

ASSET RICH CASH POOR IN THE ECONOMIC DOWNTURN: THE FINANCIAL CHALLENGES FACING RETIRED OLDER PEOPLE

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FOREWORD

The economic downturn is thought to have had a marked impact on older people. This study sought to investigate this by studying the experiences of a specific group of retired home-owners over the age of 65 who are living on modest incomes and not in receipt of means tested state pensions (the so called “asset rich cash poor”).

This project investigates: how this group managed their financial circumstances in such difficult times; the impact of the downturn on wellbeing and quality of life: and whether services and support available to this group and other older people could be improved. The study involved gaining the perspectives of this group of retired home-owners as well as those of health and social care professionals, financial advisors and professionals from the not-for-profit sector.

The study found that the economic downturn is having a marked impact on the financial, social, mental and physical wellbeing of the sample of asset rich cash poor older people in Dorset. Whilst the strengths within older people to manage money are recognised in the report, the authors suggest that there is a need for more appropriate financial advice and support for this group.

Whilst this is an unusual research study for ICAS, it does fall within our wider public interest role, as well as having implications for financial advisors, including ICAS members, who offer financial services.

This project was funded by the Scottish Accountancy Trust for Education and Research (SATER – see page 57). The Research Committee of ICAS has also been happy to support this project. The Committee recognises that the views expressed do not necessarily represent those of ICAS itself, but hopes that the report will be useful to those involved in providing support or financial services to older people.

Allister Wilson
Convener of ICAS Research Committee
February 2013

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EXECUTIVE SUMMARY

Aims of the study

Older people are thought to be particularly vulnerable during times of economic downturn. Little is currently understood of the impact of the current economic downturn on the financial circumstances and wellbeing of retired people and the nature of the services and support needed to enable them to cope financially and maintain their wellbeing and quality of life.

Retired people are not a homogenous group. Therefore, this study explores the impact of the downturn on a specific group: house owners over the age of 65, not in receipt of means tested state benefits and living on modest incomes. This group may be described as “asset rich cash poor” (ARCPs). It is thought that this group is particularly vulnerable as they are not eligible for state support but are insufficiently well off to be living comfortably. Findings from this research, although focused on retired people with specific circumstances, may have wider relevance in relation to retired people with different financial circumstances.

The purpose of this study is to investigate the experiences of asset rich cash poor older people in the economic downturn, in order to establish:

- how they manage their financial circumstances in these times;
- the impact of the downturn on their wellbeing and quality of life; and
- whether services and support available to this group and other older people could be improved.

The study comprised two phases. In phase one, the perspectives of older people were explored by carrying out 28 semi-structured interviews with older people in the asset rich cash poor category, permanently resident in Dorset, some of whom lived in a conurbation and others in rural areas. In phase two, the study explored perspectives of key financial advice/information/service providers through four focus groups comprising: health and social care professionals; financial advisors from the private sector; and professionals from the third (not for profit) sector.

The study has shown that the economic downturn is having a marked impact on the financial, social, mental and physical wellbeing of this sample of asset rich cash poor older people in Dorset. For many, the level of income that they had expected when planning for retirement had not come to fruition and they feel poor in relation to their previous lifestyle and retirement expectations.

The key findings and policy implications of the study are:

Key finding 1: Many ARCP older people particularly women, had done little retirement planning.

Many ARCP older people had insufficiently planned for their retirement. In particular some women had relied on their husbands to manage all finances and had not provided for their own pensions. This reflects the findings of earlier studies on the older generation.

Policy implications

The independent Money Advice Service (formerly the FSA Consumer Financial Education Board) should commit greater financial resource to the awareness raising and skill development of future generations to help people plan more carefully for their retirement. Although the findings of this study show a widespread need among older people for information and advice, resources should be targeted particularly at women, especially those who have had extended periods out of workplace. Private, public and voluntary sector services should respond to this increased investment through developing and testing out models of financial capability training, with an emphasis on financial planning, as well as its mode of delivery. There may be potential in raising awareness of the need for retirement planning and associated training to non-working women through health visiting or child care services.

For older people who have planned ahead, pensions and savings have been traditionally seen as a key way to plan responsibly for one's retirement future. But these are not risk free as has been played out in the recent years of economic downturn, with the associated low interest rates and return on investment. People planning ahead for retirement need to be reminded of the impact of any future recession and the risks of this if it coincides with their planned retirement date.

Key finding 2: Older people, in the ARCP category, tended to manage the money they had very carefully, despite the economic downturn, and had an aversion to debt.

This finding mirrors the quantitative study of Atkinson *et al.* (2006) who found older people to be better at managing money than the younger generations. In discussion of the financial pressures placed upon them in term of escalating essential and non-essential expenditure, no interviewees referred to having resorted to unsecured debt.

Policy implications

Managing money is identified in this study and earlier studies as a strength within older people. Therefore, financial capability training for this age group should focus on the other dimensions of financial capability where older people are less skilled, for example choosing financial products and staying informed.

Older people should be considered an asset in society and their strong skills in managing money should be utilised. Those organisations wishing to develop and deliver financial capability curricula for younger people could consider intergenerational programmes in which older people participate as guest speakers, sharing their experiences in managing money with younger generations. These educators could be encouraged to work together with the Money Advice Service and the Department of Health and financial advice and information providers to bring various age groups together.

Key finding 3: The combination of reduced income from investments, increases in pensions which do not keep pace with inflation, combined with increases in costs for essential and non-essential expenditure, is having an impact on social, physical and mental wellbeing and is causing noticeable life style changes.

The effects of the economic downturn on ARCP older people's wellbeing was highlighted by both older people themselves and service providers. In both phases of the research, reference is made to feelings of anxiety, worry, fear, depression and concern.

Policy implications

Reduced wellbeing during the economic downturn in this age group is likely to put an increased demand on health and social care services. Policy makers in the Department of Health have a vested interest therefore in developing strategies to counter this negative impact. One recommendation to enhance social wellbeing is that the Money Advice Service, the Department of Health and local councils fund national and local initiatives to further support and develop social clubs or other groups for older people, with an emphasis on financial planning and management. This would help sustain wellbeing and provide a network of peers with whom older people might exchange financial experiences and information. Third and private sector organisations such as care homes and age related charities are well-placed to contribute to the development of these programmes.

Key finding 4: The economic downturn is impacting on older people indirectly through cuts to public and third sector services.

The economic downturn has been associated with cuts in funding to many services previously relied on by older people for their physical, social and mental wellbeing. Library closures were a cause of concern and a particular worry was the risk of withdrawal of bus passes.

Policy implications

Private sector service providers will need to fill the gap in services that currently support the health and wellbeing of older people, a gap left by the increased withdrawal of public and third sector services. A reduction of these services in particular will have a strong impact on the social, mental and physical wellbeing of older people.

Key finding 5: Older people, in the ARCP category, do not always access enough or appropriate financial information. Many choose to seek financial information from trusted health and social care providers, their family and/or friends rather than from financial professionals.

Older people, and professionals that support them, reported that older people are not always accessing the sound financial information which they may need, whether it be on financial products, forward financial planning or how to obtain the benefits they are entitled to. Lack of trust in financial advisors was widespread. Independent financial advisors indicated that older people on lower incomes were using their services less frequently. Some were either self-reliant by researching

on the internet or using the media, or tapped into sources of social capital found within their social networks.

Policy implications

More effort and resource needs to be put in place to address these very serious concerns about access to advice and support by older people. Older people are approaching health professionals for financial advice, despite the fact that these professionals may not be best placed to provide this. Health professionals need to be able to direct these queries to trained financial service providers. Financial services within the private sector should therefore form interagency partnerships with more trusted public and third sector services in order to improve access to the services they provide. There is a very significant concern about lack of trust in advisors and banks. The need to rebuild reputation must be addressed by regulators, the advisors and banks themselves, with an increased emphasis being placed on the value systems of financial services and the role they can play in promoting community and individual wellbeing. The strength of the social networks of older people should also be harnessed, suggesting again that there is potential in targeting or developing social clubs for older people as locations to enhance financial capability.

Key finding 6: In order to make ends meet, some older people in the ARCP category may take greater financial risks or be more vulnerable to abuse in an economic downturn.

The professionals that support older people expressed concerns that the economic downturn may push older people towards riskier behaviours without them fully understanding the implications of the risks. There is also a risk of older people becoming more vulnerable to financial abuse.

