London School of Economics and Political Science

Wealth Matters:

A UK policy perspective

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Declaration of Authorship

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Abstract

This thesis takes a multi-method approach to consider the distribution of wealth in the UK from a policy perspective. I present my findings in two parts. In the first part I use data from the UK's Wealth and Assets Survey, to consider issues in the measurement of wealth (Chapter 3), the likely scale of the *'liquidity problem'* should a net wealth tax be introduced (Chapter 4), and the intrahousehold distribution of wealth and its implications for the gender wealth gap (Chapter 5). In the second part, I further explore the intrahousehold distribution of wealth from a qualitative perspective. Here I use evidence from 35 in depth interviews to investigate wealth sharing within couples who live together, giving narrative to the wealth sharing journey (Chapter 6), exploring the social meaning of how wealth is shared or allocated (Chapter 7) and finally considering entitlement in some common situations couples can experience (Chapter 8).

In so doing I make several contributions to the literature. Firstly, I place heavy emphasis on the defining importance of measurement issues in policy, an issue that is largely dismissed as insignificant, irrelevant, or unresolved in the extant literature.

Secondly, I provide the first estimate of the scale of the *'liquidity problem'* oft advanced by those concerned about the impact of a net wealth tax. I demonstrate that whilst concerns for single pensioners may be misplaced, farmers and business owners may be more vulnerable to experiencing liquidity difficulties. My co-author for this chapter offers possible solutions.

Finally, I offer new insights into the intrahousehold distribution of wealth, quantitatively and qualitatively. I extend the sociological literature on income sharing to actively consider wealth, contributing to the small but growing body of literature on wealth sharing. Here, I demonstrate, via survey data, a large wealth gap exists within couples. I use this evidence to estimate the gender wealth gap for the population, demonstrating a sustained gap that has not significantly closed over the period studied. Qualitatively, I give narrative to the wealth sharing journey, demonstrating that an income-based perspective offers only limited insight to the complicated ways in which assets and debts are shared or allocated within couples. I further offer new insights into the social meaning placed upon the organisation of wealth within the household. Lastly, I present new and updated evidence into the extent to which participants think people should be

entitled to one another's assets, providing important insights for policy makers and legal developments in this field.

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List of Acronyms

CGT	Capital Gains Tax
DWP	Department for Work and Pensions
GB	Great Britain
GBP	Pound sterling
GDP	Gross Domestic Product
IHT	Inheritance Tax
HCFS	Household Consumption and Finances Survey
HRP	Household reference person
LCH	Lifecycle hypothesis
NWT	Net Wealth Tax
OECD	Organisation for Economic Co-operation and Development
ONS	Office for National Statistics
OTS	Office for Tax Simplification
PC	Pension Credit
RTA	Reflexive Thematic Analysis
SDLT	Stamp Duty Land Tax
SOEP	Socio-economic Panel (Germany)
UC	Universal Credit
UK	United Kingdom
US	United States (of America)

USD	United States dollar
WAS	Wealth and Assets Survey (Great Britain)
WTC	Wealth Tax Commission

Preface

Over the course of this project the wider social, economic and political landscape has been radically altered. There has been a succession of crises from pandemic to war, to cost-of-living and climate catastrophe.

At the start of the project, a net wealth tax had not been seriously considered as a policy option (in the UK) since the 1970s. As recently as the 2019 general elections, no mainstream political party proposed a net wealth tax in their manifestos. Yet, in the midst of a global pandemic, and the resulting increased government spending, the net wealth tax debate was reignited.

In December 2020, the Wealth Tax Commission (hereafter WTC) published their final report arguing that if HMRC wanted to raise additional revenue a one-off net wealth tax would be a feasible and perhaps preferable method to do so (Advani, Chamberlain, & Summers, 2020).

In March 2021, the Treasury Committee published their report following their inquiry *'Tax after coronavirus'*, taking seriously the case for both an annual wealth tax and a one-off wealth tax, although neither were endorsed in the report's recommendations nor were they entirely dismissed. Thus far, a net wealth tax has not been announced as a policy the government intends to pursue. Perhaps more tellingly, it has not yet made it on to Labour's policy agenda.

In 1979 Sandford argued that the introduction of a net wealth tax had failed in part because the ambition was unclear, there was a lack of philosophy and lack of detailed research, leading to incoherent policy, which was ultimately abandoned. Whereas Dennis Healey's memoirs suggest the decision was more pragmatic stating *"in five years I found it impossible to draft one which would yield enough revenue to be worth the administrative cost and political hassle."* (Healey cited in Glennerster, 2012, p. 245)

In 2021, thanks to the work of the WTC there is substantial new research on the merits and pitfalls of a net wealth tax in the UK. Yet despite the recommendations of the WTC's Final Report, the justification to introduce even a one-off net wealth tax seemingly remains insufficiently persuasive to overcome the many administrative and political challenges, or the uncertainty, associated with its introduction; or so the conclusions of

the Treasury Committee, and both Conservative and Labour policy would suggest. This perhaps echoes the sentiments of both Sandford and Healey, in so far as the case for why a wealth tax is worthwhile, over and above simply raising tax revenues, has not been adequately made. The prospect of additional tax revenue alone is not sufficient to justify the administrative costs or political hassle. More so given the context where most countries that have previously had wealth taxes, have later abandoned them (Perret, 2021).

