



Industry Report: Financial Wellbeing in Law



An evidence-based assessment of the financial wellbeing of junior lawyers in the UK

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Wealthbrite

www.wealthbrite.co.uk



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Why we need to break the money taboo at work

We start every Wealthbrite learning session with the same opening question: “What are Brits more likely to talk about than money?”

The vast majority of respondents choose the weather, or last night’s TV from a list of possible options. The truth is much starker: as a nation we are more likely to disclose the specifics of our sexual relationships than we are to discuss our financial arrangements.

It says a lot about our national psyche that sex is not off limits but money is still taboo.

Wellbeing at work has seen various incarnations over the years and at Wealthbrite we see financial wellbeing as the “third wave” of wellbeing, following after physical and mental wellbeing. While financial wellbeing has a unique set of talking points, there is a clear link between money and mental health. Most businesses know that investing in employee wellbeing is the right thing to do, full stop.

While most businesses we talk to have a pillar for financial wellbeing in their wellbeing strategy, few have progressed to a clear strategy and committed action.

We know that it can be difficult to address sensitive issues at work, especially the topic of money but the truth is that poor employee financial health is an enterprise risk. **The statistics back this up.**

Money is the number 1 cause of stress and anxiety in adults

68%

of people admit to hiding financial concerns from their employer

81%

of people feel money worries contribute to burnout

77%

say money worries directly impact them at work

If you care about nothing else, the damage that stress, anxiety and burnout have on people’s ability to be their best selves at work should serve as a call to action.

We hope that when you read the stories and statistics in this report, the legal industry will be led by compassion as much as compulsion to support the financial wellbeing of its early career talent.



Does the legal industry have a money problem?

At Wealthbrite we are fascinated by the enduring social myth that money can solve all your problems. We set out as part of this research to uncover to what extent having good salaries translated into positive financial habits and behaviours within the legal profession.

The demand for legal talent is rising and as a result firms are increasingly competing on pay.

In a recent Times April Fool's confessional piece, junior lawyers were reported as saying that with pay at nearly \$200,000 for newly qualified lawyers the expectation is that work is the number one priority. The suggestion was made that wellbeing webinars on mental health, substance abuse and burnout are "arse-covering" exercises. While satirical many commentators within the legal industry felt the piece wasn't far from the truth.

During 2022, 60% of the people who contacted LawCare for support and reported how long they had been qualified were trainees/pupils or had been qualified less than 5 years. Their top concerns were career progression, stress and anxiety. Elizabeth Rimmer, CEO of LawCare said "This is very similar to last year's figures and suggests that **junior legal professionals are still not getting the emotional support they need in their workplace.**"



The legal industry is not just London city law firms and yet, even outside of London the average lawyer salary is often above the national median wage of £35,000.

So, as part of our research we ask and answer the question:

As a lawyer, does having more a higher income than the average worker make you more financially confident and less prone to the effects of financial shocks?

Early careers talent really does experience things differently

According to research conducted by Cigna International Health, nearly all workers are struggling to cope with economic precarity and professional stress. Yet the youngest workers may be feeling the strain more than anyone. In its 2023 poll, Cigna found that 91% of 18-to-24-year-olds report being stressed – compared to 84% on average.

Economic hardships are monumentally compounding workplace troubles, too. Data from a 2023 report by HR-software company Workhuman shows the cost-of-living crisis is causing 84% of UK workers stress and anxiety. There are similar trends across the globe, including in Ireland, the US and Canada.

Our research has found that socioeconomic pressures are the biggest driver of money related anxiety. Most are striving to reach financial goals similar to those of previous generations in the face of unprecedented economic instability and feel as though they are failing.



Over three-quarters of employees would be more attracted to a company that cares more about their financial wellbeing

With record-levels of student debt on entry into law and record-level inflation many junior lawyers feel their circumstances are not well understood by friends and senior colleagues.

At the same time, however, we have found there is a clear desire for senior colleagues to reach across the generational divide and share their financial lessons, learnings and experiences.

A closer look at financial confidence and resilience

What we did

Since January we've been talking with legal sector professionals to understand their financial circumstances, priorities and goals. During this time we've collected responses from over 200 lawyers and legal professionals across the UK via surveys and in-person conversations.

