

Living on a low income in later life



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Key findings

Living on a low income in later life

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

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

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

'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

'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

'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.



Introduction

Over the last few decades there has been a welcome decrease in the number of older people living in poverty.¹ However, the fact that 1.8 million pensioners (16 per cent of pensioners) still do, and that the fall in this figure has stagnated (DWP, 2011) is of concern. Furthermore, while increased provision of means-tested benefits for pensioners has undoubtedly contributed to improving the circumstances of many, others are not receiving the money they are entitled to. For example, around one-third of those eligible do not claim Pension Credit (DWP, 2010), and up to £5.4 billion pensioner benefits remain unclaimed each year.

While figures such as these serve to highlight the continuing existence of pensioner poverty, it is also crucial to understand more about what it actually means for those living on a low income in later life. Age UK has commissioned research to provide an in-depth exploration of the experiences of older people living on a low income, in order that their voices are heard.

Report structure

The report is set out as follows.

- The first section provides an overview of the research, which is a stand-alone summary of the key themes from the findings.
- Chapter 1 highlights participants' views of hardship and how these views are shaped by past experiences.
- Chapter 2 sets out what it means, in practical terms, to be living on a low income and some of the strategies that people draw on to help manage.

- Chapter 3 looks at the emotional impact of living on a low income.
- Chapter 4 covers how spending decisions are made.
- Chapter 5 highlights the factors that can protect or further disadvantage older people's financial circumstances.
- Chapter 6 concludes with some reflections for policy.

Policy context and background

The current economic recession and government spending cuts both have implications for older people.

On the one hand, they are less likely than younger age groups to lose income through job losses. In addition, the introduction of the 'triple lock' means that the basic State Pension will increase in line with earnings, inflation or 2.5 per cent – whichever is higher – and standard Pension Credit rate is linked to earnings. Projections suggest that if such policy is maintained, then pensioner poverty rates could fall again (Carrera et al., 2011).

¹ Below 60 per cent median, after housing costs.

On the other hand, older people with income from savings have been badly affected by interest rate cuts, and those wishing to release capital are disadvantaged by a weak housing market. Furthermore, pensioners are being hit hard by inflation, as they spend a relatively large proportion of their incomes on food and energy, whose prices are rising fast (Levell and Oldfield, 2011; Age UK, 2011). Yet many pensions and benefits (other than the basic State Pension and Pension Credit) are now being pegged to the Consumer Prices Index (rather than the Retail Prices Index), causing them to rise more slowly.

At the same time, older people are particularly reliant on publicly funded services, and are therefore vulnerable to spending cuts in areas such as care, housing and transport (Reed and Horton, 2010; Walker, 2011; House of Commons, 2011). This will particularly affect:

- support for home repairs, with cuts to renewal funding
- support for private rents, with changes to Housing Benefit
- the tightening of eligibility criteria for social care
- funding for subsidised bus services.

Older people on low incomes will be particularly at risk.

- Those who are homeowners have a relatively high chance of having homes in poor repair.
- Low-income tenants will find it hard to make up any Housing Benefit cuts from their pensions.
- Older people in the bottom fifth of the income distribution have twice the chance of having a long-standing illness or disability and therefore are more likely to require care than those in the top fifth (The Poverty Site).
- Those without cars or the means to fund taxis could become more isolated where bus services are withdrawn.

A key issue for older people in low-income households is that they have limited means of improving their income, but are subject to fluctuations in their outgoings, associated with factors such as changing health. This places even more importance on a range of resources that can help older people cope with such fluctuations, including social networks, individual knowledge and budgeting skills, as well as personal attitudes and values. Such factors can act as a cushion to help prevent a deterioration in financial circumstances, as well as a managing mechanism to help cope with change, financial shocks or living with hardship (Hill et al., 2009; Hill and Sutton, 2010).

Research aims

This research aimed to provide a detailed understanding of people's experiences of living on a low income in later life. The study aimed to illuminate the decisions and choices that older people may face in managing their finances and the practical and emotional impact of living in constrained circumstances. This includes:

- what aspects of life are affected by having a low income
- how spending decisions are made and the impact of restrictions
- how people feel about their circumstances and what are their key concerns
- what helps people to manage life on a low income.

Research design and sample

A qualitative approach was used in order to explore participants' experiences and understandings of their lives from their own perspective. The research consisted of 25 individual in-depth interviews and five focus group discussions that took place over the summer of 2011. The in-depth interviews were with people aged between 65 and 87 living in the East Midlands and lasted on average for an hour and a half.

The sample included a mix of men and women, single and couple households, different housing tenure, and those from urban and rural areas. The majority of participants were receiving means-tested benefits and had incomes around Pension Credit level (after housing costs, and not including income from health-related benefits). Table 1 (opposite) provides a breakdown of participants' characteristics.

Participants for the individual interviews were recruited through a variety of means. Some were accessed through a panel of older people who had taken part in other research; others were recruited through a benevolent charity, which worked with low-income older people; and a few were recruited through a contact at a local Age Concern. As such, some of these participants were in touch with organisations that provide help (including benefit checks) to people in later life and therefore may be less likely to have incomes below Pension Credit level.

The five focus groups each comprised between six and eight people. The groups took place in a variety of urban and rural locations and included Scotland and Wales. Participants in the groups were aged up to 87. The discussions lasted up to two hours. Focus group participants were recruited through a local Age UK day centre, and via links at Age UK, Age Scotland and Age Cymru.

All interviews and focus group discussions were recorded, transcribed and analysed thematically.

Table 1 **Characteristics of sample**

Household type	Single male	5
	Single female	13
	Couples	7
Age	65–70	3
	71–75	9
	76–80	4
	80+	9
Tenure	Rented	10
	Owned	15
Area	Urban	15
	Rural	10
Health benefits	Receiving AA/DLA ²	9

2 Attendance Allowance (AA) and Disability Living Allowance (DLA)



1 Perceptions of hardship

This chapter sets out how people in later life feel about their circumstances and, in particular, highlights people's perceptions of hardship and poverty. It shows how their views are shaped by their past experiences in relation to their current circumstances, and demonstrates the relative nature of poverty and disadvantage.

What is seen as hardship?

Participants' perceptions of hardship, poverty and disadvantage were not straightforward. They could appear contradictory during the interview and could vary depending on who people were talking about, and comparing themselves with. We found that these variations tended to be discussed in relation to 'othering' those in poverty, perceiving hardship as not coping or not managing adequately and being in debt. Views differed depending on whether people were comparing their own past experiences with their current situation or contrasting their situations with others of the same age or those around them.

In line with findings from other poverty research, many of our participants perceived poverty as belonging to 'other' people and felt that they were coping with their own financial situation. This is not surprising, given that being poor carries negative connotations and is such a stigmatised position across the whole of the life course (see also Lister, 2004; Ridge, 2002; Sutton, 2009). Pride is also an issue for many in this age group, which also affected the extent to which participants would talk about being in need.

As such, hardship was often viewed as an extreme quality, as one woman commented:

'You look on the television, they've got an old lady sitting with blankets around her saying she can't afford the heating and this, that and the other and I think they should be able to do something.'

Woman, aged 83, couple household

Simultaneously, many participants talked about life on a low income in terms of getting by and making do. They could manage, albeit with difficulty. However, as discussed in Chapter 2, managing meant numerous restrictions and constraints and involved tremendous hard work.

To be in hardship was therefore perceived as not being able to cope or manage on one's income. Not managing or coping meant being unable to go out when and where you wanted to – as one participant put it: 'having no life'. Many participants believed that hardship resulted in not being able to meet the costs of the bills and/or getting into debt. This was a constant source of worry for the majority of the older people we spoke to, especially meeting the cost of ever-increasing fuel bills (see Chapter 3). It was also a huge cause for concern, as there was uncertainty about how people on fixed income could ever pay off that debt, once it had been incurred. The majority of participants were debt-averse, taking great pains to express what they felt would happen if people could not pay the bills. The result of not managing was seen as a downward spiral of needing to find enough money to pay off arrears, with some mentioning the involvement of less reputable sources of funds, such as loan sharks. A constant refrain therefore was the importance of 'living within your means' and 'only spending what you could afford'.

Life trajectories and previous experiences

People's feelings about hardship were also inextricably linked to their own background and previous circumstances.

Those from poor backgrounds

Some participants had lived on a low income earlier in life and it had continued on into old age. These participants therefore tended to compare their current circumstances favourably with their past experiences of struggling on comparatively less money. One striking example of this was a woman who had left India with her family 'in the clothes on her back' and no more. This had affected her attitude towards what hardship actually was and she felt she was now in a more financially secure situation, despite having the minimum to get by on. Other participants had come from large families and/or had brought up children on a 'shoestring' budget, and consequently there had been little left over. In comparison they now felt well off.

Some now felt better off, as they felt they had begun to receive more income through the provision of benefits such as Pension Credit, Housing Benefit and Council Tax Benefit and/or being awarded health benefits. Very often, the combination of a reduction in outgoings coupled with an additional source of income made people feel better off than when they had first retired (see also Hill et al., 2009; Hill and Sutton, 2010).

In both cases, these people were used to managing their money, as they had always had to budget in order to get by. As such, it was considered a skill which would stand them in good stead – perceived by one woman as 'good training'. Most carried on being careful with their money, as their habits had been honed by a lifetime's experience, as these participants highlight:

Woman 1: Old people are good at that balancing act.

W2: It's just a way of life then.

W3: Yes.

W1: You just have to look and work things out and think, I have got to do that so I can't do that.

Man: It becomes a way of life.

W2: You know, you don't know any different. You need somebody to come and say, 'Oh, you may be able to get that'.

W1: I don't think they ever get out of the habit, because I still watch what I'm buying.

W2: Yes.

M: Yes.

W2: It becomes an automatic habit.

W3: Aye.

Focus Group 4

Those from better-off backgrounds

Other participants had previously been in a more affluent situation but had experienced a change in their circumstances that resulted in feeling a lot worse off than they had expected to be. Some of those who had experienced this downturn framed their current financial situation in terms of having been wasteful in the past. They talked, for example, about how in former times they had gone on expensive holidays, driven large cars, or spent money on clothes that they now felt were no longer needed.

There was also a feeling among some of these participants that they had been ‘wronged’ by other people. These included instances of broken trust and broken promises. For example, one woman’s husband had taken all the money from their joint account before he left her, leaving her penniless. While this is an extreme example, others included not receiving money owed by work colleagues or friends, or having to borrow money to buy partners out when they moved out.

Making comparisons to others

Those people who had experienced a move from more to less affluent were able to include direct experience of a wider range of people to make comparisons with. Thus, the woman quoted below knows she can be seen as worse off than her former teaching contemporaries, but can also be viewed as being in a similar situation to those people who live in her local authority housing flats:

‘Oh my Lord, if we’re talking about my teaching years, they’re stinking rich in their own bungalow or house, but if you’re talking about people here – pretty much on a level. Here I think a lot of us would be on benefits, I would imagine. But I don’t really know, because we don’t discuss it much.’

Woman, aged 84, single household

Several participants noted the difficulty of being able to compare themselves with their contemporaries. It was easier for them to reflect on their own background and previous experiences than to compare themselves to others. This was because participants felt that they simply did not know what income other people had to live on, or that financial circumstance tends not to be an acceptable or a comfortable topic of conversation. They appeared to perceive people as like them or not by assessing other people’s visible lifestyles. So, for example, those who go on cruises, have fancy clothes, drink and smoke or even go to the bingo were perceived as financially better off. However, those participants with more affluent friends framed their account by stating that they were OK, they did not need more, they could manage:

‘I’ve got friends who have loads of money in the bank, but it doesn’t bother me... I’m not jealous. I’m not envious. I’ve got what I need.’

Woman, aged 73, single household

Those who had rented properties in the past, rather than buying, believed that they were comparatively worse off than those who had sold their property in later life.

As this woman notes with regard to living in her sheltered accommodation:

'Very poor really... Because a lot of people here have sold a house. You know, they've been living in a house and they've sold a house to come here. We never bought [name of house]. I could have sold that.'

Woman, aged 86, single household

However, a few people also offset the fact that they were renting and had no assets, by emphasising the benefits of not having to pay for the maintenance of their property.

Most participants, regardless of previous experiences, considered themselves to be less materialistic than younger generations. This meant that they identified themselves as being less focused on consumption, and ultimately less likely to get into financial difficulties:

W1: *When we were 15, 16, 17, did we expect our parents to bail us out?
No way did we.*

W2: *But then did we actually do anything when we needed bailing out?*

W3: *Exactly.*

W1: *We didn't want a BlackBerry in those days, did we? And I still don't.*

W2: *We were certainly brought up to stand on our own two feet.*

W3: *Yes, they all want more.*

Focus Group 3

Participants also suggested that younger people, including their own children, are more wasteful than they are. For example, they felt that younger people were more inclined to leave on lights and the TV, or have the heating 'blaring out', rather than wearing warmer clothes.