Yet, wealth inequality remains intractably high, much higher than income inequality, and the policy context is described as incoherent at best (Hills & Glennerster, 2015a; Summers, 2020). The issues of income and wealth inequality are commonly conflated, yet even if all incomes were equal, wealth inequality would stubbornly remain due to the current highly unequal distribution. Thus, solely focussing on policies aimed at reducing income inequality may not resolve the extreme inequalities in wealth. In this context, it is difficult to foresee significant reduction in the extreme concentration of the wealth distribution.

It remains to be seen what the long-term effect the multiple crises of pandemic, Brexit, the war in Ukraine, the cost-of-living crisis and climate catastrophe will have on aggregate wealth statistics, and indeed on economic and social policy. I expect that together these events will require substantial change to the status quo.

It is my view that wealth inequality is too high, and will continue to be so without action to redress. I believe the extreme level of wealth inequality to be unjust. I remain unsure what can feasibly be done to meaningfully address it. My motivating goal was, and remains, to contribute to our understanding of the issues so that more coherent and informed policy can be developed. I hope the end result goes some way to achieving this aim.

Chapter 1

1 Introduction

1.1 Introducing *'Wealth Matters'*

As I sit considering how to introduce this text, I ponder the Forbes Rich list looking for inspiration to explain why I decided to embark on a thesis on social policy, wealth and wealth inequality. The website has a new feature, *'The World's real time billionaires'*, tracking the daily change of the world's wealthiest people, who, are seemingly mostly middle to older aged white men. Today, Monday 11th January 2022, at 15:35 GMT, Elon Musk's - the world's richest man, according to Forbes' estimates - wealth is up 1.9 billion US dollars. It's 09:35 in Texas, where Musk resides. I would say, *'that's not bad for less than an hour's work'*, but this is not pay for any labour he has carried out today, it is merely fluctuations in the market valuations of his stock. He may not even have noticed.

I take a moment longer to think about how this 1.9 billion dollar increase is just a 0.7% increase to his 271.9 billion US dollar fortune, and how one man can be *'worth'* more than the GDP of the vast majority of countries. I find it difficult to comprehend, both the huge sums that Musk has amassed, and how this has come to be an accepted, if not celebrated, part of economic life.

I click over to The Sunday Times Rich List. In comparison, Sir Leonard Blavatnik's - Britain's richest man, according to the Sunday Times 2021 estimates - holds a comparatively modest 23 billion pounds (approximately 31.3 billion US dollars), putting him at 34th on Forbes' real-time billionaires list. To put this into context, Blavatnik's reported wealth is more than 76,000 times greater than the ONS' (2022) estimate of median GB household wealth, £302,500. Meanwhile, the poorest wealth decile in the UK have less than £15,600, the majority of which is tied up in physical assets, such as everyday household contents.

I am not the first person to observe these eyewatering discrepancies, I undoubtedly will not be the last. Piketty's (2014) international bestseller *'Capital in the 21st Century'* sparked a resurgence of interest in wealth inequality. Yet despite the repeated

recommendations of academics with far more knowledge, experience, and expertise than me, little seems to change.[1] The wealth of the wealthiest continues to grow unabashed, and wealth inequality remains intractably high.

And so, the question remains, what can be done about wealth inequality? And what can I do that hasn't already been done by the academic giants who have gone before me? Despite the burgeoning literature focussed on economic inequality, substantial theoretical and empirical gaps remain. This thesis identifies those gaps and attempts to fill them with theory and evidence. The aim is to take small steps to contribute towards a bigger goal, where wealth is more actively and carefully considered in UK policy.

I approach this work from a UK policy perspective. I am not an economist, and this work does not attempt causal analysis nor employ econometrics. The aim of this work is to attempt to illuminate the issues that have particular relevance for policy researchers and policymakers in the UK context. I use descriptive analyses and qualitative research to do so.

The remainder of this chapter attempts to offer the reader a general overview of the evidence, identifying the key issues and gaps in the literature to date. I then review the policy context, before presenting the structure and contributions of the remainder of the thesis.

1.2 Background and key literature

1.2.1 Is wealth inequality a problem?

The extent to which equality is a desirable goal has long been the subject of philosophical debate. All philosophical arguments as to why social and material inequalities may be problematic could be applied to the issue of wealth inequality – if the concentration of wealth undermines individuals' ability to live as equals and damages social cohesion and co-operation, then it is bad.

However, counter arguments, such as Wolff's (2001) *'levelling down objection',* similarly apply: if reducing wealth at the top does nothing to improve the situation of others, then in what way is it beneficial to do so? There is no easy resolution to this argument, and even if a consensus could be reached around extreme wealth inequality

[1] See Piketty (2014), Atkinson (2015) and Hills & Glennerster (2015b)

being problematic, where the level became *'extreme' or 'too high'* would likely remain the subject of intense debate.

In our recent report *'Why wealth inequality matters'* (Savage, Mahmoudzadeh, Mann, Vaughan, & Hilhorst, 2024), my co-authors and I make the case that the unequal distribution of wealth in the UK, is divided on gender and racial lines, hinders social mobility and equality of opportunity, and is putting strain on our democratic process. In this vein, we argue that wealth inequality is divisive and damaging to society.

