

# **UK Adult Financial Wellbeing Survey 2021 Ethnicity Report**

January 2023

## Contents

1. Introduction .....	3
2. Executive summary .....	5
3. Demographic differences between ethnic groups.....	6
3.1. Age, work, housing and income.....	6
4. Ethnicity and financial wellbeing .....	7
4.1. Bills, credit and the day-to-day.....	7
4.2. Saving .....	10
4.3. Retirement planning .....	12
Appendix – Ethnic Groups .....	13

## 1. Introduction

The Adult Financial Wellbeing Survey is a nationally representative survey of adults aged 18+ living in the UK. The survey was previously run in 2018 and 2015, when it was known as the Financial Capability Survey. This latest wave was conducted through online access panels and with posted invitations in order to represent both heavier and lighter users of the internet.

The questionnaire covers the building blocks of financial wellbeing:

- current and longer-term financial wellbeing
- day-to-day behaviours like managing credit, active saving and keeping track of spending
- planning behaviours like pension saving and building resilience against expected and unexpected life events
- enablers and inhibitors like confidence, sense of control, financial numeracy, and engagement with money information, advice and guidance.

The survey provides robust measures of UK Financial Wellbeing which help MaPS and other organisations working in Financial Wellbeing to design and target interventions more effectively.

For further details on the method, sampling and weighting processes, please see the technical report.<sup>1</sup>

## Reporting

The approach taken towards reporting for 2021, is to create a series of short reports, each focused on a specific topic or audience group of importance.

The reports cover the Agendas for Change and the cross-cutting themes of the UK Strategy for Financial Wellbeing and other topics of interest to MaPS.

### This report

This report provides an overview of key results for different ethnic groups, in particular for those measures which contribute to the National Goals – the primary measures of Financial Wellbeing in the UK.

Where appropriate, comparisons are made between the financial behaviours and outcomes for the main different ethnic groups in the UK compared to all adults.

This report is based on data from 2021, before the most recent cost of living pressures.

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<sup>1</sup> <https://moneyandpensionsservice.org.uk/wp-content/uploads/2022/03/Adult-Financial-Wellbeing-Survey-2021-Technical-Report.pdf>

### Asking ethnicity

The 2021 survey used the Government Statistical Service (GSS) harmonised questions for ethnicity.<sup>2</sup>

Using harmonised questions means that survey results are more easily comparable with other data sources, including Census data. In addition, it means that the questions we used have been extensively tested.

There are different versions of this question for:

- England and Wales,
- Scotland, and
- Northern Ireland.

The different wording for each reflects the differing ways in which ethnic group and national identity overlap.

The Northern Ireland question complies with the Good Friday/Belfast Agreement which recognises “the birthright of all the people of Northern Ireland to identify themselves and be accepted as Irish or British, or both, as they may so choose”.

The harmonised questions can be combined to allow for analysis of ethnicity within the whole of the UK.<sup>3</sup>

### Reporting and analysing ethnicity

When reporting, we have used the approach<sup>4</sup> recommended by the Cabinet Office Race Disparity Unit (RDU).<sup>5</sup>

A key aspect of this is that we are looking ethnic minority groups individually, rather than as one single group. This means not using the groups (or terms) BAME (black, Asian and minority ethnic) or BME (black and minority ethnic).

### The 2021 survey

In 2021 we increased the total number of interviews to 10,306. This means that it is possible to analyse the data by more detailed ethnic groups.

In this report, ethnicity is in most cases shown in five aggregated categories: Asian, black, mixed, white and other.

Appendix A shows how we grouped the detailed information into the categories used in the report.

### Numbers of interviews by ethnic group

	Interviews
All	10,306
Asian	616
Black	238
Mixed	209
White	9024
Other	87
Unclassified	132

Unclassified interviews contain:

- people who declined to answer the question; and
- interviews where the survey participant provided more detail but it was not possible to place their answer within one of the codes.

