Our long-term programme works with real households across the UK to learn how financial volatility affects people's lives

Real Accounts

Impact brief #1 Why understanding volatility matters

Founding partner

Aviva Foundation

Research collaboration with

Glasgow Caledonian University

Aston University Birmingham UK

CPFW Centre for Personal Financial Wellbeing

Partners

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Money & Pensions Service

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moneyhub

Authored by

Anne Angsten Clark, Sope Otulana, Jo Phillips

Research and analysis conducted by

Aston Andy Lymer, Hayley James, Alexus Davis, Kristian Fuzi

GCU Olga Biosca, Elena Magli, Nina Teasdale

Nest Insight Sope Otulana, Anne Angsten Clark, Fionna McLauchlan, Phavine Phung

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About Nest Insight

Nest Insight is a public-benefit research and innovation centre finding better ways to support people's financial wellbeing, now and in later life. We focus on understanding the lived experience of people on low and moderate incomes, learning about their financial needs, challenges and goals through rigorous and thoughtful analysis. We partner with employers, product providers, academics and policymakers to identify, invent, test and evolve practical solutions and see what works best for people in the real world. This builds the case for systems-level change. Our findings are shared widely and freely so that people around the globe can benefit from our work. For more information visit **nestinsight.org.uk**

About Nest Insight's strategic partner

BlackRock is a global investment manager serving the UK market for more than 30 years with a purpose to help more and more people experience financial well-being. BlackRock's Emergency Savings Initiative is made possible through philanthropic support from The BlackRock Foundation and The BlackRock Charitable Gift Fund. The initiative brings together partner companies and non-profit financial health experts to make saving easier and more accessible for low- to moderate-income people across the US and UK, ultimately helping more people to establish an important financial safety net. For more information, visit **blackrock.com/corporate/about-us/social-impact**

Programme partners

The Aviva Foundation aims to help people and communities feel in control and positive about their financial futures. Millions in the UK are struggling and worried about money. The Foundation funds organisations working on new ways to help people prevent and prepare for financial challenges, or deal with and recover from financial setbacks. The Foundation gives organisations the support and stability they need so they can use their expertise to innovate and transform the lives of those who need it the most. For more information, visit **aviva.com/sustainability/aviva-foundation/**

The Centre for Personal Financial Wellbeing at Aston University is an interdisciplinary, academic, research centre that seeks to get to the heart of the causes and consequences of personal and household financial insecurity. It focuses on providing accessible and timely insights to support a wide range of leaders and decision makers including those in the financial service industry, third sector organisations, academics as well as the general public. For more information, visit **aston.ac.uk/cpfw**

Glasgow Caledonian University (GCU) is shaping society, influencing governments and transforming people's lives around the world. GCU delivers research with outstanding impact, and the 2023 UK Research Excellence Framework classified 91% of their health research as world-leading or internationally excellent for its impact. GCU's Yunus Centre for Social Business and Health runs the FinWell programme, a financial diaries research project evidencing how a better understanding of community-based and health-focused initiatives can improve lives. See **gcu.ac.uk**

Moneyhub works with clients to improve the financial wellness of people. Hundreds of companies use its award-winning Open Banking and Open Finance technology to understand their customers better through data. With Moneyhub, businesses can deliver more suitable products, comply with Consumer Duty, and automate money management or payments to increase consumers' capacity to spend, save or invest more. To give the gift of financial wellness, and reap the rewards, visit **www.moneyhub.com**.

The Real Accounts Impact Briefs

In this series of Impact Briefs we share early findings and ideas from the first six months of research. We go beyond snapshots and averages to try to capture the day-to-day and week-to-week ups and downs that households experience.

Using first-hand stories from monthly interviews, along with digital financial transaction tracking, we are able to build an in-depth, in-the-moment understanding of households' income, spending and money management strategies over time.

Through the briefs we hope to share a better understanding of people's real financial lives, and why an understanding of volatility is central to that understanding. We start in this brief with a look at the acute challenges faced by millions of people in the UK living on variable pay. From there, the series will explore four further topics:

- We will explore how people on volatile incomes must innovate and build their own solutions to manage their finances. And we reveal how pursuing resilience can cost people more than it benefits them when they're working against a system that wasn't built with them in mind.
- We will take an in-depth look at the data on the drivers and impact of income volatility, and the opportunities to disrupt cycles that erode people's financial resilience
- We'll introduce the 'volatility premium' and the ways that life is more expensive if you are on an irregular or unpredictable income
- From 'data for good' to ethnographic tools, our methodology has included approaches to understanding households' circumstances and identifying levers for change. We'll explain more about how we conducted the study, and how we hope our research can be built upon

As you read, we invite you to consider how you might be part of the impact of Real Accounts in the real world. And, going further, we want to explore the role we can all play in creating a better one.

'In uncertain times, we need to better understand how people deal with fluctuations in their incomings and outgoings – and what kinds of financial support and services might enable them to build a buffer, and a plan, to deal with today's pressures, as well as what tomorrow may bring.'

Alex Christopoulos
Aviva Foundation Lead

Introduction

Our entire financial system is built around the idea of regularity. Monthly regular incomes are expected to pay regular monthly bills and fund regular deductions. The assumption of a steady earning rhythm forms the basis of regular monthly assessments and monthly views of affordability. But for millions of low and moderate income households, irregular pay is the norm. And that number is growing.

The challenges for those facing this new normal are acute, and don't just emerge on a monthly basis. Volatility takes many shapes and there are many drivers of variable pay, but overall we estimate that income volatility impacts more than 25 million people on low and moderate incomes in the UK. According to research from the Resolution Foundation, four out of five low income earners in the UK have volatile pay, and so do two thirds of those on more moderate incomes. People's experiences of volatility are a result of a wide range of circumstances, and reflect work and life contexts that can be found in all parts of the economy. These range from zero-hours contracts and self employment to weekly pay, variable pay rates at different times, changing shift patterns, as well as multiple jobs, job changes, time out of work and the interaction of earnings and benefits.