This belief echoes those of the general public. The majority of the British public (59%) maintain that differences in wealth in Britain are *'unfairly large'* (Morgan & Taylor, 2020). There is further broad agreement that large differences in people's wealth give some too much political power (76% agree) and makes Britain a socially divided country (72% agree) (Rowlingson & McKay, 2013). Whereas, only a minority believe that large wealth differences give people an incentive to work hard (33% agree) or are necessary for Britain's prosperity (27% agree). Interestingly, this is despite evidence to suggest that the general public underestimates the level of wealth inequality in the UK (Hills, 2013; Rowlingson & McKay, 2013). Together, this evidence suggests that the public widely believe that wealth inequality has negative impacts on society.

A second strand of argument considers the extent to which wealth inequality harms equality of opportunity, the premise being if the distribution of wealth harms the principle of equality of opportunity then the level is too high. Here the British public are less concerned, with just 14% believing that coming from a wealthy family is essential or very important in getting ahead; this is compared to over 70% for meritocratic factors, such as hard work, good education, and ambition (Heath, Dirk de Graaf, & Li, 2010). Yet, inheriting wealth undoubtedly has a positive impact on an individual's economic resources. Indeed, equality of opportunity narratives are often used to justify taxation on wealth transfers. Thus, there is some reason to think that it is recognised that inherited wealth is not attuned with equality of opportunity.

Wealth is further likely to affect individuals' life chances in indirect ways. Using the 1995 wealth module of the BHPS, McKnight and Karagiannaki (2015, pp. 122-128) find increased parental wealth is associated with increased likelihood of child educational

and employment success.[2] Their analysis using the National Child Development Study offers more mixed results, finding assets at 23 is associated with increased likelihood of employment, increased wages and increased self-reported *'excellent'* health at 33, and 42, but is also associated with higher reported *'malaise'* McKnight and Karagiannaki (2015, pp. 129-142). The relationships are not always linear and affect men and women differently. However, the participants in this study all just turned 60. Women's participation in the labour force has changed radically since this cohort turned 33 or 42, so it is difficult to draw meaningful conclusions as to what this means for younger generations.

Aside from these studies, there is very little empirical evidence specifically investigating the influence of wealth on individual life chances. This is primarily due to a lack of adequate data. In the absence of good quality data, it is difficult for researchers to explore the significance of wealth.

There are, however, numerous studies investigating issues related to income inequality. It is important to note that these studies do not control for wealth, therefore, it is possible that wealth could be a confounding factor, or at least could change the interpretation of the results, were wealth to be considered in the analyses. This is particularly true for studies which find correlation to mother's age and income (controlling for education), which could simply be a proxy for wealth.

Parental income has been found to be correlated with school readiness at ages 3-5 (Waldfogel and Washbrook 2011, cited in Stewart, 2016, p. 87), educational outcomes at every stage of education (Stewart, 2016, p. 89), and increased graduate earnings 10 years after graduating, even after controlling for education and institution attended (Britton, Dearden, Shephard, & Vignoles, 2016).

These studies demonstrate how income inequality is not merely a question of differential earnings, but results in inequalities of both opportunity and of outcome in many people's lives. If people are able to use their economic resources as measured by income in order

[2] Here McKnight and Karagiannaki define parental wealth as the sum of net financial and net housing wealth. Educational success is measured as probability of achieving a degree at age 25, controlling for parental education and income. Employment success is measured as probability of being in employment at age 25, controlling for parental education own education, marital status, gender, whether the 'child' has children of their own

to secure better life chances for themselves and their children, is there any reason why a stock of economic resources would not be similarly powerful?

Furthermore, if wealth were to be proven similarly significant, then even if policy responses were able to eradicate income inequality in its entirety, then the inequalities in educational outcomes, health, and intergenerational success, may well persist due to the concentration of wealth.

Thus, I argue, wealth inequality is a problem that warrants investigation in its own right. Research on wealth has increased substantially in recent years, particularly following the success of Piketty's (2014) international bestseller *'Capital in the 21st century'*, yet gaps in the literature remain.

1.2.2 GB wealth distribution is highly concentrated, but estimates vary

The most recent national statistics estimate the Gini coefficient for household wealth in Great Britain to be 0.62 (Office for National Statistics, 2022).[3] In the 14 years of WAS data, this estimate has remained largely stable, fluctuating between 0.61 and 0.63. This is significantly higher than the level of income inequality in Great Britain which is estimated at 0.357 (Office for National Statistics, 2023a).

Whilst it is widely acknowledged that wealth is highly unequally distributed in Great Britain, the official statistics are believed to underestimate the true scale of the issue. Household surveys are known to underrepresent the upper tail of the distribution, and numerous authors have now attempted to correct this omission (Advani, Bangham, & Leslie, 2021; Shorrocks, Davies, & Lluberas, 2018a; Vermeulen, 2018). Advani, Bangham and Leslie (2021) further critique the exclusion of business assets from official estimates. This is deemed to be particularly pertinent to estimates of wealth inequality as business assets are disproportionately held by the wealthiest decile (Advani, Bangham, & Leslie, 2021).

Alvaredo, Atkinson, and Morelli (2016) offer a comprehensive review of the alternative sources of UK wealth data, namely those produced with reference to administrative data

[3] The Gini coefficient is a commonly used measure of inequality, which ranges between 0 and 1, with 0 representing perfect equality and 1 representing perfect inequality. The Gini can also be expressed as a percentage.

