CENTRE FOR THRIVING PLACES

Financial Wellbeing Assessment Tool

FRAMEWORK AND SURVEY DEVELOPMENT METHODOLOGY REPORT

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IN PARTNERSHIP WITH:

INITIATIVE FOR FINANCIAL WELLBEING

AEGON

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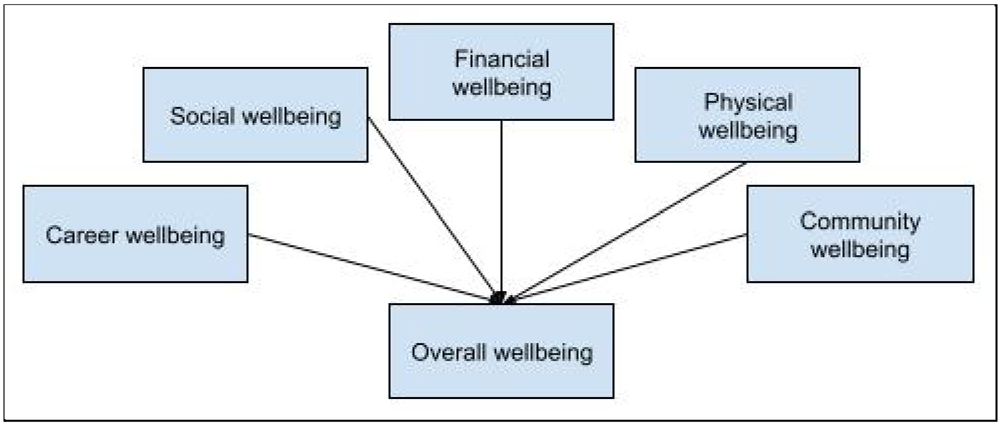
Executive summary



Financial wellbeing is a key component of a person's overall wellbeing. By financial wellbeing, we don't just mean the amount of money someone has, in the same way that social wellbeing doesn't translate to the quantity of someone's relationships. What matters is the quality of their relationships, not their quantity. The same goes for the quality of someone's financial situation: in addition to how much money they have, does someone's finances help them fulfill their values, pursue meaningful goals, maintain close relationships and live a long and healthy life?

Assessing the quality of a person's financial situation is more complex and intangible than assessing how much money they have. Most 'financial wellbeing' assessments are more about people's objective finances than how well their financial situation impacts on their quality of life. The question is: *How can we meaningfully and effectively assess the quality of people's financial lives?* Alternatively put, how can we assess people's *overall financial wellbeing*?

The aim of this project was to develop a short and accessible survey to measure people's overall wellbeing. This development process followed three steps:

1. Developing a conceptual framework for understanding financial wellbeing (FWB)
2. Developing a short and accessible survey based on the FWB framework
3. Developing a final version of the survey based on quantitative and qualitative testing.

This report outlines each of these three steps in detail. The report ends with a number of recommendations and next steps for the project - how to go beyond the development stage and use the financial wellbeing assessment tool to track people's financial wellbeing over time. Delivered in an engaging way, alongside one-on-one financial wellbeing advice, this tool has the potential to change how people think about and manage their finances, in ways that make significant differences to their overall wellbeing. Which is, ultimately, what our finances are for.

2. Conceptual Framework

What is financial wellbeing? The term has recently been used in a number of different ways, from a person's objective financial situation to their subjective financial satisfaction. However, none of these approaches seek to understand the specific ways in which a person's financial wellbeing influences their overall wellbeing. Our conceptual framework aims to do this as follows:

First, we present a theory of change (ToC) for financial wellbeing based on the overall 'conceptual landscape'. This ToC was based on a rapid review of academic evidence on financial wellbeing, as well as leading financial wellbeing assessment tools. (p3)

Second, the ToC shows how different types of assessments and interventions can be used to improve people's financial wellbeing. We highlight three types of interventions: traditional approaches, behavioural approaches and wellbeing approaches. (p4)

Third, we focus on three potential financial wellbeing frameworks for meaningfully and effectively assessing people's wellbeing. We outline the merits and limitations of the behavioural approach, the wellbeing approach and a hybrid approach which combines the two. (p5-7)

Fourth, we recommend the wellbeing approach, expanding on its key concepts and insights into financial wellbeing. We believe this approach has the potential to develop a truly innovative and insightful assessment of people's financial wellbeing, as well as provide a wide range of opportunities to improve people's wellbeing directly, whatever their financial situation. (p8-9)

Financial wellbeing: Theory of change

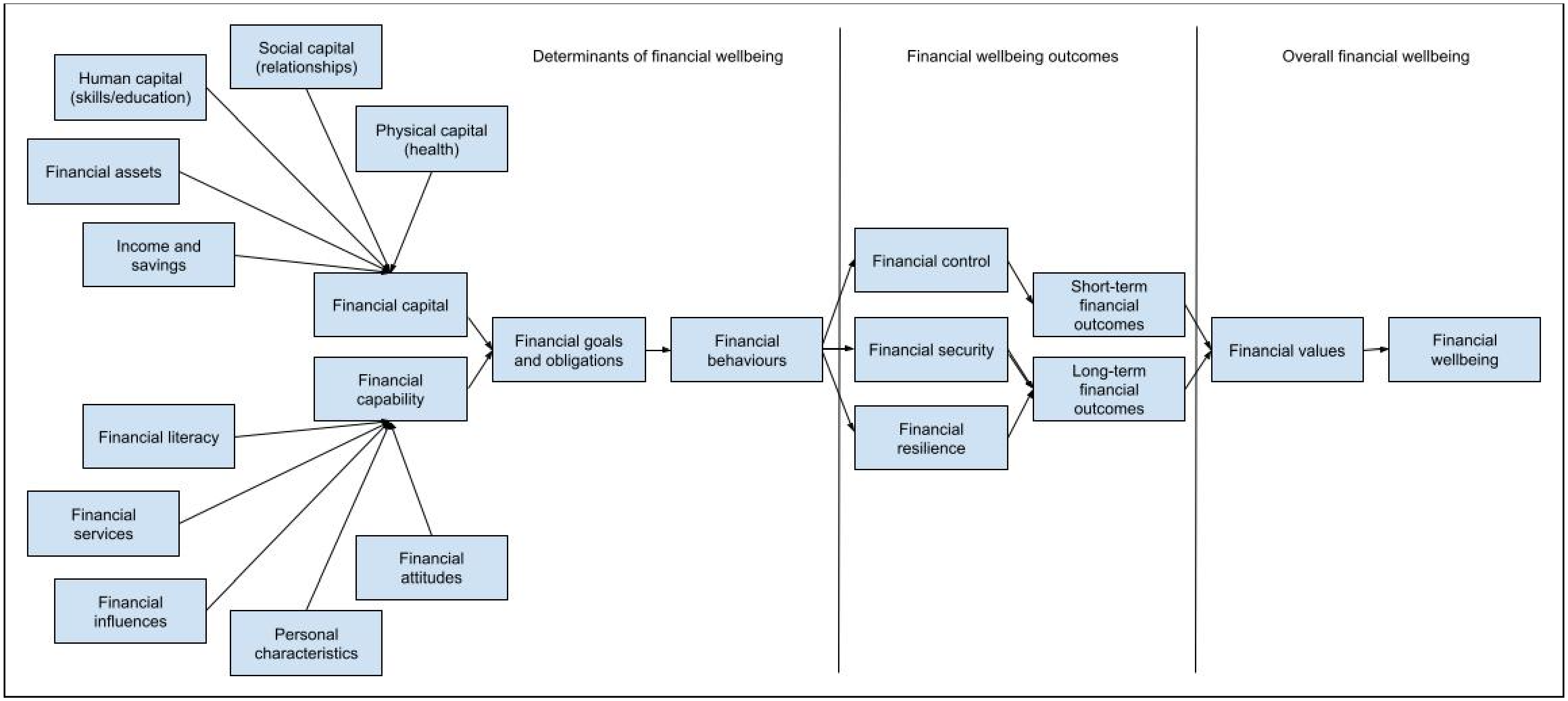


Fig 1: Financial wellbeing: Theory of change

- This theory of change applies the financial wellbeing concepts outlined in Appendix A into a schematic diagram showing the influences on people's financial capital, capability, goals, behaviours, outcomes, and ultimately, their financial wellbeing.
- The diagram illustrates the multiple factors that determine people's financial wellbeing. Although financial advice and services have typically focused on more **'upstream factors'** (illustrated on the left-hand side of the diagram), new financial wellbeing models could potentially focus on more **'downstream factors'** (moving towards the right-hand side of the diagram).

