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Restoring Balance
The financial health of the Dutch in uncertain times

March 2023

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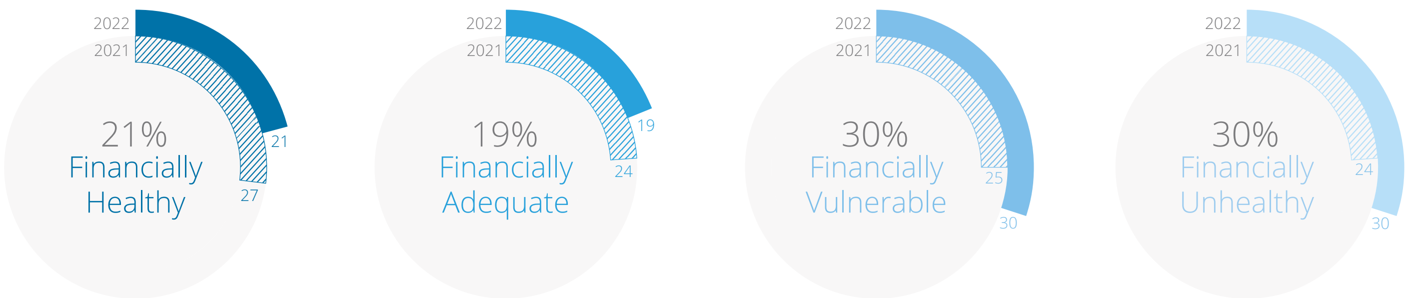
Summary

As in 2021, Deloitte's report provides a snapshot of the financial health of Dutch households in 2022. Last year, in collaboration with our partners, we developed a financial health scale with corresponding levels of financial health. 2022 was a turbulent year. It started with a promising first quarter, in which the economy - after the covid restrictions of 2020 and 2021 – experienced strong growth. Dutch consumers started spending again. But soon after, the economy was overshadowed by unexpected developments: the war in Ukraine, the energy crisis, high inflation and the consequent loss of purchasing power.

The impact of these developments is reflected in the results of our research into the financial health of Dutch households in 2022: 21% of Dutch households are financially Healthy, compared to 27% in 2021. In addition, the share of financially Adequate households has fallen from 24% to 19%. Balancing the five components of financial health: Income, Spending, Saving, Borrowing and Planning turned out to be more difficult under these circumstances than before. Despite these difficulties, there are also reasons for hope; we see 2023 as a year in which we can work together to restore balance.

We investigated the financial health of Dutch households by asking them about their situation, behaviour, attitude and feelings relating to the underlying domains of Income, Spending, Saving, Borrowing and Planning, and the balance between them. We also included questions testing their knowledge of financial matters and their overall financial attitude. The results are shown in the figure below. Overall, the figure indicates that financial health is deteriorating. The results by domain provide more insight into this adverse shift.

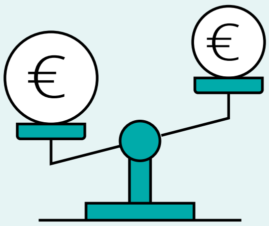
Figure S.1 The Netherlands in financial health levels in 2021 and 2022, in %



Results by domain

Income

1 in 7

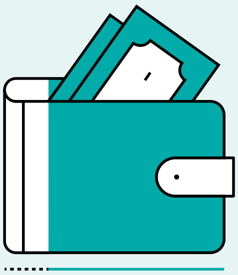


Most household incomes (**62%**) remained stable in 2022 – by respondents' own account. However, **18%** of households received a (much) lower income, while the remaining households received a (much) higher income.

One in seven Dutch households can't make ends meet financially. Of this group, 10% dip into their savings and 4% have to borrow money to make ends meet.

Spending

Almost 1 out of 5



Almost one out of five Dutch households indicate that they have difficulty meeting the basic costs of living. In 2021, this was just over one in eight.

The percentage of households that have no problems paying their bills dropped from **65%** in 2021 to **54%** in 2022, while 5% are actually in arrears.

Saving

A quarter

of Dutch households are uncertain about the feasibility of major expenditures. In 2021, this was just over one in seven.

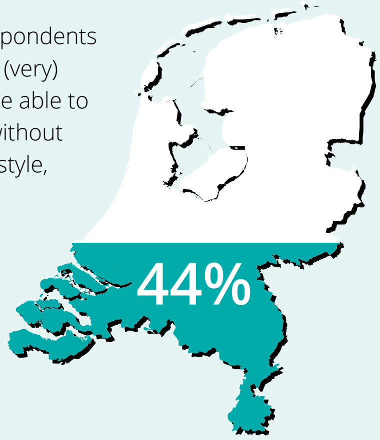
64% of Dutch households save monthly, **7%** do not save.

In 2021, half of households indicated that, given a day's notice, they could easily raise the money for an expenditure equal to their monthly income. By 2022, this percentage had dropped to 40%.

Borrowing

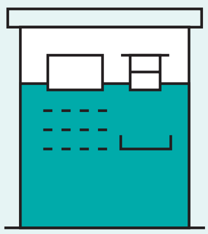
The percentage of Dutch households with a mortgage that are certain they can pay it off has decreased from **66%** in 2021 to **44%** in 2022.

While in 2021 60% of respondents with a student loan were (very) certain that they would be able to repay this loan on time without having to adjust their lifestyle, in 2022 this percentage dropped to 44%.



Planning

72%



72% of Dutch households make financial plans for the future. The majority (58%) of Dutch households make plans for the short(er) term.

56% of Dutch households are confident that their insurance will cover any major damage, compared to **64%** in 2021.

Cross-sections of the Netherlands

1. Economic and social developments threw finances of certain Dutch households further off balance

Economic and social developments in 2022, like the energy crisis, eroding consumer confidence and high inflation, raise the question of what the affect has been on the financial health of Dutch households. How have they experienced these developments? And what did that do to their attitude? The majority (84%) of Dutch households indicate that have been affected by the higher cost of living caused by the developments outlined above. The vast majority of households (82%) have adjusted their behaviour to the higher cost of living. Nevertheless, the general attitude of the Dutch towards financial matters has remained largely unchanged. On average, for example, they are just as focused on the present as in 2021 (19%, versus 17% in 2021). In more vulnerable groups, however, such as lower-income households and 18-24-year-olds, we do see a slight shift. Where the attitude of the average person is therefore largely unchanged, we see that people across Dutch society have become more uncertain about their finances. For example, compared to 2021, Dutch households on average are less sure about major expenditures (decrease from 55% of households who are sure about such expenditures to 39%).

2. 18 to 24-year-olds are struggling financially

The youngest age group researched (18-24) seems to have been hit harder by the economically difficult year than other age groups. 45% are financially Unhealthy. 18 to 24-year-olds score lower than other age groups in all domains except Planning. Financial skills and knowledge can contribute to financial health, but this group scores significantly lower than other age groups on financial knowledge questions. When it comes to attitude, we also see that 18 to 24-year-olds are more focused on the short term than the average adult. They are more likely to indicate that they are only concerned with what they have to pay now (32% versus an average of 19%) and take little or no account of things they will have to pay later (21% versus an average of 10%). This attitude, a financial knowledge and skills gap and failure to consistently adjust behaviour are clear signs of vulnerability among 18 to 24-year-olds. This is worrying, as it seems to indicate that they are already entering their working lives with a financial disadvantage.

3. Half of renters are financially Unhealthy

There is currently a significant financial health gap between renters and homeowners. While renters do not become financially Unhealthy because they rent, our research does confirm that renters more often have characteristics that make them vulnerable. The fact that they pay rent is not the cause, but neither does it seem to contribute to better financial health. No less that 50% of housohols with a rental home are financially Unhealthy. Only 7% of renters are financially Healthy. Renters score below average in the domains Spending, Saving and Planning, but they score relatively well in the Borrowing domain. In general, we can state that a considerable share of renters are relatively vulnerable to financial problems.

4. For many, pension is not top of mind: pension transition an opportunity to raise awareness

Pensions play an essential role in the financial health of Dutch households. The amount of pension received determines a person's financial health at retirement, and whether they can more or less continue the lifestyle they are used to. Almost half of respondents (49%) who have not yet retired are confident that the monthly income of their household will be sufficient on retirement date. That said, the degree of confidence that the Dutch have in their household income on retirement varies considerably between different groups. Besides the people who are confident that their income will be sufficient on the retirement date, there is also a large group that is less certain or lacks insight. This is a particularly vulnerable group in view of the upcoming Dutch pension transition from a defined-benefit to a defined-contribution system. This is not surprising, but it does underline the importance of supporting and activating people in the Netherlands when it comes to retirement. A subject that too many of them devote too little attention to.

5. Financial emancipation takes time

In 2021, we drew attention to the large financial health gap between men and women and to the financial emancipation that is needed to improve the financial position of women. A process that takes time, as this year's research results confirm. A whopping 65% of women are labelled financially Vulnerable or Unhealthy, versus 55% of men. In terms of knowledge, little has changed since last year. Additionally, women still seem less certain about their financial knowledge than men. Broadly speaking, the differences between men and women are still considerable. And where the gap has narrowed, this is also because men have fared worse in certain aspects, and not because women have really caught up. When it comes to improving the financial position of women, organisations in the financial health ecosystem still have an important role to play. Women's lagging financial health is a problem that cannot be solved overnight. On the positive side, the average woman's attitude to finance seems basically healthy. If the right conditions are created, this provides a favourable breeding ground for better financial health.

6. Relationship between financial health and financial knowledge; overestimation of financial knowledge is an issue of concern

Strong financial knowledge and skills lay the foundation for financial health. They give people more ability to repair and balance their household finances in the short and long term. There are several subgroups whose financial health is under pressure, and who also seem to lag behind when it comes to financial knowledge. Another result worth noting is that the Dutch seem to overestimate their own financial knowledge. As a result, they may not always actively ask for help or actively look for more and/or clearer information.

Recommendations

Make use of the momentum

Where years ago society was mainly concerned about physical health, the pandemic had the effect of broadening the conversation to include mental health. The developments of 2022 have broadened it even further, with financial health now also a hot topic. This has created a unique momentum. Greater openness about financial matters can increase people's willingness to actively work on improving their financial health and to be more open to initiatives in this area. It is now up to ecosystem partners to make use of this momentum by, for example, providing people with more in-depth knowledge and guiding them through the ins and outs of financial health. A step in the right direction would be to at least enable people to access the support they're entitled to (e.g. allowances and subsidies).

Take financial health collaboration to the next level

Financial health is a shared responsibility of all organisations that can influence people's financial behaviour and their financial environment in the Netherlands, and as responsible partners in the financial ecosystem, they need to take action. We see that the pace of events is accelerating and that faster intervention is necessary. This calls for a more flexible ecosystem, in which organisations can reach out to each other directly. Right now, the ecosystem already offers Dutch households a range of options, from allowances and emergency assistance to coaching. For great initiatives like these to succeed, it is important to continue to look critically at their effectiveness and accessibility: does the initiative really address the problem at hand, and does it enable people to find the right resources?

Work on long-term preventive solutions

Our research shows that by far not all Dutch households are financially Healthy. In some cases this is just a matter of people who make minor financial planning mistakes. In other cases, however, people get into serious trouble, calling for immediate support. The question is, however, how long society can keep up providing such reactive short-term solutions.

In the long term, prevention should take priority in efforts to improve financial health, as this will help people cope better. Focusing on preventive measures, for example by making the transition to sustainability more inclusive, will create financial resilience in the short and long term. The ecosystem's focus should therefore be on structurally increasing people's (self)reliance. This will free up more time and resources in the longer term to provide timely assistance to Dutch households that lack the opportunities and the resources to improve their own financial health.

Put financial health at the heart of the organisation

The dialogue about financial health often focuses on the extra initiatives that organisations set up to support the Dutch people, but such initiatives can also make a difference within their own organisation.

Looking outward, at how they position their own products and services to customers, organisations need to determine their message and actions regarding financial health. People sometimes need extra help or a specific approach, and sometimes they need to be protected from their own irrational behaviour.

Looking inward, at their role as an employer, organisations need to ask themselves whether they are creating the right conditions for their employees to be financially healthy. For example by paying adequate wages, creating a safe environment where financial problems can be discussed, and offering help where necessary. It is important for organisations to think about their impact on the financial health of their employees. Employers can start by measuring the financial health of their employees, drawing up an action plan and implementing it with the greatest possible speed.

Increase financial knowledge and skills, starting with the younger generation

Lack of basic financial knowledge and skills does not contribute to financial health and self-reliance. Such knowledge and skills are currently hardly taught in schools, if at all. They may not always get sufficient attention at home, either. And parents are not always able to set a good example.

This means that those lacking the necessary knowledge and skills need effective and proactive help from the ecosystem. What we ultimately want is for people not to end up in a vulnerable position in the first place. One way to achieve this is by teaching them the right knowledge and skills early in life. Financial knowledge and skills should therefore be made part of the curriculum, both in primary schools and in secondary and further education. By doing so, we will give young people a firmer foundation on which to build a financially healthier life.

In 2021, we observed that the Netherlands still had a long way to go in terms of financial health, but we were hopeful that with the actions initiated by partners in the financial health ecosystem and the relaxation of covid restrictions, we were on our way to a financially healthier Dutch population. Little did we know at the time that a series of major events awaited us, which would have a major impact on society, on the economic situation worldwide and on individual Dutch households. The fact that the research results have deteriorated this year is no surprise, but it does show once again how important it is for Dutch households to be financially resilient.

The ecosystem partners have not been idle over the past year. For example, further research has been done into aspects of financial health. For example, further research has been done into aspects of financial health, and new initiatives have been set up. Despite these positive steps, a look at the research results shows that extra help is still necessary. Of course, within their own possibilities, the Dutch also have their own responsibility, but not all elements that touch on financial health are entirely within their sphere of influence. It therefore remains essential that all partners in the ecosystem make strides together in providing support to people in our country who need it.

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1. Working together to restore balance

2022 was a turbulent year. It started with a promising first quarter in which the economy - after the covid restrictions of 2020 and 2021 – showed strong growth.[1] The Dutch started spending more again. But soon after, the economy was overshadowed by unexpected developments: the war in Ukraine, the energy crisis, high inflation and the consequent loss of purchasing power.

The impact of these developments is reflected in the results of our research into the financial health of Dutch households in 2022: 21% of Dutch households are financially Healthy, compared to 27% in 2021. In addition, the share of financially Adequate households has fallen from 24% to 19%. Already in 2021, we called both on Dutch households and on organisations with influence in this area to devote more attention to financial health. With the unexpected developments in 2022, however, Dutch households were suddenly faced with spiralling costs, making it hard to stay financially healthy. Balancing the five components of financial health: Income, Spending, Saving, Borrowing and Planning turned out to be more difficult under these circumstances than before. Despite these difficulties, there are also reasons for hope; we see 2023 as a year in which we can work together to restore balance.

In 2021, Deloitte conducted its first research into the financial health of Dutch households.[2] This research, unlike many other studies, focused not only on controlling indebtedness or income, but covered the entire spectrum of financial health. We approach financial health from a holistic perspective, within a broader and more positive context. More specifically: we examined the domains Income, Spending, Borrowing, Saving and Planning and how they influence each other. Do you feel confident and do you have sufficient knowledge about your finances? Are you prepared for the future? But also: do you have a buffer to absorb unexpected shocks and how financially resilient are you? Topics like these are all relevant, and even for people without financial problems, there is often still room for improvement. The challenge is to maintain your balance over time across the entire spectrum of financial health.

In 2022, we see that it was difficult for many Dutch households to keep their financial health in balance. This was perhaps less evident at the macroeconomic level: consumer spending remained high last year, and savings deposits of Dutch households also rose further in 2022.[3] At the level of individual Dutch households, however, the signals are more mixed. For example, our research shows that the percentage of financially Vulnerable and financially Unhealthy households has risen sharply. More households than in 2021 had payment problems and were struggling to make ends meet.[4]

The latter has not gone unnoticed. Various parties within the financial health ecosystem[5] have intervened to prevent or mitigate financial problems of Dutch households. For example, rent and care allowances were increased, the government set a price ceiling for energy[6] that came into force on 1 January 2023 and a Temporary Energy Emergency Fund has also been set up for vulnerable households with a high energy bill.[7] Employers also swung into action with pay rises and one-off benefits. Furthermore, a National Coalition for Financial Health (NCFG) was founded in which public and private organisations, in their role as employers, have joined forces to make the Netherlands a financially healthy country.[8]

1 DNB, 2022a.
2 In 2021 this research was carried out in collaboration with Leiden University, Nibud and ING.
3 DNB 2023a.
4 See also Nibud, 2022a.
5 By this we mean all players that can play a role in the financial ecosystem. Examples are employers, local and national authorities, financial institutions, educational institutions and energy companies.
6 Rijksoverheid, 2023a.
7 Rijksoverheid, 2023b.
8 NCFG, 2022.

In addition to these initiatives, financial health became a frequently discussed topic in 2022. Not only for organisations within the financial health ecosystem, but also for the Dutch themselves. Usually, the Dutch do not like to talk about money matters, but last year everyone suddenly seemed to be talking about their stiff energy bills.[9] With friends and family, and even in the workplace. And this greater openness was not restricted to financially more vulnerable people, whose situation forces them to think about this issue, but also included people who are financially well off.

The fact that the conversation has started is an important and positive development. Openness and awareness about financial matters can also open the door to help. Which is necessary, because while there are certainly aspects of financial health that people can work on themselves, there is a limit to their sphere of influence. Financially healthy behaviour alone is not enough. The financial health of individual households is also determined by the design of our financial system and the underlying (political) choices. This makes financial health a responsibility we all share. People need help, and attention needs to be focused specifically on financially more vulnerable groups within the population. By joining forces as a society, we can work on restoring balance in the financial health of Dutch households.

Fortunately, realising these ambitions will be a little easier thanks to emerging economic bright spots. For example, employment levels have increased further and, according to calculations by Nibud, many households will see their finances improve in 2023.[10] After a record high of 11.5% in 2022, De Nederlandsche Bank (DNB) expects inflation to fall sharply in the coming years and the economy to pick up again.[11] After a low point in consumer confidence in October 2022, consumer confidence is expected to pick up again in early 2023[12].

Exactly how these developments will work out for individual households in 2023 remains to be seen. Not all households will benefit to the same extent. Hopefully, the economic rebound will create space for more Dutch households to recover financially from a turbulent year. The past few years, part of which were dominated by the covid pandemic, show once again how important financial resilience is. It would be good if, as a society, we could continue to apply the learnings that these developments have brought us.

The chief aim of our research is to paint a broad, overarching picture of the financial health of the Netherlands in 2022, supplementing and adding detail to earlier studies on sub-aspects of financial health. Our research also highlights shifts in financial health compared to 2021. We want to help keep financial health high on the agenda for everyone, from indviduals to organisations in the ecocystem.

As in 2021, the study was commissioned by Deloitte. The report was drawn up in collaboration with ABN AMRO, Achmea, ING, Nibud, Rabobank and Leiden University. Each of these parties has contributed specific expertise and experience relating to financial health and has helped to interpret the results. Deloitte will continue to carry out this research annually in the coming years so that we monitor financial health trends in the Netherlands.

Reading guide

Chapter 2 describes the underlying principles and design of the research, explains the reasoning behind the four financial health levels, and shows how they work at the individual level. Chapter 3 discusses the health levels in more depth, provides insight into the overarching results of the study and sums up the background characteristics that, based on our research, are most representative of each level of financial health. In chapter 4, we will then detail the research results relating to the underlying domains of Income, Spending, Saving, Borrowing and Planning. Chapter 5 contains reflections on several cross-sections of the Netherlands: what patterns do we see if we zoom in on specific groups, what are possible explanations, and how do these patterns relate to what we saw in 2021? Our recommendations are set out in Chapter 6. Throughout the report, experts from Nibud, Leiden University, ING, ABN AMRO, Rabobank and Achmea shed light on the research and the results from their particular point of view.

[9] Rabobank, 2022a.
[10] Nibud, 2023a.
[11] DNB, 2022b.
[12] CBS, 2023.

2. The research

In 2021, Deloitte set up and conducted its first research to gain insight into the financial health of Dutch households. This research was repeated in 2022. Annual research, besides giving us insight into the financial health of Dutch households in the relevant year, also enable us to identify and interpret trends.

Through research agency Ipsos, Deloitte conducted research in October 2022 among 5,000 people living in the Netherlands.[13] The 2022 study was carried out in collaboration with Nibud and Leiden University scientists. This chapter describes the definition of financial health that we use, the conceptual model we drew up based on this definition, the scoring model and how the results should be interpreted within this model.

2.1 What is financial health?

How financially healthy are Dutch households? Which groups require extra attention and where do we start to help them? What can households and players within the financial health ecosystem do?[14] We can only answer these questions on the basis of an unambiguous, uniform understanding of what financial health actually is. The first step of our research into financial health in the Netherlands in 2021[15], therefore, was to develop a definition of financial health.

We define financial health as the extent to which a person or household is and feels in control and able to:[16]

1. comfortably meet all current and ongoing financial obligations and needs; and
2. build the financial security to pursue their life goals and comfortably meet all future obligations and needs.

The definition and the report refer to '(Dutch) person/ people' and 'households'. Basically, the financial situation of Dutch households was measured. After all, if an individual pools their finances with members of their household, their financial health is determined not only by the situation of the individual, but by the financial situation of the entire household.[17] At the same time, there are elements that touch purely on the individual (for example, knowledge and attitude). In those cases, the term '(Dutch) person/people' is used in this report.

[13] Ipsos provided online access to the questionnaire via the Ipsos i-Say panel. 5,000 respondents completed the entire questionnaire. Thanks to weighting of data, the results are representative of the Dutch population in terms of age, gender, region and income..

[14] By financial ecosystem we mean all the players that can contribute meaningfully in the financial health ecosystem. Examples are employers, public authorities, financial institutions, educational institutions and utilities.

[15] Deloitte, 2021

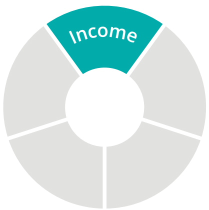
[16] This definition is based on reports by CFPB, 2015; FHN, 2017; Kempson et al., 2017; Vlaev en Elliott, 2013.

[17] The questionnaire as distributed by Ipsos explains to respondents what is meant by 'financial household'. It also indicates when a question should be answered on behalf of the respondent's financial household and when it should be answered on behalf of the individual.

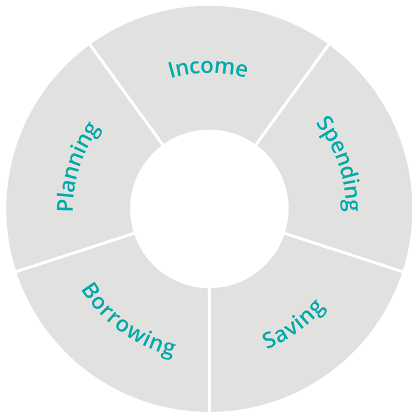
2.2 The core elements of financial health

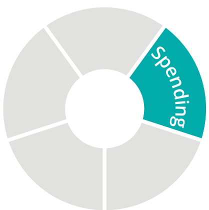
Financial health is a continuous process. It goes beyond the extent to which you control your daily expenses and ensure sufficient and regular income. Building wealth, growing it to increase your financial resilience and pursuing short- and long-term goals are also part of good financial health. That is why – based also on our definition – we distinguish five core domains that together determine financial health: **Income, Spending, Saving, Borrowing** and **Planning**. Figure 2.1 on this page shows indicators associated with financial health within each domain.

Figure 2.1 Financial health indicators by domain

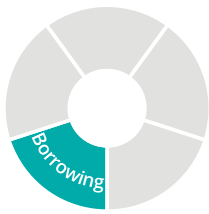


1. **Income is adequate:** households have sufficient income to meet their daily and future obligations.
2. **Income is predictable:** households are able to predict the amount and certainty of income for a shorter or longer period of time.
3. **Control over income:** household members feel in control over the generation of future income.



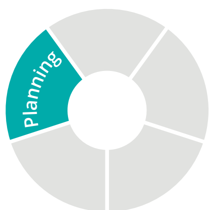


1. **Balance between income and spending:** households can manage on their inome and/or wealth.
2. **Timely and full payment of bills:** households are able to pay all their bills, without falling behind.
3. **Control over spending:** household members feel in control over all spending categories.



1. **Sustainable burden of debt and timely debt repayment:** households have a manageable burden of debt and repay their debts on time.
2. **Knowledge of and insight into debt obligations:** household members have insight into the nature and size of their debts and feel in control.

1. **Regular saving and enough cash for short(er) term:** households save regularly and have enough cash directly available.
2. **Saving and long-term investments:** households save and invest to be able to achieve long(er)-term goals.
3. **Control over wealth:** household members feel in control of wealth accumulation and managment.



1. **Short-term budgeting and long-term planning:** households make and monitor a budget for the short term, and draft long-term financial plans to achieve life goals.
2. **Adequate insurance:** households have taken out insurance policies that provide sufficient cover for key risks.
3. **Control over planning:** household members feel in control over achieving life goals thanks to adequate planning.

Previous research shows that in addition to these five domains, other factors also play a role in financial health. We have therefore also examined the financial knowledge and personal characteristics of respondents. After all, not only can knowledge and attitude explain and determine financial behaviour, knowing more about these factors can help us look for ways to improve people's financial health.

2.3 The conceptual model and questionnaire

The conceptual model, along with the definition of financial health, serves as the basis for the extensive questionnaire that we designed. Questions were collected from academic literature[18] and existing questionnaires[19], and adjusted where necessary, to measure all elements of the model. The conceptual model and scoring methodology have remained unchanged compared to the research in 2021.

