

WEALTH AND ASSETS SURVEY, EXPERIMENTAL STATISTICS, 2006/07

SUMMARY OF FINDINGS

BACKGROUND

This report provides a summary of information collected from the Wealth and Assets Survey (WAS) during the period July 2006 to the end of June 2007. WAS is a new longitudinal survey that collects information about the economic well being of households and individuals including their assets and debts, pension membership, how wealth is distributed and factors that may affect financial planning. The first wave of WAS interviews are being conducted with people living in private households across Great Britain over a two year field period ending in June 2008. The results in this report are therefore based on half the sample and are labelled as experimental statistics. This designation recognises the preliminary nature of the analysis presented in this report, as well as the fact that further data processing will be carried out prior to the release of the main survey publication in 2009. While WAS will provide a rich variety of new measures, with components that will have considerable immediate value, it is important that users are aware of the statistics' experimental quality at this time.

It should be noted that the statistics presented in this report are only indicative of the extensive range of data that will ultimately be available from WAS and at this stage it has not been possible to produce estimates for some subject areas covered, a number of which will be considered key statistics from this survey. Examples of these include estimates of income and total individual wealth. The conceptual and data limitations which prevent the derivation of these measures at this stage are discussed in more detail in the Technical Notes section of this report. The Technical Notes also provide information to assist users in interpreting and using the results, including descriptions of the survey design and methodology, procedures used in the collection of data and the derivation of estimates, notes on the quality and current shortcomings of the estimates as well as future measures to enhance data quality prior to the release of the main survey report.

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 are calculated prior to rounding and therefore discrepancies may also exist between these percentages and those that could be calculated from the rounded figures. All figures referred to in the analytical text are statistically significant at the 95% confidence interval unless otherwise stated.

ACKNOWLEDGMENT

This ONS publication draws on information provided by individuals in the randomly selected private dwellings in Great Britain. As participation in WAS is voluntary their continued cooperation is very much appreciated; without it, the wide range of

statistics published by the ONS would not be available. The valuable conceptual and methodological contributions made by members of the WAS Technical Group are also greatly appreciated as are the ongoing efforts of the panel of ONS interviewers. All information received by the ONS from WAS is treated in strict confidence as required by the National Statistics Code of Practice Protocol on Data Access and Confidentiality.

INTRODUCTION

An individual's economic well being is largely determined by their ability to acquire and use economic resources. Factors such as a low income, a lack of savings or assets, or high incidence of debt can all lead to economic disadvantage. While income is usually received by individuals, it is generally shared between members of a family unit and levels of income, wealth and consumption are highly associated with people's life cycle stages.

The first part of this report summarises a number of household level measures such as tenure and the ownership of assets including the family home, vehicles and household goods and valuables. The second part of the report provides a selection of estimates at the individual level including accounts and investments, unsecured debt, attitudes to financial risk and pension membership. The final section provides an indication of the representativeness of the WAS sample in terms of the demographic characteristics of individuals within selected households.

HOUSEHOLD ESTIMATES

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. In the 2006/07 WAS sample, 29 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.

The tenure of a household is generally related to life-cycle stages. Over three quarters of households composed of a married or cohabiting couple with no children, where the household reference person was over state pension age, owned their main residence outright (77 per cent). The highest occurrence of households buying their residence with the help of a mortgage was found among households composed of a married or cohabiting couple with dependent children (69 per cent). This was followed by married or cohabiting couples with non-dependent children only and married or cohabiting couples without children (53 per cent).

Table 1

Renting a property provides a home but does not contribute directly to the wealth of the renting household. In the 2006/07 WAS, 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 12 per cent renting from either a private landlord or a friend

or relative. Tenure is also related to household composition; almost half (47 per cent) of lone parents with dependent children were renting from a Local Authority or Housing Association, with households comprising married or cohabiting couples below state pension age without children having the lowest occurrence of this tenure (7 per cent). Renting from the private sector shows a different pattern, with the highest proportion among households with two or more families or non-defined family types (37 per cent), and the lowest among households composed of married or cohabiting couples with non-dependent children and married or cohabiting couples without children where the household reference person was over state pension age (3 per cent).

Mortgages

Among households purchasing their main home with the help of a mortgage, the most common mortgage types in Great Britain were repayment mortgages (63 per cent) followed by endowment mortgages (14 per cent). Almost two thirds (65 per cent) of single person households where the person was below state pension age, and married couples with dependent children had repayment mortgages. The lowest proportion of this mortgage type was found among married or cohabiting couples with no children where the household reference person was over state pension age (41 per cent). In contrast, the highest occurrence of endowment mortgages was found within lone parent households with non-dependent children (25 per cent) and the lowest occurrence was among lone parent households with dependent children (10 per cent). This may also reflect how different types of mortgages have been more or less popular with households taking out mortgages in different periods.

