Protecting Our Families

March 2017

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About this study

This report examines the fortunes of families with dependent children (either aged under 18, or older than 18 but still financially dependent on their parents), including two-parent families who are married or cohabiting, along with divorced, separated or widowed parents. It focuses on the decisions and steps parents take to protect their health and household income during the years when their children are financially reliant on them. The report also contrasts these findings against the national average for all UK adults.

For the majority of questions relating to addressing a loss or significant reduction of income, respondents were asked to provide answers assuming that these circumstances were applicable for a period of at least six months.

Key findings for parents with dependent children

Expectations and preparedness	Experiences and outcomes
76% of parents have no financial plan for dealing with lost income due to ill health, while 68% have no plan for dealing with the death of either themselves or their partner	More than one in four (27%) families have experienced a loss of income due to ill health, serious illness or death of a long-term partner
Government is the most commonly trusted source of financial support (57%), followed by employers (50%)	Nearly one in five (19%) who have experienced loss of income for health reasons had to downsize, move back in with family, rent or became homeless as a consequence, while 6% took on debt from a non-high street lender
The typical family thinks their savings could sustain their current lifestyle without making any changes, for just five months if the main income earner was unable to work; but Aviva's assessment of their finances suggests that nearly half (45%) of families would last less than a month based on their current spending	26% of those who have experienced loss of income due to ill health recovered financially within two months, yet one in five (20%) don't think they will ever recover or have no idea how long this will take
Even by spending the absolute minimum needed to support their family, one in three families (36%) could not survive a month unsupported as nearly one in five families (18%) already spend as little as they can	

Foreword

"Our findings highlight the importance of improving families' awareness of the state and employer support that is available to them, and the necessary need to supplement this with personal financial resilience planning and protection."

The uncertainties of a post-Brexit UK and increasing global political and socio-economic changes are the subject of on-going public commentary. However at a personal level, dealing with uncertainty and the unexpected is already an everyday reality for many parents as they seek to provide for their family's finances, education, personal health and well-being.

This Aviva report takes a holistic view of parents' approaches to seeking to financially protect their families, including the extent of any financial provisions or protection in place, along with their attitudes to health. It examines their exposure and financial resilience to unexpected income losses arising from illness or death – contrasting the expectations of families with the experiences of those who have faced these unfortunate and unforeseen events.

By doing so, this report identifies how far the average family with dependent children can be self-reliant, what trust they place in others, what actions they take when events take a turn for the worse, and what factors affect their chances of making a financial recovery when the unexpected happens.

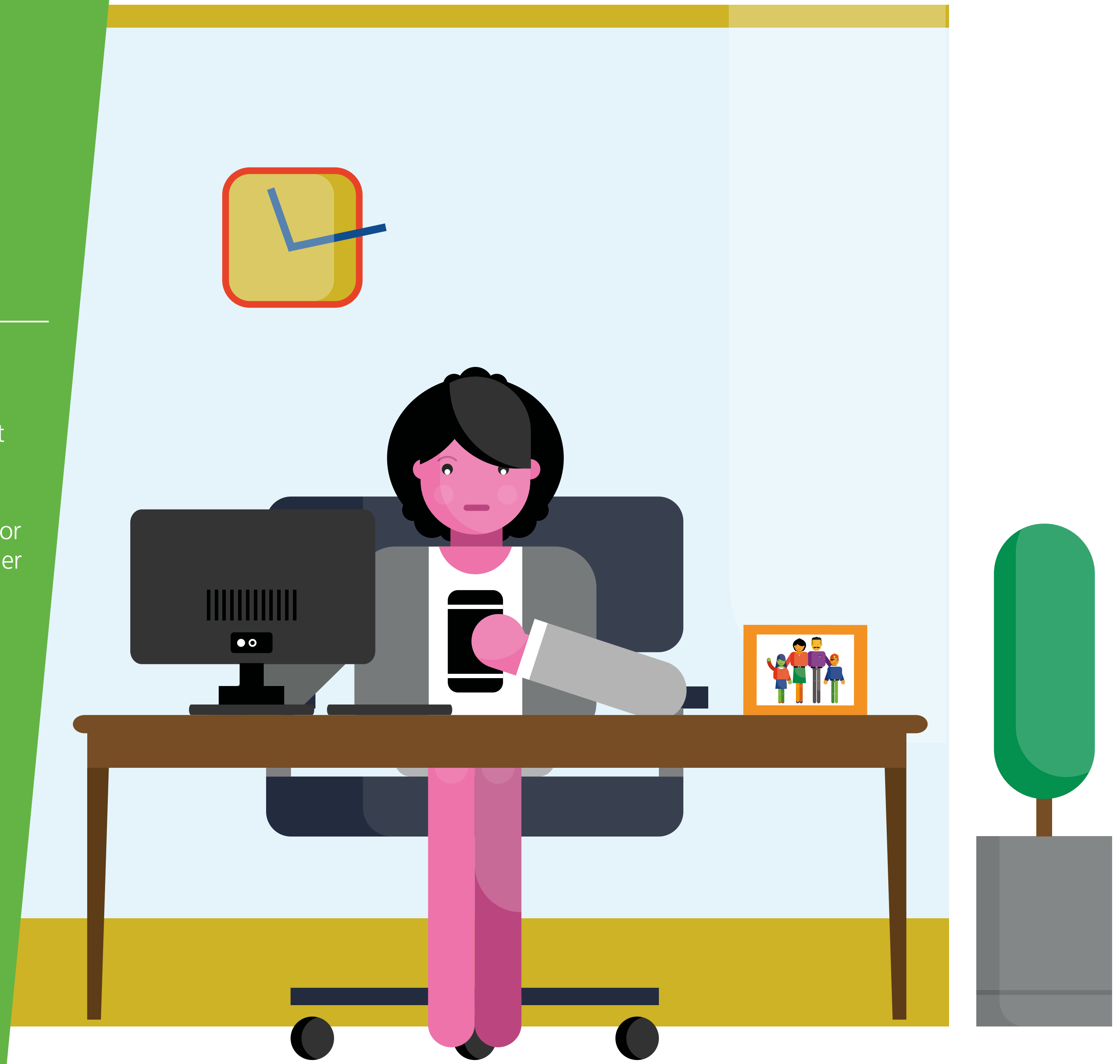
Our findings highlight the importance of improving families' awareness of the state and employer support that is available to them, and the necessary need to supplement this with personal financial resilience planning and protection. Government, employers and insurers play vital roles in raising this awareness, and helping more families to come to protect themselves from financial hardship arising from unexpected events.