Before we distributed the research, we took a critical look at all the questions and made some small adjustments. The final questionnaire of 2022 therefore differs from the 2021 questionnaire in a few respects. For example, to take current economic conditions on board, we added three questions giving us insight into the consequences of rising costs in 2022. Also, we dropped a few questions that had been found to add no relevant information that other questions did not already provide. We made and approved these adjustments in consultation with Nibud and the Leiden University scientists. The adjustments do not affect the scoring methodology.

In total, the questionnaire consisted of 59 questions in 2022, of which 28 on financial behaviour (divided into the five domains of Income, Spending, Saving, Borrowing and Planning), 16 on financial skills and personal characteristics, and 15 on the respondent's household and socio-economic situation. To minimise effort on the part of respondents, questions were phrased in such a way that respondents could answer them independently, without having to make calculations or consult documentation (such as payslips or pension statements).

In 2022, the study was conducted for the second time. This enables us to compare results and monitor developments over time. That said, we did not distribute the questionnaire to the same group of respondents as in 2021. For interpretation, it is important to determine whether a particular increase or decrease is actually significant. To assess this, we use the chi-squared test.[20] Where results based on this test are significant, our report uses terms such as 'increase or decrease' or, for example, 'has grown'. Where the results are not significant, we do mention the percentages of 2021 and 2022 but we do not speak in terms of increase or decrease.

When presenting the results of the report, we use percentage points to indicate the absolute difference between percentages.

Annex 1 provides a further explanation of the conceptual model of financial health. The 2022 questionnaire can be found in Annex 2.

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"Research that maps the financial health of Dutch households, looking beyond income and spending alone, is extremely important. Things like financial knowledge, planning, saving and borrowing also affect the financial situation of households, now and in the future. By including these aspects in the definition and measurement methodology, we can determine a person's financial health level more accurately – and better help households to improve their financial health. This research is a follow-up to the research performed in 2021. As such, it enables us to monitor patterns in financial health and interpret them over time. For example, what has the crisis of the past year done to the financial health of the Dutch?

The report also describes sample households and their scores in the different domains. These results show us how complex financial health is, but also what room for improvement there is, not only for financially Unhealthy households, but also for those that are already financially Healthy."

[18] O Including Kempson et al., 2017; Comerton-Forde et al., 2020; Lusardi and Mitchell, 2011.
[19] Including FHN, 2018 and 2020; FCA, 2017 and 2021; CBA and University of Melbourne, 2019; Van Dijk, Van der Werf and Van Dillen, 2022.
[20] This is a statistical test for categorical data used to identify significant deviations in data.

2.4 Four levels of financial health

As explained earlier, financial health is a balance of multiple financial aspects. To do justice to the complexity of this balance in our results, we chose to distinguish four levels of financial health. Figure 2.2 gives a brief description of each of these health levels, which we will discuss in further detail in chapter 3. Subsequently, based on theoretical and expert insights, we assessed for each question which bandwidth of scores corresponded with which level. In other words: which scores signify that a respondent is at a certain health level. These bandwidths are also shown in Figure 2.2.

Financial health is thus not set in stone, but indicates the situation a person happens to be in at a certain moment. Indeed, a Dutch household or person that is financially Unhealthy now need not remain so forever. That said, it is harder for those who first have to recover from a financially Unhealthy situation to attain a higher financial health level than it is for households that are already fairly healthy financially.

Figure 2.2 The financial health of the Dutch in uncertain times

Financially Healthy 77-100	Financially Adequate 66-76	Financially Vulnerable 51-65	Financially Unhealthy 0-50
Scores between **77 and 100** are taken to signify a financially Healthy situation. Households with scores inside this bandwidth answer an overwhelming share of all questions in a way that is considered reflective of financial health..	Scores between **66 and 76** are taken to signify a financially Adequate situation. Households with scores inside this bandwidth answer a considerable to large share of all questions in a way that is considered reflective of financial health.	Scores between **51 and 65** are taken to signify a financially Vulnerable situation. Households with scores inside this bandwidth answer a limited share of all questions in a way that is considered reflective of financial health.	Scores between **0 and 50** are taken to signify a financially Unhealthy situation. Households with scores inside this bandwidth answer none or at most a few of all questions in a way that is considered reflective of financial health.

For example, some households need almost their entire income to pay necessary bills and therefore cannot cut back, while other households spend too much on luxury products and have more scope to reduce their spending. This is reflected in the scores for each health level. Financially Unhealthy has a relatively wide bandwidth, because respondents must meet a minimum of basic requirements to be able to move up to the higher financial health levels.

In the remainder of this report we talk about financially Healthy households, financially Adequate households, financially Vulnerable households and financially Unhealthy households. In doing so, we are referring to the health scale developed for this research. We explicitly use the word scale because financial health is a dynamic concept that changes over time and can therefore move along this scale.

It is important to realise that health levels represent an overarching score. For good financial health, all five domains (Income, Spending, Saving, Borrowing and Planning) must be in balance with each other. To illustrate: a limited income does not automatically mean that a household is not financially Healthy. What matters is how the household balances this situation with other financial health aspects, such as spending. This may also apply to households whose members are young (e.g. the age group 18-24 years).[21] Young adults are often still studying or just starting their career, and often hardly have any wealth or savings. However, they may still be in good financial health if other domains are in balance. Nor are young people likely to have extensive pension plans, causing them to score lower. Nevertheless, they also need to start on time with their financial (long-term) planning. As long as the domains are in balance, it is also possible for them to achieve a good score.

[21] By 'older' respondents we mean people over 35 and by 'young' respondents we mean people under 35.

2.5 Score by domain

In addition to an overall score on financial health, we also used the same scoring model to develop a score for each domain of financial health. These subscores identify the key issues of concern within the health levels (and within society as a whole). After all, the fact that respondents have a certain level of financial health overall does not mean that they are financially Healthy in every domain.

The subscores indicate the extent to which a household is financially healthy in that specific domain. The score is therefore based on the results of the underlying questions corresponding with that domain. The subscores can be interpreted as follows:

Green: the household demonstrates good financial health in the majority of questions within the domain.
Orange: the household demonstrates moderate financial health in the majority of questions within the domain.
Red: the household does not demonstrate good financial health in the majority of questions within the domain.

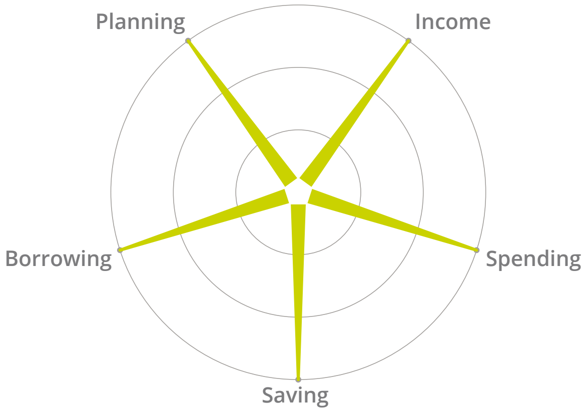
To illustrate: based on the answers given, a household can reach the financial health level Healthy. The score required to qualify for the health level financially Healthy is not an absolute score, but a bandwidth. This means that different combinations of domain scores are possible within the health levels. For example, a household may score green in all domains (see sample household Yılmaz in Figure 2.3). But a financially Healthy household may also score red in one or more domains (see sample household Jansen in Figure 2.3). If a financially Healthy household scores red in one domain, this means that this household can still take steps in this domain to improve its financial health.

We also see similar combinations within the other health levels (see Figure 2.3). For example, if a household is financially Unhealthy, this does not mean that it cannot score green on any domain (see sample household Warmerdam in Figure 2.3). In other words, individual households with the same level of financial health can, within the range of that level, score differently on the individual domains.

Figure 2.3 Example households

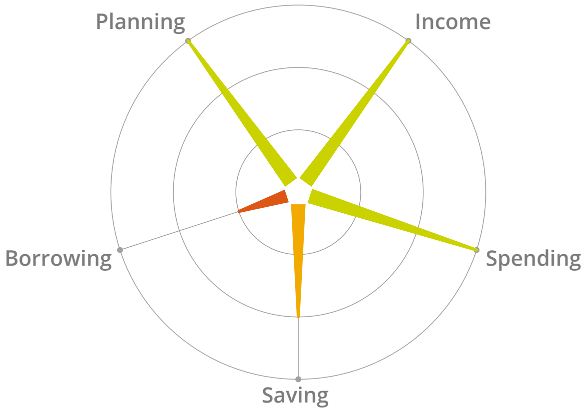
Household Yılmaz

Total score: 100



Household Jansen

Total score: 85.6



Individual households with the same health level can, within the bandwidth of that level, score differently on the individual domains.

Household Warmerdam

Total score: 16.4

Household De Wit

Total score: 49.2

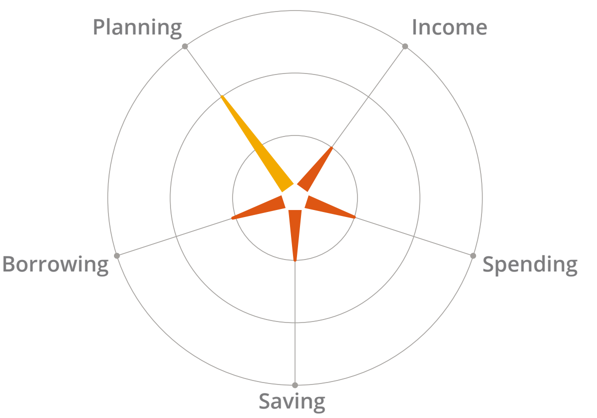


Figure 2.4 shows, in addition to the scores of the sample households, what people's financial behaviour, attitudes and feelings about financial matters are for each health level. These characteristics are based on theoretical and expert insights. The questions in the questionnaire try to capture these characteristics as well as possible, but the characteristics are not a one-to-one reflection of the score. This means that financial behaviour and the answers given by households in a specific health level can also differ from year to year. In 2021, for example, 69% of financially Healthy households scored green in the Planning domain, but this was down to 66% in 2022 (see also Figure 3.3).

In chapter 3, we take a closer look at the background characteristics of households and the results in relation to financial health levels.

Figure 2.4 Characteristics of four financial health levels

Generally, **financially Healthy households:**

Healthy	Domain	Characteristic
	Income	Usually have a lot of spare cash at the end of the month.
		Have income that is predictable in the longer term.
	Spending	Spend far less than they receive in income.
		Can pay all their bills without any problems.
	Saving	Have a generous buffer to cope with any unexpected expenses and/or events.
		Save structurally every month.
	Borrowing	Do not have any consumer loans.
		Are very certain they can pay off their mortgage in time.*
	Planning	Have long-term financial plans in place.
		Are certain that sound financial plans are in place for their retirement.

Generally, **financially Adequate households:**

Adequate	Domain	Characteristic
	Income	Usually have a little spare cash at the end of the month.
		Have income that is predictable in the medium term
	Spending	Spend less than they receive in income.
		Can pay all their bills but occasionally need to make different financial choices, like not saving for a month.
	Saving	eHave a reasonable buffer to cope with any unexpected expenses and/or events.
		Save regularly
	Borrowing	Do not have any consumer loans, or only consumer loans that they can pay down quickly.
		Are certain they can pay off their mortgage in time.*
	Planning	Have medium-term financial plans in place.
		Are certain that sound financial plans are in place for their retirement.

* This characteristic is specific to homeowners. We have chosen to include it because a mortgage is a debt with a large impact on the household's financial health. Renters are not taken into account in this question, and it does not impact their score. This applies to all four profiles.

Generally, **financially Vulnerable households:**

	Domain	Characteristic
Vulnerable	Income	Usually just manage to make ends meet at the end of the month.
		Have income that is predictable in the short term.
	Spending	Spend about as much as they receive in income.
		Can ultimately pay all their bills but often struggle.
	Saving	Have a limited buffer to cope with any unexpected expenses and/or events.
		Save little or only when they have a financial windfall.
	Borrowing	Have consumer loans with limited insight into their extent, no prospect of getting out of debt in the short term.
		Are uncertain whether they can pay off their mortgage in time.*
	Planning	Only have short-term financial plans in place.
		Are uncertain whether sound financial plans are in place for their retirement.

Generally, **financially Unhealthy households:**

	Domain	Characteristic
Unhealthy	Income	Usually cannot manage on their income.
		Have income that is unpredictable or only predictable in the very short term.
	Spending	Spend more than they receive in income.
		Always struggle to pay their bills and/or are behind on paying them.
	Saving	Have no buffer to cope with any unexpected expenses and/or events.
		Save very little or not at all.
	Borrowing	Have consumer loans with little or no insight into how to repay them, consequently have no prospect of getting out of debt, even in the long term.
		Are very uncertain whether they can pay off their mortgage in time.*
	Planning	Have no financial plans in place.
		Are very uncertain whether sound financial plans are in place for their retirement.

* This characteristic is specific to homeowners. We have chosen to include it because a mortgage is a debt with a large impact on the household's financial health. Renters are not taken into account in this question, and it does not impact their score. This applies to all four profiles.

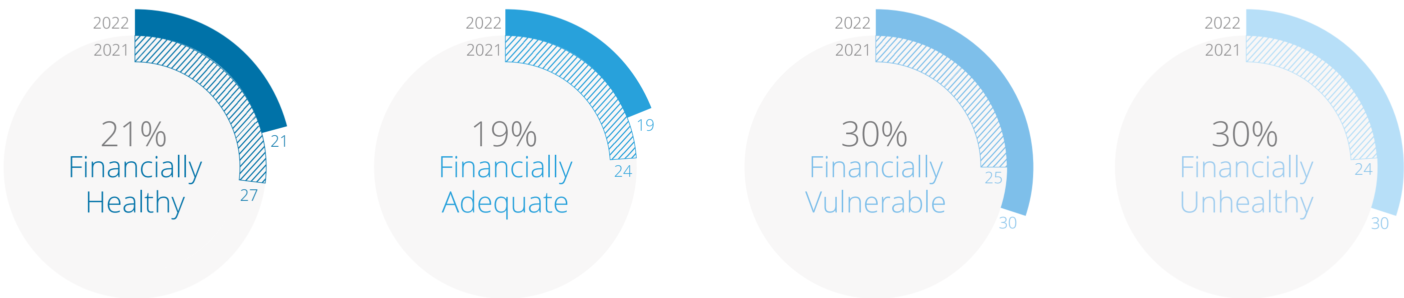
3. Financial health: how healthy is the Netherlands?

How financially healthy was the Netherlands in 2022? What shifts do we see compared to 2021? Are there certain background characteristics of Dutch households or individuals that are more common at certain health levels and if so, which are these? These are the questions we address in this chapter.

3.1. Outcomes of financial health levels

Looking at the financial health level of Dutch households, we see a change for the worse in 2022 compared to 2021. In 2021, Dutch households were still fairly evenly distributed across the four health levels, led by the financially Healthy (27%). In 2022, the financially Vulnerable and the financially Unhealthy households share first place, representing 30% of Dutch households each. The share of financially Healthy households fell to 21%, while the share of financially Adequate households fell from 24% to 19%. In general, this means that financial health is deteriorating. To get a better picture of the results, we will discuss below the background characteristics that occur most often per health level and the scores per domain that the four health levels show.

Figure 3.1 The Netherlands in financial health levels in 2021 and 2022, in %



3.2 Background characteristics of various financial health levels

In Chapter 2, we discussed characteristics corresponding with each health level in terms of people's financial behaviour, attitudes and feelings about financial matters. In addition to these specific characteristics at various health levels, the results of the questionnaire also reveal specific background characteristics such as age, income and gender, which can also to some extent explain a household's financial situation.

Although these specific background characteristics occur across all health levels, they are not evenly distributed: certain background characteristics are significantly more common at a certain health level. Figure 3.2 shows, for each financial health level, which background characteristics (e.g. 'female' or 'over 65') were significantly more common in 2022[22]. These insights can help organisations identify potentially vulnerable households and take targeted action. For example, if we look at the level of education, we see that highly educated people are significantly more likely to appear in the financial health levels Healthy and Adequate than less educated people. At the health level Vulnerable, on the other hand, we see significantly more people who indicate that they have completed a lower level of education. This does not mean that less educated people can never reach the financial health

[22] In the figure a selection has been made of background characteristics from the questionnaire that may offer potentially significant insights.

level Adequate or Healthy. It only means that in our 2022 results we see this background characteristic less often among financially Adequate or Healthy households than higher education. Conversely, it is also the case that a person may show all the background characteristics that often occur at a certain financial health level, but still have a different level of health.

Figure 3.2 Most common background characteristics by financial health level*

Financially Healthy

Gender	Men more strongly represented than women.
Age category	Age groups 35-44 and 55-64 more strongly represented than other age categories.
Marital status	People who are married, in a registered partnership or cohabiting are more strongly represented than people with another marital status.
Income category	People with an above-average income are more strongly represented than people in other income categories.
Main source of household income	Self-empoyment and employment are most strongly represented.
Educational level	People with a Bachelor's or Master's degree (or historical equivalent) are more strongly represented than people with another educational level.
Life event	People who have not experienced an impactful event in the past twelve months are more strongly represented than others.

Financially Adequate

Gender	Men more strongly represented than women.
Age category	Age groups 55-64 and 65+ are more strongly represented than other age categories.
Marital status	People who are married or in a registered partnership and widows/widowers are more strongly represented than people with another marital status.
Income category	People with an average income are more strongly represented than people in other income categories.
Main source of household income	State and other pension and employment are most strongly represented.
Educational level	People with a Bachelor's or Master's degree (or historical equivalent) are more strongly represented than people with another educational level.
Life event	People who have not experienced an impactful event in the past twelve months are more strongly represented than others.

* The categories are not cumulative. In other words, the background characteristics are not most significant taken together, but on a stand-alone basis for that specific category

Financially Vulnerable

Gender	Men and women are equally represented.
Age category	Age groups 18-24 and 25-34 are more strongly represented than other age categories.
Marital status	People who are married or in a registered partnership and widows/widowers are more strongly represented than people with another marital status.
Income category	People with an average income are more strongly represented than people in other income categories.
Main source of household income	Self-empoyment and employment are most strongly represented.
Educational level	People with senior vocational education or Bachelor's degree (or historical equivalent) are more strongly represented than people with another educational level.
Life event	People who have experienced an impactful event in the past twelve months, like becoming a single household, are more strongly represented.

Financially Unhealthy

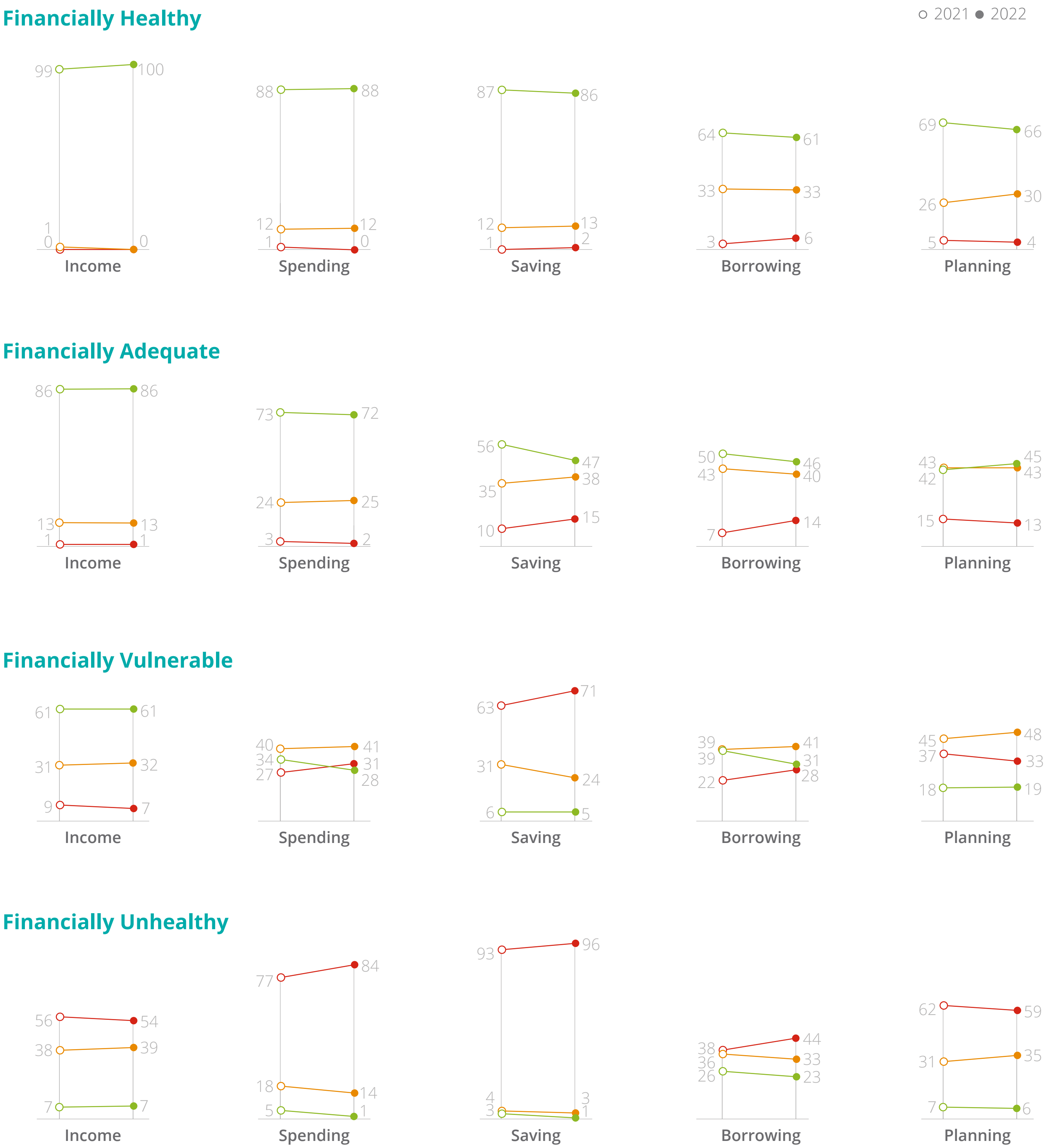
Gender	Women are more strongly represented than men.
Age category	Age groups 18-24 and 25-34 are more strongly represented than other age categories.
Marital status	Divorcees and singles are more strongly represented than people with another marital status.
Income category	People with a below-average income are more strongly represented than people in other income categories.
Main source of household income	Student finance and benefits are most strongly represented.
Educational level	People with primary education or lower secondary education (lbo, vmbo b/k) are more strongly represented than people with another educational level.
Life event	People who have experienced an impactful event in the past twelve months, for example illess or incapacity for work, are more strongly represented than others.

3.3 Scores of health levels by domain

The financial health of Dutch households has deteriorated, as we saw in section 3.1. In this section, we discuss the subscores by domain within the four health levels. In chapter 4, we will discuss the specific changes within each of the five domains, independently of the health levels.

In Chapter 2, we explained that for each health level, a specific bandwidth was set for households' overall scores. Based on the answers given and the resulting scores, households were allocated to one of the four health levels. We also explained that households within that same health level can score differently in different domains. For example, a household may have the financial health level Healthy overall but score less well within certain domains and therefore still have financial points of concern. Figure 3.3 shows the subscores by domain for the four financial health levels in 2022 and 2021.[23]

Figure 3.3 Overview of subscores by domain for the four financial health levels, in %



[23] In this report, all percentages are rounded to whole numbers. In some figures this can result in percentages adding up to more than 100%.

Figure 3.3 clearly shows that health levels within the domains are not always what you would expect at that overall health level. For example, at all levels we see red, orange and green scores. Logically, however, the orange and red scores become more prevalent the lower the overall financial health level is. What immediately meets the eye is the prevalence of red scores in the financial health level Unhealthy, and the increase in prevalence compared to 2021. The red scores reveal that the group of financially Unhealthy households has not only grown, but on average these households are also in even worse shape than the financially Unhealthy households in 2021. In particular, red score percentages were high and rising in the domains Saving (increase from 93% to 96%) and Spending (increase from 77% to 84%). Financially Unhealthy households were already struggling in these domains in 2021, but they seem to be having even more difficulties in 2022. Within the health level Unhealthy, relatively many households are in serious financial trouble.[24] Unable to accumulate wealth, they are forced to dip into their savings, if they have any at all. In other words, their financial resilience is low. Especially in times that test this financial resilience, like 2022, we see a further deterioration in this respect in the Netherlands.

We saw in section 3.1 that the percentage of households with the financial health level Vulnerable has increased compared to 2021. If we look at the domains, we see that within this health level the scores have also deteriorated. In particular, red scores have increased sharply in Saving (from 63% to 71%) and Borrowing (22% to 28%). A modest shift can be seen in the Spending domain (from 27% to 31%). Among financially Vulnerable households, too, these shifts are often attributable to households with persistent or emerging financial problems. Spending is somewhat more manageable for financially Vulnerable households. Unlike financially Unhealthy households, they are occasionally able to build up a minimal buffer. Nevertheless, the financial resilience of these households is low. In the event of setbacks, these households run the risk of descending to the financial health level Unhealthy. On a positive note, scores in the Planning domain have improved. Whereas in 2021 37% of financially Vulnerable households still scored red in this domain, this percentage decreased to 33% in 2022, while the green score remained virtually the same.

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"People's concerns about the increased cost of living are reflected in the figures. Across the board, we see a growing group of people who are worried. Even for those in higher income brackets, it takes more effort to balance income and spending. Nevertheless, lower-income households remain the most vulnerable. What makes things more difficult for them, in addition to higher costs, is that they are often not sure what their disposable income really is, because it is not always clear in advance which allowances they are entitled to and how high these are. This makes it extra difficult for these financially vulnerable groups to keep an eye on their financial situation. Knowing where you stand financially is necessary to be able to budget and to calculate how much money there is for other expenses. What they need is more peace of mind about their finances. People need to know where they stand sooner when it comes to things like allowances. At the same time, basic services and utilities must remain accessible and affordable for everyone."