Table 2

Repayment mortgages that are part of an all-in-one or offset current account were categorised separately from traditional repayment mortgages in the 2006/07 WAS. In the Year 1 sample, 6 per cent of households had all-in-one repayment mortgages. For most household types, between 5 and 7 per cent of repayment mortgages were part of an all-in-one or offset current account. However, among households where at least one person is over state pension age, only 1 per cent of married or cohabiting couples without children and 2 per cent of single person households had this type of repayment mortgage.

Although only 8 per cent of households with a mortgage had an interest only mortgage with no linked investment, a quarter (25 per cent) of households with married or cohabiting couples over state pension age without children had this type of mortgage. Similarly, 21 per cent of single person households where the person is over state pension age had an interest only mortgage with no linked investment. It should be noted, however, that the WAS classifies money raised for retirement based on the value of a respondent's home as either a mortgage or an equity release scheme.

Mortgages that contain both repayment and endowment elements were found among 7 per cent of households with a mortgage in the Year 1 WAS sample as a whole. Married or cohabiting couples with dependent children had the highest occurrence of this mortgage type (11 per cent) whereas married or cohabiting couples with no

children where one person is over state pension age and single person households where the person is over state pension age had the lowest occurrence (2 per cent).

Household Goods, Valuables and Vehicle Ownership

Apart from the family home, other non-financial assets such as works of art, antiques and jewellery contribute to the wealth of the household. In the 2006/07 WAS sample, 14 per cent of households owned valuables or collectibles. This was most common among households comprising married or cohabiting couples below state pension age with no children (18 per cent) and least common among lone parent households with dependent children (5 per cent). Lone parent households with dependent children were also the least likely to have household goods that were assessed by the respondent as being valued as over £30,000 (20 per cent) along with single person households where the person is below state pension age (21 per cent). In contrast, married or cohabiting couples with non-dependent children had the highest occurrence of household goods assessed as being valued over £30,000 (58 per cent).

Table 3

One of the most common non-financial assets is the ownership of cars, vans or motorbikes and in the 2006/07 WAS almost three quarters (74 per cent) of households owned at least one vehicle with 30 per cent of households owning two or more vehicles. The highest incidence of single vehicle ownership was found among married or cohabiting households without children where at least one person was over state pension age (62 per cent). The lowest occurrence of owning just one vehicle was among married or cohabiting households with non-dependent children (25 per cent). However, these households were the most likely to report multiple vehicle ownership (69 per cent) whilst single person households where the person is over state pension age had the lowest occurrence of owning two or more vehicles (2 per cent).

INDIVIDUAL ESTIMATES

Accounts, Investments and Real Estate

Respondents participating in the 2006/07 WAS were asked a series of questions about the extent of their savings accounts and other financial investments, and about any property they owned, in addition to their main residence. They were also asked whether they had a current account with a bank, building society or the Post Office. Current accounts are only referred to in this report if they were in credit at the time of interview.

The accumulation of investments, including cash savings, shares and investment properties contribute to an individual's stock of wealth and 93 per cent of adults in the WAS reported holding some form of account or investment, falling to 70 per cent if current accounts are excluded.

In the 2006/07 WAS, 84 per cent of adults in Great Britain held either individual or joint current accounts which were in credit. Current accounts in credit were held by at least four-fifths of respondents in every region. However, in London (80 per cent), the North East (80 per cent), the West Midlands (82 per cent), and the North West (82 per cent) the proportion of people with current accounts in credit was lower than in all other regions.

Table 4

In the Year 1 WAS sample, over half of respondents (54 per cent) reported having either a savings or deposit account. There was, however, a considerable degree of regional variation, with less than half of individuals in Wales (43 per cent), Scotland (46 per cent) and the North East (46 per cent) reporting savings or deposit accounts compared with close to two thirds (61 per cent) of people in the South East and East England.

Over a third of people in the 2006/07 WAS (34 per cent) reported having an Individual Saving Account (ISA), and again there was substantial regional variation. In the North East, for example, just over a quarter of adults (26 per cent) had ISAs, rising to 29 per cent in Wales, 30 per cent in London, 31 per cent in the North West and 32 per cent in Scotland and the West Midlands. At the other end of the scale, 37 per cent of adults in the South West and East England, 38 per cent in the East Midlands and 40 per cent in the South East reported having an ISA.