Paul Brencher
Managing Director, Individual Protection, Aviva

Attitudes and approaches to protecting our families

Key findings among families with dependent children

- 42% of parents worry at least once a month about the main breadwinner losing their job
- 76% of parents have no plan for dealing with lost income due to ill health, while 68% have no plan for dealing with the death of themselves or their partner
- Parents who have not taken out formal protection for their families are also less likely to take action to look after their health
- Parents are more likely to insure their physical possessions than their health or income, with perceived affordability found to be the most common barrier



Parents are regularly preoccupied by a number of risks to their income and ability to provide financial support for their families. Aviva's research shows more than two in five (42%) worry at least once a month about the main breadwinner losing their job, making them more prone to this concern than the average UK adult (36%).

Parents are more likely to worry each month about the risk of their partner dying (38%) than about the risk of physical illness (35%) or mental illness (29%) leaving the main breadwinner unable to work or suffering a loss of income. But being unable to work due to ill health is more common than expected. On average, 1.8 million employees have a long-term sickness absence of four weeks or more in a year,[1] while around 250,000 people leave employment each year due to ill health, representing around 1% of the workforce.[2] Serious conditions such as cancer are becoming more prevalent, with one in two people expected to develop cancer at some point of their lives.[3]

Two in five parents (40%) never worry about mental illness, despite one in four people experiencing a mental health problem in any given year – making this the largest burden of disease in the UK.[4] A government study published last year suggested 17 million absences from work in 2015 were due to stress, anxiety or depression, while an additional 600,000 were due to serious mental health problems.[5]

How often parents with dependent children think about the main breadwinner becoming unable to work or the death of them / their partner affecting their household
%

	Once a week or more	Once a month or more*	Never
The main breadwinner losing their job and not being able to provide financial support	22	42	23
The main breadwinner becoming unable to work or having to make a significant change or reduction to their work due to physical illness	19	35	25
The main breadwinner becoming unable to work or having to make a significant change or reduction to their work due to mental illness	17	29	40
The risk of you / your partner dying and the impact on your family	21	38	23

* Percentages include those who worry once a week or more. Numbers do not add up to 100% as not all answer options are included here.

A heightened sense of concern about illness or death exists among parents in 'lower income families' – defined in this report as having household net incomes of no more than £1,500 a month or £18,000 annually, accounting for 24% of families. Parents in these families are more likely than the average parent to worry **each month** about losing a job (55% vs. 42%), physical illness (50% vs. 35%), mental illness (43% vs. 29%) and death (48% vs. 38%).

1 Gov.uk, *Work, health and disability green paper: improving lives,* November 2016
2 Association of British Insurers, *Welfare Reform for the 21st century,* September 2014
3 Cancer Research UK, *1 in 2 people in the UK will get cancer,* February 2015
4 Mental Health Foundation, Fundamental Facts About Mental Health, 2015
5 Office for National Statistics (ONS), *Estimate of the number of days of sickness absence taken,* 14 July 2016

Health rivals inflation as the most widespread concern

Looking more broadly at parental worries, the threat of developing a serious illness or condition (43%) is second only to increases in the price of basic necessities (45%) on their list of concerns and risks. Parents judge the threat of losing a job through ill health or redundancy to be less severe, yet still one in three (33%) feel that this is a concern. Understandably, parents worry more than all UK adults both about the price of basic necessities and job loss.

Among parents, those in lower income families are more likely to be **generally** concerned about serious illness (53% vs. 43% of all parents) and job loss (42% vs. 33%), and are significantly more likely to be concerned about potential loss or changes to the current benefits system (52% vs. 29%) – a sign of greater reliance on this support.

Top ten concerns of parents with dependent children
%

Concerns	All parents	Parents in low income families	All UK adults
Significant increase in the price of basic necessities (e.g. food or utilities)	45	59	40
Me or a member of my family developing a serious illness or condition	43	53	43
Insufficient money for retirement	43	52	34
Unexpected expenses (e.g. major repairs to home, car costs)	42	48	33
The impact of Brexit and / or government changes	36	35	35
Losing my / our jobs (e.g. due to ill health or redundancy)	33	42	31
Identity / cyber fraud	30	36	32
Lower interest rates on savings	29	30	35
Loss / changes to the current benefits system	29	52	26
Not being able to afford to buy a house / keep up with mortgage repayments	27	34	21

Despite their financial concerns, parents are unlikely to have plans in place to deal with the unexpected. More than three in four (77%) have no plan for coping with a job loss; 76% have no plan for being out of work due to ill health and 68% have no plan for coping with the death of themselves or their partner. Even those with a plan are unlikely to have written it down: only 37% have done so for job loss and 33% for illness or injury, compared with 52% for death.

The tendency to plan more for dealing with death rather than for job loss or illness is contrary to families' experiences. Aviva's data suggests only 2% of families have experienced the death of a long-term partner, whereas 11% have experienced short-term loss of income and 11% have experienced long-term loss of income due to ill health.

Taking action on family health

Aviva's research reveals encouraging signs that many parents have acted over the past year to look after their and their family's health and fitness as a way of protecting themselves. Nearly half (45%) say they have made efforts to eat a healthier diet; 28% have lost weight to become healthier; 27% have made efforts to reduce stress; and 21% have cut down or stopped drinking alcohol.