[24] See chapter 2 figure 2.4.

Clear shifts can also be seen at the financial health level Adequate. Households at this financial health level generally manage to keep a fairly good balance between income and spending and can save regularly. Accordingly, green and orange scores prevail in the various domains, in 2021 as well as 2022. However, we do see that, similar to the trend for Unhealthy and Vulnerable households, financially Adequate households also score worse on average in the domains than in 2021. For Saving the percentage of green scores dropped from 56% to 47%, while the percentage of red scores rose from 10% to 15%.[25] In the Borrowing domain, we even see the percentage of red scores doubling (from 7% to 14%). In the Spending domain, the situation is fairly stable: the percentages of green and red scores remained virtually the same, with green easing from 73% to 72% and red unchanged at 3%.

For the financial health level Healthy, signals are somewhat mixed in the domains Saving, Borrowing and Planning. In Saving, the percentage of red scores inched up from 1% to 2%, with a corresponding slight decline of green scores from 87% to 86%. The Borrowing domain shows the largest deterioration: a doubling of red scores (from 3% to 6%) with the green scores showing no significant change (from 64% to 61%). This means that the majority of households in this health level stayed in the green for this domain. In the Planning domain, on the other hand, we see a jump in orange scores (from 26% to 30%) against little change in green (from 69% to 65%) and red (from 5% to 4%). This level of health more often includes people with a higher income and spare cash to cover any unexpected expenses. This corresponds with what we have outlined above in Figure 2.4. These households can absorb some setbacks. The fact that not much has changed within this health level compared to 2021, despite all the economic and other developments, is therefore not very surprising.

In conclusion, we can say that we are seeing a deterioration in financial health: not only are there more financially Vulnerable and Unhealthy households than in 2021, the subscores within health levels have also fallen. The financial health of the Netherlands is therefore in a slightly worse state than the figures in section 3.1 suggest.

The following chapters will deep-dive into the results in the five domains and the financial health levels. In chapter 4, we first zoom in on what happens across the domains, and then analyse the most striking results per domain. In chapter 5, we go on to look at specific groups and cross-sections of society.

[25] Scores in the Saving domain are determined not based on the frequency with which Dutch households set money aside, but also based on questions about the relative size of available resources.

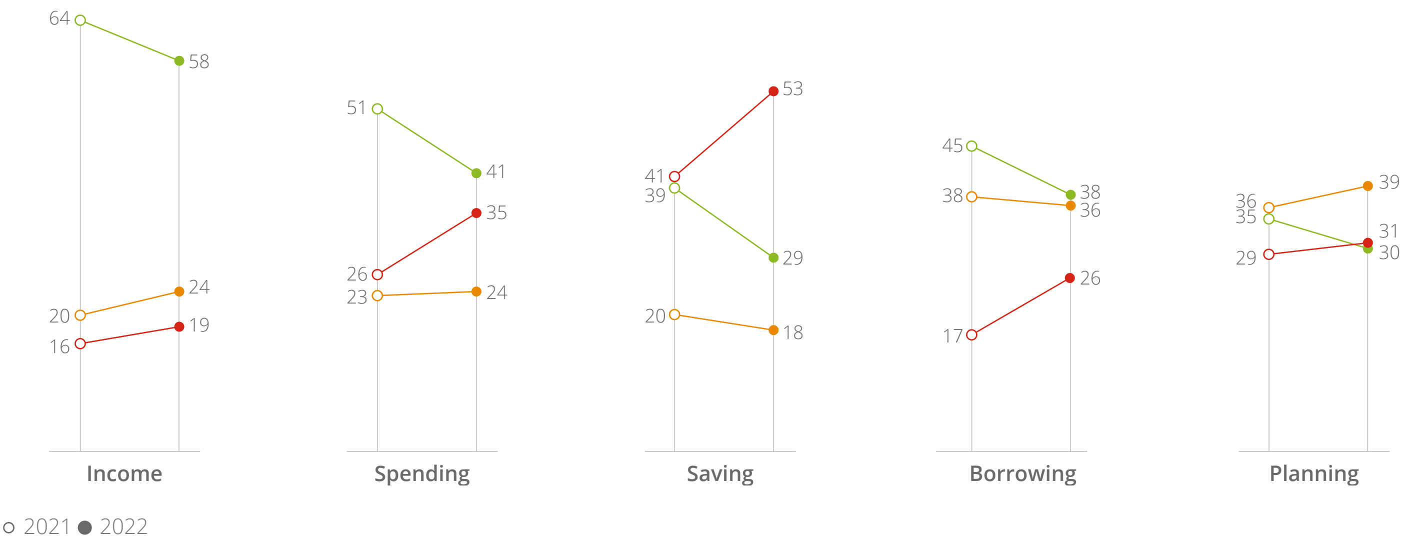
4. The financial health of the Netherlands by domain

In chapter 3 we discussed the overall financial health of Dutch households and the associated financial health levels. We also looked at the scores by domain within the different health levels. But how did Dutch households in general fare per domain in 2022, and what striking differences do we see when we compare the results with 2021? In this chapter we first look at the outcomes across the domains from an overarching perspective and then highlight significant outcomes by domain.

4.1 The scores in the five domains

As we observed in chapter 3, the financial health of Dutch households has deteriorated compared to 2021. To gain more insight into this decline, it is important to look at the subscores by domain, compared to those of 2021.

Figure 4.1 Subscores in the domains in 2021 and 2022, in %



In the comparison with 2021, it is striking that all domains, to a greater or lesser extent, show a negative change. In the Income and Planning domains, the changes have been limited, with mainly decreases in green scores. The percentage of Dutch households with a green score on Income has fallen from 64% to 58% and we see green down from 35% to 30% in Planning. The domains Spending, Saving and Borrowing, however, also show significant increases in red scores. The Saving domain shows the biggest jump in red scores, from 41% to 53%.

These developments seem to be in line with economic developments in the past year. Dutch households were faced with rising costs, while incomes did not always rise proportionally. At the macroeconomic level, Dutch households still seem to have the buffers to absorb these blows. Savings balances even increased in 2022.[26] Yet we see that some households were less able to save. Other households, meanwhile, feel less secure about their ability to make larger expenditures in the long term, which also partly determines the score on the Saving domain. We see these effects feeding through to the Borrowing domain as well. The economically tougher environment seems to have led not only to more concerns about consumer debt among Dutch households, but also the expectation that it will be more difficult to repay their mortgage.

In the following paragraphs, we highlight the most striking results for each domain. This chapter mainly gives a factual representation of these. In chapter 5, we give more context and depth to the outcomes in the domains and the financial health levels in various cross-sections.

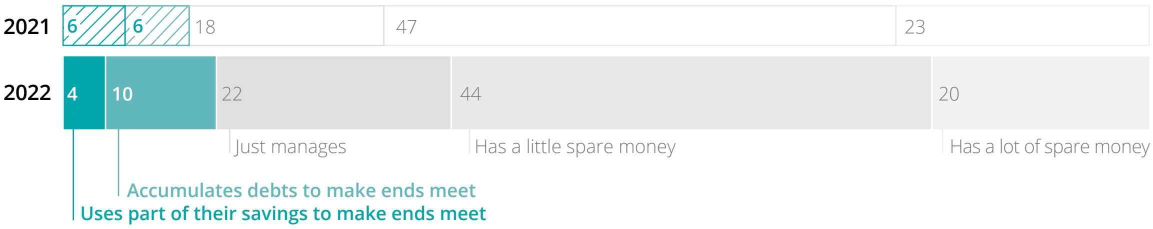
[26] DNB, 2023a.

Income

Income remained stable, but one in seven Dutch households dips into their savings or borrows to make ends meet.

The Income domain measures the extent to which a household is able to generate an income that is sufficient, regular and predictable. Income can have various sources, such as work, benefits or renting out a home.

Figure 4.2 The financial situation of Dutch households, in 2021 and 2022, in %



In most cases, the income that households received remained – by their own report – comparable to previous years: this was the case for 62% of households, compared to 63% in 2021. As in 2021, 18% of households received a (much) lower income in the past twelve months[27] than in previous years. And as in 2021, most households in the latter group are financially Unhealthy, although this percentage has decreased since 2021 (from 33% to 29%). Financially Healthy households were the most likely to receive a higher to much higher income compared to previous years (26%).

Predictability of income can contribute to financial health. In 2022, we see that half of households were able to predict their income for the next twelve months or more. This is less than in 2021 (59%). This corresponded with growth of the groups that could predict their income for a shorter period of time. We see increasing percentages of households that can only predict income for the next six months (from 15% to 17%), no longer than three months (from 8% to 11%) or not at all (from 11% to 12%).

Compared to 2021, we see a decrease in the percentage of households that still have a small or sizable amount of their monthly income left at the end of every month: 64%, where this was still 70% in 2021. The group that cannot make ends meet has grown from 12% to 14%. This means that one in seven Dutch people are not managing financially, and that this share has grown compared to 2021. Interestingly, though, households less often resort to borrowing money to get by (slight decrease from 6% in 2021 to 4% in 2022), while the share that dips into savings has increased (from 6% to 10%). We see this increase especially in financially Unhealthy households; 31% of them use their savings to make ends meet (up from 21% in 2021). The percentage of households that precisely balance income and spending climbed from 18% in 2021 to 22% in 2022. Although they do not have to borrow or use their savings, they may not be sufficiently resilient if unforeseen circumstances arise.

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"When households are struggling to make ends meet, it's particularly important for them to make use of the allowances that they are entitled to. As of 1 January 2023, approximately 500,000 additional households are entitled to one or more allowances, thanks to the purchasing power measures taken by the government. So people should check whether they are eligible from 1 January. What is also important is to communicate in good time any changes that may affect the amount of allowances. This prevents households that receive an allowance from receiving too little or being confronted with a clawback. Banks and other agencies can help in getting people to check what they are entitled to. For example, they can use their reach to alert customers and help them, in collaboration with partners, to apply for allowances or report changes in their circumstances. This is worth the effort, because research shows that there is a group of people who are entitled to one or more allowances, but do not claim them."

[27] When we use the phrase 'the past twelve months', respondents are expected to look back on the twelve months preceding the day they filled in the questionnaire.

Spending

Nearly one in five Dutch households indicate that they have difficulty meeting the basic costs of living.

The Spending domain focuses on the connection between income and wealth on the one hand and different types of spending on the other: daily expenses, incidental (unexpected) expenses and large expenditures. By spending we mean paying necessary expenses such as rent/mortgage, electricity, water and groceries, but also discretionary spending on things like a holiday or designer clothing

Figure 4.3. How easy was it to pay necessary living expenses in 2021 and 2022, in %

Compared to 2021, we see an increase in the percentage of households indicating that their household's total spending over the past twelve months has been slightly to much higher than income: 12% in 2021 versus 19% in 2022. The number of households indicating that total expenditure was slightly to much lower than income fell from 61% to 55%. Especially for financially Vulnerable and Unhealthy households, we see an increase in the number of households that indicate that total spending was slightly to much higher than their household's income. The financially Healthy and Adequate households indicate almost as often as in 2021 that their spending was slightly to much lower than their household's income during the past twelve months: 89% and 77% in 2022 compared to 88% and 76% in 2021. This is surprising given recent inflation numbers, because even at these financial health levels you would expect spending to be affected by the higher cost of living.[28] These households may have been in a better position than others to respond to inflation by reducing certain expenditure and/or had sufficient resources to afford extra spending on necessities.

At the same time, we also see a decrease in the number of households that can pay all household bills without any problems. While in 2021 65% of households could still pay all their bills without any problems, this percentage dropped to 54% in 2022. This implies that 46% have some degree of difficulty paying their bills. That said, the majority of these 46% (89%, just as in 2021) still manage to pay them without falling behind. Just as in 2021, the financially Unhealthy and Vulnerable households are the least likely to be able to pay their bills without any problems. In both cases, households managed even less often than in 2021: among financially Vulnerable households, we see a decrease of 8% (from 54% in 2021 to 46% in 2022). The situation of financially Unhealthy households, however, is particularly worrying: in this group, the percentage of households that can pay the bills without problems has fallen from 10% in 2021 to 4% in 2022.

In line with these shifts, we see a significant decrease in the percentage of households that found it (very) easy to pay necessary living expenses in the past year: from 56% to 44%. The percentage of households that found it (very) difficult to pay these costs rose from 12% to 18%. The rest found this neither difficult nor easy. This group grew from 32% to 38%.

Many costs have risen in the past year, such as energy prices and prices of groceries. This year we therefore decided to include a question about the burden that Dutch households are experiencing as a result of rising costs. A large majority (84%) struggled a little to a lot due to rising costs, the remaining 16% reported that they had little or no trouble. Especially in the financially Unhealthy group, many people have been affected by the cost increases of the past year. Almost half (48%) indicate that they had a (very) hard time, against 18% of financially Vulnerable households.

[28] See chapter 2, which describes how the score for a domain moves within a certain bandwidth.

ING

"In addition to the compensatory measures addressing inflation and increased energy prices, our priority should be to speed up work on the energy-efficiency of homes. The current measures protect large groups against a short-term hit to their purchasing power. But merely compensating people for higher prices does not solve the underlying problem. The biggest energy savings and purchasing power gains can be achieved with measures targeting low-income households living in houses with the lowest energy labels. That is why it is urgent to start accelerating and prioritising the sustainability of households that are most vulnerable to energy poverty. This calls for an ambitious, structured, neighbourhood-level approach and other forms of cooperation."

NIBUD

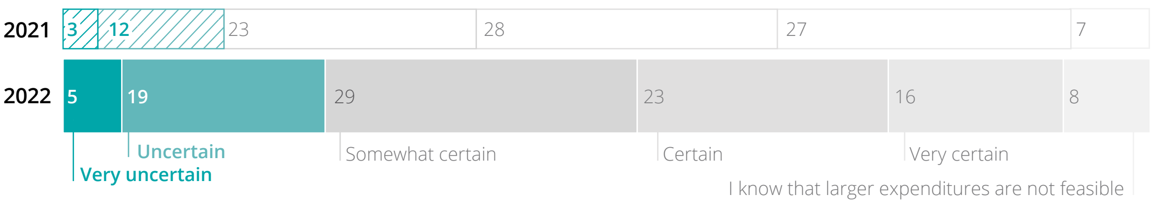
"The majority of Dutch households can afford the structurally high fixed costs and rising expenses. Nevertheless, many people are worried about money and a substantial share of Dutch households are struggling to make ends meet, according to our research into payment problems in 2022. Nibud points out that we are in a spending crisis and that people are struggling to pay all the bills. This is also increasingly becoming an issue for higher-income households. If there is not enough money left at the end of the month, people cut back, use their savings or start borrowing. When those options have been exhausted and people have to choose between buying groceries, turning on the heating or paying bills, they are skating on (very) thin ice. Payment arrears pile up and can become problematic debts. We therefore expect that even if inflation wanes in the coming period, the number of people who are struggling financially will increase. For households, recording their income and spending is often a first step towards getting a grip on their finances. However, there is a limit to what people can do themselves. It is important, therefore, to gain insight into what people can afford and to use that insight to keep the cost of living affordable."

Saving

Nearly a quarter of Dutch households are uncertain about the feasibility of larger expenditures.

Within the Saving domain, we explore the extent to which households set aside money for the near and distant future. In this report we use a broad definition of savings, including investments and extra savings for retirement.

Figure 4.4 Feasibility of larger expenditures in 2021 and 2022, in %



Just as in 2021, most Dutch households save monthly, although the percentage has decreased in 2022 to 64%, compared to 69% in 2021. Of this group, less than half save a fixed amount every month, the rest save a varying amount. The decrease compared to 2021 seems to mainly translate into an increase in the percentage of households that try to save but cannot do so every month (from 17% to 21%). Interestingly, the percentage of households that do not save at all has remained virtually the same compared to 2021 (from just over 6% to just under 7%). The percentage of households that can only save after receiving a financial windfall has also increased (from 8% to 9%). Although this is only an increase of 1%, it is still significant. Overall, the tougher economic conditions of the past year have not (yet) led to a large increase in the number of households that do not save or save only occasionally.

If we look at the relative level of household savings, we see a number of shifts compared to 2021. At the time, half of the households indicated that they could easily raise the money to be able to make an expenditure equal to their monthly income tomorrow. In 2022, that percentage dropped to 40%. The percentage of households that could raise the money but would have to change something – such as spending less – rose slightly (from 27% to 29%). A notable increase (from just under 11% to 15%) was seen in the percentage of households that would have to actively do something to raise the money, such as selling something or working extra. In addition, we see a slight increase in the percentage of households that would have to borrow (from 6% to 8%), and the number of households that would probably not be able to raise the money (from 7% to 8%).

Dutch households are considerably less certain about the feasibility of larger expenditures, such as a holiday, having their house painted or a car. In 2022, nearly one in four households indicate that they are (very) uncertain about larger expenditures (compared to a little over one in seven in 2021). Accordingly, we see a decrease in the percentage of households that are (very) sure about their ability to make such expenditures: from 55% to 39%. The percentage of households that know that major expenditures are not feasible remained about the same. The remaining households indicate that they are somewhat certain that such expenditures are feasible (increased from 23% in 2021 to 29% in 2022).

More than half of households indicate that if they lose their main source of income, they will be able to manage for six months or more without having to borrow money or move.[29] We see an increase here compared to 2021 (from 52% to 57%). This may be partly the effect of the pandemic-related savings.[30] Due to the covid restrictions, savings balances increased, and this may have strengthened the financial buffers of some households compared to 2021. The percentage of households that could manage for one to five months remained virtually the same (36%). The percentage of households that could manage for one month at most has decreased from 13% to 8%.

Of the people who have not yet retired, less than half are confident that their expected monthly income during retirement will be sufficient. This is a decrease compared to 2021 (from 56% to 49%). The group of people who have no idea what their income will be after retirement also grew, from 21% to 24%. Just as in 2021, only a third of this group says they would actually like to find out whether their expected income during retirement will be sufficient but claim that getting this information is difficult.

About a third of households invest if they have spare cash over for a longer period of time.[31] That was the case in 2021. A similar proportion know they could invest, but do not – this group has decreased compared to 2021 (from 39% to 35%). At the same time, the percentage of households that have no money to invest at all has risen: from 18% to 21%. As in 2021, 9% of households do not know how to invest.

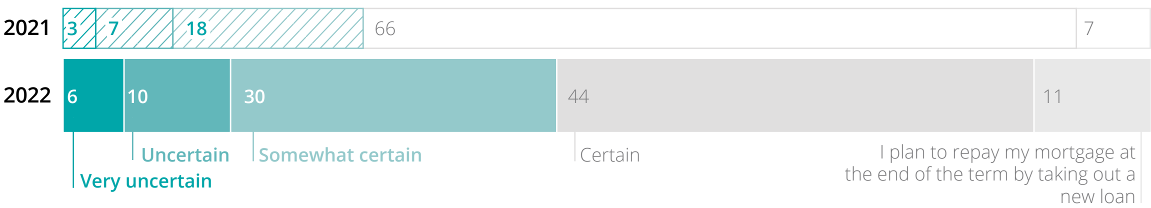
[29] In answering this question, respondents were allowed to take account of any income they may have from a saftey net, such as unemployment or disability insurance.
[30] See also DNB Household Research, June 2021.
[31] Given the wide range of possible investments (e.g. shares, bonds, real estate) respondents are not explicitly asked to specify what kind of investment they make. This question therefore refers to investment in its broadest sense.

Borrowing

The percentage of Dutch households with a mortgage that are confident about paying off their mortgage has decreased from 66% in 2021 to 44% in 2022.

The Borrowing domain zooms in on the nature and size of a household's current debts, and the repayment perspective in relation to the current standard of living and income and/or assets. A distinction has been made between consumer debt – such as a personal loan, money borrowed from friends or family and outstanding bills – as opposed to mortgages and student debt.

Figure 4.5 How certain are Dutch households about paying off their mortgage without adjusting their lifestyle in 2021 and 2022, in %



In 2022, as in 2021, nearly half of Dutch households indicated they had consumer debts – alongside any mortgage or student loan.[32] As in 2021, about a fifth of households with consumer debts think they will have repaid them within a year without having to adjust their lifestyle. Similarly to 2021, three in ten think it will take one to five years, and another third believes it will take six to more than twenty years. The percentage of households that indicate that they do not know whether they can pay off their consumer debt is comparable to 2021 (from 13% in 2021 to 14% in 2022). The percentage of households that know that they cannot repay their consumer debt is not much different from 2021 either (from 2% in 2021 to 3% in 2022).

Of respondents with consumer debt, fewer than in 2021 say they have full insight into these debts (46%, compared to 49% in 2021). Compared to 2021, there are significantly more people with debts who are slightly to very worried about this: more than half (57%), against 45% in 2021.

As in 2021, about two-thirds of respondents to the research indicate that their household has a mortgage. A quarter of respondents lives in rented housing with their household. The remaining respondents (8%) indicate that their household had a mortgage but has already paid it off. A mortgage has a significant impact on the financial health of Dutch households.

Of the households with a mortgage, 44% indicate that they are sure that they will be able to pay off their mortgage on time without changing their lifestyle. This is a significant decline compared to 2021 (66%). The percentage planning to repay the mortgage at the end of the term by taking out a new loan has grown from 7% in 2021 to 11% in 2022. The already existing concerns about this group have grown, because among financially Unhealthy households, the percentage who intend to pay off their mortgage by taking out a new loan has risen from 5% to 14%.

Meanwhile, people are also considerably less certain about paying off their student loan with DUO than in 2021.[33] In 2021, 59% of respondents with such a loan were (very) sure that they would repay this loan on time without having to make adjustments to their lifestyle, but in 2022 this percentage fell to 44%.[34] The remaining respondents are somewhat certain (up from 20% in 2021 to 26% in 2022) or (very) uncertain (up from 16% in 2021 to 25% in 2022). This may be partly due to the interest rate increase that will be implemented on 1 January 2023. In recent years, the interest rate has always been 0%, but from January DUO is charging interest rates ranging from 0.46% to 1.78%.

[32] See also BKR (2022), which indicates in its Kredietbarometer that at the end of August 2022, 7.8 million Dutch people over 18 have taken out 11.8 million consumer loans.

[33] 1,440 respondents in our research have a student loan with DUO that has not been paid off yet.

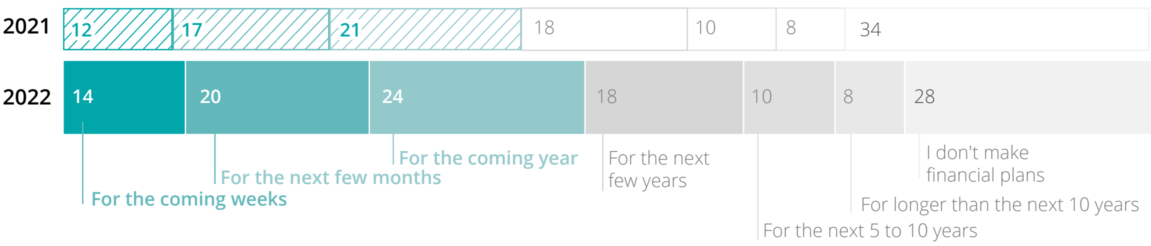
[34] Note that these results do not imply that respondents who indicate that they are somewhat certain or (very) uncertain will really be unable to pay off their loan. Their response is, after all, merely a prediction of the future.

Planning

72% of Dutch households make financial plans for the future. The majority (58%) plan for the short(er) term – between a few weeks and a year ahead.

The Planning domain looks at the extent to which households make and adjust financial plans – for both the short and long term – in order to achieve their (life) goals. Do they think about how they spend their money? Do they keep financial accounts and take measures to insure themselves against major risks? Financial planning helps people get a better grip on their financial situation.

Figure 4.6 The period for which Dutch households made financial plans in 2021 and 2022, in %



Compared to 2021, we see an increase in the percentage of households that indicate that they make financial plans for the future: 72%, compared to 66% in 2021. Especially planning for the short(er) term – between a few weeks and a year ahead – is reported more often (up from 51% in 2021 to 58% in 2022).

We see a large increase in the percentage of financially Unhealthy households that indicate that they are planning ahead financially (from 62% to 71%). Unlike in 2021, financially Adequate households indicate more often that they do not plan than financially Unhealthy households. In general, households in lower health levels are more likely to make plans for the short(er) term. Despite a slight increase compared to 2021, less than a fifth make long-term plans (five years or more ahead).

We also see an increase in the percentage of people who record their income and spending: 88% compared to 85% in 2021 (with varying frequency). The rising percentage of people that plan ahead financially is a positive development. This increase is probably related to the (economic) developments of the past year, with households, especially those that are struggling financially, feeling more need to plan.

Nearly a quarter (24%) of Dutch households indicate that they have not made any financial plans for their retirement. This is a decrease compared to 2021 (27%). Although the financially Unhealthy and financially Adequate households are still significantly more likely not to make financial plans for retirement than the other health levels, they have narrowed the gap with the other health levels compared to 2021. Households that do make financial plans for their retirement are less certain how good these plans are. While in 2021 39% were (very) certain about that, now the percentage has dropped to 34%. The percentage of households that are (very) uncertain about their retirement plans rose from 12% to 15%.

Part of good financial planning is to ensure that there is Adequate coverage in the event of major damage due to, for example, burglary or water. Compared to 2021, households have significantly less confidence in their coverage: we see a decrease from 64% to 56% of households that are (very) certain that their insurance policies adequately cover any major damage. We see an increase in the percentages of households that are somewhat certain (from 25% to 30%) and (very) uncertain (from 7% to 10%). Another issue that households have significantly less confidence about is the extent to which they can still make ends meet following life-disrupting events like a divorce or death. While in 2021 47% was (very) certain they could, in 2022 this percentage dropped to 40%. In 2022, 6% of households indicated that they would not have sufficient income after such an event, the same percentage as in 2021.