Financial wellbeing: Opportunities for intervention

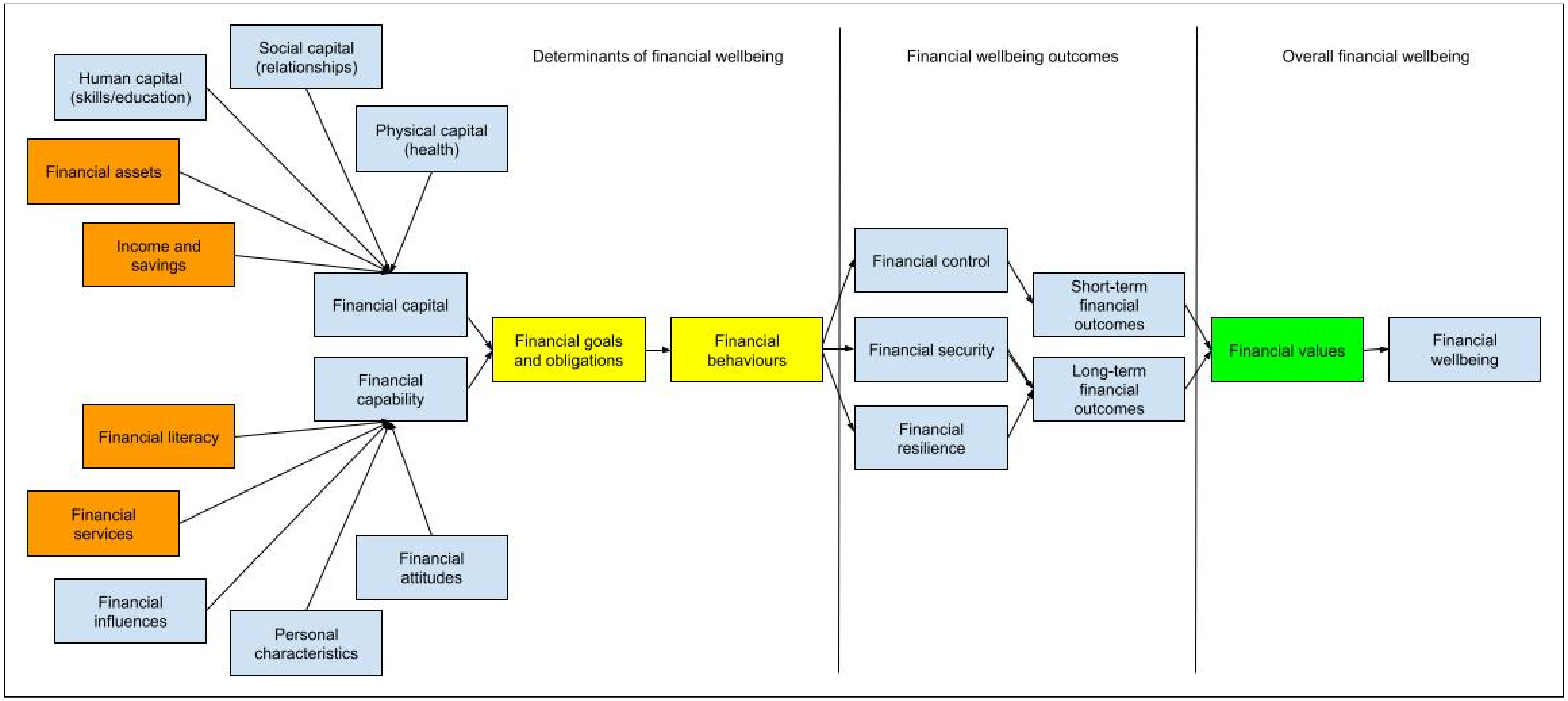


Fig 2: Financial wellbeing: Opportunities for intervention

<u>Three different types of intervention</u>

1. Traditional approach: income, savings, assets, knowledge, services
2. Behavioural approach: goals, management, budgeting, borrowing, saving
3. Wellbeing approach: needs, comparisons, satisfaction, pleasure, purpose

Potential financial wellbeing approaches considered

Option 1: Behavioural approach

Summary

This option includes people's financial goals and behaviours, including the management of their short-term and long-term finances, budgeting, borrowing and saving.

Ten key concepts

1. Planning for the future: setting and pursuing long-term goals
2. Decision-making: making financial decisions based on reliable information and advice
3. Self-efficacy: thinking creatively and staying on track in the face of financial challenges
4. Living and lifestyle costs: health, housing, care responsibilities, education, entertainment
5. Budgeting: meeting expenses, living within one's means, spending restraint
6. Manageable debt: not borrowing to meet everyday expenses or excessive spending
7. Sufficient income: having enough for 'little extras' and a financial 'buffer'
8. Reliable employment: having a secure source of income
9. Investing in wealth: long-term savings, pension, assets, retirement fund
10. Investing in productivity: career development, retraining, health, relationships.

Opportunities for intervention

From the assessment of people's financial goals, obligations, and behaviours, interventions could help people do the following:

- Set and pursue long-term goals: make better plans and financial decisions
- Budget effectively: meet expenses and debts in the short term, with enough left over for 1) little extras, 2) a financial buffer, and 3) long-term savings
- Invest in the future: not just investing in long-term savings and assets, but also in career development, re-training, education, personal health, and social relationships.

Limitations

Although these interventions could help people improve their financial control, security and resilience, they don't directly influence people's financial wellbeing. For example, someone could set and pursue materialistic goals, which might be inconsistent with their need for close relationships and belonging. Or, as a result of making social comparisons with extremely high earners, they could sacrifice their precious leisure time in favour of earning a higher income.

Option 2: Wellbeing approach

Summary

This option includes people's attitudes towards money, wealth, income, and consumption, and their perceptions of their own financial wellbeing. Most importantly, it includes how their objective financial situation impacts their overall wellbeing - i.e. how they use their finances to fulfill their values and meet their needs, rather than increasing their finances for their own sake.

Ten key concepts

1. Values: money as an 'extrinsic value' (means) rather than 'intrinsic value' (end)
2. Comparisons: ability to make healthy social comparisons
3. Satisfaction: feeling satisfied with your financial situation
4. Control: feeling on top of your current financial situation
5. Security: feeling secure about your long-term financial situation
6. Confidence: feeling confident about the future and long-term plans
7. Competence: ability to deal with unexpected challenges and other financial concerns
8. Enjoyment: ability to enjoy life, not worry too much about financial concerns
9. Autonomy: ability to spend money on meaningful experiences, hobbies, and projects
10. Belonging: ability to spend money on other people and close relationships.

Opportunities for intervention

From the assessment of people's financial values, and their perceptions of their own financial wellbeing, interventions could help people do the following:

- Have financial control and competence: understand the barriers to feeling on top of current financial concerns and dealing with any unexpected challenges in the future
- Fulfill meaningful values: pursue financial goals and long-term plans in ways that are coherent with their meaningful relationships and the fulfillment of other intrinsic values
- Be satisfied: assess how financial spending and concerns impact their ability to meet basic human needs for autonomy, competence, and belonging.

Limitations

Although these interventions could help people improve the subjective values and perceptions that directly influence people's financial wellbeing, there's a risk they could ignore the objective circumstances that impact people's financial control, security and resilience. For example, someone could be very satisfied with their financial situation, and yet have an unmanageable amount of debt. Or, as a result of 'living in the moment', they could be very good at enjoying life and not worrying too much about financial concerns, at the cost of effectively saving for their retirement. In both examples, someone's subjective assessment of their financial wellbeing might be incongruent with their objective financial circumstances.

Option 3: Hybrid approach

Summary

This option takes elements from both the behavioural approach and wellbeing approach.

Ten key concepts

Many of the concepts from the two approaches are related to each other, as illustrated by the following table:

Behavioural approach	Wellbeing approach
Planning for the future	Security, Confidence
Decision-making	Competence, Control
Self-efficacy	Competence
Living and lifestyle costs	Satisfaction, Comparisons, Values
Budgeting	Control
Manageable debt	Control
Sufficient income	Enjoyment, Autonomy, Belonging
Reliable employment	Satisfaction
Investing in wealth	Values, Security
Investing in productivity	Values, Security

Opportunities for intervention

From the assessment of people's financial goals and behaviours and their financial values and perceptions, interventions could help people improve their financial control, security and resilience in ways that directly influence their financial wellbeing.