The survey included quotas to ensure the data collected was representative of the UK population by ethnicity. Some additional weighting was included to ensure that individual regions were representative by ethnicity.<sup>6</sup>

<sup>2</sup> <https://analysisfunction.civilservice.gov.uk/policy-store/ethnicity-harmonised-standard/>

<sup>3</sup> <https://analysisfunction.civilservice.gov.uk/policy-store/ethnicity-harmonised-standard/#section-5>

<sup>4</sup> <https://www.ethnicity-facts-figures.service.gov.uk/style-guide/writing-about-ethnicity>

<sup>5</sup> <https://www.gov.uk/government/organisations/race-disparity-unit>

<sup>6</sup> This is shown in more detail in the survey’s technical report: <https://moneyandpensionservice.org.uk/wp-content/uploads/2022/03/Adult-Financial-Wellbeing-Survey-2021-Technical-Report.pdf>

## 2. Executive summary

### The importance of financial wellbeing

Financial wellbeing is about feeling secure and in control of your finances both now and in the future. It is knowing that you can pay your bills today, can deal with the unexpected and are on track for a healthy financial future.

### The financial impact of Covid-19

The economic impact of Covid-19 has had a profound effect on the financial wellbeing of people in the UK, but financially it has not impacted everyone in the same way.

The financial impact of the Covid-19 pandemic has disproportionately affected minority ethnic groups, many of whom are younger, of working age with families to support.

In the research we found that, compared with the whole population, a bigger proportion of ethnic minorities indicated that their household income had fallen since the start of the pandemic. Ethnic minorities were also more likely to have been made unemployed, put on furlough or had their hours and pay cut since the start of the pandemic than the UK adult population as a whole.

### Cost of living

This report is based on data from 2021, before the most recent cost of living pressures. Subsequent cost of living pressures are likely to have worsened people's financial wellbeing.

### Age, work, income and housing

The white population has a similar demographic profile to the UK average because it is by far the largest ethnic group: 85% of the population.

Asian, black, mixed and other populations differ from the UK average in terms of age, income housing tenure and work status.

In general, compared to the UK average, they tend to be younger, lower income, more likely to be in employment and more likely to rent their home. But there is some variation between different ethnic groups.

In interpreting the results, it is also important to remember that there can be considerable variation within any given ethnic group.

### Key findings

The research shows:

- lower levels of financial wellbeing among the black and mixed ethnic populations of the UK.
- Adults of Asian ethnic background have levels of financial wellbeing slightly below or similar to the UK average
- The white population tends to be in line with the UK average, mostly because it is by far the largest ethnic group in the population.

The report looks at individual ethnic groups. From this, it is noticeable that those from an ethnic minority background tend to be:

- Less confident in managing their money
- Less satisfied with their financial circumstances, particularly those from a Black ethnic background
- More at risk from significant life events such as illness or loss of employment due to lower levels of personal savings
- Having more difficulty in keeping up with bills and credit commitments, particularly those from a black or mixed ethnic background
- More likely to struggle to pay an unexpected bill, particularly those from a black or mixed ethnic background.
- More likely to borrow to buy food or pay bills because money has run out, particularly those from a black or mixed ethnic background

But there are some elements of financial wellbeing where there is little apparent difference by ethnic group: the UK as a whole retirement planning and regular saving.

There are some differences in where people are saving money. Savings accounts, current accounts and ISAs are the most common places across all ethnic groups. But ethnic minorities are more likely than UK average to save in credit union accounts or savings clubs.

### 3. Demographic differences between ethnic groups

#### 3.1. Age, work, housing and income

There are several underlying demographic differences in the ethnic groups that make up the UK population. It is important to understand these differences as they impact a person's financial wellbeing and their day-to-day financial and planning behaviours.

Approximately 15% of the UK adult population is from an ethnic minority group, covering a range of different ethnic backgrounds including: black, Asian, mixed and other minority ethnic groups.