However, despite trends such as rising obesity in the UK[6], nearly one in five parents (19%) have done nothing to try and improve their or their family's health over the last year. Parents without insurance for their health or income are even more likely to fall into this category: leaving them exposed to additional risks by neglecting their physical and mental well-being. For example, one in five (20%) parents without health insurance have taken no action to improve their or their family's health in the past year, compared to 11% who do have this type of cover.

6 Public Health England, *UK obesity prevalence and trends,* 1993-2014

Protecting assets, income and health

Parents with dependent children are much more likely to have invested in protection for the contents of their homes (75%) and the construction of their homes (65%) than for private health insurance including dental cover (22%), critical illness cover (18%) or income protection (13%).

Similarly, parents are more likely to have travel insurance (38%) or insure the family pet (24%) than have health, critical illness or income cover. Parents are also almost twice as likely to have phone insurance (23%) than income protection (13%). The proportion of parents that have home appliances cover (35%) is the same as those with a Will or death in service protection (also 35%).

Despite being less likely to experience the death of a partner than to suffer loss of income through ill health, families are also less likely to have income or critical illness cover than life protection. Parents in lower-income families are only half as likely as the average parent to have health insurance (11% vs. 22%) and the picture is similar for critical illness cover (10% vs. 18%).

What form of protection do families hold?
%

	All families with dependent children	Low-income families	All UK adults
Protection for physical possessions			
Home insurance – contents	75	55	72
Home insurance – building	65	40	62
Home appliances cover	35	25	32
Phone insurance	23	20	18
Bicycle insurance	8	5	6
Personal or family protection			
Life insurance	46	28	32
Sick leave from an employer	45	22	29
Travel insurance (i.e. holidays and family health while overseas)	38	20	37
A Will	35	26	42
Death in service from an employer	35	15	23
Pet insurance	24	17	18
Health insurance (including dental insurance)	22	11	19
Critical illness cover	18	10	10
Income protection cover	13	10	8
Long term care plan	9	6	5

Protection barriers

Many parents feel they should have more cover in place and simply have not got around to arranging it yet. A Will is the most likely product to fall into this category (62%), but at least one in five parents without cover feel this way about life insurance, long term care plans and critical illness cover. This may be a symptom of busy family lives, the lack of an external deadline to meet for taking out these products or the tendency to put off thinking about these eventualities.

Perceived affordability is also a pressing issue. More parents say they reject cover such as life insurance because they don't think they can afford them rather than because they do not think they will ever need or want them, or simply have not yet arranged them. This perception does not necessarily meet with reality: life cover can often be purchased for as little as the cost of a couple of takeaway coffees each month.

Protecting young children

Parents with children aged five or younger have a higher uptake of health insurance (27%) than the average family (22%) and similarly high levels of income protection (20%) and critical illness cover (15%). Their focus on these protections at an early stage of family life may be linked to having less of a savings cushion to fall back on (£1,156 vs. £2,004) and greater concerns about the unexpected.

Parents with young children are also more likely to think at least once a week about the risk of losing a job (27% vs. 22%), or being unable to work due to physical (25% vs. 19%) or mental (22% vs. 17%) illness, as well as the risk of either parent dying (24% vs. 21%).

However, they are less likely to have buildings (59% vs. 65%) and contents insurance (66% vs. 75%), which may be because they are more likely to be in private rented accommodation (22% vs. 16%) rather than homes they own. They are also less likely to have a Will (23% vs. 35%).

Top five products where affordability is a perceived issue among parents without cover
%

	I think I should have this, but I haven't yet arranged it	I don't think I can afford this	I don't think that I will ever need or want this
Health insurance (including dental)	14	41	39
Life insurance	27	37	30
Critical illness cover	20	37	36
Long term care plan	21	35	35
Income protection cover	18	35	40

Income protection is an exception in that more people reject a need for it (40%) than feel it is unaffordable (35%). But the overall findings suggest that many parents understand the benefits of insurance but simply feel that they cannot afford it.

Those without phone insurance, travel insurance and death in service payments are also most likely not to have this type of cover because they don't think they will ever need or want this (68%, 43% and 38% respectively).

However, as subsequent findings show, there are question marks over whether some families can afford not to have protection in place.

The reality of dealing with financial loss

By examining the experiences of families who have suffered income loss through ill health, we found:

- More than one in four (27%) families have experienced a loss of income due to ill health, serious illness or death within the family, including 11% experiencing long-term loss of income
- Nearly one in five (19%) had to either downsize, move back in with family, rent or became homeless as a consequence, while 6% took on debt from a non-high street lender
- One in five (20%) have no idea how long it will take to financially recover or don't think they ever will

