

# ***Living on a low income in later life – an overview***



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A decorative graphic in the bottom-left corner of the page, consisting of several overlapping, curved, triangular shapes in various colors: light green, orange, magenta, and dark blue. The shapes are layered, with the light green being the bottom-most and the dark blue being the top-most in the stack.

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# Acknowledgements

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**Katherine Hill, Liz Sutton and Donald Hirsch**

Centre for Research in Social Policy  
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# Getting by in later life: an overview of living on a low income

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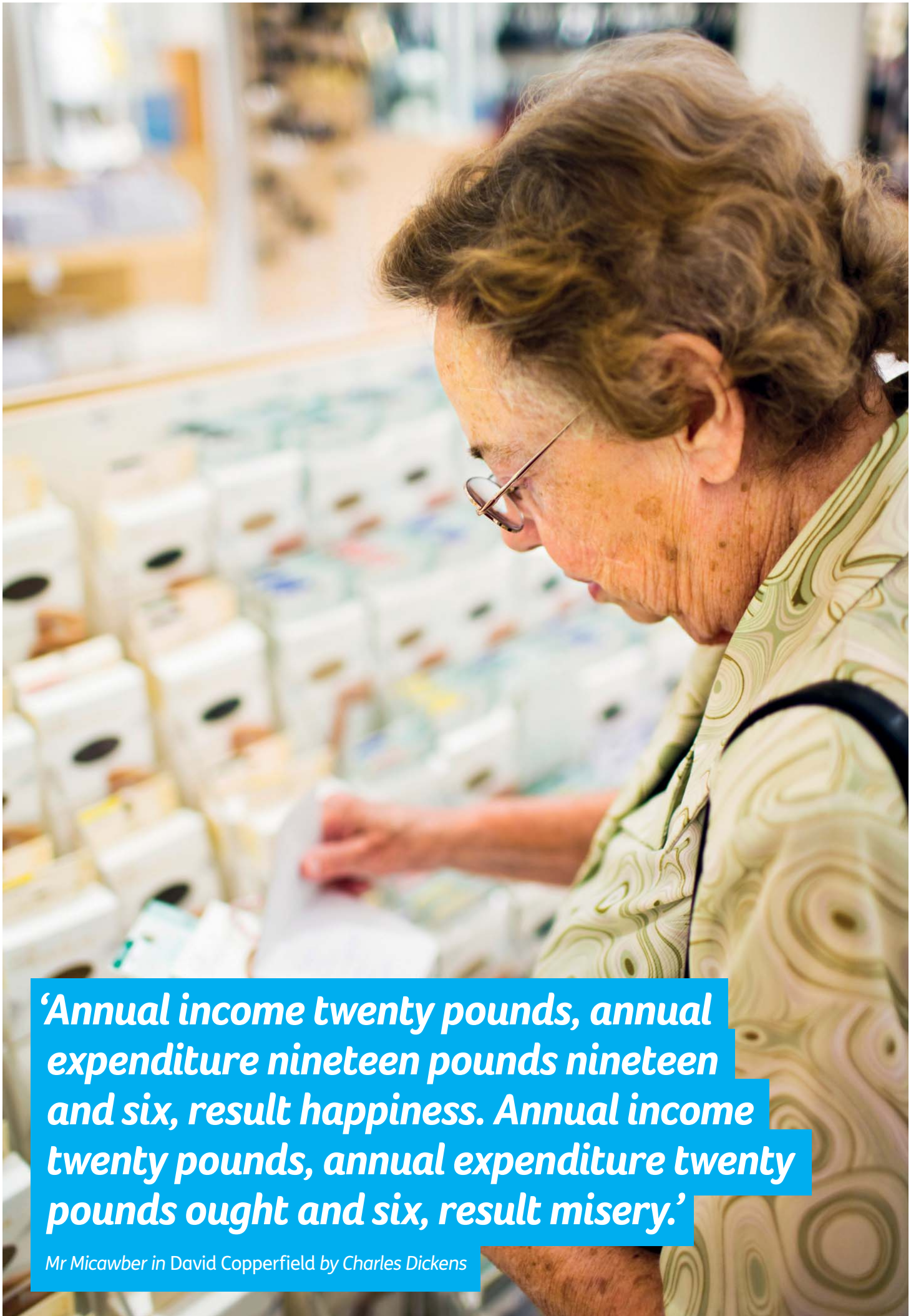
**Research: by Katherine Hill, Liz Sutton and Donald Hirsch, Centre for Research in Social Policy**

