

Qualitative research to inform the design and development of an Incentivised Funeral Savings Scheme**Main findings****Context to research**

This report summarises key findings from commissioned research conducted on behalf of the Scottish Government by *Progressive Partnership* in order to inform the design and development of a pilot scheme to encourage funeral savings.

The Scottish Government's *Funeral Costs Plan* is an action plan to tackle funeral poverty and make more affordable funeral options available. It sets out proposals to pilot a government-supported incentivised funeral savings scheme (IFSS), designed to encourage people who have not made financial provision for their funeral to start to start saving for it.

It is proposed that the scheme is targeted at people with low-to-middle incomes who are 40 years old and over and who have not made financial provision for their funeral. Focus groups were conducted with Scottish adults who fit the characteristics of the target population to assess their attitudes to funeral savings and the proposed IFSS.

Main findings

The study found that:

- Most research participants had made limited financial provision for their funeral, although some had assets which could be used to fund their funeral.
- Participants supported the proposal for an IFSS in principle, but the proposed limit on government contributions (£120, £250 and £400) were not perceived to be an adequate incentive to encourage participants to save for their funeral.
- Proposed eligibility criteria for the scheme (for example restricting it to those over 40 and without existing financial provisions for their funeral) were unpopular amongst focus group participants and there was concern that many of the intended target demographic would have insufficient funds to engage with the IFSS.
- Participants viewed credit unions positively and as a credible delivery partner, despite not being members and having limited knowledge of them.

Executive Summary

Background and context

This commissioned research was conducted on behalf of the Scottish Government by *Progressive Partnership* in order to inform the design and development of a pilot scheme to encourage funeral savings.

The Scottish Government *Funeral Costs Plan* is an action plan to tackle funeral poverty and make more affordable funeral options available. It was produced in response to research that indicated many people are unprepared for the high and rising cost of their funeral. The action plan sets out proposals to pilot a government-supported incentivised funeral savings scheme (IFSS).

The IFSS is designed to encourage and incentivise people who have not made financial provision for their funeral to start saving, reducing the debt that their family may face when the time comes to arrange their funeral. It is proposed that the scheme is targeted at those who are 40 years and over, with low-to-middle incomes and who have not made financial provision for their funeral. It is envisaged both savers and the government will contribute to the scheme, though the government contribution will be capped (at a yet unspecified amount) and available only for funeral expenses. It is proposed that the pilot be delivered through credit unions.

Research methods

The aim was to strengthen the Scottish Government's understanding of the best target demographic, format, delivery partners, and promotion mechanism for the IFSS.

The study adopted a qualitative approach, using focus group discussions with Scottish adults that fit the characteristics of the proposed target population for the IFSS. In total, twelve focus groups (each with 5 or 6 participants) were held in urban and rural localities across Scotland.

The objectives of the study were to explore participant attitudes in four key areas:

- Funeral savings – knowledge of costs, current savings, motivators and barriers to saving
- Incentivised savings schemes - attitudes towards savings schemes generally and the IFSS proposed more specifically
- Delivery partners - knowledge and use of credit unions and opinions on other potential partners
- Promotional mechanisms - opinions on successful ways of promoting financial products linked to funerals

Results

Funeral savings

Most participants had no dedicated funeral savings, although many had other resources such as pensions, life insurance policies, general savings and ISAs. A significant minority of participants lacked such savings but believed they were not in a position to start saving towards a funeral.

Participants had a clear understanding of the cost of a funeral. Many were concerned at these costs, and the extent to which they had been increasing in recent years.

Participants were motivated to save when they had something specific to save for, when it was easy to do and when they had enough money to do so. Participants also preferred methods of saving that involved funds coming straight from their salary or income source. The principal barriers to savings were identified as insufficient income and competing demands for resources. Many of the participants had limited additional funds and these were often required to cover day-to-day expenses, emergencies or other necessities.

In this context it will be difficult to persuade potential scheme users that saving for a funeral is something they must and can do.

The proposed incentivised funeral savings scheme

Participants were initially enthused by the proposal of an IFSS. This was, however, based on the spontaneous assumption that the Government would match-fund or provide a contribution equivalent to at least 50% of the savers' deposits. The proposed incentives (of £125, £250 and £400) were viewed by most participants as inadequate to act as a sufficient incentive to start saving for their funerals.

There were also concerns that those who would most benefit from this type of scheme – that is, people who had little disposable income - would be excluded.

Participants were strongly of the view that the IFSS should be open to everyone, that it should not be means tested, and that resources should not be targeted exclusively at low income groups. They were especially clear that there should not be an age bar for joining the scheme and that the scheme should be open to people who already had, or who might purchase, another funeral finance product.

Though the eligibility criteria has not yet been defined there is a risk that the scheme will be attractive to very few people: those on very low incomes will be unable to afford to participate while those on higher incomes will be excluded because they have pre-existing funeral plans, life insurance policies and/or savings.

Many of the groups suggested an alternative approach would be to increase their National Insurance contributions to fund a basic funeral. However, it is noted that powers relating to National Insurance contributions are reserved to the UK Government.

Proposed delivery partners

Credit unions emerged as a credible potential delivery partner, despite most participants not being members and having very limited knowledge of them. Current and past members, however, regarded them as trustworthy and responsible organisations.

The most popular ways to access accounts were online (generally popular with younger people) and visiting the branch (generally more popular with older people and people without easy access to IT services). This would suggest that good branch access should be an ambition, at least for the duration of the pilot.

There may be potential to expand credit union services to rural areas. There was a high degree of interest in the type and range of services offered by credit unions, the ethos of the organisations, and the role they play in local communities.

Methods for promoting the scheme

There was high awareness of private funeral plans and the types of funeral finance available. However, participants had mixed views on how transparent the advertised costs associated with such schemes were.

There may, therefore, be an opportunity to provide information on the types of plans and policies available, what they offer, potential pitfalls, and what to take into account when selecting one.

The main preferences amongst participants for receiving material on the new scheme were TV, radio, leaflets and social media.

Recommendations

A small series of recommendations are outlined below with more detail in the full research report:

- Increase awareness of funeral costs and of savings and insurance options available to help meet these costs
- Initiate measures to contain the increase in funeral costs and facilitate improved information and transparency around private funeral finance
- Modify the proposed IFSS model to reduce barriers to participation and respond to negative perceptions of the contribution levels
- Assess the demand for credit unions in areas currently without access
- Consider piloting alternative approaches to the proposed IFSS

How to access background or source data

The data collected for this social research publication:

- are available in more detail through Scottish Neighbourhood Statistics
- are available via an alternative route
- may be made available on request, subject to consideration of legal and ethical factors. Please contact socialresearch@gov.scot for further information.
- cannot be made available by Scottish Government for further analysis as Scottish Government is not the data controller.



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