

# Developing a 'Rule of Thumb' to help those going through a negative life event adjust to a sudden income drop

Executive Summary

## Background

In 2016, the Financial Advice Market Review (FAMR) developed initial high-level financial Rules of Thumb, in areas such as ‘cleaning up’ your finances, managing borrowing, saving regularly and focussing on your pension.

The Money Advice Service (MAS) was approached to develop a new Rule of Thumb which focusses on those going through an income shock (e.g. through job loss, illness or relationship breakdown) to adjust to their sudden income drop.

The objective of this research was to develop an initial proposed Rule of Thumb that can be taken forward for further communications and user testing. Qualitative fieldwork was conducted with 66 working age individuals who had recently experienced one or more negative life events. A co-development workshop consisting of MAS and industry experts was held to further develop ideas from the research, and to discuss ideas for the next stage of testing.

## Key insights and implications

KEY INSIGHTS	WHAT ARE THE IMPLICATIONS FOR THIS?
<p>During a negative life event, people recognise the need to think carefully about their finances. However, many are fully occupied by the stress and upheaval from the event itself; they lack the headspace to fully consider the financial aspects.</p>	<p>A Rule of Thumb would need to <u>effectively cut through the cognitive overload and ‘noise’</u> before it can start prompting positive action to adjust to that income drop.</p>
<p>The first reduced or missing payslip after the negative event plays a major part in bringing the new financial reality home, depending on the progress made towards accepting their new situation.</p>	<p>The point <u>when the first post-event payslip is due</u> can be a <u>teachable moment</u>. Whilst it is ideal for people to engage as early as possible, this may be the earliest point at which they are receptive to a Rule of Thumb advising positive action.</p>
<p>Most recognise that focussing on budgeting and monitoring their expenditure is the best first action to take following an event. However, few find budgeting engaging as an idea, or easy to do – they are likely to avoid this for as long as possible.</p>	<p>The Rule of Thumb should avoid <u>overtly talking about budgeting</u> or cutting their spending, as it will be put off or ignored. Instead, the suggested action should be engaging, specific and feel easy to do while still feeling ‘big’ enough to help.</p>
<p>Trusted messengers are key in delivering a successful Rule of Thumb. However, those messengers with the highest reach and expertise (such as banks and employers) are less trusted than those with less reach and expertise (e.g. medical professionals, forums, and experience of others going through the event).</p>	<p>As messengers with greatest reach and expertise, banks and employers need to be <u>positioned as trusted messengers</u> to deliver an engaging message, or other trusted intermediaries need to be found. Another opportunity is to utilise forums to help spread a consistent message.</p>

**The output of this initial research is a specific action to be refined into a rule of thumb which can be taken forward for further testing:**

If you've had a relationship break up, illness or job loss, as soon as you can, look at your bank statements and mark what you have to **Keep** and what you can **Change**. Then **Plan** what to keep or change now, compared to a month and six months' later, then take a moment to **Breathe** to reflect before making those changes.

## Next steps

1. This specific action needs copy editing and refining into a rule of thumb, this may have up to three versions.
2. These versions will then be communications tested to check that the rule of thumb is memorable and clear and to select the best version.
3. This will then need to be user tested.
4. Successful communication of the Rule of Thumb will depend on the channels and trusted messengers used, these should be considered as part of the communications testing.
5. A successful launch of the final rule of thumb will need an effective communications plan, which includes messengers who are trusted experts, it should include partners already engaged through the earlier co-development workshop.