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Financial health

Navigate uncertain times together

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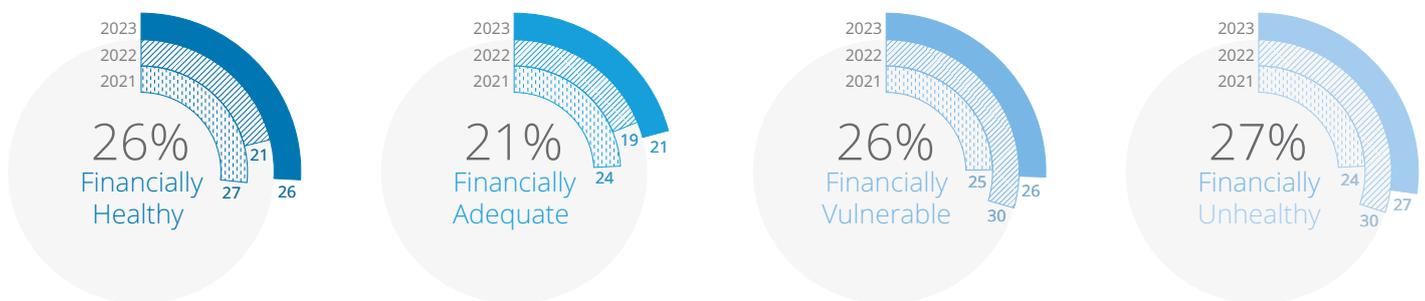
Summary

In 2023, Deloitte conducted research into the financial health of Dutch households for the third year in a row. In this annual research, we take a broad and holistic approach to the interaction between Income, Spending, Saving, Borrowing and Planning. Last year, despite uncertain times, Dutch households found more balance in the various aspects of their financial lives. It is a positive development that the financial health of Dutch households has improved since 2022, but it is too early to say whether this will also lead to a structural upward movement. Financial health is a dynamic interplay of factors that is always in motion, influenced by the economy and individual circumstances.

Economically, 2023 brought a return to relative calm following the turbulent year of 2022. The results of our research into the financial health of Dutch households in 2023 are in line with this cautious improvement. The share of financially Healthy households increased from 21% to 26% and the share of financially Adequate households also increased (from 19% to 21%). Consequently, this indicates a reduction in the percentages of households classified as Vulnerable or Unhealthy, down from 60% in 2022 to 53% in 2023. This marks progress, yet it's concerning that still over half of Dutch households remain in a precarious financial position.

While the overall financial health of the Netherlands has improved, the subject must remain high on the agenda. The society in which we live is constantly changing under the influence of countless (global) crises and the relative predictability and certainty of past decades is not coming back. This puts pressure on livelihood of households, and not only of the more vulnerable households in society. Short-term relief measures fall short of making households more resilient on the long-term. There is a need for sustainable solutions that structurally enhance the financial agility of households, ensuring they possess the necessary control at each life stage to positively impact their situation. Together, we must navigate uncertain times.

Figure S.1 The Netherlands in financial health levels in 2021, 2022 and 2023, in %



Results by domain

Income

The income received by households in 2023 was slightly less stable than in 2022. **56%** of the households received a similar income in the past twelve months. In 2022, this was still **62%**.



69% of the households reported having a small to a significant amount of money remaining at the end of the month, over compared to **64%** in 2022.

More households – **53%** – are able to predict their income for the next twelve months or more. In 2022, this was still **50%**.

Spending

57%

More households indicated their total spending was lower or much lower than their income over the past twelve months (**57%** vs. **55%** in 2022)

Nevertheless, spending and income for nearly **one in five** households are still not in balance: **18%** indicated that they were spending more than what they received.



Borrowing

Fewer households worry about debts

The percentage of Dutch households that are (very) certain about paying off their mortgage has increased from **44%** in 2022 to **49%** in 2023. The

group that repays the mortgage by taking out a new loan at the end of the term is also decreased from 11% in 2022 to 8%.

More households with consumer debts expected to have repaid those debts within a year without changing their lifestyle. In 2021 and 2022, this number was still one in five households, but in 2023 this number has increased to almost a quarter (24%).



Savings

Nearly one in five of the Dutch households is very uncertain in 2023 about the feasibility of major expenditures.

Monthly savings is increased from **64%** in 2022 to **66%** in 2023. A majority – 38% vs. 35% in 2022 – set aside a varying amount each month.

As in 2022, about half of the Dutch households are confident that they

will have enough income after retirement.



