SURVIVE.

In 2012, our research shows people in Great Britain have, on average, just 19 days savings to survive financially should the worst happen – loss of income, critical illness or death. Our first ever Deadline to the Breadline report, looks at how this affects each region in the country and just what people are actually earning, saving and spending their money on with some surprising findings.

EVERY DAY MATTERS.®

Legal & General

CONTENTS

FOREWORD.

Welcome to Legal & General's Deadline to the Breadline Report 2012.

As I write this foreword for the first Legal & General Deadline to the Breadline Report, it feels like a watershed moment for families in the UK.

The financial crisis is dragging into its fifth year, with ongoing concerns about the Eurozone and the fragility of the wider global recovery remaining a regular feature of the nightly news. We hear concerns over the implication of an ageing population, falling consumer confidence and a wider economy that, though technically out of recession, faces an uphill struggle to kick start growth in jobs, output and confidence.

It is sometimes easy for large organisations to lose touch with real families and to make sense of the challenging times we are in. At Legal & General we are working hard to understand the pressure that families and individuals are under in a way that we can all relate to. We have developed a set of tools that allows individuals and families to identify their outgoings, potential state and employer benefits and help assess their financial resilience to catastrophe.

This report is the first of a series of publications that will track the financial health of the nation's households and provide a means of tracking that 'health as our economy changes over the next few years. We are facing a seismic shift in attitudes to debt and the more traditional approach to 'saving for a rainy day' has become less commonplace, as balancing the family finances and saving for the future increasingly present a real challenge for many. This report will for the first time, discuss how managing household finances could be affected when the worst happens to families or individuals – loss of income, critical illness or death. That 'Deadline to the Breadline' will provide some interesting context for the earnings, spending, savings and insurance patterns contained in this report. We expect our findings to change as the economy changes and as society and behaviours change.

With such uncertainty impacting the typical British family we believe it is important to assess 'financial health' by referring to whether individuals have a private family back up plan, or a financial cushion to protect themselves. We will ask just how well prepared is the average family should the household income be lost suddenly? How many weeks without earnings could your family survive for on your savings, if the main breadwinner could not work or died? We also provide some regional analysis to paint a more detailed picture of the situation across Great Britain, pulling out some key points of difference and indeed similarities between various areas of the country. We believe everyone has a 'Deadline to the Breadline', irrespective of their job, home or lifestyle.

Future reports will aim to show how this picture is changing and hopefully improving. We would welcome your comments and feedback on this first edition to alyson.bowcott@landg.com.

John Pollock,
Group Director,
Protection & Annuities,
Legal & General Protection

EXECUTIVE SUMMARY.

Legal & General's Deadline to the Breadline Report reveals a nation that looks extremely vulnerable.

OUR FIRST REPORT HAS SOME SHOCKING FINDINGS:

Our research which looked at a combination of external and internal data sources, highlights that people have on average, just 19 days until the money runs out without some financial protection.

This 'Deadline to the Breadline'[1] – the term used to describe how long people could survive financially if all they had to rely on was their savings or minimal state benefits, such as statutory sick pay – means that Britons[2] faced with this situation have very little breathing space before their money runs out.

Set against this are the realities of a shrinking welfare state and ever-increasing challenges on employers. Life is not as it once was. The onus is increasingly on the individual to provide for themselves, which makes the private savings provision or buffer of just 19 days, on average, all the more alarming.

Legal & General is also concerned about the rising pressures placed on families as the population ages. 60% of baby boomers claimed to have lost wealth in the crash of 2007/8 and 42% are delaying retirement. The following generations are concerned with baby boomers, long term care needs and their own highly stretched financial positions with regards to falling welfare support for families such as Tax Credits and the cost of living against wage rises and inflation. This demographic time bomb is a source of real concern.

That is why today we announce that we will start to track this 'Deadline to the Breadline' and help people to work out their own financial position with our new online calculator, tools and information.

KEY FINDINGS:

- 19 days, on average, is all most of us have until our savings run out and we could be on the breadline financially if we have no other income to rely on.
- The feel good factor – in times of recession it seems we want to spend more each week on clothes (£36), alcohol and tobacco (£25), than protecting the person who pays for all of this.
- Without some financial planning, our only fall back is our savings or state benefits. The average British[2] median savings is just £1,094.

In this study we track earnings and how they have changed over time and also our spending and savings habits. Are they leading to a financially healthier individual or family provision or are we struggling to set aside some money 'just in case'?

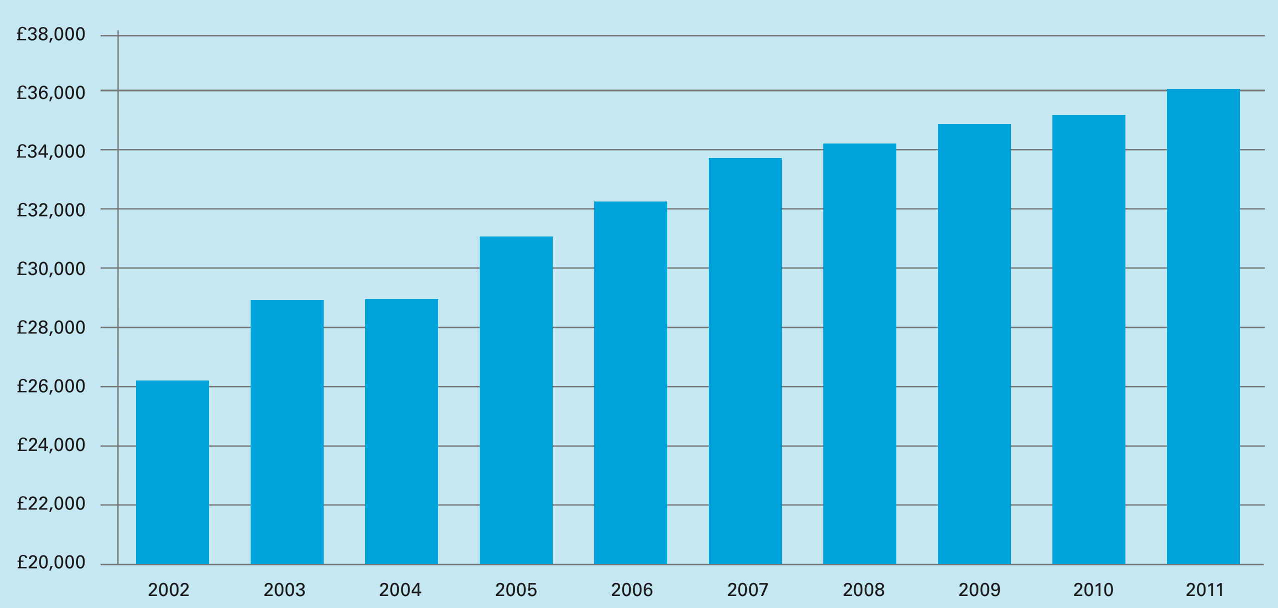
[1]Figures related to households in England, Scotland and Wales but not Northern Ireland and include statutory sick pay of £85.85 per week as a minimum state benefit but excluding any redundancy packages.

[2]Excluding Northern Ireland.

OUR EARNINGS – MONEY, MONEY, MONEY.

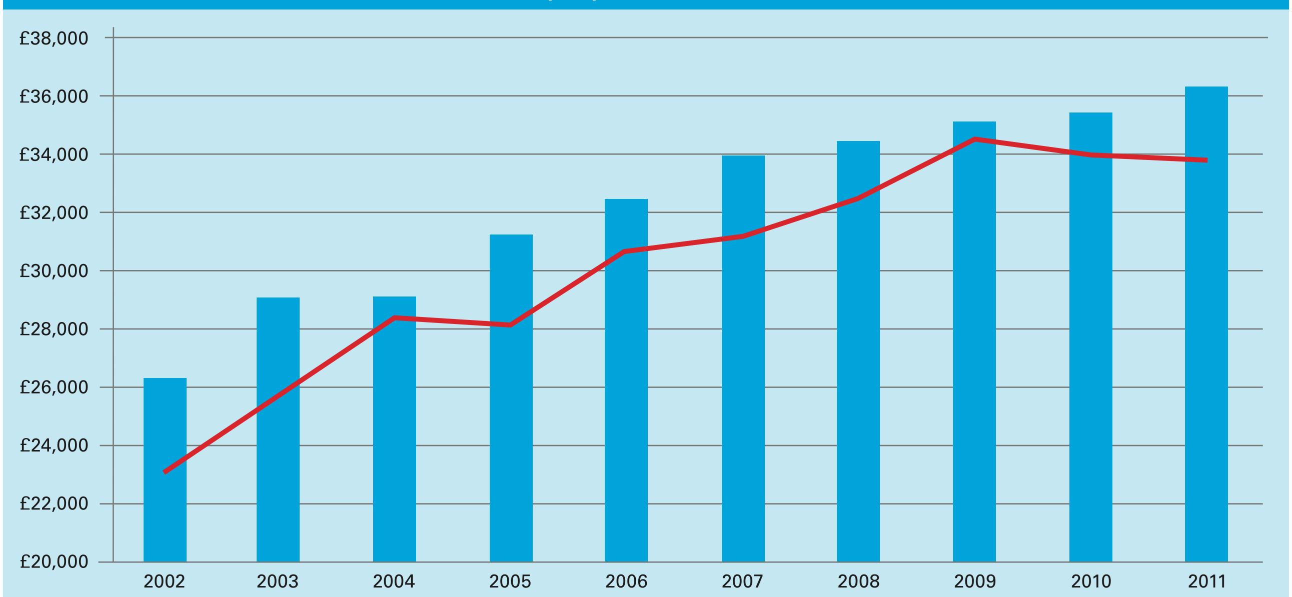
The good news is that earnings in the UK have followed a gradual but small increase on average over the last few years, although inflation has eroded the real impact of those increases. As these challenging times continue, this means a reduction in buying power and increasing costs of living, especially in terms of high-cost essentials such as energy bills.