Ethnic minority populations tend to be larger in cities (particularly in London and the West Midlands), and in densely populated urban areas.

#### Age differences

There are large differences in the age profile of different ethnic groups.

Our data showed that the ethnic minority population is younger - 52% of individuals from ethnic minority groups are aged under 35, in comparison to 24% of those from a white background.

Census data shows a similar pattern. As the table shows, over half of adults of mixed ethnicity in England and Wales are aged 18-34. Similarly, just under half of adults of Asian ethnicity were aged 18-34.

#### Age by ethnic group (England & Wales only)

		18-34	35-65	66+
All	100%	29%	50%	21%
Asian	100%	47%	45%	8%
Black	100%	39%	52%	9%
Mixed	100%	56%	39%	6%
White	100%	27%	51%	23%
Other	100%	48%	46%	6%

Source: 2011 Census

This younger age profile means that adults from Asian, black, mixed and other groups are:

- more likely to be working age
- less likely to be retired

#### Working status

As a result of these differing age profiles, we found in the 2021 survey that people from an ethnic minority group are more likely to be working full or part time (76%) compared to the UK population as a whole (60%).

Amongst those in employment, their terms of employment varied:

- 72% of white respondents said they were on permanent contracts, compared to 61% of Asian, 61% of black and 62% of mixed ethnic groups.
- Fixed term contracts were more prevalent among Asian (21%), black (21%) and mixed (20%) ethnic groups. They were less common among the employed white population (10%).
- Around one in five of every ethnic group were employed via gig economy, zero hours contracts or contractor status.

#### Income

Incomes vary by ethnic group. In particular, we found that:

- two thirds (65%) of those in the mixed group had household incomes below £17,500.
- Around half of the Asian (51%) and black (53%) groups had incomes below £17,500
- Only 41% of the white population had incomes below £17,500

#### Housing tenure

Alongside this, the 2021 survey showed that, rates of home ownership vary by ethnic group.

Among the white population, 61% are homeowners. By contrast, only 52% of Asian, 34% of black and 39% of mixed respondents said they were buying on a mortgage or owned their home outright.

Rates of renting also vary: 51% of black, 40% of mixed respondents were renting their home (either privately or through the local authority or housing association).

By contrast, 30% of white and 31% of Asian respondents said they were renting.

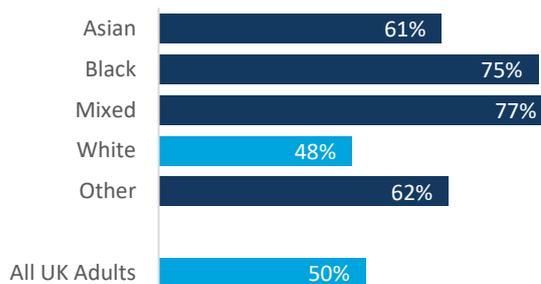
## 4. Ethnicity and financial wellbeing

### 4.1. Bills, credit and the day-to-day

*“How well are you keeping up with bills and credit commitments at the moment?”*

Whilst keeping up with bills and credit commitments is a struggle for many households in the UK, it is a particular concern for some ethnic groups.

**Chart 1. Struggle to keep up with bills/commitments by ethnic group<sup>7</sup>**



There are differences between the different ethnic groups:

- those from a mixed or black background are most likely to say they are struggling to keep up with their bills and credit commitments.
- those from an Asian background are less likely to say they are struggling, but are more likely to be struggling than those in the UK adult population as a whole.

Since 2018 the proportion of members of ethnic minority groups who report they are struggling has increased (from 58% to 67%), possibly due to the financial impacts of the pandemic.

<sup>7</sup> Source: J1. How well are you/you and your partner/spouse keeping up with bills and credit commitments at the moment?

