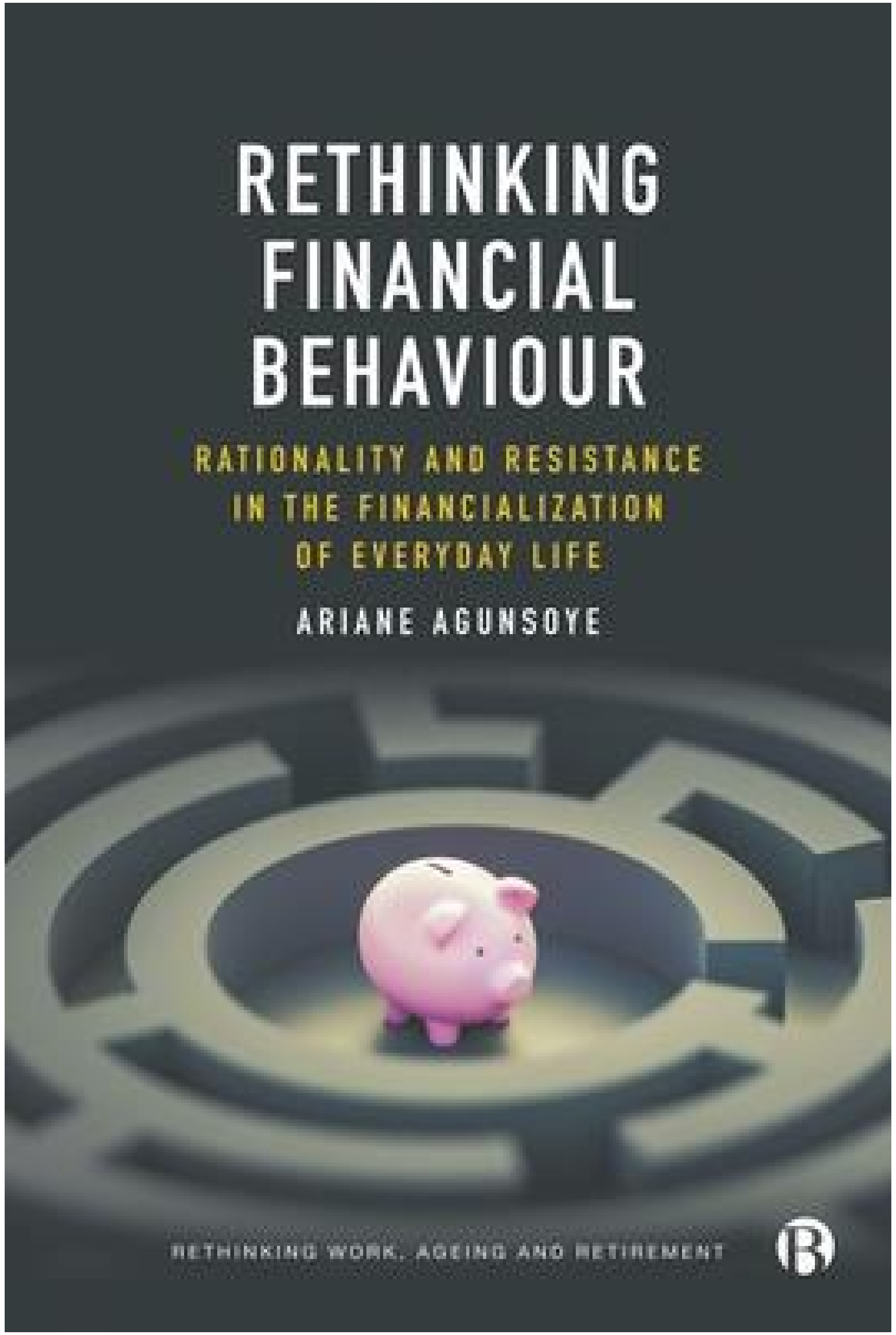

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Rethinking Financial Behaviour: Rationality and Resistance in the Financialization of Everyday Life

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https://bristoluniversitypress.co.uk/rethinking-financial-behaviour

Background

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The Three-tiered Pension System in the UK

An everyday investor moves beyond „passive forms of financial practices“ (Lai, 2016:38) and "purchases and trades a portfolio of equities" (Langley, 2006:927) and „adopts new modes of self-governance and reflexivity to monitor their investments“ (Lai, 2016:3)