5. Cross-sections of the Netherlands

What are the financial health issues that need attention in the Netherlands? What stands out when we take a closer look at specific groups and cross-sections in society? In this chapter, we reflect on some important insights that the research provides upon further analysis. We place these insights in the broader context of social developments, but also discuss the interaction between the different domains of financial health and the influence of personal attitudes and characteristics.

This year we have chosen to re-examine some of the same cross-sections as last year, because of interesting trends that emerge. Last year's report also included a number of cross-sections where results remained virtually the same in 2022. We have decided not to discuss them again this year. For example, financially Healthy people can still improve their financial health, older age groups are again financially healthier than younger ones in 2022 and the higher their educational level, the financially healthier people are. In order to offer new insights and take account of current events, we have also highlighted other groups and topics this year in newly added cross-sections.[35]

[35] Due to the choices outlined here, different analyses have been performed this year on the available data. As a consequence, certain cross-sections cannot be compared to 2021 data.

5.1 Economic and social developments threw finances of certain Dutch households further off balance

The year 2022 was in many ways a year that we will not soon forget. The year started in uncertainty: the Netherlands was still dealing with covid restrictions. The pandemic led to interruptions of (international) supply and production chains, reduced consumer spending and economic contraction. With the reopening of society, consumer spending soared, causing shortages. The global energy crisis triggered a sharp rise in gas and electricity prices, a trend that was fuelled further by the war in Ukraine. Inflation reached historical highs, pushing up the cost of necessities like groceries.[36] Dutch households became more uncertain about their financial health, and this was reflected in sharply falling consumer confidence. Purchasing power declined dramatically, too.[37] How did the Dutch experience these deteriorating economic conditions? How much did they suffer from climbing costs, how did this situation affect their spending? And do we see changes in their attitudes?

Wages remained stable for most of the Dutch population

2022 was a year of economic turbulence. While the first half of 2022 was marked by recovery following the covid lockdowns of 2020 and 2021, the second half saw the economy shrink slightly.[38] Nevertheless, in 2022 as a whole the Dutch economy grew by 4.5%.[39] The Dutch Central Bank (DNB) expects that, thanks to government measures counteracting the spike in energy prices, the economy will gradually pick up again in the course of 2023.[40]

According to Statistics Netherlands (CBS), more than half of economic growth in 2022 is due to spending by Dutch households. Because the Dutch started working longer hours, households were able to keep up consumption despite inflation.[41]

In our research, 66% (2021: 65%) of the Dutch indicate that they have paid work.[42] The partners with whom the respondents in our research form a household more often also had paid work in 2022 (increase from 49% in 2021 to 53% in 2022). Most Dutch people indicated that their income remained stable (62%, compared to 63% in 2021). In addition, we see an increase in the percentage of people who got a pay rise in the past twelve months (14%, compared to 10% in 2021). The question is whether that pay rise offset inflation for each individual household. What Statistics Netherlands (CBS) data show is that collectively agreed wages rose by an average of 3.2% in 2022, while inflation was 10% in 2022.[43]

Inflation higher, some groups hit harder

Due to inflation, the purchasing power of many Dutch households declined. Compared to 2021, they could suddenly do a lot less with the same income. The Central Planning Bureau (CBP) calculated a decrease in purchasing power of almost 7% in 2022.[44] High energy costs contributed to this squeeze. How hard an individual household was hit by this depends on factors like the quality of home insulation and the type of energy contract.

Of course, income also matters; People with lower incomes seem to have been hit harder by inflation.[45] In our study, people with higher incomes reported being less affected by the cost increases than people with lower incomes (12% versus 34%). Yet the above average income groups also seem to have felt the pinch. In 2021, 81% of these households indicated that they could make ends meet (very) easily. This has dropped to 71% in 2022.

[36] At the time that the questionnaire was distributed, in October 2022, inflation for consumer goods and services was 14.3%. Food was 14% more expensive than in October 202, and prices of clothing were 9.4% up (CBS, 2022a). In full-year 2022, e inflatie amounted to 10% (CBS, 2022b).

[37] According to CBS (2023) consumer confidence plummeted in October 2022 to its lowest-ever level (-59). This coincided with the questionnaire being distributed to our respondents.

[38] DNB, 2022a.

[39] CBS, 2023a.

[40] DNB, 2022c.

[41] CBS, 2023b.

[42] This percentage applies to the entire group of respondents aged over 18 (including over-65s), and also partly includes paid work in combination with pension, benefits or study.

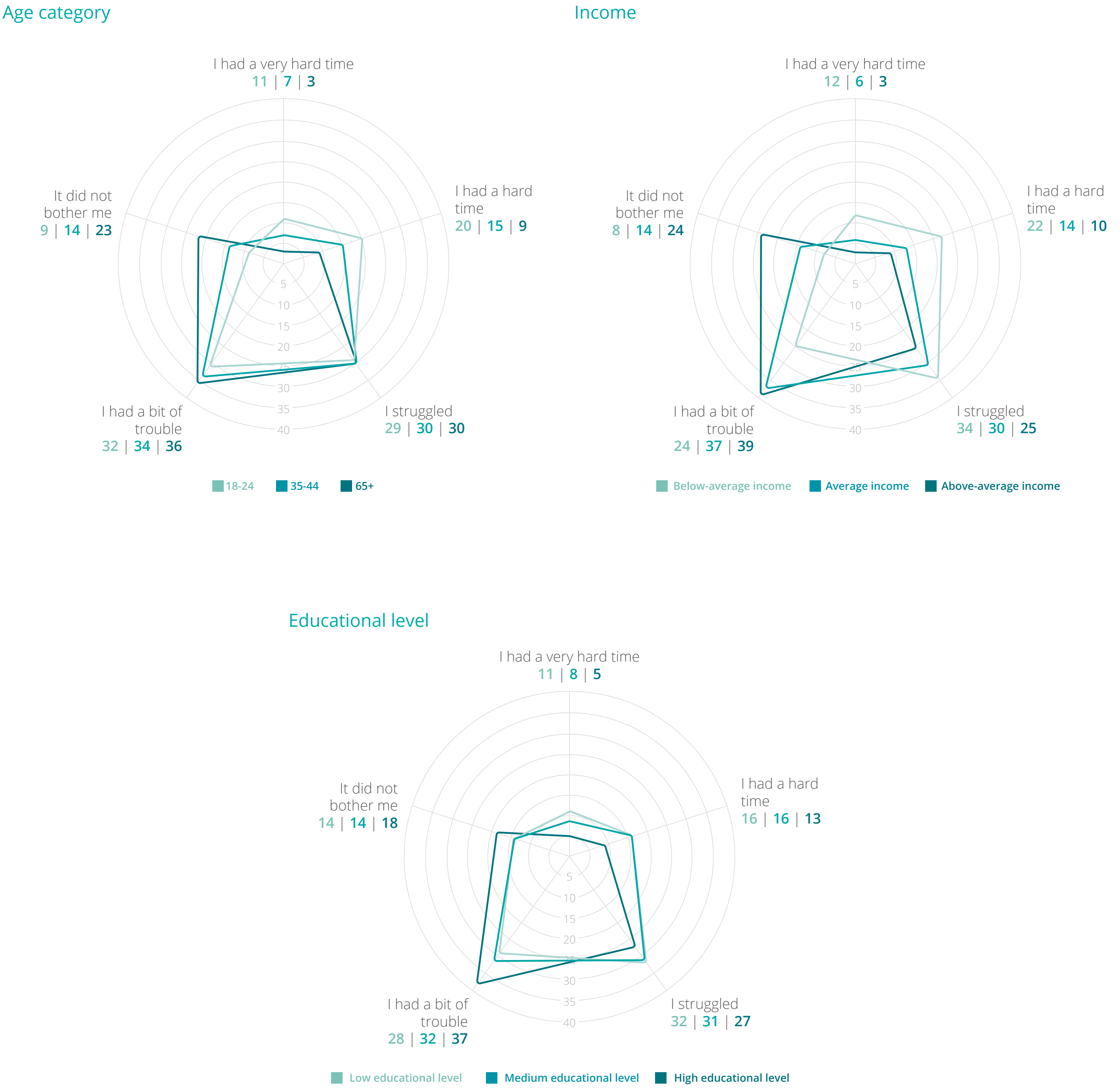
[43] Higher energy prices (up by 114%) were a major driver of this inflation, but also food prices (up 10.8%) and fuel prices (up 18.1%) were far higher than in 2021 (see CBS, 2023b)

[44] CPB, 2023a.

[45] Lower income groups on average spend a larger portion of their income on basics like energy (CBP, 2022).

Given the high level of inflation, we also asked respondents generically whether and how much they have been affected by the cost increases. Only 16% of the Dutch indicate that higher costs had not bothered them, implying that by far most respondents did struggle to some degree. On a positive note, the vast majority of households (82%) say they adjusted their behaviour to the increased costs. The people who did not do so mostly seem to have had no need to: 73% of this group had little to no trouble with the cost increases, 9% had a (very) hard time. The latter group may consist of households that wanted to change their behaviour, but were not able to – simply because they cannot cut back more than they already do.

Figure 5.1 Perceived impact of cost increases per background characteristic in 2022, in %[46]



[46] In our research, the lowest educational level includes primary and lower secondary education (lbo, vmbo b/k, vmbo gl/tl, mavo, (m)ulo). The medium educational level includes senior secondary vocational education, higher secondary and pre-university education (mbo, havo en vwo). The highest educational level includes Bachelor's and Master's degree courses (hbo, university).

In chapter 4, we already observed that in 2022 there were more Dutch households whose spending was slightly to much higher than their income (19%, compared to 12% in 2021). We see a similar increase in the number of households having trouble paying their bills. 41% (compared to 31% in 2021) of households indicate that it is difficult to pay all the bills. For some households, it is even so difficult that they are behind on one or more bills (increase from 4% in 2021 to 5% in 2022). In addition, it is telling that 18% (compared to 12% in 2021) of households indicate that they find it (very) difficult to pay the necessary living expenses.

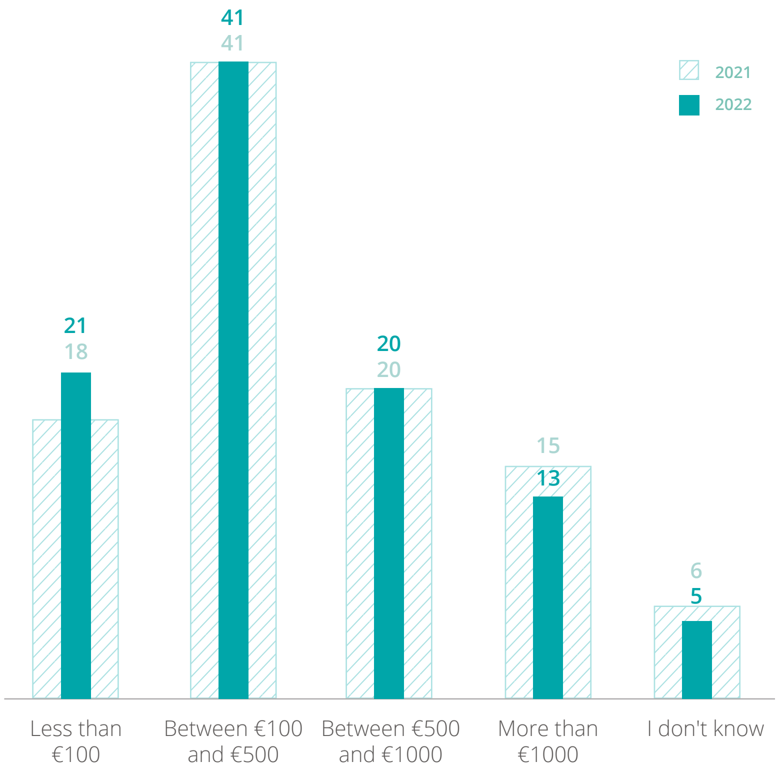
The deterioration in the Spending domain is strongly reflected in the extent to which people have been affected by the cost increases. Of the households that indicate that their expenses were slightly to much higher than their income, 70% indicate that they had a (very) hard time due to the cost increases. This compares to 37% of the households who indicated that their spending was slightly to much lower than their income. The vast majority (93%) of households who indicated that they found it (very) difficult to pay the necessary living expenses also indicated that they had a (very) hard time due to the cost increases. Of the households that can (very) easily pay the necessary living expenses, only 22% had a (very) bad time due to the cost increases. This is a sharp contrast.

Slight shifts in saving behaviour

The fact that wages have remained largely stable and spending has risen has also had an impact on the saving behaviour and financial buffers of Dutch households. In our research, we see an increase in the percentage of households with a red score in the Saving domain (53%, compared to 41% in 2021). Nevertheless, research by DNB shows that the savings of Dutch households have not decreased in the past year but have actually risen further.[47]

In our research, we see a limited decrease in the percentage of households that can save monthly (from 69% in 2021 to 64% in 2022). This decline seems to be fairly evenly distributed across the groups with different background characteristics. In the saving behaviour of households that indicate that they do save, we do see that certain groups more often indicate that they can save an average of up to € 100 a month.[48] For example, this answer was given by 22% of women in 2021, and 26% in 2022. We see the same pattern among singles (up from 29% to 35%) and 55 to 64-year-olds (up from 18% to 23%). In short, although according to DNB, savings have grown in 2022, the saving behaviour of individual Dutch households has indeed changed.

Figure 5.2 Average monthly savings of Dutch households that save in 2021 and 2022, in %



[47] DNB 2023a.
[48] That said, we do not see an increase in the percentage of households that cannot save at all.

If we look at the ease with which households can make an expenditure equal to their monthly income, we see a deterioration across the board: in 2021, 50% indicated that they could easily raise the money, in 2022 this dropped to 40%. In addition, the number of households that would probably not be able to raise the money rose slightly (from 7% to 8%). Households also indicate that they are less certain about the feasibility of larger expenditures. In 2022, nearly one in four households indicated that they are (very) uncertain about this (compared to a little over one in six in 2021). This could indicate that households are also less confident in their ability to continue saving in the future. This increased uncertainty partly explains why more households score red in the Saving domain (see chapter 4).

Attitudes largely unchanged, uncertainty increased

The uncertain economic situation of the past year has clearly had an impact on the finances of Dutch households. We discussed above that most households (82%) have adjusted their behaviour to the increased costs. But has this also led to a change in attitudes towards financial matters?

On average, the Dutch seem to be just as focused on the present as before. In 2022, 19% (2021: 17%) indicated that they were only concerned with what had to be paid right away. Within certain groups, however, we do see significant differences in attitude compared to 2021. For example, among people with a below-average income, we see an increase from 26% in 2021 to 31% in 2022 that indicate being only concerned with what needs to be paid right away. If we look at groups who indicate that they live from day to day due to their financial situation, we see an increase of no less than 8% for 18 to 24-year-olds (from 28% in 2021 to 36% in 2022) and an increase of 5% for below- average income households (from 25% in 2021 to 30% in 2022). For this question, too, the results do not show significant differences for the entire population.

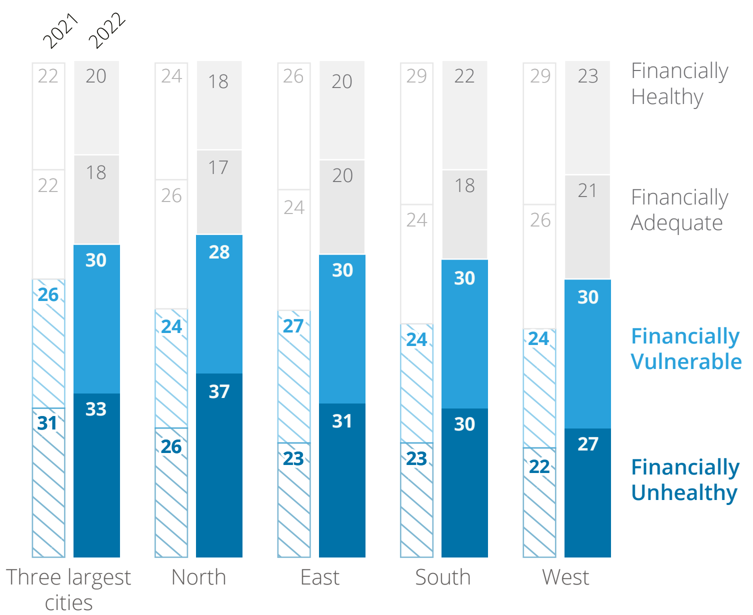
Even among Dutch people with an above-average income, we see shifts in attitudes compared to 2021. For example, in this group we see 7% more respondents indicate that they would rather save than borrow (from 75% in 2021 to 82% in 2022). This group also indicates more often than in 2021 that they would rather cut back than have to borrow (80% in 2021 compared to 84% in 2022). For households with a below-average income, the percentage is comparable to 2021 (79% in 2021 compared to 76% in 2022).

Meanwhile, across the board we see that the Dutch have generally become more uncertain about their finances. They are less certain about large expenditures (decrease from 55% in 2021 to 39% in 2022), less certain about paying off their mortgage (decrease from 66% to 44%) and less certain about their ability to cope financially with life-disrupting events (decrease from 47% to 40%). In part, this uncertainty may be caused by a less favourable financial situation. If households have a lower financial buffer, people will be more uncertain whether they will be able to raise enough money in the long term for large expenditures. But it can also mean that the Dutch – regardless of their current financial situation – have less confidence in their financial strength in the longer term, wondering whether economic or social developments will affect them, and how.

Northern provinces least financially healthy, Friesland especially hard hit by cost increases

We previously observed that lower-income households were more affected by the cost increases in 2022. If a household has had a hard time due to the cost increases, from the cost increases, this may correspond to a deterioration in financial health. How does this break down regionally? Statistics Netherlands (CBS) data show that incomes differ per region.[49] According to CBS, households in the Dutch provinces Groningen, Friesland and Overijssel have the lowest incomes on average, while those in North Holland, Utrecht and South Holland have the highest.

Figure 5.3 Financial health levels of the three largest cities and regions in 2021 and 2022, in %



[49] CBS Statline, 2022

In 2021, we wrote that the three largest cities – Amsterdam, Rotterdam and The Hague plus the surrounding suburbs – stood out negatively in terms of financial health. We saw that relatively more financially Unhealthy households lived in these cities than in other parts of the Netherlands. This year, the picture is different. Households in the three largest cities still score relatively low, but the gap with the rest of the Netherlands has become much narrower. The percentage of financially Healthy households fell less sharply in these three cities than in other parts of the Netherlands, while the percentage of financially Unhealthy households rose less sharply.

In 2022, our research showed markedly negative outcomes in one specific region: the North (the provinces of Friesland, Groningen and Drenthe). This region is home to the fewest financially Healthy households (down from 24% in 2021 to 18% in 2022) and the most financially Unhealthy households (up from 26% in 2021 to 37% in 2022).What is particularly worrying is the relative increase in the number of financially Unhealthy households in the North. In two of the three provinces in this region, households also have the lowest incomes on average, as the CBS data show. Despite some negative shifts in 2022, the West (Utrecht, North Holland and South Holland, excluding the major cities) is home to both the most financially Healthy households (down from 29% to 23% in 2022) and the least financially Unhealthy households (up from 22% in 2021 to 27% in 2022). This is in line with the CBS data: households in these provinces have the highest incomes on average.

What regional trends do we see when we look at the extent to which people were affected by the cost increases in the past year? In line with the outcomes at health levels, people in the North most often had a (very) hard time, but they share their leading position with people in the three largest cities: 23% (versus 22% in the South, 20% in the East and also 20% in the West). If we look one level lower, at the individual provinces, we see that Friesland clearly stands out in terms of perceived burden: 26% of Frisians indicate that they have had a (very) hard time due to cost increases. People in Zeeland (18%) and Gelderland (20%) were relatively the least likely to suffer (badly).

Short-term behaviour adjusted, attitudes take more time

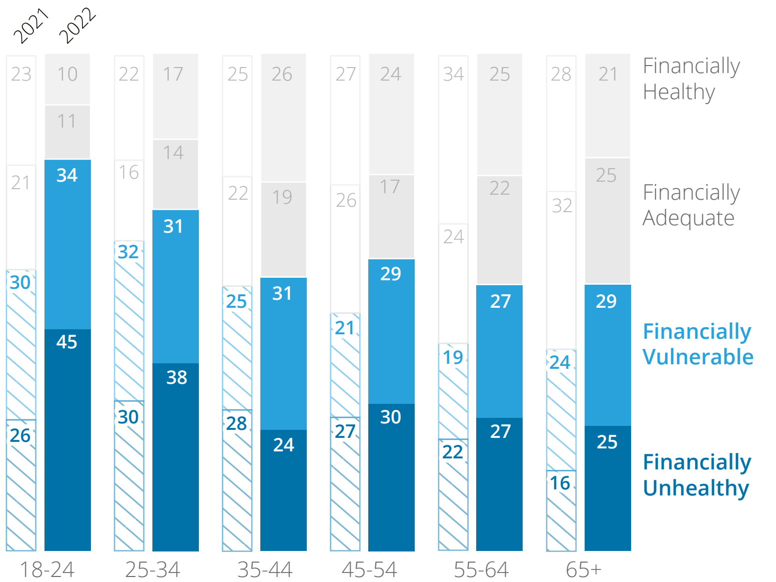
In conclusion, 2022 was an economically and socially turbulent year. On the one hand, the country saw economic growth, Dutch people worked longer hours and support measures were deployed. On the other hand, the population also had to deal with challenges like high inflation. All this had a greater or lesser effect on the finances of Dutch households. The perceived burden varied depending on the group and region. The vast majority of Dutch households adjusted their behaviour in response to the cost increases. When it comes to attitudes, certain groups are a bit more focused on the present, but apart from increased uncertainty, we do not see any major shifts on average. This makes sense, because it takes longer for attitudes to change.

5.2 18 to 24-year-olds are struggling financially

Youngest group harder hit, 35 to 44-year-olds in the best financial position

The economically difficult year seems to have hit young adults harder than other age groups (see Figure 5.4). The youngest age category (18-24 years) looks particularly vulnerable. This group has the highest percentage of financially Unhealthy households, a whopping 45% compared to 26% in 2021. A large proportion of 25 to 34-year-olds are also financially Unhealthy (38%). In 2021, this was the age category with the most financially Unhealthy households (30%). These results show that in both age groups, there has been an increase in the percentage of financially Unhealthy households compared to 2021. The next age bracket, the 35 to 44-year-olds, not only had the highest percentage of financially Healthy households in 2022 (26%), it also had the lowest percentage of financially Unhealthy households (24%). If we look at the combined percentage of financially Healthy and financially Adequate households, 55 to 64-year-olds fare best: 47% fall into these categories. In 2021, the over 65s still had the highest combined percentage (60%).

Figure 5.4 Financial health levels by age category in 2021 and 2022, in %



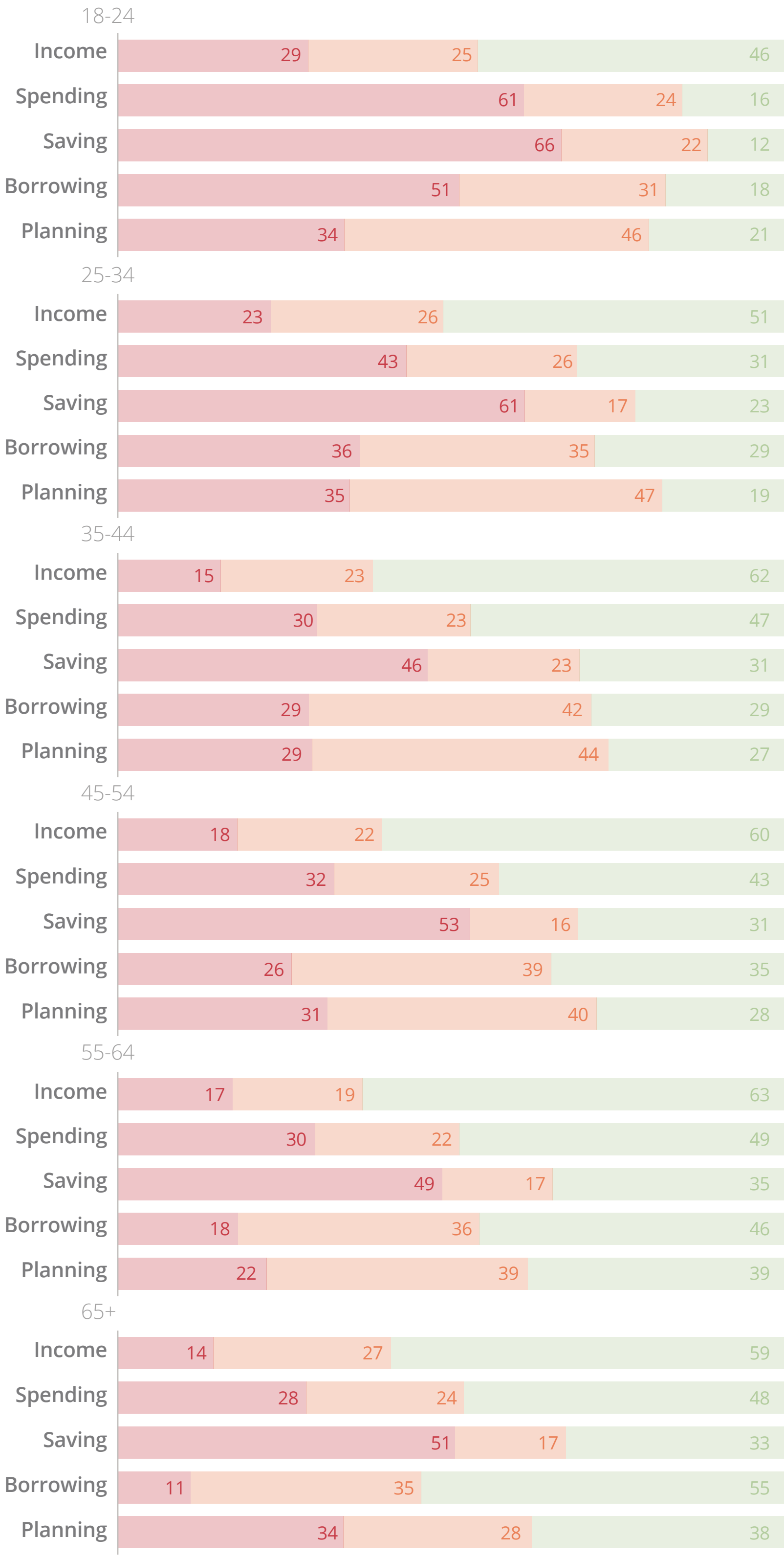
"The deteriorating financial situation of young adults is obviously a cause for concern. Looking at this target group, we see that they are up against many (online) temptations. Just think of the number of streaming services and other subscription providers that specifically target this age group. Moreover, it has become much easier these days to buy (online) now and pay later. Add that to peer pressure, the fear of missing out and current inflation, and the result can be financial stress and/or inability to pay the bills. People are consequently vulnerable in a phase of life when they should be laying a solid foundation for good financial health later on. It is important to prevent them from making false starts in finance through ill-considered or unwise choices, for example just as they turn 18.