Base: All Adults (% Keeping up is a struggle from time to time/ constant struggle/ falling behind/ fallen behind)

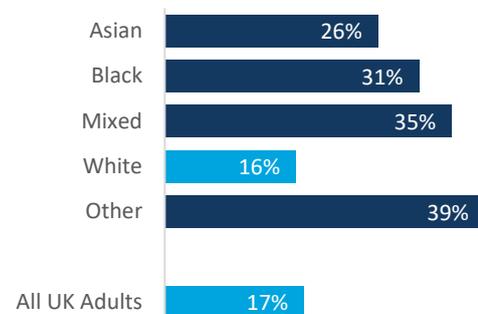
The struggle to keep up with bills and credit commitments can impact on mental health. Over four in ten (45%) of those from an ethnic minority say that thinking about their financial situation makes them anxious compared to the UK average of 36%.

*“How often do you use a credit card, overdraft or borrow money to buy food or pay bills because you have run short of money?”*

17% of UK adults often use a credit card, overdraft or borrow money to buy food or pay bills because they have run short of money.

A significant number of adults from ethnic minority groups borrow very/fairly often to buy food or pay bills (30%). This has increased slightly from 2018 (when it was 26%). By contrast, the UK average is lower (17%) and has remained unchanged since 2018.

**Chart 2. Often borrow for everyday by ethnic group<sup>8</sup>**



Within ethnic groups there are differences:

- Black and mixed groups are most likely to borrow often for the everyday.
- Asian adults are less likely than the previous two groups to borrow often for the everyday. But they are more likely than average to borrow for the everyday.

<sup>8</sup> Source: NORB1. How often do you use a credit card, overdraft or borrow money to buy food or pay bills because you have run short of money?

Base: All Adults (% who do this very/fairly often)

*“What is the biggest bill you could pay, either from money you already have, or money you could easily borrow in a way that you consider affordable?”*

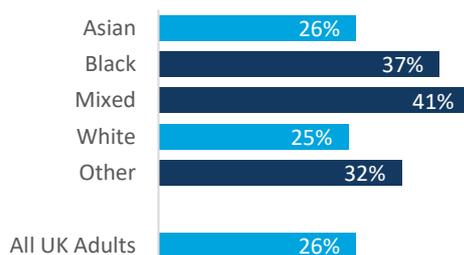
A significant number of people living in the UK would have insufficient savings or income to pay for an unexpected bill of £300. These people are at risk: they may need to go (further) into debt; resort to expensive, short-term credit; or go without something they need.

One quarter (26%) of adults in the UK say they would be unable to pay an unexpected bill of £300 from spare money or affordable borrowing.

Again, this varies by ethnic group:

- Mixed or black groups are at more risk, with a higher proportion unable to pay an unexpected bill of £300 from spare money or affordable borrowing.
- In comparison, those from an Asian background have a better ability to cope with an unexpected bill, reporting the same proportion as UK adults as a whole.

**Chart 3. Couldn't pay unexpected £300 bill – by ethnic group<sup>9</sup>**



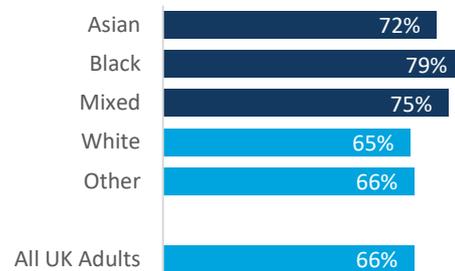
<sup>9</sup> Source: I10. How would you pay unexpected bill of £300?  
Base: All Adults (% who would have to borrow or could not pay when faced with an unexpected £300 bill)

*“How satisfied are you with your overall financial circumstances?”*

Two thirds (66%) of UK adults are not satisfied with their financial circumstances.

This varies by ethnic group: around three quarters of adults from Asian, black or mixed backgrounds are not satisfied with their financial circumstances.