FIGURE 1 MEAN UK HOUSEHOLD INCOMES BETWEEN 2002 AND 2011



Mean UK Household incomes have increased steadily in the decade between 2002 and 2011 with the exception of 2003-2004, when changes in taxation redistributed wealth from relatively higher to lower income families which reduced mean but increased median incomes.

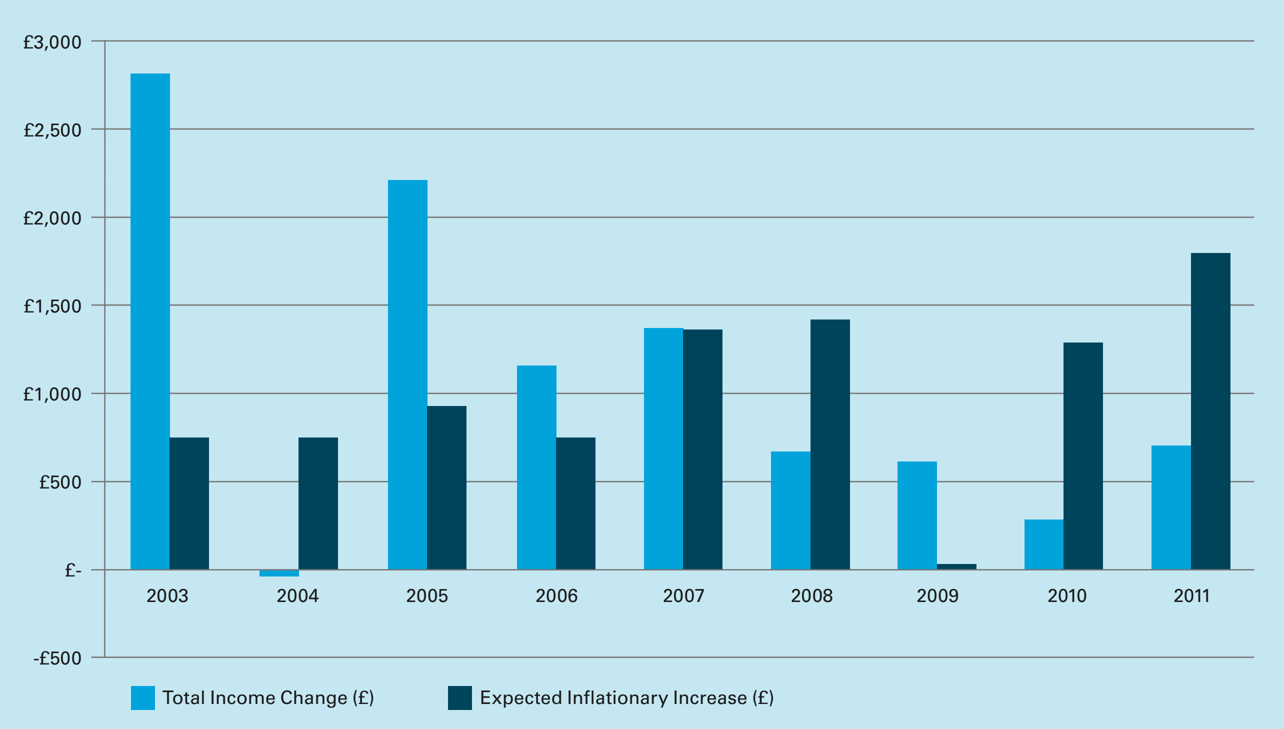
FIGURE 2 MEAN UK HOUSEHOLD INCOME BETWEEN 2002 AND 2011 – GROSS FIGURES AND ADJUSTED FOR THE EFFECT OF INFLATION (RPI)



The red line shows the effect of inflation on the buying power of mean earnings, which is especially marked from 2009 onwards.


SEPTEMBER 2012
MONDAY
TUESDAY
2 JACK'S FOOTBALL TOURNAMENT 2PM
3 Mortgage due
4 CREDIT CARD BILL
5 Pay
9 Family Day ZOO!!
10
11 BOILER SERVICE -10AM
12 Uniform sale at school - 12-2pm
16
17 Raffle prize for Jack
18
19
20
24
25 Parent's Evening 6pm
26
27

FIGURE 3 MEAN UK HOUSEHOLD INCOME BETWEEN 2002 AND 2011 – GROSS FIGURES AND THE INCREASE PREDICTED BY INFLATION (RPI)



The chart above clearly shows that not since 2006 has income growth consistently contributed to a family or individual feeling wealthier relative to inflation. When this is charted as a line of net increase after inflationary impacts (see figure below) the trend after 2009 is negative and stark.

With these national trends in mind, we considered data across the UK based on overall incomes within regions, even though these figures clearly need to be seen against variations in the cost of living (especially housing) across these different areas. Even so, using a sample of around 55,000 households, the findings were significant when we considered the average income in each area.

FIGURE 4 THE NET EFFECT OF RPI ON MEAN UK HOUSEHOLD INCOME BETWEEN 2002 AND 2011

It was not a surprise to see London incomes leading the way (shortly followed by the South East), but what is definitely worthy of comment is the gap between incomes in regions across the UK. With typical household earnings in many regions across the UK being 25% less than the highest earners in London, budgeting and preparing for a rainy day is a challenge. It is also worth pointing out that the supposed wealthy areas are a tale of 'have and have nots' due to rising costs of living in the nations hot spots.

TABLE 1 MEAN HOUSEHOLD INCOMES BY GOVERNMENT OFFICE REGION BETWEEN 2001 AND 2011[3]

GOVERNMENT OFFICE REGION	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
London	£29,556	£31,118	£35,606	£35,563	£37,150	£37,661	£38,781	£39,894	£39,385	£40,453	£41,435
South East	£27,044	£30,117	£33,704	£33,599	£35,421	£36,326	£37,627	£38,638	£39,232	£40,239	£41,090
East of England	£24,856	£28,178	£31,322	£31,255	£33,301	£34,438	£35,748	£36,416	£37,014	£37,626	£38,405
South West	£21,397	£25,022	£27,371	£27,304	£29,895	£31,210	£32,591	£32,982	£33,628	£33,640	£34,228
East Midlands	£21,114	£24,683	£27,044	£27,017	£29,462	£31,062	£32,544	£33,223	£33,801	£33,907	£34,508
West Midlands	£21,243	£24,503	£26,998	£27,007	£29,371	£30,543	£32,046	£32,714	£33,166	£33,121	£33,708
Scotland	£21,652	£24,309	£26,401	£26,516	£28,584	£29,906	£31,405	£32,120	£33,221	£33,207	£33,907
North West	£21,433	£24,280	£26,704	£26,760	£29,186	£30,134	£31,595	£32,238	£33,241	£33,263	£33,866
Northern Ireland	–	£24,039	£26,953	£26,870	£29,470	£31,933	£33,333	£33,070	£34,723	£35,120	£35,844
Yorkshire and the Humber	£20,490	£23,654	£25,804	£25,877	£28,379	£29,581	£31,120	£31,723	£32,513	£32,407	£32,967
Wales	£19,723	£23,169	£25,065	£25,064	£27,503	£28,781	£30,231	£30,578	£31,347	£30,906	£31,435
North East	£19,150	£22,240	£23,821	£23,866	£26,183	£28,218	£29,702	£29,838	£30,925	£30,524	£31,057

[3]Data is not available in this series for Northern Ireland in 2001

SAVING FOR A RAINY DAY HAS BECOME LESS COMMONPLACE, AS BALANCING THE FAMILY FINANCES AND SAVING FOR THE FUTURE INCREASINGLY PRESENT A REAL CHALLENGE FOR MANY.

TABLE 2 MEAN HOUSEHOLD INCOMES BY GOVERNMENT OFFICE REGION BETWEEN 2001 AND 2011 AS A PROPORTION OF LONDON (GOR)

GOVERNMENT OFFICE REGION	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
London	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
South East	92%	97%	95%	94%	95%	96%	97%	97%	100%	99%	99%
East of England	84%	91%	88%	88%	90%	91%	92%	91%	94%	93%	93%
South West	72%	80%	77%	77%	80%	83%	84%	83%	85%	83%	83%
East Midlands	71%	79%	76%	76%	79%	82%	84%	83%	86%	84%	83%
West Midlands	72%	79%	76%	76%	79%	81%	83%	82%	84%	82%	81%
Scotland	73%	78%	74%	75%	77%	79%	81%	81%	84%	82%	82%
North West	73%	78%	75%	75%	79%	80%	81%	81%	84%	82%	82%
Northern Ireland	–	77%	76%	76%	79%	85%	86%	83%	88%	87%	87%
Yorkshire and the Humber	69%	76%	72%	73%	76%	79%	80%	80%	83%	80%	80%
Wales	67%	74%	70%	70%	74%	76%	78%	77%	80%	76%	76%
North East	65%	71%	67%	67%	70%	75%	77%	75%	79%	75%	75%

TABLE 3 CHANGE IN MEAN HOUSEHOLD INCOMES BY GOVERNMENT OFFICE REGION BETWEEN 2002 AND 2011 ADJUSTED FOR INFLATION (RPI)