- **State pension** with entitlements aimed at minimum poverty relief, currently at £241.30 per week based on 35 years contributions independent from the partner's contributions
- **Workplace pensions** where workers qualify for automatic enrolment when earning at least £10,000 per year in a single incidence of employment, predominantly DC schemes
- **Private pension investments** supported by tax benefits and subsidies

→ And yet, 38% of working-age people are at risk of under-saving for retirement and 6.3 million people are excluded from automatic workplace pensions (TPR, 2023; TUC, 2020)

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The Investor Subject

- "insures himself against the risks of the life cycle through financial literacy and self-discipline" (Van der Zwan 2014, 113)
- Realizes that workplace pensions provide a tax-efficient way to save
- Adopts key financial concepts when constructing an asset portfolio (Campbell 2006; Mitchell and Lusardi 2012)

From Financially Rational to Capable

- **Behavioral Economics**: issues of self-control and procrastination results in making "irrational decisions about joining (or not joining) company plans" and "not understanding the tax implications of their savings behaviour" (Strauss 2008, 146)

  → Nudge people to behave in financially rational way

- **Financial Literacy**: "the failure to plan for retirement" and "lack of participation in the stock market […] can all be linked to ignorance of basic financial concepts" (Lusardi 2015, 260) → Financial education

- **Financial Capability:** People need to have the "behavioural disposition" to make responsible financial decisions (Prabhakar 2021, 27) → improve design and delivery of financial education programmes supported by FI

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Context-Specific FE

Economic Geography: Being in a junior position, a lower paid job, younger and a single woman coincide with a lower risk tolerance, a tendency to discount the future and using property in a non-strategic manner (Clark 2010; Clark 2014)

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Move towards more "targeted and effective financial education" (Clark et al. 2021, 5) and create equal access to financial products

Contextual Constraints

Moving towards context-specific FE implicitly blames individuals for "deficient knowledge" (Hamilton and Darity Jr 2017, 59) without tackling contextual constraints.

- Fundamental uncertainty in financial investments and less job protection "undercut[s] capacity to perform the subject position of the investor" (Langley, 2007, 83)
- Systemic constraints due to employment, income differences and unpaid care are marginalized (Allon 2014; Loomis 2018)

Variegated Subjects

- Finance rationality becomes enmeshed with everyday rationalities such as uncertainty, relationships and moral understandings (Hall 2019; Lai 2017)
- Variegated financial subjects: Divergence from one the two components of asset norms – accumulating assets (behaviour) and finance rationality (subjectivity) {Pellandini-Simanyi and Banai, 2021)
- These deviating practices form part of a financialized subject.

Categories	Female (38)	Male (25)	Majority Ethnic Background (48)	Minority Ethnic Background (15)
Under £10,000 (LI*)	5	1	3	3
£10,000-£19,999 (LI)	14	4	14	4
£20,000-£29,999 (MI)	8	5	10	3
£30,000-£39,999 (MI)	5	3	4	4
£40,000-£49,999 (MI)	3	6	8	1
£50,000-£59,999 (HI)	2	0	2	0
Over £60,000 (HI)	1	6	7	0
< 30	8 (2 below MI)**	2 (0 below MI)	4 (0 below MI)	6 (2 below MI)
30-39	4 (3 below MI)	3 (1 below MI	6 (3 below MI)	1 below MI
40-49	7 (7 below MI)	6 (1 below MI)	9 (5 below MI)	4 (3 below MI)
50-59	15 (12 below MI)	4 (3 below MI)	16 (12 below MI)	3 (below MI)
≥ 60	4 (1 below MI)	10 (3 below MI)	13 (3 below MI)	1 (below MI)
Single	9	3	8	4
Married	17	14	27	4
Cohabiting	7	4	9	2
Divorced/Separated	3	3	1	5
Widowed	2	1	3	0
No children	18	10	21	7
1 Child	5	5	9	1
2 or more Children	15	10	18	7
No High School	0	1	0	1
High School	7	5	10	2
Bachelor's	9	7	13	3
Master's	19	9	21	7
PhD	3	3	4	2

Average Income: £31,003 (UK individuals £33,500)

Average Net Wealth (HH): £175,399

13.3% were self-employed and 23.5% have a different ethnic background than White British and 19% different than White (compared to 25.6% and 18.3% in England and Wales [ONS, 2022])