Limitations

Although the hybrid approach includes many of the merits of both the behavioural approach and the wellbeing approach, it runs the risk of being too long, diluted or confusing. What it gains as a comprehensive measure of financial wellbeing, it loses in simplicity and clarity. Ultimately, the merits and limitations of the hybrid approach will depend on a) the proposed length of the assessment tool, and b) the scope of the interventions informed by assessment.

Recommended financial wellbeing framework

Rationale for recommendation

When it comes to meaningfully assessing people's financial wellbeing, we believe the **wellbeing approach** is superior to the behavioural approach because it offers a more direct assessment of overall wellbeing. In terms of effectiveness, we believe the wellbeing approach is preferable to the hybrid approach, which runs the risk of being overly long, diluted or confusing.

Opportunities for intervention explained

The wellbeing approach emphasises three different kinds of opportunities for intervention:

1. Financial security and competence
2. Meaningful values and attitudes
3. Financial satisfaction and need-fulfillment

Each of these opportunities are explained in more detail below.

1. Financial security and competence

In our review of the financial wellbeing literature, we found that people's financial security was often assessed according to three timescales: the short, medium and long term. See, for instance, the Commonwealth Bank of Australia framework outlined in Appendix B, which assesses people's wellbeing according to three temporal domains: 'Every day', 'Rainy day' and 'One day'. Other frameworks use the terms 'Financial Control' to refer to the short term, 'Financial Resilience' to refer to the medium term, and 'Financial Security' to refer to the long term. We use the term 'Financial Security' to encompass all three timescales.

As well as assessing people's financial situation across these different timescales, the wellbeing approach includes an assessment of people's competence when it comes to their finances. How optimistic do they feel about their future and long-term plans? How confident are they in their ability to find reliable information and make sound financial decisions?

Together, these two key components - financial security and competence - make up the foundational building blocks from which people can improve their financial wellbeing.

2. Meaningful values and attitudes

Someone can have financial security and competence without necessarily being able to translate these capacities into financial wellbeing. The reason is because people often pursue goals that either aren't good for them or are less good for them than alternative goals. The types of goals people pursue are determined by their values and attitudes.

Wellbeing research distinguishes between people's 'intrinsic values' vs 'extrinsic values'. Extrinsic values are typically about status and wealth, whereas intrinsic values are typically about close relationships and personal autonomy. The problem with extrinsic and materialistic values, according to a large body of psychological evidence in support of *self-determination theory*, is that they 'crowd out' intrinsic values which more directly meet people's basic human needs.[1] We use the term 'meaningful values' to refer to people's intrinsic values: things that are valuable in and of themselves, not as a means to an end.

Further wellbeing research shows that people are happier when they spend more money on experiences and other people in contrast to material goods.[2] Preferences for spending money on experiences vs stuff are what we refer to as 'wellbeing attitudes'. It also includes whether you value time over money, and the extent to which you know what makes you happy.

3. Financial satisfaction and need-fulfillment

Financial satisfaction comes from being able to meet your needs. This is very different to the amount of money you have. For instance, when people are asked how much more money they need to be satisfied with their financial situation, most respondents say they need around three times their current income to be satisfied. That's the case for people with both very low and high incomes - whether you are hard up or a millionaire.[3]

But people can meet their basic human needs for autonomy, competence, and belonging on a daily basis through relatively inexpensive activities, such as having enjoyable and interesting experiences, developing skills and hobbies and spending time with other people. In the long term, the pursuit of meaningful goals and projects can also fulfill these needs. Lastly, close relationships and other forms of connection - such as a sense of belonging in your community - are consistently shown to be the most important factors in people's overall wellbeing.[4]

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[1] Kasser, T. (2003) The High Price of Materialism. MIT Press.
[2] Dunn, E. and Norton, M. (2014) Happy Money: The New Happiness of Smarter Spending. Oneworld Publications.
[3] Dunn, E. and Norton, M. (2014) Happy Money: The New Happiness of Smarter Spending. Oneworld Publications.
[4] Dolan, P. (2015) Happiness By Design: Finding Pleasure and Purpose in Everyday Life. Penguin.

3. Draft Survey Development

On the basis of our recommended financial wellbeing framework, the initial survey was developed in four steps prior to entering the testing phase.

1. A literature review of pre-existing financial wellbeing questionnaires and related survey items. This provided us with a number of options for developing an initial survey based on the recommended financial wellbeing framework outlined above.

2. Consultation with key stakeholders and potential users of the survey to understand the topics and questions that might be missing from our initial survey design.

3. On the basis of a) our recommended FWB framework, b) literature review of FWB questionnaires, and c) stakeholder and user engagement, we developed a unique user journey, compiled of three survey modules described in detail below.

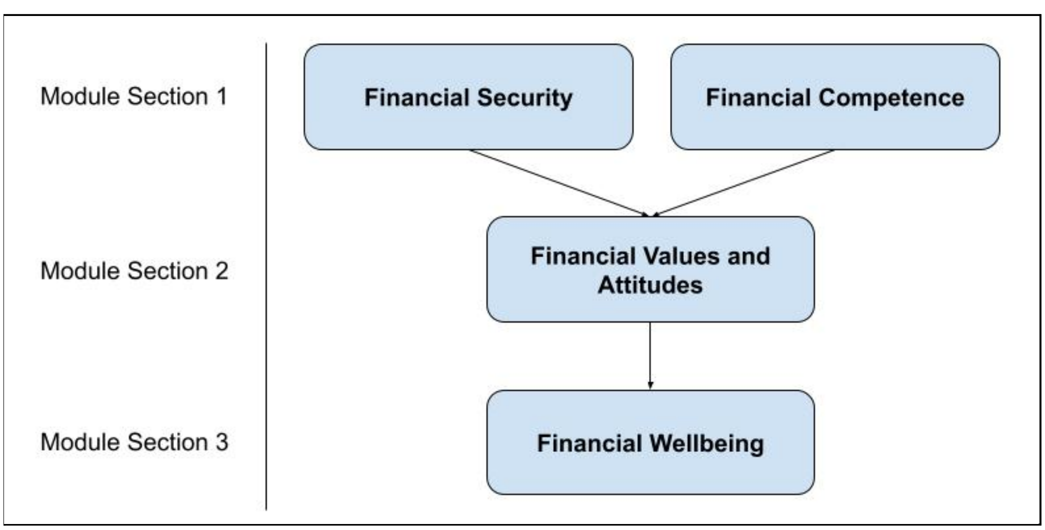
4. Further consultation with key stakeholders, leading to the population of the survey with a combination of validated and original FWB survey items. This produced the initial FWB survey, ready for qualitative and quantitative testing (section 4).

User journey and survey modules

The financial wellbeing survey was designed to engage users in thinking about their financial wellbeing at the same time as providing them with an accessible and rigorous assessment of how well they are doing. Based on the conceptual framework discussed above, we wanted to take users on a journey from thinking about their financial situation to thinking about their financial wellbeing.

We did this by dividing the survey into three different modules: 1) financial security and competence; 2) financial values and attitudes; and 3) financial wellbeing. This section of the report outlines each of the survey modules and how they fit together to form a user journey.

Diagram: from financial situation to financial wellbeing



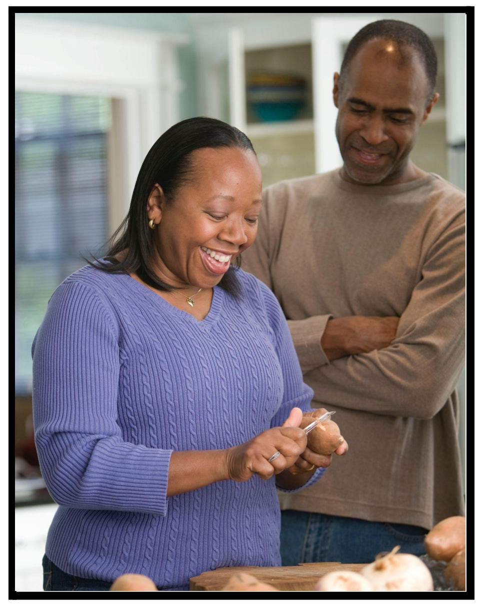
Section 1: Financial Security and Competence

The first section of the survey is a succinct diagnostic of your current and future financial situation: how secure are your finances and in what ways are you able to influence them?

The first three questions ask about your financial security with regards to three key timeframes – how secure is your financial situation in the short-term, medium-term, and long-term? These questions cover the topics of *financial control*, *financial resilience*, and *financial security*.

The following three questions ask about your financial competence – are you able to influence your financial situation around making long-term plans, good financial decisions, and generally being in control of your finances? These questions cover the topics of *financial planning*, *financial decision-making*, and *financial competence*.