In the 2006/07 WAS, five per cent of adults reported holding employee shares, and 12 per cent reported holding other shares. Ownership of other shares was highest in the South East, at 17 per cent, and lowest in the North East and Wales at seven per cent.

There was a tendency for the proportion of people with accounts, savings or investments to rise with age and in the 2006/07 WAS 81 per cent of men and 86 per cent of women aged 16 to 24 reported having at least one of these assets. This rose to 96 per cent of men and 96 per cent of women over state pension age (defined as 65 for men and 60 for women). If current accounts are excluded, the proportion of men with any accounts or investments rose from 41 per cent of the youngest age group to 77 per cent of those over state pension age, while for women the proportion rose from 46 per cent of the youngest age group, to 80 per cent among women aged 55 to 59, falling slightly to 76 per cent for those aged over state pension age.

Table 5

In the 2006/07 WAS sample, the overall proportion of women and men with current accounts in credit was similar, and again this tended to rise with age, from 70 per cent of men aged 16 to 24, and 74 per cent of women in this age group, to 90 per cent of men and 88 per cent of women over state pension age .

The occurrence of women reporting savings and deposit accounts was slightly higher at 55 per cent, than that of men, at 52 per cent. And, as with current accounts, there was an age-related pattern with holdings increasing from 29 per cent of men and 33 per cent of women aged 16 to 24 years, to 58 per cent of men and 63 per cent of

women aged between 55 and state pension age. However, thereafter the proportion fell to 55 per cent of men and 58 per cent of women respectively.

Similar trends for age were apparent in the proportions of respondents with ISAs, fixed term investment bonds, Personal Equity Plans (PEPs), Unit Trusts and Premium Bonds.

An individual's employment status is one of the dimensions generally related to their financial well being and employees (95 per cent), the self-employed (96 per cent) and retired people (96 per cent) were the most likely to have accounts and investments in the 2006/07 WAS. Respondents who were unemployed (76 per cent) and those defined as 'other inactive' (76 per cent) were the least likely to have accounts and investments followed by students and those who were sick or disabled (78 per cent).

If current accounts in credit are excluded, the pattern is similar, with 74 per cent of employees, 77 per cent of retired people and 78 per cent of the self-employed having savings or investments, compared with 38 per cent of sick and disabled people, 39 per cent of unemployed people, and 48 per cent of students and those looking after the family home. Retired people were more likely than any other group to have ISAs, 44 per cent, compared with 36 per cent of self-employed and 35 per cent of employees; fixed-term investment bonds (14 per cent, compared with 6 per cent and 4 per cent for self-employed and employees respectively); and Premium Bonds (28 per cent, compared with 22 per cent of self-employed and 16 per cent of employees).

Life insurance and endowment policies were most commonly held by the self-employed (28 per cent) and employees (25 per cent), compared with between 4 per cent and 13 per cent of economically inactive groups.

Property

Overall, only 8 per cent of respondents in the 2006/07 WAS owned any real estate other than the family home, generally as other UK houses, owned by 5 percent of adults, and land or property overseas, owned by 2 per cent. Residents of the South East of England were the most likely to own property other than the family home, at 11 per cent, compared with just 5 per cent of residents of the North East, and 6 per cent in the North West and West Midlands.

Table 4

The proportion of people owning property other than the family home increased with age for both men and women below state pension age, from 2 per cent of 16 to 24 year old men, and 1 percent of women in this age group to 12 per cent of men and 11 per cent of women aged 55 to state pension age. Of self-employed respondents, 19 per cent owned property other than their main residence, which was substantially higher than either employees, at 8 per cent, or those who were economically inactive, for whom the proportion ranged between 2 per cent among the sick and disabled and 8 per cent of those defined as 'other' inactive.

Table 5

Unsecured debt

The 2006/07 WAS questionnaire asked only about unsecured debt which was currently being repaid, and therefore does not include, for example, outstanding student loans which were being deferred at the time of interview. The data presented in this report do not, therefore, reflect the full extent of indebtedness in Great Britain.

Over a third of respondents (35 per cent) had some form of unsecured debt, most commonly either on credit cards (20 per cent) or loans (13 per cent). There were only small variations by region, with unsecured debt being highest in the North East and East England (37 per cent) and lowest in Scotland (32 per cent) and Wales (28 per cent). Credit card debt was highest in London (22 per cent) the South East and Eastern England (both 21 per cent), and lowest in Scotland (16 per cent) and Wales (14 per cent). The proportion of people with loans was more evenly distributed, but was lowest again in Scotland and Wales, at 9 per cent, compared with between 12 and 15 per cent in other regions.