This generational comparison is also coloured by the perception that they are living in a society where everything is disposable and where value is placed on buying new, rather than on 'making do and mending'.

'Nobody repairs anything any more. Something will go wrong... like my washer has broke, it's £70 call-out fee, you know. We seem to be a throwaway society now, I think. If it's broke, throw it away and have a new one. That's how everything seems to me nowadays.'

Woman, aged 73, single household

Conclusion

Our participants had, therefore, a whole myriad of factors – both past and present – that helped to shape their perceptions of hardship, and subsequently helped to inform their views on their own material circumstances. How people discussed their own financial circumstances was full of contradictions, depending on where they were from, and who they were comparing themselves with. The examples highlight the hard work involved in how they portrayed themselves, the complexity of analysing perceptions of poverty, hardship and disadvantage, and the relative nature of poverty.

2 The practicalities of living on a low income

This chapter illuminates the day-to-day reality of living and managing on a low income in later life. It highlights the extent of work that can be involved in balancing a budget in constrained financial circumstances, the ways in which this involves people making compromises and restrictions in their lives, and the various methods and skills that people utilise to help them save money and manage life on a low income. Furthermore, it reflects on what can upset the balance – and the impact that this may have on people's lives.

Hard work and discipline

A key issue was the ongoing, day-to-day hard work that people had to do in order to get by on their income. This shows that, even where people felt that they were managing well, this was not by accident, as this could involve much (physical and mental) effort, focus, knowledge and wherewithal. It also involved determination and discipline to make their money last or go further and hence to avoid getting into financial difficulties.

Shopping strategies

Participants described how important it was to shop around to get the best prices, in particular for groceries and household items. People who were able to do so (see also Chapter 5 in relation to health, mobility and area restrictions) talked about going from shop to shop to compare prices, using cheaper types of shops and supermarkets, including 'pound shops', and local markets for 'seconds' and cheaper fruit and vegetables:

W1: You start at Lidl's and work your way down.

W2: Go to Heron's.

W1: Heron's is quite cheap and you get special bargains. And then you go to the Co-op and see what they've got. So you can be running about from shop to shop with your bags. And that is how it can be, just going from shop to shop.

Focus Group 3

This could involve physically walking between different shops, driving to different locations and/or the use of the bus (which was free with the bus pass) to go to places further away, such as large supermarkets or different parts of the town, to get a better deal. On top of the physical effort, participants talked about how they accumulated and retained knowledge about the prices of various goods in different shops:

'If you shop round you get bargains all over nowadays. We like PG Tips, right? Now we know we can get 240 from Iceland, any time you can get your tub, it's 160 like normally but they put 50 extra in, so we know we can get a box of that for £4.25, right? If we get it cheaper, which you can do now and again, we get it cheaper. Now in Co-op their teabags for the 160 are £4.25, but at the moment if you buy the two, right, they're £5. So I got two for £5 over there. It works out cheaper than Iceland.'

Male, aged 73, couple household

A few participants used the internet to shop online, look for cheaper goods, and compare prices, which helped to save money. This was mostly younger participants, some of whom had used a computer when working. However, others did not have access to a computer. Even among those who did, some were hesitant, did not have the confidence or know-how to use it in such a way, were concerned about security, or did not see the need to shop online.

As well as the effort involved in 'shopping around', people used a range of strategies to shop economically. They:

- made use of special offers and 'buy one get one free' offers (although some single participants and those with restricted space felt that these were not necessarily a good buy)
- bought large quantities of, for example, fish or meat, and stored what was left in the freezer (however, transporting bulky or heavy shopping could be an issue for those without a car, and/or with health or mobility problems)
- timed shopping trips in order to make the most of daily reductions on fresh food
- negotiated discounts, for example through paying by cash
- used charity and second-hand shops, as well as jumble and car boot sales, in particular for clothes, books, furniture and household appliances (see also Age Concern, 2006).

This last strategy enabled people to replace household items such as a washing machine when they were unable to afford a new one, and to buy good-quality products at a low price.

'When you talk to people and they say "Oh, I wouldn't wear anything second-hand to save a few bob." Well I'll admit I'm the original second-hand Rose. I wouldn't go out and pay £50 on a jumper when I can go in Oxfam or anywhere like that and get it for 50p.'

Woman, Focus Group 1

A key aim for people was to shop carefully and to achieve best 'value for money', and the interviews highlighted how people had contrasting views on this. For some participants, this involved buying cheaper brands of food or clothes from cheap shops or markets. Others felt that this type of spending did not necessarily represent good value and talked about shopping carefully, but not necessarily buying the cheapest, with the reasoning that it was better to buy things that last, particularly clothes and furniture.

Similar debates surrounded the purchase of 'own brand' food: between on the one hand not paying a premium for the name, versus on the other hand the potential false economy of poor-quality food:

W1: Say you bought biscuits [and] you buy cheaper biscuits. You don't go for the dearest ones in the shop.

W2: You go for the ones that's their own make when you shop. And if you find there's not a lot of difference, you'll stick with that and the same with cereals and all sorts of things. Because quite a lot of the time you are paying for the name.

W3: When you buy their own brand, it's got no taste to it.

W2: Sometimes.

Questioner: So quality is important as well?

W3: Of course it is. I mean, you've got to have food that you can eat, that you enjoy. It's no good buying something just because it's cheap and it's their own make, because it's got no taste.

Focus Group 2

The dialogue above highlights that, although people had limited budgets, they were still mindful of the quality of their purchases, and that cheap did not necessarily represent value for money in terms of durability and taste.

Resourcefulness

The value of resourcefulness when living on a low income was repeatedly highlighted, and participants referred to a range of skills, methods and behaviour that helped them to make their money go further. This included baking and cooking from scratch and freezing meals in bulk, which saved on shopping and cooking costs. Several had acquired a slow cooker, so that they could use cheaper cuts of meat. These practices were seen not only as achieving best value, but also as healthier, and were often something that people had always tended to do:

'You can live quite cheaply. You can have omelettes, you can have stews. I mean, liver is quite cheap. A nice liver and onion dish is lovely, rather than go and buy a ready-made one, you know, with a bit of meat in the bottom and a layer of potato on the top, you know. I don't buy ready meals. I mean you can make a pot of stew, lovely steak and you can put all vegetables in it and it can last you two days, half a pound of meat, yes, and you can make your own.'

Woman, aged 82, single household

Other ways of making money go further included sharing books with a relative or friends, and making household goods last. For example, a participant described attaching clips to hold sheets on the bed when the elastic went – this saved throwing away sheets that in other respects were perfectly useable. One person bought small bottles of cola cheaply from a 'pound shop' to top up drinks with on a night out, therefore only paying pub prices for the first one and making a drink last for three hours.

Participants also spoke of how they were good at finding cheap places to eat and drink, for example by making use of special ‘meal deals’ or buying a cup of tea for 50p at the market stall, rather than going to a cafe. Some took advantage of pensioner discounts and benefits, making the most of free local bus travel and a National Express discount card. This type of activity required local knowledge about where to go to get the best deal, and enabled people to have (or do) things more cheaply, or where they may not otherwise have been able to, or felt it too ‘extravagant’ to spend money on (see also Chapter 4):

‘We go with these friends for dinner that’s two for one. You can go to this place and that place and it’s probably about £10 each. Now you might think, “Oh £10 not a bad meal”, but to me if we can get two for a fiver, then we’ll go for two for a fiver... We enjoy it just the same.’

Woman, aged 76, couple household

Budgeting and the need for constant monitoring of spending

People talked about having a constant awareness of their budgets. They employed a variety of strategies to help cope with being on a restricted income, which often required considerable organisation and management.

Smoothing payments

A recurring theme was the need to ‘smooth’ payments to avoid being faced with large household bills, which they felt could be hard to deal with. Participants employed various strategies and budgeting methods, including the following.

- Paying regular amounts through direct debit in order to spread the cost of utility bills. Payments could accrue during the summer period when less energy was used, to help deal with ‘heavier’ winter bills. People using this method were generally confident that they had enough money in the bank to cover their direct debit payments. The method was seen as ‘easier’ and saved them having to go and pay a bill, but importantly it provided ‘peace of mind’ and reassurance that bills were covered.
- Paying set amounts towards utility bills on a weekly or fortnightly basis, by putting cash onto payment cards at their local shop or post office. While this method may not be as economical as direct debit, it suited some participants who had the benefit of not receiving large bills, but liked to deal in cash.
- Setting money aside each week or month in anticipation of large expenses, such as saving £10 per week for a holiday or to fund emergencies, transferring £100 a month to a different account to cover yearly ground rent, using savings clubs and accruing Nectar points to use at Christmas.
- Having household and home emergency insurance, extended insurance on appliances and dental/health insurance. While such policies meant additional costs, some people felt them to be a necessary guard against large and potentially unaffordable repair bills or health costs.

While people were generally able to cover their essential household bills in this way, it was not without difficulty. One participant juggled payments using a credit card to pay for heating oil and a TV licence, with a direct debit set up to cover the minimum payment and paying off additional sums when they could in order to clear the balance and start over again.

Being in control

The need for control over budgets was absolutely vital for many participants. One spoke of knowing ‘better than the bank’ how much money they had. People knew exactly what they had coming in, what was accounted for in regular outgoings, such as household bill payments/direct debits, and after this, how much they had left to spend on other things:

‘Every time I make a purchase using my debit card, or I draw money from the bank or another source, I write it down so I’ve got a running total of what I think I’ve got in there at any time. Come the first of the month... I’ll take out a lump then. I’ll say OK, all my direct debits come to just over £100 a month, so I’ll deduct that, it’s gone, dead money then. So I know what I’ve got and I just have to try and keep within.’

Woman, aged 65, single household

The importance of keeping track of budgets was highlighted by the effort that some participants went to in monitoring their finances. They kept meticulous records of spending, including:

- writing everything down
- using spreadsheets
- keeping receipts
- making lists of what needed to be paid
- going through bank statements to check for errors
- physically going to the bank each week to check what has gone in and out.

Some participants preferred to deal in cash, for example collecting a pension and physically making bill payments over the counter. People felt that this gave them reassurance that a bill had been paid and provided a sense of clarity and transparency over budgets. Occasionally, people were mistrustful of banks and direct debits, especially in relation to the fear (and experience) of not being in control and money being taken out that they weren’t expecting, which can be problematic when balancing a tight budget. People found it helpful to see exactly what they had, in cash, for the rest of the week or month, including one person who put set amounts of cash into sealed and dated envelopes to be drawn on each week in the coming month. One participant who used cash and had no credit or debit cards (which she viewed as a debt risk) explained how she liked to physically see the money she has to budget with:

‘I like to go and cash [my pension] myself, so you can manage it, see how much you spend today and how much you spend tomorrow, like that, so you can divide your money, so you know how much you have left... Real money, you know what you have got! When you go out, you just take £20 or just £15 at a time and you know how much you’ve got left.’

Woman, aged 78, single household

This also reflects the principle of not being able to spend what you don't have. The use of cash or 'real money', rather than cards, made it more tangible for people to see what money they did – and, importantly, did not – have to spend. One participant who used cash was unable to get credit due to past bankruptcy, but felt it to be a good thing, as he only spent what was in his pocket. This helped him to live within his means.

Discipline and willpower

People's accounts of how they managed on their incomes revealed that there was often an ever-present sense of discipline and willpower that they employed when shopping and making decisions about how they spent money and what they did or did not buy or do (see also Chapter 4).

A constant refrain was the need to be 'careful'. People often talked about only buying what you need, or 'not going mad'. This included checking what was required before going shopping and sticking to this, making a list and not deviating from it – even when faced with special offers. Where this was the case, it meant that people were not buying on impulse and, as such, restricted how spontaneous they were in their spending.

Some people employed certain strategies to help maintain their self-discipline and to guard against spending more than was absolutely necessary. This included only taking out small amounts of cash from the bank at a time, to prevent the money 'burning a hole in your hand'. Other avoidance strategies were not going out in order not to be tempted by shops, cafés or pubs, and restricting shopping trips to every few weeks: 'If you go out all the time, you spend money.' Another example was where participants took food and a flask with them, so they had no need to spend money when they were out.

People described an ongoing process of deciding whether spending on something was absolutely necessary or not. For example, if something was not broken, there was no need for a new model. One participant explained their in-built self-discipline, which involved asking themselves the questions 'Can I afford it? Do I need it?' before deciding whether or not to buy something.

This ongoing mental effort meant that people were constantly mindful of spending and the need to be careful, in order to keep on top of their budgets. As one participant noted: 'My brain is like a clock, working [out] how to control some money.' This highlights the fact that, for many people, managing on a low income involves constant attention, inhibits spontaneity and allows little room to relax.