Accordingly, it is never too early to start learning to save money and build buffers for unforeseen expenses. To help lay this strong foundation, financial education needs to start from the age of six. Children who learn to handle money from an early age are less likely to have money worries and problem debts in adult life. We know parents feel challenged to teach their children the value of money in a digital world. We can support them by offering tips (such as emails with financial education content), tricks (for example an online test to provide insight into impulse spending) and tools (certain settings in the mobile banking app). The ultimate goal is to teach children, step by step as they grow older, what money really is and how they can keep an eye on their finances. Practice shows that budget coaching is very helpful for young adults like students who unexpectedly get into financial trouble. It gives them the necessary insights and tools and teaches them to get a grip on their own income and expenses."

18 to 24-year-olds suffer most from cost increases, least frequently adjust behaviour

If we zoom in on 18 to 24-year-olds, we see that they score lower than the other age groups in all domains except Planning (figure 5.5).[50] In terms of income, it is striking that they relatively often live on benefits: 19% versus an average of 13%.[51] This is up on 2021, when the percentage was 9%. Their income also fluctuated the most: in the past twelve months, 23% (versus an average of 14%) had a pay rise and 5% (versus an average of 2%) a pay cut.

Figure 5.5 Differences in subscores by domain across age categories in 2022, in %



[50] In the Planning domain, 18 to 24-year-olds score better than 25 to 34-year-olds.

[51] The benefits referred to here are sick, incapacity or unemployment benefits (WAP, WIA (WGA/IVA), WW, welfare. They do not include student finance.

For 25% of this youngest group (versus an average of 18%), it has been (very) difficult to pay the necessary living expenses over the past twelve months. This is significantly up on 2021 (12%). More than 70% (versus an average of 46%) have (some to considerable) difficulty paying all their bills.[52] We also see an increase in the percentage of households in this group who indicate that they are behind in paying some to many bills (from 9% to 17%). Intriguingly, while 18 to 24-year-olds relatively often indicate (31% versus an average of 21%) that they have had a (very) hard time due to rising prices in the past year, they most often indicate (22% versus an average of 18%) that they have not adjusted their behaviour accordingly. This combination of feeling the pinch of rising prices but being unwilling or unable to adjust can push this population group close to the edge financially.

Increasingly worried about debts (including student loans), yet still investing

Given these outcomes, it is not surprising that the youngest group also has the smallest financial buffers: 34% (versus an average of 21%) would not be able to manage longer than two months if they lost their main source of income. Furthermore, only 17% of this group indicate that they can easily raise money to make an expenditure equal to their monthly income tomorrow (versus an average of 40%). Yet, just as in 2021, 18 to 24-year-olds are more likely to invest than older age groups (52% versus an average of 25%). This 52% is an increase compared to 2021 (44%). The amount of time they devote to investing varies, however. Correspondingly, they are less likely to indicate that they have no money for this (7% versus an average of 21%). The fact that young people invest more than average is remarkable, because other results show that they are not financially well off. Perhaps they have alternative means to finance these investments (such as borrowed money).[53]

The youngest respondents most often (31% versus an average of 15%) do not have (full) insight into their consumer debts. This is an increase of 10% compared to 2021. At the same time, they worry much more: they are significantly more often (very) worried (45% versus an average of 28%) about those debts, compared to 26% in2021. This age category is also a lot less certain about their student loan. While in 2021 52% were (very) certain that they would be able to pay off their student loan on time (versus an average of 59%), in 2022 this percentage fell to 29% (versus an average of 44%).

Gap in financial knowledge and skills, greater short-term focus

Financial skills and knowledge can contribute to financial health. On all three knowledge questions, however, the youngest group scores significantly lower than the other age groups, for the second year running. In terms of skills, meanwhile, the youngest respondents more often indicate that they are unable to manage their finances properly (24% versus an average of 14%) and that they feel they have little control over their financial situation (25% versus an average of 13%).

Good financial planning can help people gain control over their financial situation. Ideally, this planning should be focused on both the short and long term. However, we see that the vast majority of 18 to 24-year-olds (85% versus an average of 58%) only plan a few weeks to a year ahead. Correspondingly, 18-24-year-olds are also significantly more likely (19% versus 10% on average) to record their income and expenses on a weekly basis. In 2021, 10% of this age group did so (versus an average of 8%).

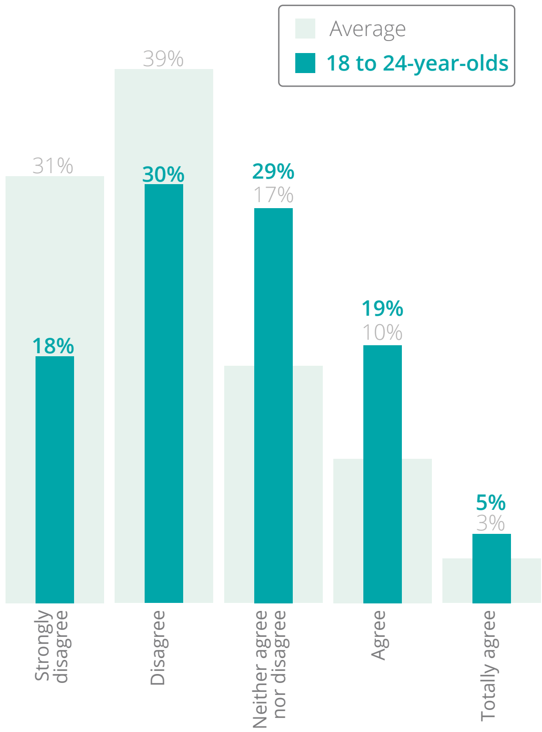
Also when it comes to attitudes, we see that 18 to 24-year-olds are more focused on the short term than average. They indicate more often that they are only concerned with what they have to pay right away (32% versus an average of 19%), they pay little or no attention to things they have to pay later (21% versus an average of 10%), they would rather borrow money to buy things immediately than save up for them (24% versus an average of 10%), and they also indicate that it feels better to spend money than to save (34% versus an average of 16%). Moreover, all these percentages mark a deterioration compared to 2021. For example, while in 2021 23% of this group still indicated that they would rather spend money than save it for unexpected expenses, in 2022 that percentage rose to 31%.

[52] See also Nibud, 2022b. According to the Nibud report Rondkomen en betalingsproblemen, 70% of young adults (aged 18 to 35) reported payment problems in the past twelve months.

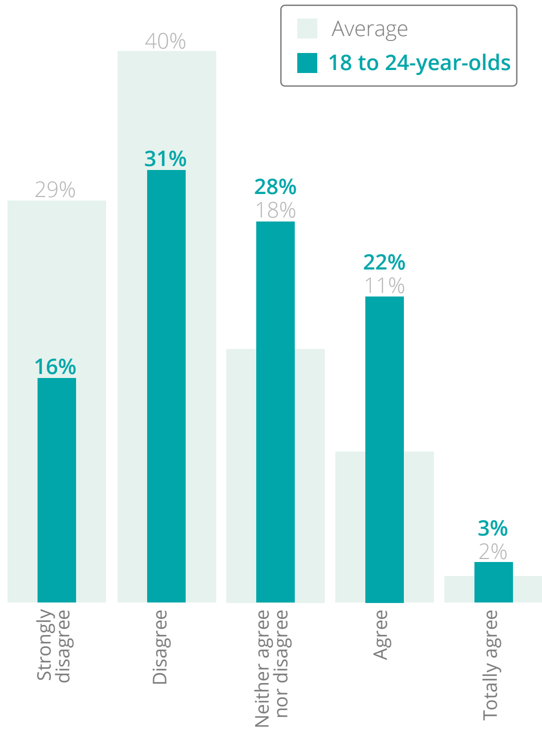
[53] See also AFM, 2022a.

Figure 5.6 Financial attitude of 18-24-year-olds in 2021 and 2022, in %

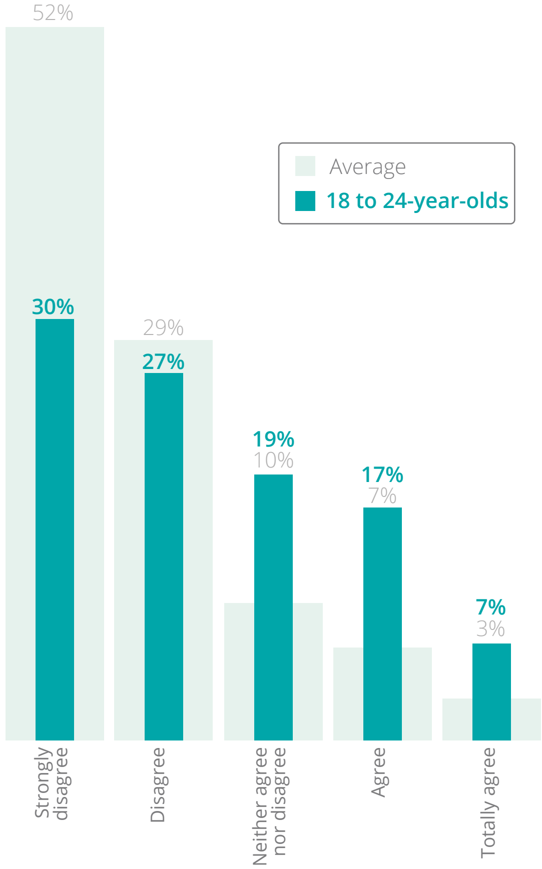
I am not able to handle my financial affairs properly



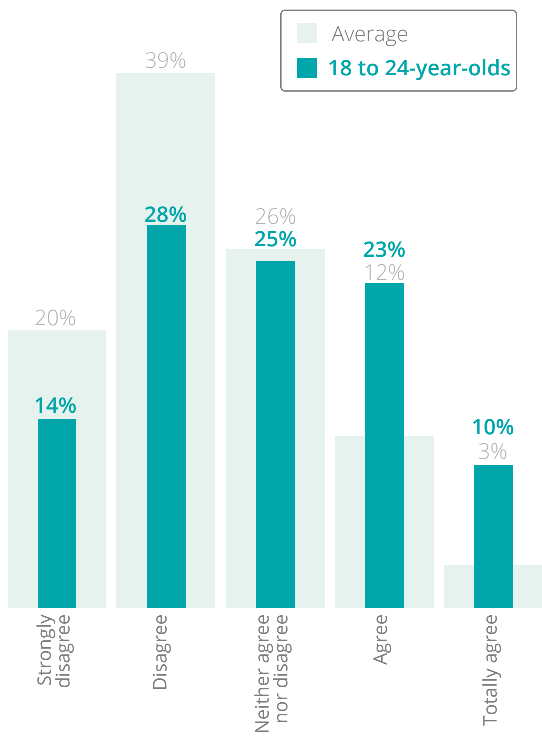
I feel like I have little control over my financial situation



I'd rather borrow money to buy things right away than save for them



I'd rather spend my money than save it



Protect 18 to 24-year-olds from falling behind financially

The attitudes found are not surprising in themselves – the young are generally more focused on the present than on the future. But this attitude, a financial knowledge and skills gap and failure to consistently adjust behaviour are clear warning signs of the vulnerability of 18 to 24-year-olds. This is worrying, as it seems to indicate that they start their working lives already two strikes down financially.[54]

The 18-24-year-olds themselves have a role to play in improving their financial health, but it is also important for organisations to support and protect them in doing so.

Given their attitude, financial circumstances and lifestyle, this youngest group is eminently susceptible to services such as online gambling[55], gamification-based investing, cryptos[56] and buying on credit[57]. Marketing campaigns and influencers[58], for example, can relatively easily persuade young people to purchase products of this kind. By doing so, they may also learn undesirable behaviour for the future. Indeed, the financial market watchdog AFM indicates that buying on credit gets young people accustomed to debt.[59] Organisations should therefore think carefully about whether and how they want to focus on this target group.

[54] Important to note in this context is that 27% of these 18 to 24-year-olds are still students. While students, too, have some financial points of concern, getting a degree gives them better odds of becoming financially healthier later in life, given that our research also demonstrates a relation between financial health and educational levels.
[55] See also KSA, 2019.
[56] See also AFM, 2022a.
[57] See also AFM, 2022b.
[58] See also AFM, 2022a.
[59] See also AFM, 2022b.

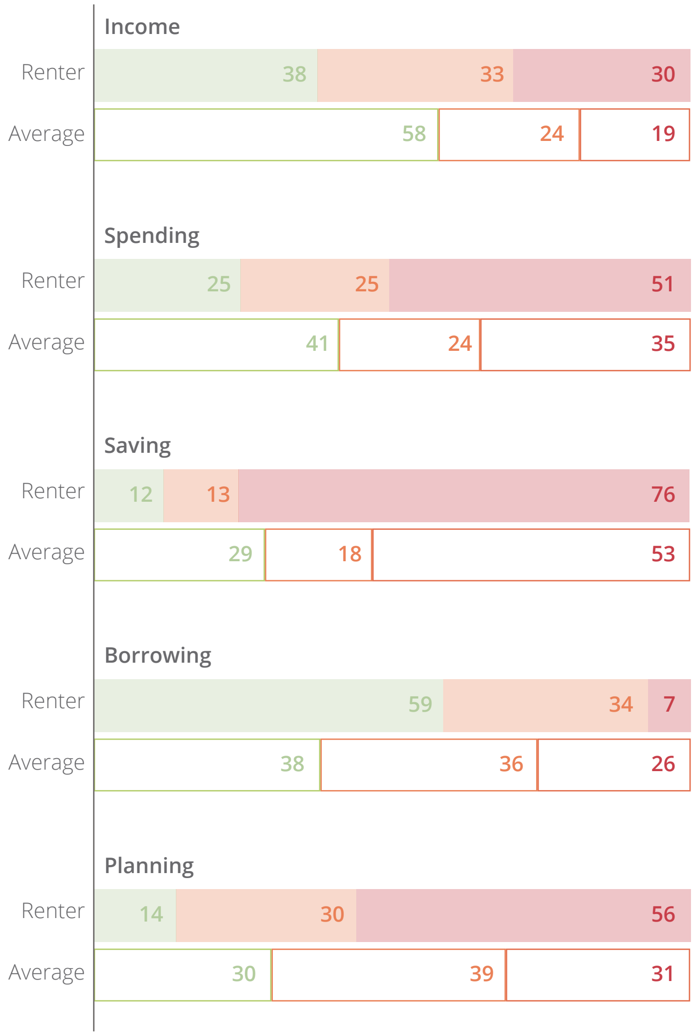
5.3 Half of renters are financially Unhealthy

Renters: a vulnerable group
Several studies in recent years have shown that renters are financially vulnerable. Research by Nibud, for example, shows that for a quarter of renters in the Netherlands, housing costs are so high that they have little money left for other necessary expenses.[60] Moreover, renters spend a larger part of their income on housing, while – unlike homeowners – they do not build up capital by doing so. Due to their dependence on housing associations, renters also have less influence on factors that influence their financial situation, like rent increases and energy efficiency.[61] In view of these circumstances, we decided to conduct research into the financial health of Dutch households that rent.

Half of households with a rental home are financially Unhealthy
One third of the respondents in our research (32%) are part of a household that rents. Most of these (70%) live in social housing, while the rest live in a private rental property.[62] As much as 50% of households with a rental home are financially Unhealthy. This percentage is much higher than the Dutch average[63] (30%) in our research. Only 7% of renters are financially Healthy, versus 21% on average. In other words, there is a significant gap between renters and homeowners in the Netherlands when it comes to their financial health. Renters score below average in the domains of Spending, Saving and Planning, but they score relatively well in the Borrowing domain.

Figure 5.7 Financial health levels of renters in 2022, in %

Figure 5.8 Renters' subscores by domain in 2022, in %



[60] Nibud, 2019.
[61] See also TNO, 2023.
[62] 4 in 10 homes in the Netherlands are rental homes. This is based on the real number of homes, whereas our research focuses on households. This may explain the difference between the number of renters in our research compared to the number of rental homes in the Netherlands. See also CBS, 2020.
[63] When using the term 'average' in our research, we mean the entire population – i.e. both renters and homeowners.
[64] This year's study is the first in which we also look at the financial health of renters. Consequently, we make no comparisons here to 2021.

Rabobank

"We recognise from studies by RaboResearch that renters are financially more vulnerable than homeowners. For example, renters are less likely to have spare cash and more likely to pay bills late due to lack of money. Interestingly, this problem is not limited to the regulated rental sector, where people more often have a below-average income. Financial vulnerability is also quite common in the private rental sector, where incomes are higher. High housing and utility costs are probably partly to blame. Due to the rise in energy prices, these costs may have increased further last year, all the more so because renters have less opportunity than homeowners to make their homes more sustainable. The majority of young adult renters want to buy a house eventually, but this may be difficult for some of them due to their limited ability to put money aside.

Meanwhile, despite the fact that house prices have been falling lately, the average starter home has become less affordable since the summer of 2022, as higher mortgage rates have so far offset the fall in house prices. People who can still manage to buy a first home have higher monthly costs, despite borrowing less. Priorities for them are insight into their spending on basics (like energy, utilities, phones and internet) and concrete solutions to improve the sustainability of their homes.

Increasing the supply of sustainable, energy-efficient homes in the mid-rent segment, as well as making sustainable new-build homes more accessible, can increase housing market opportunities for these groups."

In a general sense, we can say that the group of renters is indeed made up of people who are relatively vulnerable to financial problems. For example, 62% of renters earn a below-average income (versus an overall Dutch average of 32%)[65] and 19% live on benefits (versus an average of 10%). Only 41% of renters have paid work (versus an overall average of 57%) and 27% only receive retirement pension as income (versus an average of 20%). Over a quarter have an educational level of primary or lower secondary school (VMBO/MAVO)[66], versus an average of 14%. It is mainly these renters who – as in society as a whole – most often feature in the lowest financial health levels. Highly educated and higher-income renters relatively often feature in the higher health levels.[67]

Many women, over-65s and singles in rental homes

What else stands out when we look at the composition of the group of renters? A large majority are women: 62%, with the age group 25-34 being strongly represented. Women are generally less financially healthy than men (see section 5.5). Furthermore, over a third of renters are aged 65 or older. This is also a large group, including relatively many widows and widowers. Overall, renters are much more likely to be single than homeowners: in total – including divorced people and people who have lost their partner – this applies to no less than 51% of renters, versus 27% on average. Single people do not benefit from economies of scale in paying necessary living expenses, as opposed to people who run a financial household together. Singles cannot share the necessary costs for rent, energy, furnishings and food.

That said, a single's income is sometimes actually higher. People living together each receive 70% of the standard welfare benefit and not 100% as a single person does.

Renters are less likely to make ends meet

If we look at the balance between income and expenditure, we see that renters much more often have (serious) trouble making ends meet: 34% versus an average of 18%. They are therefore less likely than average to have spare cash (42% versus 64%) and are less likely to be able to pay all their bills without any problems (38% versus an average of 54%).[68] Although their income has not changed much more than average in the past twelve months, 20% (versus an average of 12%) cannot predict their income in the forseeable future. This is especially true for renters with a below-average income and renters with a low level of education. At the same time, 30% of renters indicate that it was (very) difficult to pay the necessary living expense in the past twelve months. Besides, renters more often had a (very) hard time due to increasing prices, especially more expensive groceries. So renters may have seen fewer opportunities to save in response to the increased costs than homeowners.

65 Staatsblad, 2021.
66 This includes Dutch education types predating vmbo such as lbo and (m)ulo.
67 See also Nibud, 2020.
68 See also RaboResearch, 2021.

Saving takes a lot of effort
For many renters it seems to be a struggle to put money aside. Compared to the average, there are more renters who do not save at all: 15%, versus an average of 7%. If they do save, they much less often do so monthly (42% versus an average of 64%), and they also save lower amounts: 45% (versus an average of 21%) save less than 100 euros per month. These differences are reflected in the extent to which renters are able to make larger expenditures, such as a holiday or a car: 35% (versus an average of 24%) are (very) uncertain of their ability to do so, and no less than 22% (versus on average 8%) know that such expenses are not feasible. So even if renters do manage to save, their savings relatively often do not add up to much.[69]

Large proportion of renters do not make plans
In terms of planning, renters do not score very well, either: 39% indicate that they never make financial plans, versus an average of 28%. Compared to the average Dutch person, renters who do make such plans more often do so for the shorter term and less often for the longer term. And that while no less than 29% of renters (versus an average of 10%) already know that they will not achieve their financial goals for the future. Also, 16% of renters (versus an average of 6%) indicate that they do not have sufficient income in the event of a life-disrupting event (such as divorce, the death of a family member or incapacity for work as a self-employed person).

Renters have relatively short-term debts
As mentioned, Borrowing is a domain where renters score relatively well. They are slightly more likely than average to have (full) insight into their debts (71% versus 68%). However, they do worry more about those debts: 68% are (a little) worried, versus an average of 57%, and 15% are even very worried (versus an average of 10%).[70] Besides more frequently having insight into their debts, renters also seem to do better in this domain because they more often have relatively short-term debts. They more often than average believe they can pay off their debts within five years without having to change their lifestyle (58% versus 51%).[71] Worrying, however, is that a fairly large group (22%, versus an average of 14%) say they do not know how much time they will need for this.

Renters more focused on the short term
Finally, we see some differences between renters and the average household when it comes to their financial knowledge and attitudes. Renters show greater uncertainty in the knowledge questions: they indicate about twice as often as the average respondent that they do not know the answer to a question or do not want to give an answer. In addition, they relatively often feel powerless when they think about their financial situation (24%, versus an average of 15%) and generally focus more on the short term than on the long term. Indeed, 29% of renters say they (completely) agree with the statement that they are only concerned with what they have to pay right away, versus an average of 19%. In that context, it is striking – but in line with the results in the Borrowing domain – that renters are slightly less willing than average to borrow money: 84% (versus an average of 80%) would rather save than borrow money.

Worth noting is that renters more often than average indicate that they have not experienced a life event in the past twelve months. For 84% (versus an average of 80%) nothing changed in their living situation, for 83% (versus an average of 78%) nothing changed in their personal situation and for 69% (versus an average of 62%) nothing changed in their work situation. In other words, renters' lives were somewhat more stable than average in these respects.

45 to 54-year-old renters stand out negatively
In addition to the vulnerable groups discussed earlier that are so strongly represented among renters, there is another group of renters whose financial health stands out in a negative way: the age category 45 to 54. These renters are significantly more likely to be financially Unhealthy: 62% (versus 50% of all renters and 30% of all respondents). They also incur debts relatively often (14%, versus 8% of all renters and 4% of all respondents) and more often indicated that they had (serious) trouble making ends meet in the past twelve months (42%, versus 30% of all renters and 18% of all Dutch households).[72]

[69] See also RaboResearch, 2019.
[70] See also RaboResearch, 2021.
[71] The debts referred to here are the household's consumer loans, excluding any mortgage or student loan.
[72] See also Nibud, 2022a.

They also most often indicate that they know that larger expenses are not feasible (38%, versus 22% of all renters and 8% of all Dutch people) and that, if they had to make an expenditure equal to the monthly income of their household tomorrow, they would not be able to raise that money (35%, versus 21% of all renters and 8% of all respondents). Moreover, 45 to 54-year-old renters most often indicate that they do not save (21%, versus 15% of all renters and 7% of all Dutch households) and most often say they are certain that they will not achieve their financial goals (43%, versus 29% of all renters and 10% of all Dutch households). In the age category 45-54, we see that the marital status divorced is significantly more common.[73] This may have an additional impact on the financial health of renters in this age category.

Create equal opportunities in financial health

There is currently a significant gap between renters and the average Dutch population when it comes to their financial health. While renters do not become financially Unhealthy because they rent, our research confirms that people who rent more often have characteristics that make them vulnerable. The fact that they pay rent is not the cause, but neither does it seem to contribute to better financial health. Where homeowners usually build up capital as they pay their mortgage, renters do not have this option. In addition, as indicated earlier, they are highly dependent on housing associations. It is up to the housing associations and government to ensure that rent remains affordable, but also to give renters the opportunity to cut costs through energy-saving measures. As a society, we must aim for an inclusive energy transition, in which not only homeowners can move towards sustainable and cheaper living, but also renters.

[73] CBS Statline, 2021.