Table 6

Men and women were not substantially different from each other in their likelihood to have unsecured debt. There were, however, differences for specific types of unsecured debt, with women being more likely to have outstanding debt on store cards (5 per cent) and mail order (9 per cent) than men (2 per cent for each of these types of debt). Conversely, men were more likely to have hire purchases (10 per cent) and loans (15 per cent) than women (7 per cent and 11 per cent respectively).

In the 2006/07 WAS there were also differences between age groups in the proportions of people with unsecured debt. Persons over state pension age were least likely to have any unsecured debts (13 per cent among men and 15 per cent among women). However, this rose to nearly half of all respondents aged 25 to 34 where 49 per cent of men and 50 per cent of women reported having at least one type of unsecured debt.

Differences in employment status were also found to be associated with the comparative proportions of people with unsecured debt with employees (45 per cent) and the self-employed (40 per cent) reporting the highest proportions with unsecured debt and the lowest among the retired (13 per cent).

Table 7

The types of unsecured loans reported in the 2006/07 WAS were predominantly personal loans from a bank or building society, being held by 9 per cent of respondents. Men were more likely than women to have at least one unsecured personal loan that they were currently repaying (11 per cent and 7 per cent respectively) and the occurrence of these loans was highest for both sexes in the 25-34 year age bracket (16 per cent among men and 12 per cent among women).

Table 8

Personal loans from a bank or building society were most likely to be held by residents of the South East (11 per cent), Yorkshire and Humberside and the East of England (10 per cent). They were least common in Wales and Scotland (6 per cent).

Table 9

Attitudes to financial risk, accounts, investments and debts

To assess attitudes to financial risk, respondents were asked if they would prefer a guaranteed payment of £1,000 or a one-in-five chance of winning £10,000. In the 2006/07 WAS, under a quarter of respondents (22 per cent), said that they would prefer the chance to win £10,000 as opposed to receiving a guaranteed payment of £1,000. Those with current accounts in credit (22 per cent), savings and deposit accounts (23 per cent) and ISAs (24 per cent), were less likely to prefer the chance to win £10,000 than those with any other type of investment, for example those with fixed-term investment bonds (27 per cent), unit or investment trusts (30 per cent) and Government or Corporate bonds or gilts (30 per cent).

Respondents were also asked whether they would prefer to have £1,000 today or £1,100 next year. Differences in attitudes between those with different kinds of savings and investments were greater on this question. Overall, 78 per cent of respondents reported a preference for £1,000 now. Those most likely to prefer £1,000 now were respondents with no accounts or investments, excluding current accounts (84 per cent), those with current accounts in credit (78 per cent), savings and deposit accounts, life insurance (both 75 per cent), National Savings and Investments or premium bonds (74 per cent) ISAs and fixed-term investment bonds (both 73 per cent). In contrast, those with PEPs (65 per cent), unit or investment trusts (66 per cent) employee or other shares (68 per cent) and Government or Corporate bonds or gilts (68 per cent) were least likely to opt for £1,000 now.

Respondents who owned property other than their main residence were more likely than those who did not own other property to prefer a chance of winning £10,000 to a guaranteed £1,000, 29 per cent compared with 21 per cent. Those with other property were also less likely to prefer £1,000 today than £1,100 next year, 73 per cent compared with 79 per cent of those without other property.

Table 10

There were no significant differences between those with and without unsecured debts in the proportions who reported a preference for a chance of winning £10,000 rather than a guaranteed £1,000. However, those with unsecured debts were more likely than those without to prefer £1,000 today to £1,100 next year (81 per cent and 77 per cent respectively). Furthermore, amongst those respondents with mail order debts, just 17 per cent preferred the chance to win £10,000, which is lower than those with any other type of debt and those without unsecured debts.

Table 11

Pensions

With an ageing British population, it is increasingly important to gain an understanding of how people are planning to provide for themselves in their

retirement, particularly in terms of individual provision of retirement income through investment in pension schemes.

In the 2006/07 WAS, all respondents below state pension age (60 for women and 65 for men) were asked a series of questions about their pension membership. All employees were asked about employer based pensions, while all adults under state pension age were asked about private pension schemes. Due to the experimental nature of the statistics in this report, coupled with the complexity of pensions data, only limited analysis of this topic is included at this stage. The breadth and coverage of pensions data that will ultimately be available from WAS will be more comprehensively demonstrated in the main report which is scheduled for release in 2009.