(estate data or investment income data) or household survey data (the Wealth and Assets Survey). None is without substantial challenges or limitations. Different data sources produce different estimates and different trends in the concentration of wealth, albeit all showing high levels of wealth inequality. Many of the issues observed by Alvaredo, Atkinson and Morelli (2016) echo those made by Atkinson and Harrison (1978) 40 years prior.

Differences in the approach, and the data used, to correct for these issues have led to differences in the precise estimates of total wealth and its distribution. Nevertheless, many concur it is highly unequal, and indeed more so than official statistics suggest. In the absence of representative data, differences in the estimates of wealth in Great Britain and its concentration will continue to vary.

These challenges are not unique to British data. Furthermore, there are differences in international survey methodology which make international comparison difficult. These include, but are not limited to, differences in: unit of analysis; definitions; valuation; values being bracketed or point estimates; sampling methods; non-response and imputation procedures (Jäntti, Sierminska, & Smeeding, 2008). Thus, international comparisons should be treated with some caution.

Accepting these limitations, despite being highly concentrated, Britain's level of wealth inequality is not unusual. Indeed, many countries have very high levels of wealth inequality, with many in the OECD estimated to be more unequal than Great Britain (see Shorrocks, Davies, & Lluberas, 2022).

I am further unconvinced that the scale of wealth inequality as measured by the Gini, can be assumed to be a proxy for the extent to which wealth inequality is problematic for a given society, and more research is required to develop understanding of this. Regrettably, this is beyond the scope of this thesis, which focuses on the UK experience.

1.2.3 Conceptual issues are given inadequate attention in the measurement of wealth

The conceptual approaches to measuring wealth have been overlooked and underexplored in the extant literature. Many studies attempting to measure wealth in the UK differ in the unit of analysis or the equivalisation approach that they take to wealth, or both. Indeed, both the Sunday Times Rich List, and Forbes' world's billionaires include the wealth of individuals, dynastic families, and households at different points.

Due to the mix in measurement unit - individuals, dynastic families, and households - it is inappropriate to assume that the data can be straight forwardly used to replace missing household data at the top, yet in the absence of clear alternatives this is what the aforementioned studies attempting to correct for the missing top tail have done.

It has further been acknowledged that the unit of analysis could materially alter the top wealth shares (see Alvaredo et al., 2016; Atkinson & Harrison, 1978), yet these issues are often dismissed either in a side note, or not referenced at all, in many studies on wealth. If any reference is made to the issue of equivalisation it is usually simply to cite the OECD's (2013b) observation that no consensus has been reached on the appropriateness of equivalising wealth, before proceeding with one or other method. Yet for policy purposes, these issues have meaningful implications for policy design, and impact any resulting policy, which are currently inadequately addressed. These issues are further explored in Chapter 3.

1.2.4 Income and wealth are often conflated as 'economic inequality'

All too often income and wealth are conflated into a singular issue of economic inequality. However, there is a large literature base to suggest that it may not be so straightforward.

Firstly, high wealth inequality countries are not always the same as the high income inequality countries (Skopek, Kolb, Buchholz, & Blossfeld, 2012). Secondly, high-income households, are not always high-wealth households. Research in the US has demonstrated that just 43% of the top 1% are in the top 1% of both household income and net worth, whereas 57% are in the top 1% income or wealth group, but not both (Keister & Lee, 2017).

At the opposite end of the distribution European research has demonstrated that taking wealth into account reveals a different group who are *'truly vulnerable'* than standard income approaches to poverty (Kuypers & Marx, 2017, 2018). Doing so significantly shifts estimates of the demographics likely to experience economic hardship.

This disconnect between income and wealth holdings is in evidence throughout the distribution and has been repeatedly observed to be an imperfect correlation (Keister & Lee, 2017; O'Sullivan, Nolan, Barrett, & Dooley, 2014; Rowlingson & McKay, 2012). Often more progressivity in income taxation or income redistribution is posited as the

solution to growing *'economic inequality'*. This is despite the knowledge that income and wealth are imperfectly correlated. This fact has even been cited as a reason not to have a wealth tax, expressed in concerns about the liquidity constrained, who may be forced out of their home, business or farm if forced to pay a wealth tax.

Inadequate attention has been given to separating the issues of wealth and income inequality, which has led to a continued conflation of both the problems and the potential solutions. Further, whilst concerns about the *'liquidity constrained'* are oft referenced as a reason not to have a wealth tax, the scale of the issue has not been estimated. This issue is explored further in Chapter 4.

1.2.5 Emphasis on lifecycle effects limits policy response

One explanation for this lack of focus on wealth is that some level of inequality could be seen to be justifiable as a result of differences in age, income and propensity to save. There is a reluctance to *'penalise'* those that have *'worked hard'* and *'saved',* a concern oft repeated in the policy literature.

When referencing the lifecycle patterns of wealth, policy reviews typically point to cross-sectional analyses of average wealth by age (see for example the Wealth Tax Commission: Advani, Chamberlain and Summers, 2020). Yet, these analyses mix both age and cohort effects, and thus only give a limited perspective of wealth over time. Indeed, the current distribution of wealth cannot be explained by differences in age and income alone (Hills et al., 2010). Furthermore, lifecycle patterns of wealth offer individualistic explanations for wealth levels, putting emphasis on saving from labour income, whilst overlooking the contribution of inheritances, gifts, inflation and luck.