Policy implications

Policy makers need to ensure that older people are made aware of the risks of financial abuse. As older people are often turning to more trusted health and social care providers for advice on financial matters, health/social care providers as well as financial service providers should both develop means to keep their older clients regularly informed of potential financial risk within the current economic climate. As financial support is not the remit of many of the health care providers and financial services is a regulated activity, it is advisable they form partnerships with the finance sector, in order to better inform their patients/clients of current financial risks or to be able to refer them on to qualified support. Service providers may also

offer a helpline in which older people feel safe to disclose, anonymously if need be, any concerns of financial abuse they may be exposed to. Charities already offering these services (e.g. Age UK and Action on Elder Abuse-AEA) should be supported in these endeavours through encouraging partnerships between financial service providers on the one hand and health/social care providers on the other in order that the latter can provide accurate and up to date information on financial risk to its partners. A recent partnership between local financial advisors and the charity Age UK is an excellent example of this (Age UK, 2012). It is also essential that the Money Advice Service raises awareness of this risk. As the provision of financial services is a regulated activity, it is important to ensure that any activities undertaken by health/social care providers are not in breach of financial services regulations.

Key finding 7: Older people made no reference to the Money Advice Service or the Financial Services Authority (FSA) as a source of help or advice.

At the time of this study none of the interviewees of the focus groups made any reference to the role of the Financial Service Authority (FSA) or the Money Advice Service in providing information or advice about financial matters to older people.

Policy implications

Although the Money Advice Service is now independent of the FSA, and is endeavoring to target a wider population, it is not clear why our interviewees never referred to it. It may either be due to a lack of awareness of the service, a serious indictment of the outreach of the FSA, or alternatively a lack of IT expertise in older people, demonstrated also by their very limited use of online banking. In either event, older people may be denied access to key forms of help and advice on financial matters. Resources need to be devoted to either increasing IT literacy among older people, or alternatively providing help and support using traditional forms of communication and/or increasing the reach of the Money Advice Service by targeting this age group specifically.

In conclusion, therefore, older people in this study reported being affected markedly by the current economic downturn. Members of the financial sector, including accountants, and the Money Advice Service have a responsibility to support older people during this and future downturns. They must reflect on ways in which they might tailor their support towards this group. One way of doing so is by actively seeking collaborative interagency partnerships with third and public sector health and social care professionals to improve their access and understanding of older

clients. These more trusted professionals will be able to direct financial enquiries to accountants and financial advisors who older people may otherwise not have had the confidence, knowledge or trust to approach directly.

Accountants and other financial services should also be aware of the particular challenges facing asset rich but cash older people and adapt their advice accordingly when dealing with this group. They should reflect in their consultations that many older people are fully capable of managing their money but are in greater need of advice on how to invest their money and plan ahead for their future. They should also think outside of the box in providing support, considering ways, for example, in which the power of existing social networks might be harnessed.

1. BACKGROUND

The research set out in this report is an interview-based study exploring how older people manage their financial circumstances during the current economic downturn and the impact of the downturn on their wellbeing. The research focuses specifically on the experiences of one particular group: so called “asset rich cash poor” (ARCP) retired people with modest incomes. The views of these older people are compared and contrasted with those of service providers, as collected through focus groups with professionals involved in providing various forms of advice and support to older people. This chapter refers to the relevant literature and also sets out the specific research questions addressed in the study.

From the second quarter of 2008, the UK economy entered a period of decline in economic output. Little is known of the impact of this on the wellbeing of the individual in terms of their finances and their associated life style. It is likely that older people are particularly vulnerable as poverty is already a common feature of many older people’s retirement experience (Cook *et al.*, 2004; Vincent, 1996; George 1992). Older people are a diverse group and therefore the impact of the economic crisis on them will differ significantly, varying by national differences, gender and marital status (Evans and Robinson 2010). Age, when the old are compared to the very old, adds further diversity (Office for National Statistics, 2010).

Quality of life and wellbeing is a concept of increasing interest in the study of ageing and is loosely defined as those factors that ‘make people happy or satisfied with their current life situation, past life experiences, and hopefulness for satisfaction with future life circumstances’ (Kelley-Gillespie, 2009, p.278). It is recognised as a multidimensional construct (Kelley-Gillespie, 2009) but is often predominated by health dimensions linked to the level of physical functioning (Plangnol, 2010). However, the range and depth of quality of life in older people is broader than health alone (Bowling *et al.*, 2002) and includes other dimensions such as:

- social wellbeing, e.g. sense of belonging, participation in leisure and social activities (Robinson and Godeby, 1997) and membership of family or friendship networks; and
- psychological wellbeing, e.g. mental and emotional health, self esteem, life acceptance.

All these dimensions overlap and interact with one another to represent the complexity of quality of human life. Finances may play an integral role in achieving social and psychological wellbeing (Kelley Gillespie, 2009).

The factors that influence the different dimensions of wellbeing may vary across life-span and issues pertinent in earlier life may change as people get older and enter retirement. For example, retirement is a phase of the life cycle when individuals should be in a position to pursue leisure activities (Robinson and Godeby 1997) and a denial of these may particularly compromise wellbeing of this group perhaps more than other ages. Further, the ability to remain in one's own home as long as possible, or so called "ageing in place" (Means, 2007), may contribute more to wellbeing in later life than earlier on in the life cycle. Whatever the contributors, however, it must also be acknowledged that the impact of these on the individual is likely also to be a highly subjective matter, a factor that promotes the qualitative, rather than quantitative measurement of this construct.

Ageing in place may not always be possible for the older person if their health needs preclude this. Worries about entering and paying for residential care may have an impact on their mental wellbeing. Currently, in England, to be eligible for state support for residential care, an individual needs to be assessed as having less than £14,250 in financial assets (which includes the value of their home if they live alone) and between £14,250 and £23,250 for partial support. Above this figure, individuals are not eligible for state support (Insley, 2011). Following the government's response to the Dilnot report (2011), this threshold is now proposed to rise to £123,000. ARCP home owners, especially in the south of England, are still likely to exceed this figure and remain ineligible for their care costs. This leaves ARCP home owners particularly vulnerable in older age.

The recommendations of the Commission on funding care and support (Dilnot, 2011) also suggested in addition to the means-tested threshold, a cap on contributions. This cap on care costs, now set at £75,000, although higher than that originally suggested by Dilnot, may be of some reassurance to ARCPs, although the pressure to sell one's home to cover these initial costs remain. Although, the government's aim may be that no one should be forced to sell their home to fund their care and that older people consider private health insurance policies to cover the first £75,000 of care costs before they might be eligible for state support, there is the assumption that older people have the financial capability to explore these options to plan for their care in the future and that those now close to or in retirement and facing this dilemma in the near future will have access to these policies.

As financial circumstances are a major influence on quality of life, supporting an individual's ability to cope with changes to financial circumstances is key. People who understand their financial circumstances are more likely to make sensible choices and adequate provision for their futures (Financial Services Authority (FSA), 2009a). Investing in insurance policies to fund residential care being a topical example. Although the ability to make sound financial decisions is considered an essential life skill, many people do not have access to basic financial products, such as mortgages and pensions, nor the essential life skills to manage their finances (Transact, 2007).

An individual's ability to ride out a change in financial circumstances is related to his or her financial capability and a link has recently been established between financial capability and psychological wellbeing which is an important dimension of quality of life.(Taylor *et al.*, 2009). Financial capability throughout the UK population has become a matter of concern to the Financial Services Authority (FSA, 2009b). The National Strategy for Financial Capability and the establishment of the National Financial Inclusion Taskforce has recognised the need to tackle lack of financial capability and financial exclusion among the population generally. Their focus however, has been more on younger people (FSA, 2009a, b, 2007).

Financial capability has been defined as:

A broad concept, encompassing people's knowledge and skills to understand their own financial circumstances, along with the motivation to take action. Financially capable consumers plan ahead, find and use information, know when to seek advice and can understand and act on this advice, leading to greater participation in the financial services market. (HM Treasury, 2007)

There are four key domains of financial capability (Atkinson *et al.*, 2006):

- being able to manage money;
- planning ahead;
- choosing financial products; and
- staying informed about financial matters.

Factors which influence these dimensions include: cultural and social factors; ethnic background; social class structure; age group; and financial status (Price *et al.*, 2010, Blane *et al.*, 2007). Health status, education levels, marital status and housing tenure are other influential factors (Taylor *et al.*, 2009; Lusardi & Mitchell, 2007; Walker & Davies, 2001).