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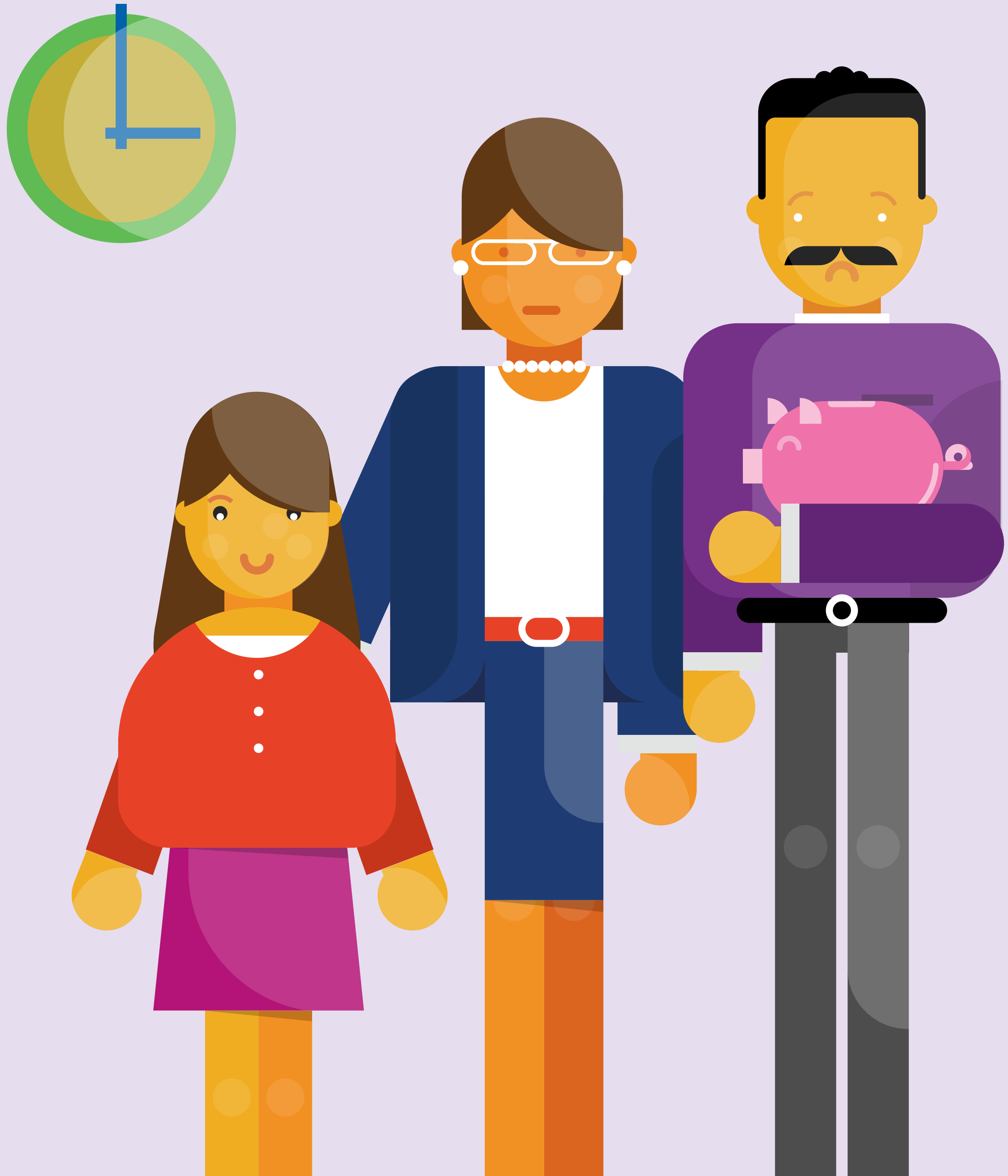
For how long could UK families' finances weather a storm?

Key findings among families with dependent children

- Aviva's assessment shows nearly half (45%) of families with dependent children would last less than a month if the main breadwinner lost their income due to ill health
- Nearly one in four (24%) families have nothing saved
- Even by spending the absolute minimum needed to support their family, one in three (36%) could not get through a month without needing some financial support, as nearly one in five already spend as little as they can
- However, more than one in four (27%) parents are more realistic, feeling their family finances would not last for longer than a month
- Faced with at least six months of lost income, 5% of homeowners would need to downsize straight away; others would resort to renting or living with family; and one in ten renters would need to find cheaper accommodation



On the surface, families show a degree of resilience when quizzed about facing scenarios of ill health resulting in a loss of income. Half (50%) of parents feel they would cope well with this for up to six months, broadly in line with all UK adults (52%). However, the prolonged extra pressures on their income mean parents are less likely to feel they could cope well if a loss of income lasted more than twelve months (37% vs. 41% of all adults).

Interestingly, families appear more resilient financially in the face of death (38% feel they would cope well) than ill health (30%). This could be a sign that parents feel less likely to encounter this worst-case scenario.

Health insurance policyholders are noticeably more confident about coping with a permanent loss of income due to ill health than those without this (47% vs. 25%), while confidence about coping with a loss of income due to death is similarly boosted by having life insurance (47% vs. 30%).

How well do parents expect they would cope if the following affected the main income earner?
%

	Temporary loss of income due to ill health for at least 6 months	Long term loss of income due to ill health for at least 12 months	Permanent loss of income due to ill health	Permanent loss of an income due to death
Expect they would cope well	50	37	30	38
Expect they would not cope well	40	52	57	47

Loss of income: perception versus reality

In contrast to the views of parents, Aviva's analysis of the finances of families with dependent children shows nearly half (45%) would last less than a month if they had to replace their income with savings and investments and did not make any lifestyle changes.

Families with dependent children have monthly outgoings of £2,606 and typical non-pension savings and investments of £2,004. Based on these two factors, the analysis suggests 21% of families would exhaust their savings pots within a month, in addition to the 24% of families who have nothing saved. It means 45% in total could not support their current lifestyle for a month if their income stopped due to ill health.[7]

Only one in three (33%) could sustain their current spending for longer than six months, including just one in five (20%) who could do so beyond 12 months.

7 Core income / expenditure / savings figures here are based on mean / median figures as appropriate. However, to more accurately assess how these factors compare we also worked out each individual respondent's situation to show how many months each respondent's savings would last, as shown

The typical finances for a family with dependent children in pounds and pence

Household finances

£2,709
Average monthly net income

£2,606
Average monthly outgoings

£2,004
Typical savings and investments, excluding pension

£36,364
Typical amount held in household pension savings

£199,457
Typical house value

£77,122
Typical mortgage

£122,335
Typical housing equity

Monthly spending patterns

Average monthly spend on the following:

£402
Housing (mortgage or rent)

£195
Utilities bills and council tax

£815
Food shop – food, drink and basic household goods

Anticipated amount they could reduce their monthly spending to
£2,451
(a reduction of £154 reduction)

Absolute minimum amount they could get by on each month
£1,904
(a reduction of £701)

18%
say they could not reduce their spending at all for a period of at least six months

Percentage who say they could not reduce key items of expenditure for a period of at least six months

48%
Utility bills and council tax

47%
Housing (rent or mortgage payments)

20%
Debt repayment

Likely response in the face of income loss for at least six months?