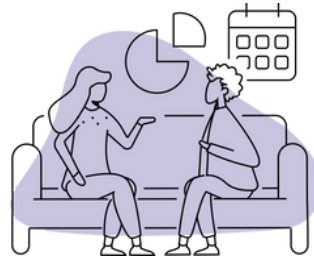
60% of respondents are junior lawyers - i.e. trainees or lawyers with less than 4 years Post Qualified Experience (PQE). This report looks only at the financial wellbeing measures against time in grade. It does not explore other intricacies of how financial health shows up within populations depending on ethnicity and gender, this will be an area of focus for future initiatives.

What we learnt



Financial anxiety is very high amongst junior lawyers. This appears to be driven largely by the influence of the “should” effect which influences how financially confident they feel.

There is a stated lack of confidence in the workplace as a source of information on financial issues.



Low financial capability, particularly around budgeting skills presents a barrier to building financial confidence and resilience, especially for trainees.

Only a small percentage of lawyers consider themselves to be actively investing.



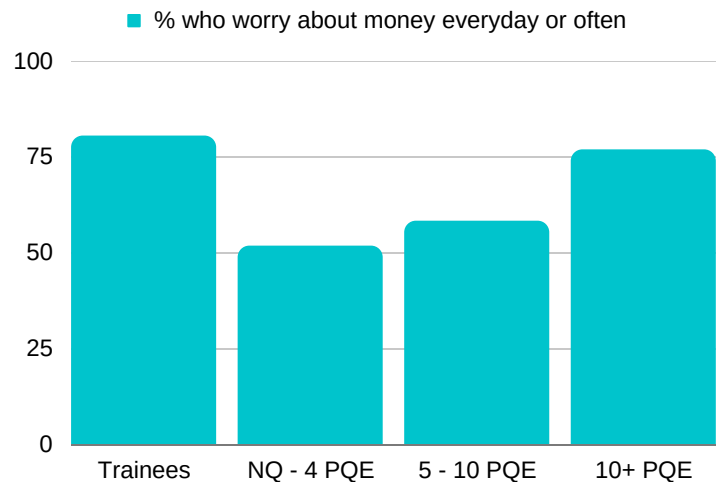
For a sizable minority of junior lawyers there is an over-reliance on the use of credit and patterns of overspending that suggest low short term financial resilience.

Financial vulnerability appears to be very high despite above average incomes and reports of regular saving.

Money worries are showing up as anxiety and stress

When asking a group of highly paid professionals “how satisfied are you financially” you might expect to see a high response level. Our results show on **average satisfaction was at a 5.9 out of 10 with no real trend and large variance.**

Almost everyone is worrying about money at least some of the time. The results are stark with trainees the most impacted by worrying about money either everyday or often.



While this report is focused on the experiences of the junior lawyers, it is interesting to note that rates of financial anxiety and stress dip after qualification and seem to stay around the same level until much later in their careers. While trainees are most impacted they are not significantly out of proportion to the rate of financial stress experienced by those with 10+ years' of experience.

While the vast majority of trainees are either paying rent or a mortgage, **27% of trainees who responded to the survey are still living at home.** We would expect that those living at home may have a lower level of stress and anxiety when it comes to money, if they are not primarily responsible for household bills.

Can we explain this disparity?

While it's impossible to draw a definite conclusion, without further research there are indications in the data that having a good salary does not prevent junior lawyers from feeling negative emotions due to economic uncertainty and the cost of living crisis.

We also know that satisfaction levels may be expressed positively because someone feels they are getting fairly paid for their work but their personal circumstances still mean that their wages are not going as far as they would like them to. This is particularly true for junior lawyers who may have significant levels of student debt upon entering the profession. Statistically, UK law graduates leave with £43,000 of debt. For those that also self-fund the Legal Practice Course or Solicitors Qualifying Exams, levels of student debt going into the profession can be much higher.

Our focus group stated clearly that they are not immune from the effect of rising costs and feelings of overwhelm and isolation in how they consider their circumstances compared to their peers.

So what specifically are junior lawyers worried about?



When we spoke to junior lawyers in our focus group to better understand what was causing their financial worries we heard about three key issues

1. The pressure of perception

It's a widespread misconception that legal sector professionals are insulated from the effects of the cost of living crisis. 62% of the respondents to the survey agreed or strongly agreed that their money habits had changed in the last 2 years and 35% cited the cost of living crisis as the cause for that change in financial behaviour.

"I'm having to be very conscious every day [with] every pound of my disposable income."

Our focus group confirmed that there can be a gap between perception and reality when it comes to how lawyers experience the external pressures of rising costs.

If I talk about budgeting or I find something expensive they're [my friends are] like, but you've got big lawyer money."

