

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) has been taking this work forward by developing a new Rule of Thumb which focusses on those going through an income shock (e.g. 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 user testing. 2CV conducted qualitative fieldwork with 66 working age individuals, who had recently experienced one or more negative life events. 2CV then facilitated a co-development workshop, consisting of MAS and industry experts, to further develop ideas from the research, and to discuss ideas for the next stage of testing. BMG conducted communications testing of three variants, via an online survey of 4,059 25 to 65 year olds. The sample was representative of England, Wales, Northern Ireland and Scotland, as well as the UK as a whole. It asked how understandable, memorable and practical the Rules were and how likely the respondent would be to use each one.

The proposed Rule of Thumb is:

The 4 Cs Rule for adjusting to a sudden income drop:

Check *what’s coming in and going out*

Consider *what you really need to buy and pay for*

Change *to cheaper alternatives*

Care *for yourself. Don’t forget to breathe, sleep on big decisions and practise self-care*

Key insights and implications

KEY INSIGHTS	WHAT ARE THE IMPLICATIONS FOR THIS?
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.	The Rule of Thumb needs to <u>effectively cut through the cognitive overload and ‘noise’</u> before it can start prompting positive action to adjust to that income drop. But it must avoid prompting reckless responses and recognise they need to care for themselves too. The fourth C (<i>Care</i>) addresses this.
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.	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. Therefore the rule uses ‘ <i>Check</i> ’ and ‘ <i>Consider</i> ’ instead of ‘budget’.
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	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

than those with less reach and expertise (e.g. medical professionals, forums, and experience of others going through the event).

need to be found. Another opportunity is to utilise forums to help spread a consistent message.

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.

The point when the first post-event payslip is due can be a teachable moment. 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.

One rule, the 4Cs: *Check, Consider, Change, Care* tested the best of the 3 developed. It was most people's first or second preference. It was rated the easiest to understand (54% top rating), the most practical (48% top rating) and the one people said they were most likely to use (44% top rating). It scored second for memory recall (40% full recall).

There is a single Rule of Thumb suitable for further user testing, to help people adjust to a sudden income drop as a result of a negative life event.

Next steps

1. This Rule of Thumb will need to be user tested.
2. Successful communication of this Rule of Thumb will need an effective communications plan, which should consider the channels and trusted messengers to use.
3. The communications plan should also consider the stakeholders previously engaged through the earlier co-development workshop.