Most common first steps to deal with income loss:

53%
Cut back monthly spending

30%
Apply for government support

26%
Sit tight and see how things develop

Most common secondary measures to deal with income loss:

27%
Sell personal possessions

26%
Cash in on savings and investments

24%
Sit tight and see how things develop

Most common last resorts to deal with income loss:

34%
Sell their house and move to a smaller/ cheaper one

31%
Sell personal possessions

29%
Ask parents for financial support

When asked to estimate how long they could sustain their family's current lifestyle using only savings and investments if the main income earner was unable to work for six to 12 months, parents of dependent children typically feel they could survive for five months: **an over-optimistic view**. However, more than one in four (27%) parents feel their family finances would not last for longer than a month; 44% think they would not last three months; and nearly two in three (62%) expect they would not last for longer than six months.

Asked to estimate how much they could cut from their total monthly spending, parents think they could manage a reduction of £154 a month for at least six months, bringing their family's monthly outgoings down to £2,451: again, not enough to see them through a calendar month on savings alone.

One in three (32%) parents say their family could not manage more than a £50 reduction, including nearly one in five (18%) who say they couldn't reduce their overall monthly spending at all for a period of at least six months. This suggests that many are already getting by on what they consider to be the minimum possible each month.

When we asked parents to look again in detail at each area of family expenditure, the absolute minimum that the average parent thinks their family needs to support themselves each month is £1,904: a reduction of £701 compared to their current outgoings and £547 less than their estimated reduced monthly spend. But even this cost-cutting still leaves more than one in three (36%) families unable to last a month on savings and investments alone. More than half (55%) would be unable to last six months.

How long do parents estimate their family can survive by replacing their income with savings and investments?[8]
%

	Based on normal monthly spending	Based on reduced monthly spending	Based on minimum monthly spending
Less than 1 month	45	44	36
1-2 months	11	12	10
3-5 months	10	9	9
6 to 12 months	13	13	15
More than 12 months	20	21	30

8 This question was based on assuming a loss of income from a job in the family so was only asked of those with a family member working

Cutting back in times of need

The weekly shop (covering food, drinks and basic goods) is the most likely area where parents would seek to cut back monthly spending (67%), followed by personal goods and services (61%), entertainment and recreation (60%), holidays (59%) and household goods and services (54%). The latter four are also where parents are most likely to stop spending completely.

Worryingly in terms of long-term financial planning, many parents are prepared to stop paying into their savings each month (22%) or stop paying into a pension (19%). However, almost half feel they have no room for manoeuvre on expenditure such as utilities bills and council tax (48%) and housing costs including rent or mortgage repayments (47%).

What actions could parents take if faced with a significant loss of income for at least six months?
%

	Cut back on spending	Stop spending completely	Can't be reduced
Weekly shop expenses (food, drink, basic goods excl. alcohol)	67	N/A	12
Personal goods & services (make-up, medicines & clothes etc.)	61	24	6
Entertainment & recreation	60	24	5
Holidays	59	25	5
Household goods & services (furniture, appliances, tradespeople etc. but excl. bills)	54	24	9
Amount saved each month (not pension saving)	48	22	6
Car / van / motorbike running costs	48	16	19
Alcohol, cigarettes & tobacco	44	22	4
Amount saved each month into pension	38	19	15
Amount invested each month	36	18	5
Insurance policies covering property / car / physical possessions	35	15	38
Personal health – gym memberships / fitness classes	33	17	4
Public transport	32	15	15
Utilities bills and council tax	32	14	48
Insurance policies covering for health / income	31	14	19
Debt repayment	27	13	20
Other financial support for adult children	26	13	9
Child care / nursery / school / college / university fees	24	13	18
Housing (rent or mortgage repayments)	23	12	47

Numbers do not add up to 100% as the remainder answered 'not applicable'

What actions would parents take and when?

Cutting back on spending would be parents' most common first response to a loss of income, with over half (53%) suggesting they would do so as a first step. However, the next most popular first step is to look to government for support, with 30% stating they would take this action. Only 7% would not consider this under any circumstances and just 26% would sit tight without acting and see how things develop as a first step.

The most popular secondary measure would be to sell personal possessions (27%) or cash in on savings and investments (26%). The most popular action of last resort would be to sell a home and move to a smaller / cheaper one, with 34% seeing this as a fall-back option.

As a last resort, parents are more willing to downsize their home than seek a loan from a high street lender (28%), cash in their pension (25%) or seek an alternative loan from a payday or doorstep lender (16%). More than half (54%) wouldn't do the latter under any circumstances, compared with just 35% who wouldn't go to the high street for a loan.

How parents would respond to a loss of income due to ill health for a period of at least six months
%

	As a first step	As a second measure	As a last resort	Under no circumstances whatsoever
Cut back on monthly spending	53	20	12	5
Apply for government support i.e. state benefits	30	23	24	7
Sit tight and see how things develop	26	24	19	15
Cash in on savings and investments to provide extra money	16	26	21	7
Sell personal possessions	13	27	31	10
Ask parents for financial support	9	19	29	16
Move to a cheaper rented property	6	12	24	23
Access my pension savings as soon as I can, regardless of whether I have retired	6	13	25	18
Ask another family member for financial support	5	12	27	28
Sell the house and move to a smaller / cheaper one	5	13	34	16
Look to borrow money from a high street lender (e.g. credit card, overdraft, personal loan)	5	14	28	35
Ask siblings for financial support	4	12	25	28
Sell the house and rent instead	3	8	24	28
Sell the house and move back in with family	3	7	20	30
Look to borrow money from a non-high street lender (e.g. payday loan, doorstep lender)	3	7	16	54

Numbers do not add up to 100% as the remainder answered 'not applicable' or did not answer

With a typical family home worth £199,457 and mortgage debt of £77,122, a house sale might free up £122,335. However, multiple risks abound, including: the risk of an enforced sale meaning parents have to accept a lower sale price; the time taken to progress a house sale and access the funds; and whether a buyer for the property can even be found. There would also be question marks about whether they would be accepted for a new mortgage on a smaller property in a lost-income scenario.