Longitudinal analysis of the lifecycle patterns of wealth is virtually non-existent due to the paucity of longitudinal wealth data. Yet, there are some indications that the oft-cited pattern of accumulation to retirement age and decumulation thereafter might over-simplify the heterogeneity and complexity of wealth accumulation patterns. Indeed, researchers would expect there to be substantial variations in any given individual's life course.

1.2.6 Intra-household wealth inequalities are underexplored

Much of the literature on wealth is based on the inequalities between households, in part because this is largely what the available data allows. However, this overlooks the

allocation of wealth within households. It further tacitly implies that all members of the household have equal access to the wealth of the household. A strong assumption, with insufficient empirical evidence to support it.

This is an issue that has a long history particularly amongst feminist economists and poverty scholars, who have raised similar arguments with regard to household income noting that household measures disguise the position of those within the household (see for example Glendinning & Millar, 1987; Millar & Glendinning, 1989). There is further a large body of sociological literature exploring the allocation of money within the household and its social meaning (see for example Pahl, 1989; Stocks, Díaz Martínez, & Halleröd, 2007; Zelizer, 1994).

Whilst there is a large body of research on the organisation of money within the household, this literature has paid scant attention to the organisation of wealth. It has been repeatedly noted in the literature that the distribution of assets within couples and households is poorly understood (Bennett, 2013; Deere & Doss, 2006; Lersch, Struffolino, & Vitali, 2022; Rehm, Schneebaum, & Schuster, 2022).

The small but growing body of literature on the subject is largely based on survey or administrative data. The evidence suggests that in Italy, France and the UK wealth holding is becoming increasingly individualised (Fraboni & Vitali, 2019; Frémeaux & Leturcq, 2020; Kan & Laurie, 2014; respectively). Several studies attempt to explore the relationship between wealth allocation and subjective well-being, largely based on German SOEP data, but they have produced mixed and contradictory insights (see for example Kan & Laurie, 2014; Kapelle et al., 2022; Lersch, 2017; Tisch, 2021).

Despite their potential valuable contribution, there have been few qualitative studies on the allocation of wealth within the household (Bennett, 2024). There have been some noteworthy exceptions including: Joseph and Rowlingson (2012); Rowlingson and Joseph (2009), and Chang (2010) but these are now over a decade old. More recently Bessière and Gollac's (2023) important study into the gendered allocation of wealth at the breakdown of marriage and at death in France hints towards more complex, and systematically gendered, allocations of wealth within the household. However, this was not the focus of the research, and thus the evidence as to within household allocations of wealth were not directly explored.

Given the dearth of individualised wealth data, much of the evidence relating to the gender wealth gap is based on single-headed households. There are few studies which look at the wealth position of women more widely, nor at the intrahousehold allocation of wealth. These issues are explored in greater depth quantitatively in Chapter 5 and qualitatively in Chapter 6, 7 and 8.

1.3 An overview of wealth policy in the UK

Here, I consider both the tax regime and the welfare system to be relevant to wealth policy. The sheer number of policies that either tax wealth, support the accumulation of wealth or are asset-means tested, and the different ways in which they assess wealth, may surprise many. I provide a summary in Table 1.1.

Table 1.1 Wealth policies in the UK

Taxes on wealth	
Net wealth tax	Net wealth is not subject to taxation in the UK.
Inheritance Tax	Inheritance Tax (IHT) is paid on the estate of someone who has died on wealth over £325,000, rising to £500,00 if they give away their home to their children or grandchildren. Married/civil-partnered couples can pass on any unused threshold to their partner/spouse when they die, this means their threshold can be as high as £1 million. There are further specific reliefs for businesses and agricultural property. Gifts made in the seven years before death may count towards the threshold, and may be subject to inheritance tax retrospectively if they exceed £325,000. Gifts made between 3 and 7 years prior to death will be eligible for taper relief. Inheritance exceeding the threshold and not eligible for other reliefs is charged at 40%.
Inter-vivos gifts	Gifts made prior to 7 years before death are not subject to taxation in the UK. Gifts made in the 7 years before death may be subject to IHT (see above).

Stamp Duty Land Tax	Stamp Duty Land Tax is due on the purchase of property or land over a certain price in England and Northern Ireland. In Scotland, the Land and Buildings Transaction Tax applies, and in Wales, the Land Transaction Tax.
Capital Gains Tax	Capital Gains Tax (CGT) is due on the profit when someone sells (or 'disposes of') something (an 'asset') that has increased in value. Reliefs and allowances are available. Notably the rate of CGT is lower than that charged via Income Tax.
Council tax	Council tax is usually due when someone owns or rents a home. Rates and bands vary according to the local council. Some exemptions and discounts apply.

Policies that support/incentivise wealth accumulation

Individual Savings Accounts	Saving is actively encouraged, Individual Savings Accounts (ISAs) are 'tax-free' savings vehicles. There are others in this vein such as Child Trust Funds and Junior ISAs.
Pension saving	Private pension saving is actively endorsed by the state in numerous ways, and is subject to numerous tax benefits and reliefs.
Help to Buy: Equity Loan	Scheme to support first-time buyers into home ownership. The government lends eligible homebuyers up to 20% (40% in London) of the cost of a newly built home, interest-free for the first five years. This is the latest version of a series of first-time homebuyer support schemes.
Right to Buy	Right to Buy gives most council tenants the right to buy their council home at a discount.