GOVERNMENT OFFICE REGION	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
London	2%	11%	-3%	2%	-2%	1%	-1%	-5%	3%	-1%
South East	8%	9%	-3%	3%	-1%	1%	-1%	-3%	2%	-2%
East of England	9%	9%	-3%	4%	0%	1%	-2%	-2%	2%	-2%
South West	12%	7%	-3%	6%	1%	2%	-3%	-2%	0%	-2%
East Midlands	12%	8%	-3%	6%	2%	2%	-2%	-2%	0%	-2%
West Midlands	11%	8%	-3%	6%	1%	2%	-2%	-3%	0%	-2%
Scotland	9%	7%	-2%	5%	1%	2%	-2%	-1%	0%	-2%
North West	9%	8%	-3%	6%	0%	2%	-2%	-1%	0%	-2%
Northern Ireland	0%	10%	-3%	6%	5%	2%	-5%	1%	1%	-2%
Yorkshire and the Humber	11%	7%	-3%	6%	1%	3%	-2%	-2%	0%	-2%
Wales	13%	6%	-3%	7%	1%	3%	-3%	-2%	-2%	-2%
North East	12%	5%	-3%	6%	4%	3%	-4%	0%	-1%	-2%

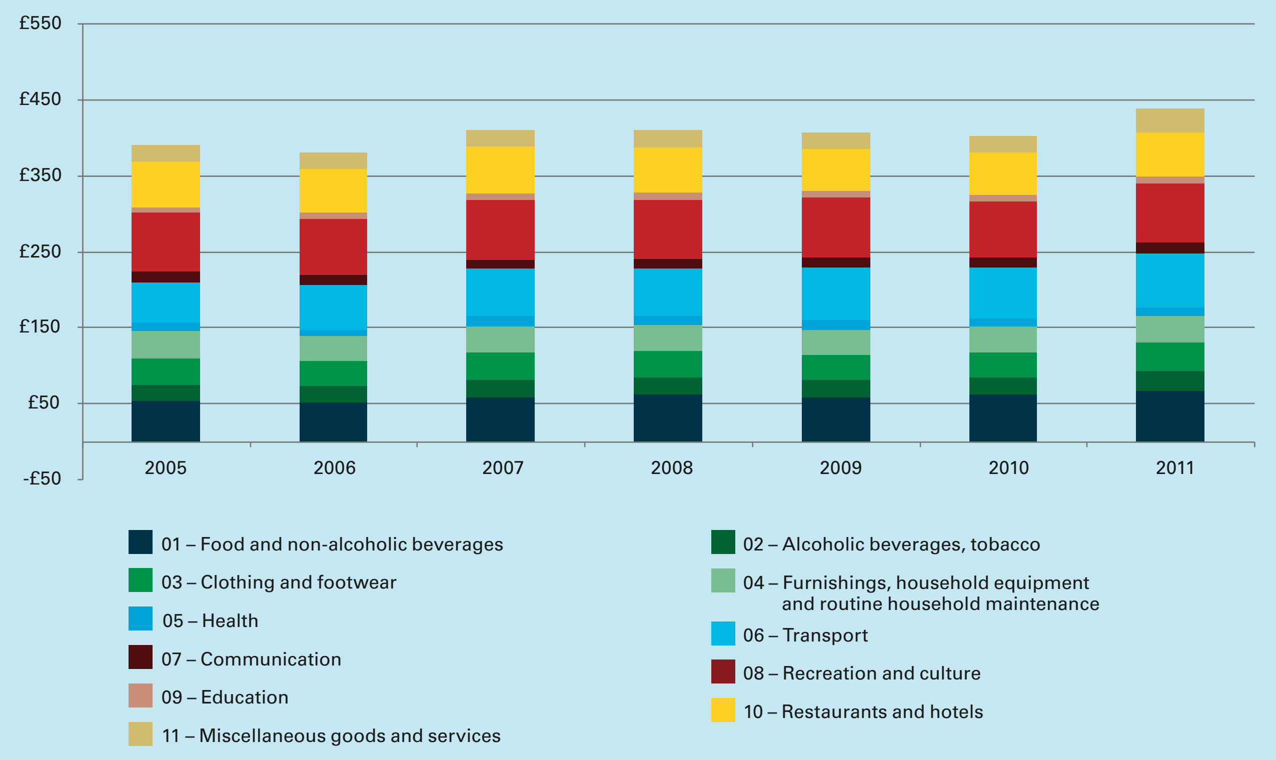
It is noticeable that the impact of the recession (2009-11) has been lowest in London and the South East where our survey sample had earnings increasing by over 5% in London (£2,050) and in South East by 4.8% (£1,858) in that period. Relative to areas such as Yorkshire and Humberside where earnings had moved only 1.4% in that period (£454). Similar impacts were felt in the North West. Wales has also experienced some significant challenges.

These regional variations in income changes are a significant concern because as finances are stretched and the welfare state is reducing, more people could be on the breadline in the future, which in turn could make for a considerable impact on their personal/family situation. It is also interesting to consider these numbers in the context of rising energy prices, where the most recent changes could lead to around £100 being added to a family’s energy bills next year.

OUR SPENDING.

We set out to look also at how we as a nation spend our money, relative to the incomes that we receive after we have paid our housing and utility bills. Some interesting patterns emerged about what we choose to spend our money on. Alcoholic drinks and tobacco continues to remain pretty consistent with the median family spending of £24.73 per week. Clothing, footwear and recreation also account for significant sums. These amounts are particularly relevant when considered against the average savings amounts covered later in this report.

FIGURE 5 MEDIAN UK WEEKLY HOUSEHOLD SPENDING (£) BETWEEN 2005 AND 2011 BY CATEGORY EXCLUDING HOUSING AND UTILITY BILLS – CACI



Some very interesting statistics emerged with regards to our spending patterns that run counter to some of the earlier theories about wealth and lifestyle. Through our study it emerged that London consumers were spending a lot less on restaurants and hotels than in other parts of the UK. Could it be a 'stay home' culture is happening in parts of the capital?

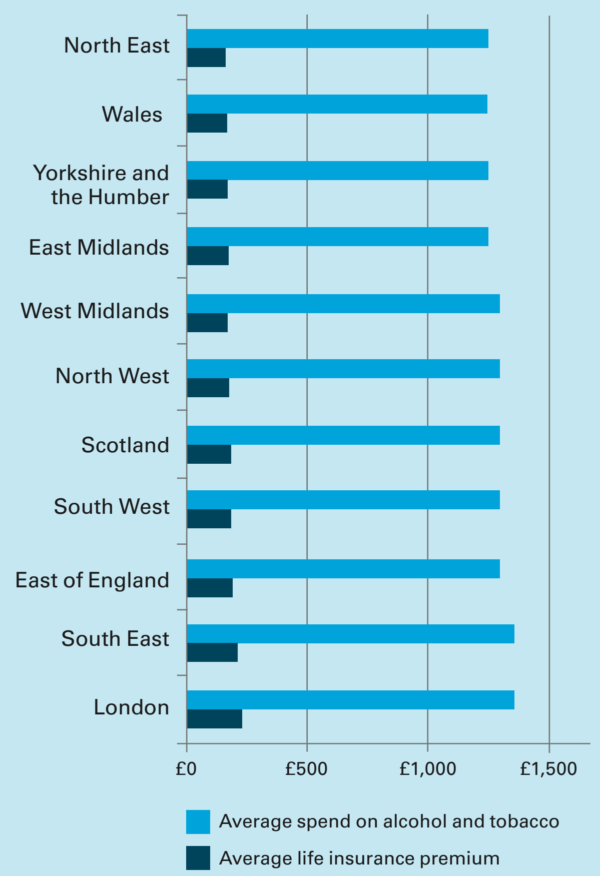
TABLE 4 MEDIAN UK HOUSEHOLD SPENDING ON RESTAURANTS AND HOTELS BETWEEN 2005 AND 2011

GOVERNMENT OFFICE REGION	2005	2006	2007	2008	2009	2010	2011
South East	£81	£84	£83	£84	£83	£77	£83
East of England	£75	£73	£81	£84	£82	£77	£80
South West	£70	£68	£80	£84	£82	£77	£80
West Midlands	£74	£68	£72	£71	£75	£72	£76
Northern Ireland	£66	£66	£68	£66	£74	£71	£75
Scotland	£62	£63	£67	£75	£78	£74	£75
Yorkshire and the Humber	£81	£79	£80	£75	£79	£72	£74
North West	£82	£77	£77	£76	£74	£69	£71
East Midlands	£70	£65	£70	£79	£74	£70	£71
Wales	£63	£61	£61	£55	£63	£64	£66
London	£73	£71	£71	£58	£63	£61	£65
North East	£53	£51	£60	£58	£62	£60	£64

TABLE 5 MEDIAN UK HOUSEHOLD SPENDING ON RESTAURANTS AND HOTELS BETWEEN 2005 AND 2011 AS A PROPORTION OF LONDON (GOVERNMENT OFFICE REGION)

GOVERNMENT OFFICE REGION	2005	2006	2007	2008	2009	2010	2011
South East	111%	118%	117%	145%	132%	126%	128%
East of England	103%	103%	114%	145%	130%	126%	123%
South West	96%	96%	113%	145%	130%	126%	123%
West Midlands	101%	96%	101%	122%	119%	118%	117%
Northern Ireland	90%	93%	96%	114%	117%	116%	115%
Scotland	85%	89%	94%	129%	124%	121%	115%
Yorkshire and the Humber	111%	111%	113%	129%	125%	118%	114%
North West	112%	108%	108%	131%	117%	113%	109%
East Midlands	96%	92%	99%	136%	117%	115%	109%
Wales	86%	86%	86%	95%	100%	105%	102%
London	100%	100%	100%	100%	100%	100%	100%
North East	73%	72%	85%	100%	98%	98%	98%

FIGURE 6 GREAT BRITAIN* (GB) SPENDING ON ALCOHOL AND TOBACCO (PER YEAR) COMPARED WITH AVERAGE LIFE INSURANCE PREMIUMS



*Please note this does not include Northern Ireland.