So while variable and unpredictable pay is incredibly common, the financial products, services and policies that are part of our daily lives, will often assume that people have a regular, salaried income. Engaging with a system that fundamentally misunderstands their circumstances is a source of many of the challenges people face. A clear understanding of volatility is therefore crucial. For those on low incomes, it makes the already challenging task of making ends meet even more fraught and burdensome. And for those on moderate incomes, volatility introduces an instability and insecurity that is deceptively difficult to earn your way out of.

Hidden risks and unmet needs

Variability of income risks being a hidden vulnerability. Many of the factors that influence people's financial lives are well-known and well-evidenced. We know far less about what goes on within households – day to day and month to month – as they make decisions and choices in the context of uncertainty.

Households are missing out. A system that ignores, or does not understand, the reality of managing income and expense volatility over time, is unlikely to be inclusive. There's evidence that many households on low and variable incomes will prioritise financial stability over a higher income, even when they are living below the poverty line. That was one of the surprising findings of the **US Financial Diaries** programme which worked with 235 low and moderate income households.

Identifying the unmet needs will be the first step in creating solutions to the challenges of volatility. Households facing volatility are using up mental capacity and paying a premium as they try to operate in a system that does not match their reality. To design solutions that support people to become more financially secure, we need to understand the situations, needs, behaviours and barriers of those we are designing for. Otherwise we risk policy and product innovation that is well-intentioned, but ineffective.

New possibilities

Our lack of understanding has historically come, in part, from the complexity involved in collecting good data. While irregular income is the norm, rather than the exception, these real income patterns are invisible to most research and analysis because of the way we tend to measure things. Many income studies are conducted annually. Where it is possible to track individuals over time, the comparison is usually between years, rather than within year. Research tends to looks at individual income, often just from one source, rather than giving a whole household picture of multiple sources of income.

Capturing the detail is time consuming, labour intensive and costly – years have passed since previous UK studies were conducted on this subject. However, with increasing availability of real-time earnings information and open banking data, it is becoming more possible to look at in-year volatility.

Our innovative research approach uses first-hand stories and digital transaction tracking to get in-depth, in-the-moment insight into households' income, expenditure and management strategies. Our focus is on low- and moderate-income households. While higher-income households also experience variable pay, lower earners are most likely to have volatile pay. People in both categories need solutions that work for them.

Our vision

Our vision for the Nest Insight Real Accounts programme is to build a shared understanding of the lived experience of volatility that will inform market and policy solutions for the millions of people affected by financial variability and uncertainty. This work complements large-scale studies with a detailed understanding of household experiences over time. We hope to identify gaps and opportunities, and to make an understanding of volatility central to policy and financial services innovation and debate.

What do we hope to learn?

- What kinds of volatility in income do households experience – day to day and month to month?
- What kinds of dips and spikes in expenditure do households experience over time?
- How do people manage this volatility?
- What products or services might best support these households in managing their finances and building financial resilience?
- How might policy interventions be best aligned with people's lived experience to more effectively boost financial resilience?

Meet the Real Accounts households

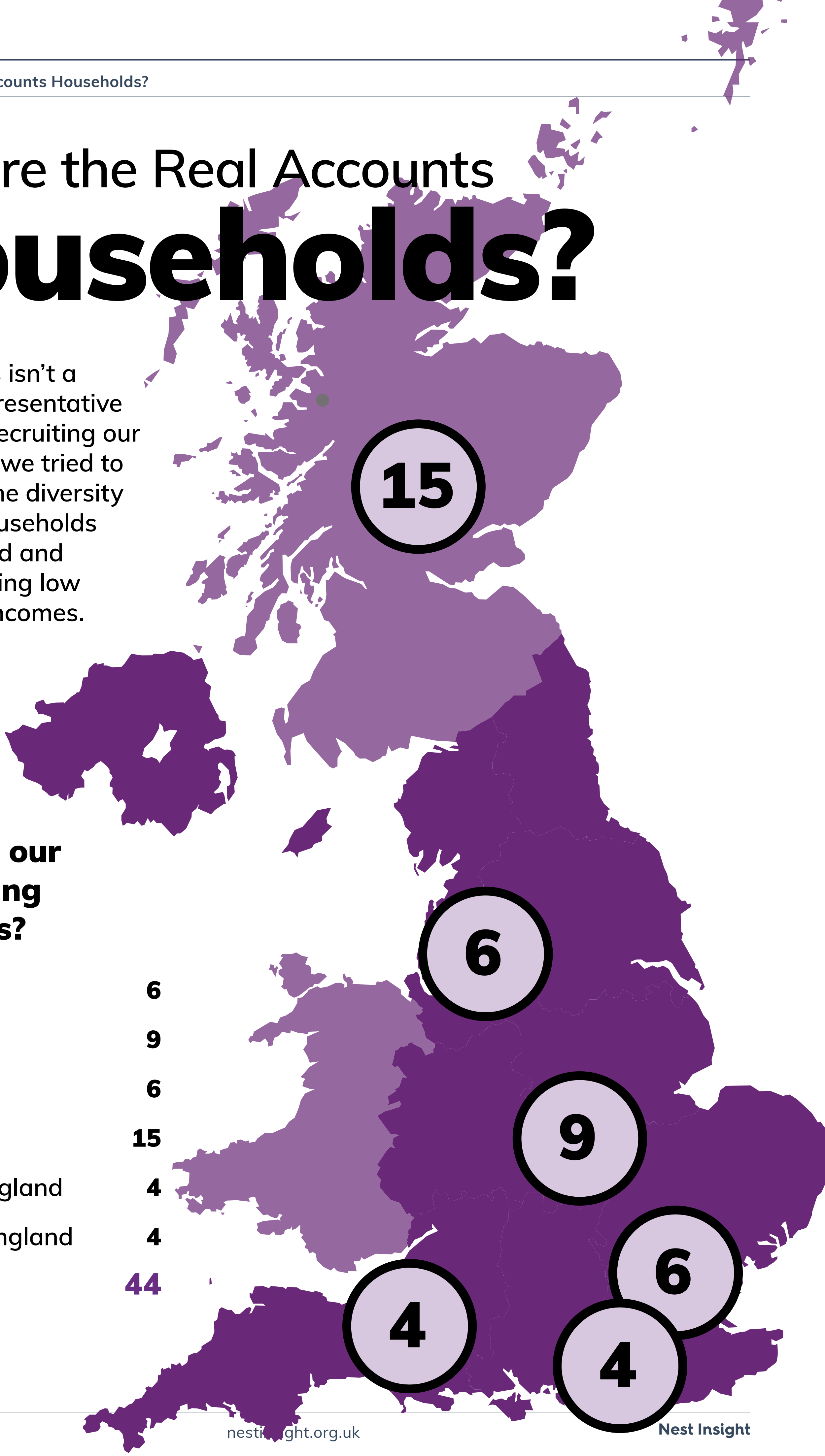
Forty four households took part in the first phase of Real Accounts from July 2023 to February 2024.