Restrictions, compromise and going without

As well as the discipline required to continue to manage and cope on a limited income, people discussed how they restricted their spending in certain ways, and made compromises in what they bought and in their lifestyles. There was also some evidence to suggest that participants went without certain items – or did not participate in certain activities – due to being financially constrained.

Conserving energy use and saving on household bills

People were generally mindful about the cost of utility bills and hence their energy consumption. This stemmed from participants noticing a real increase in their bills and their concerns about this, as well as people's motivation not to be wasteful. Also the subject was very topical and in the media at the time of the research. Participants talked about the ways in which they were 'careful' with energy use and cut back on their consumption. Examples included:

- having the heating on for only two hours per day
- keeping the thermostat turned down
- putting on extra clothes, going to bed early or staying in bed late and using a duvet in the living room during the winter
- changing how rooms were used over the winter, to spend more time in a smaller or warmer room
- turning off the immersion heater before it goes off automatically or boiling a kettle to wash/wash up, rather than heating a tank of water
- using separate, cheap to run, heaters
- installing secondary glazing.

The receipt of the Winter Fuel Payment was particularly valued and often directly linked to energy use (see also Beatty et al., 2011), in that people said that it allowed them to put the heating on a bit more, or not to worry so much about what the cost would be or being able to cover the bill.

Participants who had water meters generally (though not always – see Chapter 5) felt that they saved money this way. Having a meter could influence their water consumption, for example by restricting watering or using 'grey water' for the garden and recycling 'dirty' water to flush the toilet and to water plants.

Another way of potentially saving money on household bills is by looking around for a better deal on energy or telephone services. However, unlike shopping for groceries, household goods or clothes, this appeared to be a more problematic, more complex and less transparent process. Some participants had switched suppliers, and a few had changed to cheaper tariffs with their existing supplier and were satisfied that they were getting a better deal and saving money. However, others were hesitant about changing suppliers (again), and discussions revealed a great deal of scepticism about the process and what benefits it might have. A key issue here is having access to information and the means to make clear and straightforward comparisons.

Jack's story

Jack, 75, lives alone in a three-bedroom house on a city estate. He moved there after selling a former house to clear some debts and couldn't afford to buy property in a better location. Having friends in the building trade enabled him to redecorate and refurbish his new home cheaply.

Jack used to be a construction worker and was in a band, which together provided a good income and lifestyle in the past. However, his life changed when an accident in his early 60s meant that he was unable to work and maintain his earnings. At the time, he was also paying off a loan.

He receives £130 in State Pension and Pension Credit and has no private pension. On top of this, Jack receives £15 a week from a charity. He shops very carefully, buying items from local car boot sales and markets, and clothes from charity shops. Jack prioritises his electricity and gas bills. However, a recent problem with a fuel supplier resulted in an unexpected large and unaffordable bill. A local charity acted on his behalf to sort it out, but the incident caused him distress and made him ill.

His severe asthma is exacerbated by anxiety. Because Jack can't walk very far without getting breathless, he relies heavily on his car and sees it as his lifeline. The car enables him to get to a wider range of shops and markets where he picks up bargains. However, he struggles to find the money for car tax and insurance.

Leading a fairly frugal lifestyle, Jack hasn't had a holiday for over ten years and tends to stay in watching a DVD with a friend in the evenings. When he does go out, he restricts what he spends. Jack has managed to put by a few hundred pounds that he draws on to go out for day trips, or if something breaks down. This small amount of money makes a difference as it provides him with enough leeway to cover extra costs.

Constrained spending, making compromises and going without

Making do

One impact of managing on a low income was where people talked about making do and not replacing things, for example using something without its full capabilities if it broke down.

A couple of people had not replaced a broken oven and were managing with a hob and microwave or a portable one-pot stove. Both reasoned that this worked well for them and was actually more efficient – the cost of replacing an oven was seen as too great. Other examples included broken furniture, a broken tape recorder and turntable and making do without a washing machine. Several participants did not have a television. One explained this was due to a combination of the cost of a TV licence (they were under 75) and the switchover to digital; and another was planning to give it up to save money.

Some participants explained that their first instinct would be to try to repair rather than replace household appliances. However, people had also found it difficult and expensive to get anyone in to repair things, for example where call-out charges did not always make it viable to repair goods.

The cost of maintaining a house was particularly problematic for a participant who owned an older property that still needed a lot of work. Her restricted budget meant that she was unable to afford to repair a roof and (despite health problems) was trying to do the decorating herself, as she felt unable to afford to pay a professional.

A few participants talked about how they went without new clothes, wore hand-me-downs, or were only buying if their clothes were worn out; and if they did buy any, only purchasing them from charity shops or the market.

Limiting travel and activities

Some participants told us that they could not afford to take holidays. Where people did have holidays, they tended to be short UK breaks. One explained how she would love to go abroad for a week or two, but lack of affordability meant this was ‘cuckoo land’.

People spoke of not going out as much as they would have liked to, or being unable to participate in things that they wanted to, when they wanted to. This included limiting social activities and having to decline invitations from others:

‘[M]y brother-in-law will say “Oh shall we go out for a meal” and I think “I can’t, I can’t afford it”. And I have to say no, not this week. “Why?” “I can’t afford it.” “Well I’ll pay” and I won’t do that. So I have to say “No, sorry, it will be next week or the week after.”’

Woman, Focus Group 3

For people with mobility problems and without a car, getting out often incurred more substantial costs and could mean people restricting the journeys made (see also Chapter 5). For a participant in such circumstances who also lived in an isolated location, the cost of a taxi inhibited her from going out for more social rather than essential trips. A disabled participant described how she had to make hard choices about the trips out that she made. This was because she was reliant on care workers to take her, as buses were inaccessible and taxis too expensive. Her budget meant that she could only afford to pay her care workers to take her out twice a week, despite needing to get out to shop, attend appointments, or visit relatives and other places.

This meant that she had to make hard decisions about where she would go. For example, if she had a dental appointment in one week, it would mean foregoing a trip to visit her brother (who was unwell) in the same week:

W: *I have meetings and I went to a meeting yesterday, which meant that I had to cancel going to my brother, because I can only afford carers twice a week, so if I've got to go to the dentist, I can't go to my brother.*

Q: *So your care workers have to take you to the dentist and wait with you and bring you back?*

W: *Yes, because it would cost me more for them to drop me off and come back to pick me up... And I can't afford that.*

Single female, aged 70, lives with son

Some car owners were restricting their travel due to the affordability of petrol. One couple said that some weeks they do not dare to take the car out, because they do not have enough petrol. Several participants whose families or friends live a distance away felt that they could not just jump in the car to go and see them whenever they wanted to. The fact that people had to think about whether or not they made a journey, again highlights the way in which lives had to be planned. Even if people had the means to be spontaneous by using a car, their limited budgets could restrict their freedom to use it as they really wished. Several participants were thinking about giving up their cars, due to the cost of running them or replacing them if they broke down. This included someone with mobility problems and someone else in a rural area – the fact that in both cases the car was important to them demonstrates the lack of leeway that they felt they had in their budgets.

Meeting health needs

People talked about restricting types of food that were seen as too expensive and unaffordable, such as prepared meals, cakes and desserts, and in particular fresh meat or fish. Here people were cutting down on the amount and type of meat that they bought, for example not being able to buy lamb, or getting beef less often, and then just buying cheaper cuts. But (as mentioned above) where people were aware of the need to eat properly, their financial restrictions on the type of food they were able to buy could present concerns. One participant discussed her feelings about the affordability of a healthy diet:

W: *And you tend to buy what you can afford, what is on special [offer]. You go to Lidl's, wherever. There is nothing wrong with Lidl's by any means, but I worry that I am buying what I can afford, rather than what I really ought to have to keep me healthy. And you hear so much now that when you get to a certain age... you are virtually on the scrap heap, and I think if you can afford better quality food and stuff, it will keep you healthier for longer.*

Q: *Is that something you feel you make a compromise on, then?*

W: *Yes, it is. All the experts say you need five a day. Well quite honestly, who can afford five a day? You simply can't when you look at the price of fruit and vegetables. You simply just can't do that.*

Woman, Focus Group 3

A few people also felt restricted in their ability to meet health needs, for example putting off going to the dentist after breaking a tooth for fear of the cost, not being able to bathe properly as they were unable to afford a walk-in shower, or being unable to pay for help with cleaning.

Spending on others

A further aspect was that constrained finances meant people had to restrict their spending, not only on themselves, but on others too. This included not being able to buy things for family, and not giving to charity. Several participants found that, as families expanded, it was becoming more difficult to deal with the cost of birthdays and Christmas presents and had made cutbacks in this area. One couple (both in a second marriage) described how they now had 20 grandchildren and great-grandchildren between them and, given the cost of buying presents for all, had taken the decision to restrict presents to just the younger ones and for new babies. Another issue mentioned by someone cutting back in this context was that in fact these families were better off than they were.

What can threaten the balance?

Managing on a low income can mean a fine line between keeping your head above water and getting into difficulties. A key issue, therefore, is what can upset this balance (and in what circumstances), regardless of how carefully and skilfully people may budget on a day-to-day basis. Where finances were finely poised, unanticipated expenditure, additional demands on income, and systematic or personal errors could threaten the stability of people's financial wellbeing.

The impact of large or unexpected costs

Reflecting other research (Hill et al., 2009; Age Concern, 2006), our participants discussed how large or unexpected expenses can be problematic when managing on a tight budget. Having to deal with such outlays can stretch resources, as it was felt that this type of expenditure was not something that could be easily funded from their basic income: 'A pension does not cover household repairs, does it?' Furthermore, the point was made that being on a restricted income meant a 'vicious circle' of disadvantage, in that one was more likely to have an older car, or property in need of repair, but that this in turn resulted in the need to spend more money.

People talked about the impact of having to find money from already stretched budgets to deal with household maintenance and repairs (for instance new windows or heating), broken appliances or car bills. A few had accessed grants or charities for financial help (see Chapter 5), but in the main, people had to find the money themselves. One participant had used her Winter Fuel Payment to buy a new stove when hers had broken down, but most often people talked about using savings that were often seen as a 'back-up' or 'emergency' fund. Sometimes this money was intended to cover such eventualities, but in other cases it involved using Christmas or birthday money, or indeed dipping into a funeral fund. The implications of using such funds depended on: how much was used; what, if anything, was left; and the prospects of replacing the money or building it up again. Hence people felt concerned and vulnerable if they had drawn heavily and/or felt that it would be difficult to replenish these funds.

Mary's story

Mary is 73 and lives in her own three-bedroom house where she has lived for over 40 years. She brought her children up on her own, following her divorce, and has always had to manage on a very low income.

Mary did various part-time jobs over the years, often several at the same time in order to make ends meet, but never joined any work pension scheme or had the opportunity to save for her retirement. She had to stop working because of health problems in her 50s, which again left her struggling financially as she was still paying a mortgage.

She receives about £140 a week made up from her State Pension and Pension Credit. She also receives £49 a week Disability Living Allowance, which has made a big difference.

Her family live nearby and provide help, including lifts to hospital appointments and with decorating and gardening, which means that she saves money on paying other people to do jobs for her. They also help her out by passing on clothes, goods and contributing towards new household items.

Mary uses direct debit to organise her household bills and finds it helpful to spread the cost to avoid large bills. Mary is very averse to debt because of her previous struggles to juggle payments and pay bills on time. Therefore, she tries to keep a small amount of money back each month to manage her medium-term spending. Mary is also anxious to build up enough money to pay for her funeral as she does not want the 'burden' of this to fall to her children.

She has had to deal with some large outlays on her home, including new doors, windows and heating. Although the costs have been partially met through grants, she has still had to find several thousand pounds towards the work. This has meant dipping into her funeral fund and accepting contributions from family members. She has also had to replace some household items recently, including a washing machine. She paid half the cost from her savings and the rest through interest-free credit.

By shopping very carefully, Mary makes the most of reduced-to-clear offers and always looks around for the cheapest bargains. She takes care not to waste money. She doesn't smoke, go on expensive holidays or run a car, but feels it's important to spend a little on leisure and social interests. She spends a few pounds a week on a keep-fit class and gets together with friends for a coffee or day trips on the bus.

Unable to afford driving lessons or to run a car, Mary never learnt to drive. She uses buses regularly and considers the bus pass essential. She is concerned about it being withdrawn as it would affect her financially and limit her social life.

Although Mary feels she's got enough money to manage, she also acknowledges that this is because of her careful budgeting and lifestyle. She feels better off compared to her past circumstances but acknowledges that some of her friends have a lot more than she does. However, she doesn't envy them and feels that she has what she needs.