This report reveals Britons typically spend more of their weekly or monthly income on alcohol and tobacco than on protecting the person or income that pays for all of this with financial protection products. As a major provider of financial products, this seems a fair parallel to draw when over 50% of the UK does not have life insurance to protect their family's needs. This comparison is a particularly stark one when charted against the premiums over a given year.

With a median annual premium of just £338 for those in the North East, critical illness cover would only cost this group 1.4% of their annual spending. However, individuals in this region are currently spending nearly one and a half times that amount (5.4% of their spending) on alcohol and tobacco each week, compared with those in London, who spend just over 4.8% of their discretionary spending for this purpose.

Likewise, whilst the median premium for new life insurance policies in Britain was recorded at just £189 per year (compared with £180 for those in the North West and £163 for those in the North East), respondents in these same two regions reported spending £1,357 and £1,305 on alcohol and tobacco alone during this same period, respectively.

Interestingly research also shows that 73% of British adults participated in some form of gambling during 2010, according to the British Gambling Prevalence Survey (BGPS).[4] This equates to around 35.5 million adults. Figures like these reveal that on some occasions Britons have adopted a 'it wont happen to me attitude' when it comes to their spending decisions. According to the BGPS, scratch cards alone were enough to tempt 24% of British adults to spend their money in this way, with 15% playing at least once a week.

Our study on spending also led to considering other areas of short term thinking over long term planning. Market research agency IRN Research estimates 1.2 million adults in the UK took out payday loans in 2009, and predicts the number of borrowers could potentially rise by 40-45% in the coming years[5], as Britons look for new ways to cope with their day-to-day living expenses. Without adequate planning for a financial catastrophe, short term solutions like these could cause even more problems for unprotected Britons that find themselves in desperate financial straits.

A negative outlook also exists for employment rates which is particularly marked in certain regions. According to the Office of National Statistics (ONS)[6], the May 2012 unemployment rate was the highest in the North East (11.5%), followed by London at 10.1% and the North West at 9.6%.

In addition, the employment rate for those aged 16 to 64 for the three months to March 2012 also revealed a decrease in the North West (0.6%) and London (0.3%), which are consistent with 'an on-going pattern of slow decline in the employment rate in these regions', according to the same ONS report.

[4] The National Centre for Social Research (NatCen), British Gambling Prevalence Survey 2010, prepared for the Gambling Commission

[5] Marie Burton, Consumer Focus, Keeping the plates spinning: Perceptions of payday loans in Great Britain

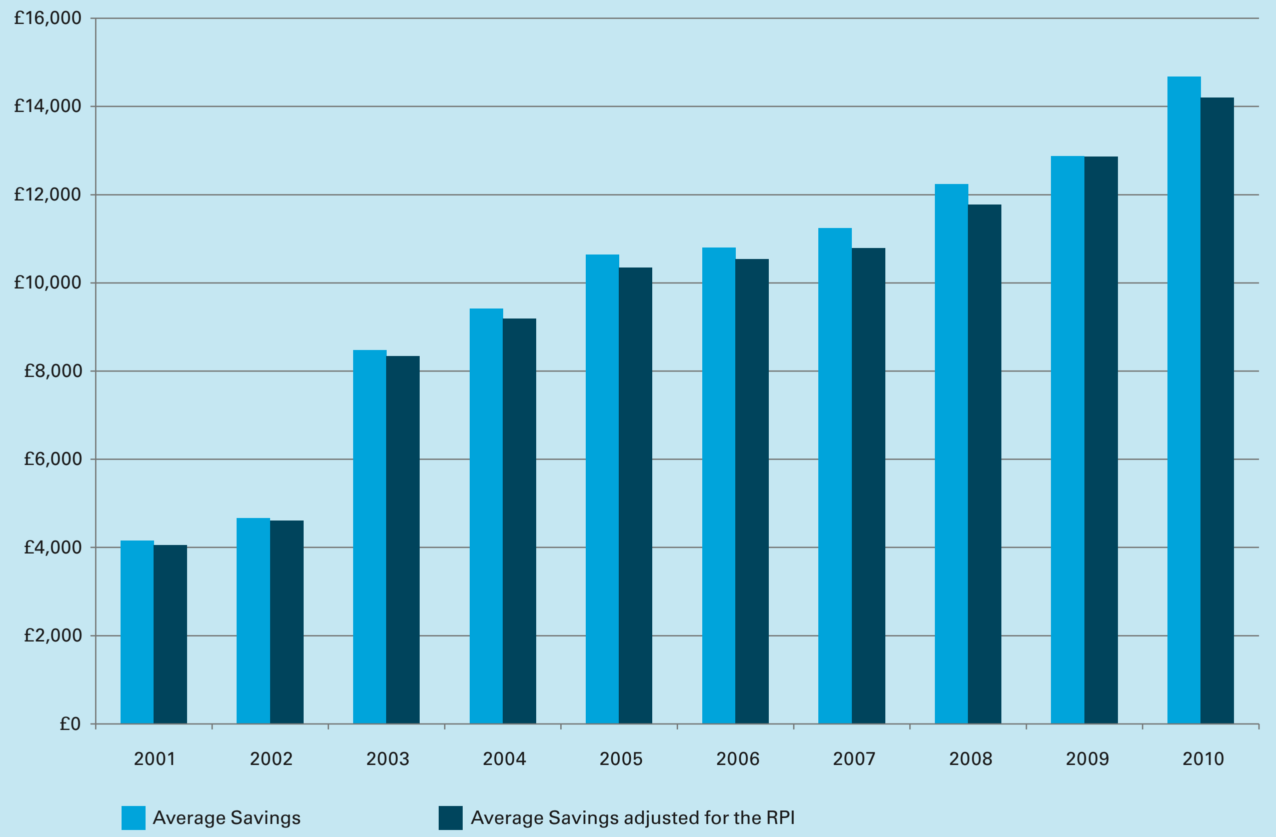
[6] Office for National Statistics (ONS), (May 2012), Statistical Bulletin, Labour Market Statistics

SAVINGS – MILLIONS OF BRITONS ARE LIVING WITHOUT A SAFETY NET.

Four out of ten Britons don't have any money saved in case of emergency.[7]

The next area of our study was to consider savings and to look at just what our approach to this has been over recent years. At an aggregate level it does look like as a nation we are putting more money away for a rainy day although we are challenged to find ways of negating the effects of inflation. However this is an aggregate position, where a small proportion of people save and are able to save very well against a large population who do not and are not able to find ways of saving each month. Regardless of that challenge, the relationship is an interesting one. Average earnings run in some of our wealthiest regions at over £41,000 against national average mean savings of just over £13,000.

FIGURE 7 THE GROSS MEAN AND NET ADJUSTED FOR INFLATION (RPI) VALUE OF SAVINGS FOR SAVERS BETWEEN 2001 AND 2010

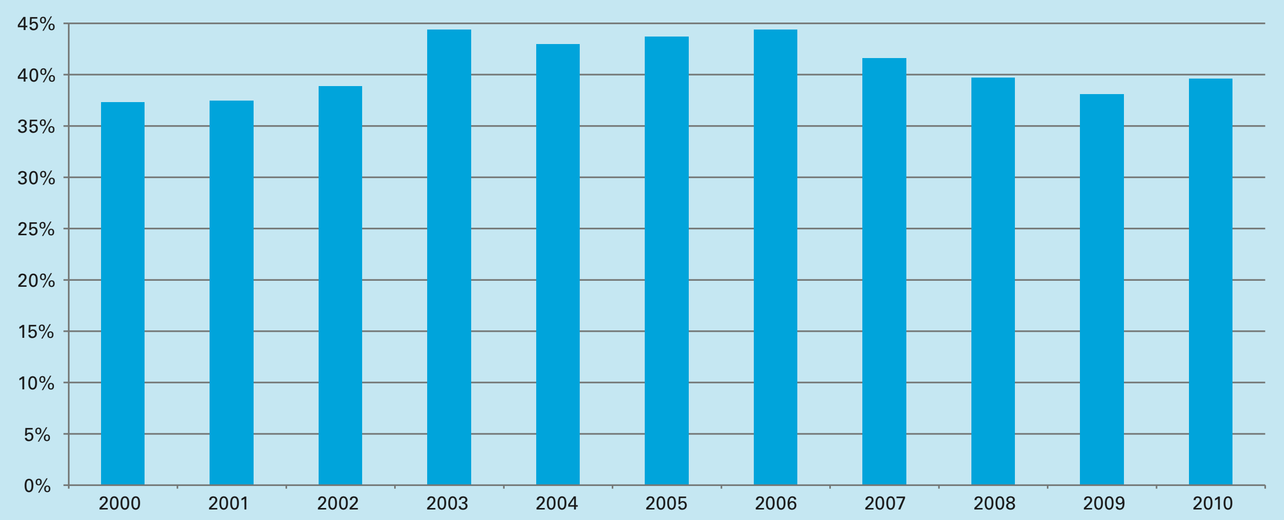


AVERAGE EARNINGS RUN IN SOME OF OUR WEALTHIEST REGIONS AT OVER £41,000 AGAINST NATIONAL AVERAGE MEAN SAVINGS OF JUST OVER £13,000.