2. The pressure to reach certain financial milestones although logically are arbitrary they are still emotionally draining and can cause problems in relationships

"I felt a real pressure that I'm in my early 30's and I haven't bought a house yet."

"You can no longer enjoy that journey because you feel you have to get to this point and achieve this goal. And that makes money unenjoyable. And I think that then has an impact on your relationship with money."

"If I'm not saving X amount this month to get there by 35, I've failed this month."



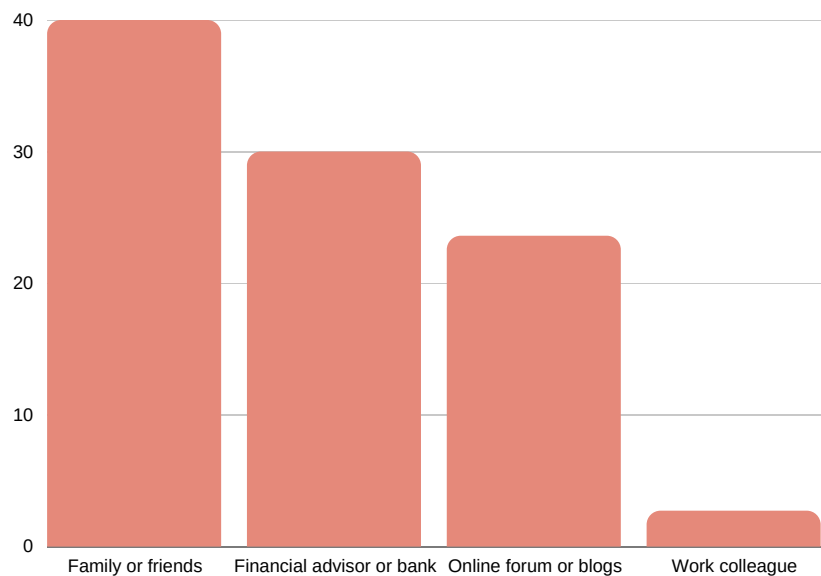
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3. The world today is very different for junior lawyers

Today's trainees and Newly Qualified (NQ) lawyers are facing a different economic landscape to generations before. They are aware of a big difference to how their more senior colleagues were able to reach financial goals and are feeling the strain of a relatability gap between them.

"They just can't really conceive what life for us is like trying to reach different financial goals."

Who do you most trust for financial support and advice?



It is notable that only 32% of the respondents to our survey said they were financially responsible for someone else. Despite this many feel financial goals are simply unattainable in today's economic environment. Our focus group shared some of their feelings about how things are so different for them compared to their more senior colleagues.

"They think of how much they pay their junior associates and think, how can they be having a difficult time with that number?"

Many junior lawyers are struggling to get on top of financial basics

80% of trainees and 74% of NQs say they either don't budget or struggle to stick to a budget.

This was confirmed by those who joined our focus group who revealed that getting into a practice of regularly checking their money and their progress against goals can be hard.

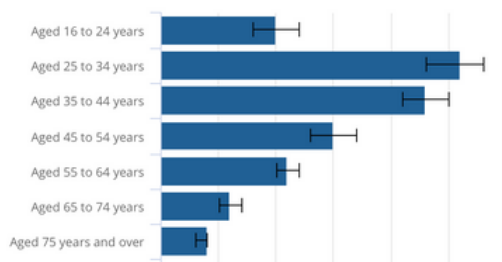
Of the total sample who responded to the survey **48.2% of them feel pressure to spend beyond their means**. Our focus group confirmed that 'lifestyle inflation' feels very real to junior lawyers and that as the money increases so does their feeling of being locked in.

"I actually enjoy budgeting. For me it's sticking to the budget which is always a problematic part."

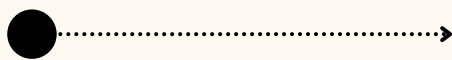
"You might be making really good money but there's a constant pressure to spend more essentially"

Approximately 1 in 5 are routinely using credit, borrowing money or using overdrafts to pay for household bills and essentials.

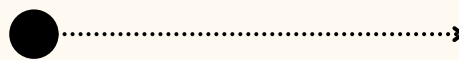
Proportions of adults reporting using credit more than usual because of increases in the cost of living, by a range of characteristics, September 2022 to January 2023



This matches the findings of the Money and Pension Service 2022 Financial Capability Survey and is comparative to the latest Office for National Statistics (ONS) data which shows adults aged 25 to 34 years and 35 to 44 years were more likely to report having to use credit more than usual because of the increased cost of living, compared with both their younger and older counterparts.