In some cases, people felt that they would be able to deal with one thing going wrong, but feared the consequences if several outlays were required at the same time. For example, one participant had used the last of her savings for repairing a fence, but was now concerned about what would happen if her boiler were to break. Homeowners were especially conscious of the potential outlay associated with a property, particularly if it was not in good repair.

Other participants had drawn on credit for large expenses. This included: a loan from the Department for Work and Pensions Social Fund, with payments being taken directly from benefits, which enabled someone to replace a washing machine; and the use of a credit union loan to buy a new television. One participant whose savings had depleted had had to replace several household appliances in a short space of time. She bought them through a local shop, which accepted half the payment and the rest on interest-free credit over six months. Another participant was paying £100 each month towards a loan that he had taken out some years previously to visit his sick mother who lived abroad, and this was on top of £119 a month mortgage payment.

The significant point here is that these types of events are difficult to plan for, and some people have little choice but to borrow to fund them, often because their restricted income inhibits saving. However, they can then end up in an even more precarious position, when repayments are taken out of their already stretched budgets.

Debt and arrears

Most participants were debt-averse and, as outlined above, went to great lengths to manage and monitor their budgets in order to keep on top of their finances and avoid getting into arrears or debt.

Nonetheless, several people did have some form of debt. For the most part, this consisted of being in arrears, for example with fuel bills or rent payments. However, these circumstances tended to be due to a lack of communication or an error in the payment system, rather than people defaulting on payments. Here people had arrangements in place but details of direct debits had gone astray, fuel suppliers had reduced monthly payments and the amount being taken was not meeting the required payment, or Housing Benefit payments were not covering the amount of rent required. This led to a couple of participants being informed that they were behind with rent, and several others facing arrears (up to £700) with energy suppliers. This resulted in shock for the participants, who had no idea that they were accruing arrears and distress, particularly as these people were at pains to avoid getting into debt. Furthermore, being confronted with outstanding back-payments could cause anxiety about repaying such sums from a limited income.

In one case, the stress of being in arrears with a fuel bill had exacerbated a participant's health condition:

'I don't want any debt, any debt whatsoever. I really don't, because it would kill me. I'd rather die than pay it back. And I mean die, I would die. I would really die, I mean that. I'd just commit suicide and think well that's it. I ain't got the worry then. See I can't stand worry... You don't realise, you just don't realise. I can't breathe. I get asthma attacks.'

Man, aged 75, single household

A few other participants had got behind with loans, payments on credit cards or catalogue purchases. This was sometimes due to a less stringent approach to budgeting and monitoring payment demands, or being unclear about what they were signing up to and the implications. One couple had borrowed money and had not read the small print about the amount that needed to be paid back. This had accumulated and resulted in them eventually being advised to declare bankruptcy. These participants also alluded to their lack of discipline and their ability to get 'seduced', for example by loan companies, or by 'bargain' purchases that seemed 'too good to miss'. The result meant dealing with debt.

Conclusion

Our participants' experiences demonstrate the hard reality of living on a low income in later life. The demands of trying to manage on a constrained budget involve discipline, constant attention and making sacrifices, which can be difficult for some people. Limited finances restrict the ability of people to buy and do the things that they might want to. This can affect people's lifestyles and the way in which they go about their lives, for example having to always monitor or plan, rather than being spontaneous. The findings also demonstrate how personal resources such as budgeting skills, and traits like resourcefulness, are important factors in how people cope in constrained circumstances. Even where people manage to balance their budgets, the prospect of this being thrown off course through having to deal with unanticipated outlays can be a constant threat and concern. Furthermore, being on a low income can leave people vulnerable to debt and arrears, which, without financial back-up, can be difficult to deal with.

3 The emotional experience of living on a low income

This chapter looks at the emotional impact of living on a low income and the feelings and attitudes that people experienced on top of, and perhaps because of, the day-to-day practical restrictions on their lives. Participants discussed how they felt about their current situation and concerns that they may have about the future.

What it feels like to be living on a low income

The ongoing, constant awareness of restrictions, having to eke out your money or cut costs, and the work that involved, could be extremely wearing, emotionally draining and stressful:

You have to buy what you need, because, as I said before, there's no money to budget, so you have to put it down on paper and look around before you go shopping, search the cupboard to see what you have and you have to try. [I] go sometimes [to the] pound shops. You're just walking up and down, but you can't buy nothing nowadays. It's very hard.'

Woman, Focus Group 1

There was a view that you 'exist', rather than live. The difficulty was that people did not really see any way of their situation improving. Indeed, for some, the thought of having a 'bit of leeway' in their budgets was seen as a distant 'luxury'.

The impact of constantly having to monitor and restrict spending, permanently having to 'scrimp and scrape', and not necessarily having – or being able to do – what they wanted, was also seen as 'depressing'. Several participants noted that, in particular for people with health or mobility problems who cannot get out so easily, being stuck indoors with no money to do anything could lead to isolation and loneliness.

The impact of not being able to participate in even small ways, that perhaps others took for granted could mean that people felt left out, and in a position that others did not understand:

'Yes, sure, it would be nice. It would be nice to have a bit more money to say, 'Oh I can go to the Indian restaurant' even once a month without worrying, you know. I can go and buy a plant for the house. I can, you know, silly little things that so many people take for granted I suppose. Or I'll tell you what – this week I'll buy a steak, you know, people take it for granted. To have a few more pennies to play with would be lovely.'

Woman, aged 65, single household

Furthermore, it could be 'quite upsetting' where someone was not able to help or buy things for children or grandchildren that they would have liked to, or had done in the past. Similarly, several spoke of 'guilt' at not being able to afford to give to charity:

W1: At the moment I feel really guilty because the TV's been full of what's happening in Africa and so on and I can't afford to send a donation, you know, and I just feel so guilty.

W2: Then you sit feeling guilty. Yes I'm exactly the same, yes.

W1: It's not just about me being able to do things, it's about doing things for other people as well.

Focus Group 3

The importance of being able to participate in society and do things like everyone else (see Chapter 4) meant that it could be hard to deal with when people's spending and activities were restricted by their constrained circumstances. People spoke of the importance of maintaining pride and independence, so, for example, found it 'demearing' if they could not reciprocate if they were bought drinks or a gift. This could also influence how they kept concerns about their situation to themselves. A further impact was that of feeling like a 'second-class citizen', which related to a combination of the restrictions of living on a low income, being seen as 'poor' and also the fact that they were old – all of which contributed to not feeling valued in society:

M: Independence and pride, isn't it?

W1: Yes.

W2: You close the door on it, don't you? I do anyway.

W3: I think also people aren't allowed by society to say that they're either ill or poor or something, because nobody wants to hear about it.

W2: No.

W1: That's true.

W3: If I told the truth, I'd feel people backing off.

W2: I go out with my friends and they don't know any different. It's my problem, not theirs.

W3: I think as you get older, you're like a second-class citizen.

W2: I just feel that. You don't count.

W3: You become invisible. After a certain age you become invisible.

W2: You're non-productive.

Focus Group 5

For some participants, in particular among those who had more recently retired and experienced a drop in income, there was a feeling of resentment about their situation. Here people felt that they 'deserved better' after working all of their lives. One participant said: 'I get very angry at having to be like this.' This view reflected a sense of frustration that they had had to be financially disciplined while bringing up children, and although they had a time when things had been easier, the drop in income associated with becoming a pensioner now impinged on their quality of life at a time when they had hoped to be able to enjoy themselves.

This view could also reflect how people adapt to a lower income upon retirement. As discussed in Chapter 1 and later in this chapter, participants' past experiences of hardship or better times could impact on their attitudes and ability to manage on a low income in later life. One participant who had recently retired had felt 'shocked' and 'terrified' when the reality of life on a fixed low income had hit her.

While many of the participants in the research were claiming means-tested benefits, and these were really valued as having made a huge difference to people's lives, there was a view that having to ask was 'undignified' and was equated to 'begging' (see also Hill and Sutton, 2010; Kotecha et al., 2009). Where people received help from charities (including regular and one-off payments), they were extremely grateful – to the extent that some felt 'guilty'.

Attitude as a means of coping

People's attitudes towards money and their situation influenced how they managed on a day-to-day basis, but was also important in terms of how they dealt psychologically with living in constrained circumstances (see also Hill et al., 2009; Anderson et al., 2010).

Acceptance

One way of dealing with the restrictions associated with living on a low income was through accepting the situation. This was people's reality and there was little chance of their financial circumstances improving. Participants here felt that they had no choice or control over this, so there was no point in getting frustrated about it, as it would not make a difference and, furthermore, would not be good for them to do so:

Q: *So do you think that people maybe do say 'Oh well, I don't need that', when really they mean they can't afford it?*

W: *Well you have to say that, don't you? You have to say that. If you can't afford it, it's no good hankering for it, because you're going to be miserable. What you say is 'I don't really need it, I'll get by without it'. That's it.*

Q: *A way of dealing with it?*

W: *Yes, a way of dealing with it. Because if you think 'Oh, I need that. Oh, I haven't got any money, but I need it', then you're going to be miserable all the time, aren't you? I want that, but I can't afford it. And if you go to the bank and take it whatever, then you're struggling because you've got extra income to pay out every month. So you can rapidly get yourself into serious debt.*

Woman, aged 78, single household

Being content with what you've got

Quite often, participants spoke about being content with what they had, even if they recognised that a little bit more money might be nice. Again, this could be seen as a way of dealing with not having (or not doing) some things that others did. However, often people were at pains to point out that they really were content, and justified this by emphasising that they did not 'yearn' for things, and were not 'jealous' or 'envious' of others.

People also referred to not being materialistic or not putting great store in possessions. Several participants who felt like this were possibly influenced by their religious background and faith, which one explained as giving her more important things to value. People also often looked back on past experiences of sometimes extreme hardship, when they really did not have much (see Chapter 1). In this sense, they did feel relatively content with their current situation and explained why they were happy with what they had and did not want more:

'The way I have been brought up, I don't need it. You know what I mean? But some people are not used to that. If they are not brought up like that and they are used to having things, you know, being brought up more affluent than we were, then they would miss it, wouldn't they, if they couldn't have it? But the way I was brought up, I wasn't used to extras and you made your own entertainment... I think it is your upbringing and I don't feel deprived in any way. I don't feel as if I am going without anything.'

Woman, aged 82, single household

Several participants felt that, as they had become older, their needs and priorities had changed, which meant that they did not necessarily need or want to spend money on things that they might have done in the past. This included not wanting to go out in the evening or not missing a car (which one person said she never thought years ago she could do without) and not spending on possessions:

'But when you're older, you don't need the material things like you do when you're younger, do you? ... You don't really. You're not going out and buying furniture and new clothes and that, because by the time you get old, you've got all the clothes that you want.'

Man, aged 86, single household

These types of attitude are of relevance (and demonstrate the complexity) when trying to understand more about the issue of how older people are more likely to appear satisfied in circumstances that others might perceive deprivation (Berthoud et al., 2006; Dominy and Kempson, 2006; McKay, 2008).

Not wasting money and the importance of 'value for money'

Many participants had strong views about not wasting money, and did not see themselves as 'extravagant' spenders (see Chapter 4). These attitudes, again, were often influenced by past experiences of hardship, and even though people might feel better off, these 'old habits die hard' and become a way of life. As such, participants continued budgeting and spending carefully, which meant that they did not find it so difficult to cope with living within their means. People talked about 'making do and mending' and 'not spending for the sake of it'.

Some also expressed a sense of achievement and pride in getting good value for money, finding a bargain, and generally managing well on a low budget. However, where people had such an attitude, they could feel disappointed and even angry if they found that they had spent more than necessary for something:

The shop round the corner is supposed to be to help us. I went in there one day. Four Actimel little cartons, he wanted £1.62 for them. You can go in the shopping centre and get 16 for £4. So work that one out. So I said where's the manager? So when he came down, I said [you're] making your money up... [I] wouldn't come in here again. And I've never been in there since.'

Woman, Focus Group 1

Finally, one participant referred to how she manages her money as a 'game'. Shopping around for bargain breaks and eking out her pension money, by dividing it into a week's worth of £60 at a time, provides her with a challenge, which she views as keeping her on her toes. Again, this could be a way of drawing the positive out of a necessity, given that at the same time she was concerned about dealing with increased fuel bills, and indicates that despite her approach, budgeting in such circumstances is not without problems.

Future concerns and uncertainties

People's concerns for the future tended to focus on the near and medium-term future and involved the need to ensure that they balanced their finances, kept their heads above water and did not get into debt.

For some participants, particularly those who found it an ongoing struggle to meet the cost of bills, this could be a source of worry and anxiety, particularly as they did not see their situation improving. This was especially the case for those without assets or savings, as there was little they felt they could do to make a difference themselves.