[7]GFK NOP Financial Research Survey (FRS) 6 months ending 2010, 30,822 adults interviewed

After allowing for the impact of a small number of large savers, the relatively low national average of savings amounts, compared to incomes, led us to question just how many people had no private savings at all. The results are worrying. Up to 2010 almost 40% of Britons had no savings at all and no short term cash to access in a financial emergency.

FIGURE 8 PROPORTION OF THE GB POPULATION WITHOUT ANY SAVINGS BETWEEN 2000 AND 2010



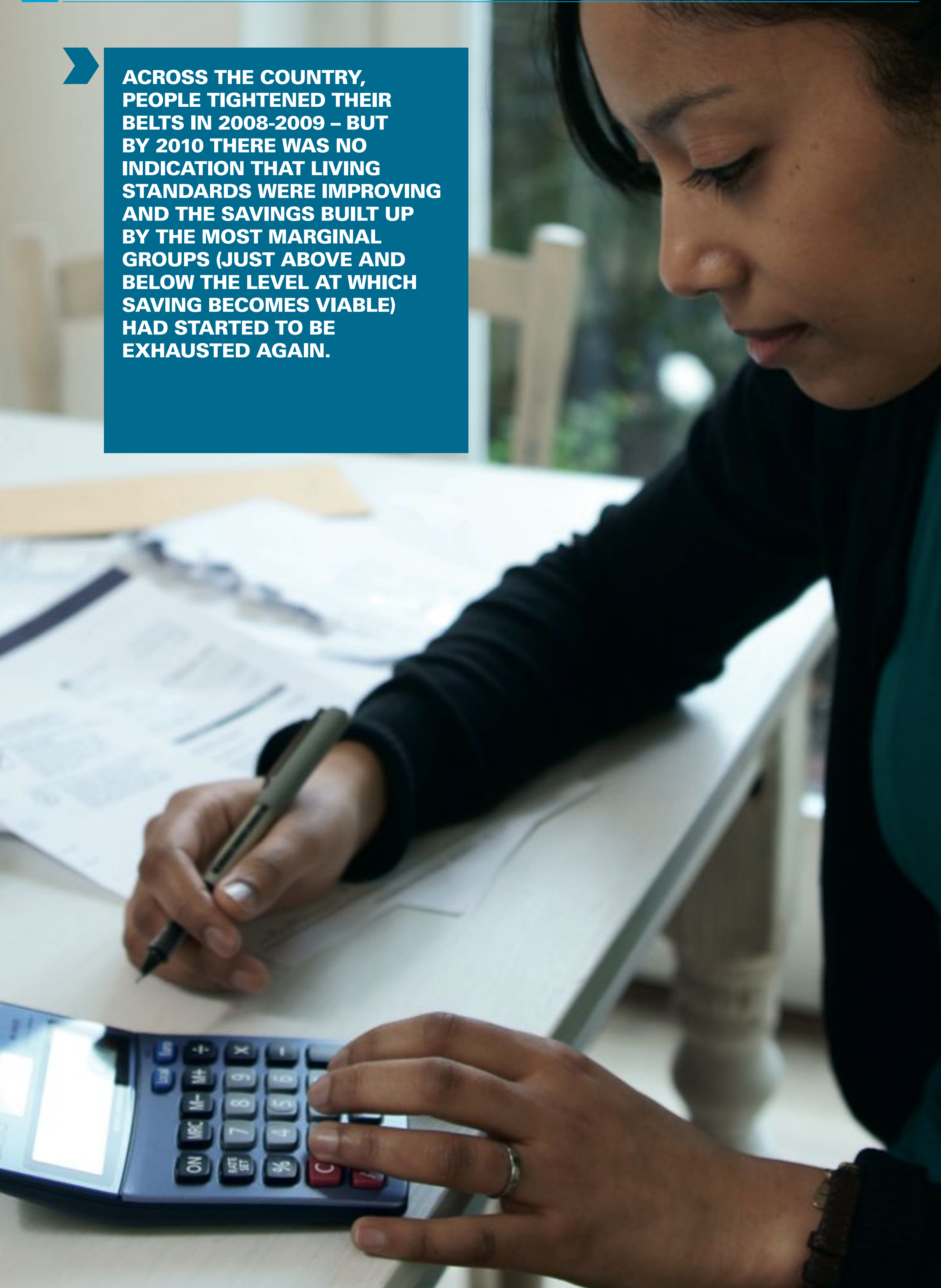
There is little variation in the proportion of individuals without any savings outside of the South East and South West of England (see table below).

The addition of those individuals with no savings into the calculation of mean savings reduces the numbers significantly but does not change the pattern of savings by region.

TABLE 6 PROPORTION OF THE GB POPULATION WITHOUT ANY SAVINGS BETWEEN 2000 AND 2010 BY GOVERNMENT OFFICE REGION

GOVERNMENT OFFICE REGION	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
East Midlands	38%	40%	40%	57%	60%	49%	47%	45%	43%	44%	43%
East of England	34%	32%	34%	38%	33%	36%	39%	33%	32%	33%	40%
London	37%	38%	39%	55%	47%	47%	43%	42%	39%	38%	41%
North East	42%	41%	42%	45%	42%	45%	45%	43%	44%	41%	43%
North West	44%	45%	44%	47%	52%	54%	52%	48%	44%	43%	44%
Scotland	46%	44%	47%	47%	46%	49%	50%	48%	50%	44%	45%
South East	28%	30%	31%	38%	36%	37%	39%	39%	36%	34%	34%
South West	33%	34%	35%	38%	34%	35%	40%	35%	32%	36%	35%
Wales	40%	42%	42%	42%	38%	42%	44%	42%	42%	38%	41%
West Midlands	36%	37%	40%	41%	44%	44%	48%	43%	42%	37%	38%
Yorkshire and the Humber	45%	37%	44%	41%	41%	44%	45%	38%	37%	34%	40%

EVERYONE IN THE UK HAS A ‘DEADLINE TO THE BREADLINE’, IRRESPECTIVE OF THEIR JOB, HOME OR LIFESTYLE.



ACROSS THE COUNTRY, PEOPLE TIGHTENED THEIR BELTS IN 2008-2009 – BUT BY 2010 THERE WAS NO INDICATION THAT LIVING STANDARDS WERE IMPROVING AND THE SAVINGS BUILT UP BY THE MOST MARGINAL GROUPS (JUST ABOVE AND BELOW THE LEVEL AT WHICH SAVING BECOMES VIABLE) HAD STARTED TO BE EXHAUSTED AGAIN.

FIGURE 9 CHANGE IN THE MEAN GB SAVINGS VALUES BETWEEN 2001 AND 2010 – GROSS FIGURES, ADJUSTED FOR RPI AND THE NET EFFECT ON SAVINGS

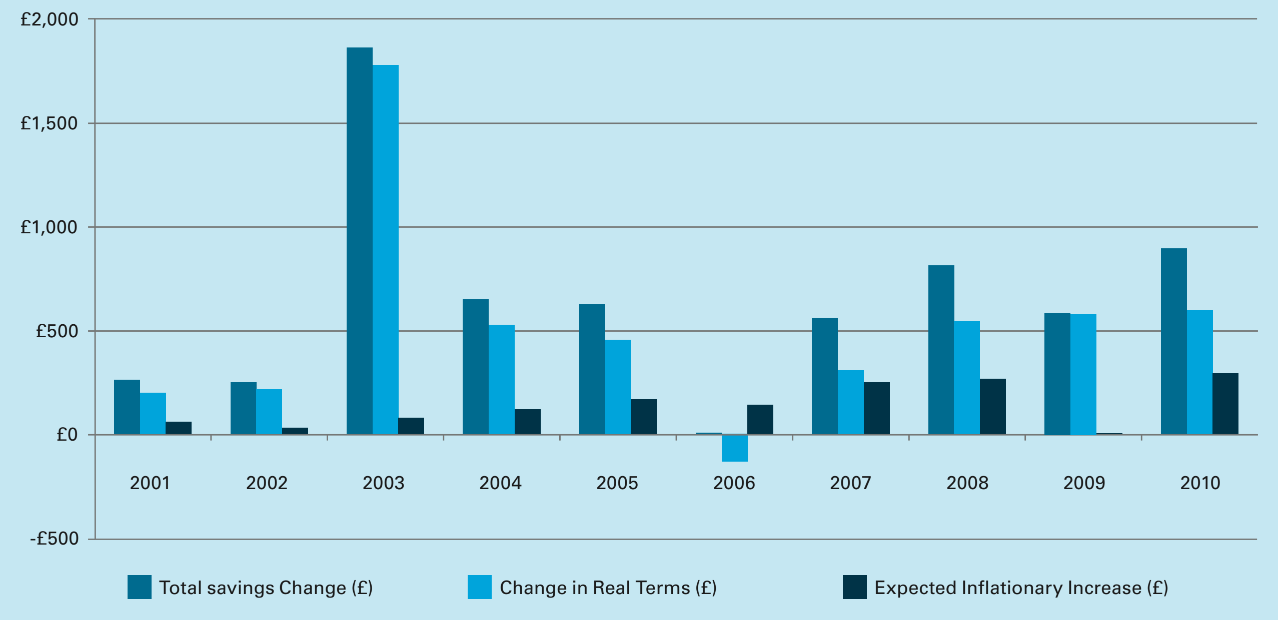


TABLE 7 MEAN GB PERSONAL SAVINGS FOR ALL INCLUDING THOSE WITHOUT ANY SAVINGS (EXCLUDING PREMIUM BONDS) BETWEEN 2000 AND 2010 BY GOVERNMENT OFFICE REGION