Right to Acquire	Right to Acquire gives most housing association tenants the right to buy their home at a discount.
Asset-means tested benefits	
Universal Credit	Universal Credit is an asset means-tested income support benefit. Individuals and couples must have less than £16,000 in savings to be eligible.
Social care	Financial support for social care is asset means tested, the upper capital limit is £23,250 and is assessed individually.

Source: Author's own summary from information available at www.gov.uk
Notes: Information correct as at 1 July 2021

This list is not intended to be exhaustive, rather to offer a broad overview of the wealth policy context in the UK, and its inconsistencies in regard to wealth. I limit this summary to policies that explicitly tax, incentivise or means-test wealth via the tax and welfare systems.

It is worth acknowledging many more policies affect individual and household wealth accumulation, both directly and indirectly. Key examples of this are the income tax and consumption tax regimes, and in particular their progressivity or lack thereof. In the UK income tax is broadly progressive, whilst consumption taxes are deemed regressive; albeit with progressivity and regressivity estimated on the income distribution, and not explicitly considering the effect on the wealth distribution. Notably, at the time of writing, capital gains are taxed at a lower rate than other forms of income.

In addition, there are substantial legal mechanisms, which further impact individual and household wealth holdings. Key examples of this include: those designed to deal with problem debt, such as bankruptcy law, and the 'Breathing Space' scheme; company law, including those governing share buybacks, and intellectual property law, amongst others; these are however considered beyond the scope of this thesis.

Key commentators have observed that the UK policy context regarding wealth is incoherent at best (Hills & Glennerster, 2015a; Rowlingson & McKay, 2012, pp. 145-153; Summers, 2020). Chief in the perceived failings is a lack of clear objectives,

reflecting conflicting principles and aims regarding wealth accumulation. Here, I draw attention to some additional areas of concern for those interested in wealth and wealth inequality from a policy perspective.

1.3.1 Inconsistent approach to amount of wealth that matters, and how it is measured

Firstly, there is an overarching inconsistency in the approach to wealth measurement for policy purposes. For inheritance tax, there is an individual limit, which can be passed and shared between married or civil-partnered couples. In effect wealth is treated on a per capita basis for the purposes of inheritance tax. So too for social care, where individuals are assessed on their personal wealth, any jointly owned assets are assumed to be shared equally prior to assessment. Yet for Universal Credit (hereafter UC), the asset-means-test is the same for both individuals, couples and families residing in the same household.

Thus, UC assumes that members of couples and families have the same capital requirements as a single individual. Further, assuming that each member of that couple or family enjoy equal access to resources. Both are strong assumptions, with little empirical evidence to support this view.

Moreover, this assumption is inconsistent with the legal right to assets. Under English law, a cohabitant has no legal right to, nor obligation for, the assets or debts of their cohabiting partner. Should the proposed Cohabitation Rights Bill (HL Bill 97, 2020) pass, cohabiting couples would gain the right to apply to the court to make a financial settlement order, provided that they met a number of qualifying criteria. Most significantly, this would require that they either parented a child together, or had been living together for more than three years, and one or other had suffered an economic disadvantage or enjoyed a retained benefit as a result of the relationship. However, this proposal has stalled after its first reading, and currently cohabitants in England and Wales have no such rights for settlement.[4] Yet UC assumes that unmarried cohabiting partners enjoy equal access to one another's assets from the day to move in together, presuming them to be 'living together as married'. Again, this is a strong assumption. Indeed, even within marriage, entitlement to a division of assets comes at the point of

[4] The first reading was on 6 February 2020, and is not expected to progress further.

divorce, and not at the point of marriage (Barlow, 2008). Further, this presents a question on whether it is reasonable to assume that couples share their assets.

Not only does the method of assessment differ between social care and UC, so too does the amount. Individuals can hold up to £23,250 of assets and still be eligible for state support for care, but for UC £10,000 worth of assets starts to reduce the individual or couple's level of support and £16,000 makes them ineligible for support. At the opposite end of the scale inheritance is only subject to tax over £325,000 per individual, rising to £500,000 if it includes the family home.

It is not clear how the levels were decided upon, nor why they are applied in different ways. Notably, the upper capital limits for UC and Social Care have not been adjusted for inflation since implementation, in 2012 and 2014 respectively. In the case of Social Care there have been many proposed revisions, including significantly increased capital limits, together with a cap on the amount an individual is expected to contribute to their care; at the time of writing these have not come into force.

Taken together, these issues demonstrate an inconsistent approach to wealth in the social support system in the UK.

1.3.2 Lack of horizontal equity in asset-means tests

There are substantial differences in the treatment of different types of wealth which result in a lack of horizontal equity in asset-means tests for income support. UC, the UK's primary source of working-age income support, is asset-means tested, but middle-class assets, such as the main-residence and pensions remain ring-fenced, whilst savings over £10,000 reduce the household's eligibility for UC. Effectively this means that those who are not home-owners are further disadvantaged, in so far as they are expected to further dwindle any savings they may have. Notably, paying off debts is permissible in UC applications, meaning that a home-owning family could pay off some of their mortgage to ensure they can access UC support.

Social Care has slightly different criteria but is also asset-means tested. Whereas, 'Furlough', the government's COVID job-protecting, quasi-income-support-scheme, paid to businesses to effectively fund large proportions of their payroll costs, is not asset-means tested.