## Living on a low income in later life

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Despite a welcome reduction in the number of people in later life living in poverty, it remains an issue for a significant minority of older people. Age UK commissioned this qualitative research conducted by the Centre for Research in Social Policy at Loughborough University to explore and understand the experiences of people aged 65 and over living on low incomes, in order to raise awareness about the reality of managing in later life with restricted means. The study found that:

- People in this study were finding life tough living on a low income but by and large believed they were getting by.
- Participants responded differently to living on a low income depending on whether they had experienced it throughout their lives. Those who had more affluent pasts sometimes found it harder to adjust compared to those who were familiar with managing in constrained circumstances and hardship.
- People generally perceived that getting into debt was the upshot of not being able to cope with living on a low income. Most were strongly averse to debt and in order to stay debt-free they believed that you had to live within your means. Those few who had some form of debt demonstrated the difficulty of getting back on track when on a fixed low income.
- Participants worked incredibly hard to manage financially. They kept a close eye on their budget and managed their resources very carefully. This involved enormous effort, discipline and resourcefulness. However, the constant need for restraint and ‘existing’ with little prospect of a situation improvement could be emotionally draining.
- Participants took pains to ensure that they met their household bills. However, they had to make sacrifices to do so. They went without holidays, stopped going out, did not replace household goods, and some took drastic action to reduce their heating and energy costs.
- The combination of having poor health and mobility, living in a rural area in old housing with no or limited public or transport and with few social networks made it much harder to manage financially as well as practically. Having even small amounts of savings could also make a real difference to being able to deal with emergency expenditure or in meeting more regular payments.
- People were very concerned about the current economic climate. They were anxious about being able to continue to manage on their incomes and were worried about the future. They were particularly concerned about rising prices, and losing benefits such as free bus travel that helped to stretch their limited means further. They were also apprehensive about the removal of services that were currently available and enhanced their quality of life.



***‘Annual income twenty pounds, annual expenditure nineteen pounds nineteen and six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery.’***

*Mr Micawber in David Copperfield by Charles Dickens*

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# Getting by in later life: an overview of living on a low income

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**By Donald Hirsch**

This research, consisting of in-depth interviews with individuals and focus groups, provides a detailed understanding of people's experiences of living on a low income in later life. It illuminates the decisions and choices that older people face in managing their finances and the practical and emotional impact of living in constrained circumstances.

The prevailing picture that emerges from the experiences of the people in this study is one of people who, while they can usually meet their basic needs, must work hard at getting by. Older people on low incomes have to make difficult choices about how to eke out limited resources. Some forego items or opportunities that most people take for granted. Many fear for their ability to make ends meet in the future. However, the study also demonstrates the great resilience shown by many older people who maintain a positive attitude to life and who have found ways of coping and living within their means.

The following five themes characterise some of the experiences and attitudes that we encountered among people with low incomes in later life.

## **Waste not, want not**

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*'Yes, you've got to make every penny count, haven't you? That's how you're brought up.'*

*Woman, aged 82, single household*

*'We don't waste money and we're not extravagant. I don't smoke and [I] drink very little. We don't go out nightclubbing or [to the] pictures, theatre, we hardly ever travel. But we're OK.'*

*Man, aged 83, couple household*

## **Budgeting and using resources carefully**

Elsie is 78 and lives in a warden-controlled flat. Her small State Pension is topped up by Pension Credit, but because her Housing Benefit does not cover all of her rent, she must live on nearly £20 a week less than the state has set as a minimum – about £120 a week after rent. Yet she is confident that she can cover household bills without going into debt. She achieves this by being very careful. She turns off the immersion heater when she has enough hot water, rather than letting it go off automatically. She looks carefully at prices in the shops, and sometimes takes a bus to another shop or supermarket to get a slightly better deal on fresh produce. She has no qualms about buying second-hand clothes and furniture. At present she does not use her gas oven, as she is concerned that it leaks, and she can get by with a microwave and hob. She does have enough money saved to buy a new oven, but does not feel she can justify spending hundreds of pounds on something she can do without.