Concerns about the impact of increasing prices

Some participants expressed concern about price increases, particularly food, petrol and energy costs, and how this might affect their already stretched budgets. Here people commented that they had noticed this on an ongoing basis, with the difficulty being the scale of increases – that prices had increased a lot, 'not just in pennies', or the cost of petrol had 'gone through the roof'.

People were also concerned about increased heating bills, especially after recent severe winters and because of notification or media coverage about recent increasing energy costs. One couple had just received a letter outlining forthcoming gas and electricity price rises, and had worked out that this was going to add around £200 a year to their bill.

The difficulty was that spending on food and energy was seen as essential (see Chapter 4) and there was little that people could do about such price rises. Furthermore, there was an awareness that their incomes were not going up accordingly:

'The value of your pension never keeps up with your expenditures, no way. Now they just give us this bit of a rise but what's it done? You go to the shops and you're paying twice as much in the shops than what you are getting – it cancels out all the time.'

Male, aged 72, couple household

The consequences of such price increases meant a growing differential between the cost of living and people's incomes (Age UK, 2011; Levell and Oldfield, 2011), which was a worrying prospect where finances were already under pressure. Where people felt that they had made as many cutbacks as they could, there was limited scope to restrict their budget any further. Given the priority placed on having to pay household bills, one participant commented that, if things became worse, food was the only thing left for them to cut down on. This highlights the extent to which they felt their situation allowed them very little room for manoeuvre.

Changes in home care charges and criteria

A further concern that a couple of participants were facing related to changes in how eligibility for care at home was being assessed. In one case, a gentleman who received twice daily help with washing and dressing, and help with meals, had recently been charged £210 per month for this support, which had previously been provided at no cost. Another participant was very worried about changes in her care package, as she was assessed as having moderate needs and feared that this will not qualify her for the care that she currently receives. The key issue here is that, because the care is so essential to them, they cannot do without it – meaning that they have no choice but to meet any additional costs.

Forthcoming outlays

Having enough to deal with any future unexpected outlays, especially for homeowners in relation to house maintenance, could be a cause of concern:

'The things that I find most difficult now are the upkeep of the place, because you've got to keep money in hand, which worries me sometimes. I daren't spend it. I mean, I've got to have a new garage roof, that's going to cost me £1,000 to have a new garage roof.'

Woman, aged 72, single household

This meant that where people had any savings, they were keen to protect them, but for those without savings the prospect of such outlay was worrying. One participant felt very 'insecure', as she was conscious that she could face potentially large house maintenance and repair costs, but had no savings. She had already accessed any grants available, so was now only able to fund from her already stretched income. She was concerned that if an emergency did occur, then she would just have to make further cutbacks to her restricted lifestyle, which might include having to eat from the freezer for a week or two.

One participant's overriding concern was the awareness that her mobility scooter would need replacing in the next year and that this would cost £3,000. Her aim therefore was to save £25 a week in order to have enough to cover this, as she would be lost without this 'lifeline'. However, given her limited income (which did not include health-related benefits), this was a struggle, which meant restrictions to spending and lifestyle, for example not buying clothes or shoes, and she was considering stopping attending her weekly social club. The need to put aside money for the scooter, and whether the amount required would be achievable, constantly played on her mind.

Paying for a funeral

When talking to people about thinking ahead and any financial concerns they may have about the future, people tended to refer foremost to whether or not they had enough to pay for their funeral. Reflecting other research (Hill et al., 2009), this seemed very important, with people often feeling that it would not be fair on those left behind if they had to pay for their funeral. Even when children had plenty of money or would receive an inheritance/property, people felt that having it covered would save them unnecessary hassle at a potentially difficult time.

In this context, participants felt reassured if they had life/funeral insurance. Indeed, several had increased the payments, to ensure that sufficient funds would be available. Others were at pains to ensure that their savings or back-up fund was enough to cover this, and one participant had already bought her coffin. In contrast, where people felt that they did not have enough put by to pay for a funeral, this could be a source of anxiety. One was so concerned about the cost of a burial, that they contemplated cremation and scattering ashes on a family member's grave without telling the authorities, as you have to pay to have this done officially. Another was trying to save to put money back into her 'funeral fund', which she had had to dip into to fund house maintenance.

Potential future care costs

Often people had not really thought ahead about future care needs, the potential costs involved, and how this might be funded (see also Hill et al., 2009). Several mentioned that they thought that family would help out if necessary, but did not necessarily feel comfortable about this. Where people had no savings or assets, one view was there is no point in worrying about it, as they had no means of making any provision. One participant explained that, although she was aware of the cost of care homes, she assumed that the 'council' would cover the cost, as she would not be able to do so.

For one participant, who had health and mobility problems, a key future concern is the welfare of her disabled son, whom she currently cares for. She was trying to save and felt it important to have some back-up, as she was conscious that either of them may need to go into hospital or may require more care in the future, which would incur more cost. She was also concerned about the impact of any cuts in benefits or care support (see below).

The use of property to fund the future

Several homeowners had downsized to smaller properties. While this did not necessarily yield much capital, for example where money was spent doing up the new property, the lower running and maintenance costs were seen as beneficial.

In theory, older people with property can draw on this to release money. However, discussions with our participants revealed that these decisions and the process are not necessarily straightforward. Issues raised here included:

- the subdued housing market (one couple had taken two years to sell)
- lack of suitable smaller property in the area and long waiting lists for rented property
- high prices of property in areas closer to family
- being unable to sell a house due to an ex-partner (whose whereabouts were unknown) having a share.

One person had looked into equity release or 'gifting' her house to charity, but had come up against obstacles due to the type of property; another had been put off after borrowing against his house in the past and having to pay back three times the amount.

Concerns about potential government cuts

As mentioned above, one concern raised by a couple of participants was the threat of an increase – or an actual increase – in care costs. Participants were often very mindful of the current economic crisis, and aware of cuts being made or considered both at national policy level and more locally.

People talked about how much they valued the help that they received or services they drew on, for example in individual monetary benefits, the Winter Fuel Payment, free TV licence, care provision, free bus travel, and local services such as day centres and community transport. At the same time, they were also concerned that some of these things would be subject to cuts, which they believed would have a negative impact on their financial position and indeed on their broader quality of life. A key issue here was that they felt powerless to do anything about this.

Conclusion

This chapter highlights the emotional experience of living (or ‘existing’) on a low income in later life. This includes feeling worn down, upset, demeaned and resentful. However, people’s attitudes could also influence how they dealt with living in restricted circumstances. Maintaining a balance, and avoiding debt both now and in the future, was a cause of concern and anxiety for some people. This could be particularly stressful when people felt that there was little that they could do about potential expenditure.

It is also evident from the research findings that it was not only people’s own personal circumstances that were a source of worry. When asked what might cause them concern about managing their money, one participant responded: ‘The government running out of it.’ This simple response was very telling, as it highlighted how intertwined the financial wellbeing of low-income older people is with state (direct and indirect) support. Furthermore, it demonstrates that in the current economic climate, people not only had the weight of coping with their own immediate financial security, but were anxious about wider economic and policy issues and how these might affect them in the future.

4 Spending decisions

This chapter sets out how spending decisions are made by older people living on a low income. It highlights participants' views on what it is essential to be able to buy or do, and what they perceive as luxuries. It demonstrates the fluidity of spending decisions, by showing how particular types of spending become more important under certain circumstances.

Prioritising household bills

Paying household bills was the main priority for all the older people we talked to. This was undoubtedly related to concern about getting into debt (see Chapter 1), but there was also the fear of being cut off or without their utilities. The payment of bills such as the electricity, gas and rent was also considered to be non-negotiable – you had no choice but to pay for these:

'Yes, that is my big worry, to have a place to live. I don't mind if I... haven't got much to eat or things, but [not having] a place to live worried me!'

Woman, aged 78, single household

How people decided what to spend their money on could also depend on how important they felt it was to have or to do something. For example, one participant's priority was to live in 'idyllic' surroundings in the countryside. He loved his property and location. He therefore chose to spend proportionately more on paying for his rent than he would have done living in a smaller property in a less desirable location:

'[I]t's a question of priorities. I would rather cut down even on the food I eat or cut down the heat that I pay for and walk around the house in my overcoat than live in a place I didn't want to live in. So where I am, my environment, is number one, simple as that.'

Man, aged 72, single household

How participants chose what to spend other money on often depended on their wider circumstances, such as the state of their health or where they lived. The discussion about essentials and luxuries below highlights how fluid spending decisions are – and how particular types of spending become more important under certain circumstances.

Views on essentials

Most participants felt that food and warmth were absolutely essential. Those going without them were perceived to be in real hardship.

Essential food items were viewed as 'the basics' and included:

- bread
- milk
- potatoes
- groceries
- meat and/or fish
- fruit and vegetables.

For many participants, being able to have a good cooked meal with fresh produce was also deemed important to their overall health and wellbeing. It was viewed as unacceptable for older people to go without the basic food they required.

Along with food and paying household bills, those who are less agile or mobile also consider that the following items are essential (see also Chapter 5).

- **Paying for help with care, and help at home.** This care, whether it was for help with cleaning, with personal care or for gardening, was considered vital when participants were in ill-health or were immobile. It was considered important to maintain decent standards for themselves or within the home environment. Participants talked about having no choice in the matter, as they could not do these things for themselves.
- **Paying for the use and upkeep of a car.** Spending on running a car (for petrol, car tax, MOT and insurance) was considered essential for those with health and/or mobility problems, or for those who had someone in the household who had such problems, as they were often unable to access and use buses. This became even more important in rural areas, where bus services were few and far between or did not run at convenient times. The need to continue to be able to afford to use a car was also highlighted by those who lived in rural locations. In particular, men who had been driving for many years felt it would be hard to give up.
- **Paying for mobility aids.** A few participants felt that their mobility scooters were a lifeline (see also Hill et al., 2009) and that it was therefore essential that they had them and paid to keep them running, i.e. serviced and insured. Having a mobility scooter was deemed vital for getting out to visit people and to access shops and other facilities. The majority of those using them did receive additional health benefits. However, one participant who relied on a scooter had not received any additional health-related benefit. She had been turned down for Attendance Allowance and was resentful that she did not know about Disability Living Allowance before she became too old to qualify.

Views on luxuries

Clothes and shoes

Most participants told us that buying clothes and shoes was not a priority for them. A common refrain was that they did not need them, and that they had enough clothes. Men, in particular, highlighted their lack of interest in buying shoes and clothes:

'You only need so many shoes. How many shoes can you wear at the one time? You know I've got about four decent pairs of shoes and that's fine.'

Man, aged 72, single household

'No I don't have to buy clothes. I've got enough, my wardrobe is full. And shoes, I've got enough, so I don't buy those. But I buy food. You need good food to keep you going.'

Man, aged 85, single household

A few women also did not prioritise spending on clothes, saying that they were not interested in them. Some alluded to their wastefulness in the past, which may have affected their decision not to buy clothes now. However, other women either talked about the importance of buying good-quality clothes that lasted for longer, or alternatively took pride in their ability to shop cheaply for clothing bargains from markets and charity shops (see also Chapter 2).

Holidays

Most participants viewed a luxury as something that involved unnecessary expense, and as something that they could do without when they were struggling to manage on their income. Holidays were generally considered the biggest luxury of all. Where people did manage to afford one, they tended to be short coach and caravan holidays within the UK. Some people knew that having a holiday could be perceived as extravagant or unnecessary, and took pains to provide a rationale for their choice to take a break, as these people below demonstrate:

W1: *I think people tend to be frivolous with their money to begin with, that's what I've found with a lot of old people.*

Q: *A bit frivolous?*

W1: *Yes, with how they spend their money or what they use their money for. They don't really look at the absolute basic essentials.*

W2: *They must be lucky. I don't get enough money to do that.*

M: *It depends what you call frivolous. We're just back from a weekend in Blackpool and you could say that's frivolous, you don't need a weekend in Blackpool. But it contributes to your quality of life.*

Focus Group 4

To counteract the charge of being frivolous, the gentleman above argues that a weekend break can be regarded as being good for quality of life. Indeed, many other participants considered that, while exotic or overseas holidays were luxurious and beyond their means, having a break away or a short UK holiday was essential to give oneself a rest, a change of scene and something to look forward to. This was particularly important when they had few visitors and did not get out much. People financed them by, for example, paying a small deposit and then saving carefully for the rest, or by putting away weekly amounts of money in an especially designated fund, or, for some in social housing, to organisers of trips.

A few others prided themselves on having cheap holidays, by shopping around for the cheapest B&Bs for example, or by going in their own second-hand caravan. In the latter instance, it allowed them to cook for themselves and thus not spend much when they were away.