1.3.3 Inheritances and inter vivos gifts are treated differently in the tax system

Inheritances and inter vivos gifts receive differential treatment in the UK tax system. Inheritances, and to a more limited extent, gifts made in the 7 years prior to death are subject to inheritance tax (hereafter IHT). Whereas gifts made more than 7 years before death are entirely free of taxation; there is no inter vivos gifts tax in the UK.

Notably, IHT is commonly acknowledged to be a deeply unpopular tax, perceived to be avoided by the very richest. This claim is not entirely unfounded; the average effective rate of tax paid by estates over £10million is just 10% whereas an estate of between £2-9million is likely to pay an effective rate closer to 20% (Office for Tax Simplification, 2018). The Office for Tax Simplification further acknowledges that wealthier households and individuals have less wealth tied up in their home, and therefore are more able to transfer wealth within their lifetime. Timed well (more than seven years before death), this can entirely avoid becoming liable for any IHT on the sums transferred. In light of this it is perhaps unsurprising that 50% of the general public think that IHT is unfair, compared to just 20% who think inheritance tax is fair (YouGov, 2021).

There is widespread recognition that inheritance tax needs to be reformed (Office for Tax Simplification, 2018; Treasury Committee, 2021), yet the direction of travel is towards simplification of the process and a reduction in the application of the tax to gifts made in the years before death. Whereas, advocates of policies to tackle wealth inequality have long argued for a move to a lifetime receipts tax, where inter vivos gifts will more commonly be taxable than is the case under current or proposed legislation (see for example Atkinson, 2015; Atkinson, 1971; Mirrlees, Adam, & Studies, 2011).

However, just as a net wealth tax has repeatedly proved difficult to design, never mind implement, so too would a radical overhaul of IHT system, or indeed the introduction of an inter vivos gifts tax. In this way, whilst IHT is under review, changes in the direction of revisions which result in reducing the unequal distribution of wealth seem unlikely.

Notably, married couples enjoy IHT allowances not available to cohabiting couples. So, whilst no distinction is made in assets-means-tests between married or civil-partnered and unmarried couples, a distinction is made for IHT.

1.3.4 UK policy has a complicated and confusing approach to wealth

In sum the approach to wealth in the UK tax and benefit system is inconsistent, both in terms of what it is trying to achieve, and how it is measured. Many authors have proposed many ways forward, yet little changes. This thesis aims to build on the existing literature with a view to improving the policy landscape in its regard to wealth.

1.4 Contributions and structure of thesis

The thesis proceeds as follows. Firstly Chapter 2 *'Methodology'* offers an overview of the data and methods used and sets out the justification for the multi-methods approach taken. The empirical work largely falls into two parts. The first part uses data from the ONS' Wealth and Assets Survey (hereafter WAS) to address three key empirical gaps highlighted in sections 1.2.3-1.2.6 from a quantitative perspective. Those are: on the measurement of wealth, the *'liquidity problem'*, and the intrahousehold allocation of wealth and its implications for the gender wealth gap. The second part then further addresses the intrahousehold allocation of wealth from a qualitative perspective. Here, I provide more detail on each part.

Part one commences with a conceptual chapter, Chapter 3, *'Measurement matters: A policy perspective on the measurement of wealth'*, which introduces the reader to the importance of different measurement approaches when considering wealth in a policy context. I demonstrate that issues such as the appropriate reference unit, and approach to equivalising wealth, make significant differences to who might be classified as *'wealthy'* or *'asset poor'*. As such I emphasise the importance of these issues, both in policy design and in academic study. In order to assist future research and policy makers, I prepare a table summarising the advantages and disadvantages of different measurement approaches. Finally, I offer some principles for researchers to consider when completing wealth-based analyses.

Chapter 4, *'Liquidity Issues: Solutions for the asset rich, cash poor'* is a co-authored paper written together with Glen Loutzenhiser. The paper was commissioned by the WTC to estimate the scale of the 'liquidity problem', who is affected, and what could be done to limit the scale and impact of liquidity challenges. This version is published in a special issue of Fiscal Studies; an earlier version is published as an evidence paper and was referenced in the Final Report of the WTC (Advani, Chamberlain, & Summers, 2020).

My contribution to the chapter, and to the literature, was to estimate the scale of the *'liquidity problem'* and who it might impact using data from the WAS. In order to do this, I offer a detailed consideration of what it means to have a liquidity problem, demonstrating that the scale of the problem greatly depends on how you define the issue. I estimate the likely scale of the *'problem'* under numerous tax thresholds, and rates. I note that consistent with common concerns regarding wealth taxes those with business interests and farmers are over-represented in the groups likely to experience liquidity problems, but that concerns regarding pensioners are largely unwarranted.

I preface Chapter 4 with a short personal commentary. I argue that in addition to setting out the scale of the 'liquidity problem', the findings also serve to demonstrate that there are individuals whose wealth dwarfs their income. Therefore, further taxes on income may be a blunt instrument to tackle inequalities of wealth.

Chapter 5*, 'Intra couple allocations of wealth and the gender wealth gap',* exploits the individual data of the WAS to investigate the distribution of wealth between couples and estimates the gender wealth gap in the UK for the population including those living in couple relationships. Importantly, I find a substantial gap in wealth holdings within couples, challenging the assumption that wealth is shared fully and equally within households, or indeed that we need only concern ourselves with inter-household wealth inequality. This has important implications for household-based asset-means-tests, suggesting that it is inadvisable to presume that all individuals have equal access and rights to the savings of the other. It further demonstrates that estimates of the gender wealth gap based on single-adult headed households or that assume equal sharing of wealth within couple relationships offer a skewed view of the gender wealth gap.