GOVERNMENT OFFICE REGION	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
East Midlands	£1,349	£1,868	£2,341	£2,642	£1,850	£5,567	£5,678	£4,384	£4,459	£4,863	£6,473
East of England	£2,869	£3,207	£3,429	£5,757	£7,155	£8,336	£7,374	£12,071	£8,509	£7,446	£9,152
London	£2,797	£2,946	£3,357	£3,644	£5,608	£5,807	£8,011	£6,843	£7,124	£9,410	£11,795
North East	£1,724	£2,291	£2,205	£4,248	£4,590	£4,358	£4,208	£5,142	£7,286	£6,482	£6,597
North West	£2,063	£2,079	£2,281	£4,183	£3,207	£4,467	£4,045	£5,313	£6,278	£5,905	£6,514
Scotland	£1,281	£1,443	£1,636	£5,576	£4,924	£3,958	£3,695	£3,526	£4,987	£5,630	£6,549
South East	£3,169	£3,646	£4,133	£6,180	£7,548	£8,040	£8,056	£9,515	£10,454	£11,690	£12,131
South West	£2,553	£3,286	£3,245	£5,289	£7,322	£8,005	£6,468	£7,266	£8,247	£8,683	£10,040
Wales	£2,176	£1,743	£2,311	£3,639	£4,835	£5,697	£4,004	£4,389	£7,117	£7,072	£7,453
West Midlands	£1,934	£2,161	£2,555	£4,782	£4,368	£5,191	£4,887	£5,261	£6,661	£7,493	£8,377
Yorkshire and the Humber	£2,265	£2,349	£1,900	£4,261	£5,211	£4,922	£5,878	£6,208	£6,632	£6,423	£5,776

TABLE 8 MEAN GB SAVINGS VALUES EXPRESSED AS A PROPORTION OF MEAN HOUSEHOLD INCOME BETWEEN 2001 AND 2010 BY GOVERNMENT OFFICE REGION

GOVERNMENT OFFICE REGION	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
East Midlands	9%	10%	10%	7%	19%	19%	14%	14%	14%	20%
East of England	13%	12%	19%	24%	26%	22%	35%	24%	20%	25%
London	10%	11%	10%	16%	16%	22%	18%	19%	24%	30%
North East	12%	10%	18%	20%	17%	15%	18%	25%	21%	22%
North West	10%	10%	16%	12%	16%	14%	18%	20%	18%	20%
Scotland	7%	7%	22%	19%	14%	13%	12%	16%	17%	20%
South East	13%	14%	19%	23%	23%	23%	26%	28%	30%	31%
South West	15%	13%	20%	28%	28%	21%	23%	26%	26%	31%
Wales	9%	10%	15%	20%	21%	14%	15%	24%	23%	25%
West Midlands	10%	11%	18%	17%	18%	16%	17%	21%	23%	26%
Yorkshire and the Humber	11%	8%	17%	21%	18%	20%	21%	22%	20%	19%

Across the country, people tightened their belts in 2008-2009, but by 2010 there was no indication that living standards were improving and the savings built up by the most marginal groups (just above and below the level at which saving becomes viable) had started to be exhausted again. However, for those who do have sustainable disposable income, then on average they have been saving more in 2008-2010 than at the peak of the credit crunch.

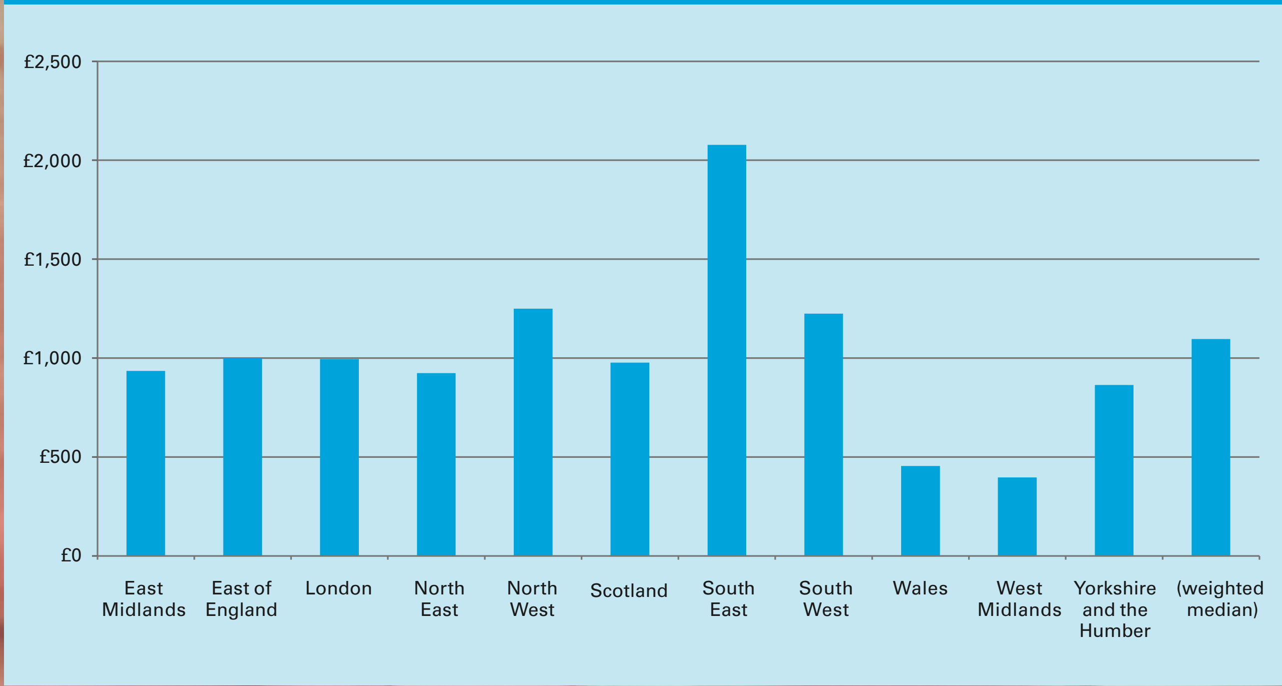
Wales, Yorkshire and the Humber and the West Midlands represented the bottom three in terms of household savings.

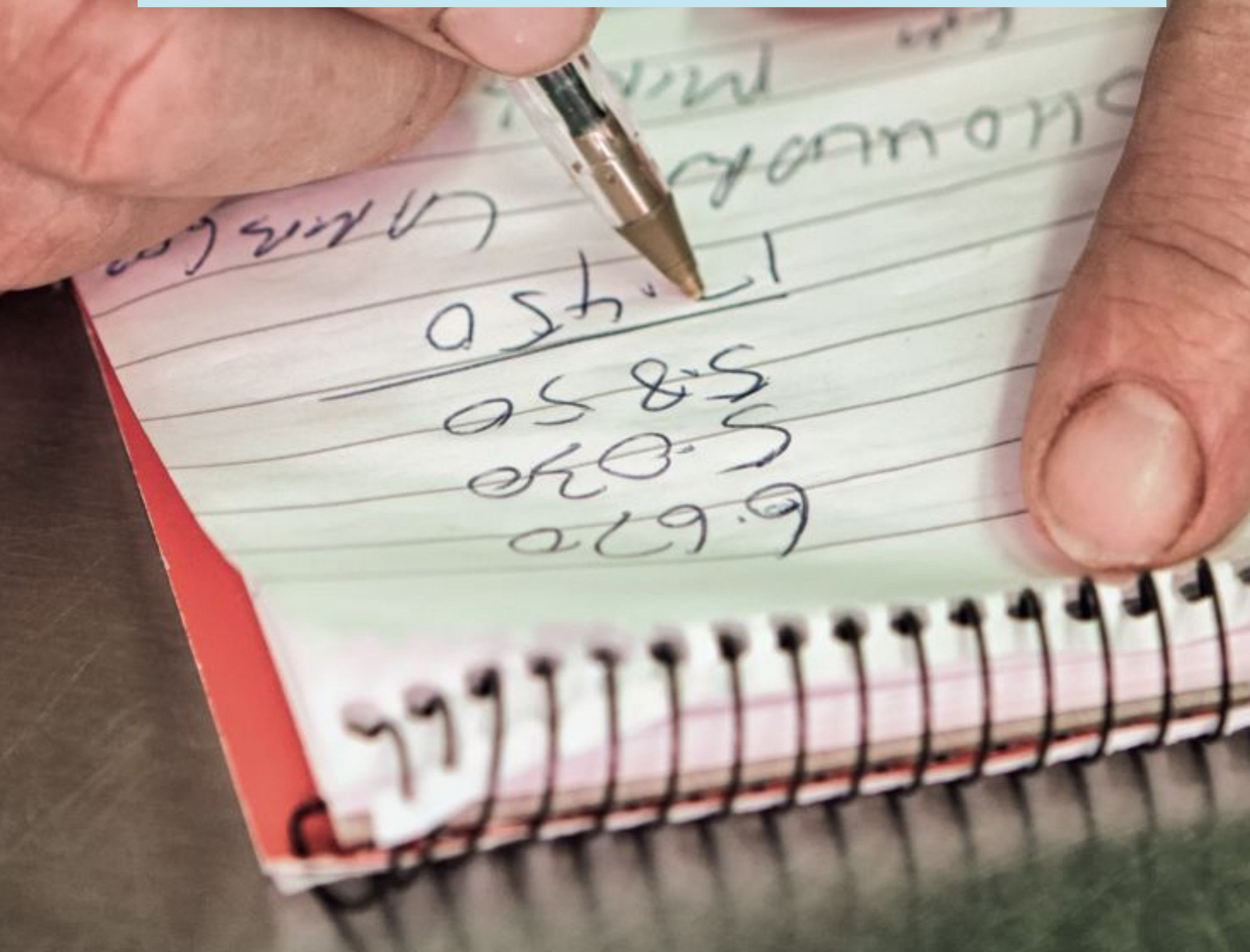
THE DIFFERENCE BETWEEN AVERAGE MEDIAN AND MEAN SAVERS

When we put savings in the context of the average man in the street, then the figures markedly change. The median (the middle person in a sequence) savings for the UK in 2010 was £1,094, when compared with the mean number £13,233 we can see the impact of higher earners dragging up the 'average'. This disconnection has been described frequently and the 'average' figure masks the lack of savings that the middle earner has and their ability to use savings to insulate themselves and their family from a financial shock.