Planning

72%

Just like in 2022, **72%** of Dutch households made financial plans for the future in 2023. This means that **more than a quarter** of Dutch households are not doing this.

Just as in 2022, in 2023, **56%** of households indicated that they were (very) certain that their insurance policies sufficiently cover substantial damage (e.g. after burglary).



Cross-sections of the Netherlands

1. A closer look at financially Vulnerable and financially Unhealthy

Livelihood of households, a theme that ran as a common thread through the news and political discussion of 2023. Financial health is an important part of livelihood. In 2023, over half of Dutch households were categorized as either financially Vulnerable (26%) or financially Unhealthy (27%). Households that fall within the financial health level Unhealthy face significant challenges in managing their finances; for instance, 95% of these households either struggled to some degree to pay their bills or couldn't manage to pay them at all. As a result, there does not always seem to be a perspective for action for these households. The contrast with financially Vulnerable households is stark. Although they are often able to make ends meet on a monthly basis or have a little money left over, they often lack the ability to build up sufficient financial buffers. This makes them vulnerable to unforeseen financial circumstances. At the same time, these financially Vulnerable households frequently go unnoticed by organizations and institutions until financial issues become acute. Yet, it is precisely these households that could benefit from timely assistance. This support could prevent them from slipping into the financially Unhealthy category. They typically have better starting points than the financially Unhealthy households, and a positive change can have a meaningful impact on their financial trajectory.

1

2. Financial health in context: How the environment plays a role

The behaviors and opinions of those around us significantly shape our attitudes and actions. Our research shows that when it comes to financial matters, many Dutch people prefer to seek guidance close to home. A third of Dutch individuals rely on family and friends for advice when making purchases, and over half discuss financial topics primarily with their partners. However, generally speaking, the Dutch are reluctant to talk about finances: 41% never or rarely talk about their finances. It is striking that 69% of Dutch people prefer to solve their financial problems by themselves. When the Dutch are open to help, they are most open to help from the family and friends. This focus on the immediate environment seems to make the Dutch less open to help from other parties. For example, my bank (10%), employer (7%), the municipality (8%) and other government agencies (7%) score low. Further research is necessary to understand how to reduce barriers for Dutch households in seeking or accepting help from professionals, employers, or financial institutions. Gaining such insights is critical to ensuring that initiatives by various entities within the ecosystem can achieve broader outreach.

2

3. The challenges of self-employment in the context of financial health

Self-employment is an attractive form of employment, but it also has a downside. Those who are self-employed often face greater exposure to personal life changes or broader economic shifts. Despite this downside, the self-employed are more likely than average to be financially Healthy. In 2023, 34% of the self-employed were financially Healthy compared to 28% of employees. Although the financial health of the self-employed is on average better than that of employees, the self-employed are inherently more vulnerable in certain respects. Financial buffers are therefore particularly important for the self-employed. The most common way for the self-employed to build up a financial safety net is savings. The savings buffers of the self-employed seem to have fared better in 2023. In addition, investing is also above average popular among the self-employed. However, some of the self-employed do not seem to have enough money on hand for unforeseen circumstances. Although this also applies to employees, the big difference is that the self-employed lack the safety net that employees have through their employer. The risk that they will go under in the event of illness or reduced demand is therefore greater. The question remains how this group can be stimulated and/or helped to make improvements.

3

4. A life in balance? The financial health at the life stage of 18–24-year-olds and over-65s

The financial health of the Dutch has fluctuated over the years. For example, 18-24-year-olds are in a phase where making mistakes is part of the financial learning process, but this period also establishes the foundation for future financial well-being. Despite the fact that a larger proportion of 18-24-year-olds are financially Healthy in 2023 (18%), it remains worrying that two-thirds of 18-24-year-olds are still financially Vulnerable or Unhealthy. The over-65s, on the other hand, are a group that show a mostly stable picture. With nearly six in ten over-65s who are financially Healthy and financially Adequate, they were the healthiest group in 2023. But there are also households among the over-65s that face many financial challenges: in 2023, 42% of the over-65s were financially Vulnerable or financially Unhealthy.

Where do we see the differences when we look at these stages of life? 18-24-year-olds experience more impactful life events than those over 65 that can affect financial health. Whereas 18-24-year-olds are more likely to have a short-term focus on average, over-65s have a more conservative attitude towards spending and saving. In addition, 18-24-year-olds are more likely to use risky products and/or services, such as online gambling, after pay (also known as Buy Now, Pay Later) and cryptocurrencies. People over the age of 65 invest less, and 44% do not make any financial plans. This may be due to the fact that income and expenses are less volatile, but also that the period for which planning or investing can be made is shorter.