Wasteful spending

Along with holidays, money itself was considered a luxury – as it was something that people did not necessarily have to spare. A recurrent theme among most participants was that they did not waste money, and the main way that they perceived money to be wasted was by drinking, smoking and going out. For example, as this man notes:

'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 84, couple household

Being careful with money and prioritising what to spend money on was also fundamentally entwined with participants' attitudes, which were informed by their upbringing and previous experiences. Many of the participants had experienced a more frugal period in their lives during or just after the war. As such, being wasteful was an anathema to them:

'Yes, you've got to make every penny count, haven't you? That's how you're brought up. If you talked to people my age, I think a lot of people would say that because we've lived in the war years, there was no food at all then. We used to have rabbits, eat rabbit, anything you could get. We used to keep chickens.'

Woman, aged 82, single household

The few participants who might be considered to have spent 'recklessly' also rationalised their spending decisions on the basis of their previous experiences or upbringing. For example, one participant had come from a gambling family:

Q: *Right, OK, so how often would you normally have a bit of a flutter then?*

M: *I have one most days... It depends if we've got the money, then it don't bother me. I'll just pick them out, could have won, could have not.*

Q: *So a bit of a risk-taker then are you, do you think?*

M: *Well, I grew up with it, love.*

W: *The whole family.*

M: *My whole family, in them days, if my mum hadn't have won something now and again, we'd have probably all starved.*

Man, aged 73, woman, aged 71, couple household

This demonstrates that it is not just a careful, 'waste not, want not' attitude that is influenced by participants' background circumstances and previous experiences.

The importance of 'non-essential' spending

For most people, spending on what were originally considered to be non-essential items or activities fell into the following categories:

- pastimes, small pleasures and hobbies, such as money spent on TV packages, DVDs, TV listings magazines, newspapers, knitting and other crafts, lottery tickets, gardening, keeping fit, and hair and beauty
- treats both for self (food such as cakes, trifles, and fish and chips, and alcohol) and other people, e.g. birthday cards, gifts or donations
- socialising and associated costs for transport to do this, including visiting friends and family, having occasional meals/drinks out, and attending different clubs and organisations.

It became apparent during discussions that many items that at first seemed non-essential could take on greater significance, as people tried to explain why they bought them and what they got out of them.

Small pleasures, pastimes and hobbies

Spending on most small pleasures and pastimes tended to be minimal – from pence for wool and newspapers through to a couple of pounds for a keep fit class or DVDs from the bargain basket. Those who spent money on newspapers and TV magazines felt that it was important to keep up to date with current affairs or abreast of popular culture – even more important when it was too expensive or too difficult to go out. This was also the case for those who spent extra money on TV packages. Although these could be regarded as costly, if you were unable to go out and socialise, buying television you wanted to watch became more important. It was also something considered to add to quality of life:

M: *We've got the Sky box.*

W: *Yes, he just has it for sport.*

M: *I like to watch my sport.*

Q: *How essential or how do you see that sort of spending?*

M: *That's my main thing. I used to build [model] boats and things, all these aeroplanes and boats I built all them, but I can't see to do it now.*

W: *That's the only thing he's got, duck: television, sport.*

Q: *Right. So although you said [earlier] it's a luxury?*

M: *Well, it's a necessity to me.*

W: *If we were short of money, that would be the first to go... But while we can afford to pay for it, then we're all right.*

Q: *What you're saying is, because you're not able to spend or to do other things, it becomes more important?*

W: *Because I mean he can't read a paper, because it's not big enough for him to see.*

Q: *Yes, of course. Do you get any sort of books or listening books?*

M: *No, I can't be bothered. I just watch TV.*

Couple, aged 77 and 76

People felt that they had to have some means of rewarding themselves, especially when they did not spend on much else. The participants who spent money on wool for knitting also stressed how important it was to have something to do, relatively cheaply, within their own home – again, vital if there was not much else they could do.

Some – more mobile women in particular – talked about the need to keep healthy by attending a fitness class, and it was also important for them as a means to get out and see other people. In addition, hairdressing costs were considered important, as having your hair done made you 'feel better' and was often purchased cheaply – through special pensioner rates or by paying a small amount to a relative. Where this was not the case, different types of hairdressing were prioritised. As the woman below demonstrates:

'I have it [my hair] trimmed every six weeks, which I keep on saying I'm going to stop going, but that's now my luxury as well. When they took over, their prices shot up. My daughter goes there and she has it coloured and it's £100, ooh, and they say to me, "Oh, why don't you have a colour in your hair". I can't afford it.'

Woman, aged 71, single household

Sometimes people decided to stop spending on these items. Receiving a paper bill which was more than expected, for example, could prompt participants to see this spending as unnecessary – especially where other options were available:

W: *I stopped my newspapers, because it was just getting out of hand... I used to have a Sunday paper. I'd have the Telegraph, but the bill kept going up and up and up and I just stopped it.*

Q: *Do you miss it?*

W: *Not really, no. You've got all the news on the television.*

Woman, aged 71, single household

Other participants also signalled their intention to stop such outlays.

Treats and treating others

Treats were generally discussed in terms of indulging oneself and were often talked about in relation to feeling guilty. These treats were not large or expensive, but were often seen as unnecessary, which explains why many people felt guilty for buying themselves a cream cake (or even a cup of tea when out shopping), as illustrated below:

W1: *A few Saturdays ago I was out shopping and I went into a cafe and I felt guilty. Now why should I feel guilty?*

Q: *What made you feel like that?*

W2: *Because that's the way we was brought up.*

W1: *Spending the money on myself.*

Focus Group 3

Spending on oneself was seen as indulgent and unnecessary, thus causing guilt – particularly for women. This may have been because women were the ones who were more likely to have spent years bringing up children on a low income, with any spare money having to be spent on others, but also because women's spending is linked to wider emotions (Pine, 2009).

Some participants treated relatives to a meal out or bought gifts, but these were often justified on the basis of their family needing help, or that they were small amounts, such as for birthday cards and gifts – and it was very important to acknowledge these occasions.

The importance of socialising

While many participants cut back on, or restricted, how often they went out (see Chapter 2), some participants did spend money going out to meet up with family and friends. Activities included:

- having meals/drinks out
- going to social/community or support clubs
- attending drama/poetry or choral clubs
- attending church.

Many participants explained how important it was for them to be able to get out and mix with other people. People considered that meeting up with friends now and again was crucial when living on their own, and this could often involve minimal cost:

'Yes. I've got a friend, she'll say are you doing anything Saturday? Do you fancy a run to [name of town], you know? The bus fare won't cost you, so you can have a coffee and a scone.'

Woman, aged 73, single household

Meals out were seen as acceptable, because they happened rarely and their cost was justified on the basis that they were special ‘pensioner’ deals/rates or because it was for a celebration.

Some participants attended clubs or day centres, some of which were part of sheltered housing complexes. These often had organised activities or events that involved a small cost, such as for Bingo or participating in arts and crafts, or involved a weekly donation towards outings. Participants valued these activities, especially those who lived alone. The costs of getting to, and participating in, social activities were considered well worth it, because people got to do something they enjoyed and something that enhanced their quality of life:

‘For instance I come here on a Wednesday morning to do watercolour painting. Now it’s two hours and for me that is two hours’ therapy. Absolutely, therapy – because I can lose myself in that. I mean, you don’t have to be brilliant, but if you can just lose yourself in something. I enjoy it and it’s just therapy and for little money. So I don’t begrudge that money.’

Woman, Focus Group 2

This was a view echoed by others attending different kinds of clubs and activities. For those who participated in church activities, contributing a donation was also considered to be essential. It would not have felt right to them not to contribute to the collection, for example.

The main issue for the majority of participants was to be a full member of society, along with everyone else. As this participant notes:

‘It’s nice, you know, to be like everybody else. You know, to be able to say yes I’ll go, and not think about it.’

Woman, Focus Group 5

The participants showed how vitally important it is not just to be able to spend money on essential, basic items such as food and household bills, but to be able to participate fully in society and to get something out of it for themselves, as is stated below:

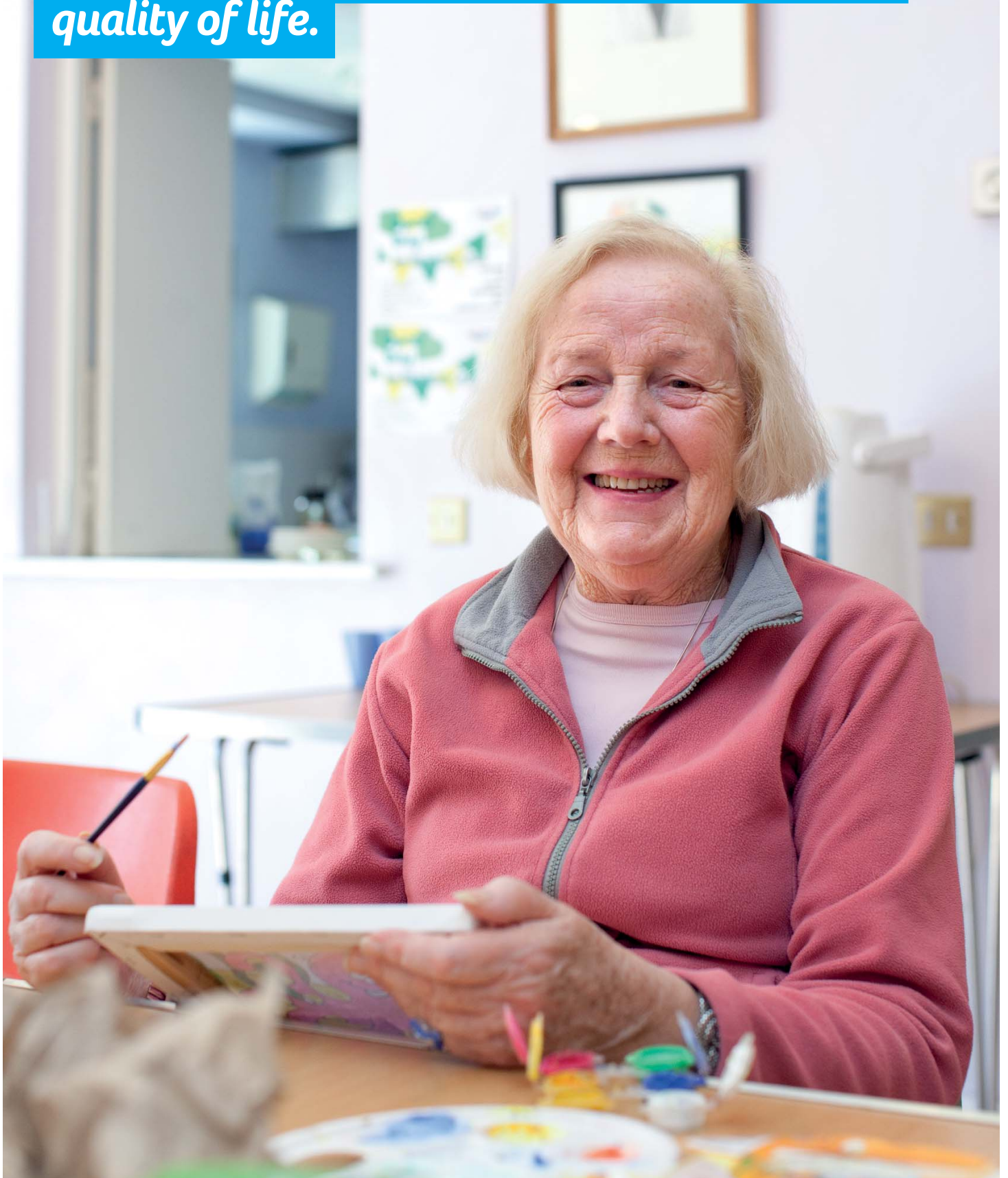
‘It’s quality of life, you know. I mean it’s nice to have enough to eat, a roof over your head and be warm enough, but on their own I mean it would make life pretty drab if that was all you had.’

Man, Focus Group 4

Conclusion

We have demonstrated that how older people prioritise their spending very much depends on their health and mobility, their upbringing and associated values, and their social networks. Household bills and food were the main priorities for our participants. However, additional spending on items that were not considered to be essential was, in most cases, often very small, but paid dividends in terms of improving their quality of life.

The costs of getting to, and participating in, social activities were considered well worth it, because people got to do something they enjoyed and something that enhanced their quality of life.



5 What protects or disadvantages people's financial circumstances?

This chapter draws together the factors that make it harder or easier to manage on a low income. It covers those issues that impact on increasing household and transport costs, and those that hamper or enable people to stretch their money that little bit further.

Health and mobility

Other research has demonstrated the impact of poor health on quality of life among people in later life (see Hill et al., 2009; Bowling, 2005; Bowling, 2011). We found that health was a major factor that increased participants' expenditure and restricted their ability to save money. Having poor health and mobility affected participants by:

- increasing the amount that had to be spent on transport and getting around
- having to pay for help at home and additional aids
- increasing expenditure on heating and water
- affecting participants' ability to shop cheaply.