These figures are especially sobering when compared to the results of our recent 35 cubed report, which compares the outlook of the 2012 generation of 35 year olds with their parents' generation – the 35 year olds of 1977. Polling undertaken by ComRes for the report found that 35-44 year olds felt that they would need to have just under £100,000 in the bank to feel 'comfortable and safe'.

FIGURE 10 2010 MEDIAN SAVINGS VALUES BY GOVERNMENT OFFICE REGION





OUR EARNINGS, SPENDING AND SAVINGS.

In summary, the picture regarding the nation's finances is not a healthy one. There is considerable reason to be concerned about the lack of private provision. We know that millions of Britons are living without a safety net. This report reveals that nearly four out of ten UK adults (39.6%) do not currently have any savings at all.[8] As a result, if any of these individuals were suddenly unable to work, affected by a critical illness, or a key family earner died, many households would find it difficult to maintain an equivalent standard of living.

According to the Council of Mortgage Lenders (CML), the number of UK homes being repossessed fell to its lowest in four years in 2011. They have warned that there will be a higher number of people facing serious problems in the future. As such even though recent figures from the CML show repossessions were at the same levels in Q1 2012 compared to 2011, analysts believe that the record low interest rates over the past three years has been the main reason behind the low repossession rates and that these figures could change if interest rates were to rise.

According to Legal & General's July 2012 MoneyMood survey, households finances across the country are weaker than at the same point last year. 340,000 more homes are 'struggling' with income not enough to pay bills and fewer homes have income that exceeds bills and debts. Figures from the survey show that around 3.2 million households in the UK say they are struggling to make ends meet, with the average monthly shortfall nationwide around £42 per month.

This regular shortfall helps to explain the rising popularity of high interest 'payday loans', which offer consumers the chance to borrow funds to help make ends meet until their next payday arrives. The increased uptake of loans like these only emphasises the vulnerable financial situation that many families are facing.

There is also another rather interesting trend emerging from the data and that is that every family has a need to provide for the unexpected. We all have a 'Deadline to the Breadline' and high earners (who are often high spenders) don't always have adequate savings to protect them in a financial catastrophe. Almost all economic and social groups have a protection need. The insurance market has traditionally referred to this as a protection gap or a savings gap but the important point is we need more people to realise that we all have to provide for a rainy day and that we cannot rely on the welfare state or on our employers. When we measured this across a number of areas we came to some interesting conclusions.

[8] GfK NOP Financial Research Survey (FRS) 6 months ending 2010, 30,822 adults interviewed

SHOCKING FIGURES REVEAL BRITAIN'S 'DEADLINE TO THE BREADLINE'.

The average Briton has set aside just 19 days worth of money to cover themselves in a disaster.

Legal & General has set out to calculate the 'Deadline to the Breadline' by measuring how long a family's finances will last, on average, before an individual's (or family's) savings are totally spent – their 'Deadline to the Breadline'. According to the median figures, individuals in Britain now have an average of just 19 days survival, before their savings run out if their income suddenly stops and their household spending remains the same.[9]

Of all the Government Office Regions surveyed, those in the South East of England were the best prepared for this kind of financial catastrophe, and yet the figures show that even these individuals would still only last 37 days, on average, before their savings are totally used.

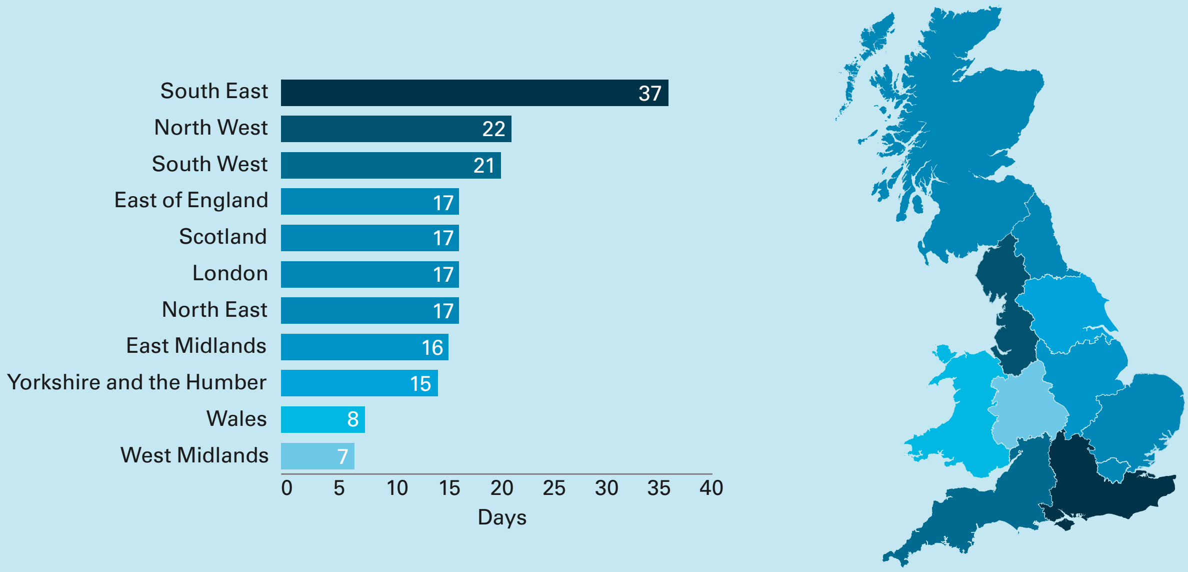
This is two weeks more than the next two regions in the list: the North West at 22 days and the South West at 21 days. Figures from the West Midlands, the worst performing region, revealed that individuals would have just a week – before their savings ran out, in this scenario, if their household spending levels remained unchanged.

WHAT IS A FINANCIAL CATASTROPHE?

A financial catastrophe is a sudden and dramatic loss of income, often triggered by unforeseen events such as long term illness, injury, critical illness or death. People like to think that all of these things happen to 'other people', but that's simply not true. How will a full-time employee survive financially if he/she were unable to work because of a critical illness? Who would pay their rent, mortgage, credit cards and other bills? And how would their partner, family and loved ones survive if that regular salary payment were to suddenly disappear? Any one of these scenarios could act as a catalyst for a financial catastrophe unless steps are taken to prepare for situations like these in advance.

[9]Figures relate to households in England, Scotland and Wales, and include statutory sick pay of £85.85 per week as a minimum state benefit but exclude any redundancy packages

FIGURE 11 DEADLINE TO THE BREADLINE BY REGION



A 'Deadline to the Breadline' of, on average, just 19 days is a deeply worrying figure. It shows that many UK households are living on a knife-edge, with little private protection in place if the worst were to happen – loss of income, critical illness or death. The industry, the government, the regulator and consumers need to work together to address this critical issue. A few small, but important steps can help consumers to begin this process, starting with:

1. Calculating the 'bare minimum' that you can afford to live on
2. You could also visit www.legalandgeneral.com/breadline for help with:
   - Checking what benefits your employers will provide in the event of a financial catastrophe to figure out your own 'lifestyle gap' – our employee benefits checklist can help with this
   - Calculating your own personal Deadline to the Breadline, using our online calculator so you can then decide what to do to help improve your situation
3. Making sure you are maximising any benefits offered by your employer, such as discounted life, critical illness or income protection insurance, employer-matched pension schemes or tax-efficient savings schemes
4. Taking some time to think about preparing a back up plan for your family
5. Asking friends and family for their thoughts and opinions or
6. Speaking to a Financial Adviser, the Money Advice Service or Citizens Advice Bureau for further help and information.

Find an Adviser – www.unbiased.co.uk.
http://www.citizensadvice.org.uk/
https://www.moneyadviceservice.org.uk/

No one wants to think about worst-case scenarios, but it is important to give these matters the attention that they deserve. As such, the information outlined in this report underscores this same key point: it is essential that we find a way for people to engage in this debate, protect what they have right now, and also to save and prepare for the future.

LIFE INSURANCE IS STILL SEEN AS A LOW PRIORITY BY MANY.

Only one in three UK adults currently has a life insurance policy in place.

Thanks to a steady barrage of media coverage in recent years, the message that most Britons need to save more for their retirement has been often repeated and has begun to trickle through. However, this same understanding has not been articulated as clearly when it comes to life insurance, since many people claim they simply cannot afford it.

Most of the people who aren't currently saving into a pension tend to offer this same reason. This is where the auto-enrolment programme can be very helpful, as it starts with a very modest employee pension contribution of 1% of earnings and builds up gradually, reaching 5% in 2018. By taking these small steps, many people may find that pensions can be affordable. The next challenge will be to change perceptions that life insurance is expensive, so this too is seen as an affordable solution to protecting their financial security in the future.

Today, only one in three UK adults has a life insurance policy in place. The highest percentage of individuals with life insurance coverage is in Scotland, with coverage extending to 38% of the population, compared with 35% in the South East of England and just 28% of London – the lowest of all the regions surveyed. However, Londoners were the youngest group to buy life insurance policies, with the median age of new life insurance buyers recorded at 39, compared with a national average of 41.