There are indicators that financial capability in older people may be less than optimal although not in all four domains. In a quantitative survey, Atkinson *et al.* (2006) explored age as an explanatory factor to explain variation in the four domains of financial capability in the UK. Their analysis showed that age is in fact positively associated with “ability to make ends meet” or being able to manage money. This does not necessarily mean that capabilities in this domain improve with age but that the older generation may be better at making ends meet. Financial capability in terms of planning ahead also improves with age, increasing steadily before reaching a plateau at 60 years and above. Atkinson *et al.* (2006) also observed the same trend for the staying informed domain. However, their findings showed that the very young scored lowest in the choosing products domain, whilst the older population dipped below their middle aged counterparts in choosing products. There is also evidence of significant unclaimed state benefit among older people (Newton, 2008) which may point towards more widespread difficulties in financial capability. Transact (2007) believe that voluntary, state and commercial service providers need to offer advice and support to promote financial inclusion which is defined as:

A state in which all people have access to appropriate, desired financial products and services in order to manage their money effectively. It is achieved by financial literacy and financial capability on the part of the consumer and financial access on the part of product, services and advice suppliers. (Transact, 2007)

From the brief review of the literature it is clear that older people have generally not been targeted as a key group in policy making relating to the linkage between financial capability and quality of life and in particular there is no evidence of studies addressing how older people cope in an economic downturn.

The purpose of this study is to investigate qualitatively the experiences of ARCP older people in the economic downturn, in order to establish:

- how they manage their financial circumstances in these times;
- the impact of the downturn on their wellbeing and quality of life;
- to consider whether services and support available to ARCPs and other older people could be improved.

This study takes a qualitative interview-based approach with ARCP older people individually and with focus groups comprising parties involved in offering advice and support to this group.

2. RESEARCH APPROACH

This chapter summarises the method taken to explore: the impact of the downturn on the wellbeing of ARCP older people; how they manage their financial circumstances in these times; and the means by which services and support available to ARCPs and other older people could be improved. The study comprised two phases: Phase 1 explored these questions from the perspective of older people themselves; and Phase 2 explored the perspective of a range of service providers, identified by older people in Phase 1 as sources of financial information, advice and support. The project was overseen by a steering group comprising representatives from age-related charities (Help and Care and Age UK), a local Older Person's Champion and academics who were not part of the research team.

Phase 1: Exploring the perspectives of the older person

Interviews with older people explored the impact of the economic crisis on various dimensions of wellbeing and their perceptions of their four domains of their financial capability, namely, managing their money, planning ahead, choosing products, and staying informed financially (Atkinson *et al.*, 2006).

The selection of interviewees was overseen by the steering group. They advised that interviewees would be reluctant to discuss their financial concerns in a group, therefore, one to one interviews were undertaken with ARCP older people. In consultation with the steering group, a sector of the older population was targeted whose members were considered to be most 'at risk' financially in the economic downturn as well as being most likely to benefit from initiatives that sought to improve their financial capability. This group was defined as those sufficiently well off not to be eligible for state support yet insufficiently well off to be living comfortably. The commonly described "asset rich but cash poor" group falls into this category. The sample inclusion criteria were that respondents were:

- of retirement age, that is over 65 years, in receipt of a state pension;
- permanently resident in a regional non-industrial conurbation, namely Dorset county; and
- homeowners, not receiving means tested benefits but not required to complete a tax return. At the time of data collection this indicated an annual income of between £10,000 and £25,000.

Dorset county in the United Kingdom was chosen as a case study population because of the significant older population and awareness of the local profile of Bournemouth University which it was believed would facilitate interviewee access.

Older people are not a homogenous group, and even within the criteria set out, a diversity of financial experience and circumstance would exist across the chosen population. To obtain variation in responses, therefore, a purposive sample (Patton 1988) was selected by:

- gender;
- geographical location: within the Dorset conurbation of Poole and Bournemouth (classified as such with its population of over 250,000) *versus* outside this conurbation;
- age: 65 to 79 age band *versus* the over 80 age band; and
- living arrangements: living as a couple *versus* living alone.

People with cognitive impairments were excluded. To assist in accessing the hard to reach members of the older population, a snowballing strategy was also used whereby participants identified other individuals who met the criteria for interview. Twenty eight interviews (for a full description of the sample composition see Appendix 1) were conducted with a composition as follows:

- 11 male/17 female
- 15 inside conurbation/13 outside conurbation
- 16 aged 65 to 79/12 aged over 80
- 16 living alone/12 living as a couple

Interviews were semi-structured using a schedule validated by the steering group. Interviews lasted between 30 and 85 minutes, were digitally recorded and transcribed verbatim. Transcripts were returned to participants for confirmation that views were accurately represented. A reflective diary was kept by the chief interviewer. Each interview was led by an experienced qualitative interviewer and a second interviewer participated in some interviews to develop the interview schedule through peer examination. A thematic qualitative analysis of interview transcripts was conducted (Miles and Huberman, 1994) in parallel to data collection in order that emerging themes could be more fully explored in future interviews. Interviews were uploaded into the software package QSR NVivo 9 in order to manage this analysis and to identify the key themes emerging from the interviews.

Phase 2: Exploring the perspectives of key advice and service providers.

Four focus groups were conducted with 20 individuals from a range of service providers (from profit and non-profit sectors) explicitly identified by older people in Phase 1 as a source of financial information, advice and support. These were from three groups:

- the traditional financial advisor from the private sector;
- health and social care professionals from the public sector; and
- professionals from the third sector, such as age related charities.

Although financial professionals were recruited to the focus groups, they were under-represented. Their poor participation in the study may reflect a lack of interest in this age group of clients as a whole or those with low income, or their associated wellbeing. Health/social care and third sector professionals were also included as older people had clearly identified the role of this group in offering financial support and information.

Focus Group 1 included community social care providers from the local authority: a social worker; two occupational therapists; and a care manager whose role included the provision of support and advice to older people in their homes.

Focus Group 2 included four independent financial advisors identified through the Financial Services Authority register.

Focus Group 3 was formed by third sector support organisations: two people from a local authority older people's pathfinder project; one from a credit union; one from Age UK; and one from a Citizen's Advice Bureau.

Focus Group 4 was a combination of private and third sector providers: two representatives from a care home provider organisation: one local social enterprise care and information provider; a credit union representative and one independent financial advisor.

These service providers discussed:

- how the nature and level of demand for advice and/or support from the older person had changed during the current economic downturn;

- how the services may have responded to this; and
- how financial advice providers could address the needs of the older person in the future.

A schedule for the focus groups' discussion was validated by the project steering group. The focus groups explored service providers' perceptions of the financial advice they provide for the older population. The discussion was not limited to the ARCP group of older people. Focus groups were facilitated by one member of the research team, with a note-taker and observer also present. Focus groups lasted between 70 and 83 minutes and were digitally recorded and transcribed. Transcriptions were made available to participants to check for accuracy. A thematic qualitative analysis of focus group transcripts was conducted (Miles and Huberman, 1994).

3. RESEARCH FINDINGS

This chapter presents the qualitative themes that arose from the interviews with older people (ARCPs) in Phase 1 in tandem with views that arose from the focus groups with service providers in Phase 2.

Table 1 summarises the themes that arose from both the interviews with ARCP older people and from focus groups with service providers. It illustrates where overlap between these perspectives has occurred.

Table 1 Key themes arising from interviews and focus groups

Overall theme	Themes raised by older people in interviews	Themes raised by service providers in focus groups
A focus on the ARCP older person		Social structures among older people.
Reduction in resources	The characteristics of the economic downturn.	
	Their main sources of income and wealth.	
		Threats to wellbeing from cuts in public services.
	The increases in essential costs.	
	The increases in non-essential costs related to lifestyle.	Lifestyle changes observed in older people during the downturn.
	How older people planned ahead for their retirement income.	
Managing financial circumstances	Managing money.	
	Planning ahead for future events.	An uncertain financial future ahead.
	Keeping informed.	How older people access appropriate financial information and advice.
	Choosing financial products.	
		The vulnerability of older people to financial exploitation.
Impact on wellbeing	The impact of increased expenses and reduced income on older people's wellbeing.	Wellbeing of older people

Four overarching themes arose from the two sources of data (Table 1):

- focus on the ARCP older person;
- reduction in resources;
- managing financial circumstances; and
- impact on wellbeing.

Focus on the ARCP older person

Service providers in the focus groups described older people as falling into three distinct bands reflecting tiers of society. This confirmed the opinions of the project steering group relating to the choice of ARCP older people as the target group for this study. These bands are:

- those who are relatively well off and do not need any extra state support;
- those that are very needy and who exist on state support; and
- those who fall between the above two bands as they are not sufficiently well off to be comfortable but are ineligible for state support.