Throughout this study, pensioners like Elsie related how careful they were at keeping track of and spending what little money they had, to ensure that they could make ends meet. Their strategies had several common features.

First, it was notable how closely many participants kept track of their money. Often they wrote everything down, and planned every penny of spending with care. An important reason for this was the strong desire to avoid debt (see 'The Micawber principle' on page 7). The negative attitude that they had even to going a little bit over budget, and therefore owing the difference, led to a more precise approach to budgeting than if they felt it would not do any harm to owe a little. Another feature of 'keeping track' was to be selective about payment methods. Some preferred dealing mainly in cash; others found direct debits useful for many regular items in order not to get behind with payments. Credit cards, which some participants had run up debts on in the past, were not viewed favourably.

Second, there was a strong tendency to look for the best bargain. This meant shopping around and looking carefully at prices. For some people it meant adopting strategies such as going late in the day to buy fresh produce, when it might be reduced in price. It meant looking carefully at whether higher-priced items really were better quality or whether it was 'all in the packaging'. Most of all, it meant being hard-headed. However, people's capacity to employ strategies to cut their costs varies greatly, and can be strongly affected, for example, by their health and their proximity to multiple shops, both of which can influence the extent to which they are able to 'shop around'.

Having the right amount of know-how was also an issue in making the most of their money. Those who wanted to get the best bargain on utility suppliers, for example, were not convinced that they could properly understand the complex tariff structures on offer. However, when buying everyday goods like groceries and clothes, in contrast, they displayed high degrees of know-how built up over a lifetime.

A third feature of these strategies was that some participants perceived a clear distinction between themselves and a less careful, more 'wasteful' younger generation. Many took pride in their ability to manage their finances properly, and one even described it as a 'game' or challenge. In the present climate, in which so many people have fallen foul of over-extended credit, pensioners who were managing to live within their means could view this achievement with some satisfaction.

Many, however, did not find this way of life easy, and the daily pressure of having to watch the pennies weighed particularly heavily on some older people. Some found it 'upsetting' not to be able to buy what they wanted, especially when this involved others, such as buying a present for a grandchild.

## Setting priorities and going without

*'I have [my hair] trimmed every six weeks... I keep on saying I'm going to stop going, but that's now my luxury as well.'*

Woman, aged 71, single household

*'I worry that I am buying what I can afford, rather than what I really ought to have to keep me healthy.'*

Woman, Focus Group 3

## Ensuring that certain needs are covered can involve sacrifices

Jim is 72 and is living on far more modest means than he did in the past, being left with £138 a week after rent. He needs to run a car, because of living in a remote location, but uses it as little as possible because of the cost, taking buses where he can. Jim's strategy is to give absolute priority to paying household bills through direct debit. He economises on food by buying 'own brands' at the supermarket, and seldom buys clothes. However, he aims to have money left over each week to buy little treats in Marks & Spencer and Waitrose, and is able to afford a meal out – for example a £6.99 'senior citizen special' roast plus soup – about once a month. One reason why Jim has limited resources is because he chooses to live in a house in a pleasant rural area, even though this incurs extra costs, and he anticipates not being able to heat his home adequately next winter. To Jim, who remembers better times, having small pleasures that he values is worth frugality in other respects.

The participants in this study all had limited means, and each had a way of prioritising spending in areas that they considered important. To most, covering household bills was a top priority, but some showed greater frugality in spending on the items that these bills related to than others, for example by cutting back on heating. Many prioritised at least some chance to go out for low-cost leisure activities, but others did not go out at all. Much depended on their individual priorities and what they considered most important.

The inevitable consequence of such prioritising was that participants went without some things that most people would take for granted. Sometimes they justified this as foregoing dispensable 'luxuries'. Sometimes they were just philosophical about doing without.

Such austerity covered various aspects of people's lives, with no one area being dominant. In some cases, it applied to meeting very basic needs. Inevitably, the pressure to reduce energy costs prompted drastic cutbacks by some participants: one went to bed early to save on power; another reported heating their house for only two hours a day. As for food, participants did not report going hungry, but several said they could not afford healthy, fresh produce. A common practice was not to replace broken furniture or appliances, and a few participants saved money by not having a television. Like Jim, some spent little or nothing on buying clothes.