By the end of this section, you will have a broad picture of your current and future financial situation. But this picture doesn't directly translate into financial wellbeing. That also depends on your financial values and attitudes – how you think, feel, and act around your finances.



Summary of module topics:

- Financial Security: Short-term
- Financial Security: Medium-term
- Financial Security: Long-term
- Financial Planning
- Financial Decision-Making
- Financial Competence

Section 2: Financial Values and Attitudes

The second section of the survey aims to understand your financial values and attitudes: what is your relationship with money, what role does it play in your life and why do you care about it?

By the end of this section, you will have a broad understanding of *why* your financial situation either does or does not translate into financial wellbeing. Financial security and competence is not sufficient for financial wellbeing – you also need to perceive and value your finances in generally healthy ways. Do you feel that you always need more money, no matter how much money you have? Does your sense of self-worth rest on the state of your finances? Do you see money as an extrinsic value (a means to an end) or an intrinsic value (an end in itself)?

Summary of module topics:

- Financial Attitudes
- Financial Values: Time vs Money
- Financial Values: Experiences vs Stuff
- Financial Values: External vs Intrinsic Self-worth

Section 3: Financial Wellbeing

The third and final section of the survey aims to directly measure your financial wellbeing: to what extent does your financial situation - in combination with your financial values and attitudes - help you meet your most important needs?

The first three questions ask about your financial freedom regarding the same three key timeframes as the first section of the survey: to what extent do your finances help you meet your needs and values in the short, medium and long term?

The following three questions ask about your social needs in particular: to what extent do your finances help maintain your relationships and support the social causes you believe in? This reflects the finding that social relationships are the most important determinant of people's wellbeing.

By the end of this section, you will have a broad picture of your financial wellbeing: the extent to which your finances help you meet your most important needs. You can then make sense of this picture by looking at the previous two sections. Are your finances failing to help you meet your needs and values because your finances are insecure? Are your finances insecure because you're unable to influence them? Or, are your finances secure, but nonetheless fail to help you meet your needs and values because you have unhealthy perceptions and attitudes around money?

Summary of module topics:

- Financial Freedom: Short-term
- Financial Freedom: Medium-term
- Financial Freedom: Long-term
- Social relationships: Experiences
- Social relationships: Support
- Giving

Initial draft survey questions

The survey modules above were populated largely with validated financial wellbeing and general wellbeing survey items. All questions were changed to have the same response scale: a statement followed by a 5-point likert scale, ranging from ‘Strongly Disagree’ to ‘Strongly Agree’. We also included some original survey items to make up for the topics where there were no appropriate pre-existing questions in the financial wellbeing literature.

Section 1: Financial Security and Competence	
Q1	I feel on top of my day to day finances
Q2	I could handle an unexpected expense (e.g. a short-term crisis, such as redundancy or a car failing an MOT)
Q3	I feel secure about my long-term financial situation
Q4	I have a clear and achievable financial plan to ensure long-term financial security for myself and those I leave behind
Q5	In general, I make sound financial decisions
Q6	I feel able to influence my long-term financial situation

Section 2: Financial Values and Attitudes	
Q7	My attitudes to money are aligned with what's important to me
Q8	How I spend my time is more important to me than how much money I have
Q9	I prefer to spend money on experiences than spending money on material things
Q10	My self-worth doesn't depend on my financial position

Section 3: Financial Wellbeing	
Q11	My financial situation enables me to enjoy my everyday life
Q12	My financial situation enables me to do the things I really care about
Q13	My financial situation enables me to pursue meaningful long-term projects
Q14	My financial situation enables me to spend time with those I care about
Q15	My financial situation enables me to support the people I care about if/when they need it
Q16	My financial situation enables me to support causes I believe in

4. Survey testing

The initial survey was tested both quantitatively and qualitatively in a number of ways.

1. The survey was taken by just over 1000 individuals online, which included four additional questions: 1) How easy or difficult was it for you to understand the survey questions? 2) Does the survey use the right language and cover all relevant parts of financial wellbeing? 3) Would you trust the results of the survey? 4) Would you return to the survey in the future? We analysed the results from these four questions to assess the intelligibility of the survey items and its overall level of user engagement.
2. We analysed the qualitative results from an additional question asked to all of the online respondents: 5) Is there anything else you'd like to say about the survey? This analysis provided us with specific feedback on the survey items and overall experience.
3. We performed a quantitative analysis on the FWB survey results for the online respondents. This analysis assessed the extent to which each survey item was capturing an appropriate amount of variation in people's responses. It also included an analysis of the correlations between survey items and the different survey module sections.
4. We ran a select amount of focus groups with potential survey users, which provided us with additional qualitative feedback on the survey.

The results of these tests informed the revised version of the survey included at the end of this section. They also helped inform the conclusions, recommendations and next steps outlined in the final section of the report.

Summary of quantitative user test feedback

- Just over 1000 online interviews were conducted
- Usability of the survey was scored most positively at 4.25 out of 5
- The survey was deemed fairly trustworthy - rated at 3.81 out of 5.
- Overall, the survey was rated fairly positively - at 3.91 out of 5.
- Loyalty, measured by likelihood to return, scored the lowest at 44%. Those below age 55, and with lower financial capability, indicated they'd be more likely to return to the tool.

In general, these are very encouraging results. The survey items were generally considered to be intelligible and the overall survey highly usable.

With regards to the "survey loyalty" question, we recommend that the survey is taken alongside at least three additional other features (see next steps) to increase user engagement:

1. An additional 'general wellbeing' module to see FWB results alongside overall wellbeing
2. A way in which users can receive their results directly after taking the survey
3. Support from an independent financial advisor (IFA) to discuss with users what their results mean and how they can act upon them to improve their financial wellbeing.

Summary of qualitative test feedback

In addition to the above results, 181 of the online respondents filled in a 'blank box' question, which asked if there was anything else they'd like to say about the survey. The results are summarised below:

'Split' of the 181 responses:

- 132 were 'neutral' - so either no comment, or a specific suggestion for a change or reflection overall that was neither negative or positive
- 26 were positive. So over 87% of responses were positive or neutral
- 20 were negative. So only 11% of those who answered this final question gave negative overall feedback (0.02% negative response from all interviews)

Themes: The 'positive' responses were mostly quite generically positive (great survey, useful, interesting etc.).

- Of the 20 'negative' general reponses, the following are some themes (in most cases only 1 or maximum 2 respondents said these):
- Some respondents felt the questions were 'superficial/generic/vague' or that it didn't cover enough about the specifics of respondents' finances. This is always a danger with summarising any 'big' topic into a few survey questions, and can also be partly a reflection of people's perception of subjective topics not usually included in traditional financial surveys.
- Some responses were about elements of a 'tool' that were missing including: One respondent felt the purpose of the tool or survey wasn't clear, one wanted to see the outputs/results fed back to the user, another to use it to track change over time, one felt there wasn't enough about wellbeing itself and one felt it wasn't a 'tool' at all. All of these issues will be fixed by the Financial WB module being part of the full tool: with wellbeing modules, results shown and a wider 'package' of context, purpose and outcomes around it
- A few responses said it would need to be understood in the context of the individuals overall life and financial situation. As the tool will be used by IFAs and employers, they will be doing this as part of their wider work.
- A slightly larger number of respondents talked about the timing of taking the survey in terms of life situation. A number thought it more relevant for people at the start of their career/ of younger age and quite a few seemed to think it was less relevant to them because they were retired. The approach the project partners are taking to financial wellbeing assumes that it is never too late to think about your FWB, your goals, your attitudes to money and how to use it for your own wellbeing and those around you.

There were also a few smaller very specific suggestions/ideas about technical details like response scales, topics covered, examples used etc which have been taken into consideration in the final survey design. A summary of all responses can be found in Appendix D.

Summary of FWB survey statistical analysis

The data from the 1000+ online survey responses were analysed to assess the following:

First, the extent to which the survey items were measuring the full range of people’s FWB (i.e. floor/ceiling effects). The analysis did not find floor/ceiling effects for any of the survey items.

Second, the extent to which the survey items were picking up an appropriate amount of variation in people’s FWB. The analysis found a strong skew towards answers of 4: ‘Agree’. This suggests moving from a 5-point likert response scale (“‘Strongly Disagree’”, “‘Disagree’”, “‘Neither agree nor disagree’”, “‘Agree’”, “‘Strongly Agree’”) to a 7-point scale (which includes the responses “‘Slightly Disagree’” and “‘Slightly Agree’”) to capture greater variation in FWB.