The latter band includes the ARCP group. Service providers recognised that the economic downturn has impacted noticeably on this band of older people:

Fifteen percent of the population in Dorset get some kind of grant... some kind of benefit... eighty five percent don't and it's the eighty five percent that worry me more than anything because if you're getting benefit from the state and you're in trouble you can go to the State. If you don't qualify for benefit you're getting into a right fix. (Third sector care provider - Focus Group 4)

Reduction in resources

Older people associated a number of characteristics with the current economic downturn. These included a drop in income caused by: low interest rates; lower returns on stocks and shares; pensions not keeping up with the rate of inflation, in particular living costs. The reduced income was further eroded by increased expenses including increases in council tax and VAT. The economic downturn itself was linked to key events such as: the government spending review; public sector cuts; the banking crisis; falling property prices; and increasing unemployment.

(i) Pensions

All older people interviewed were in receipt of a state pension. Some were in occupational pension schemes which were mostly final-salary based and others had private pensions. Those in occupational schemes had typically worked in the public sector, as teachers and civil servants, or for large private sector employers such as banks. A minority had made additional pension contributions either as AVCs or by purchasing “additional years” in their existing pension scheme or purchasing other benefits. Most interviewees in occupational schemes spoke of little or no forward planning. They believed that before their retirement, as long as they remained in the occupational scheme, this would provide adequately for their needs. Receipt of pensions occurred as a result of working for particular employers, rather than actively seeking out private pensions themselves to supplement their state retirement pensions:

Well of course I've been brought up in the generation that just sort of took it for granted that you pay your superannuation and you end up with a pension. So, it's quite an adjustment to think that people are responsible for their own or are going to be in the future. (Female, under 80, rural, in a couple)

I think that when the market turned down a couple of years ago that had a big impact on a lot of people because older people approaching retirement weren't reviewing their pensions, weren't reviewing their investments and within the space of a few months they'd lost 25, 30, 35 percent... (Financial advisor, Focus Group 2)

Older people who had made private pension provision were typically professionals or owners of small businesses. This group appeared to be those most actively involved in planning their retirement finances, usually combining private pension contributions with other long term savings and investments, such as cash deposits, shares and unit trusts. The most commonly mentioned private pension provider was Equitable Life:

I thought I was on a good thing because Equitable returns were good... I put quite a lot of money into Equitable and burnt my fingers. (Male, over 80, rural, living alone)

The majority of older people felt that their pensions had increased little in value during recent years, which was a cause for concern. The impact appeared to be

felt least by those with final-salary schemes, whose main income was effectively guaranteed and subject to inflation-linked indexation:

I think the biggest thing has been, when you're no longer working, you're income is pretty well fixed in terms of pension and, although each year you have a small increase in terms of the state pension, it doesn't any way keep up with inflation at the moment.
(Female, under 80, urban, living alone)

Most private pension holders did not enjoy the level of income that they had expected when planning for retirement and now felt poor in relation to their previous lifestyle and retirement expectations. This was due to a number of factors including: poor investment performance by private pension providers; the Equitable Life problem; and much lower annuity rates offered at retirement. One notable aspect of financial planning for retirement was the high proportion of women who played no active role in financial planning, but left such decisions entirely to their husband to take care of. Several women also reported having had inadequate information on which to plan for their retirement. There were particular concerns about the effect of the “married woman’s” National Insurance Contribution (a voluntary scheme under which married women could opt to pay a reduced NIC, but in return lost their right to full benefits) on their state pension:

I don't have a private pension. I declined one years ago. I didn't think about the future. So, therefore, I've only got part pension, state pension. My husband has a full state pension and a small private pension but I think that we relied on our savings and the interest that would accrue from those savings, which as I say is more or less depleted now. (Female, under 80, rural, in a couple)

(ii) Savings and investments

After pensions, savings and investments were the most common source of income. Favoured options for savings included ISAs, building society and bank accounts. A small minority had Premium Bonds or stocks and shares. The majority of interviewees had experienced drastic reductions in the value of savings and investments due to low interest rates on cash deposits, low returns on equities and other equity based investments. For some this meant they needed now to draw down on savings, release equity from their homes or cash in investments:

Instead of having quite a few thousands in the bank, we haven't got that because it's all tied up in these wretched shares and they're not worth selling at the moment. You live in hope that they're going to increase in value, you see, but that's probably cloud cuckoo land, you know. We'd have to sit on them for about twenty years and we probably won't be here in twenty years.
(Female, under 80, rural, in a couple)

I've got a particular case like that... they've saved, put their private pensions in place and now [they've] got a financial assessment and can't actually get any help at all. So they feel: well we've saved, we worked hard all our lives and now I'm being penalised for that.
(Public sector care provider, Focus Group 1)

(iii) Living expenses

In parallel to downward pressures on income, older people were experiencing increased costs, especially in essential expenditure including food costs, health related costs, household repairs, transport costs and utility bills:

Food, as you know, is absolutely rocketing... Some things you can give up quite willingly but some foods that you've eaten all your life and you suddenly think: I can't afford those any more. (Female, under 80, urban, living alone)

Well I do say I'm fairly mean with the heating. I mean, it has been rather cold so I've had it on. But I do turn it off from time to time. I put woolly things round my wrists to keep my wrists warm because you've got no flesh round there, you know. (Female, over 80, urban, living alone)

Other older people referred to shopping around more for supermarket shopping, for better deals in energy costs and some were buying second hand clothes or making their own. Housing and housing maintenance costs were of concern, many speaking of delaying repairs or worries about large bills that may occur if an essential repair was needed:

I begin to worry about the house itself, the building itself. How long is it going to be before my gas boiler needs to be replaced and that used to be something that you could afford to pay. Nowadays,

they tell you you're talking about three or four thousand pounds to replace an ordinary gas boiler. (Male, over 80, rural, living alone)

These increased essential costs have altered their behaviours. For example, increased costs of utility bills lead to reductions in the use of heating to keep bills lower or attending public places like the public library to keep warm and comfortable during the day.

Older people are also making sacrifices in relation to non-essential living costs and related lifestyle choices. It fits the notion of retirement as a phase of the life cycle when individuals should be in a position to pursue leisure activities (Robinson and Godeby 1997). Interviewees referred to a range of non-essential activities, which had been restricted by the impact of the downturn. These included costs relating to: holidays; theatre visits; hobbies; socialising; eating out; purchasing luxury items; and paying for other non-essentials.

Holidays were considered important by interviewees, either as an activity to be maintained, or as an activity which was no longer possible. For those still taking holidays, this was often seen as a luxury that was worth sacrificing other activities for or dipping into savings to fund. Many others, however, felt unable to afford holidays, a loss much regretted:

Probably the only real luxury we indulge in is occasional holidays and I consider that really important. I mean, you can do without a few treats and clothes and things. (Female, under 80, rural, in a couple)

Hobbies, attending theatres and such activities were also important to interviewees. However, they suggested that the economic downturn had impacted negatively on their ability to afford to continue with some activities. This, in turn, could impact negatively on their overall physical, mental and social wellbeing:

I can't really afford to go to the theatre, cinema, shows, those kind of things, which is a great sadness to me because I used to be a great theatre-goer. (Female, under 80, urban, living alone)

Alongside the reduction in leisure activities due to cost, some interviewees expressed concern about reduction in public sector service provision. Areas of particular concerns were the possible loss of free bus passes, library closures, and the loss of subsidised adult education:

And that's another worry because they're talking of shutting down the public libraries. Whereas for people like me, and for people on low incomes, they're a Godsend because they have activities. They have coffee mornings... (Female, under 80, urban, living alone)

Service providers also reflected on public sector cuts, discussing the recent changes to the local authority eligibility criteria for social care support. This has left social services staff struggling to support their clients. They discussed how this and other service cuts (e.g. public libraries) have meant that older people are not getting out as much and therefore not engaging in their social networks. This limitation could potentially be contributing to mental health problems:

The government have said: we need to make some savings. So it has an impact on the services we're able to provide and that has an impact on the clients that we see... I have particularly noticed, I would say in the last year or so, significantly more elderly people are saying: 'Oh, we can't spend that or we're not going to get that are we, because you know the government won't provide the money for us to have that equipment'. (Public sector care provider Focus Group 1)

You can see the impact of the criteria change has been great. First we had to take these services from people who were not meeting the criteria and they were used to these services for years. Some of the elderly people, they used to go to day centres for ten, fifteen years, and their lives have been patterned around that service, and that has been taken away all of a sudden, and they are at a loss about what to do next. Nowhere to go. (Public sector care provider, Focus Group 1)