Worryingly, 5% of homeowners say they would need to sell the family home and move to a smaller or cheaper one as a first step, rather than a secondary measure or last resort, while 3% would need to act promptly to sell up and move into rented accommodation as a first step and 3% would need to sell up and move back in with family. Similarly, 6% of parents would need to find cheaper rented accommodation as a first response .

Parents in lower income families are almost equally averse to alternative loans (48%) as the average parent (54%). However, they are more likely to look to government support as a first step (37% vs. 30%) and less likely to be able to cut back on monthly spending as a first step (40% vs. 53%): a sign that their spending is already pared back in many cases.

What long-term impact would at least six months of lost income have on families?

Statutory sick pay (SSP) is paid by an employer for up to 28 weeks:[9] meaning after six months, those with a long-term illness will no longer be guaranteed financial support from their workplace. Asked about the long-term impact of a loss of income for at least six months, the most common impact people expect is feelings of guilt for not being able to provide for their family (48%). One in three (32%) would worry about the risk of it happening again while more than one in four (22%) would have to start saving again from scratch.

One in seven (14%) expect this scenario would result in them losing their home – rising to 18% of mortgaged homeowners, who may be forced to sell up despite formal repossessions by mortgage lenders having fallen since 2009.[10] A similar percentage of parents (13%) expect that a loss of income would mean having to delay certain life goals such as getting married, having more children or moving house. Nearly one in ten (8%) anticipate having to give up on such life goals entirely.

What long-term impacts parents expect from lost income for at least six months through ill health
%

We would feel guilty for not being able to provide for the family	48
We would always worry it might happen again	32
It would make us refocus priorities on what's important	28
We would have to start saving again from scratch	22
It would make us do more to protect our health	20
We would feel of less value to an employer	17
We would lose our home and suffer a negative emotional impact	14
It would bring the family closer together	14
We would have to delay certain life goals e.g. getting married, having more children, moving house	13
It would give us time to decide if this was the career we really want to pursue	10
We would have to completely give up on life goals e.g. getting married, having more children, moving house	8

9 Gov.uk, *Statutory Sick Pay*

10 Council of Mortgage Lenders, *Mortgage arrears rate still at 20-year low in third quarter*, 10 November 2016

Who do families trust to provide support?

Key findings among families with dependent children

- Government is the most commonly trusted source of financial support for parents (57%) facing a loss of income
- One in four (26%) parents believe the NHS and state would provide complete care and treatment in the event of a cancer diagnosis, while 18% have no idea what support is available
- Nearly one in five (18%) don't know what help their employer would give if they were unable to work, while one in seven (15%) believe the state provides a minimum death in service benefit for all Holders of income protection or critical illness policies see insurance as their key support
- Those without insurance or a plan to cope with a loss of income are more likely to turn to family members – adding to the pressure on their collective finances

The limited safety net offered by families' own finances makes it important to understand where they put their trust in others to help in times of need – and how well they understand the support that is on offer.

Aviva's research identifies the government as parents' most trusted source of external support if they suffered a loss of income for at least six months. However, this trust is far from universal: while more than half (57%) would completely or partly trust government to provide financial support in this scenario, one in four (27%) say they would not trust the state at all. This may be linked to a trend in government reducing spending on disability and incapacity benefits in recent years.[11]

Employers are the second most trusted source of financial support among parents (50%) although this trust is diminished among parents in low income families (40%). In contrast, parents in lower income families are visibly more reliant on government and the third sector: 64% would put some trust in government (vs. 57% of all parents) and 28% would put some trust in charities (vs. 22%).

Policyholders see insurance as their most trusted source of support

Aviva's findings highlight the value of insurance in giving families peace of mind. Trust in insurance is higher among parents with income protection and critical illness policies in place. Nearly four in five (77%) policyholders trust insurance as a source of support if they faced at least six months without income. This makes it their most trusted avenue for outside help: outnumbering the 65% who trust their employer and the 63% who trust government to help.

In contrast, parents without income protection or critical illness cover see immediate friends and family as a more significant source of support (45%) after the government (56%) or their employer (45%). This suggests that in a crisis, a lack of formal protection can quickly have a knock-on effect on people's broader families, putting added pressure on their own finances.

Most trusted sources of financial support should they face income loss for at least six months
%

	All parents	Parents with income protection or critical illness	Parents without income protection or critical illness
Government (e.g. benefits)	57	63	56
Employer	50	65	45
Immediate family or friends	47	56	45
Partner's employer	42	53	39
Insurance products I hold	41	77	29
Extended family	26	33	24
Charities	22	31	19

% of parents who would completely / partly trust each source to provide for them

11 Institute for Fiscal Studies, Spending cuts to accelerate as tax burden rises to highest level in over 30 years, February 2017

Confusion shrouds support from government and employers

Although government and employers are the two most commonly trusted sources of support across all parents, Aviva's findings highlight a number of misconceptions and knowledge gaps surrounding the extent of help available.

For example, despite ongoing publicity about funding pressures being felt by the government's Cancer Drugs Fund,[12] one in four (26%) parents believe that the NHS would provide complete medical care and treatment for them in the event of a cancer diagnosis, with the option of all cancer drugs and treatments. Whereas, nearly one in five (18%) have no idea what support would be available.

Parents generally have a poor knowledge or understanding of welfare legislation and state financial support:

- They typically underestimate the extent of **Statutory Sick Pay (SSP)**, believing this can provide £82.47 a week for up to 19 weeks, whereas employers are required to pay £88.45 for up to 28 weeks to eligible workers[13]
- They also underestimate **Employment and Support Allowance**, which (subject to assessment) can provide eligible people who are out of work due to illness or disability with up to £109.30 a week, excluding enhanced or severe disability premiums[14] – more than the £80.95 which parents expected
- However, parents are more closely attuned to the **Benefit Cap**, which is set at £384.62 per week for couples or single parents living with children (rising to £442.31 within Greater London)[15] – UK parents estimate is that the cap is set at £380 per week.

Despite employers being parents' second most trusted source of support in times of need, nearly one in five (18%) do not know what help they would get from their employer if the main income earner was unable to work for at least six months. One in ten (10%) parents believe they would receive sick pay indefinitely.