**Chart 4. Not satisfied with financial circumstances by ethnic group<sup>10</sup>**



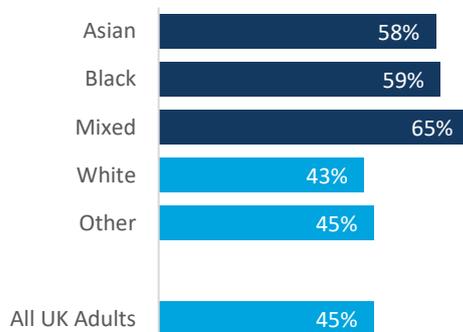
<sup>10</sup> Source: B2 - How satisfied are you with your overall financial circumstances?  
Base: All Adults (% 0-7/10)

An important aspect of financial wellbeing is the confidence and knowledge to deal with financial matters. Key components of this include confidence managing money day to day.

*“How confident do you feel managing your money?”*

Among all UK adults, just under half (45%) are not confident managing their money day-to-day.

Chart 5. Not confident managing money day-to-day<sup>11</sup>



This varies by ethnic group: as the chart shows, Asian, black and mixed adults are especially likely not to be confident managing money day-to-day.

Similarly, confidence varies when it comes to making decisions about financial products and services:

- Two thirds of the Asian (65%), black (65%) and mixed (65%) groups do not feel confident doing this.
- This contrasts with half who lack confidence among the overall population (51%) and the white population (49%).

<sup>11</sup> Source: B3 - How confident do you feel managing your money?

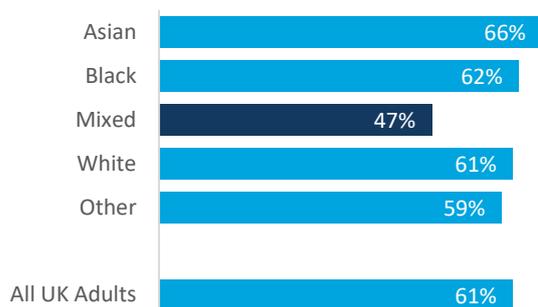
Base: All Adults (% rating 0-7)

## 4.2. Saving

*“Which of these best describes how often you save money?”*

61% of adults in the UK say they save money every/most months. This leaves a significant proportion (two in five adults) who do not save regularly.

Chart 6. Save every/most months<sup>12</sup>



As the chart shows, there is generally little variation between most ethnic groups.

There is one exception: adults from mixed backgrounds are less likely than all other groups to be saving regularly.

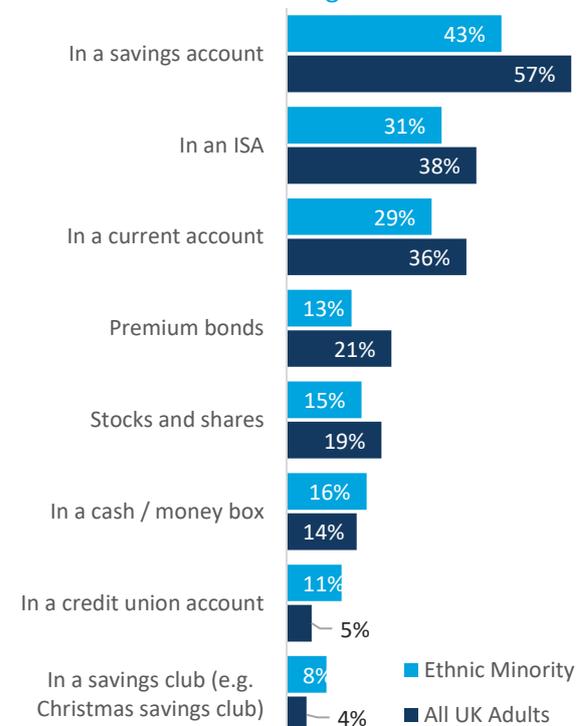
*“Do you currently have savings or investments in any of the following?”*

Although the proportion of adults from ethnic minority groups saving every/most months is similar to the UK average overall, there are some differences in the types in the types of financial products used for these savings.

