Scope to...

Disabled people and financial well-being

Savings and insurance

Key messages

- Disabled people are less likely to have savings and less likely to have insurance.
- Disabled people sometimes feel that they are turned down for insurance on the basis of being disabled (1) and, when they do have insurance, they often feel they pay higher premiums.
- There are many reasons why disabled people do not save: they have lower incomes; face extra costs of living; and, are less likely to have access to a workplace pension.
- The types of savings disabled people make are typically more sporadic than those non-disabled people make.
- Savings could be incentivised through matched savings schemes, or encouraged using insights from behavioural economics.
- Disabled people would enjoy greater access to insurance if exceptions to the Equalities Act were changed and a cap on premiums were implemented.

The importance of a financial safety net

Savings and insurance are important in helping people cope with financial shocks. They involve making a present consumption sacrifice (paying an insurance premium, or putting a bit of money aside into a savings account) to act as a buffer against financial setbacks such as a person's boiler breaking, or them losing their job. Savings also help people plan for the future, and cover costs of living in retirement.

1 Note: Small sample size of 79 disabled people

- Disabled people are more likely than non-disabled people to be unable to cope with drops in income or unexpected expenditure. Over a third (37%) of disabled people said they could not afford an unexpected but necessary expense of £500 compared to a quarter (26%) of non-disabled people. (2) This could either be because disabled people often have lower incomes, (3) or because they are more likely to encounter additional costs associated with their impairment. Research has estimated that disabled people spend on average £800 – £1,550 per month on disability related costs. (4) Savings and insurance are therefore especially important to disabled people.
- There are other benefits to having savings: they can be used to fund education, training or self-employment, and they may prevent disabled people relying on potentially high-cost credit. And without insurance, the costs of replacing goods – whether disability specific or not – can be disastrously high.

The findings

Disabled people are less likely to have savings

- Disabled people are more likely to say that they cannot afford to save money – 85% give this as the reason why they have not been able to put money aside over the past 12 months, compared to 79% of non-disabled people. (5)
- Nearly a third (29%) of disabled people say the last time they saved money was more than a year ago, compared to 18% of non-disabled people. (6)

"It doesn't matter how careful I am with money I am always broke come the end of the month." Beth (7)

And savings accounts

- Disabled people are less likely than non-disabled people to have savings accounts (47% compared to 57%), or an ISA (30% compared to 37%). (8)

Disabled people are worried about the income they will have after they retire

- Six in 10 disabled people (60%) worry a lot about having enough money to get by in retirement, compared with four in 10 non-disabled people (44%). Disabled people are also more likely to think their income after retirement will not be enough to meet their needs (36% compared to 25% of non-disabled people). (9)

---

2 Life Opportunities Survey, analysed in Ipsos MORI (2013) Disabled People and Financial Wellbeing A report for Scope by Ipsos MORI

3 16% of disabled people are earning less than 60% of median hourly income compared to 13% non-disabled people. Equality and Human Rights Commission (2010) How Fair is Britain?,http://www.equalityhumanrights.com/uploaded_files/triennial_review/how_fair_is_britain_ch12.pdf

4 Demos (2010) Counting the Costs, http://www.demos.co.uk/files/Counting_the_Cost_-_web.pdf?1292598960

5 Wealth and Assets Survey, analysed in Ipsos MORI (2013) Disabled People and Financial Wellbeing

6 Wealth and Assets Survey, analysed in Ipsos MORI (2013) Disabled People and Financial Wellbeing

7 All quotes in this pamphlet are from the 'Scope Money Matters Survey 2009/2010'

8 Wealth and Assets Survey, analysed in Ipsos MORI (2013) Disabled People and Financial Wellbeing

9 Understanding Society, analysed in Ipsos MORI (2013) Disabled People and Financial Wellbeing

"My biggest worry is about money in retirement. With little opportunity to save, it is difficult to improve the prospects for us as we approach retirement." Ian

- These worries are justified: disabled people are much more likely to be solely reliant on the state pension and pension credits for their income during retirement. Only a quarter (24%) of disabled people expect to have funds from an occupational or personal pension during retirement, compared to half (51%) of non-disabled people. (10)

"My pension is very small and I dread retirement… At present I am using my income and savings to make much needed repairs to my house in order to avoid further expense as a pensioner. I estimate that I shall have 10 – 11 thousand pounds a year to live on in retirement." Caroline

The savings disabled people do make are likely to be more sporadic than regular

- Disabled people are more likely to be able to make ad-hoc 'rainy day' savings than make regular planned monthly savings (28% agreed strongly that they always make sure they have money saved for a rainy day whilst 17% agreed strongly that they can afford to save a bit of money every month). (11)