Increased transport and mobility expenditure

Several participants mentioned that they had difficulty getting to and from bus stops and/or were unable physically to access buses, thus being unable to take advantage of the free bus pass.

In addition, several other households had someone with poor health and mobility in them. Their options were to:

- use their car if one was available
- use community cars/buses
- rely on care workers or neighbours, family and friends for lifts
- pay for a taxi to get to locations just outside their immediate vicinity.

A few people also relied on mobility scooters, because they were unable to walk far, which incurred costs for purchase, upkeep and maintenance.

Those who had to rely on taxis highlighted the amount of money this could involve, particularly if having to get to hospitals or GPs some distance away. Another participant, who could not drive and was unable to use buses, had to pay for care workers to take her shopping, to hospital appointments and for other outings. Her small budget meant that she had to prioritise where she went.

Those living in rural locations were doubly disadvantaged, with one being charged £47 for a long trip to get to a hospital appointment. Although some saw their car as essential (see Chapter 4), they also noted the increased price of petrol and running costs (see Chapter 3). However, for many with health problems, their cars were seen as a real lifeline to the outside world:

'My car has been me godsend. Without the car I would definitely go. If I haven't got my car and I couldn't get out anywhere and I was stuck in the house, I'd have nothing to live for. I'd just go, nothing to live for.'

Man, aged 75, single household

In addition, we found that participants who had health problems had also spent money on other mobility aids. Examples included the purchase of a 'riser' chair, special telephone systems or handsets, and shower aids. These costs became more problematic where a person did not receive any health benefits.

Costs of paying for help at home

Some participants needed personal care. This meant paying directly for that care. Those who needed such help were in no doubt that they could not manage without it and therefore had no choice but to pay for it. This was the case even when there was family nearby, as the daughter of one participant notes:

'But he has to have it, because he can't see to take his tablets, he can't shower himself. He can sometimes have a wash in the morning if he's feeling OK, but he needs somebody here to do his dinner because he can't see to do it. So he does still need that care and I can't do all that every single day.'

Daughter of 85-year-old man, single household

As well as help with personal care, participants also paid people to garden and clean their homes, which they believed was vital when they could no longer do it themselves. This may be because participants had spent a long time getting their house and garden to look how they wanted it to. It was therefore hard for them to conceive of letting them get run down, dirty or neglected. They needed to feel that they were keeping some control over their homes. Paying someone to do this outside the family was important to these people, as they acknowledged the busy lives that their relatives led and did not want to impose on them.

There were also instances where participants paid their family for help within the home. In these cases, it was deemed important to recompense them for giving up their time to help (see also Hill et al., 2009).

Extra costs for heating and water

Some participants with poor health or mobility also explained how their health condition meant that they needed to stay warm. For example, participants with spondylitis and arthritis needed to have the heating on, as poor mobility meant that they felt the cold. Being warm also helped to ease the pain. Some of those with such conditions felt that they would have liked to have the heating on more often and for longer than they actually did.

Another issue was the cost of the water bill, which was considered expensive if on a water meter and using a lot of water. For example, one person caring for his ill wife expressed his concern about his water bill, as her illness required bedding and clothing to be washed more frequently, thus incurring greater costs:

'I sort of dread the water rates. I do washing every day. It has to be done every day.'

Man, aged 87, couple household

Inability to shop around

Poor health and mobility was a key factor in the extent to which people could shop around to buy items inexpensively. Participants spoke of being too tired or physically unable to 'traipse around from shop to shop'. This meant that they cut journeys short and therefore missed seeing for themselves what was on special offer. In addition, participants with poor health and mobility often had to rely on others to shop for them:

'I can't go and do my own shopping but I'm very lucky with another resident who goes twice a week and does it for me. So I make a shopping list and I have to rely on what she can get for me.'

Woman, Focus Group 1

Participants noted the fact that informal and formal carers may simply not have the time or the willingness to be able to search out the cheapest shops or produce:

M: *If you are more or less totally housebound, then obviously it's going to make a lot of difference to you.*

Q: *In what way?*

M: *Well, I mean.*

W1: *They've got social workers.*

M: *A social worker is fine and she comes and does your shopping and that's great, but I mean is she going to be as careful with your money as maybe you'd be yourself? You don't have any control when she goes out with your money to buy whatever it is you need to buy.*

W1: *Aye.*

W2: *She'll just go to one shop.*

Focus Group 4

As such, some ill or immobile people inevitably ended up spending more than those able to choose for themselves what they needed to get.

Having poor health and mobility then has a real impact on what people have available to spend and how they manage it. It increases both the more obvious extra costs of paying for help and for transport, but also carries more hidden costs required to keep warm, clean and comfortable. Benefits (such as Attendance Allowance and Disability Living Allowance) and direct payments are designed to help people with such additional costs. Those participants in receipt of Attendance Allowance told us that it had made a real difference to their lives in terms of giving them more leeway in their budgets and enabled them to pay for additional costs, such as for taxis and personal care. Most participants with additional needs did receive health-related benefits. However, where this was not the case, the additional costs they incurred had a deep impact on spending and lifestyle.

Area

Shops and facilities

Another major factor that affected people's ability to manage on their income was the area that they lived in. Participants who lived in urban areas generally felt that they had a good range of shops and facilities. However, even where this was the case, access to these facilities was still dependent on how well or how mobile people were. There were additional benefits, though, for people living in some urban areas, as subsidised taxi schemes were available, enabling those with poor mobility to get out and about more cheaply.

In contrast, those living in rural areas had much more difficulty in accessing shops and other facilities. Getting to and from hospital and GP appointments was raised as a major issue, with some having to make long and sometimes expensive trips to get there. Shops and other facilities were also incredibly difficult to get to without a car, which in turn made it more expensive to live there. As these participants note:

M: *You've got to think before you travel anywhere, because if you jump in your car –*

W1: *It costs.*

M: *Sometimes you jump in the car just to go down the other end of town to the shops, but now you think oh no, I'd better walk, because this is costing me... You've got to think about it now, because we haven't got the money.*

W2: *Well it is in some ways, if I wanted to go to the art centre to see something there, it would cost me £12 by taxi plus the cost of the ticket and the reduction isn't that large and some of the tickets are very expensive anyway.*

Focus Group 5

Local shops in rural areas were also considered to be very expensive and did not always sell the basic food items that people required. Participants also complained that in rural areas there was a limited range of shops, meaning that they had to travel if they wanted more choice. This had a major impact on those without the means or ability to get out to cheaper supermarkets.

Some felt that, in holiday areas, local shops were more inclined to cater for tourists, rather than essential items. In one rural area, participants had noted the rise in the number of charity shops, which they believed indicated a real need for somewhere to shop more cheaply.

Lack of public transport

The need to have a car to access shops and facilities was exacerbated by the lack of regular and convenient bus services in rural areas. Buses stopped running at certain times or only followed certain routes. There had also been cuts to services, which caused real difficulties for participants and could increase the cost of getting back home through alternative means:

W: *We have a little Connect bus that goes from the town and up over to [nearby town] and they've cut three of those off a day, so now we're not getting back into town at the times that are convenient for us. I mean one goes at 9.08am and then one comes back about 9.30am, which doesn't give you time to actually do that much. I mean, if you're just going for a prescription and a bread loaf, then you might pull it off.*

Q: *What are the implications of that then?*

W: *Well that's it, yes, because you'd have to have a taxi, if you don't drive, or you would have to walk or what have you.*

Focus Group 3

If this wasn't enough, buses might not run at all at weekends or in bad weather, as highlighted below:

W1: Plus when you live in the country, you have to stock up in the wintertime, because you don't know. And the buses don't even run in the winter when it's that bad and you can be cut off, you know.

M: It's a long walk otherwise.

W2: Yes. And you can be cut off in a village for days.

Focus Group 3

Increased cost of living

In line with other research (see Smith et al., 2010) it appeared to be more costly to live in rural areas. Participants in rural areas we spoke to believed that their overall cost of living was more expensive than in other areas. In one rural location in particular, people believed that food, clothes, petrol, Council Tax and even recycling and garden waste collection were more expensive when compared to other locations in the United Kingdom. The increased cost of food and clothes was attributed to the feeling that everything had to be transported a long way by road. It was thus linked to the increasing cost of petrol.

Seasonal price increases also appeared to affect rural locations. One area was a seaside location; of major concern here was a notable increase in all prices at the beginning of the holiday season as tourists arrived. It was also believed that supermarkets and garages put up their prices at the weekend at the start of the holiday season, which was also considered to be due to tourists travelling to local beauty spots.

The impact of living in a rural area for people in later life was to make life that bit more expensive for participants who had no choice but to withstand increased prices due to a lack of alternative affordable transport. This was especially the case if they were also in poor health.

Fuel and housing issues

Participants living in more rural areas were not necessarily able to take advantage of the same range of discounts available to people who had both mains gas and electricity – the dual fuel discount. In addition, central heating oil was expensive, as highlighted below:

W1: Well we don't have mains gas.

W2: Most people are not on mains gas.

W1: So when they say you can get it cheaper if you get your gas and electric from us.

W2: Well you can't, can you?

W3: No.

W1: So you don't have a choice. You can't get gas, so you can't get it cheaper.

W3: And the oil people have started to club together now in communities and in small groups to try and buy oil at the same time to get it down, because the price is, how much has it gone up?

W1: It's very expensive.

W2: Is that for central heating?

W1: Yes.

Focus Group 5

A few participants lived in old stone buildings, which were an integral part of their rural landscape. However, although considered to be lovely, they were acknowledged as not being easy or cheap to keep warm:

'[W]ell, it's a stone-work building. It's historical preservation, so we're not allowed to do double glazing, so the heat that I put into it just goes. That's a biggie, huge heat loss.'

Man, aged 72, single household

'One of the reasons that this house can be very cold in winter is that there's no heat in the kitchen and that corner of the house, which is an old larder and an old coalhouse opening into a kitchen, is very cold.'

Woman, aged 73, single household

One of the main issues that owner-occupiers faced in these properties was the cost of maintaining and repairing them. For example, a participant highlighted the anxiety around making sure that her property was safe and in working order:

'There's no gas here, so I have a wood-burning stove, which I'm absolutely terrified of now, because the chimney caught fire and it cracked the chimney pot, so I had to have a new chimney pot fitted.'

Woman, aged 70, single household

It appears that living in rural areas – tranquillity and scenery notwithstanding – can mean extra expenditure on fuel and for heating and for the upkeep of older property.

The presence of family and friends

Those participants without family or friends had nobody to call upon to give that bit of extra help with housework, or to provide transport for shopping, to doctors or hospital appointments. This was problematic if they were in poor health and had mobility problems, as they then had to rely on paying people for the smallest of jobs. One woman, who had health problems but was not receiving health benefits, felt that she had no choice but to struggle on with housework, as she could not afford to pay for help. Another woman without family relied on a charity befriender and a member of the local clergy to take her out shopping and to pay bills. Those without family and friends were also lacking in emotional support in general, but in particular were missing out on being able to discuss worries about their financial situation, both now and in the future.

Participants with family and/or friends highlighted a range of things that were done for them that reduced their own financial outlay. Family and friends provided lifts, cooked meals, cleaned their house, fetched shopping, and helped with gardening and household repairs (see also Hill et al., 2009; Hill and Sutton, 2010). In addition, some participants' relatives provided direct financial assistance, by paying for a holiday, household bills or for new household items. People also talked about receiving hand-me-downs (clothes and furniture) from family and friends which, even if they involved a small payment, enabled them to furnish and update their homes when they otherwise might not have been able to do so.

However, it was suggested that financial assistance was not only a one-way process: the participants also provided for their families financially. Some helped out with money towards presents or for grandchildren. Some participants felt that grown-up children could also incur financial costs, with little idea of the impact of providing help on a fixed budget. However, others highlighted the fact that their children were also facing difficult times financially:

W1: *We've got families, grandchildren and great-grandchildren, but the thing is they're struggling the same as us.*

M: *Yes.*

W1: *They're struggling, they've all got children and going to school and you know.*

W2: *It's expensive for them as well.*

W1: *One can't get a job. He's been trying for two years and I think he's just got one and I think he's hanging onto it for grim death.*

Focus Group 5

In these cases, participants certainly did not want to add to their family's financial problems.

Children, grandchildren and friends were also valuable sources of information and guidance. This included help with using the internet and getting the best deal on car insurance, but also they could simply be called upon to check that their parents understood anything they might be taking on:

'If anything comes and we don't understand and it isn't big enough for [my husband] to read... we send for me son and he'll just check it and let us know if, you know, what it is and everything and sort us out.'

Woman, aged 76, couple household

Some participants had family and friends who had taken action directly on their behalf to sort out the aftermath of doorstep selling that went wrong.