In terms of social participation, some participants with mobility constraints had to ration themselves tightly where there were additional costs of going out, such as taxi fares. A common experience was to go without holidays: some participants had not had a holiday for a decade or more.

A common thread in participants' attitudes was to make some areas of spending contingent on finding the money, rather than being routine or taken for granted. One response, for example, was to postpone going out for a meal with friends until they could afford it. The ability to prioritise was therefore closely linked to the ability to spend money carefully. Older people on low incomes often have a very limited expectation of what is absolutely necessary – things that they will buy come what may. This means that they may potentially still have a bit to spare on those other things that they value most, whether it is getting their hair done, going out to the social club or enjoying a modest meal out.

### **The 'Micawber principle'**

*'I don't want any debt, any debt whatsoever. I really don't, because it would kill me... see, I can't stand worry.'*

*Man, aged 75, single household*

### **Aversion to debt and vulnerability to it**

Tony and Janet had, over the course of time, run up some debt on their credit cards. Their marriage broke down and the divorce left Tony with additional solicitors' costs, which he had no option but to put on his credit cards. He is still struggling to clear what he owes gradually.

Typically, the older people we spoke to for this study were on fixed incomes and highly averse to going into any debt at all. In some cases, this was a result of having past experience of what they considered reckless spending and credit card debt. In other cases, it was a product of a lifelong habit of keeping in the black. In either case, even small amounts of debt were seen as a potential route to a downward spiral.

One problematic aspect of this aversion to debt was difficulty in smoothing irregular spending flows. In some cases, this was dealt with by putting money aside for larger purchases, and if necessary foregoing them until they could be afforded without credit. However, a particular problem could arise where utility companies did not increase regular payments until a considerable deficit had built up, resulting in the incursion of liabilities beyond the individual's control.

Not all of the people in the study managed to stay debt-free. Several had got into arrears with rent, fuel bills, card payments or catalogue purchases. The vulnerability of people on fixed incomes in this respect was underlined by one couple who had built up unmanageable debts as a result of misunderstanding repayment terms, and were eventually advised to declare bankruptcy.

## Shaped by the past

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*'If we're talking about [colleagues from] my teaching years, they're stinking rich in their own bungalow or house... but if you're talking about people here [in council flats]... we're all of an age, we're... pretty much on a level. I think a lot of us would be on benefits.'*

*Woman, aged 84, single household*

### How responses to low income vary according to past experiences

At the age of 75, Fred is struggling to make ends meet, having stopped work at 62 after an accident. He used to have plenty to live on, but now must survive on his State Pension, Pension Credit and a small amount of help from a benevolent charity. In poor health, he has the extra expense of relying on a car as the only means of getting around. He is particularly concerned about paying electricity and gas bills, and has only £200 in back-up savings. He always looks for the best deals in 'pound shops', charity shops and car boot sales. Fred is very anxious about his financial situation, but is philosophical that there is nothing he can do about it, because he cannot work.

Veena has to watch very carefully what she spends. At the age of 80, she is finding it hard to heat her house and to afford regular bills. However, she lives a simple life, and believes that compared to her life in India and when she first arrived in the UK with nothing but the clothes on her back, her standard of living is OK.

This study highlights the differences between people for whom low income and financial hardship was a new phenomenon and those who had experienced it throughout their lives. These experiences coloured their attitudes towards their income and standard of living. As such, those like Veena, who had known hardship in the past, found it easier to limit their spending, while people like Fred, who had known better days, found it harder.

Among those who have had the least during their working lives, retirement can actually see a rise in income, as working-age, means-tested benefits pay much less than Pension Credit. Some younger pensioners in the study were finding that the boost to their income once Pension Credit came into payment, not always immediately after retirement, gave them extra flexibility. Some older pensioners found that Attendance Allowance gave an extra boost, even though it is designed to compensate for extra costs associated with disability. Having a sum of up to about £200 a week (including Pension Credit) to play with, could give what seemed like a very adequate level of resources to deploy to meet their needs according to their preferences. In some cases, this meant being able to afford extra comforts, which helped to compensate for the hardship of having a disability.