Third, the extent to which survey items held together regarding the overall user journey and the three main survey module sections. The analysis found that, although all survey items correlate positively and significantly ($p < 0.05$) with all other items, there were correlations of different strengths according to the three main survey module sections. Overall, the correlational analysis supports the initial conceptual framework and suggests that the survey user journey and three main module sections relate to significant components of people’s financial wellbeing.

Further details about this analysis can be found in Appendix D.

Summary of IFA user feedback

Prior to development of the full FWB tool (see Next steps) the survey was also soft tested with IFA and their clients. The following is a summary of that feedback:

1. IFA Clients consistently found the survey:
    - Easy to use, with appropriate language and content.
    - Trustworthy ratings were strong and respondents felt they would be likely to return to use it at regular intervals.

   It was interesting to note slightly more positive feedback and trust when the survey was shared by a trusted advisor, rather than direct from a financial services/product provider.

2. IFA feedback was:
    - Clients would be comfortable using it and that it would be extremely useful for clients, particularly new ones.
    - The survey could provide a good framework for a client review meeting, providing focus for areas to work on or maintain
    - A dashboard would help track whether changes were working and show impact
    - Visibility on data from across their client portfolio would improve performance and support marketing

   Very large IFA companies were more interested in the survey and data plugging into their existing systems, whilst smaller IFA companies or lone traders would need a dashboard and tool to integrate it into their working practices.

5. Recommended Financial Wellbeing Survey

Section 1: Financial Security and Competence	
Q1	I feel on top of my day to day finances
Q2	I could handle an unexpected expense (including redundancy or illness)
Q3	I feel secure about my long-term financial situation
Q4	I have a clear and achievable financial plan to ensure long-term financial security for myself and those I leave behind
Q5	In general, I make sound financial decisions
Q6	I feel able to influence my long-term financial situation

Section 2: Financial Values and Attitudes	
Q7	My attitudes to money are aligned with what's important to me
Q8	How I spend my time is more important to me than how much money I have
Q9	I prefer to spend money on experiences than spending money on material things
Q10	My self-worth doesn't depend on my financial position

Section 3: Financial Wellbeing	
Q11	My financial situation enables me to enjoy my everyday life
Q12	My financial situation enables me to do the things I really care about
Q13	My financial situation enables me to pursue meaningful long-term projects
Q14	My financial situation enables me to spend time with those I care about
Q15	My financial situation enables me to support the people I care about if/when they need it
Q16	My financial situation enables me to support causes I believe in

The survey questions were revised in the light of the testing feedback. This final survey now has a 7-point likert scale, *[Strongly disagree / Disagree / Slightly disagree / Neither / Slightly agree / Agree / Strongly agree] which* allows for the additional response options of ‘Slightly Agree/Slightly Disagree’, creating greater variation in responses, the need for which was apparent across all testing phases.

6. Next Steps

The development of the Financial Wellbeing Survey module was stage one in an ambitious project to support the financial sector to move towards wellbeing outcomes as a key performance measure of their impact.

The next key steps for this programme of work include:

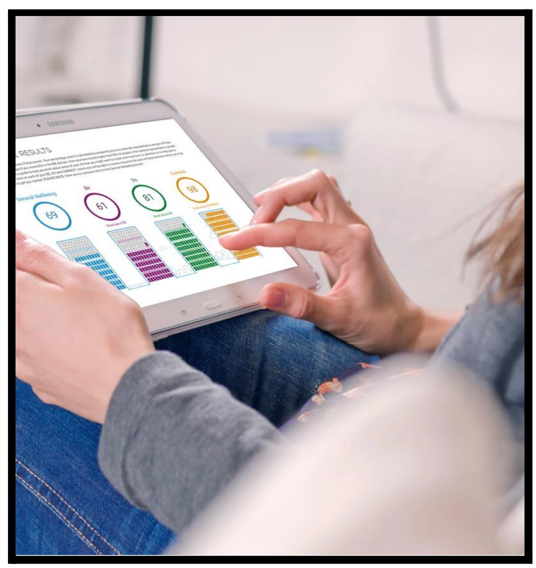
1. Use of the FWB survey on the **Aegon Pension platform** to help inform and support the wellbeing of clients

2. The production of a **brand new, market-leading digital tool to host the full Financial wellbeing toolkit** - to include the Happiness Pulse Wellbeing survey (which measures mental and emotional, behavioural and social and relational wellbeing) alongside the brand new FWB survey module. Together these tools will provide an unprecedented insight into the role of financial wellbeing in driving quality of life.

   The toolkit will be provided for both the Independent Financial Advisor sector, to support them to improve client wellbeing through their work, AND the large employer business clients of Aegon to improve the wellbeing and the financial wellbeing of their employees.

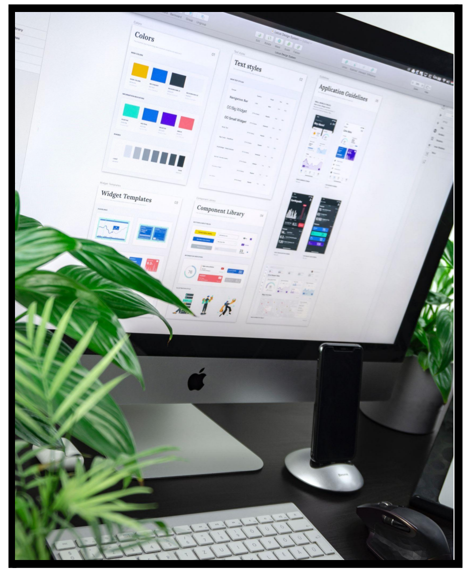
   The plans for this tool are currently in development. The features and benefits **could** include:

   A. **A Client/Employee facing interface that will:**
      - Introduce the tool (including branding of IFW/Aegon where appropriate and the IFA company or Employer)
      - Deliver the full FWB survey in an accessible and engaging way
      - Share back the individuals results with them immediately on completion of the survey - helping them see strengths and opportunities across their wellbeing and FWB domains
      - Click through links to further resources to help them understand and improve their own wellbeing and FWB



2. An IFA/Employer Financial wellbeing DASHBOARD

For the individual IFA, or individual key user within the Employer team, they will have a unique dashboard (or API to connect directly to their existing platforms if they are large enough to have them), which will provide:



- Show the results for each Client/Employee, giving them the basis of co-creating with clients/employees bespoke advice, support and, where appropriate, products, to improve their financial wellbeing
- Links to support, downloadable materials (clients meeting agendas, FWB tips and coaching ideas, where to get further training, data analysis etc)
- Ability to see their whole client/employee portfolio's FWB data, understand trends, impacts and change over time. Giving a clear way to demonstrate, articulate (and shout about!) their impact and value to their clients/employees and the wider world
- Ability to segment their clients/employees into a wide variety of 'groups' - from teams, departments, offices etc for large employers, to groups around age, life-stage, financial situations, salary and much more. To better understand the needs of their clients and employees and what interventions support which groups to improve their wellbeing over time.
- All these data options above will be able to be interrogated within the dashboard, to produce reports, graphs etc for users and wider learning and sharing
- Over time, the platform will allow more and more user led adaptation - including setting up new users, sending push notifications, creating cohorts and so on
- For large employers, or large companies with many IFAs, they will have an 'overarching' company view to be able to compare and segment different IFA or Teams performance around FWB
- A BIG benefit of this tool for large Employers is that it avoids survey overload for their employees. This one tool will give employers insights into staff Wellbeing (a key and growing concern for HR departments) and insights in staff financial wellbeing (to tailor support and benefit packages to ensure FWB grows within their teams). One tool, one cost, one 'ask' of employees, and multiple benefits for the employer

The data from this digital tool has the potential to influence research and development across the sector for years to come.

Appendices

Appendix A

Financial wellbeing: Conceptual landscape

There are multiple concepts within the ‘financial wellbeing landscape’, explained briefly below:

1. Financial wellbeing

Includes all financial outcomes and concerns that impact people’s overall wellbeing.

2. Financial outcomes and concerns

Includes financial worries and other financial issues that people care about, both in the short and long term.

3. Financial resilience

Includes people’s ability to cope with financial shocks and any other unexpected financial challenges and obstacles.

4. Financial security

Includes financial capital, assets, income, and savings over the long term, as well as other forms of capital (physical, human, social) and productivity over the life course.

5. Financial capability

Includes the set of achievable financial and economic strategies (e.g. use of financial services and transactions) that people have reason to value.[5]

6. Financial capital

Includes financial assets, income, and savings, as well as other forms of capital: physical (health), human (skills and education), social (relationships).