Older people described how they thought carefully about purchases, particularly when this involved non-essential items or luxuries. For some, this meant accepting that items, previously taken for granted, now were no longer affordable on a fixed budget:

Money's getting tighter and tighter and that means that luxuries that one used to have, one thinks of looking at twice now. (Male, over 80, rural, living alone)

For some, the inability to pay for luxury items had meant a return to valuing the social capital of friendship groups. This might involve pooling resources, sharing and helping one another:

Well, cosmetics and things like that, going out and having beauty treatments or whatever. You either go without, or you have a little get together with your friends and you do the things to each other.
(Female, under 80, urban, living alone)

These life style changes reported by older people during the economic downturn were echoed by service providers during focus groups, who observe older clients cutting down more and more on day to day living expenses, for example:

Less Waitrose, more LIDLs. (Third sector care provider, Focus Group 4)

People are saying that their quality of life is going down because they can't heat the house, because they're worried about if I spend too much I won't be able to pay the bills. So yes, there's definitely a worry there. (Third sector care provider, Focus group 3)

I think it's a gradual erosion of wellbeing. (Third sector care provider, Focus Group 4)

The focus groups reported that older people were prioritising things like pet care to the detriment of their personal care. They were cutting back on hot meals delivery service and the number of carer visits to the home or visits to day centres, all of which impacted on their quality of life.

In general, therefore, the economic downturn has impacted on resources available to older people, both in terms of their reduced income, increased outgoings and a reduction in access to public services. This will have an impact on the way they manage their financial circumstances.

Managing financial capability

(i) Managing money

Managing money is a key dimension of financial capability and being able to manage one's financial circumstances. Older people describe three main behaviours in the way they currently manage their money. These related to budgeting, saving and economising behaviours. When budgeting, some older people managed their money very carefully, keeping accurate, detailed records of their incomings and outgoings. These records were often kept in paper form in "little black books" but spreadsheets were mentioned by one respondent. Some mentioned that their banks helped them with these budgeting strategies. Some of the older interviewees created separate pots of money for different expenditures. These pots were often managed through having different bank accounts through which different resources and expenditures flowed and in a rare case internet banking was used to manage these. Money was transferred between pots if required. Some respondents felt that the need to have this level of control over one's finances was stressful. The use of direct debits facilitated this budgeting behaviour:

What I do is I have my little red book and on one page I have my income, on the other page I have all my major expenditure... and then what I do is: I add all of those up and I add up all my income. I divide all the expenses into twelve and then I take those away from my monthly income so that I know what I've got remaining... And one year I wrote down literally every single penny I spent, which was dire to do. It felt like being a student again. But I then knew very approximately what I was spending each year on one of those items. (Female, under 80, urban, living alone)

It was difficult to determine the impact of the current economic downturn on these budgeting behaviours, especially as for some there was a historical dimension to these, drawn from previous experiences of managing on a tight budget, supporting children or running a business.

Economising behaviours were also a strong theme, older people discussing a variety of strategies used to make ends meet and manage resources. They were cutting back on both non-essential and essential items. When making payments, interviewees used direct debit systems as a means of spreading the costs or budgeting. Others preferred cash payments as this made them feel more secure

as it is a way of keeping better control over their financial transactions. Internet banking was mentioned by very few.

Finally, current saving behaviours were described by the majority of interviewees. They put money aside each week or month into bank or post office accounts, saving for foreseeable expenses, such as household expenditures, and unforeseen expenses. Investment in insurance policies, shares and mortgages were also perceived as saving behaviours. Some had saved regularly throughout their lives, introducing again a historical dimension to saving where, for example, their parents had taught them to save. Others had taken on financial responsibilities such as a mortgage early in life and this had led to more prudent saving behaviours. Some had not been able to save regularly until relatively recently when the expenses of dependent children or a repaid mortgage fell away. They wished they had saved more in their youth and during their working lives. Others did not have enough spare money to save or did not believe it worthwhile while interest rates and returns on investment were so low.

Attitudes towards money varied amongst older people but the majority saw themselves as careful spenders, keeping a strict eye on their financial transactions. They lived frugally, and stayed within their means. Overall there was a strong aversion to debt and taking credit and a desire to pay expenses off in full.

It didn't make any sense to me to be feckless. I don't have a credit card. I'm not interested in borrowing anything, any money. My motto has been I pay as I go and if I can't pay I don't go. (Female, under 80, urban, living alone)

There was a historical dimension to many of these attitudes and behaviours. This could be because there were no credit cards when interviewees were younger and there was a need to save up for purchases rather than buying on credit. Furthermore the values of saving and being frugal could have been instilled in them by their parents.

People of our age were always encouraged to save... Our parents always told us to save, you know. Even if we only had sixpence a week we probably had to save two pence of it. We all had money boxes you see. We were brought up to save from a very early age. (Female, under 80, rural, in a couple)

A minority of interviewees had less control over, awareness of, or interest in their financial affairs. This group expressed concern that they were not managing to make ends meet and were living beyond their budget. Generally, however, and in support of other studies (Atkinson *et al.*, 2006) the interviewees appeared overall to be able to manage their money.

(ii) Planning ahead

The ability to plan ahead financially is another dimension of financial capability. Planning ahead for retirement has already been discussed with some interviewees saying that they had not planned adequately for their pensions. Older people were finding that, post retirement, planning ahead financially for the future was still necessary. But there was some variation in the way older people engaged in forward planning at this time. Where they had modest savings or other investments, sums were frequently earmarked for specific eventualities, such as replacement of household appliances, home maintenance or funeral expenses. In many cases this was the extent of their planning ahead. Some couples were conserving their savings in order to provide a financial cushion for the surviving spouse after one of them, usually assumed to be the male, died and the survivor's income was reduced. A small number had already pre-paid for their funeral.

One consequence of the economic downturn is that some older people had been using their savings to cover day-to-day living expenses, so they were now worried that their contingency funds would be inadequate for their intended purposes. Most interviewees expected that any eventual residential care fees would be met initially from their savings and then from the sale proceeds of their home. Others had spent money on their home to make it more suitable for living in as they aged, usually with a view to being able to live in just the ground floor part of the property:

A lot of my spending has been on the house with the object of continuing to live here as I get older and possibly to live in just part of the house. (Female, under 80, urban, living alone)

A small number of interviewees mentioned that they had made "power of attorney" arrangements in anticipation of a time when they could no longer manage their financial affairs and some had considered equity release as a possibility in later life. Amongst some older interviewees there was a tendency to think that there was no point in planning ahead or maintaining their home, as they might die soon:

Mind you, I've been thinking for the past ten years that I shouldn't be here next year so I'm not bothering. Then you find that you are here. (Male, over 80, rural, living alone)

Service providers are particularly concerned about these latter individuals, believing that the economic downturn will worsen, exacerbating some older people's reluctance to plan for a deterioration in health or to make care home plans:

When you plan what you're going to do in the future with your money, you don't even think about your health implications.

(Public sector care provider, Focus Group 1)

Finally, the making of a will was not mentioned explicitly in older people's discussions of planning ahead but one respondent describes a greater expectation among younger people that they would inherit the home as home ownership was now much higher than it had been in their own parents' generations:

There's a general expectation to inherit more than we ever had an expectation for... largely because a lot of our parents never bought their own houses. (Female, over 80, rural, living alone)

Older people also have the dilemma of helping their children out financially through the current crisis in the short term *versus* what they might leave to them in the longer term:

What I ought to do is to turn this house into one of those split up things [i.e. equity release] that will provide me with more money than I've got now, but looking at the longer term plan, my elder daughter ought to inherit this house and make herself more comfortable than she is now. My younger daughter is not in need of money and they know how I feel because I say if it wasn't for my elder daughter in her financial situation I'd hang on to the house... (Male, over 80, rural, living alone)

Service providers are aware of older people's concerns on inheritance suggesting that many older people give high priority in their planning to financially supporting their children and other family members who are experiencing economic difficulties, or ensuring they could leave something to them in their will:

They've almost got a culture... they're saying they've looked after their children, their savings are for their children, it's not for the local authorities or health, it's for their children. (Public sector care provider, Focus Group 1)

(iii) Staying informed

An older person's engagement in planning ahead may be influenced by other dimensions of financial capability, i.e. planning ahead may dictate if and how an older person chooses to keep informed on financial matters. When keeping informed, older people discussed seeking information on financial products including saving accounts and independent savings accounts (ISAs), bonds, mortgages, pension funds and annuities. Some older people interpreted "financial product" as any investment, which would increase in value. Others interpreted this more widely, to include travel insurance, life and household insurance, utility provision and state benefits (e.g. pension credit, disability allowances). Interviewees did not draw a distinction between financial information (facts about a particular financial product) and financial advice (recommendations about which financial product to choose) and the terms were used interchangeably.