Our participating households come from all walks of life. They include full-time and part-time workers across a whole range of professions and different levels of job security. There are couples, single parents and people living alone. There are grown-up children living with their parents, younger workers sharing a house with friends, people paying mortgages and people paying rent.

We're grateful to all of them for taking the time to share with us every detail of their financial lives. We learned about the many ways they experience volatility and unpredictability in their income and expenditure, and we've captured the diversity of those experiences across our households.

Who are the Real Accounts **Households?**

Real Accounts isn't a nationally representative study. But in recruiting our small sample, we tried to do justice to the diversity of working households across England and Scotland earning low to moderate incomes.



Where are our participating households?

London	**6**
Midlands	**9**
North West	**6**
Scotland	**15**
South East England	**4**
South West England	**4**
Total	**44**

Diversity – Age, ethnicity and household composition

Age	
18-25	3
26-35	16
36-45	15
46-55	7
56-65	3
Total	**44**

Ethnicity	
Asian/Asian British	4
Black/Black British	11
White	27
Any other ethnic group	1
Prefer not to say	1
Total	**44**

The 44 'lead participants' represent 95 household members – from children to partners to parents and siblings.

Living situation	
I live with my extended family.	5
I am single and live with adults who are not my family.	7
I live with my partner/spouse and we have a child/children living at home.	7
I live with my partner/spouse and we have a child/children, but they are no longer living at home.	2
I live with my partner/spouse and we do not have children.	3
I am the only adult in my household and I have a child/children living at home.	9
I am the only adult in my household and I have a child/children that are no longer living at home.	1
I am the only adult in my household and I have a child/children that do not live with me full-time.	3
I am the only adult in my household and I do not have children.	7
Total	**44**

Employment and income

Real Accounts focuses on low and middle income households, but also recognises that these categories can be fluid – especially for those on volatile incomes.

About midway through the study, over half of participating households earned a low income that month, a quarter were in the middle-income category for that month and just under a sixth were in the high income category.

Income level	Low income	Middle income	High income
Monthly net income*	**<£2,500**	**<£3,750**	**=>£3,750**
At month 2-3 of study	26	11	7

*Net household income equivalised by household size

Employment status	
Employed full time	21
Employed part time	11
Zero-hours contract	8
Self-employed	1
Not working	2
Retired	1
Total	**44**

Receiving benefits	
No	30
Yes	14
Total	**44**

The Real Accounts Profiles

There's a huge amount to learn from the ways in which different low and middle-income households experience and manage volatility – from the impact it has on their lives, to the strategies they employ to get by.

Ups, downs and everything in between

Using what we learned about our households, we developed profiles that show the range of experiences. The profiles help us understand people's contexts for their financial decision-making when managing volatility. Our profiles are not fixed labels, and they don't explain everything we observe about households' experiences. However, they do help us understand some key attitudes and behaviours, which point to the support and solutions that would help.

In future Impact Briefs, we will probe more deeply into what drives income level and volatility for each of these profiles, and we will show the different ways they manage their finances.

We will explore the relationships between income level and volatility and people's behaviours. In particular we will look at how their circumstances can limit or enable people's view of the world, their sense of themselves and what's possible, and their ambition for the future.

And these profiles – and the ways people can move between them – remind us of the many different factors that go to build up a complete picture of a person's financial life.

Real Accounts – the big picture

Many of the financial systems and 'solutions' people on low and volatile incomes engage with look only at one aspect – their debt life, their savings life, insurance, assets, their income etc. Our work on Real Accounts shows that this isn't how people think of themselves, and it isn't how they view their lives or their financial journeys. The profiles are experience driven, rather than being based on a single dimension of people's financial lives – their incomes. We all understand life through experiences, and we want to reflect, as much as possible, the broad stories that people have told us about their lives.

Ultimately, these profiles remind us that, in reality, people have just one complex, and sometimes complicated, life, and we learn more by erasing the distinction between people's financial lives and their 'real' lives.