7. Financial behaviours and management

Includes financial management, budgeting, and savings behaviour.

8. Financial literacy and inclusion

[5] Storchi, S. & Johnson, S. (2016): “Financial capability for wellbeing: an alternative perspective from the capability approach.”

Includes knowing when and how to find reliable information to make a financial decision (financial knowledge), knowing how to process financial information to make sound financial decisions (financial numeracy), and knowing how to execute financial decisions, adapting as necessary to stay on track (financial problem-solving).

9. Financial goals and obligations

Includes cost of living and lifestyle and ongoing expenses and debts. Also includes having enough money left over for ‘little extras’, a financial ‘buffer’, and investing in the future.

10. Financial influences

Includes social norms and cultural values, household influences (parental, couple, family and care), community influences (cost of living, financial institutions, community organisations), and societal influences (government policy, financial markets).

Appendix B

Financial wellbeing: Example frameworks

Five Featured Frameworks

1. Australian Financial Wellbeing
2. Commonwealth Bank of Australia and Melbourne Financial Institute
3. US Consumer Financial Protection Bureau
4. Financial wellness (Gerrans, Speelman, & Campitelli, 2014)
5. Subjective financial wellbeing Bruggen et al. 2017)

1. Australian Financial Wellbeing

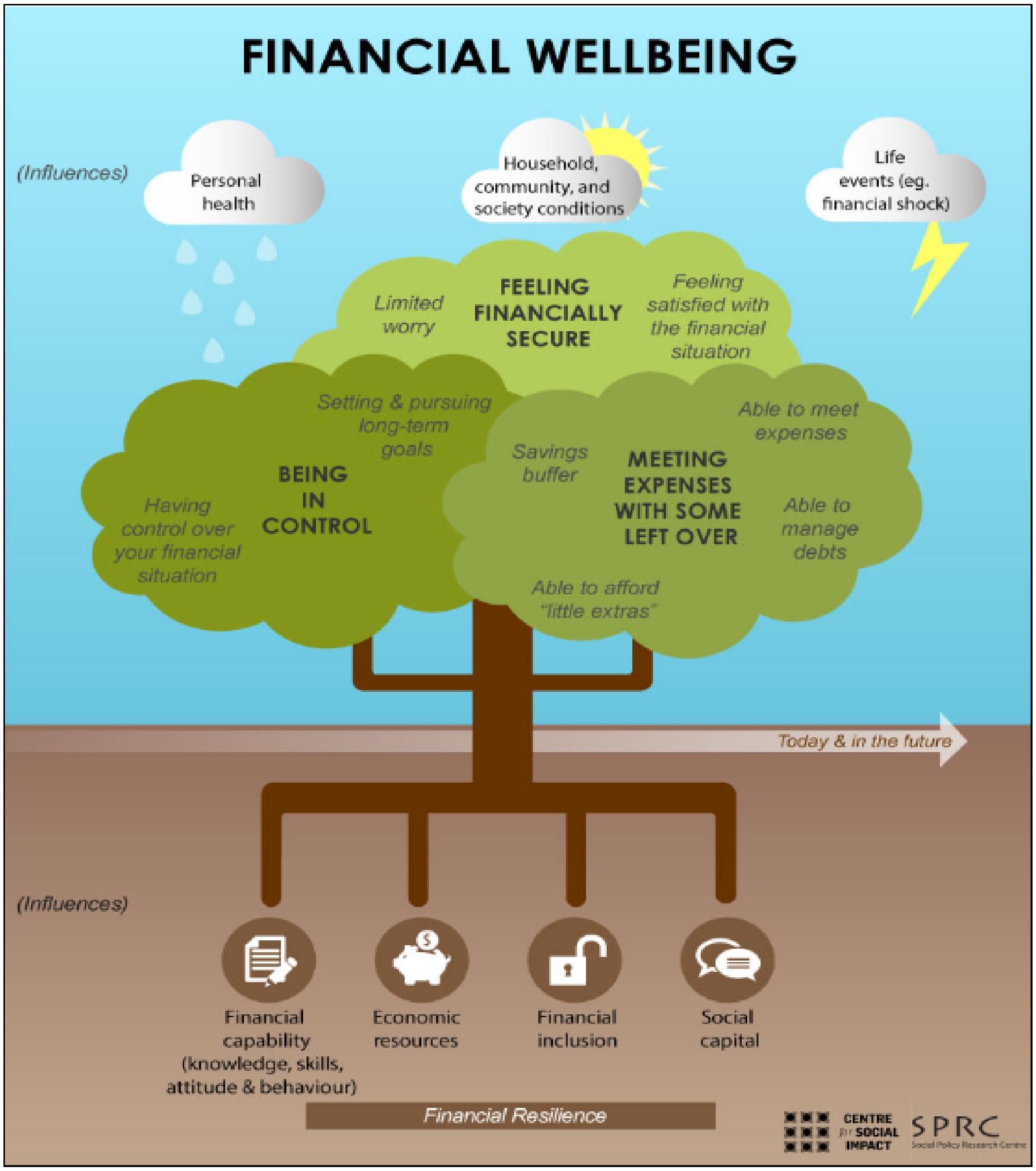
FWB Domains:

1. Meeting expenses and having some money left over
    - 1.1. Able to meet expenses
    - 1.2. Able to manage debt
    - 1.3. Savings buffer
    - 1.4. Able to afford 'little extras'
2. Being in control
    - 2.1. Having control over your financial situation
    - 2.2. Setting and pursuing goals for future spending and life planning
3. Feeling financially secure
    - 3.1. Limited financial worry
    - 3.2. Satisfaction with financial situation

FWB Influences:

1. Personal health
2. Household, community, and society conditions
3. Life events (e.g. financial shock)
4. Financial capability (knowledge, skills, attitude & behaviour)
5. Economic resources
6. Financial inclusion
7. Social capital

2. Commonwealth Bank of Australia and Melbourne Financial Institute



This is similar to the 'Australian Financial Wellbeing' framework above, but with three interesting differences. First, the 'Meeting expenses and having some money left over' domain is split into two domains: 'Financial outcomes' and 'Financial freedom'. Second, the framework makes temporal dimensions of FWB more explicit, outlining three dimensions: Every day, Rainy day, and One day. Third, it distinguishes between 'financial behaviours' and other 'financial influences', namely household characteristics and external conditions.

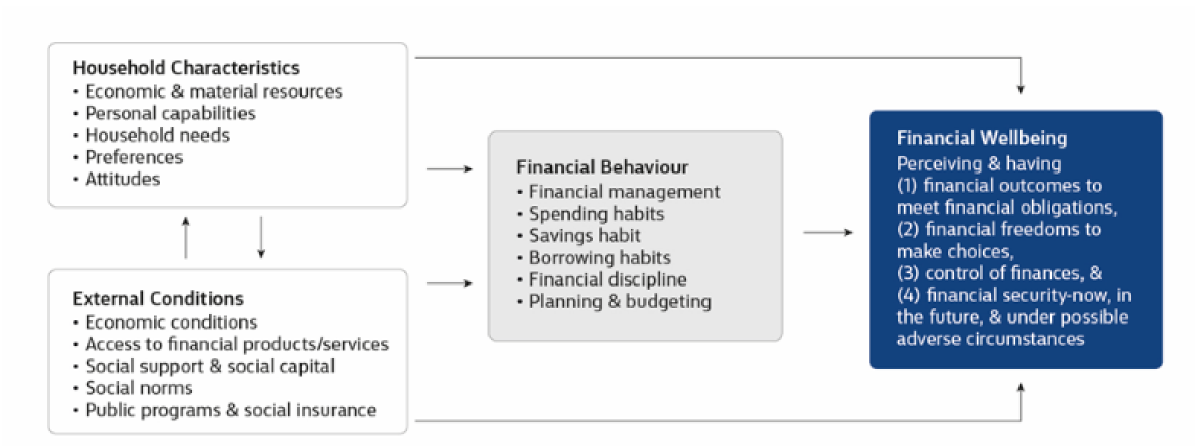
FWB Domains:

1. Financial outcomes: ability to meet financial obligations
2. Financial freedom: ability to make choices to enjoy life
3. Control of finances
4. Financial security—now, in the future, and under possible adverse circumstances

FWB Determinants:

1. Financial behaviour
2. Household characteristics
3. External conditions

Figure 5.1 Conceptual Model of the Determinants of Financial Wellbeing



3. US Consumer Financial Protection Bureau (CFPB)

Although the US CFPB framework is not that different to the two Australian frameworks above, they make an important distinction between 'personal financial wellbeing' - how satisfied you are with your financial situation - from other 'financial wellbeing influences' (see Figure 2 below). Their four FWB domains are also conceptualised with a 2x2 matrix, with the financial domains of 'Security' and 'Freedom of choice' and the temporal dimensions of the 'Present' and 'Future'.