Of the total population that told us they feel pressure to spend beyond their means, **around half are then going on to use credit to regularly pay for essentials.**



There seems to be a correlation between the external environment which is making people feel like they have to spend money and the consequential reliance on credit to pay for everyday essentials.



Relying on credit or families to cover your basic outgoings can be a constant source of stress and our data shows this is a lived reality for many.

Lawyers are doing no better than the average person on key financial wellbeing metrics

Currently, the Law Society recommends that providers of training contracts should pay their trainees a minimum salary of £23,703 in London and £21,024 outside of London. In practice rates of pay tend to be higher amongst trainees and NQs, particularly in London can be well in excess of £50,000.

To allow for comparative data, we included in our survey an index from the ONS Opinions and Lifestyle Survey to measure characteristics associated with financial vulnerability. We chose the index assessing ability to afford an unexpected expense of £850. 42% of trainees and 26% of NQs said they would be unable to pay it without relying on credit or borrowing from friends and family.

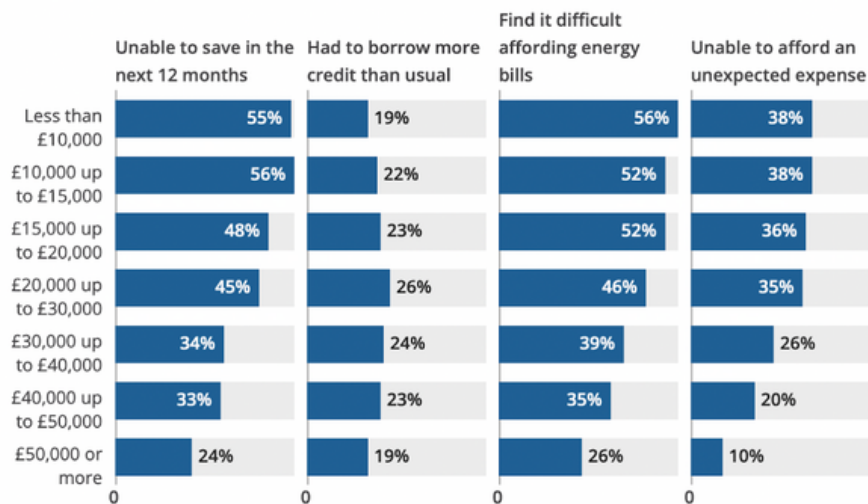


Figure: ONS Opinion and Lifestyle Survey Impact of increased cost of living on adults across Great Britain: September 2022 to January 2023

As lawyers tend to be on higher salaries than the national average we would expect the numbers who cannot afford a £850 unexpected cost to be significantly lower. Our results suggest that trainees and NQs are actually more financially vulnerable than other individuals at the same stage of life and level of income.

Although 70% report regularly saving there still seems to be a significant gap in financial resilience.

42% of trainees say they would struggle to pay for an unexpected bill of £850 without relying on credit or borrowing from family and friends.



The rate of financial vulnerability amongst NQs is better, for whom 26% do not have the necessary cash reserves to pay an unexpected bill of £850.