For many disabled people, saving is unrealistic –they simply do not have enough money to even occasionally put money aside

- Disabled people have lower incomes (12) and face extra costs of living. (13) These two factors combine leaving little chance for anything being left over to save.
- The main reason disabled people are unable to contribute to a pension is because they simply cannot afford to: 80% of disabled people compared with 60% of non-disabled people said a pension was unaffordable. (14)

"Saving is also essential for unforeseeable future expenses. For one who realises the importance of saving, but cannot do so because of struggle to meet day to day expenses, worry about finances is but natural." Hardeep

"I've been trying to save for an electric wheelchair for years (it would mean so much more freedom and independence) but I keep having to use up my savings on the basics." Jeremy

---

10 Wealth and Assets Survey, analysed in Ipsos MORI (2013) Disabled People and Financial Wellbeing

11 Unless otherwise referenced, all statistics come from survey analysis conducted by Ipsos MORI (see acknowledgements).

12 Equality and Human Rights Commission (2010) How Fair is Britain?, http://www.equalityhumanrights.com/uploaded_files/triennial_review/how_fair_is_britain_ch12.pdf NB The second triennial

13Demos (2010) Counting the Costs. http://www.demos.co.uk/publications/countingthecost

14 Wealth and Assets Survey, analysed in Ipsos MORI (2013) Disabled People and Financial Wellbeing

Many disabled people don't have access to occupational savings

- Only half of all disabled people are in work. (15) This reduces their income and saving opportunities, and their access to occupational savings. Of the half that are in work, only a quarter have a pension, compared with half of working non-disabled people. The move towards automatically enrolled workplace pensions (16) will only benefit those disabled people who are in work.

But there are a group of disabled people for whom saving is viable

- 50% of disabled people said they were able to save money in the last month. (17)

"In general, I have just enough money to live on each week and put something away to save for a rainy day each month." Vivien

Disabled people are also less likely to have insurance

- While 20% of non-disabled people have Life Insurance, Friendly Society or endowment policies, only 13% of disabled people do. (18)
- 83% of households with no disabled member have home contents insurance, whilst a smaller proportion (76%) of households with a disabled member have it. (19)

A small proportion of disabled people are being turned down for insurance

- Across all insurance types, (20) 8% of disabled people reported being refused insurance.

When they are turned down, it is mainly because of their disability

- 61% of those who were turned down for at least one of the types of insurance listed said this was because of their impairment or pre-existing health condition. (21)

"I cannot get life cover and have a challenge trying to find travel insurance due to my long term health condition." Rich

---

15 Joseph Rowntree Foundation (2012) Monitoring Poverty and Social Exclusion, http://www.jrf.org.uk/sites/files/jrf/MPSE%202012%20Bookmarked%20REVISED.pdf. Note: Just under half of disabled working-age people were not in paid work in 2011; 48 % of men and 49 % of women.

16 Department for Work and Pensions, Automatic enrolment into a workplace pension, Key facts, http://www.dwp.gov.uk/docs/auto-key-facts-enrolment-booklet.pdf

17 Wealth and Assets Survey, analysed in Ipsos MORI (2013) Disabled People and Financial Wellbeing

18 Wealth and Assets Survey, analysed in Ipsos MORI (2013) Disabled People and Financial Wellbeing

19 Analysis of Family and Resources Survey (2007/8) in Office of Fair Trading (2010) Europe Economics and New Policy Institute Markets and Households on Low Incomes, http://www.oft.gov.uk/shared_oft/research/OFT1268.pdf

20 Note: The insurance types listed were: Home contents insurance, Car insurance Life insurance Travel insurance Private medical insurance Personal accident insurance Payment protection insurance Personal equipment insurance for disability-specific

21 Note: Small sample size of 79 disabled people.

And a significant minority of disabled people feel they are paying more for their insurance because of their disability

- Over one in five disabled people (22%) believe that it is their impairment that makes their insurance premiums higher in general.
- Insurance companies assess the risks associated with covering potential customers. Insurers may perceive that for products such as health insurance, travel insurance, and life insurance, disabled people are more likely to face the events insured against and make claims. For example, for someone with a pre-existing health condition, the likelihood they may need medical services when they travel abroad is higher.