#1 Treading water

Stable, but at constant risk

For some households, a steady and stable income doesn't equal financial security. Even where their pay is regular and predictable, it is too low to consistently make ends meet. With insufficient income to cover the basics, many of these households look to supplement their regular income with less reliable sources. Casual work, benefits and 'side hustles' contribute to household earnings and help people manage the costs of housing, food and bills. When that doesn't provide enough, people turn to friends and family for the support they need. They manage every penny, and can feel like they're on the precipice of more challenging circumstances. Most of the Real Accounts households that experience this profile are single. For some, their personal circumstances compound the financial challenges – immigration status that makes it harder to get a permanent contract, or health concerns limiting how much additional work people can take on. Through these households we see the difference a buffer would make, whether in the form of savings, more income, or breathing room to manage day-to-day costs more affordably. Without these, households can be stuck treading water financially – a high-effort but low payoff experience – and it is a struggle for them to stay afloat in the long term.

Snapshot

Monthly income level

- Low

Income Source

- One steady, but insufficient source complemented with potentially volatile sources (eg casual work, side hustle)

Volatility

- Stability of primary income source, but constant effort to earn additional income to make ends meet and exposure to risk when additional income falls through

Strategies

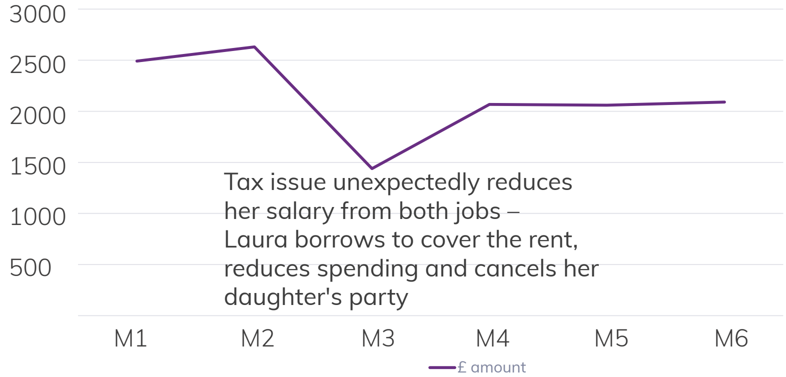
- Informal and formal credit, careful budgeting, cutting down on expenses

Real People

Laura

Laura is a single mother. She works a full-time job that doesn't pay enough to support her family, so complements that income with a part-time job on weekends and early mornings. Between the two jobs, trying to build up emergency savings, relying on credit when needed, and having a supportive network of friends and family, she usually gets by – but has little room for error. When a tax error by her employer results in corrective wage-slip deductions to HMRC, it significantly reduces her income in month 3 – she can only pay the rent by asking a friend for help and has to tell her daughter she can't have a birthday party this year. The stress causes her to lose sleep at night and even though the situation is resolved the next month, she wonders if she should take on a third job to avoid situations like this in the future.

Laura's monthly salary



#2 A constant balancing act

Real People

Brenda and David

Brenda's income anchors the household finances she jointly manages with her husband David. She's always had a steady, predictable salary, but he is self-employed. Sometimes payments from clients take months to come in, and David is less able to contribute to bills and day-to-day costs. When payments do come in, they can dramatically change the financial picture in their household, with the equivalent of several months' pay coming in all at once. This impacts how Brenda and David spend and use credit, and how they feel generally about their financial situation. It suddenly doesn't feel like they're surviving on just one income. They're not struggling financially, but the inability to plan ahead makes it feel like they're always on edge, not knowing whether or how they can plan even a few months into the future.

'It's a bit frustrating at the minute. I mean, God, not since I was I student have I been in a position where I don't have a regular income, and it's difficult, isn't it. So, to then have to unexpectedly cover [David]... I'm not upset about it or anything like that, but it's just annoying because you never know when it's going to happen. I've asked him as well if he can give me as much heads up, like "This month is gonna be hard" so that I know not to spend all the cash if we don't have to because I'm going to have to sub him.' – Brenda

Multiple incomes

Some people's experience is shaped by having multiple, irregular sources of income. There's a feeling of not being in a desperate struggle, but also that sometimes it feels like financial progress takes one step forward on a good month, and two steps back in a lean month. Over the course of a year, earnings might average out to a roughly moderate or middle income. But, month to month, this group experiences a fair amount of 'bounce' between low, middle and high income levels. There's usually more than one person in the household working, and their combined incomes are often a mix of unpredictable sources, like zero-hours contracts, fixed term contracts, and commission payments. For some, one relatively stable income in the household keeps them from tipping into a low income.

Unpredictable or irregular pay is a permanent feature for people in certain lines of work. For Real Accounts households with members who are self-employed or work on temporary contracts, the swing between months is a defining factor in their financial lives. This doesn't always mean income is low, but it can make managing on an even moderate or high income challenging. This group has an especially big mismatch between the timing of their overall income and expenses – the former is unpredictable, the latter tends to be regular and might even be on a weekly or monthly schedule. Where there's one person with a steady income, they become the anchor to the finances – picking up costs, covering for the other person, loaning, etc.

And this will continue indefinitely, so it has an important impact in how people feel about what's possible now, and what's just over the horizon. For many, income holds steady in the middle or swings upward when a large payment comes in.

Real People

Ahmed

Ahmed lives in an intergenerational household. Although he is only in his mid-20s, he is the designated money manager for his family. Their income comes from his part-time jobs and casual work, his father's stable employment, his mother's self-employment income, and his brother's part-time and casual work. They all have different pay periods and, month to month, their income can be variable and unpredictable. When we check in with them in month 3, even though their total income lands them in the middle income category, Ahmed feels stressed about patching enough income together to handle their bills and expenses. As his household's money manager, he tries to mitigate their volatility by budgeting closely and frequently moving money around – holding some in one account while using another to pay urgent bills – and saving wherever he can. But still, some months they are behind on paying their household debts. Several months after, Ahmed's brother has moved out, leaving the family down to two income sources and now in low-income territory.