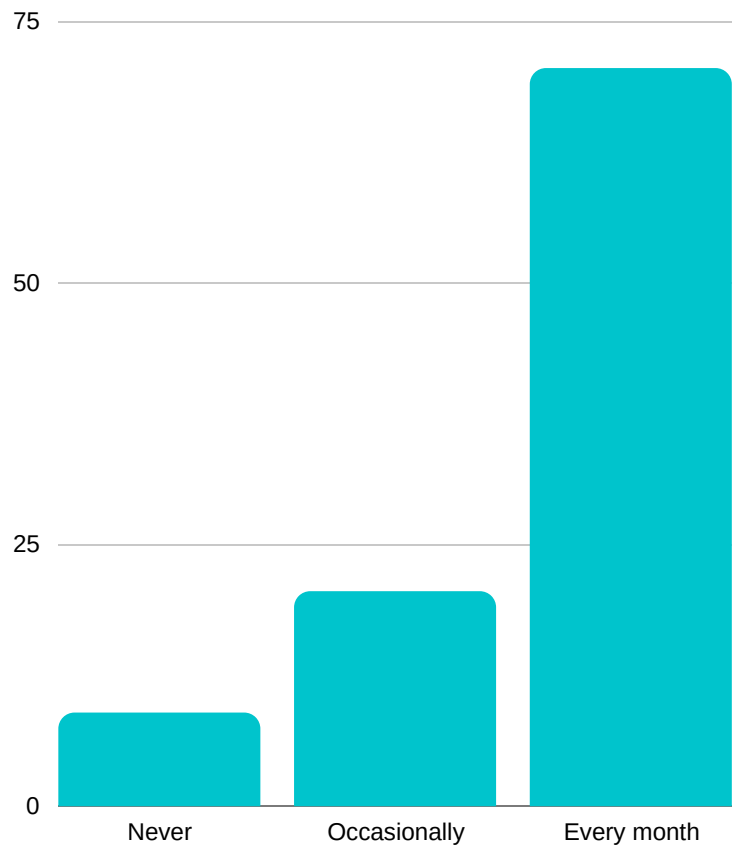
Saving and investing - a mixed picture

In general most lawyers seem to have a savings habit. Only 9% said they were never putting money away into savings. An additional 21% told us they only occasionally add to their savings.

By contrast, 67% of all respondents said they don't invest or they don't know. This answer would suggest that those that are saving are significantly favouring cash in bank accounts over other options.

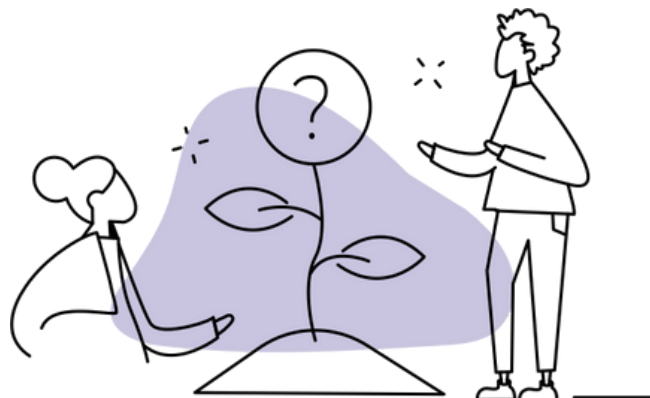
However it also exposes either a lack of financial awareness or at a minimum a lack of action by lawyers to invest as an alternative way to save for their financial futures and to protect savings against inflation.

How often do you put money into savings?



The results also confirm our experience that people do not understand how their pensions work in practice.

Our expectation is that all respondents to the survey would either have access to a workplace pension as an employee or are likely to be investing in a SIPP if they are an equity partner, so it is striking that so few recognise their pension is an investment.



Building greater financial confidence and resilience in the workplace

It starts by understanding the needs of your people

Asking questions is an easy way to start a conversation around any topic. Especially money. Money is a sensitive topic so it's essential people feel heard. Listening builds the trust needed to keep the conversation going.



When asked in our survey, junior lawyers told us the topics they most want to learn more about:

- How to develop a more positive relationship with money
- Budgeting and setting realistic goals
- Getting started with investing
- Saving versus debt management

In response to the question “Who do you most trust for financial support and advice?” 64% of respondents chose friends, family or an online blog or forum. Work colleagues ranked last in the list with only 2.7% choosing a colleague as a trusted resource on matters related to financial wellbeing. Our focus group confirmed this feeling that money conversations remain off limits at work.

“So many people actually don't really want to talk about this stuff. Especially when it comes to our industry where people are potentially really high earners”

Despite this, when we asked the focus group what and who might help them to improve their relationship with money they told us:

“I feel like that would be helpful for me to see how someone who works in a similar industry and has similar lifestyle demands have handled things”

“Seeing how people more senior to me have managed would be something that could help relieve some financial anxiety.”



Megan Hulme

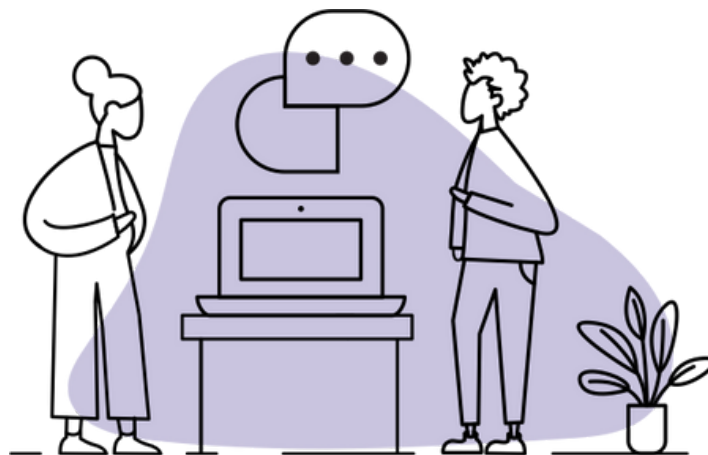
Associate, Mishcon de Reya

Megan Hulme helps aspiring solicitors through her platform It's All Hearsay. She wrote a blogpost sharing her money story and the top three money topics she thinks junior lawyers should be talking about more - managing debt, building wealth and financial stress.