The most common places to save are savings and current accounts with a bank or building society, ISAs. Whilst these types of saving and investment products are also the most common for those from an ethnic minority, a smaller proportion are saving in these types of products.

Those from an ethnic minority are more likely to have their savings and investments in other financial products including credit union accounts and savings clubs (for example Christmas Saving clubs).

Chart 7. Where have savings<sup>13</sup>



<sup>12</sup> Source: G3 - Which of these best describes how often you save money?

Base: All Adults (% who do this every/most months)

<sup>13</sup> Source: G1 - Do you currently have savings or investments in any of the following?

Base: All Adults (% who have these savings)

*“Approximately how much, if anything, do you personally have in savings and investments?”*

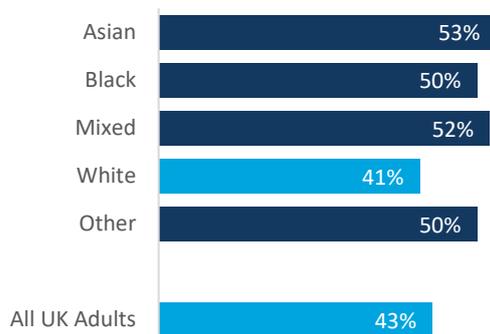
Many people living in the UK have low levels of savings, with very little money set-aside to pay for unexpected expenses, or cope with a loss of their main source of income and this is also an issue for many from an ethnic minority group.

Less than 1 in 10 (8%) from an ethnic minority group have no money in personal savings and investments, - similar to all UK adults (11%).

However, amounts held in savings do vary. Over four in ten (43%) of the UK adult population have less than £1,000 in personal savings.

As the chart shows, this is higher among people from Asian, black, mixed and other backgrounds.

**Chart 8. Savings of less than £1,000<sup>14</sup>**



In total just a third (36%) of UK adults had personal savings of above £10,000, compared with less than one in five (17%) of those from ethnic minority groups.

Whilst the low level of personal savings is likely to be due in part to the age composition of ethnic minority groups, which tends to include more younger people families, this does mean that they are at more risk from the economic impact of significant life events such as illness or loss of employment. Comparing the different ethnic minority groups with each other shows this is a particular issue for all ethnic minority groups as compared with the UK population average.

<sup>14</sup> Source: G5 - Approximately how much, if anything, do you personally have in savings and investments?

Base: All Adults (% who have less than £1,000)

### 4.3. Retirement planning

Around half of working age UK adults say they have done something to plan their finances for retirement. Similarly, around half say they understand enough about pensions to make decisions about saving for retirement.

Unlike many of the previously discussed shorter-term questions, this does not vary especially by ethnic group.

*“How much have you done to ... plan your finances for retirement?”*

Not being well prepared for retirement can cause real issues in later life, especially as individuals approach the age of retirement.

**51%** (52% all UK adults)

Proportion of adults from an ethnic minority group aged 18-65 who do not have a plan for their finances in retirement<sup>15</sup>

This lack of planning for retirement also means that understanding and engagement with pensions could be improved. Only around half (56%) of working age adults in the UK have undertaken an activity in the last 12 months to review or discuss their pension. This is slightly higher amongst ethnic minority groups (61%).

<sup>15</sup> Source: D7C - How much have you done to ... plan your finances for retirement?

Base: All Adults (% saying Not very much/Nothing at all)

*“I feel I understand enough about pensions to make decisions about saving for retirement”*

**49%** (47% all UK adults)

Proportion of working age adults from an ethnic minority group who understand enough to make decisions about retirement<sup>16</sup>

Despite some improvement since 2018, many of those of working age (aged 18-65) still do not feel that they understand enough to make decisions about their retirement. The findings are similar for those from ethnic minority groups with around half (49%) saying they understand enough. This is broadly consistent across each of the different ethnic minority groups.