'Basically leave it [debts] and see how it goes. That's the way it works... when it comes to a bad situation, we basically pay it off and stuff like that. We have to pay for it when they... basically... threaten you and stuff like that. We keep dragging it and dragging it more until it gets really bad and then we'll pay.'

Snapshot

Monthly income level

• Moving back and forth between low and middle income, with occasional high-income months

Income Source

• Combination of multiple sources with primary sources unstable (eg zero- hours contracts, temporary work, commission), sometimes complemented by benefits and one stable, regular source

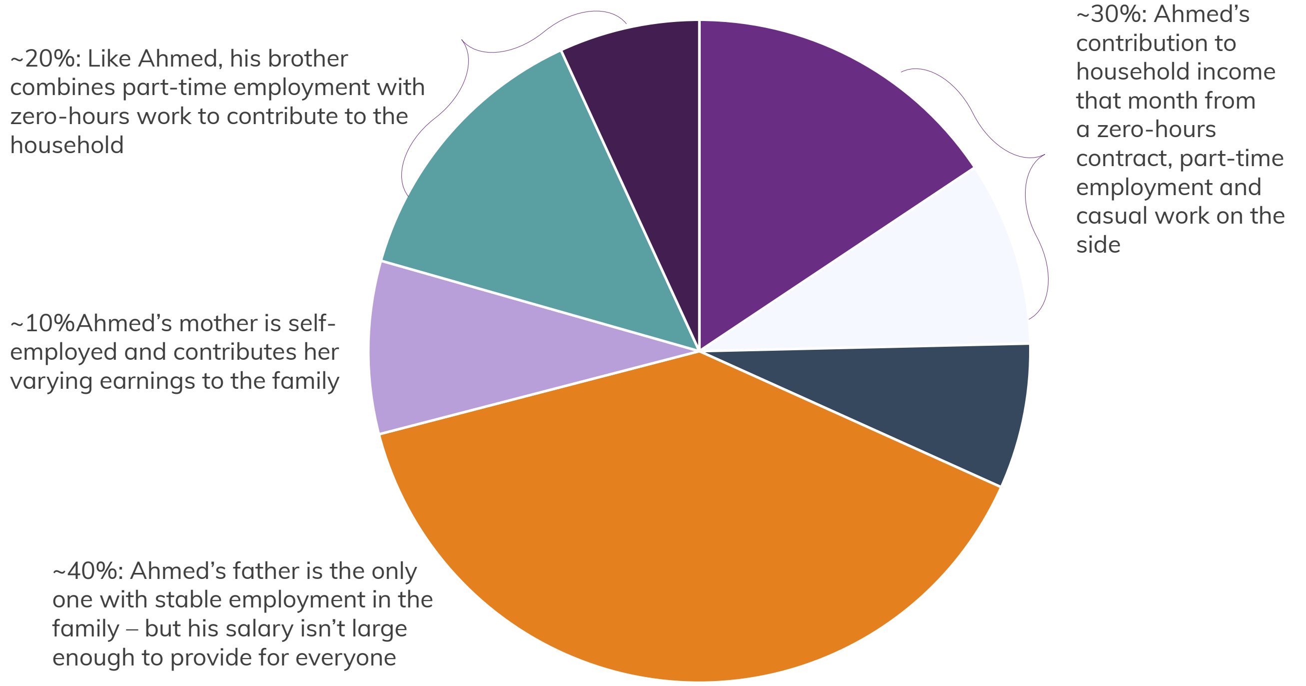
Volatility

• Pay period-to-pay period volatility and constant managing of multiple income sources

Strategies

• Close budgeting and frequent transfers to handle volatility, saving where possible and accessing these savings when needed

Ahmed's household income in month 3



#3 Out of sync

When daily reality is out of sync with the monthly rhythm

The experience of volatility changes when income and expenses are considered across different timeframes. While a household might look like they're breaking even at the end of the month, people with irregular pay periods are actually experiencing a great deal of within-month churn. For many, this is caused by shift work that is paid weekly, or by weekly salaries that give a different total if a month contains four or five pay days.

These households are also tenacious money managers, as the rhythms of incoming pay and outgoing costs are often played at different tempos. They are in a uniquely challenging cycle of topping up and depletion that isn't visible from a monthly or longer-term view of their finances, and have to find budgeting and management strategies that work around what's going on just below the surface.

Snapshot

Monthly income level

• Low to middle income

Income Source

• Stable sources of income, yet with varying amounts due to pay pattern (eg weekly, 4/5 weekly) and sometimes varying overtime

Volatility

• Predictable, yet still potentially challenging mismatch between pay timing/ amount and expense (eg regular monthly bills)

Strategies

• Attempting to match expenses with income timing, saving

Real People

Thomas

Thomas is a care worker, but his base pay doesn't cover his expenses, so he often takes on extra shifts. He is paid weekly and his pay differs week to week, depending on the shifts he's taken on. This means that his monthly income differs, depending on the number of weeks in the month and the weekly pay. To manage the tight budget and the volatility, Thomas budgets weekly and has split and spread his expenses across weeks. Rather than paying bills fully at the start of the month, he pays off different chunks every week. This is made possible as his biggest outgoings are to his housemate (who covers rent, council tax and utilities) and his former partner who are both flexible with this schedule. In months with five weeks, Thomas tries to save the fifth pay packet in cash for occasions such as his children's birthdays or unexpected expenses.

'I do it [planning] every month, keeping on top of when I'm paying what. Because I get paid weekly, it changes when I pay what [...] It's just about keeping a lock on where it is.'