Household Balance Sheets

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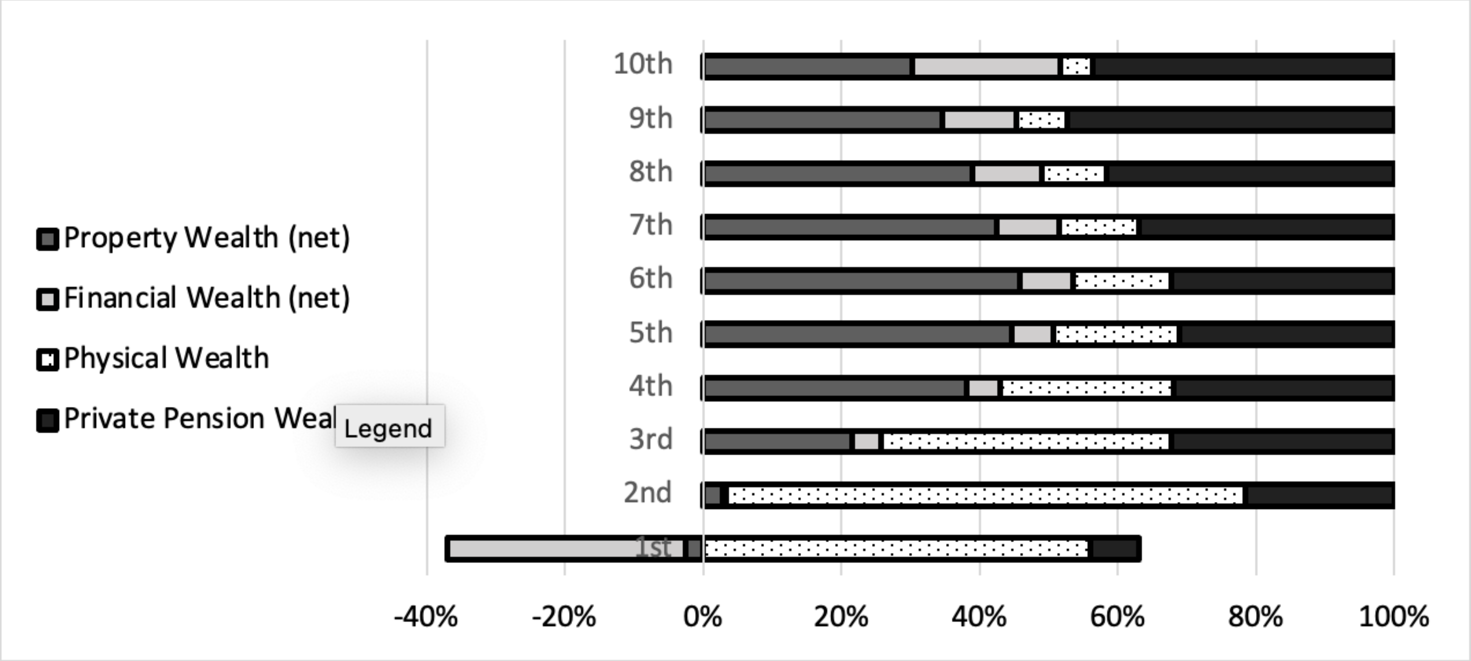
Table 1 Exemplary Household Balance Sheet

ASSETS	*LIABILITIES*
Skills/labour power	Property Debt
Property	Main Residence
Home	Other Property
Other Property	Financial Liabilities
Transaction Accounts	Personal Loans
Bank Account Savings	Student Debt
Savings Certificates and Bonds	Hire Purchase
Investment Trusts/Unit Trusts	Credit Card Debt
Stocks and Shares	Store Cards
Pension Wealth	Business Debt
Business Assets	Overdraft
Home Contents	Overdue Household Bills
Vehicles	Other Debt
Other Assets	

Source: Author's illustration based on Bryan and Rafferty (2015); ONS (2016a)

Assets	Liabilities
House £68,000 (40% shared ownership)	Mortgage £49,140
Savings £100	Credit card £150
Current Account £500	Student loan £38,000
Car £2,000	
Estimated imputed pension pot: £10,000	
Total Assets: £80,600	**Total Liabilities**: £87,290
	Net worth: - £6,690

Breakdown of Aggregate Total Wealth per Income Deciles



Source: Author's calculation based on ONS (2018)

Balance Sheet of an Everyday Asset Manager

Assets		Liabilities	
House	£260,000	Mortgage	£120,000
Pension	£150,000		
Savings	£7000		
Cash in current account	£5000		
Premium bonds	£1500		