For people who had had more resources early in life, the situation could be more complex. Some had fallen on hard times associated with life events, including divorce in a number of cases, and sometimes running up unaffordable debts, having to sell a property, business failure and bankruptcy. People who had had to adjust to such changes were having to find new ways of economising, while trying to retain some aspects of their former quality of life: the sudden drop of earnings after stopping work had initially come as a big shock, sometimes making them upset or resentful. However, typically they felt they had learned to adapt, both materially and psychologically, to this change. Some would make choices, such as living in a nice area or travelling regularly to see relations, which incurred expenses and required them to economise even more in the rest of their lives.

These experiences show that it is difficult to generalise about the extent and type of hardship that might be experienced by an older person on a given income, as the way that they experience the present can be strongly influenced by the past. However, one common characteristic, whatever people's backgrounds, is an acceptance of the need to 'cut your coat according to your cloth'. In particular, it is notable that some older people who in the past had lived beyond their means were now seeing that on a fixed income, with little prospect of boosting it, there were fewer options available. This did not mean foregoing all pleasures in life, but having to work harder in budgeting and restraining spending in some areas, in order to continue to enjoy some of the things that they valued most.

## Fears for the future

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*'Every time you go in the shops, it goes up and it doesn't go up in pennies.'*

*Woman, Focus Group 1*

*'Take this week, the heating has gone up... it is literally going to cost us almost £200 a year more... That's without having a bad winter and anything like that.'*

*Woman, Focus Group 3*

## Concerns about rising prices and uncertainties over services

Jill is 70 and lives with her disabled son. She is also physically disabled, and has difficulty walking. She relies on carers to take her to and from shops and services, and has to pay per trip from the direct payments that she receives to fund her care.

Jill is worried about the future in several ways. She worries about her son's future, and saves every spare penny to provide for him. She does not want to go back into debt, which was a problem in the past. She is worried about changes in her care package, which could give her less because her needs are seen as 'moderate'. She is worried about being able to keep her home, which was a struggle to buy following divorce and debt and is a continual struggle to maintain.

Even though most people in this study felt they were meeting their needs, some were worried about their ability to do so in the future. This was a natural feature of having only just enough on a fixed income and knowing that one's needs and personal circumstances might change. It also related to a sense of not always being able to control things, especially where bills arrived unexpectedly. But, in addition, the present climate contributed to these concerns. Most importantly, older people were seeing the cost of things like food, gas and electricity rising faster than their incomes. One participant commented that if things became worse, food was the only thing left to cut down on. As the cost of living rises, older people continue to find ingenious ways of meeting their basic needs on a limited income, but for some of them, there could soon be no further options other than cutting out essentials.

A further uncertainty, illustrated by Jill's case, was whether services provision will continue at its present level. People want certainties in later life, and in the present climate they do not always feel they can take the status quo for granted.

Barbara is 73 and lives on her own in her own house on the edge of the town centre. She has never learnt to drive and relies on the good free bus service into town to enable her to shop around for bargains, which helps her to stretch her money further. The free transport also means that she has some money left over to meet up with friends for coffee once a week.

Like Barbara, many are heavily dependent on free bus travel to make ends meet. Participants in the study used this to cut down on the expensive cost of petrol where they had cars, to take time to travel around to find shops with better prices and to access low-cost forms of leisure that might not be on their doorstep. Any change in this provision would also upset the delicate balance of budgeting for an acceptable living standard in later life.

In common with younger people, the older people we spoke to were not always keen to look ahead to anticipate future needs. Those not needing care at present were not inclined to mention future care costs, for example, and their worries were more about how they could continue their present pattern in the future. However, a number did look ahead to one future certainty: death. They were concerned about the cost of their funeral, and in some cases were keeping savings or had insurance for this purpose. One respondent had even bought her coffin. This concern reflects older people's desire not to leave the responsibility to someone else, which they think would be unfair. Like Jill when she thinks of what will happen to her son, worries about the future can be hardest where there are others involved, and it is not just a matter of finding one's own new ways of getting by in later life.

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