"Contents insurance – much higher than average in order to cover the extra pieces of equipment we have had to buy privately." Joel

Insurers are within their rights to charge disabled people higher premiums

- When insurers assess a potential new customer, they ascertain whether the individual is an average or higher than average risk customer – how likely it is that they will have to pay out more than they receive in the premiums they charge. Under the Equalities Act, an insurer may be able to justify treating a person differently – charging them more, through higher premiums, or refusing to cover them altogether – as long as they are able to ground their decision in relevant information (22) such as statistical data or a medical report. (23)

22 Equality Act (2010) Sch. 3 (21), is not a contravention of section 29, so far as relating to disability discrimination, to do anything in connection with insurance business if—(a)that thing is done by reference to information that is both relevant to the assessment of the risk to be insured and from a source on which it is reasonable to rely, and (b)it is reasonable to do that thing.

23 Mind (2013) Insurance cover and mental health, http://www.mind.org.uk/mental_health_a-z/8022_insurance_cover_and_mental_health

Recommendations

Our research shows that some disabled people are completely unable to save or pay for insurance – they simply do not have enough money to do so. This group have very low incomes, very often live in entrenched poverty, and are at risk of turning to high cost or illegal forms of credit to meet their needs. For this group, policy interventions must address disabled people's inability to obtain well paid employment, lift themselves out of poverty, or meet their everyday needs with the money they have available, without turning to unsustainable financial options such as high cost credit. But alongside this, a significant proportion of disabled people could be empowered to build their own financial resilience through savings and insurance.

Savings

Harnessing 'rainy day' savings

Regulators must work with the industry to develop savings accounts which make even irregular savings 'pay big'. Currently, through interest rates, savings products are appropriate for those with steady incomes and relatively unchangeable needs. As we have seen, disabled people are less likely to fall into this group, and as a result find it much easier to save sporadically than regularly.

Encouraging savings

Matched savings schemes would both incentivise and reward saving, and build the assets and financial resilience of disabled people.

In 2010 the current government announced the cancellation of the planned roll-out of the Saving Gateway (SG) – a matched saving scheme designed to encourage low-income families to save. The original SG offered pound-for-pound matching up to a £25 monthly contribution limit. One area in which it was piloted offered a £50 bonus for the first £50 of match-able contributions. (24)

Evaluations show that the scheme produced significant changes in people's saving behaviour. (25) The government must reconsider the move away from asset building policy, and recognise the importance of encouraging savings amongst disabled people – especially since through Universal Credit, it has explicitly aimed at moving people into work and towards financial independence. (26)

The Cabinet Office's Behavioural Insights team has been generating evidence for the effectiveness of 'choice architecture' in improving the decisions people make. The tools they use to do so include creating incentives, and minimising inertia by making workplace pension schemes opt-out rather than opt-in. The application of these tools to encourage savings amongst disabled people should be explored.

---

24 Harvey, P et al (2007) Final Evaluation of the Saving Gateway 2 Pilot: Main Report, http://www.hm-treasury.gov.uk/d/savings_gateway_evaluation_report.pdf

25 Dolphin, T (2009) Saving and Asset-Building in Low-Income Households (London: ippr)

26 An Introduction to Universal Credit 2013, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/209544/introduction-to-universal-credit-toolkit.pdf

Insurance

Exception to the Equalities Act changed

The Equalities Office must make sure that, under the Equalities Act, a person cannot be refused insurance or charged a higher premium on the basis of their disability. This will involve the removal of the exception which permits providers to do so.

Cap on insurance premiums

The government must work with the Office for Fair Trading and Association of British Insurers to establish a cap on insurance premiums. This will prevent disabled people being faced with prohibitively high insurance premiums, and being left at risk of huge shocks to their financial situation.

Acknowledgements

This pamphlet is based on a programme of research, conducted by Ipsos MORI's Social Research Institute on behalf of Scope, sought to explore the issues surrounding financial inclusion for disabled people. The primary research comprised a representative survey of 1,009 disabled adults aged 16+ which was carried out between 27 July and 10 August 2012 across Great Britain using a combination of the Ipsos Online Panel and three waves of Ipsos' weekly face-to-face omnibus survey, Capibus. This was complemented by secondary data analysis, which was conducted on the following large national surveys, with selected variables analysed by disabled and non-disabled respondents: Life Opportunities Survey; Understanding Society; Family Resources Survey; Wealth and Assets Survey; ONS Opinions and Lifestyle Survey; and Citizenship Survey.

For more details about this research, please see the published report published at

www.scope.org.uk/financial-wellbeing

The quotes used in this pamphlet are from Scope's 'Money Matters' survey conducted between 2009 and 2010. The survey looked at the financial experiences of disabled people and families with disabled children.