Certain cultural shifts over the years have only served to reinforce this problem, since many of the traditional catalysts in this area have changed over time. As a result, younger people are no longer benefiting from the same level of cover as earlier generations.

For example, according to Post Office Mortgages, the age at which the average prospective buyer expects to buy their first home is now 35 years old. This compares to 28 years old ten years ago, and 30 years old five years ago. The Post Office said that in the early 1960s the average age was just 24.[10]

Plus, as buying has remained difficult without a substantial deposit, demand for private rental property has risen. As a result, the traditional link between life cover and a mortgage application has now disappeared for many.

However, despite this changing landscape, income protection, critical illness cover and life insurance are no less important for this group. Just because young people today either choose or are forced to live in rented accommodation for longer, they are no less susceptible to financial catastrophe should their earnings suddenly come to a halt.

Also, Britons are getting married and having children later, which means that another financial planning 'trigger' has been delayed. According to the ONS, nearly half (48%) of all babies born in 2010 were to mothers aged 30 and over, up from 46% in 2000.[11] Along with these changes comes another important shift: many young people today are living at home with their parents for much longer, which in turn puts additional financial strain on parents.

[10] Ten year wait for first time buyers to raise a deposit', Post Office press release, 11 September 2012

[11] Office of National Statistics (ONS), (20 October 2011), Statistical bulletin: Live births in England and Wales by characteristics of mother 2010

TABLE 9 INDIVIDUAL LIFE INSURANCE COVERAGE BY REGION (SELF-PROVISION, EXCLUDING GROUP SCHEMES)

GOVERNMENT OFFICE REGION	PERCENTAGE
Scotland	38%
West Midlands	37%
North East	35%
South East	35%
East of England	34%
North West	34%
East Midlands	34%
Wales	34%
Yorkshire and the Humber	34%
South West	33%
London	28%

THE NATION'S FINANCIAL HEALTH VARIES GREATLY BY REGION.

Employees in Wales and North East England are twice as likely to miss work because of illness, compared to Londoners.

i

MYTH
An individual's employer will provide all the financial support that's needed in the event of a critical illness.

FACT
An employer is legally obliged to support its employees for the first 28 weeks that they are unable to work. However, there is no obligation to pay the employee's full salary, and the actual amount provided could be as little as £85.85 a week*. Those who are self-employed may be able to claim Employment and Support Allowance or fund their sick pay themselves, which will put even more strain on their finances, just when they are at their most stretched. www.gov.uk/statutory-sick-pay-ssp/overview.

*Correct as at 14 November

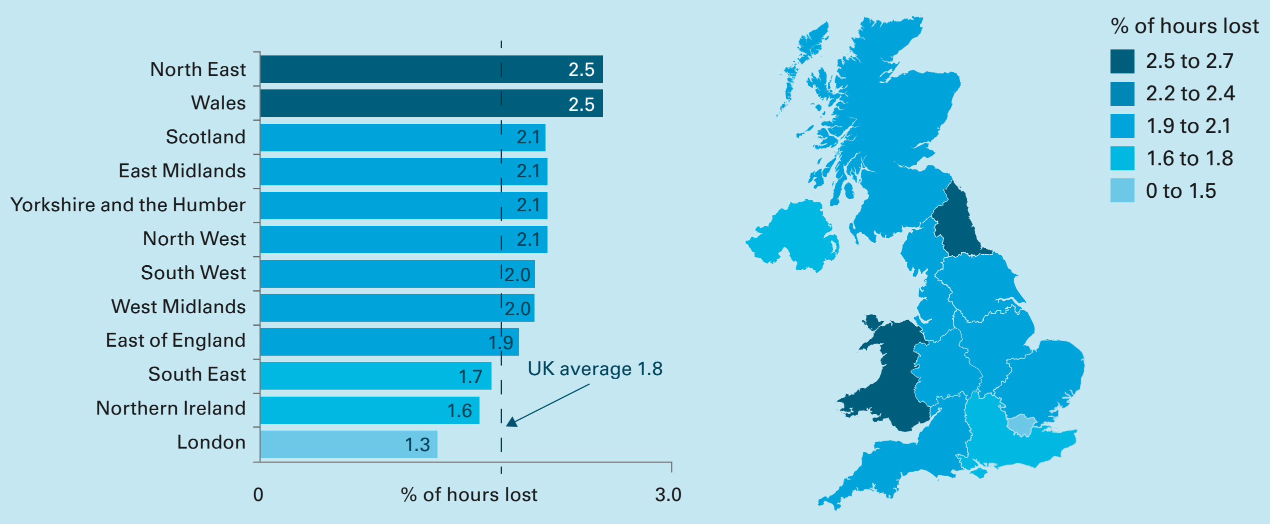
The Legal & General 'Deadline to the Breadline' report revealed an even larger divide between which regions are benefiting from life and critical illness protection. For example, Legal & General has paid 93.2% of critical illness claims for 2011, with just under 30% of its critical illness claims to those in the South East this year, compared to just 10% of claims paid in the West Midlands and 2% in the North East. And yet the North East also happened to be one group most likely to miss work because of illness, according to the Office for National Statistics (ONS). Whilst a total of 131 million work days were lost in 2011 due to sickness, Londoners were the least likely to take time off (1.3% of total working hours), whereas employees in Wales and the North East called in sick at the rate of 2.5% of total working hours.

Life insurance claims followed a similar pattern, with the South East accounting for 27% of all claims, compared with 8% in the North West.

Individuals in the North East were also less likely than those in the West Midlands or Scotland to have life insurance (35%).

YOUNGER PEOPLE ARE NO LONGER BENEFITING FROM THE SAME LEVEL OF COVER AS EARLIER GENERATIONS.

FIGURE 12 SICKNESS ABSENCE RATES BY REGION, 2010/2011*



*Source: Annual Population Survey (APS) – Office for National Statistics.
Contains Ordnance Survey data © Crown copyright and database right 2012

CONCLUSION.

Together financial advisers, the industry and government must help consumers understand the importance of doing something now to improve their financial security.

We can help – visit our website www.legalandgeneral.com/breadline for more information.

DATA SOURCES USED FOR THIS REPORT

The statistics produced in this paper have been collated from external and internal sources to enable the production of Legal & General's Deadline to the Breadline Report and associated marketing material, including:

GfK NOP Financial Research Survey (FRS) 6 months ending December 2010, 30,822 adults interviewed http://www.gfk.com/uk/industries/financial-services/financial-research-survey/pages/default.aspx

PayCheck – Copyright CACI Limited

CACI Expenditure Estimates – Copyright CACI Limited

Legal & General 35 cubed Report 2012

Legal & General Individual Protection Life Insurance and Critical illness claims made between 1 January and 31 December 2011

Legal & General Critical Illness Cover Claims Report 2011

Legal & General Individual Protection Life Insurance and Critical illness policies incepted between 1 January and 31 January 2012

Legal & General MoneyMood Survey July 2012

Legal & General Consumer Confidence Survey May 2012

Office for National Statistics (ONS) Annual Population Survey (APS)

Office for National Statistics (ONS) May 2012, Statistical Bulleting, Labour Market Statistics

KEY TERMS USED IN THIS REPORT

CLAIM
A Life Insurance or Critical Illness claim event reported and paid between 1 January and 31 December 2011 as at 31 December 2011.

DEADLINE TO THE BREADLINE
The numbers of days or weeks before savings are completely spent, assuming a minimum state benefit of £85.85 per week Statutory Sick Pay, when income is £0. This is based on Personal (median) savings used to cover weekly household expenses.

Please note our figures are for Great Britain only and do not include Northern Ireland.

DISPOSABLE INCOME
Either Personal Income or Household Income adjusted for direct taxation (Income tax, National Insurance Contributions, Council Tax etc.) minus Essential Household Expenses. Defining and calculating 'Disposable Income' is a complex problem; we have chosen to model using gross Household and Personal Income and adjusting for an aggregate level of Direct taxation as described by Barnard, Howell and Smith in their paper ''The effects of taxes and benefits on household income, 2009/10. Further analysis and methodology''. (ONS, 2011 http://www.ons.gov.uk/ons/rel/household-income/the-effects-of-taxes-and-benefits-on-household-income/2009-2010/index.html)

ESSENTIAL HOUSEHOLD EXPENSES
All non-discretionary expenses (i.e. excluding amounts spent on recreation and culture, miscellaneous, restaurants and hotels and alcohol and tobacco)

HOUSEHOLD EXPENSES
Expenses categorised using the UN Statistical Service's categorisation of spending, COICOP (the Classification of Individual Consumption According to Purpose)

HOUSEHOLD INCOME
Self reported gross income for a family unit

INFLATION
This has been calculated using the relevant year's change in the Retail Prices Index

MEAN
For the mean we have added up all the numbers and then divided by how many numbers there are

MEDIAN
The median refers to the middle value of a set of numbers, arranged from lowest to highest

MORTGAGE VALUE
The outstanding mortgage liability

PERSONAL INCOME
Self reported gross income

SAVINGS
Either personal or household savings excluding premium bonds

SUM ASSURED
The sum that Legal & General would pay to a customer in the event of a claim on the first day of their policy

www.legalandgeneral.com

Legal & General Assurance Society Limited.
Registered in England No. 166055
Legal & General Partnership Services Limited.
Registered in England No. 5045000
Registered office: One Coleman Street, London EC2R 5AA
We are authorised and regulated by the Financial Services Authority.
We are a member of the Association of British Insurers.

W13612 11/12 H0136082