5.4 For many, pension is not top of mind: pension transition an opportunity to raise awareness

The Netherlands is on the eve of a major overhaul of the pension system. The Future of Pensions bill aims to ensure that second-pillar pensions – the pensions that people accrue through their employer – become more transparent and personal and thus better aligned with social developments and the labour market. In the new system, risks in the second pillar pension will be better distributed.[77]

The revision of the pension system is a formidable operation. Firstly, because pensions play an essential role in the financial health of Dutch households. The amount of your pension determines your financial situation when you retire and your ability to broadly maintain the lifestyle you are used to. The Dutch pension system is highly valued internationally and is more solid than in other countries. At the same time, research also shows that about 29% of Dutch households will not receive 70% of their salary on the retirement date.[78] Dutch households can therefore end up in vulnerable situations if their pension is not what they expected and they have not taken measures like adjusting their spending accordingly.

Secondly, the challenge lies in informing members about the new pension system and its consequences, such as the risks and the choices they need to make. This goes for pension providers in particular. The new pension system offers more transparency, but pension is a complex product and not easy to understand for the average person. Factors that make pension difficult to grasp are the long duration of the pension, the way that choices impact each other and a lack of knowledge among members. Moreover, interest among members is often low, despite the importance of pension for long-term financial health.

The pension transition will bring benefits, but in view of the high stakes for members, they must be enabled to make informed choices. Some groups of members need more help with this. It may therefore be worthwhile to identify those groups that find it difficult to get a grip on their pension, or simply take no action - even though they know that their pension will be insufficient. Which groups of Dutch people deserve extra attention in the pension transition? In our research, we asked Dutch people[79] in a broad sense about what they expect in terms of income after their retirement date,[80] and whether they are taking action on this issue.

Universiteit Leiden

"The pension system is being reformed. In the Future of Pensions bill, pension promises are replaced by an expected pension, large buffers are a thing of the past and there is more customisation, more transparency and a better connection to the labour market.[74]

Depending on the definition, about 20% to 30% of households save too little pension, while a significant share saves more than is necessary to maintain their standard of living.[75] The self-employed are a vulnerable group in this respect. Administrative burdens, the illiquidity of pension products and low financial literacy are a barrier for them.[76]

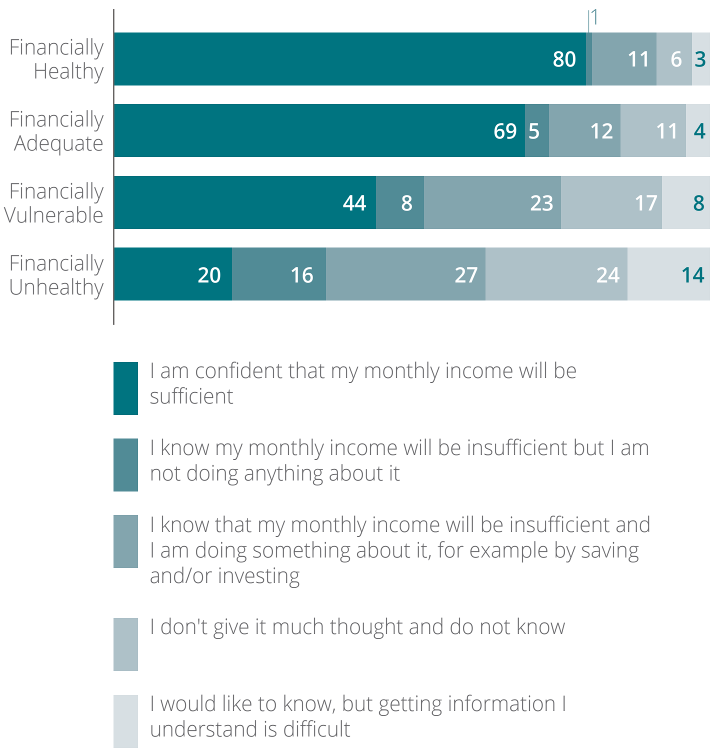
Another noteworthy finding is that almost a quarter of the Dutch have no insight into their income after retirement, partly because they do not know how to get this information. The introduction of the new pension system provides an opportunity – and a challenge – to inform people about their pension."

[74] See ESB, 2022.
[75] See Netspar, 2017.
[76] See Netspar, 2021.
[77] The term 'members' in this section refers to Dutch individuals who participate in a second-pillar pension scheme.
[78] Knoef et al., 2017.
[79] Specifically, we asked people who had not yet retired, a total of 4113 respondents.
[80] By the terms 'income on retirement' or 'pension income' we mean all the monthly income the respondent expects to receive. This may include first-pillar, second-pillar and/or third-pillar pension income: state pension (AOW), pension accrued through one's employer and/or individually arranged supplementary pension.

Nearly half of Dutch people have confidence in their income after retirement

First, the big picture. Nearly half of the Dutch population (49%) who have not yet retired are confident that their household's monthly income will be sufficient after retirement.[81] At the same time, almost a quarter of the Dutch indicate that they do not know whether it will be sufficient. They give several reasons. The majority of this group (66%) indicate that they do not know because they do not give much thought to their retirement. The rest indicate that they would like to find out, but do not know how. Finally, there are two groups that indicate that their income after their retirement date will be insufficient. A group of 20% say they know that this income will not be sufficient but do something about it, for example by saving or investing, while 8% of the Dutch know that it will be insufficient and do nothing about it.

Figure 5.9 Expected household income after retirement by financial health level, in %



Which people in the Netherlands have confidence in their pension?

While the degree of confidence that Dutch people have in their household's income after retirement varies considerably, several groups stand out positively. For example, 53% of men (compared to an average of 49%) indicate that they are confident that their income on retirement will be sufficient. The group of respondents who are married or in a registered partnership are also significantly more likely (58%) to be confident about this. What we also see is a correlation between age and confidence: as people approach retirement age, their confidence grows. For example, 62% of 55 to 64-year-olds say they are confident that their retirement income will be sufficient. While these people may have better pension arrangements, people in this age group may also have done some research into their pension and therefore feel more confident about what it will amount to.

In addition to certain background characteristics, we also see a clear correlation between life events and people's confidence in their pension. The group expressing confidence that household income will be sufficient after retirement indicates significantly more often that they have not experienced any impactful events during the past twelve months. The non-exhaustive list of options they were given included impactful events in all three areas: changes in the living situation, personal situation and work situation. This group may mistakenly trust that their household's retirement income will be sufficient, because they do not feel the need to actively seek information on this topic. In general, a life-disrupting event – such as a divorce or the death of the partner – often leads people to seek more information about their pension.[82] An added reason to do so is that events like these can have a negative impact on the amount of pension that can be accrued. As a result, confidence in pension income may also be lower.

In addition to the people who are confident that their income will be sufficient on retirement, there is also a large percentage that is less certain or does not know. These are extra vulnerable groups in view of the upcoming pension transition. In the following paragraphs, we will take a closer look at them.

[81] See Nibud, 2015.
[82] Algemeen Dagblad, 2022.

The majority take action when pension is insufficient

In our research, 28% of Dutch households claim they know that their income after retirement will be insufficient. The good news is that the vast majority of this group (70%) takes action to ensure that their income will be sufficient in the long term, for example by saving and/or investing. Yet there is a group of Dutch people who do not take action. After retirement, they may therefore have to make do with a (much) lower income than they are used to and/or cannot manage on their pension income. As a result, these people may end up in a vulnerable situation after retirement. What stands out when we zoom in on this group?

In general, Dutch people in paid employment are the most likely to indicate confidence in their pension income. But there is also a group of working people (7%) who know that their pension will be insufficient and are not doing anything about it. Interestingly, our results show no major differences between people who work as salaried employees and self-employed people, while self-employed people do not accrue a pension with an employer. Although self-employed people are slightly less likely to have confidence – 45% versus 51% of salaried people, they are just as likely to indicate that their pension income will be insufficient and that they are not doing anything about it (7%). We also see that self-employed people more often indicate that they know that their pension income will be insufficient but are actively doing something about it.

So there is a group of employees who know that their pension income will be insufficient and do nothing about it. This may be a conscious choice, but then again this group may simply lack the means to strengthen the third pillar – the individual supplementary pension provision – for instance by taking out an annuity or life insurance policy. Indeed, we see that many people in this group have a below-average income. More than one in seven people with a below-average income (compared to an average of a little over one in twelve) indicate that they know that their household's income on retirement will be insufficient. Compared to people with an average or above-average income, people with a below-average income are also more likely to indicate that they are not taking any action. The difficulty this group has building up extra pension in the third pillar is also evident from their saving behaviour: 31% of this group (versus 16% on average) indicate that they do not save or that they can only save in the event of a windfall.

If we ignore distinctions between people in terms of work and income, a few more groups stand out. For example, more than one in eight people with a low level of education indicate that they know their pension income will be insufficient, but they are not doing anything about it. Looking at marital status, we see mainly singles (12%), divorcees (12%) and widows/widowers (15%) indicating that they are doing nothing while they know that their pension income will be insufficient. This compares to only 6% of people who are married or in a registered partnership. This is in line with previous research, which shows that single people more often have a minimal second pillar pension or none at all.[83]

Another group that stands out are Dutch people receiving social benefits. An above-average percentage indicate they know that their pension income will be insufficient, but they are not doing anything about it. This applies to 17% of people on incapacity benefit and to 15% of people on unemployment benefit. This can also be easily explained. These groups do not accrue a second-pillar pension during the years they are not working and usually do not have the financial means to save within the third pillar.

[83] Muns and Van Soest, 2023.

Figure 5.10 Dutch people with certain background characteristics who know that income will be insufficient after retirement and do nothing, in %

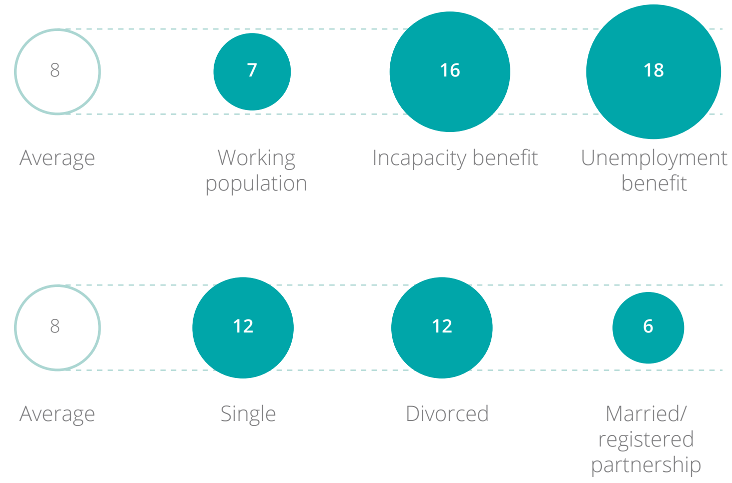
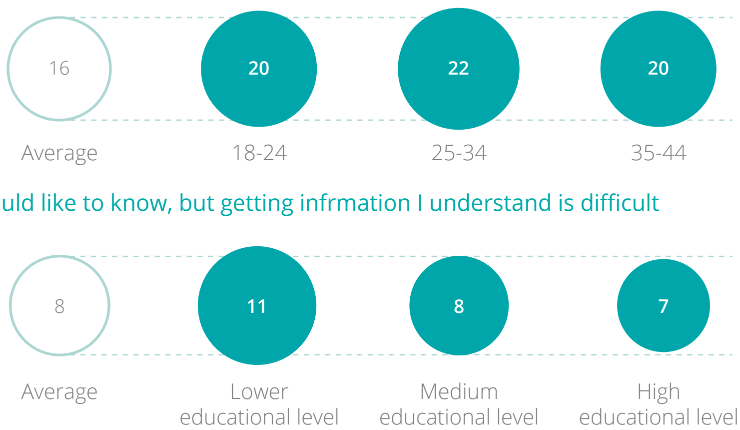


Figure 5.11 Dutch people with certain background characteristics with less insight into their income after retirement, in %



Nearly a quarter of Dutch people have no insight into their income after retirement

Besides the groups that do have insight into their household's income after retirement, there is also a group (24%) that has no insight. Two-thirds of this group indicate that they do not give much thought to their pension and therefore have no insight. In this group, too, we see that people with a below-average income and singles are overrepresented. The age groups 18-24 (20%), 25-34 (22%) and 35-44 (20%) are the ones who most often indicate that they do not give much thought to their pension. Younger people may view retirement as a matter in the distant future. It is therefore important to engage these groups and activate them to get their pension sorted.

There is also a group that would like to know, but finds it difficult to get information they understand. This applies to 8% of the Dutch population. This is not surprising, as previous research shows that people often find it hard to understand simple information about their pension.[84] Once again, lower income earners (11%), people with a low level of education (11%) and singles (11%) stand out negatively. Divorcees (7%) and widows/widowers (7%) are less likely than average to indicate that they find it difficult to gain insight into their pension.

Again, the group of people with paid work deserves a closer look. They do not immediately stand out negatively, but 8% of Dutch people with paid work also indicate that they do not know how to get information about their pension income. Employers and pension administrators may therefore have a role to play here, by supporting their employees/members and (more actively) informing them about their pension. People on benefits more often say they do not know how to find out whether their retirement income will be sufficient than people with paid work. Of people on unemployment benefit, 13% indicate this along with 10% of those on incapacity benefit. People in situations like these seem to find it relatively difficult to gain insight into their pension. This is where government agencies could play a role.

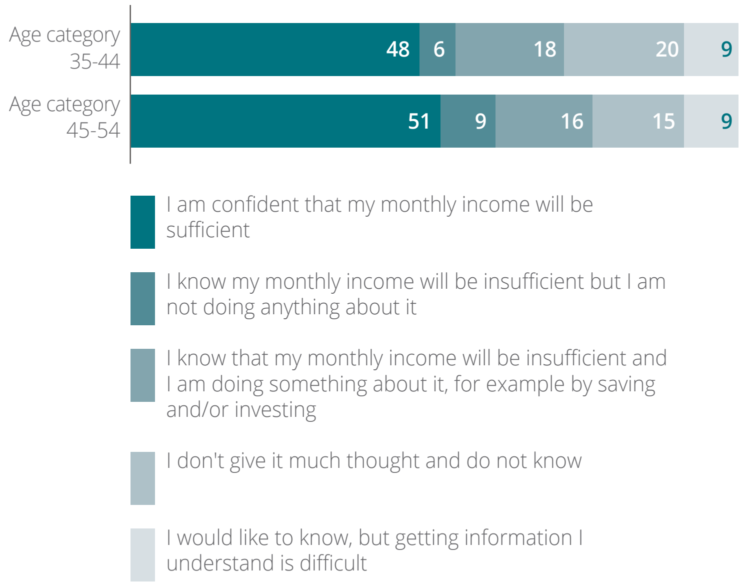
[84] Van Hekken, Hoofs and Brüggen, 2022.

People in their forties and the pension gap as a result of the transition

In the debate on the pension transition, a topic that pops up frequently is the 'pension gap' for people in their forties. This is a potentially vulnerable group and therefore interesting to examine more closely. In the Future of Pensions Act, there is no longer a redistribution of capital from younger to older workers. This means that pension accrual becomes more important at the beginning of one's career and less important at the end.

Yet the urgency of this issue does not yet seem to have sunk in for all 35 to 54-year-olds[85]. We already saw above that 20% of 35 to 44-year-olds indicate that they do not give much thought to their pension. This is above average (16%) and moreover, it is an increase of 3% compared to 2021. The extensive media coverage and the communication efforts of pension administrators and the regulator do not seem to have spurred this group into action in recent years. In the group of 45 to 54-year-olds, the share of people who indicate that they do not give much thought to their pension is lower (15%) and has remained stable. In both age groups, 9% (versus 8% on average) find it difficult to gain insight into their pension income. They simply do not know whether their pension will be sufficient. These groups must be actively encouraged and helped to gain insight. Meanwhile, 18% of 35 to 44-year-olds and 16% of 45 to 54-year-olds who know that their pension income will be insufficient say they are doing something about it, for example by saving or investing. The good news is that this group still has a number of years to supplement their pension income. At least they have the opportunity to improve their situation. On the other hand, 6% of 35 to 44-year-olds and 9% of 45 to 54-year-olds (compared to an average of 8%) indicate that they know that their pension income will be insufficient and do nothing about it. These results seem to confirm people in their forties have work to do.

Figure 5.12 Household income forecast after retirement date of age categories 35-44 and 45-54, in %



[85] In our research, people in their forties are spread across two age categories: 35-44 and 45-54. For these insights we therefore examined the results for both age categories.

Pension transition offers new opportunity
With the pension transition in sight, more than half of the Dutch population is not confident that their income will be sufficient after retirement. The reasons for this vary: from deliberately not taking action to finding it difficult to find out. This is not surprising, but it does underline the importance of supporting and activating Dutch people when it comes to retirement. Too many Dutch people do not give much thought to their pension. Although the pension transition involves risks, there are also opportunities. The right choice guidance, active targeting of risk groups and tailored communication can help to raise pension awareness in the Netherlands.

Pension providers have an important role to play in informing members. Employers, however, can also contribute significantly. Their role goes beyond just informing employees: basically, employers have a responsibility to guarantee an Adequate pension scheme. In turn, when entering into an employment contract, the Dutch would do well to devote more attention to one of the most expensive employee benefits we have in the Netherlands: pension.

5.5 Financial emancipation takes time

Still large differences between men and women
In 2021, we highlighted the large differences in financial health between men and women, and the financial emancipation needed to improve women's financial position. Our results show, however, that an emancipation process like this takes time. In some respects, the gap between men and women has even widened, although it is narrowing slightly in others.

As many as 65% of women scored in the health level Vulnerable or Unhealthy, versus 55% of men.[86] In both cases, this is more than 10% up on 2021 (see Figure 5.13). Meanwhile, we see that the percentage of financially Unhealthy women has risen faster than the percentage of financially Vulnerable women, while the opposite applies to men. As in 2021, men score better than women in four of the five domains – again, women's subscore is better only in the Borrowing domain (Figure 5.14).

Figure 5.13 Financial health levels by gender in 2021 and 2022, in %

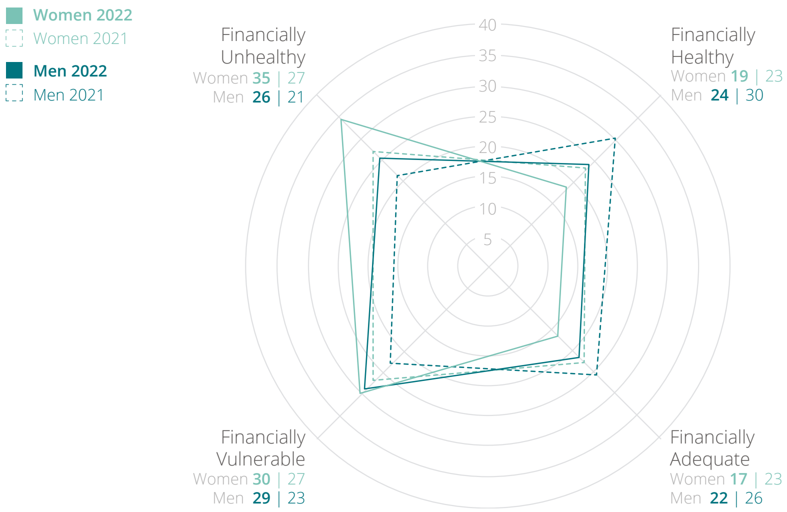
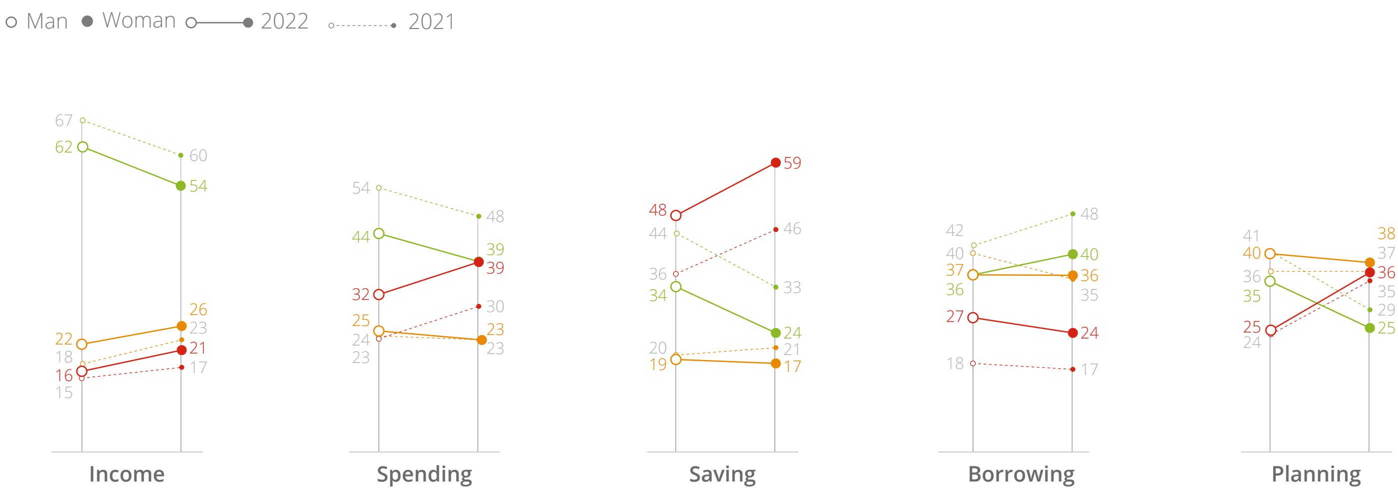


Figure 5.14 Subscore by domain by gender in 2021 and 2022, in %



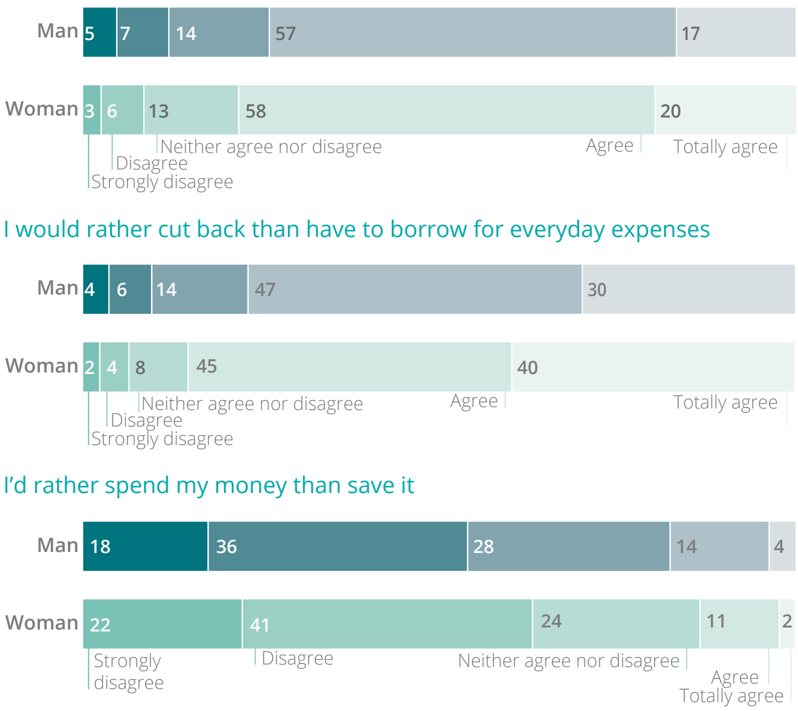
[86] The questions in our research are directed partly to the household and partly to the individual (e.g. household spending versus attitude questions). A consequence is that in comparing men and women, we need to allow for the fact that results may be influenced by other household members. For example, a woman with a male partner may base her answers partly on their shared finances. As a respondent, she belongs in the subgroup women, but her answers represent her and her male partner (and vice versa for a male respondent). At the same time, of course, there are also one-person households where this effect is absent. Despite this bias we see significant differences between male and female respondents.

Women's attitude more positive

Although women have a harder time financially than men, we see that women show more positive characteristics in attitude. For example, 85% of women indicate that they would rather cut back than have to borrow for everyday expenses compared to 77% of men. Besides, 78% of women say they take into account things they will have to pay in the forseeable future, compared to 74% of men. And vice versa, 63% do not agree that it feels better to spend money than to save, compared to 54% of men. We must bear in mind, though, that attitude does not determine actual behaviour. In practice, as said, the financial situation of women is often less favourable than that of men.

Figure 5.15 Financial attitude by gender, in %

I take into account things that I have to pay in the foreseeable future



Cautious shift in income level

Looking at facts on the ground, we see that in terms of income, a very cautious shift towards more equality has started. Men still have a higher income than women, but the difference in the highest income groups – earning more than twice the average – is decreasing. This is not only because the percentage of men in these groups has remained about the same (from 45% to 42%), but also because the percentage of women has actually increased (from 30% to 34%). Although the lowest income groups also show a slight shift, it is still women who more often earn less than average: 37% (in 2021: 38%), versus 27% of men (in 2021: 26%).

When asked about their situation in terms of type of income, a larger group of women than last year answered that they have paid work[87] (an increase from 64% to 66%). At this point they have caught up with men, because the percentage of men in paid work remained the same at 66%. At the same time, we see that women more often than men indicate that they live on benefits as a result of (long-term) illness and/or disability (8% of women versus 4% of men).

When it comes to the level of income in the past twelve months compared to previous years, men (2021: 19%, 2022: 21%) significantly more often reported that their income was (much) higher compared to women (2021: 19%, 2022: 18%). However, in terms of income predictability, men have seen their situation deteriorate faster than women. In 2021, 63% of men could still predict their income for the next twelve months, in 2022 this was only 51%. For women, that percentage dropped from 55% in 2021 to 49% in 2022. Men were therefore still slightly more often in a position to predict their income for a longer period of time than women, but the difference is smaller than in 2021.