FWB Domains:

1. Have control over day-to-day, month-to-month finances
2. Have the capacity to absorb a financial shock
3. Are on track to meet your financial goals
4. Have the financial freedom to make the choices that allow you to enjoy life

FWB Temporal dimensions:

1. Present
2. Future

The four elements of financial well-being

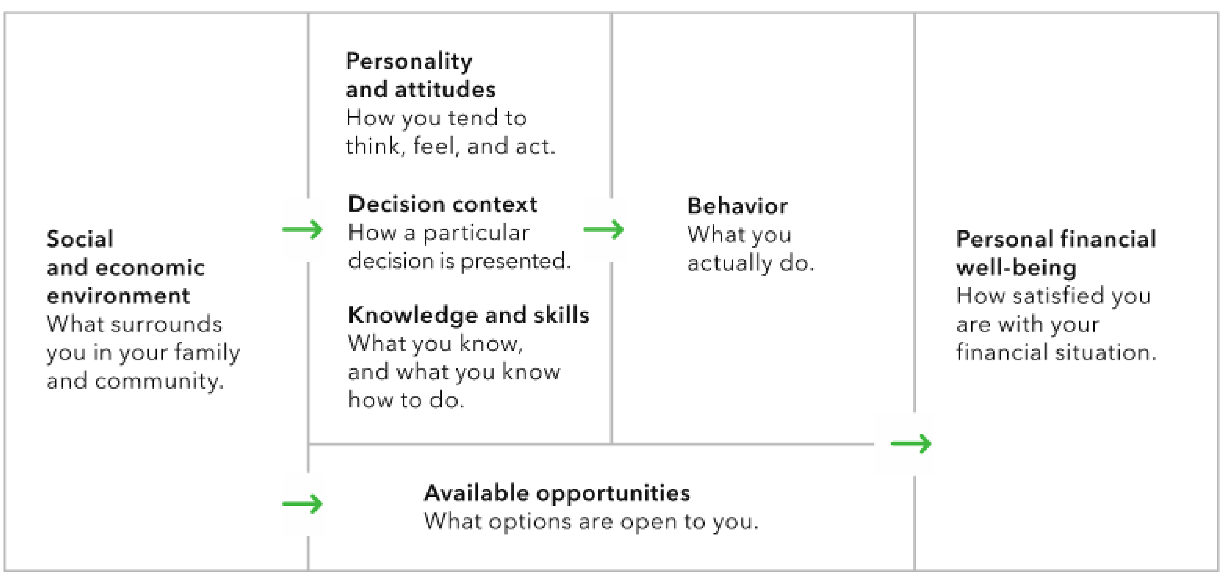
	Present	Future
Security	Control over your day-to-day, month-to-month finances	Capacity to absorb a financial shock
Freedom of choice	Financial freedom to make choices to enjoy life	On track to meet your financial goals

Consumer Financial Protection Bureau

FWB Influences:

1. Social and economic environment
2. Personality and attitudes
3. Decision context
4. Knowledge and skills
5. Behaviour
6. Available opportunities

FIGURE 2: WHAT INFLUENCES FINANCIAL WELL-BEING



4. Financial wellness (Gerrans, Speelman, & Campitelli, 2014)

This academic framework, like the CFPB framework, views FWB as a component of someone's overall wellbeing (what the authors call 'financial wellness'). It also distinguishes between people's objective financial situation and their subjective perceptions of FWB.

FWB Domains:

1. Financial satisfaction
2. Objective status
    2.1. Income
    2.2. Other financial ratios
3. Financial behaviour
    3.1. (Areas of personal finance)
4. Subjective perception
    4.1. Financial attitudes
    4.2. Financial knowledge

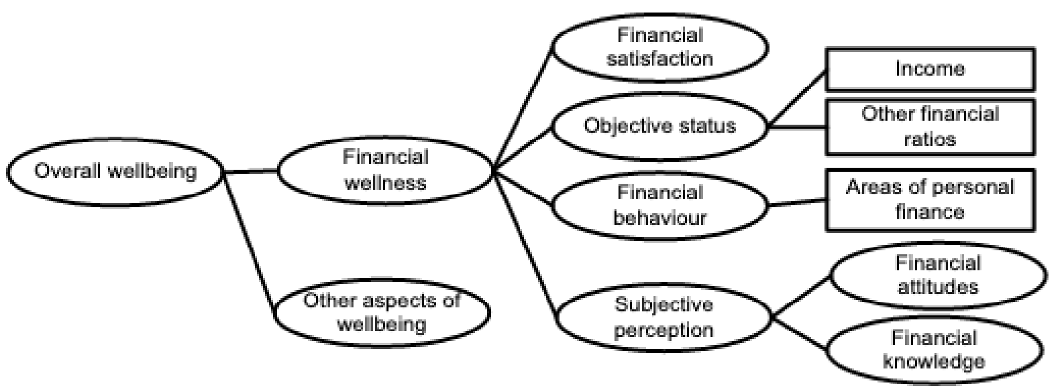


Fig. 2. Model of financial wellness [Gerrans, P., Speelman, C., & Campitelli, G., 2014]

Similarly, Zemtsova & Osipova (2015) present an academic framework that views FWB as a component of someone's overall wellbeing. In addition, they recognise that FWB influences a person's overall wellbeing via their subjective perspective/personal situation, which includes aspects such as their physical, psychological and social wellbeing.

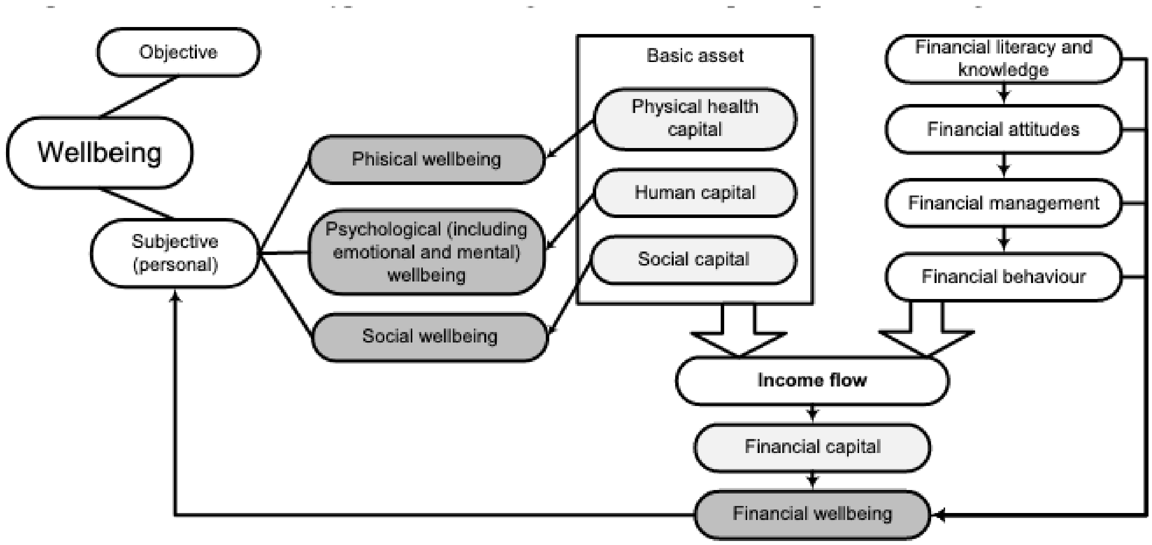


Fig. 3. Our conception of subjective (personal) wellbeing

5. Subjective Financial Wellbeing (Bruggen et al. 2017)

This academic framework, like the two academic frameworks above, views FWB as a component of general wellbeing and mental health. It also offers an explicitly subjective definition of FWB: 'We define financial well-being as the perception of being able to sustain current and anticipated desired living standards and financial freedom.' p.229

FWB Domains:

1. Personal factors
2. Contextual factors

FWB Influences:

1. FWB interventions
2. Financial behaviours

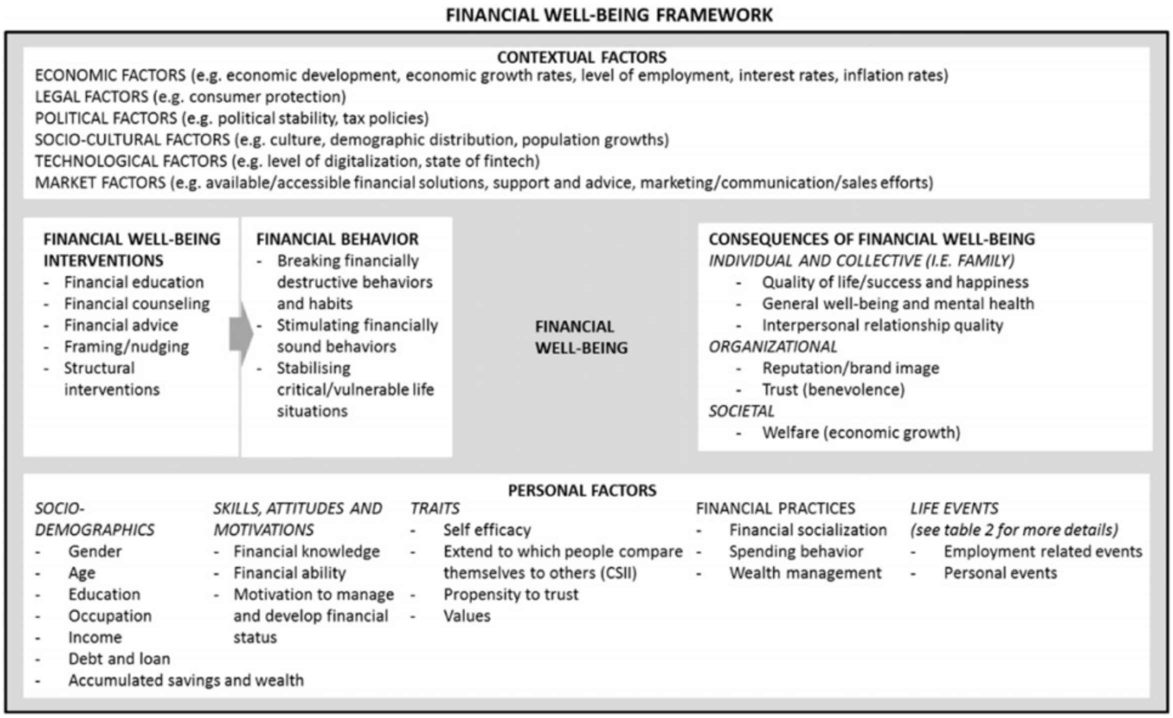


Fig. 1. Pictorial representation of five elements and their interrelationships of a new financial well-being framework.

Appendix C:

Comparison with Aegon and IFW's financial wellbeing frameworks

The wellbeing framework was heavily influenced by two leading financial wellbeing frameworks in particular: The 'Five Pillars' of FWB from the Institute for Financial Wellbeing (IFW) and the 'Mindset Building Blocks' for FWB from Aegon. The following table shows how the wellbeing framework compares with the key concepts from these two alternative frameworks.

Wellbeing framework	IFW's Five Pillars	Aegon's Mindset Building Blocks
1. Financial security and competence	3. Control of daily finances 4. Ability to cope with financial shocks 5. Clarity and security for those we leave behind	5. Strong nerves in a crisis (resilience)
2. Meaningful values and attitudes	1. Having financial options	1. Knowledge of what makes you happy 2. A solid picture of your future self 3. A long-term plan
3. Financial satisfaction and need-fulfillment	2. A clear path to identifiable objectives	4. Savvy social comparison

Appendix D: Further detail on draft survey test outcomes

Qualitative test feedback

The 132 neutral comments (including suggestions) captured in the 'blank box' are summarised here. Of the remaining responses, 26 offered more positive feedback and 20 offered more negative feedback.

Specific themes in the positive and negative comments:

The more positive responses were mostly quite generically positive (e.g. 'great survey', 'useful', 'interesting', etc). Of the more negative responses, the following are some themes:

- Some respondents felt **the questions were 'superficial', 'generic', 'vague'**. This is an inevitable consequence of trying to capture a topic as broad as financial wellbeing in a short and accessible survey. Again, this is why the survey would ideally be accompanied by support from an IFA, where users can discuss their results in more detail.
- Similarly, a few responses said **the survey would need to be understood in the context of people's overall life and financial situation**. This is further reason to accompany the survey with support from IFAs.
- One respondent felt the survey **didn't really look at financial wellbeing** because financial wellbeing is about the strength of one's finances. This, however, is a very narrow definition of FWB, which, in part, the survey is trying to change.
- Similarly, a number of respondents thought **the survey was more relevant for people at the start of their career/of younger age and less relevant for those of retirement age.** Again, the survey is, in part, designed to change this narrow perception of FWB. From our literature review, we found that it's never too late to think about your FWB, your goals, your attitudes to money and how to use it for your own and others' wellbeing.

Summary of FWB statistical analysis

We analysed the 1000+ online survey responses to assess three qualities of the survey in particular: 1) the extent to which the survey items were measuring the full range of people's FWB (i.e. floor/ceiling effects); 2) the extent to which the survey items were picking up an appropriate amount of variation in people's FWB; and 3) the extent to which survey items held together regarding the overall user journey and the three main survey module sections.

Floor/Ceiling effects

The analysis did not find floor/ceiling effects for any of the survey items. With regards to floor effects, all items have <5% of respondents answering 1 ('Strongly disagree'), with some having

<1% answering 1. Some items may have moderate ceiling effects. For instance, for question 2b ('I could handle an unexpected expense'), 36% of responses were 5 ('Strongly Agree') although the mode response was still 4 ('Agree'). See the table below for details.

Distribution of responses

The analysis found a strong skew towards answers of 4: 'Agree'. This is the most common answer to all survey items, except 3c ('I prefer to spend money on experiences than spending money on material things') for which the mode answer is 3 ('Neither agree nor disagree'). Items 2a, 2b, 2e, 3a and 4a all have >79% of responses as either 4 or 5. The mean responses for all survey items are between 3.5-4, except for items 3c (3.28), 2a (4.10) and 2b (4.05).

This suggests moving from a 5-point likert response scale ('Strongly Disagree', 'Disagree', 'Neither agree nor disagree', 'Agree', 'Strongly Agree') to either a 7-point scale (which includes the responses 'Slightly Disagree' and 'Slightly Agree') or a 9-point scale (which includes the additional responses 'Moderately Disagree' and 'Moderately Agree'). Increasing the number of response options will capture a greater amount of variation in people's FWB.

Question no.	Question wording	Floor/ceiling effects?	Sufficient variation in responses?
2a	I feel on top of my day to day finances		Over 80% of responses were either 4 or 5
2b	I could handle an unexpected expense	36% of responses were 5 (mode response still 4)	Over 80% of responses were either 4 or 5
2c	I feel secure about my long-term financial situation		
2d	I have a clear and achievable financial plan to ensure long-term financial security for myself and those I leave behind.		
2e	In general, I make sound financial decisions		79% of responses were either 4 or 5 and <1% were 1
2f	I feel able to influence my long-term financial situation		
3a	My attitudes to money are aligned with what's important to me		Over 80% of responses were either 4 or 5 and <1% were 1
3b	How I spend my time is more important to me than how much money I have		
3c	I prefer to spend money on experiences than spending money on material things		
3d	My self-worth doesn't depend on my financial position		

4a	My financial situation enables me to enjoy my everyday life		79% of responses were either 4 or 5
4b	My financial situation enables me to do the things I really care about		
4c	My financial situation enables me to pursue meaningful long-term projects		
4d	My financial situation enables me to spend time with those I care about		
4e	My financial situation enables me to support the people I care about if/when they need it		
4f	My financial situation enables me to support causes I believe in		

Correlations between survey items

The analysis found that, although all survey items correlate positively and significantly ($p < 0.05$) with all other items, there were correlations of different strengths according to the three main survey module sections.

The survey items that constitute the ‘Financial Security and Competence’ module all correlate strongly with each other. However, they correlate very weakly with the ‘Financial values and attitudes’ module and correlate with medium strength with the ‘Financial Wellbeing’ module. This supports our initial conceptual framework, whereby people’s objective financial situation doesn’t necessarily translate into financial wellbeing. Furthermore, these findings suggest that a positive financial situation may well not be supported by positive financial values and attitudes. Again, this supports our initial conceptual framework - that people can improve their financial wellbeing not just by improving their objective finances, but also by changing how they think about and use their money. Overall, the correlational analysis suggests that the survey user journey and three main module sections relate to significant components of people’s financial wellbeing.

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