Being an Everyday Asset Manager

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- **"Less money security"** (Rita) and there "are no secure jobs anymore" (Millie): "I need to be able to provide for my future" (Beatrix)

"[…] **you sort of feel like you have to play the game** that's the thing for me, well, but I've got on it because otherwise I won't be able to and everyone else is doing it. […] **I sort of resent that.** I am having to buy a house but everyone says it's the right thing to do and you sort of go, is it? […] That's the sort of thinking, well other countries don't and why you sort of feel like you've been sucked into this perspective. **Well, you've got to have this because that's what's going to give you security in the future**." (John)

- Interviewees realize that even if one acts responsibly, there is still uncertainty with regards to economic downturns, governmental changes or how pensions are handled by financial institutions

"I don't have a shit load of money to invest" (Ida)

"I'd never play the stock market or anything […] I think of as gambling" (Imogen)

"avoid risks that jeopardizes my family's security" (Nancy)

"Gordon Brown comes along and taxed the dividends and all the figures on the pension growth […] came nowhere near what the projection was" (Paul)

Being an Everyday Asset Manager

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Three-pronged Asset Accumulation Strategy

1. Savings

„As long as you got enough to live on then **anything extra is obviously going towards your future** […] I am trying to save enough money […] that I can put in an OK, you know, percentage as deposit down." (Anu)

2. Homeownership

"We wanted to move up the ladder […] the other house was only ever sort of a five-year house (Amy)
"**We're going to realize our investment** is the best way to put it […] **the investment is the sort of money we put into the house** in the first place" (Hattie)

3. Pension

"You should be able to **discipline yourself** I need to **think a little bit longer term** here, I think people need to **save a pension** […] You should think about more than tomorrow for your family's sake, for your children, your wife or whatever your husband" (Amy)

- Supported by an elementary form of finance rationality "I generally keep eggs in different baskets" (Alfred)

Variegated Financial Subjects in the UK

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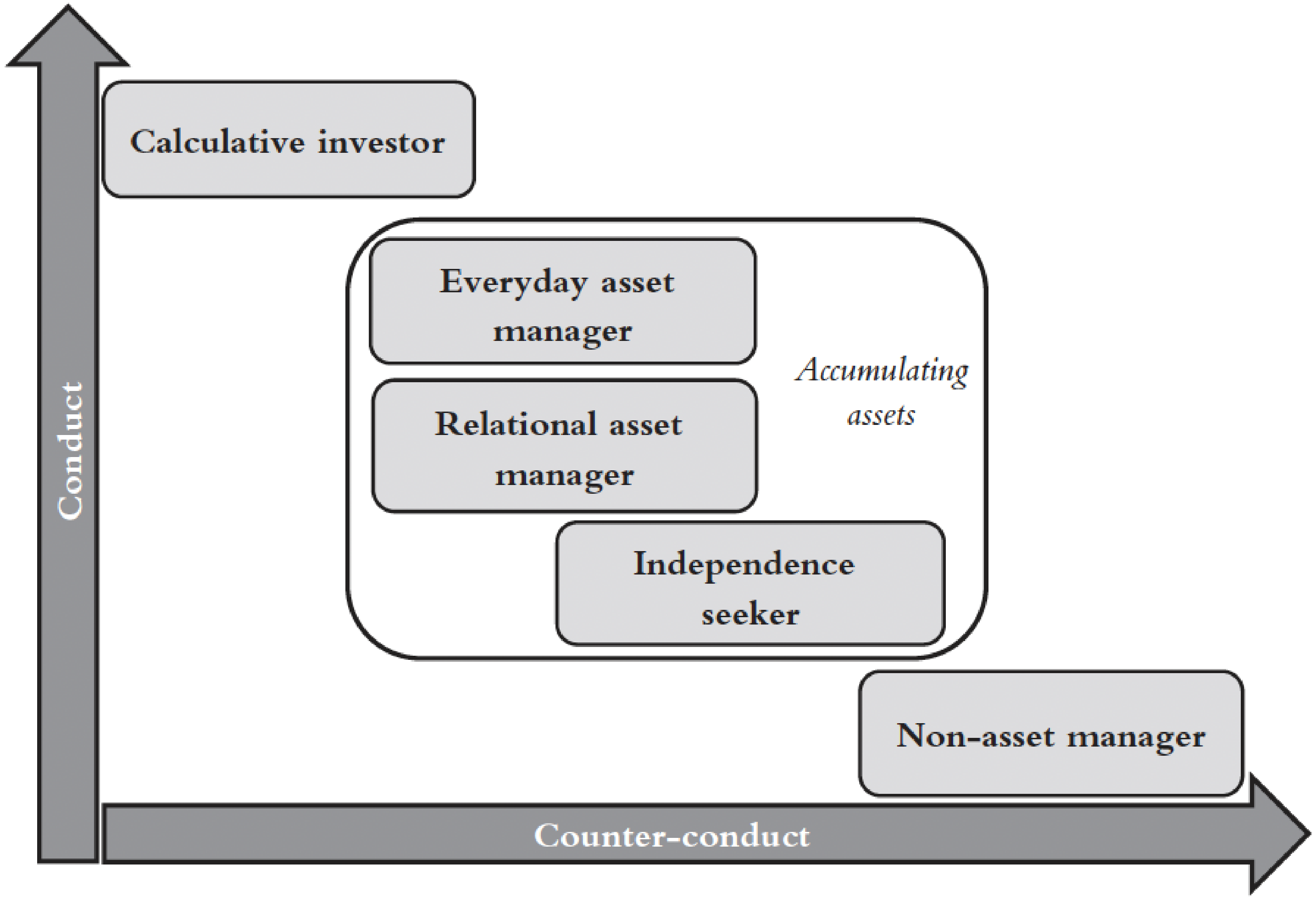