Most respondents discussed where they obtain financial information, advice and support. These sources of financial information varied from professional financial advice givers (financial advisors, banks, accountants or an employer) to government organisations (including the local council) and non-profit voluntary sector organisations (e.g. Citizen's Advice Bureaux, age related charities). Information is sought less formally from their social networks, health and social care professionals, solicitors and managers in care home companies. Many use the media (television and newspapers) and a few the internet. Social networks, media and voluntary sector organisations are the most commonly mentioned sources of information:

Well as I said I am a [name of a national newspaper] reader, which is a thing that nobody should be but I am and you do get lots of info from the [National newspaper] and we all do. We're all much the same age, my friends and relatives, and the ones down here and we do chat amongst each other. And I've also got a friend who's a social worker and he makes us aware of what we should do. (Female, under 80, urban, couple)

I would do but I would go to Age UK I think first of all. (Female, over 80, urban, living alone)

Some older people are reluctant to access financial information, support or advice. They may feel they do not need help, that dealing with finances is common sense or that they can rely on a spouse or family member to advise them instead. Alternatively they feel their incomes are now static and there is no need to invest further, especially as financial security is now key. Respondents may also not wish to access advice because they do not want to invest in the first place. This may be because they received poor advice or the quality of the service was poor in the past and/or they see investment as akin to gambling. Most of the references to poor advice related to falls in market prices that have influenced returns on investments that they were advised to make by service providers. Only one respondent mentions mis-selling of products by a service provider although many more make a link between a vested interest in commissions/fees by advisors and poor advice being given. For some, financial matters hold little interest for them, the thought of making investments and making money is just not them or they do not have enough spare money to invest.

Some older people found financial matters complicated and difficult to understand. The method of information delivery is perceived as overly complicated, full of jargon and they find it difficult to understand. Information given verbally may be off putting if providers speak too fast or in a different accent. They do not want to be pressurised by advice givers, preferring to make up their own minds. Some will phone the provider when information is required but unsolicited phone calls are an intrusion and the anonymity of information received in a written form is appealing. They find the process of researching and keeping informed on financial matters energy consuming and some indicate they wish they had an advocate that would do this for them. If the older person is accessing advice from a particular organisation, some are put off by having to pay for advice. They find some of the more popular free services are very busy (such as the CAB and older person charities) and therefore difficult to access, and when accessed the range of advice from some services is seen as limited.

On the other hand, there are a range of factors that encourage older people to gain support and advice. One of the strongest themes is the need for a personal connection with the advisor (their children played football together, a friend of their spouse or someone recommended to them by a friend). They are also concerned that the advice given is independent. They need to feel that there is no

vested interest behind the advice given. This may account for the reliance on some charities for financial advice:

Yes but I would not just change my present insurance company, but go to something like Saga or Age Concern or something that's an independent non-profit making set up to look in to, because they're not into the main concern of their own profits. The sort of thing that one's taken for granted in the past but now one is beginning to think somebody else's profits will go out of the window. (Male, over 80, rural, living alone)

Others seek information because they recognise their own lack of understanding in this area, they find they are being pushed into seeking support because of financial difficulty and/or have a personal interest in financial matters. The geographical location (and hence convenience of accessing information) is important for some. Having received good quality of service from an organisation in the past will encourage the older person to access the same organisation again when gathering information.

Many of the barriers/facilitators to seeking advice on financial matters relates to a level of trust in advice providers being essential:

Well I guess I'm not expecting the bank to help me. I think if I suddenly inherited a large sum of money they'd probably be much more helpful, because I'd pay off my outstanding overdrafts and then I'd have some money to invest and they'd be really interested in me. (Female, Under 80, Urban, alone)

I don't really, no [when asked if they would go to the bank for financial advice]. I don't have any experience and I'm not sure I would trust them really for this sort of thing. There's too many changes always. I mean [Bank x] have recently come into my life because my bank was the [Bank y] and [Bank x] have taken it over and dare I say the mess they've made of sorting me out with a new debit card, and what have you, would not leave me to trust them to do anything. (Male, under 80, Urban, Couple)

The above and other poor opinions expressed of banks in general is representative of a lack of trust. This is manifest in their preference for social networks as

a source of information and people's preference for face to face or at least personalised services:

There's a very nice man who has helped some of my retired colleagues and I think his advice has been objective because he's not linked to a bank. He's not linked to a particular... let's say... insurance company or investment company. But it's quite hard to find an independent person who will look at your interests and your financial situation and what you hope to do with whatever money you happen to have or what demands are being made upon it. It's very hard to find somebody like that but I know I've got a few friends who turn to him and he's been quite a help to them....
(Female, under 80, urban, living alone)

For others, advice provided through pamphlets or information sheets is preferred because it is anonymous and they can take their time to consider the information without being, or feeling, under pressure to make a decision.

Service providers also discussed how many older people were not accessing the financial information they required and that they are not always comfortable with the ways in which information about services, including financial services, are disseminated. Focus group participants confirmed that communications about financial matters by cold-calling, leaflets through the letter-box and the internet were unpopular with some older people, although they reported some older people using the internet without difficulty. One-to-one, face-to-face communication, preferably with a person known to them, rather than automated telephone answering systems, was generally preferred:

Person to person is more accessible... the person to person accessibility was good. Some people didn't even change anything but they felt that they'd been informed about what was out there.
(Public sector care provider, Focus Group 1)

Service providers expressed concern about the reliability and accuracy of financial information accessed and possibly used by older people, especially from newspapers. Newspapers, radio and television were commonly quoted as sources of financial information, used by older people, and trusted friends were another preferred source. Professionals were concerned, however, that friends are not necessarily a reliable or knowledgeable source of financial information.

Some focus group participants reported that older people lacked financial information and choice and had difficulties navigating the benefits system. For example, participants believed that few older people were aware of the existence of credit unions and the principles by which they operated. Financial advisors reported they now saw fewer low income, low asset clients and suggested that this group was now looking elsewhere for financial advice and support.

Factors important to older people in their choice of financial product included accessibility to funds and other benefits, such as tax relief, higher returns or other incentives such as free insurance:

Well certainly one of the key factors was accessibility. I didn't want to tie it up I mean. I think the ISA is actually a three year ISA but, should I need it with a small sacrifice of interest and the interest is so derisory now it's not really a concern... (Male, under 80, urban, couple)

Motivations to purchase products from a specific provider included: the ability to trust a provider; previous experience of efficiency and effectiveness of the provider; accessibility and reputation of the provider; provider's ethical affiliation; and availability of products specifically designed for older people. Disincentives to the purchase of products include: associated charges; relevance of the product to circumstances, for example contents insurance when there is nothing of significant value in the house to steal; product risk profile; lack of trust in the provider based on previous experience; products which discriminate against older people; and the time needed to shop around.

I don't want to have to get out my magnifying glass every time to read the bit that's most important. And you see there's a lot of people I guess that are deluded. They treat us like idiots. (Female; under 80, urban, living alone)

Service providers on the other hand, specifically financial advisors, expressed concerns pertaining to the suitability and risk profile of some products being sold by banks and building societies to older people:

Well with investments [speaking about the poor returns on current investments] it's created an environment where some people go out and seek alternative more risk based investments

as opposed to deposit type accounts. Inherently, as Independent Financial Advisors, we would wish them to come through us to seek such advice, but quite often those people are getting, what's the right word, approached by their banks and building societies into 'guaranteed' products over the last two or three years. It's a concern to the IFA community as a whole. I think that elderly clients aren't necessarily getting, in our opinion, the right advice.
(Financial advisor, Focus Group 2)

They are concerned that since the economic downturn many older people are engaging in different and sometimes riskier behaviour with their money than they have done the past. For example, more people were entering into equity release schemes to obtain cash from their property, but not always understanding the full implications of doing this. Some people were not reviewing their pensions at all, whereas others were asking for more frequent reviews:

A lot of clients are driven to take more risks in order to get the level of return they need to maintain their standard of living.
(Financial advisor, Focus Group 2)

I think one of the side effects is that they are less risk adverse than they were. (Financial advisor, Focus Group 2)

A strong theme to emerge from all of the focus groups was a reported increase in the financial abuse of older people during the downturn. Examples of frauds on older people included those resulting from unsolicited telephone, postal and email communications. Those responsible for various forms of financial abuse included family members, neighbours and people selling specialist equipment related to care and mobility:

The other thing that's coming up more and more is these financial scams and older people being targeted more and more and that's a biggie, we certainly [in our department] have had to do a lot more awareness raising of these things. (Third sector care provider, Focus Group 4)

Older people themselves did not raise these fears of financial abuse. If members of the sample had been victims of financial abuse, they did not disclose this to the

interviewers. So whilst service providers raise concerns about financial abuse this was not something discussed by the older people interviewed. Reluctance to disclose abuse or unwise investment is highlighted by a recent Social Care Institute for Excellence report who suggest these behaviours relate to feelings of shame, self blame and embarrassment (SCIE, 2011).