Help when dealing with death

More than half (52%) of parents accurately identify that death in service benefits cease once you stop working for the employer providing them, but there is confusion around how exactly these benefits work. Nearly a third (27%) believe payments are subject to tax when they are usually tax-free and 26% think the benefit only applies if you die at work or in a work related situation.

One in seven (14%) think every employer provides death in service benefits, however, such cover is not mandatory for employers and cover levels vary significantly between employers. An additional 15% think the government provides a minimum death in service benefit to everyone in work, which is not the case.

Nearly half (45%) of married and cohabiting parents have no knowledge of the applicability of government bereavement benefits and allowances. Those who believe they would qualify for this support – which is available to married couples and civil partners between age 45 and state pension age, but excludes cohabitees – believe they would receive £7,391 on average, with men expecting more (£9,098) than women (£7,233).

Under the current system, pay-outs can far exceed these amounts and last for up to 20 years. However, reforms[16] to be introduced in April 2017 will reduce financial payments to a tax-free lump sum of £3,500 for widowed parents followed by monthly tax-free payments of £350 for only a further 18 months. The reforms will increase the rights of childless widowers and widows, but represent a major reduction in the value and duration of support for widowed parents.

12 National Institute for Health and Care Excellence (NICE), *Breast cancer drug costs too high in relation to benefits for routine NHS funding*, 3 February 2017

13 Gov.uk, *Statutory Sick Pay (SSP) – what you'll get,* accessed 13 February 2017

14 Gov.uk, Employment *Support Allowance – what you'll get*, accessed 13 February 2017

15 Gov.uk, *Benefit cap – benefit cap amounts*, accessed 13 February 2017

16 Disability Rights UK, *Future changes which may affect you*, accessed 13 February 2017

The reality of dealing with financial loss

Key findings among families with dependent children

- More than one in four (27%) families have experienced a loss of income due to ill health, serious illness or death within the family, including 11% experiencing long-term loss of income and 7% permanent loss of income
- Parents' main responses were to seek government support and cut back on luxury spending, with more calling on help from family than their employer
- One in five (19%) had to downsize, move back in with family, rent or became homeless as a consequence, while 6% took on debt from a non-high street lender
- 26% recovered financially within two months, yet one in five (20%) don't think they will ever recover or have no idea how long this will take
- Having a plan, insurance cover and owning a home all linked to faster financial recoveries from the unexpected – more so than marital status or family income

The experiences of families who have encountered an unexpected loss of income bring the importance of planning ahead into sharp focus. Aviva's data suggests such experiences are more common than might be assumed: one in ten (11%) families have experienced temporary or short term loss of income due to ill health rendering either parent unable to work for at least six months.

The same percentage – 11% – have experienced the same over a period of 12 months or more, while 7% have experienced a situation within their family leading to permanent loss of income due to either partner being unable to work ever again. One in twenty (5%) have experienced a cancer diagnosis for themselves, a partner or a child while 2% have experienced the death of a long-term partner.

Altogether, more than one in four (27%) families have been affected by at least one of these situations, including a worrying 45% of lower-income families – who in some cases may well have fallen into the 'lower-income' category as a result of unforeseen events.

Financial fall-out from the unexpected

Of those families to have experienced a loss of income due to ill health, around one in three (35%) received support from government. The latest labour market statistics show 2.5m people were in receipt of Employment and Support Allowance and other incapacity benefits in August 2016, with 78,500 receiving other income related benefits among a total of 3.7m claimants for the main out-of-work benefits.[17]

A similar proportion of parents in families affected by loss of income due to ill health (34%) cut back on luxury spending, but despite the trust placed in employers, they are slightly more likely to have received financial help from family (17%) than benefits or support from their workplace (15%).

The reality of unforeseen events prompted one in four (24%) to dip into rainy day funds while one in ten (10%) raided savings earmarked for their retirement, with one in six (17%) giving up on saving for retirement altogether. Most worryingly, 19% sold a home to either downsize, move back in with family or rent or became homeless, while 6% took on debt from a non-high street lender. On its 50th anniversary in December 2016, the charity Shelter reported that 120,000 children would be homeless at Christmas, a 15% rise from the previous year.[18]

Fewer than one in ten parents (9%) say their finances weren't negatively affected by experiencing unforeseen events, compared with 23% of all UK adults who have faced the same circumstances – showing how families' finances are more vulnerable. Parents are more likely than the average UK adult to have had to cut back on luxury spending, receive financial help from other family members and stop saving for retirement.

Actions resulting from the experience and financial implications of a loss of income due to ill health
%

Actions taken	Parents	All UK adults
Received benefits / support from the government	35	38
Cut back on luxury spending for my children / family	34	22
Dipped into a rainy day fund	24	22
Sold personal possessions	18	16
Received financial help from a family member	17	13
Stopped saving for retirement	17	13
Received benefits / support from my employer	15	12
Cut back on spending for my children's education or other essential spending	14	8
Borrowed from a mainstream lender e.g. credit card, personal loan, overdraft	11	10
Gave up a car	11	8
Dipped into retirement savings	10	9
Moved to cheaper rented accommodation	9	7
Took on extra work beyond what I would ideally do	9	7
Received financial help from a friend	8	5
Sold my house and became homeless	7	5
Borrowed from an alternative lender e.g. payday lender, doorstep lender, other informal borrowing	6	4
Downsized my house	6	7
Sold my house to move back in with family	6	3
Sold my house to move into renting	5	4
Other	3	3
None of the above – my finances were not negatively affected	9	23

17 ONS, *Summary of labour market statistics*, 15 February 2017

18 Shelter policy blog, *Shelter is 50 but we're not celebrating*, 1 December 2016

Financial recovery

One in four parents in families (26%) who have experienced loss of income due to ill health say they recovered financially within two months, rising to 59% who recovered within a year. However, the recovery process took more than a year for almost one in four (22%) families, including 3% whose financial recovery took five years.

