markets. Low earners are 'squeezed' in the mixed economy and are a group whose needs are often overlooked. For example, the financial services industry typically packages up advice with product sales or offers it at commercial rates via independent advisers, while government or third sector schemes are aimed at socially excluded and the most vulnerable groups in society. Low earners' advice needs are therefore largely unmet.

The Foundation published *Squeezed: the Low Earners' Audit* in March which puts low earners' precarious position under the spotlight – please see our website for further information.

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All the Foundation's research, reports, briefings, seminar notes are available on our website www.resolutionfoundation.org

Notes to editor:

¹ In 2007 8% of low earners polled said that they worried about their personal finances 'all the time' compared to 20% today. The 2007 poll was also carried out by YouGov. The sample size for the survey was 2,010 adults. Fieldwork was undertaken from 25-27 July 2007. The survey was carried out online. The results have been weighted and are representative of all GB adults (aged 18+).

² See *Closing the advice gap: providing financial advice to people on low incomes*; *A national dividend: The economic impact of financial advice*; and *The advice gain: The impact of generic financial advice on the financial services industry* all of which can be downloaded from the Foundation's website.

³ The Money Made Clear Service is available online <http://www.moneymadeclear.fsa.gov.uk/> or by calling **0300 500 5000**, Mon-Fri 8am-8pm, Sat 10am-6pm, Sun 11am-5pm. The face-to-face service will only be piloted in the North-East and North-West.

^{4, 5} 19% of Low Earners polled said that they worried 'all the time' about their personal finances. The YouGov Poll was carried out from the 20-23 March 2009 with a sample size of 2,049. To ascertain the low earner statistics we use the income brackets of gross annual income in a household between £13,000 - £23,999. This does exclude some low earners but does include the core of our group. Higher earners are those in the top two income brackets earning between £32,000 and over a year.

⁶ 86% of Low Earners polled said that they worried, 'all the time', 'often' or 'sometimes' about their personal finances.

⁷ See *Closing the advice gap: providing financial advice to people on low incomes; A national dividend: The economic impact of financial advice;* and *The advice gain: The impact of generic financial advice on the financial services industry* all of which can be downloaded from the Foundation's website.

⁸ *Squeezed: the low earners' audit* shows that we define the low earner group as including all those with below-median income (from all sources) who are not dependent on state support. For the purposes of analysis there are a number of different ways of capturing this group and this note uses a variety of methods, depending on the data available in the underlying sources.

- At its simplest, we consider the group to be made up of households in income deciles 3, 4 and 5: that is, with gross annual income between £11,650 and £27,150.
- Around 7.6 million households fall into this category in the UK, equivalent to around 13.4 million adults.
- We define two other income groups in relation to low earners: households with above-median incomes (income deciles 6-10) are considered *high earners*, while those with below £11,650 income (deciles 1 and 2) are considered *benefit-dependent*.
- This definition inevitably excludes some low earners (those in income deciles 1 & 2 who are not benefit-dependent and those living in high earner households who are individual low earners) and includes some benefit-dependent individuals. However, it provides a reasonable picture of the position faced by the majority of low earners.