Megan shares how as a newly-qualified solicitor along with a big increase in pay she is looking for ways to learn how to build wealth from saving effectively to investing and making smart money choices. She also shared why she thinks firms have a role to play in offering that learning.

"I think firms should have a safe forum to discuss money at work – not only would it help build knowledge about ways to use your money, it could also help contribute to a more supportive workplace culture."



You can read the full blog post by Megan at: www.wealthbrite.co.uk/blog/megan-money-story.

Talking needs to be followed up with action

The financial wellbeing of early careers talent is an under-researched and under-served area. The vast majority of research that does exist on workplace financial wellbeing tends to focus on the transition of people out of work, into retirement.

This is reflected in Government-led financial wellbeing initiatives, such as the 2017 pensions advice allowance and the more recent Midlife-MOT campaign which aims to get everyone in their 40's, 50's and 60's talking to a financial advisor about retirement.

At Wealthbrite we believe that waiting to have a conversation at 50 with a financial expert about your financial health is too little, too late. Our findings show that transitional adulthood (early 20's to early 30's) is a key life stage that deserves more attention when it comes to financial health and wellbeing.

We are on a mission to make that happen.

This report is the beginning of our work to enhance the understanding of financial wellbeing within early careers talent in law.





Carla Hoppe

Founder and CEO

Carla qualified as a corporate lawyer with PwC after completing a double law programme in English and French Law from King's College London and Paris 1 Panthéon-Sorbonne. She then became a tax consultant at PwC and EY working in the UK and the US. Carla has a track record of creating impactful financial educational content, including for PwC and the Financial Times financial inclusion charity FLIC. Wealthbrite is supported by the Aston Business School Centre for Personal Financial Wellbeing, where Carla is an Associate Member of faculty.

At Wealthbrite we deliver financial education and coaching to build confidence and resilience.

We know the industry



Our judgement-free learning spaces are built upon the first-hand experience of working in law. Our work is grounded in industry-specific data points, not generalisations.

We care about impact



Our priority is to give people access to safe spaces to grow in confidence, leaving less stressed and empowered to take action. We give you insights and learning experiences based on your people's unique set of needs.

We are fully independent



We are 100% focussed on solving the financial education gap and breaking the money taboo. As independent trusted experts we have your people's best interests at heart.

Approach

Our survey design focuses on financial wellbeing across three key metrics:

- Managing day-to-day
- Financial preparedness
- Mindset and attitudes

These building blocks of financial wellness are consistent with the Money and Pension Service's model of financial capability. This model has been adopted within the UK's National Strategy for Financial Wellbeing, a 10-year plan for improving national financial literacy and financial outcomes by 2030.

For comparability purposes, we have included a number of Money and Pension Service financial capability indices in our questionnaires and surveys. In addition, indices are included from the ONS Opinions & Life Survey which measures national mood as it relates to the cost of living, ability to meet unexpected expenses and levels of life satisfaction.

By including these indices we enable businesses to measure intrinsic industry data against UK national levels of financial wellness.

Methodology

So far, we have gathered data points on the financial health of over 400 people in work through various surveys and questionnaires. In the course of our research we conducted:

1. Surveys answered through social media and in 1:many and 1:1 coaching settings
2. Questions asked to a legal Instagram audience of 14,500
3. A focus group session to test the evidence received

A key feature of all our questionnaires is the curiosity in how people are emotionally dealing with money as well as practically.

We asked respondents to identify themselves by reference to their years' experience in work as a lawyer or other non-legal professional in the industry:

Trainees

NQ - 4PQE

5 - 9PQE

10+ PQE

Non-legal professional

For the purposes of this research we classify "junior lawyers" as anyone in the trainee or NQ - 4PQE brackets.

Our research methodology and analysis was supported with input from the team at Aston University Centre for Personal Financial Wellbeing for which we are very grateful.



Find out more

go to www.wealthbrite.co.uk