Encouragingly, this has improved since 2018 with slightly more of those from an ethnic minority group now saying that they understand enough to make decisions about their retirement (up from 43% in 2018). This may in part be due to the impact of automatic enrolment. Over six in ten (62%) of those from an ethnic minority group are now paying into a personal pension (up from 57% in 2018).

<sup>16</sup> Source: WASOU - Understand enough to make decisions about retirement

Base: All Adults of working age (% saying Agree)

## Appendix – Ethnic Groups

The 2021 survey used the Government Statistical Service (GSS) harmonised questions for ethnicity.<sup>17</sup>

We followed the harmonisation guidance to combine data from the different England and Wales, Scotland, and North Ireland questions.<sup>18</sup> This is summarised in the table.

- **Analysis categories:** this shows the categories used in the report.
- **Header:** this indicates the header shown on screen (for online interviews) or on the printed questionnaire.
- **Detail:** this shows the individual codes within each header shown on screen (for online interviews) or on the printed questionnaire.

Analysis categories	England & Wales		Northern Ireland		Scotland		
	Header	Detail	Header	Detail	Header	Detail	
<b>White</b>	White	English/ Welsh/ Scottish/ Northern Irish/ British	White <sup>19</sup>		White	Scottish	
		Irish				Other British	
		Gypsy, Traveller or Irish Traveller				Irish	
		Any other White background				Gypsy /Traveller	
						Polish	
					Any other white ethnic group		
Unclassified <sup>20</sup>			Irish Traveller <sup>21</sup>				
<b>Mixed</b>	Mixed/Multiple ethnic groups	White and Black Caribbean	Mixed/Multiple ethnic groups	White and Black Caribbean	Mixed/Multiple ethnic groups	Any mixed or multiple ethnic groups	
		White and Black African					White and Black African
		White and Asian					White and Asian
		Any other Mixed/Multiple ethnic background					Any other Mixed/Multiple ethnic background

<sup>17</sup> <https://analysisfunction.civilservice.gov.uk/policy-store/ethnicity-harmonised-standard/>

<sup>18</sup> <https://analysisfunction.civilservice.gov.uk/policy-store/ethnicity-harmonised-standard/#section-5>

<sup>19</sup> In Northern Ireland, “White” is presented as a single code without more detail.

<sup>20</sup> In Northern Ireland, Irish Traveller interviews are not included in the white total. <https://analysisfunction.civilservice.gov.uk/policy-store/ethnicity-harmonised-standard/#presentation-northern-ireland>

<sup>21</sup> In Northern Ireland, “Irish Traveller” is presented as a single code without more detail. Unlike in the rest of the UK, it is not shown within a “White” heading during the interview or combined into a “White” code for analysis.

Analysis categories	England & Wales		Northern Ireland		Scotland	
	Header	Detail	Header	Detail	Header	Detail
Asian	Asian/ Asian British	Indian	Asian/ Asian British	Indian	Asian, Asian Scottish or Asian British	Pakistani, Pakistani Scottish or Pakistani British
		Pakistani		Pakistani		Indian, Indian Scottish or Indian British
		Bangladeshi		Bangladeshi		Bangladeshi, Bangladeshi Scottish or Bangladeshi British
		Chinese		Chinese		Chinese, Chinese Scottish or Chinese British
		Any other Asian background		Any other Asian background		Any other Asian
Black	Black/ African/ Caribbean/ Black British	African	Black/ African/ Caribbean/ Black British	African	African  Caribbean or Black	African, African Scottish or African British
		Caribbean		Caribbean		Caribbean, Caribbean Scottish or Caribbean British
		Any other Black/ African/ Caribbean background		Any other Black/ African/ Caribbean background		Black, Black Scottish or Black British
		Any other Black/ African/ Caribbean background		Any other Black/ African/ Caribbean background		Any other Caribbean or Black
Other	Other ethnic group	Arab	Other ethnic group	Arab	Other ethnic group	Arab, Arab Scottish or Arab British
		Any other ethnic group		Any other ethnic group		Any other ethnic group