Thomas's weekly budgeting system

	Balance	Income	Expenses	
Week 1	£ 48.85	£ 497.77	-£ 448.92	Other bills and expenses
Week 2	-£ 55.00	£ 473.44	-£ 528.44	
			-£ 458.44	Other bills and expenses
			-£ 70.00	Child support payment I
Week 3	£ 316.41	£ 530.41	-£ 214.00	
			-£ 210.00	Household contribution I
			-£ 4.00	Other bills and expenses
Week 4	-£ 67.57	£ 339.08	-£ 406.65	
			-£ 210.00	Household contribution II
			-£ 196.65	Other bills and expenses
Week 5	-£ 191.57	£ 509.33	-£ 700.90	
			-£ 200.00	Child support payment II
			-£ 240.90	Other bills and expenses
			-£ 160.00	IVA repayment
Total	£ 51.12	£2,350.03	-£2,298.91	

#4 Stable and steady

One regular income creates stability

Some households provide a counterpoint to the experience of low earnings and high income volatility. Stability in these cases comes from one or more sources of stable income such as a salary or regular pension payment. People in these households also tend to be moderate to higher earners, and they don’t tend to dip unexpectedly into lower income categories. This aligns with what we know about who is more likely to experience dips and spikes in their income – lower earners are significantly more likely to have variable pay. For some Real Accounts households with this profile, pensions play an important part of the picture of stability, even where they do not make up the bulk of income within the household.

Real People

Peter and Lisa

Peter and Lisa both have a long career in the public sector behind them. Peter recently retired while Lisa is still working. They met as single parents after both being divorced and, for quite a while, money was tight yet reliable thanks to their employment. Now, with grown up children, a joint household, a stable pension for Peter and a stable salary for Lisa, they feel like they have come out on the other side – while still carefully managing expenses.

Peter: 'We both come from backgrounds where money was tight, as an understatement, money has been tight. We're both at a point now where [when we see things we like] the money is there, just buy them.'

Lisa: 'But I look if I can get it cheaper somewhere else. It's just the way we've lived'.

When Peter and Lisa's income varies throughout Real Accounts, it is because they are active money managers and are moving savings and investments from one account to another – while their base salary and pension remains pretty much constant throughout.

Snapshot

Monthly income level

- Middle income

Income Source

- Stable, regular employment

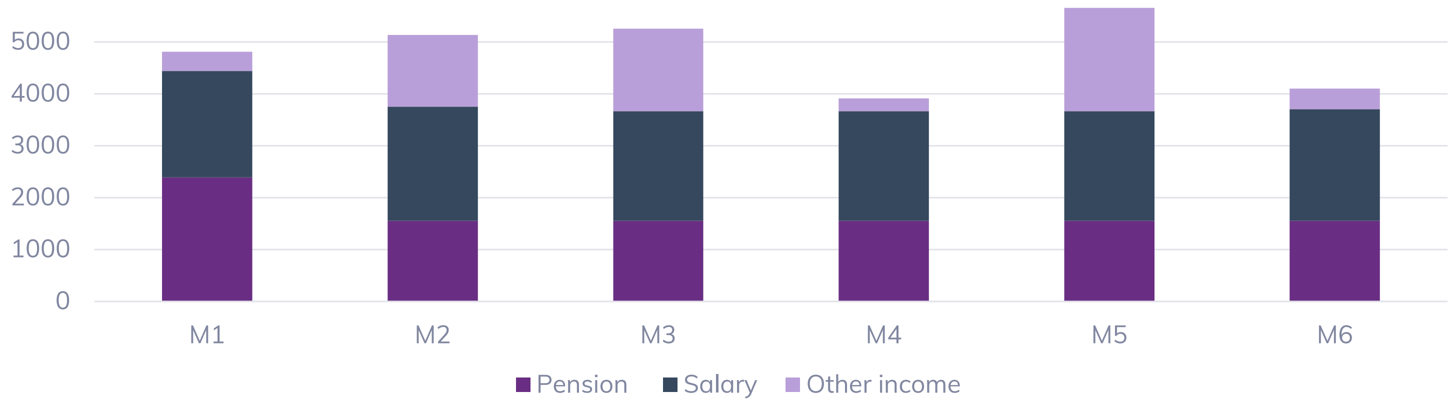
Volatility

- Little change due to reliable and sufficient primary income source

Strategies

- Planning for and budgeting for larger expenses

Peter and Lisa's monthly income



#5 An ideal journey

Using volatility to their advantage

A small number of Real Accounts participants are at the start of financial journeys that have set them onto potentially ideal trajectories. Their experience of income and expense volatility are comparatively softened, and they have access to financial buffers. Despite being on low to moderate incomes now, they are optimistic about their financial futures, in both the short and long term.

Although their personal backgrounds and circumstances differ, they have in common being young men interested in exploring the world, and in the earliest stages of professions with good earning potential. They anticipate the upward direction of their financial lives, and are, for now, focused on their own expenses. One or more of three aspects of their financial lives set them apart from others experiencing low, variable pay.

First, in some cases, they can 'outwork' the risks and impacts of having an unpredictable income, and boost their income from low to middle and even higher levels. For many people who took part in Real Accounts, taking on additional work has quickly diminishing returns – the costs related to childcare, travel and the mental health burden weaken the case for taking on more hours. This is especially true for those in jobs where overtime pay is relatively low. However, for those on an ideal journey, extra shifts are rewarded at a high rate of pay, and they have minimal restrictions or trade-offs when considering whether to take on more work.

Second, they have access to family support that balances out low/moderate, intermittent income. This support offsets living costs such as food, but can also give them access to savings, investments and financial advice.

And finally, they can make volatility work to their advantage over the short and long term. In some cases that's by flexing their workload month-to-month in order to boost their savings, or tolerating a season of peaks and troughs for the promise of a well-paid, stable income at the end.