Impact on wellbeing

A reduction in resources and managing poor financial circumstances has an impact on the wellbeing of older people. Wellbeing is a subjective multidimensional concept (Kelley-Gillespie, 2009). For older people, two dimensions are key, their mental and social wellbeing. The impact on mental wellbeing is illustrated by older people's concerns about their finances in retirement, and the impact of the current economic downturn in terms of rising prices and reduced incomes. They spoke of worry and stress caused by their financial situation:

I think if you're worried about money it does affect your mood. It's bound to because it's nag nag nagging away in the back of your mind that, you know, am I going to be OK? (Female, under 80, urban, living alone)

These concerns were linked to the fear of debt and a reluctance to borrow money, and the focus was both on the present and on the future ability to cope financially. Worry about being unable to pay bills, or being presented with unexpected bills was a constant cause of concern. Many describe how they just about cover their weekly bills, but would be pushed into debt by unexpected costs related to repairs and other large bills. For some, this meant cutting back on times of celebration such as Christmas and birthdays, which again can have a negative impact upon an individual's sense of mental wellbeing:

I'm sad to think I'm not going really to be able to do Christmas this year, and this is going to be the first year that I really realise I can't do it. (Female, under 80, urban, living alone)

For those on already restricted incomes, the economic downturn has added more pressure to a situation, which was already finely balanced. Many interviewees were worried and anxious about how they would continue to cope in the future, particularly if further services were to be withdrawn or increased charges levied:

It was a worry when we heard that there might be a possible cessation of the free bus pass because we don't have a car. We depend on local transport. (Male, over 80, rural, in a couple)

This impact on wellbeing was also recognised by service providers.

My experience has been that the biggest impact has been on people's confidence in their own financial security... they worry more. (Financial advisor, Focus Group 2)

I think some of the elderly clients are not only anxious about themselves but they're anxious about their children and grandchildren. (Financial advisor, Focus Group 2)

The dimensions of wellbeing are interrelated. Anxiety and worry about finances mean that older people re-consider what lifestyle they can afford to adopt, and for some this means reducing social activities because of the expense, and this may impact upon their social wellbeing.

Concerns about finances and the resultant restriction placed on "socialising" can have a negative impact upon older people's access to social capital. This may be generated within informal networks, local neighbourhood groups, or support gained through religious groups, interest groups and so on. Respondents spoke of reductions in social activities due to the increasing costs involved:

Social events have slowed a little bit like that. I used to go out quite often but the cost of everything's gone up. (Female, under 80, rural, living alone)

They're cutting this and they're cutting that and a lot of it is the social activities for the older people which are absolutely... they're life enhancing. They're the only way a number of older people, I think, keep going because they've got things to go to. (Female, under 80, urban, living alone)

I think generally elderly people with the recession feel more isolated. Feel like they're struggling. Feel like... well, who's there to help. There's that desperation... (Financial advisor, Focus Group 2)

Some older people may become increasingly vulnerable due to their increasing poor health, and financial concerns can exacerbate their physical wellbeing:

It's juggling finances and juggling health. (Male, over 80, rural, living alone)

For some interviewees, declining health impacted on financial wellbeing through additional costs for services which they could no longer undertake themselves such as gardening, changing light bulbs and minor decorating jobs. For others, reduced mobility led to increased transport costs and social isolation.

Last year a bulb went out in the three light fitting. I climbed on the steps and fell split my head open and I had to go in hospital. So I thought I've learnt my lesson. Get somebody in to do it. (Female, under 80, rural, living alone)

Summary and ways forward

The above chapter summarises some of the experiences of ARCP older people, supported by the concerns expressed by service providers, during the past few years of economic downturn and the negative impact of this on their wellbeing. Older people are found to be capable of managing money. This suggests that older people are resilient and are surviving this economic decline. This is at the expense of considerable hardship.

However, they are less capable financial planners. Consequently, they are not as financially informed and are less able to choose productive financial products. This may mean they are ill prepared to lift themselves alone out poverty and to enhance their own wellbeing. Older people will thus require the support of services in all sectors.

These findings arise from an exploratory study of 28 ARCP older people in Dorset and focus groups with 20 service providers. As an exploratory study, it has raised a number of issues very worthy of future contrast and comparison with the wider UK population, something of a priority if policy makers are to address the future needs of an increasingly ageing population. Some of these issues are listed below:

- One of the key findings from the interviews was that ARCP older people seek financial information from their social networks, health and social care

professionals, age related and other charities for information and support on financial matters. This may be due to their higher trust in these individuals. They were not necessarily seeking out information on what financial products to choose but needed information about financial matters more generally including information on benefits. Neither interviewees nor focus groups made any reference to the FSA as a source of help or advice. Research should focus on uncovering the reasons behind older people using these sources in preference to more specialist advice and the role these networks can play in enhancing the financial capability of this age group. Members of the health and social care services were recruited to focus groups as a result of these findings. The impact of the economic climate and the need to support older people with their financial circumstances was a key priority for this group and reflected by their strong recruitment to the focus group study. Financial advisors were far less easily recruited which may suggest ARCP older people and their wellbeing is a lesser priority for them. This hypothesis needs further testing.

- The interviews with older people showed that respondents were not distinguishing between the need for advice and information. Financial experts may make the distinction but older people do not. The implications of this need further study.
- The study focused on the impact of the recession on the wellbeing of ARCP older people and described the financial capability of the older person within this context. There is some suggestion from the interviews that older people have adjusted the way they manage their money and plan ahead during the recession. It remains to be explored in greater depth how their financial capability is tested, strengthened or eroded during these times of down.
- Older people were not clearly differentiating within their interviews between the impact of the recession and the impact of retirement. This suggests that the two are closely interwoven. To unpick the impact of the recession alone would require a comparison with the retirement experience of older people during more affluent periods to clearly understand the impact of this variable in isolation.

With these caveats and new directions in mind, the next chapter summarises the key findings of this study and the implications for future policy.

4. SUMMARY OF KEY FINDINGS AND POLICY IMPLICATIONS

A synthesis of the key findings and policy implications from both phases of the study is presented below.

Key finding 1: Many ARCP older people, particularly women, had done little retirement planning.

Many ARCP older people had insufficiently planned for their retirement. In particular some women had relied on their husbands to manage all finances and had not provided for their own pensions. This reflects the findings of Atkinson *et al.* (2009) that the older generation were less good at choosing appropriate financial products in preparation for their retirement.

A lack of evidence of planning for future health or financial needs confirms qualitatively the Anchor (2011) survey findings that older people are not planning ahead for their future care.

Policy implications

The independent Money Advice Service (formerly the FSA Consumer Financial Education Board) should commit greater financial resource to the awareness raising and skill development of future generations to help people plan more carefully for their retirement. Although the findings of this study show a widespread need among older people for information and advice, resources should be targeted particularly at women, especially those who have had extended periods out of workplace. Private, public and voluntary sector services should respond to this increased investment through developing and testing out models of financial capability training, with an emphasis on financial planning, as well as its mode of delivery. There may be potential in raising awareness of the need for retirement planning and associated training to non-working women through health visiting or child care services.

For older people who have planned ahead, pensions and savings have been traditionally seen as a key way to plan responsibly for one's retirement future. But these are not risk free as has been played out in the recent years of economic downturn, with the associated low interest rates and return on investment. People planning ahead for retirement need to be reminded of the impact of any future recession and the risks of this if it coincides with their planned retirement date.

Key finding 2: Older people, in the ARCP category, tended to manage the money they had very carefully, despite the economic downturn, and had an aversion to debt.