Aviva's findings demonstrate that financial recovery cannot be taken for granted: one in five parents in families (20%) affected do not think they will ever recover or have no idea how long it will take, rising to 24% of parents in low-income families.

Having a plan for dealing with loss of income and having insurance cover are both factors which noticeably boost families' chances of recovering financially within a year. Similarly, the absence of a plan or formal protection heightens the chances of families falling into the categories of not having recovered yet or never expecting to recover financially.

Having life insurance, income protection or critical illness cover in place increases the percentage of families whose finances recovered from the unexpected from approximately one in two (52%-55%, depending on the cover held) to three in four (73%-76%). It also reduces the percentage of families who have not recovered financially or never expect to do so from around one in four (22%-25%) to just 10% (where critical illness cover is in place) or 5% (where income protection is in place).

Family protections and financial recovery from lost income or ill health
%

Preparation / protection	Recovered within a year		Not yet recovered / never expecting to recover	
	Families with	Families without	Families with	Families without
A plan for dealing with income loss	73	62	6	20
Health insurance (including dental insurance)	76	52	7	25
Life insurance	65	53	12	27
Income protection	73	55	5	23
Critical illness cover	75	54	10	22

Other factors also come into play: families who own their own home are significantly more likely to recover financially within a year: two in three (67%) did so compared with just 44% of renters. Twice as many renters (30%) as homeowners (14%) have not yet recovered and don't know when they will do, or simply never expect to recover.

But interestingly, Aviva's data uncovers relatively little difference in recovery rates between lower-income families compared to the average UK family, and virtually no difference between married / cohabiting parents compared with single, divorced, separated or widowed parents.

The findings suggest that factors such as having insurance or owning a home – which are often linked due to protection's role in the mortgage application process – have a bigger influence in families' financial recovery from misfortune than their level of income or marital status.

Family protections and financial recovery from lost income or ill health
%

	Recovered within a year	Not yet recovered / never expecting to recover
All families	59	20
Home-owning families	67	14
Single, divorced, separated or widowed families	58	18
Lower income families	53	24
Renting families	44	30

Conclusion

What does this mean for families?

This report highlights that a large number of families are unprotected against a financial shock should they suffer an unexpected loss of income due to ill health or the death of a parent:

- Families significantly overestimate their ability to continue to sustain their family's lifestyle in such an event.
- Families are either unaware or confused about the level of support they would receive from their employer and the government.

The reality of facing an unexpected loss of income through ill health or even the death of a parent can cause real financial hardship for families. No one likes to dwell on the possibility of experiencing a period of ill health or even worse, but how many of us talk about such things within the family? Being prepared and having a plan is critical and also surprisingly affordable.

So the challenge is, what actions can be taken to help inform and to protect families? There are a number of actions that families, employers, government and the insurance industry should take:

- **Families**

Talk about it: Discuss with your loved ones how your family would cope in unexpected events.

A family's finances can be complex so make sure all financial elements are considered – including savings, insurance, housing and other assets and outgoings. Think about all the support that might be accessible, including government and employer provisions. A small regular sacrifice now – either by boosting savings or taking out relevant insurance – would help protect families' financial resilience and ensure unexpected events are easier to financially manage.

Review your plans when life changes: whether it is the birth of a child, a new home and mortgage, or a new rental agreement, all families need to reconsider how they would cope in unexpected events and take action.

Take a long-term view: make sure any choices made are balanced over the short-term and the long-term. For example, relying on accessing pension funds earlier than planned may be regretted later in life.

- **Employers**

Be clear about the benefits you offer: the typical working family places a great deal of trust in their employer in hard times, yet there is widespread confusion around exactly what benefits are provided in the workplace.

We would urge all employers (big and small) to make sure they provide clear and regular updates to employees on the benefits they offer, particularly around death in service and sickness absence. This would significantly improve awareness and help parents to understand how far they are protected through their workplace and to prompt them to address any gaps.

Conclusion

- **Government**

Educate and improve awareness of the need for financial resilience planning: our findings show that the government is the first place people turn to in the event of a financial crisis. However, there is widespread confusion over what benefits are available, who is eligible and how long they might last, particularly in the case of bereavement benefits which are due to change from April 2017.

We encourage the government to enhance its provision of publicly available guidance on individual and family financial planning, including financial resilience planning. There are great opportunities to make a real difference here, for example through the planned new Single Financial Guidance Body.

We also urge the government to continue to provide support and financial assistance for families when they need it. This includes the removal of disincentives in the system to consumers protecting themselves (for example, the planned rules reducing the amount of Universal Credit when an income protection policy is in place).

- **Insurance companies**

It's encouraging in our research to see that policyholders have trust in insurance to help them out in troubled times. However, there is much more we need to do.

Affordability: we need to correct the perception that insurance protection products are unaffordable. For the cost of a few coffees a month, families can make a real difference to their financial stability.

Clear on claims: we have a great record of payment on claims across the insurance market, yet customer perceptions of payments remain low. We need to promote the message of the reality of our strength in payment.

Ease and simplicity for customers and advisers: vitally, we need to continue to do all we can to make the process easy and simple on application for financial protection insurance. When an individual or family has reached a point of seeking to consider their financial resilience, it is critical that we make it easy for them to address the need.

Paul Brencher,
Managing Director, Individual Protection, Aviva

Methodology

The 'Protecting Our Families' study was designed by Aviva in collaboration with ICM Unlimited and Instinctif Partners. All findings quoted, unless otherwise referenced, are from research carried out independently by ICM during Q4 2016 among a representative sample of 2,500 UK adults, of which 1,593 were parents with dependent children including 435 who have experienced loss of income due to ill health, serious illness or death within the family.

Technical notes

- A median is described as the numeric value separating the upper half of a sample, a population, or a probability distribution, from the lower half. Thus for this report, the median is the person who is the utter middle of a sample. All figures are medians unless otherwise specified and are referred to as 'typical' rather than 'average' (mean).

- A mean is a single value that is derived by adding all the values on a list together and then dividing by the number of items on said list. This can be skewed by particularly high or low values.

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