"**I've got very little pension provision because when you're self-employed, it's the last thing you tend to put money by for** [...] **you earn only in lumps,** so it's easier to actually save a chunk of that then it putting away [...] **most of my money, we're not talking about large sums here, is within ISAs** [...] there were little pots [of workplace pensions] [...] so I tried to consolidate these [...] we didn't have certainly the **flexibility** in previous years to do anything with **those pensions**, yeah, you put them in and then **you couldn't access them** [...] it's just about trying to have some security and stability by spreading the investments and just trying to save what I can."
(Fleur)

Variegated Financial Subjects in the UK

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Balance Sheet of a Calculative Investor

Assets	Liabilities
House	
Individual savings accounts (ISAs) and small savings accounts	
Building society savings accounts	
National savings certificates	
HSBC investment bond	
Several investment bonds	
Renewables energy fund	
Growth fund for grandchildren	
Co-funds – variety of stocks and shares and bonds	
Inheritance tax portfolio	
Self-invested pension	

"I get a buzz off investing" (Isaac) "You have to speculate" (Zara)

"if you want to seriously improve your financial position, you have to take some risks" (Baron)

"We're not unrealistic but we're aspirational [Isaac] better than them [Amy's parents], yeah we beat them that's the goal" (Amy)

Balance Sheet of a Non-Asset Manager

Assets		Liabilities	
Pension value	£260,000	Personal loans	£10,000
Bank balance	£15,000		
House contents	£10,000		

"The house isn't your own anyway even when you've got a mortgage" (Daniel)

"I kind of use one to pay off the other in the end, assuming I was quite good at it and I never, I never missed payments or anything but I did have, I had loads of debt but I managed to also well you rob Peter to pay Paul" (Chris)

The Constrained Everyday Asset Manager

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- Structural constraints associated with motherhood limit earnings possibilities and pension savings.
- This is exacerbated by the complexities of relationships and migration.

"Each time I had a baby or childcare needs I had to drop a job and deal with my children first […] depending on my circumstances I have been in and out of jobs" (Namono)

"I went on maternity leave again and then came back part time, so now I work three days" (Nancy)

"It's getting better now, as I say, he's getting older now. **I can start seeing the light in the tunnel** […] if he grows up more and then maybe things will get even better, **then I can work more** […] with the amount I'm having, I cannot save much, but I'm trying my best." (Amidah)

Assets		Liabilities
Pensions (estimation based on contributions and the MoneyHelper site)	£17,500	
Savings	£1,000	
Current account	£500	
Car	£1,000	

"I haven't worked full time […] I had **tiny blocks of pension** but not really, it's not gonna make anybody, **maybe buy a pint of milk** with it possibly or two, if you're lucky you get one week of shopping […] I have no extra pension but I need to somehow put aside money but I guess then the question is, is it better to have a pension or do you put the money aside into a **Cash ISA**? " (Agnes)

The Constrained Everyday Asset Manager

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Increasing pension contributions before having children

"I also wanna do it before I have children so I am trying to save enough money that I can" (Anu)