This finding mirrors the quantitative study of Atkinson et al. (2006) who found older people to be better at managing money than the younger generations. To reduce their outgoings, older people were turning off or turning down their heating and were shopping at less expensive supermarkets. They were also cutting back on hot meal delivery and/or replacing meals with snacks, which could compromise their nutritional intake. They had been strongly influenced by their own parents, who had lived through austere times, including wartime, when credit was not widely available and people had to save for what they wanted. In discussion of the financial pressures placed upon them in term of escalating essential and non essential expenditure, no one refers to having resorted to unsecured debt. The latter may be because of the strong aversion of this population group to debt. Alternatively, if members of the sample had resorted to unsecured credit, they did not disclose this to the interviewers. Where older people had a choice, they tended to be risk averse about financial investment.

Policy implications

Managing money is identified in this study and earlier studies as a strength within older people. Therefore, financial capability training for this age group should focus on the other dimensions of financial capability where older people are less skilled, for example choosing financial products and staying informed.

Older people should be considered an asset in society and their strong skills in managing money should be utilised. Those organisations wishing to develop and deliver financial capability curricula for younger people could consider intergenerational programmes in which older people participate as guest speakers, sharing their experiences in managing money with younger generations. These educators could be encouraged to work together with the Money Advice Service and the Department of Health and financial advice and information providers to bring various age groups together.

Key finding 3: The combination of reduced income from investments, increases in pensions which do not keep pace with inflation, combined with increases in costs for essential and non-essential expenditure, is having an impact on social, physical and mental wellbeing and is causing noticeable life style changes.

The effects of the economic downturn on ARCP older people's wellbeing was highlighted by both older people themselves and service providers. In both phases of the research, reference is made to feelings of anxiety, worry, fear, depression and concern. The risk of isolation, as a result of saving money by going out for social purposes less frequently or by not going out at all, was a strong theme throughout the interviews.

Policy implications

Reduced wellbeing during the economic downturn in this age group is likely to put an increased demand on health and social care services. Policy makers in the Department of Health have a vested interest therefore in developing strategies to counter this negative impact. One recommendation to enhance social wellbeing is that the Money Advice Service, the Department of Health and local councils fund national and local initiatives to further support and develop social clubs or other groups for older people, with an emphasis on financial planning and management. This would help sustain wellbeing and provide a network of peers with whom older people might exchange financial experiences and information. Third and private sector organisations such as care homes and age related charities are well-placed to contribute to the development of these programmes.

Key finding 4: The economic downturn is impacting on older people indirectly though cuts to public and third sector services.

The economic downturn has been associated with cuts in funding to many services previously relied on by older people for their physical, social and mental wellbeing. Library closures were a cause of concern and a particular worry was the risk of withdrawal of bus passes.

Policy implications

Private sector service providers will need to fill the gap in services that currently support the health and wellbeing of older people, a gap left by the increased withdrawal of public and third sector services. A reduction of these services in particular will have a strong impact on the social, mental and physical wellbeing of older people.

Key finding 5: Older people, in the ARCP category, do not always access enough or appropriate financial information. Many choose to seek financial information from trusted health and social care providers, their family and/or friends rather than from financial professionals.

Older people, and professionals that support them, reported that older people are not always accessing the sound financial information which they may need, whether it be on financial products, forward financial planning or how to obtain the benefits they are entitled to. Lack of trust in financial advisors was widespread particularly in relation to the independence of advice these professionals offer. There was uncertainty about where to seek advice and there was concern about the cost and the complexity of advice offered. Independent financial advisors indicated that older people on lower incomes were using their services less frequently. Some were either self-reliant by researching on the internet or using the media, or tapped into sources of social capital found within their social networks. Trusted public sector and voluntary sector service providers were popular sources of information and advice. The Financial Services Authority was not mentioned at all as a source of information. These findings confirm findings in the wider UK population where emphasis is placed on the importance of personal contact, trust and clarity in information giving (NIACE, 2008, Financial Services Authority, 2004a; Financial Services Consumer Panel GB, 2003, Financial Services Consumer Panel NI, 2003; Financial Services Authority, 2000). The use of the media (Financial Services Authority, 2000) and the under use of financial services regulators has also been reported (Financial Services Authority, 2000).

Policy implications

More effort and resource needs to be put in place to address these very serious concerns about access to advice and support by older people. Older people are approaching health professionals for financial advice, despite the fact that these professionals may not be the best placed to provide this. Health professionals need to be able to direct these queries to trained financial service providers. Financial services within the private sector should therefore form interagency partnerships with more trusted public and third sector services in order to improve access to the services they provide. There is a very significant concern about lack of trust in advisors and banks. The need to rebuild reputation must be addressed by regulators, the advisors and banks themselves, with an increased emphasis being placed on the value systems of financial services and the role they can play in promoting community and individual wellbeing. The strength of the social networks of older people should also be harnessed, suggesting again that there is potential in targeting or developing social clubs for older people as locations to enhance financial capability.

Key finding 6: In order to make ends meet, some older people in the ARCP category may take greater financial risks or be more vulnerable to abuse in an economic downturn.

Older people indicated that they were generally very cautious in their attitude to financial matters. However, O’Keeffe *et al* (2007) reported that in one year approximately 1 percent (86,500) of people in the UK aged 66 and over were victims of financial abuse. This prevalence may rise as the professionals that support older people expressed concerns that the economic downturn may push older people towards riskier behaviours without them fully understanding the implications of the risks. There is also a risk of older people becoming more vulnerable to financial abuse.

Policy implications

Policy makers need to ensure that older people are made aware of the risks of financial abuse. As older people are often turning to more trusted health and social care providers for advice on financial matters, health/social care providers as well as financial service providers should both develop means to keep their older clients regularly informed of potential financial risk within the current economic climate. As financial support is not the remit of many of the health care providers and financial services is a regulated activity, it is advisable they form partnerships with the finance sector, in order to better inform their patients/clients of current financial risks or to be able to refer them on to qualified support. Service providers may also offer a helpline in which older people feel safe to disclose, anonymously if need be, any concerns of financial abuse they may be exposed to. Charities already offering these services (e.g. Age UK and Action on Elder Abuse-AEA) should be supported in these endeavours through encouraging partnerships between financial service providers on the one hand and health/social care providers on the other in order that the latter can provide accurate and up to date information on financial risk to its partners. A recent partnership between local financial advisors and the Charity Age UK is an excellent example of this (Age UK, 2012). It is also essential that the Money Advice Service raises awareness of this risk. As the provision of financial services is a regulated activity, it is important to ensure that any activities undertaken by health/social care providers are not in breach of financial services regulations.

Key finding 7: Older people made no reference to the Money Advice Service or Financial Services Authority as a source of help or advice.

At the time of this study none of the interviewees of the focus groups made any reference to the role of the Financial Service Authority (FSA) or the Money Advice Service in providing information or advice about financial matters to older people. Also very few interviewees referred to the use of online banking.

Policy implications

Although the Money Advice Service is now independent of the FSA, and is endeavoring to target a wider population, it is not clear why our interviewees never referred to it. It may either be due to a lack of awareness of the service, a serious indictment of the outreach of the FSA, or alternatively a lack of IT expertise in older people, demonstrated also by their very limited use of online banking. In either event, older people may be denied access to key forms of help and advice on financial matters. Resources need to be devoted to either increasing IT literacy among older people, or alternatively providing help and support using traditional forms of communication and/or increasing the reach of the Money Advice Service by targeting this age group specifically.

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APPENDIX 1

Characteristics of individual respondents

Gender	Age	Location	Living status
Female	65	Inside conurbation	Living alone
Female	65	Outside conurbation	As a couple
Female	65	Inside conurbation	Living alone
Female	65	Outside conurbation	Living alone
Female	67	Inside conurbation	Living alone
Female	69	Outside conurbation	As a couple
Female	70	Inside conurbation	As a couple
Female	71	Outside conurbation	Living alone
Female	71	Inside conurbation	Living alone
Female	77	Outside conurbation	As a couple
Female	77	Inside conurbation	Living alone
Female	78	Inside conurbation	Living alone
Female	79	Inside conurbation	As a couple
Female	82	Inside conurbation	Living alone
Female	83	Outside conurbation	Living alone
Female	83	Inside conurbation	Living alone
Female	87	Inside conurbation	Living alone
Male	68	Inside conurbation	As a couple
Male	72	Outside conurbation	Living alone
Male	72	Outside conurbation	As a couple
Male	80	Outside conurbation	Living alone
Male	80	Inside conurbation	As a couple
Male	82	Inside conurbation	As a couple
Male	84	Outside conurbation	Living alone
Male	85	Outside conurbation	As a couple
Male	85	Outside conurbation	As a couple
Male	87	Outside conurbation	Living alone
Male	89	Inside conurbation	As a couple

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Chairman of SATER
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