Real People

Ben

Ben is in his 20s. Sharing a flat with others, he keeps his costs low. He works full time in a job that pays a stable, moderate salary and provides him with the opportunity to work extra shifts to boost his pay. In month 5 he leaves his job for a year-long sabbatical travelling around the world. He has been planning this for a while and by this point has accumulated enough savings to finance this year. In addition, his employer is providing him with the flexibility to return to his job after his travels. Ben is an active financial manager – throughout Real Accounts we see him consolidate savings and pay off credit cards in preparation for his sabbatical – and he has the advantage of being able to decide the volatility of his income, taking on extra shifts as he wants to.

'I think (I'm) pretty in control. I think I know what I need to do. I can push myself with those sorts of things, particularly with the sabbatical and knowing that I have a job to go back to. I think I have the tools to be able to push my career if I choose to, or the financial tools to make the right decisions if I need to, with the things I've learnt over the past five years with saving and everything.'

Snapshot

Monthly income level

- Depends on current employment. High earning potential

Income Source

- Various

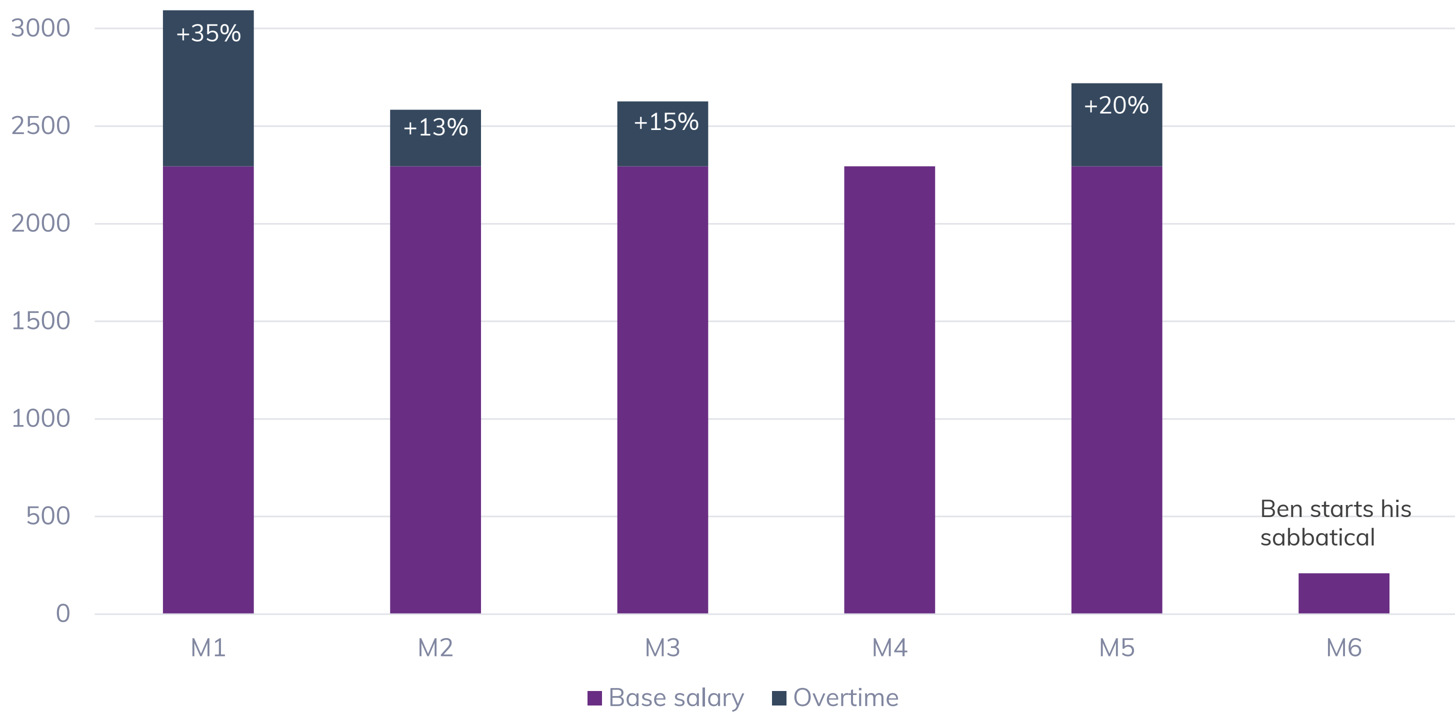
Volatility

- Timebound and calculated. Income volatility can be used to the household's advantage in both the long and short term

Strategies

- Actively planning for the future, eg building up savings for particular goals

Ben's salary with overtime



#6 Caught in a safety net

Relying on benefits

About a third of households who took part in the Real Accounts project received some kind of state benefits. For some, these benefits are their primary source of income, even where they are employed. Ideally, benefits are a stabilising force, supporting people to bridge the gaps in their earnings. However, when the system doesn't work in this way, the impact on the least resilient households is greater fluctuation and uncertainty.

These households' experience is shaped by the challenges they face in navigating the benefits system, making adjustments around precarious and irregular work, and circumstances evolving faster than the system can respond. From these households we see how benefits payments can turn the tide, for better or worse. A months-long cycle of difficulty might start with one delayed assessment or smaller-than-expected payment, and end with significant rent, council tax and bills arrears, skipped meals and debts owed to family and friends. This takes a very real toll on people's mental and even physical health. Conversely, large payments or advances that suddenly spike household income can support people to course-correct, but still contribute to volatile income that can be challenging to predict and manage.