Finally, we found that, for some, it was really important to have someone who understood their financial situation and who would not make it more difficult for them to manage financially:

'Because she [new partner] is the same as me. She's not one of these people that says: I want to go here, I want to go there, we're going out tonight and what do you drink 'Oh I'll have brandy and lemonade'. You know, she is so moderate as I am and she's struggling like I am. She knows what it's like to be struggling, because she's got a house round there and the roof needs doing... So she's like me, she knows what it's like.'

Man, aged 75, single household

Just as other research has shown the benefit of having good friends and neighbours to older people's quality of life (Bowling, 2011), having family, friends or just someone to care could act as a significant source of financial comfort.

Access to networks, information, services, advice and advocacy

A further important resource that helped people manage life on a low income was access to a range of different support networks. These included:

- formal and informal sources of advice
- information, advocacy and services which served to make their money go further
- access to benefits, grants or direct financial support.

These networks also acted as a means of dealing with the emotional aspect of living on a low income.

Informal networks

The importance of social networks was discussed in terms of access to cheaper goods and services and as a source of advice. Participants talked about the benefit of knowing (or being recommended) trustworthy tradespeople, or having friends 'in the trade' who could be relied upon to do a good job at an affordable or discounted price. Examples included maintenance on the home, gardening, and buying or servicing a car. One participant spoke of how he had received advice from people he knew when he became bankrupt, which he particularly valued, as they had been through such circumstances themselves. The key issue here for people was trust – knowing that someone will not overcharge you or that they can empathise with your situation.

Advice and support organisations

Some participants put a great deal of value on support they had received from local organisations and charities. This included local Age UKs or local Age Concerns, Citizens Advice Bureaux, and more specific support organisations or groups, for example for carers or local representatives of a national charity. People had been:

- helped to access benefits and grants that had improved their financial circumstances
- advised when facing difficulties such as debt or the financial implications of bereavement
- provided with a source of independent advice.

Furthermore, such organisations had also acted in an advocacy capacity, for example stepping in when someone was being overcharged for care, and finding a source of funding to pay for arrears accrued in error.

Such intervention was particularly important when people were at a point of distress and finding it hard to deal with the 'system'. Having someone to act on their behalf was therefore comforting, especially as one participant pointed out: 'They [officials] don't listen to me.'

Again, the fact that the advice and support organisations were seen as independent and trustworthy was crucial for participants, as was the provision of a face-to-face service, which allowed people to actually go and talk to someone. This is an important issue, given funding threats to voluntary organisations and the move to more telephone or online service provision.

Access to financial help, grants and entitlements

The ability to access a range of grants and financial support had been extremely helpful for some participants in both saving money and providing additional income.

Several participants who owned their property had applied for grants for new windows, heating, insulation, electrics, and to make repairs to their property that were necessary (and, in some cases, added to energy efficiency and reduced bills). These included Home Improvement Agency and Warm Front grants which, even where people needed to make an additional contribution, allowed them to do work that would otherwise have been impossible to afford.

A key issue is how people get to know about such schemes. For example, one participant had only found out about a grant as her sister had told her about it. The focus group discussions between people living in the same area also revealed patchy knowledge about what people might be entitled to and the help available.

A few participants also drew on one-off grants from charities to help towards house or car repair and maintenance costs. Some also received regular financial support from a charity, which supplemented their income. In these cases, a key factor was not only being aware of the charity and that such funds were available, but also having the ability and willingness to actually ask for help.

Intervention from social services was also raised. Several spoke of how they had benefited from equipment and adaptations to help with mobility or hearing difficulties, which had been provided free through social services. Again, others were not aware of such help. Social services had also acted to access benefits and grants in one case:

M: I mean, I wouldn't have got help with the rent and that sort of thing had it not been for the wife having cancer and social people coming and putting right.

Q: So you had some actual advice on that, did you?

M: Yes, people said, 'Why don't you get so and so?' When the wife... was dying with cancer and the social bloke come and said, 'Is there anything you want?' I said, 'The only thing we're really short of is heating in that far bedroom'. So he said, 'I'll see if I can get you a grant for a storage heater', and he did, you see.

Man, aged 86, single household

One view was that having a 'good' social worker was important to help ensure that people accessed the things that they might be entitled to, but that without such access to 'the system', people did not necessarily get to find out about the range of help or provision available.

Community services

Finally, several participants emphasised the value of local day centres and activities they attended, and where others spent time as volunteers. These were sometimes seen as an important coping mechanism, as they provided some structure and a vital way of meeting other people. Such activity was seen as important in combating the potential loneliness, isolation and depression that some participants felt was a threat when living on a low income in later life. These services were seen as giving people something to focus on and fill their time – which could ‘hang heavy’ – at little or no cost. However, there was an awareness that some such services were under threat, and the thought of losing such provision was a grave concern to some.

The role of ‘savings’

The presence of savings can be vital to people managing on a low income in later life. As highlighted in Chapter 2, savings can act as a crucial safety net when people are faced with unanticipated outlays, which cannot be managed from day-to-day budgets. People who were able to draw on savings to pay for large or unexpected expenditure, such as house repairs or replacing household items, avoided the potential alternative of having to borrow money or making do without. Furthermore, concerns about the future could be particularly worrying for those without savings (see Chapter 3).

The research also highlights, however, that the term ‘savings’ can be complex. While some of our participants had savings earmarked for their funeral, others did not necessarily see money set aside as being for long-term purposes. Sometimes people were ‘saving’ as a form of budgeting, for example putting by small amounts for Christmas or a holiday. Where people did have some money saved to draw on, it was often on a fluid or cyclical basis. For example, someone described it as their ‘in and out fund’. This reveals how, for some on a low income, it was difficult to accumulate money to keep to one side due to the constant demands made on any savings, when day-to-day budgets could be stretched to the maximum.

The amounts of money that people had in savings varied, but the common theme was the security, reassurance and ‘peace of mind’ that having a bit of back-up provided, even if only a few hundred pounds. People who had such ‘reserve’ funds most often saw them as something to draw on in an emergency, if something were to break down, or to enable them to travel to visit a sick relative or family abroad, if necessary. The principle here was being prepared, as you ‘don’t know what is around the corner’:

‘Well I think you’ve got to have a little bit of money. You don’t know quite what you want, do you? Anything could be thrown at you, couldn’t it really?’

Woman, aged 82, single household

Having some savings provided much-needed security, and people who had this felt that they would be 'vulnerable' without it. Several participants spoke of 'ignoring' the money or pretending that it wasn't there, so as not to touch it. They saw it as only to be used in a dire 'emergency' or if absolutely forced to, and as such they would rather make do without other things in order to protect it. This indicates the importance that they placed on keeping this resource intact. For this reason, a few participants who did have more savings than most in the study were still leading a very restricted lifestyle.

Conclusion

Having poor health and mobility, living in a rural area without good transport links and living in old and cold housing are all factors which individually can affect people's ability to manage on a low income in later life. In combination, these issues can seriously damage people's financial and overall wellbeing.

The presence of family and friends, provided that they have the willingness and ability to help, can alleviate these extra costs somewhat, although some people in later life may find it hard to ask for – or accept – that help.

Access to various services and formal networks can be vitally important. However, knowledge about such resources can be variable. Savings can be used both as a way of dealing with emergencies, and to manage more frequent demands on people's budgets as and when they arise. As such, a small set-aside fund is vital in providing a sense of security in a climate where people are constantly trying to balance the books.

6 Conclusions

This report shows that, typically, people on low incomes in later life find life tough but are 'coping'. The findings demonstrate the different forms of hardship that people experience. It highlights the extent of the sheer hard work required in order to get by and just how constraining living on a low income can be. Having little money means little opportunity for spontaneity and affects people's freedom and independence. The findings raise a number of issues relevant to pensioner poverty in the 21st century.

A key conclusion is that, while dire material hardship may be less common in later life than it once was, the pressures and stresses associated with living on a low fixed income have not gone away. Material hardship has not disappeared: some of the people in our study had to economise on fulfilling basic needs, for example by only heating their homes for part of the day. However, when things are going smoothly, it is clear that having an income around the level of the Pension Credit can be adequate to maintain basic needs. A more significant issue for many people on low incomes in later life lay in the stresses, uncertainties and anxieties associated with making ends meet.

The findings show how a combination of having poor health and mobility, and living in more isolated areas without accessible and affordable transport or social networks, can make some older people more disadvantaged than others (see also Hill et al., 2009). Where people are already on a restricted income, these factors make stretching their money further that bit harder.

Part of the problem is that if you are only just keeping your head above water, it is hard to deal with unexpected or additional expenses. Someone who has planned their regular expenses carefully may find it hard, for example, to foot the bill for house or car repairs, to visit a sick relative at the other end of the country, or to replace a broken appliance. Most of those we spoke to understood the importance of 'rainy day' money, but even where they had built it up they could be reluctant to draw on it, for fear of running out and being unable to afford a more important expense in the future. The reluctance of many to go into any form of debt created a particular constraint.

Another issue arose where people did not always feel in control of their financial situation. In some cases, they had suffered misfortune in the past, for example, getting divorced and having a settlement that worked out badly for them. In others, they were dependent on having things bought for them by family and friends, and this made their financial comfort contingent on the goodwill of others. Sometimes the ways in which organisations structured payments made things difficult for them, for example where their gas or electricity accounts were allowed to fall behind, causing large arrears or sudden increases in monthly payments. The risk of external events upsetting their budgeting caused worry and anxiety to older people on low incomes.

At the same time, there is currently concern among pensioners that their income will become less adequate in covering basic needs. This is not unfounded: our work on minimum income standards shows, for example, that since 2008, the guarantee level of the Pension Credit has become 5 per cent less effective at maintaining a minimum acceptable standard of living for pensioners (Hirsch, 2011, page 27). This is because a minimum budget for pensioners is more heavily weighted to items such as food and fuel, which are rising rapidly in price, than the Consumer Price Index on which benefit upratings are based. The Pension Credit level is still, in principle, just enough to cover minimum needs after housing costs. However, many of the people we spoke to in this study had additional needs or demands on their income. This included tenants whose rents were not fully covered by Housing Benefit, homeowners who faced the extra costs of repairs and maintenance, someone paying for mobility aids though not receiving health-related benefits, or people with other regular additional costs, such as having to travel to visit relations or meeting loan repayments.

The research shows the extent to which some older people living on a low income already feel on the verge of not being able to cope. This was typified by the respondent who stated that if prices go up any more, it would mean cutting back on food, as there is nothing else left to economise on.

The most important implication of these findings is that what people in later life need most is stability and certainty. They need to know that the actual buying power of their incomes will not go down. They also need to have some confidence that those things that are provided for them today will still be available in the future. This applies more widely to the future funding and provision of care services. Increased charges and changes to eligibility for home care and continued day centre service provision are of concern here. These can be essential in an economic climate where those often tasked to help people are also struggling financially.

Discussions about whether free bus passes or Winter Fuel Payments are justified, for example, create damaging uncertainty over whether an older person's present strategy of 'making do' will still work in the future. Many of those we spoke to have built the availability of free bus travel into their budgeting. Someone who is coping with rising food prices by taking a bus around town to get the best deal may effectively have this option removed, if they have to pay for this travel. Additionally, where the bus is a free means to social and leisure activity, its loss could impact on people's isolation and quality of life. Similarly, those who are only managing to keep their homes warm as the cost of fuel escalates thanks to the boost provided by the Winter Fuel Payment could suffer severe material hardship or risk of insufficient warmth, if it is withdrawn or if its value is reduced.

Of further concern is the continuous need for good-quality information and advice about how to save money and to access benefits or grants, and about the provision of support if people got into difficulties. The findings highlight:

- how people really valued help and advice they had received
- the importance placed on independent, trustworthy and empathetic information sources
- the value of face-to-face services.

However, knowledge about, and access to, such provision was variable, and a key issue is whether such services will continue to be available – and in what form. Furthermore, in relation to energy use, pensioners without the means to make comparisons between fuel suppliers' claims to the cheapest prices are often limited to dealing with disreputable doorstep salespeople. They need to get the same range of information as others, in order to make informed decisions about whether to switch their supplier to save money.

Finally, it is notable that for many of those who took part in this study, their limited incomes were not the most important factor in determining their quality of life. The closeness of their relationships, the quality of their local services and how they felt about their surrounding environment could often be more important. But this was often because they felt that they were currently 'coping' by paying bills on time, keeping warm and buying the basics, and felt they could be philosophical about the limits to what they could buy. Increases in the past decade in the real value of benefits, and especially the Pension Credit, had undoubtedly contributed to this. The risk is that, if the buying power of incomes in later life declines, money will become more important, because coping will become ever more difficult. This study has shown that many older people who are 'getting by' today are already worried that this will not last.

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