4

5. Economic equality: still more wish than reality

In 2023, both men and women were more likely to be categorized as financially Healthy or Adequate. However, a growing disparity has been observed, largely because men have shown more progress than women compared to 2022. The category of financially Unhealthy in particular shows a big difference: 32% of women compared to 22% of men. Despite cautious improvements in women's income levels, women still often find themselves in an uncertain financial situation. In terms of financial behaviour, we see some interesting differences between men and women. In 2023, women were more inclined to make regrettable purchases and more likely to utilize Buy Now, Pay Later services. While women have begun to save more, the gap in financial practices between men and women has remained largely unchanged. Women still tend to fall behind in financial planning and investing. Men appear to prioritize long-term financial planning, whereas women often concentrate on short-term financial strategies, which may be influenced by tighter financial constraints.

5



Recommendations

Keep financial health high on the agenda



Financial health remained high on the agenda in 2023. Several players within the financial health ecosystem took the initiative to support households in their financial well-being. Despite the efforts of both the public and private sectors, more is needed to (continue to) support Dutch households effectively. This requires scaling up existing initiatives and developing new ones in order to reach even more households. Improving financial health also requires patience, as the effects of initiatives often only become visible over time. That is why financial health must be and remain a structural topic on the agenda.

Increase financial knowledge and skills of all Dutch people



Financial education from an early age is essential and should become a regular part of the formal school curriculum. Until this is achieved (and possibly afterward), parties within the financial health ecosystem must work together effectively to ensure consistent and high-quality financial education.

Financial education should be accessible to all Dutch people, regardless of whether they are currently experiencing problems. Where people did not receive structural education through education or for whom the education on offer was insufficient, it is important that alternative channels and institutions provide the necessary financial education. Educational efforts should be ongoing in nature, taking into account the diverse needs and circumstances of different demographics, especially those with limited financial health and financial sufficiency. Each demographic requires a targeted approach, personalized to their unique context and level of understanding. To ensure cohesiveness, accessibility, and high standards across the board, coordination among different education providers is key. This collaborative effort paves the way for equal financial empowerment opportunities across the Netherlands.

Work on your own financial health



Promoting a financially healthy society is a shared responsibility in which both organisations and individual households themselves play an important role. We encourage all households in the Netherlands to work on their own financial health, as much as their circumstances allow. Having insight and overview of where a household stands financially are the first steps to good financial health. Tools such as Nibud's FinanciëleGezondheidsCheck can help with this. Effective financial planning, for both the immediate and the distant future, is crucial. Our research highlights that diligent planning continues to be a key area for improvement for many. Regularly setting and revising financial plans can help realize future dreams and address financial challenges. Households' individual concerns regarding financial health change over time. Therefore, financial health requires constant attention and action.

Normalize the conversation about finances



Our research shows that many Dutch people are still reluctant to discuss their finances and seek help when facing financial problems. This prevents them from gaining new insights and learning from each other or experts. The Dutch can take the initiative in changing this culture by being open about finances in their own environment. Parties within the ecosystem, such as employers, in turn, need to create the right conditions to support openness and normalize asking for help. A climate of trust must be created in which financial health is a normal and regular topic of discussion, especially when there are no financial problems yet. This is a call to all stakeholders to work together to promote financial openness and preventive support. At the same time, we encourage all Dutch people to keep an open mind about conversations about their finances and to seek help where necessary.

Support existing network in their signaling function



Many Dutch people avoid talking about their finances and shy away from help with financial difficulties, often due to shame or distrust towards institutions. The use of existing networks, such as general practitioners, social workers and leaders of religious communities, can help to identify financial problems at an early stage. These parties are close to the people, are usually more trusted, and are therefore better able to identify problems (at an early stage). However, this signaling role requires that these parties are adequately informed and supported. Parties such as municipalities can coordinate this by providing a clear and accessible overview of help options. Removing barriers, such as lack of time or financial hurdles, is crucial.

Make major transitions affordable for every household



It is important that we increase the action perspective of Dutch households through education, an accessible offer of help and an inclusive financial system. Governments and other parties must work together to develop a sustainable vision for large-scale changes, such as the energy transition to a CO2-neutral society. This transition requires significant investments that are not easy for financially vulnerable households to bear. Affordability and predictability are therefore essential. In order for social sustainability to succeed, a collaboration between public and private parties is needed that guarantees a just energy transition. This should enable all Dutch households to participate in the transition and also benefit from the benefits, with clarity on long-term financial expectations.

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