Real People

Halima

A single mother, Halima relies on income support, child benefit and child tax credit as well as formal and informal credit to get by. In month 2, Halima's youngest starts school, allowing her to start looking for work. But her daughter struggles attending full-time and Halima struggles finding work that is local and fits within school pick up and drop off times. In month 4, Halima's income support ends along with her child benefit and tax credits and she is told to apply for Universal Credit. The process, however, drags out and it takes several months for Universal Credit to come in. A local community advice organisation helps Halima receive Universal Credit advances (that she has to pay back) during that time. For two months, her only income is from loans from friends, credit cards and repayable UC advances.

'Sometimes you struggle... you don't have nothing to shop, to buy for your children, then it [credit] saves you... The only thing is you have to be careful when you're gonna pay back. If you don't pay back, you can't borrow next time. You have to be careful... Not to use lots of credit cards, it's not good. But when it's necessary.'

Snapshot

Monthly income level

- Low

Income Source

- Benefits, sometimes alongside low-paid employment

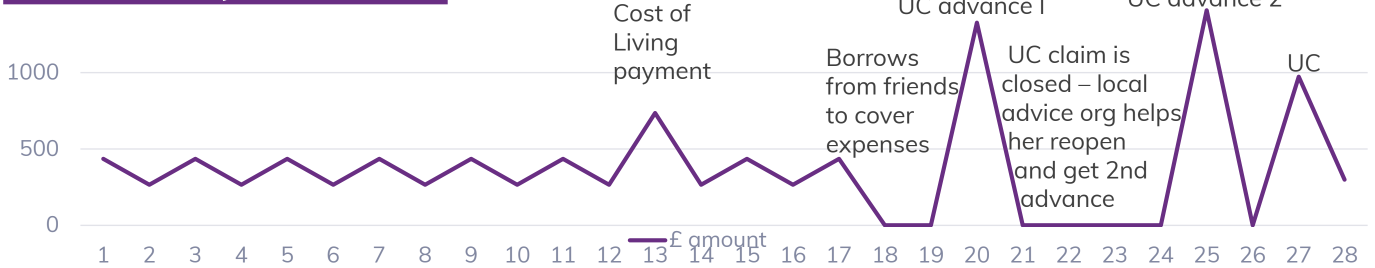
Volatility

- Experiencing occasional, yet highly impactful volatility due to benefits process (eg lags between decisions)

Strategies

- Various forms of credit, accessing support on benefits if possible

Halima's weekly income



#7 An unsure bet

Investing in the future

Returning to studies later in life can come with all kinds of challenges. Unlike most younger students, mature students may be juggling family duties, existing careers and shared decision-making responsibility about what happens with money in their home. Their experiences highlighted how returning to education can bring transition and uncertainty back into people's lives. Being a student is inherently time-bound – term schedules impact working patterns, and courses end, throwing people back into the labour market. Student loans and grants are a 'lumpy' but reliable source of income while people are studying, and we see the impact of losing this after graduation. This group experiences a lot of 'bounce', often moving between very low and medium income and back. They often don't feel very able to withstand unexpected shocks and expenses. But for some, leaving education opens the door to opportunity, and higher paying roles mean that their situations improve.

Real People

Yvan

Before pursuing his masters degree, Yvan worked as a civil servant in his home country. He was motivated to go back to education because he hoped for a boost in his career. While Yvan was a student, he worked a zero-hours contract that allowed him to pick up work at times convenient for him. He also received a stipend from the university, normally paid every two months, which gave him a large inflow of money to rely on. When his course ended, he worked several zero-hours and temporary contracts while trying to find stable employment. Because of the nature of these jobs and their pay schedules, while his income stayed the same on average, it fluctuated up and down and came with little security. At the end of month 6, he reflects on his position compared to the start of Real Accounts:

'At the time... I had scholarship money coming in so I didn't have to think a lot. Not it's more tight than it was back then... but because of the scholarship I didn't fee the pressure, I just had that ticking away... Now I have to make firm decisions on how I spend my money.'

Snapshot

Monthly income level

- Moving back and forth from low to middle income

Income Source

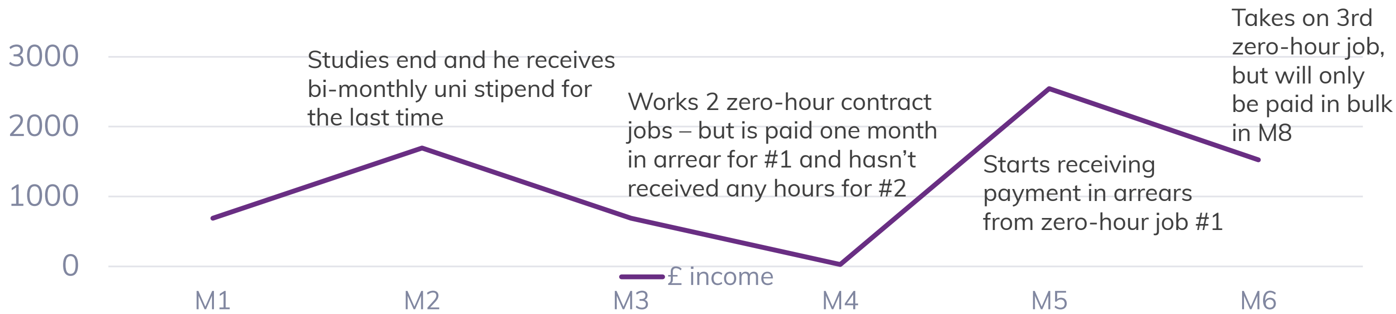
- Student loans/grants supplemented with irregular work (eg temporary or zero-hours contracts)

- Attempting to secure full-time employment post graduation

Volatility

- Some month-to-month changes with larger uncertainty of income and employment gaps after graduation

Yvan's monthly income



Find out more about the
Real Accounts programme at
nestinsight.org.uk/research-projects/real-accounts

Contact us:

insight@nestcorporation.org.uk

To find out more, visit:
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