"You'd pay 4 per cent and they would match you with 4 per cent, but if you wanted to pay more in and you did pay more in, the company would increase their amount that they'd pay in … so I basically paid in the maximum […] **But that was okay if you could afford to do it, if you had financial responsibilities, like kids and other things, then you're less likely to do that."** (Millie)

Assets		Liabilities	
House	£158,000	Loan for roof panels	£10,000
Pension pot value	£30,000	Credit cards	£3,000
Savings	£5,000		

Employing flexible savings product

"I have an online ISA which I can from time to time I put money in but it's also a very flexible ISA, if I need money, I can take it out" (Namono)

"I like to know where my money is and that I can get hold of it when I need to get hold of it" (Claudia)

"good to have control of your money" (Saskia)

Premium Bonds
"I was very safe I would invest in premium bonds. Because you know they're very safe." (Haima)

Property
"My home is, you know, my center, is my security. […] it's about security […] because I lived on minimum for many, many years." (Pippa)

Variegated Financial Subjects in the UK

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Relational Asset Manager

"He [the son] moved back in because he broke up with his girlfriend, so he's come back home to save a deposit up. That was April, **I've been paying out him rather than him saving a deposit up**, that's the situation and he's gone on holiday for the second time this year." (Pippa)

"My Mum and Dad are too old for finance […] and as we were in work, full time work, my sister and I decided to buy it from our savings, obviously from gifting from our parents and then we took out a mortgage with our salaries […] it was an **interest-only** mortgage but then we overpaid." (Aditi)

Assets		**Liabilities**
House	£387,000	Interest-only mortgage against the house, though taken out to buy my daughter's flat £134,000
90% share of flat in Hastings (ex-husband)	£83,000	
100% of value of daughter's flat	£132,000	
1 1/2 acres of land in Essex, value £50,000 to £500,000 depending on whether it gains planning permission		
Savings	£130,500	
1/3 share of deceased mothers' house in London, awaiting sale	£310,500	
Money still owed for business sale	£29,500	

Note: The balance sheet was anonymized but otherwise kept as provided by the interviewee to show the impact of relational meanings on asset accumulation.

Variegated Financial Subjects in the UK

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Independence Seeker

The entrepreneur: “I always worked for myself and invested in myself […] We were running faster and faster to stand still” (Richard)

“I have taken on a second activity” (Ai)

“We both did our MBA’s together and then he didn’t break and he‘s had a different career trajectory to me so I’ve made something more of a portfolio career.” (Scarlett)

Assets		**Liabilities**	
Business houses	£315,317	Business liabilities towards owner	(£256,007)
Cash bank (business savings)	£26,000	Net value business	£59,310
Private savings	£50,000	Retained earnings	£29,000
House 1 Value	£200,000		
House 2 Value	£300,000		
Car	£4,000		

Note: This balance sheet was anonymized but otherwise kept as provided.

The defiant investor: “I don't have any faith in these things, so I try to have as little to do with the banks as possible. I have to be paid into the bank but my money is redistributed, it pays off all the people I've got to pay and I try to do something with it. I try to **keep it away from the banks as much as possible.**”(Oscar)

Assets		**Liabilities**	
House value Wallingford	£665,000	Mortgage	£305,270
Flat in East London	£810,000	Mortgage	£375,000
No savings and only recently joined workplace pension and not officially worked enough for the state pension			

Theoretical Implications

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Lived finance rationality

- **Variegated financial practices and discourses shaped by the context in which they originate**
- **Everyday rationalities and constraints build a mutually generative relationship**, constructing variegated financial subjects where financial practices are adapted to one's personal context while also intensifying the pressure on oneself.
- These practices should not be perceived as irrational but are **logical responses to the constraints** individuals experience seeking to conform to norms of financial self-governance.
- Insights provided here highlight the need to move beyond recent calls for contextualised financial inclusion initiatives and calls for a more inclusive understanding of financially responsible behaviour.
- **Need to tackle systemic inequalities:** Even when adopting financial self-governance, putting more pressure on oneself and planning long-term, the uneven outcomes of the current pension system are not smoothened but deepened.

Practical Implications

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Move beyond individual solutions to the pensions gap

Take gender norms into account when devising policy

Ensure affordable childcare costs

Extending access to workplace pensions

Make workplace pensions and contribution systems more flexible

Offer subsidized access to workplace pensions and financial products for groups disadvantaged in pension system

- Short- to medium-term: balancing out inequalities due to occupational constraints, unpaid care work and income constraints
- Long-term: making pension income less reliant on workplace conditions and recognize differential work trajectories