Employer based pension schemes

Approximately two thirds of employees in the 2006/07 WAS reported working for employers who offered a pension scheme. The proportion was similar for men and women, with 66 per cent of men and 67 per cent of women working for employers who offered a pension scheme. Respondents who were least likely to report being in employment which offered a pension scheme were those aged under 22. In this age group, only 33 per cent of men and 23 per cent of women worked for an employer who offered a pension scheme.

Most employees were eligible to be members, with 61 per cent of men and 63 per cent of women. Those aged between 16 and 21 were significantly less likely to be eligible for membership than any other age group with just 18 per cent of both men and women being eligible. Eligibility was highest for both men and women aged between 45 and 54, with 69 per cent of men in this age group and 70 per cent of women.

Approximately half of all employees in the 2006/07 WAS were members of an employer based occupational pension scheme. This was slightly higher for women, at 51 per cent, than for men, at 49 per cent. Among both men and women, over half of employees aged 35 and over were members of an occupational scheme. However, only 9 per cent of male employees and 7 per cent of female employees aged below 22 were members of employer based occupational pension schemes. This is related to the fact that respondents in this age group were both less likely to work for employers who offered schemes, and less likely to qualify for membership when their employers offered schemes. Respondents aged 45 to 54 were the most likely to be members of employer based occupational pension schemes, with 60 per cent of male employees and 61 per cent female employees in this age group being members.

Table 12

Pension scheme membership and attitudes to saving for retirement

All respondents below state retirement age were asked questions designed to reflect their attitudes to saving for retirement. They were asked about the extent of their agreement with three statements:

- I would rather have a good standard of living today than save for retirement.
- Having a pension is the best way to save for retirement.
- Investing in property is the best way to save for retirement.

Around two fifths (39 per cent) of people below state pension age strongly agreed (12 per cent) or tended to agree (27 per cent) that they would 'rather have a good standard of living today than save for retirement'. Agreement was stronger among those with no current pension scheme, at 47 per cent.

Overall, just under half (49 per cent) of those below state pension age agreed strongly (15 per cent) or tended to agree (34 per cent) that 'having a pension is the best way to save for retirement'. Those most likely to agree were people with occupational pension schemes (57 per cent), those with any current pension scheme (54 per cent) and those with funds in any scheme (53 per cent). Less likely to agree were those with no current scheme, 44 per cent.

Generally, three fifths of people below state pension age (60 per cent) agreed strongly (22 per cent) or tended to agree (38 per cent) that 'investing in property is the best way to save for retirement'. This was similar for those with pension funds and those without.

Table 13

DEMOGRAPHIC CHARACTERISTICS

The final analytical tables in this report illustrate some summary characteristics of individuals in the 2006/07 WAS sample. Each person has been categorised into one of nine household types according to the number of people, family types and ages of the respondents. They were also analysed by sex, age group and employment status.

The majority of adults in lone parent households with dependent children were women, with over half (55 per cent) of these households being headed by a 25 to 44 year old woman as opposed to just 4 per cent of lone parent households comprising men in the same age group. This contrasts with single person households where the resident was below state pension age where 25 to 44 year old men were nearly twice as likely to be living alone when compared with women in the same age group (31 per cent and 16 per cent respectively).

However, single person pensioner households were significantly more likely to be female, with 74 per cent of these households comprising women and 26 per cent comprising men. Households of two or more families, or other non-defined family types, were most prevalent among younger age groups with 30 per cent of these types of households comprising men aged under 35 and 24 per cent containing women in the same age group.

Table 14

The majority of respondents in the 2006/07 WAS sample were employees (53 per cent) with a further 23 per cent being retired from work. The self-employed made up 7 per cent of the sample and those looking after the family home made up a further 6 per cent. The majority of lone parent households with dependent children were headed by people in employment (51 per cent) although a quarter (25 per cent) of these households were headed by an adult who was looking after the family and home.

Table 15

Respondents who were self employed were considerably more likely to be men (70 per cent) than women (30 per cent). In contrast, adults looking after the family or home were significantly more likely to be women aged 25 to 44 years of age (56 per cent) than their male counterparts (3 per cent). Students were most likely to be men aged between 16 and 24 (46 per cent) with women in this age group comprising an additional 29 per cent of the student population.

Table 16