Women had a harder time financially than men

Men are still more likely than women to indicate that their household can manage on its income: 68% of men indicate that their household has spare cash, compared to 61% of women. In both cases, this is a decrease of 6% compared to 2021. Women, correspondingly, are more likely than men to indicate that it is currently[88] (very) difficult for their household to make ends meet: 21%, versus 15% of men. In 2021, these percentages were much closer together: for both men and women this was around 12%. Women are also more likely than men to report that they had a (very) hard time due to rising prices (24%, versus 19% of men). They are significantly more likely than men to say that the price increases for daily groceries affected their financial situation (45%, versus 37% of men), while men cite the increase in gas, water and electricity prices more often than women (33% versus 29% of women). Women were more likely than men to adjust their behaviour to cost increases (86%, versus 79% of men). The above results show that women had a harder time financially than men in 2022.

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[87] Dhis percentage applies to the total group of respondents aged 18 and over, including over-65s. The category also includes respondents with paid work in combination with a state pension, a benefit or student finance.

[88] 'Currently' refers to the time that the respondent filled in the questionnaire (October 2022).

Financial knowledge and insight of women hardly grown

In 2021, we found that women have less knowledge of and insight into financial matters than men. We suggested that women would do well to take more interest in their financial situation and, by doing so, gain more self-confidence regarding financial matters. In terms of knowledge, however, little has changed, and women still seem less certain about their financial knowledge than men. Just as in 2021, women not only give themselves a lower score for their financial knowledge – they more often give themselves a 7 or lower, while men more often give themselves an 8 or higher – they actually more often answer the three financial knowledge questions incorrectly.[89, 90] A slight improvement can be seen in the rising percentage of women who answer the question about inflation correctly compared to 2021 (from 64% to 72%).

When it comes to knowledge of investing, we see that 12% (2021: 13%) of women indicate that they do not know how to invest, versus 6% (2021: 5%) of men. Interestingly, women do more often have insight into their household's consumer debts than men: 70% of women have (full) insight, compared to 66% of men. On this issue, the difference between men and women has actually grown, which is entirely attributable to men. Men's scores have declined faster than women's: last year, 71% of men had (full) insight into their household's consumer debts, while the percentage of women with that knowledge was also 71%.

Women are still more likely to make short-term plans when they plan ahead financially, while men are more likely to plan for the longer term. Here, too, the gap has even widened slightly. However, there are fewer men and women who say they do not make any financial plans at all: 26% of men (2021: 34%) and 29% of women (2021: 33%).

Mixed results on confidence and worries

In addition to the points of concern regarding knowledge and self-confidence, we saw in 2021 that women felt less confident across the board and were more worried about their finances. In 2022, the results were much more mixed. For example, the gap between men and women narrowed when it comes to worries about their households' consumer debts. Worth noting is that women are just as often very worried as in 2021 (9%), while we see a clear increase in men who are very worried (from 6% to 10%). Meanwhile, the percentage of men who are not worried at all has fallen faster (from 57% to 44%) than that of women (from 52% to 43%). Men do still feel more certain than women that they will pay off their household's mortgage debt on time (47% versus 41%), but when it comes to their student loan, the gap has narrowed; 46% of men are (very) certain while 43% of women are.

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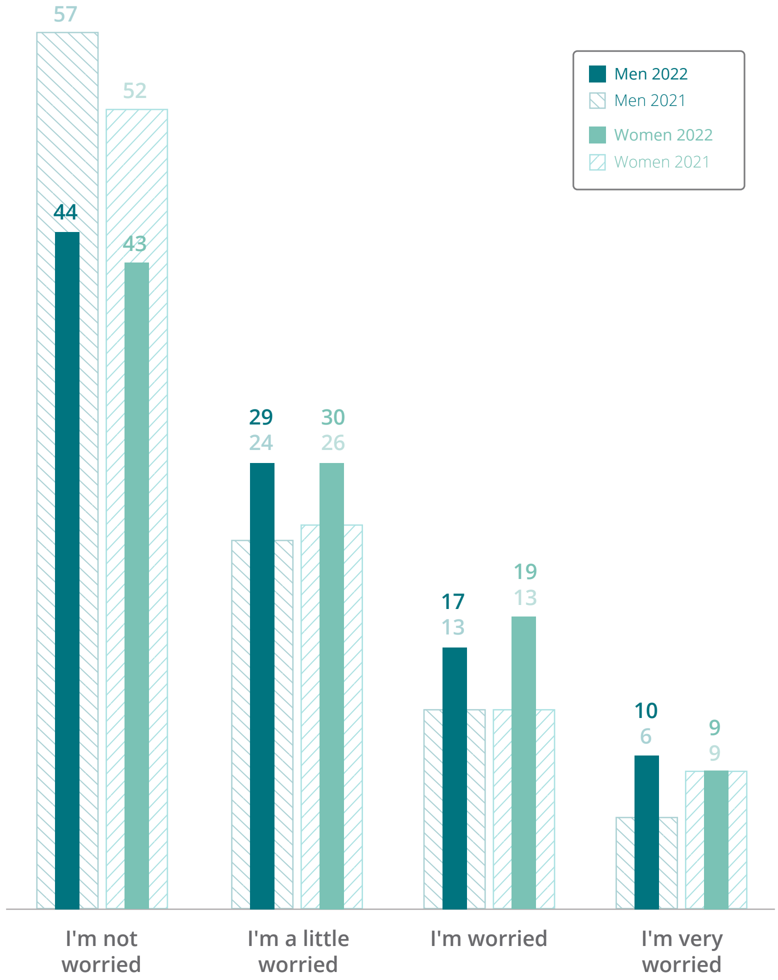
"There are clear differences in the financial health of men and women. Men are on average financially healthier. This is not only because men (still) more often have a higher income, but also because they plan more for the long term. These findings show that to narrow the financial health health gap between men and women, we need to focus not only on incomes but also on boosting women's self-confidence when it comes to financial matters. A comparison with last year shows that the male-female differences have hardly changed. Financial emancipation is slow to take off."

[89] See also Zander, Höhne, Harms, Pfost and Hornsey, 2020.

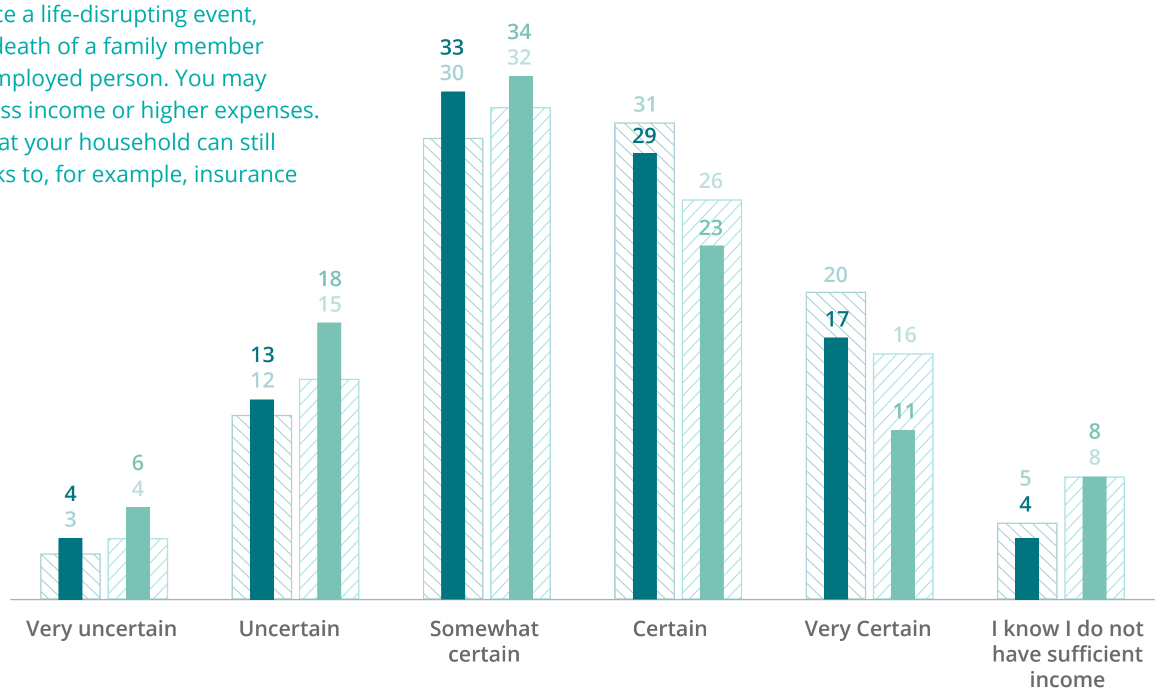
[90] Bucher-Koenen et al., 2021. According to this study, the combination of less knowledge and less confidence in one's own knowledge also largely explains why women less often invest than men.

Figure 5.16 Financial concerns and uncertainty by gender in 2021 and 2022, in %

How long do you think you will need to pay off your household's debts without changing your lifestyle? Disregard any mortgage or student loan you may have.



Suppose you experience a life-disrupting event, such as a divorce, the death of a family member or disability as a self-employed person. You may suddenly have much less income or higher expenses. How certain are you that your household can still make ends meet, thanks to, for example, insurance or savings?



Women are still less certain than men that they have made good financial plans for retirement: 29% of women are (very) certain about this, versus 40% of men. These percentages are down on 2021 (32% and 45% respectively). The gaps seems to have narrowed slightly, but the percentage of women who are (very) uncertain about this has risen more sharply (from 13% to 17%) than that of men (from 10% to 12%). Women have also become more uncertain that they can financially cope with a life-disrupting event, such as a divorce or the death of a family member: 25% of women are (very) uncertain about this, versus 17% of men. This uncertainty has increased compared to 2021, when it was 19% and 15% respectively.

Still much to be done

What can be concluded now, after an economically difficult year in which the financial health of both men and women has deteriorated? In short, there is still much to be done. The situation has become less clear on a number of points, but broadly speaking, the differences between men and women are still considerable. And where the gap has narrowed, this is also because men have fared worse in certain aspects, and not because women have really caught up. The fact that women seem to be more affected by the deteriorating economic situation is indicative of the persistent differences that exist between men and women. When it comes to improving the financial position of women, organisations in the financial health ecosystem still have an important role to play. Women's lagging financial health is a problem that cannot be solved overnight. Equal pay and equal opportunities can enable women to catch up. On the positive side, women on average basically seem to have an attitude that contributes to good financial health. If the right conditions are created, this will give them a head start in improving their financial health. Providing active support is a shared responsibility of not only governments, educational institutions and financial institutions, but also employers.

5.6 Relationship between financial health and financial knowledge; possible overestimation of financial knowledge is an issue of concern

In addition to behaviour in the five domains (Income, Spending, Saving, Borrowing and Planning), other factors also play a role in financial health. In our research, we therefore also looked at financial knowledge and skills, as already discussed in previous paragraphs. By financial knowledge and skills we mean the extent to which people are able to understand financial products and make informed decisions. This, in turn, is a matter of having the right knowledge and skills, such as an understanding of risks. People with a lower level of financial knowledge and skills are not necessarily financially Unhealthy, but in this research it seems to be one of the factors that make people more likely to be less financially healthy.[91]

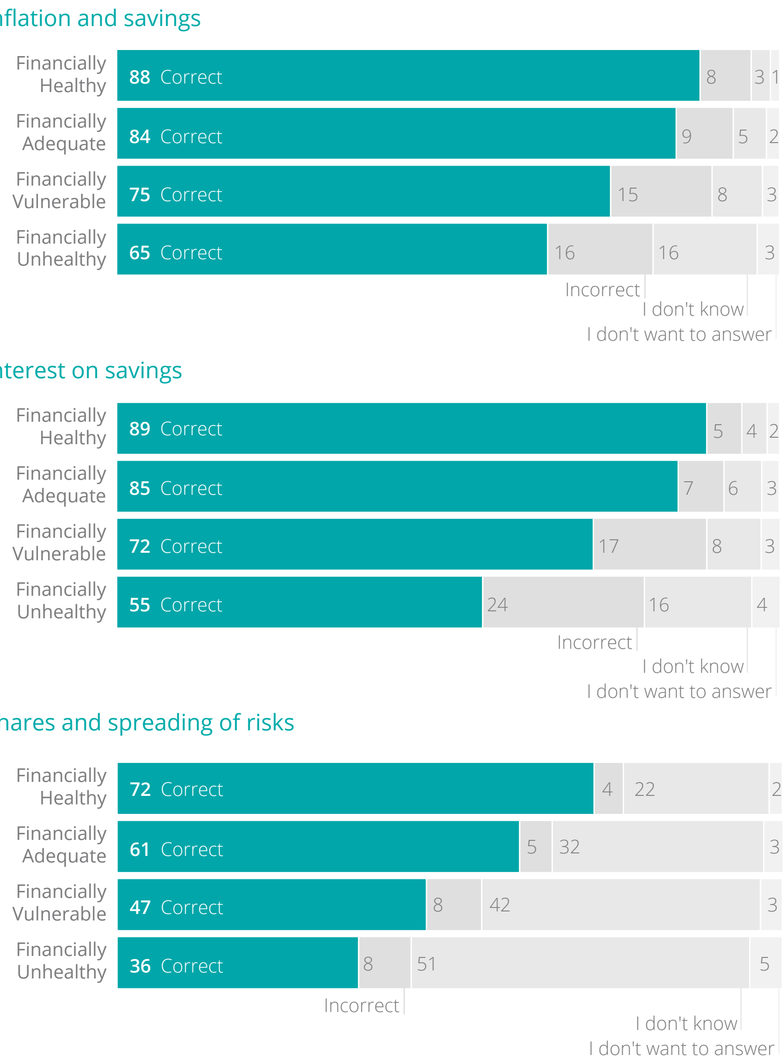
Sound financial knowledge and skills are therefore an important basis for financial health. They give people more opportunities to balance and maintain their household's finances in the short and long term. By analysing patterns related to financial knowledge and skills, we have gained more insight into the points of concern that we see in this area. Players within the financial health ecosystem, by actively addressing these points of concern, can help to improve financial behaviour in the long term. So what are these points of concern that we see in our research?

Positive correlation between financial knowledge and financial health

To determine respondents' level of knowledge, we included knowledge questions in the questionnaire (see Figure 5.17). The more financially healthy people are, the more often they give the right answers to these questions. For example, the question about the value of savings in connection with inflation is answered correctly by 88% (2021: 85%) of the financially Healthy group. Of the financially Unhealthy group, only 65% (2021: 54%) give the correct answer. Overall, financially Unhealthy people more often indicate that they do not know the answer to the knowledge questions. When asked about the risks associated with investing, 51% (2021: 52%) of the financially Unhealthy respondents indicate that they do not know the answer, compared to 22% (2021: 20%) of the financially Healthy respondents.

In 2021, we also had to conclude that the financially Unhealthy group more often answered the knowledge questions incorrectly. The financially Unhealthy group did, however, do some catching up: compared to 2021, the gap between the Unhealthy and Healthy groups has become slightly smaller.

Figure 5.17 Financial knowledge questions and financial health levels in 2022, in %



[91] See also Fernandes, D., Lynch Jr, J. G., & Netemeyer, R. G. (2014). Financial literacy, financial education, and downstream financial behaviors. Management science, 60(8), 1861-1883. One of the observations here is that people who are less financially literate are less likely to make good financial decisions. This does not mean, however, that improving their financial literacy alone will result in people becoming financially healthier or making better financial decisions. Other (psychological) effects are also at play here.

If we zoom in on the background characteristics of the people who answer the knowledge questions incorrectly, we do indeed see many characteristics of the financially less healthy groups. On average, women, 18 to 24-year-olds and people with a below-average income score less well on knowledge questions. Men, Dutch people over the age of 55 and people with high incomes more often give the right answer. We see similar results, as in 2021, when it comes to educational level. Across the board, the higher a respondent's educational level, the more often they answer the knowledge questions correctly. For example, of respondents with only primary education, just four in ten give the right answer to the knowledge question about saving and inflation. More than eight in ten of the most highly educated people give the correct answer.

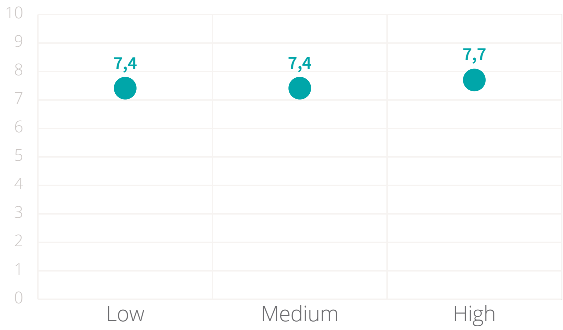
Dutch give their own knowledge and insight a score of 7.5

To get a good idea of respondents' financial knowledge and skills, we looked not only at their scores on the knowledge questions – the 'hard' figures – but also at how the Dutch assess their own knowledge and insight.

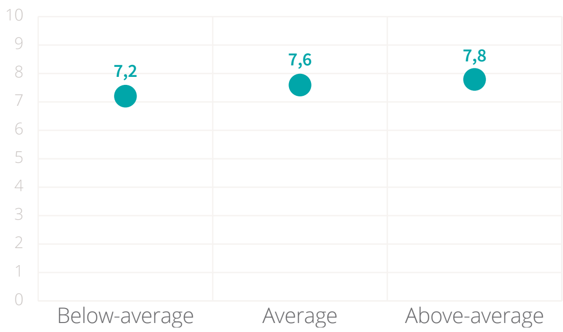
On average, the Dutch are fairly confident when it comes to their knowledge of, and insight into, financial matters, giving themselves a score of 7.5. Most people give themselves a 7 (24%), 8 (33%) or 9 (18%). However, if we zoom in on the financial health levels, the differences are considerable. While the financially Healthy households give themselves an 8.4 on average, the financially Unhealthy households give themselves a 6.9 on average. Of the financially Healthy group, 47% even give themselves a score of 9 and higher. The same pattern emerges when we look at the background characteristics (see also section 5.2 and section 5.5 of this chapter). For example, women (7.4) give themselves a lower score than men (7.7), people with a below-average income (7.2) give themselves a lower score than people with an above-average income (7.8) and people with only primary l education (7.0) give themselves a lower score than people with a university degree (7.7).

Figure 5.18 Scores on the knowledge of, and insight into, financial matters in 2022 by background characteristic, in %

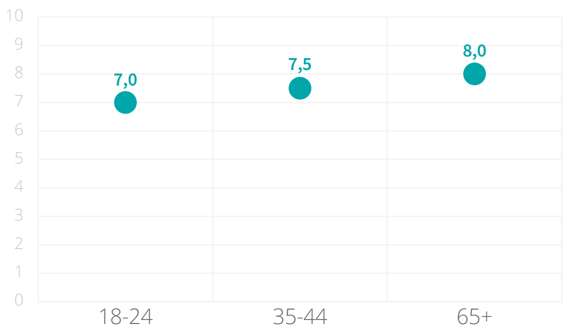
Educational level



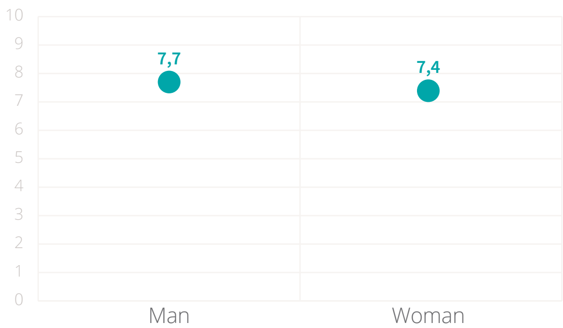
Income



Age category



Gender



[92] ???

Certain groups may overestimate their own knowledge and understanding

Interestingly, groups that more often answer the knowledge questions incorrectly still give themselves a satisfactory score on average. Apparently, these groups are not necessarily aware that they lack certain knowledge. Or they may know that they lack certain knowledge, but do not see that as an obstacle to understanding their own finances. The latter is clearly visible, for example, in the group of 18 to 24-year-olds. Although they gave themselves the lowest score compared to the other age groups in 2022, they still rate their knowledge and insight at an average of 7.0 (2021: 6.9). At the same time, we see that they are significantly more likely to give wrong answers to the knowledge questions. When asked about the value of savings in relation to inflation, only 47% (compared to an average of 76%) give the correct answer. The other 18 to 24-year-olds give the wrong answer (38%), indicate that they do not know the answer (14%) or do not want to answer the question (2%). They also feel powerless much more often when it comes to their financial situation than older age groups (29% versus 15% on average). At the same time, we see that, despite this age group giving themselves an average score of 7.0 on financial insight and knowledge, 24% indicate that they do not rely on their own skills to get a grip on their finances.

We also see this trend with divorcees. While they give themselves an average score of 7.5, they remarkably often indicate that they do not know the answer to knowledge questions. For example, 46% (versus an average of 39%) indicate that they do not know the answer to the question about the risks associated with investing. In addition, 20% (versus on average 14%) of this group indicate that they are not able to manage their financial affairs properly. 28% (versus an average of 15%) feel powerless when they think about their financial situation. Dutch singles seem a little better at assessing themselves. Singles gives themselves a slightly lower grade than divorcees (7.2), but they, too, more often than average indicate that they do not know the answer to the knowledge questions. The opposite is the case with people who are married or in a registered partnership. They give themselves an average of 7.7 and often give the correct answer. In this group, 83% (versus an average of 76%) and 79% (versus an average of 73%) of the respondents give the right answer to the two knowledge questions about saving. In line with this, they are also more likely to report feeling in control of their finances (77% versus an average of 69%).

"In the Netherlands, it is increasingly up to individuals to assure themselves of an income now and in the near or distant future. Financial health is more relevant than ever, with inflation and energy prices surging due to global instability.

This research shows that people who have (more) financial knowledge and skills stand a better chance of being financially healthier. Insurers and other financial institutions can help people to make well-considered financial choices in their lives that align with their goals. By helping people gain deeper and broader insight into their financial situation, these parties can contribute to greater financial awareness in our country. Ways to achieve this include offering tooling (such as a digital household budgeting tool), but also facilitating and normalising conversations about finances and debts. A good start is to identify financial problems early on and offer practical solutions.

Providing product and service information that is understandable and easy to find can also do a lot to improve people's financial knowledge. In addition, we see the importance of offering people sound guidance in relation to various (difficult) financial choices, in a way that suits their needs. For this purpose, financial institutions can obviously draw on their own resources, but they can also use their network to ensure that people receive the guidance that suits them."

Vulnerable groups need extra support

Our research , in line with other studies, seems to establish a link between financial health and financial knowledge and skills. There are several subgroups with financial health issues that also seem to lag behind when it comes to financial knowledge and skills. Another significant finding is that the Dutch may overestimate their financial knowledge. If people are not aware of their lack of financial knowledge, they may not seek help in time or be open to help at all. Possibly, they assume that they understand finance, or they do not consider it important for their financial health. When interacting with households, organisations need to pay extra attention to supporting vulnerable groups. In doing so, it is important to keep in mind that these groups seem to overestimate their own knowledge and skills. New ways of reaching these groups may have to be sought. Efforts in this area should focus not only on support with financial knowledge, but also on helping to improve financial skills.

Finally, we would like to draw the attention of organisations to the fact that our research has been conducted online and in Dutch. As a result, the research does not include certain groups that may be extra vulnerable, such as people with low literacy, low computer skills and/or a low command of the Dutch language.[93] These groups may therefore also need extra attention and support when it comes to financial knowledge and improving financial skills. For these groups, tailoring the aid to their needs is even more important. For example, people with low computer skills will often be unfamiliar with existing forms of help, because communication about them usually takes place through digital channels.

[93] See for example DNB, 2023b.

6. Recommendations

In 2021, we conducted research into the financial health of Dutch households for the first time. We found that the Netherlands still had a long way to go in this area, but we were hopeful that, with the actions initiated by partners in the financial health ecosystem and the relaxation of covid restrictions, we were on our way to a financially healthier Dutch population. Little did we know at the time that a series of major events awaited us, which would have a significant impact on society, the economic situation worldwide and on individual Dutch households.

The fact that the results have deteriorated this year is no surprise, but it once again shows how important it is for Dutch households to be financially resilient. Indeed, the extent to which a household can absorb financial shocks is a crucial factor for its financial health. Recent events have further highlighted the need for resilience.

Positive steps taken, but additional help still necessary

The players in the ecosystem have not been idle over the past year. For example, further research[94] has been done into aspects of financial health, and awareness campaigns have been set up, such as the campaign *'Grip op je geld'*.[95] As part of this campaign, an action plan was developed for a special 'energy aid route'. Furthermore, the National Financial Health Coalition (NCFG) has been established, which aims for a 50% reduction in the number of financially inadequate and unhealthy households by 2030.[96, 97] In addition, progress has been made with measuring financial health. For example, Nibud has launched the *Financiële Gezondheidscheck*,[98] a low-threshold test that people in the Netherlands can use to get an idea of their financial health. Organisations can also offer this Financial Health Check to their customers or employees.

Despite these positive steps, a look at the research results shows that extra help is still necessary. Of course, within their own possibilities, the Dutch also have their own responsibility, but not all elements that touch on financial health are entirely within their sphere of influence. It therefore remains essential for all partners in the ecosystem to take steps together in providing support to people in our country who need it.

The results of our research offer some starting points for providing the necessary help effectively. In line with these insights, we have formulated some recommendations for organisations within the financial health ecosystem. This ecosystem is broad and encompasses everything from government bodies to educational institutions and from retailers to financial institutions.

Recent events have again underscored the need for financial health

[94] See for example Healthy Society (2022) and L. de Gelder, S. Harchaoui (2021).

[95] The 'Grip op je geld'-campaign is a joint effort of several energy companies with Nederlandse Schuldhulproute and SchuldenLabNL (https://nederlandseschuldhulproute.nl/campagne-grip-op-je-geld-van-start-met-actieplan-voor-speciale-energiehulproute).

[96] This is a public-private coalition of organisations that, in their capacity as employers, are committed to building a financially healthy Dutch society (https://ncfg.nl).

[97] These are the terms used by the NCFG for financially Vulnerable and Unhealthy households.

[98] See Financiële Gezondheidscheck (https://financielegezondheidscheck.nibud.nl).

Make use of the momentum

As we pointed out in our introduction, financial health became a hot topic in 2022. Not only for organisations within the ecosystem of financial health, but also among the Dutch themselves. Indeed, everyone in the Netherlands was talking about financial health, not only those who were already more financially vulnerable. Where years ago, society was mainly focused on physical health, the pandemic broadened the conversation to mental health, and now we see that the developments of 2022 have added financial health to the agenda. This creates a unique momentum. Greater openness about financial matters can encourage Dutch people to actively work on improving their financial health and to be more open to initiatives in this area. It is now up to ecosystem partners to make use of this momentum by, for example, providing people with more in-depth knowledge and tips to improve their financial health. A step in the right direction would be to at least enable people to access the support they are entitled to (e.g. allowances and subsidies). This can increase people's self-reliance, potentially creating engagement that was often lacking before. It is therefore important to continue to encourage the new openness of the past year.

Take financial health collaboration to the next level

In 2021, we already indicated that financial health is a broad social topic that is not only the responsibility of the government, an organisation or a particular sector. It is a shared responsibility of all organisations that can in any way influence the financial behaviour and the financial environment of the Dutch population and therefore need to take action. As described above, the ecosystem is clearly maturing. More and more organisations feel the responsibility and take initiatives to contribute to financial health. This is positive, but the developments of the past year and the results of our research show that more is needed.

We see that the pace of events is accelerating and that faster intervention is necessary. This calls for a more flexible ecosystem, in which organisations can reach out to each other directly. The Temporary Energy Emergency Fund is an example of a public-private partnership that has swiftly addressed an urgent problem. Right now, the ecosystem already offers Dutch households a range of options, from allowances and emergency assistance to coaching. If we want great initiatives like this to succeed, it is important to continue to look critically at their effectiveness and accessibility: does the initiative really address the problem at hand, and does it enable people to find the right resources?

Work on long-term preventive solutions

Our research shows that by far not all Dutch households are financially healthy. The consequences can be mild, in the case of people who could do better at financial planning, but they can also be more serious, as with Dutch households that are no longer able to pay necessary living expenses. These households need immediate support. Various organisations are responding to their needs, for example food banks.[99] Indeed a necessary initiative, but in the longer term the underlying causes must be addressed as well. In a prosperous country like the Netherlands, there should be little need for food aid. Prevention must take priority in efforts to improve financial health. A good example of this is making homes more sustainable, which can structurally reduce energy costs. That said, however, the sustainable transition must be inclusive. More financially vulnerable households, in particular some households in rented housing, should also be given the opportunity to be part of this transition. In other words, the organisations involved need to think about ways to make the transition more affordable and inclusive, so that more vulnerable households are not left behind.

[99] See Voedselbanken Nederland (https://voedselbankennederland.nl).

Making the sustainability transition more inclusive is a practical example of preventive measures that can have a long-term effect. If we look at the bigger picture, we must also pay attention to people's self-reliance, as we said before. In recent years, for example, various measures have been taken in the Netherlands to support people in difficult times. The question is how long such measures can remain in place without losing public support. Organisations must therefore help Dutch households to better prepare themselves for financial setbacks. They need structural assistance to increase their self-reliance, for example by helping them develop the skills to arrange and maintain a grip on their own finances. Skills like drafting sound financial plans and making conscious choices about matters such as retirement. Such assistance lays a foundation on which to build financial resilience in the short and long term, so that governments or other organisations no longer need to provide reactive (short-term) support. The ecosystem's focus should therefore be on structurally increasing people's self-reliance. This will free up more time and resources in the longer term to provide timely assistance to Dutch households that lack the opportunities and the resources to improve their own financial health.

Put financial health at the heart of the organisation

The dialogue about financial health often focuses on the extra initiatives that organisations set up to support the Dutch public, but such initiatives can also make a difference within their own organisation. This is not to say that additional initiatives targeting society are not necessary, but it pays to critically examine the organisation's own products and services for customers and its role as an employer. What is the impact of all this on the financial health of households? Has supporting financial health been put at the heart of the organisation or are there certain aspects that actually detract from financial health? Organisations need to look at the bigger picture here. For example, to what extent does the organisation cooperate with other organisations, and what impact do these organisations have on financial health? Regardless of the sector in which the organisation operates, it must carefully consider this social responsibility and the actions that should follow from it.

Looking outward, at how they position their own products and services to customers, organisations need to determine their message and actions regarding financial health. People sometimes need extra help or a specific approach, and sometimes they need to be protected from their own irrational behaviour. This may mean that certain products or services are not offered to some people, because they are unable to properly understand them or assess their risks. Alternatively, an organisation can also take extra care to inform people of the risks associated with certain processes, for example buying on credit.

Looking inward, at their role as an employer, organisations need to ask themselves whether they are creating the right conditions for their employees to be financially healthy. For example by paying adequate wages, creating a safe environment where financial problems can be discussed, and offering help where necessary. It is important for employers to think about their impact on the financial health of their employees. They can start by measuring the financial health of their employees, drawing up an action plan and energetically implementing it. They can also learn from each other, for example through initiatives such as the NCFG.

In short, if as an organisation you want to contribute to the financial health of the Netherlands, look inwards and critically examine your own impact on the financial health of your employees and the rest of the Dutch population.

Increase financial knowledge and skills, starting with the younger generation

In our research, we found that financially Healthy respondents more often correctly answer knowledge questions about financial matters. Groups in society that are doing less well financially also seem to have less of this knowledge. Cases in point are 18 to 24-year-olds and women. Lack of basic financial knowledge and skills does not contribute to financial health and self-reliance. Such knowledge and skills are currently hardly taught in schools, if at all. They may not always get sufficient attention at home, either. And parents are not always able to set a good example. In addition, the Dutch may overestimate their financial knowledge. If people are not aware of their lack of financial knowledge, they may not seek help in time or be open to help at all.

This means that those lacking the necessary financial knowledge and skills need effective and proactive help from the ecosystem. What we ultimately want is for people not to end up in a vulnerable position in the first place. One way to achieve this is by teaching them the right knowledge and skills early in life. Financial knowledge and skills should therefore be made part of the curriculum, both in primary schools and in secondary and further education. By passing on the right knowledge and skills, we will give young people a firmer foundation on which to build a financially healthier life.

From a preventive point of view, the focus is on the younger generation, but support is beneficial for older generations, too. Active and targeted efforts are needed to educate people on major developments, such as the pension transition. Therefore, our 2021 recommendations are still relevant.

Closing remarks

Deloitte's global goal is to make an impact that matters on society as a whole. We believe that we can make the biggest difference by sharing our core competencies, our knowledge and our network in social initiatives. It is with these ambitions and beliefs in mind that we strive to make an impact on the financial health of the Netherlands.

At Deloitte, we conduct annual research into the financial health of the Netherlands. Our aim is to help create awareness, highlight changes, and point out possible points for improvement in Dutch society. In the coming years, Deloitte will maintain its active commitment to financial health by driving new and existing initiatives, pooling and sharing knowledge and giving partners a platform to connect on the issue of financial health.

Finally, this report is the product of collaboration between various parties committed to improve the financial health of the Netherlands. Collaboration like this – but broader – is what we have in mind as we reach out to the wide range of organisations in the financial health ecosystem. We would like to thank all parties involved for their help in writing this report. With your feedback and commitment, we have brought our shared ambition to improve the financial health of the Netherlands a little closer.

Together, we have started restoring balance!

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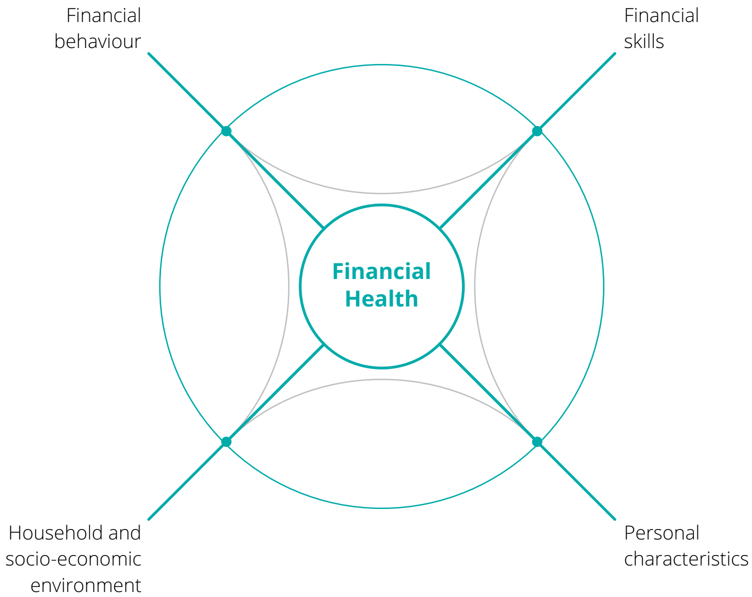
Annex 1 - The conceptual model



In section 2.1 we indicated which definition of financial health we use. To be able to measure financial health, we have determined on the basis of literature research which components have an impact on financial health. This then allowed us to determine which main categories (and underlying components) need to be tested in order to be able to make a statement about the financial health of a household or individual. The figure above shows the resulting conceptual model.

Financial behaviour

Research[100] shows that financial behaviour has a direct effect on financial health. What matters is the actual behaviour that people show: for example, how much do people actually save or borrow?

Financial skills

By financial skills we mean the extent to which people can understand financial products and make informed decisions. This is about whether they have the right knowledge and skills, such as financial literacy and understanding of risks. The literature shows that there is a relationship between financial literacy on the one hand and financial behaviour and financial health on the other.[101]

Personal characteristics

Personal characteristics are the qualities that people have. The conceptual model includes those characteristics that impact financial health and that have been scientifically proven to be related to financial behaviour.[102] Examples are impulsivity[103] and time orientation.[104]

Houshold and socio-economic environment

The household that someone is part of and the socio-economic environment also affect their financial health. Significant factors include the composition of the household (for example, does someone have a partner and/or children), the life events that occur and the household's income.

[100] E.g. Kempson et al., 2017; Comerton-Forde et al., 2020.
[101] E.g.Mitchell and Lusardi, 2015; Boisclair et al., 2017; Van Rooij et al., 2011.
[102] E.g. Ottaviani and Vandone, 2011; Clark et al., 2019.
[103] E.g. Ottaviani and Vandone, 2011.
[104] E.g. Clark et al., 2019.

Annex 2 - Questionnaire

1. Income

The following questions are about your household's income. This may, for example, be income from work, benefits, or renting out a home.

1.1. What is usually the financial situation of your household? My household:

a. Makes or has debts to make ends meet
b. Uses some of the savings to make ends meet
c. Makes ends meet
d. Has some spare money
e. Has a lot of spare money

1.2. How difficult or easy is it for your household to make ends meet at the moment?

a. Very difficult
b. Difficult
c. Not difficult and not easy
d. Easy
e. Very easy

1.3. Compared to your household's income in previous years, was your household's income much lower or higher, or about the same in the last 12 months?

a. Much lower
b. Lower
c. About the same
d. Higher
e. Much higher
f. I don't know

1.4. How well can you predict your household's income for the foreseeable future? Choose the answer that best suits your situation.

a. I can predict income for the next 12 months or more
b. I can predict income for the next 9 months
c. I can predict income for the next 6 months
d. I can predict income for the next 3 months
e. I cannot predict income with any certainty

2. Spending

The following questions are about your household's spending. Some spending is necessary to live, such as spending on rent/mortgage, electricity, water, groceries and clothing. In addition, there is spending that is not immediately necessary, such as spending on a holiday or a new car. This spending will be discussed later in the questionnaire.

2.1 The total spending of my household over the past 12 months was:

a. Much lower than my household's income
b. Slightly lower than my household's income
c. About the same as my household's income
d. Slightly higher than my household's income
e. Much higher than my household's income
f. I don't know

2.2 How difficult or easy has it been for your household to pay necessary living expenses, such as housing, utilities, groceries and clothing, over the past 12 months?

a. Very difficult
b. Difficult
c. Not difficult and not easy
d. Easy
e. Very easy

2.3 Regarding my household's bills:

a. I have no trouble paying them all
b. I can pay them all, but it is sometimes financially difficult
c. I can pay them all, but it is always financially difficult
d. I cannot always pay them all, so I am behind on some bills
e. I regularly cannot pay them all, so I am behind on a lot of bills

2.4 Many costs have increased in the past year, such as prices of gas and for groceries. In the past year, how did that impact you?

a. I had a very hard time
b. I had a hard time
c. I struggled
d. I had a bit of trouble
e. It did not bother me

2.5 Some people have changed their behaviour in response to rising costs. For example, they buy less or use less energy. Have you changed your behaviour?

a. Yes
b. No

2.6 Which increase in costs has had the most impact on your financial situation in the past 12 months?

a. Cost of gas/water/electricity
b. Petrol prices
c. Rents
d. Daily groceries
e. Other, namely
f. The increase in costs did not affect my financial situation

3. Saving

The following questions are about your household's savings and saving behaviour. Savings here also include investments (shares, bonds, investment funds, etc.) and extra pension savings.

3.1 Let's say your household loses its main source of income. You will still receive income from a safety net (for example unemployment benefit or disability insurance) if you are entitled to it. How long would you be able to make ends meet without borrowing money or moving?

a. 6 months or more
b. 3-5 months
c. 1-2 months
d. 1 week – 1 month
e. Less than 1 week

3.2 How certain are you that the larger expenditures that your household wants to make (for example a holiday, having your house painted, or a car) are feasible?

a. Very certain
b. Certain
c. Somewhat certain
d. Uncertain
e. Very uncertain
f. I know that larger expenditures are not feasible

3.3 If my household had to make an expenditure equal to our monthly household income tomorrow, I would:

a. be able to raise the money easily
b. be able to raise the money, but would have to change something, such as spending less
c. have to do something to raise the money, such as selling something or working extra. I would not have to borrow money
d. have to borrow, for example through a personal loan or from family/friends. I would have to pay this money back
e. probably not be able to raise the money

3.4 Which statement best describes your saving behaviour?

a. I save a fixed amount every month
b> I save every month, but the amount varies
c. I try to save money, but I cannot do so every month
d. I can only save if I have a financial windfall
e. I don’t save

3.5 Of your household’s net income (the income that your household actually receives in the bank account), how much do you save on average per month?

a. Less than €100
b. Between €100 and €500
c. Between €500 and €1000
d. More than €1000
e. I don’t know

3.6. What do you expect your household’s income to be after your retirement date?

a. I am confident that my monthly income will be sufficient
b. I know my monthly income will be insufficient but I am not doing anything about it
c. I know that my monthly income will be insufficient and I am doing something about it, for example by saving and/or investing
d. I don’t give it much thought and do not know if my pension will be sufficient
e. I would like to know, but getting information I understand is difficult
f. Not applicable: I am already retired

3.7 If your household has spare cash over a longer period of time, do you invest it? This is not about saving, but about, for example, investing in the stock market or real estate.

a. Yes, I am an active investor
b. Yes, but I don’t actively follow my investments
c. No, I know it is possible but I don’t
d. No, I don’t know how to do that
e. No, I don’t have any spare cash to invest

4. Borrowing

The following questions are about the debts that your household has. By debts we mean, for example, a personal loan, money that you have borrowed from other people and outstanding bills, but also online purchases that you have not yet (fully) paid for. These questions are not about recurring bills that you pay on time, relating to things like private lease or subscriptions.
We see mortgages and student loans as a different kind of debt. You will get separate questions about this kind of debt further on.

4.1 I have full insight into my household’s debts: the total amount, due date, and charges (disregard any mortgage or student loan you may have).

a. Strongly disagree
b. Slightly disagree
c. Neither agree nor disagree
d. Somewhat agree
e. Totally agree
f. My household has no debts

4.2 How worried are you about your household’s debts? Disregard any mortgage or student loan you may have.

a. I’m not worried
b. I’m a little worried
c. I’m worried
d. I’m very worried
e. My household has no debts

4.3 How long do you think you will need to pay off your household's debts? Without changing your lifestyle disregard any mortgage or student loan you may have.

a. My household has no debts
b. Less than 1 year
c. 1 to 5 years
d. 6 to 10 years
e. 11 to 20 years
f. More than 20 years
g. I will never pay off my household's debts
h. I don't know

The questions below are about any mortgage or student loan your household may have.

4.4 How certain are you that you will pay off your household's mortgage on time, without changing your lifestyle?

a. Certain
b. Somewhat certain
c. Uncertain
d. Very uncertain
e. I intend to repay my mortgage at the end of the term by taking out a new loan
f. I own a house but have already paid off my mortgage
g. I don't have a mortgage, I rent

4.5 How sure are you that your household will pay off the entire student loan on time, without changing your lifestyle?

a. Very certain
b. Certain
c. Somewhat certain
d. Uncertain
e. Very uncertain
f. I am still studying and do not yet know how high my loan will eventually be
g. I don't have a student loan

5. Planning

Do you think about how you spend your money? Do you make plans, also for the future? That is what the following questions are about.

5.1 How far ahead do you usually make financial plans for your household? You can select multiple answers.

a. I don't make financial plans
b. For the coming weeks
c. For the next few months
d. For the coming year
e. For the next few years
f. For the next 5 to 10 years
g. For longer than the next 10 years

5.2 How often do you make an overview of your income and expenses?

a. Every year
b. Every month
c. Weekly
d. I have an overview that I always adjust when something changes
e. I have occasionally made an overview but do not keep it up to date structurally
f. Never

5.3 How certain are you that you have made good financial plans for your retirement?

a. Very certain
b. Certain
c. Somewhat certain
d. Uncertain
e. Very uncertain
f. I have not made any plans for my retirement

5.4 How certain are you that your insurance policies adequately cover any major damage (such as burglary or water damage)?

a. Very certain
b. Certain
c. Somewhat certain
d. Uncertain
e. Very uncertain
f. I know I don't have enough coverage

5.5 Suppose you experience a life-disrupting event, such as a divorce, the death of a family member or disability as a self-employed person. You may suddenly have much less income or higher expenses. How certain are you that your household can still make ends meet, thanks to, for example, insurance or savings?

a. Very certain
b. Certain
c. Somewhat certain
d. Uncertain
e. Very uncertain
f. I know I won't have enough income

5.6 How confident are you that your household can achieve its financial goals for the future, such as buying a house or taking early retirement?

a. Very certain
b. Certain
c. Somewhat certain
d. Uncertain
e. Very uncertain
f. I know I can't reach my financial goals

6. Financial knowledge and skills

How good do you rate your knowledge and understanding of financial matters? Give a score from 1 to 10.

6.1 Suppose you have €100 in your savings account at an interest rate of 1% per year and inflation is 2% per year. How much could you buy after a year with the money in your savings account?

a). More than today
b. Exactly the same as today
c. Less than today
d. I don't know
e. I don't want to answer this question

6.2 Suppose you have €100 in your savings account and the interest rate is 2% per year. How much do you think you would have in the account after 5 years if you don't withdraw money in between?

a. More than €102
b. Exactly €102
c. Less than €102
d. I don't know
e. I don't want to answer this question

6.4 Do you think the following statement is true or false? Buying a single company's stock usually provides a safer return than a stock mutual fund.

a. True
b. False
c. I don't know
d. I don't want to answer this question

7. Attitude and character

Below are a number of general statements. Please indicate to what extent you agree with the following statements.

7.1 I am not able to handle my financial affairs properly.

a. Strongly disagree
b. Disagree
c. Neither agree nor disagree
d. Agree
e. Totally agree

7.2 I feel like I have little control over my financial situation.

a. Strongly disagree
b. Disagree
c. Neither agree nor disagree
d. Agree
e. Totally agree

7.3 When I think about my financial situation, I feel powerless.

a. Strongly disagree
b. Disagree
c. Neither agree nor disagree
d. Agree
e. Totally agree

7.4 I'm only concerned with what I have to pay right away. I'll deal with the rest later.

a. Strongly disagree
b. Disagree
c. Neither agree nor disagree
d. Agree
e. Totally agree

7.5 Because of my financial situation, I live from day to day.

a. Strongly disagree
b. Disagree
c. Neither agree or disagree
d. Agree
e. Totally agree

7.6 I take into account things that I have to pay in the foreseeable future.

a. Strongly disagree
b. Disagree
c. Neither agree nor disagree
d. Agree
e. Totally agree

7.7 I'd rather borrow money to buy things right away than save for them.

a. Strongly disagree
b. Disagree
c. Neither agree nor disagree
d. Agree
e. Totally agree

7.8 I would rather cut back than have to borrow for everyday expenses.

a. Strongly disagree
b. Disagree
c. Neither agree nor disagree
d. Agree
e. Totally agree

7.9 I'd rather spend my money than save it for unexpected expenses.
a. Strongly disagree
b. Disagree
c. Neither agree nor disagree
d. Agree
e. Totally agree

7.10 It feels better to spend money than to save.
a. Strongly disagree
b. Disagree
c. Neither agree nor disagree
d. Agree
e. Totally agree

7.11 I remain calm when faced with financial difficulties. I rely on my own skills to get a grip on my finances.
a. Strongly disagree
b. Disagree
c. Neither agree nor disagree
d. Agree
e. Totally agree

7.12 I can solve most financial problems if I put in the necessary effort.
a. Strongly disagree
b. Disagree
c. Neither agree nor disagree
d. Agree
e. Totally agree

8. Background features

Finally, we would like to ask you a few more questions about yourself. They are about you personally, unless the question clearly states that it is about your household. Your household is you and the members of your household with whom you share finances. For example, your partner and live-in children.

8.1. What is your age?
a. 18-24
b. 25-34
c. 35-44
d. 45-54
e. 55-64
f. 65+

8.2 What situation currently applies to you?
a. I have paid work
b. I have a benefit as a result of (long-term) illness or incapacity for work (WAO, WIA (WGA/IVA))
c. I have an unemployment benefit (WW, welfare)
d. I have paid work and benefits (WW, welfare, WAO, WIA (WGA/IVA))
e. I have no paid work and no benefits
f. I study and have paid work
g. I study without paid work
h. I only have state retirement pension (AOW), with or without supplementary pension
i. I have paid work and pension (AOW, with or without supplementary pension)

8.3. What is your household's main source of income at the moment?

a. Paid employment
b. Self-employed (freelancer/entrepreneur)
c. Pension (AOW, with or without supplementary pension)
d. Benefit due to (long-term) illness or incapacity for work (WAO, WIA (WGA/IVA))
e. Unemployment benefit (WW, welfare)
f. Student loan
g. Pandemic-related income support from the government (NOW, TVL)
h. Other, namely:

8.4 What situation applies to your partner at the moment? This is someone with whom you form a household. If you do not have a partner, you can indicate this below. My partner:

a. has paid work
b. only has a benefit (WW, welfare, WAO, WIA (WGA/IVA))
c. has paid work and benefits (WW, welfare, WAO, WIA (WGA/IVA))
d. has no paid work and no benefits
e. studies and has paid work
f. studies without paid work
g. only has pension (AOW with or without supplementary pension)
h. has paid work and pension (AOW with or without supplementary pension)
i. I don't have a partner with whom I form a household

8.5 How many people in your household depend on the total income (including yourself)?

a. 1
b. 2
c. 3
d. 4
e. 5
f. 6 or more
g. None

8.6 How many live-in children are part of your household?

a. 1
b. 2
c. 3
d. 4
e. 5
f. 6
g. 7
h. 8
i. 9 or more
j. None

8.7 What is your current marital status?

a. Single
b. Married or registered partnership
c. Divorced
d. Widow or widower
e. Cohabiting
f. I'd rather not answer

8.8 What is the highest level of education you have completed?

a. Primary school
b. Lower secondary vocational education (lbo, vmbo b/k)
c. Lower secondary education (vmbo gl/tl, mavo, (m)ulo)
d. Senior secondary vocational education (mbo)
e. Higher secondary or pre-university education (havo, vwo)
f. Bachelor's Degree
g. Master's degree
h. Other, namely:

8.9. Has anything changed in your living situation in the past 12 months?
Multiple answers possible

a. I moved into a place of my own (from my parental home)
b. I am living on my own after my relationship ended
c. I have gone back to live with my parent(s)
d. I have started living together with a partner
e. I have moved
f. Other, namely:
g. Nothing has changed in my living situation
h. I'd rather not say

8.10. Has anything changed in your personal situation in the past 12 months?
Multiple answers possible

a. Arrival of a child
b. Married or registered partnership
c. Relationship ended
d. Started studying full-time
e. Started studying part-time
f. Illness/incapacity for work
g. Death of partner
h. Death of father/mother
i). Other, namely:
j. Nothing has changed in my personal situation
k. I'd rather not say

8.11. Has anything changed in your work situation in the past 12 months?
Multiple answers possible

a. New job
b. Became (partially) unemployed
c. Became (partially) incapacitated for work
d. Started working fewer hours
e. Started working more hours
f. Pay rise
g. Pay cut
h. Started my own business/became self-employed
i. Bankruptcy of my own business
j. Other, namely:
k. I haven't experienced any changes
l. I'd rather not say

8.12 What kind of home do you live in?

a. Privately owned property
b. Social housing
c. Private rental property
d. Other, namely:
e. I don't know

8.13 How often did your family have financial problems growing up?

a. All the time
b. Regularly
c. Sometimes
d. Rarely
e. Never
f. I don't know