Utilising the individual data for the entire population, I find a substantial gender wealth gap, which is primarily driven by differences in pension wealth, suggesting that much of the subsidies and allowances offered to pension savings, primarily benefit men. I further find that the gender wealth gap has increased marginally over the period studied, at a time when the gender income gap has been decreasing. This highlights that the gender income gap does not adequately capture all the economic disadvantages women suffer. I advocate for the gender wealth gap to be a key governmental statistic. With the expectation that this would require policy makers to pay more active attention to the gendered impact on individual wealth accumulation.

I then move on to part two of this thesis, where I offer a qualitative perspective on the intrahousehold allocation of wealth. Here I use evidence from 35 in depth interviews to explore wealth sharing within couples who live together.

Chapter 6, *'Wealth sharing within couples who live together: A journey'* documents how couples organise their assets and debts. The evidence I put forward reveals the complex and dynamic nature of wealth sharing within couples who live together. I demonstrate that couples share different things in different ways, and what is shared and how it is shared can change over time. Importantly even assets of the same type may be treated differently pending the timing and source of their acquisition. Furthermore, it cannot be assumed that couples allocate or share their assets and debts in the same way they organise their income, thus I argue income only offers a partial insight into the intra-household organisation of economic resources. To aid future researchers, I document the different *'spheres of sharing'* to be considered when investigating the allocation of economic resources within couples and households.

I further demonstrate that key life events, such as buying property together, getting married or having children, often serve as opportunities for couples to review how they want to organise their economic resources. For some, these events result in greater sharing of their assets and debts, while for others, it serves as an opportunity to formalise and entrench pre-existing asset inequalities.

In Chapter 7 *'The social power of wealth allocation within couples who live together',* I move on to consider why couples organise their assets and debts in the way that they do. I argue that the allocation of wealth within couple relationships is laden with social meaning, and issues of power and control. I focus on four inter-related themes of equality and fairness, independence, perceptions of ownership, and relationship quality.

I demonstrate that respondents often value *'status equality'* over equality of economic resources. This status equality is often performed and signalled via the equal contribution to joint expenses, allowing inequalities of wealth to accumulate. This is commonly driven by the lower resourced partner to assert their equal status.

Echoing the income sharing literature women demonstrate a strong desire for independence, which they link to self-sufficiency, autonomy and self-determination. In stark contrast men's narrative surrounding independence is more commonly driven by a

desire for privacy and conflict avoidance. Taken together these issues can act as a mechanism towards greater individualisation in the approach to economic resources within the household, and further facilitate inequalities of wealth to accrue.

In the final empirical chapter, Chapter 8, titled *'Whose wealth is it anyway? Issues of entitlement within couples who live together',* I consider responses to the deliberative part of the interviews, which aimed to explore issues of entitlement via a series of vignettes. This offered insights into how participants felt couples should organise their assets and debts. In echoes of their own wealth sharing journeys, participants believed couples should take an individualistic approach to their assets and debts in the early stages of their relationship. Marriage, having children together, or buying a property together, were seen as key signals of togetherness, but in their absence, individuals are perceived to have no entitlement to one another's assets. Assets which predate the relationship were often viewed differently to assets generated within the relationship and are ringfenced in the participants' minds as the individuals' own. Inheritance and homes owned before the relationship commenced were particularly emotive and evoked strong feelings of individual ownership.

Crucially, it was almost universally thought that the imaginary couple who had only recently moved in together, should have their assets assessed separately for the purposes of assets means-tested benefits. In contrast, for the purposes of separation, participants believed that entitlement to a share of household assets, beyond those contributed by the individual, should be earned via joint financial contribution or via the care of children. Whilst many participants were confident in asserting what *should* happen to the various couples' assets in a given situation, there was much uncertainty as to what *would* happen, and this was particularly true in regard to pension assets.

The final chapter of this thesis, Chapter 9, *'Conclusions and policy implications'* draws together the findings of the previous chapters and considers the policy implications.

Chapter 2

2 Methodology

In this chapter, I review the methods used in this research. The chapter follows the structure of the thesis in so far as I firstly introduce the data and methods used in the quantitative chapters of the thesis contained in 'Part I'. Secondly, I reflect on the methods used in the qualitative chapters of the thesis contained in 'Part II'.

2.1 Part I: Data and methods

2.1.1 Definitions of wealth

Throughout this thesis, I focus on an individual or household's net worth. That is their gross assets less any liabilities, as is common in much of the literature on household wealth. I believe that this offers the most comprehensive measure of an individual or household's wealth position. However, it is worth acknowledging that in some instances gross wealth measures may provide useful and different insights than analysis using net worth. As Jenkins (1990) argues two individuals with similar net worth may have very different gross wealth, and may enjoy very different circumstances as a result. Whilst gross wealth may better reveal their differential gross wealth position, it may also serve to hide the difference between someone with substantial gross wealth and no debts, and someone with substantial gross wealth together with substantial debts.

I use the terms total wealth and net worth interchangeably, estimated using the sum of an individual or household's reported business, financial, pension, physical and property assets, less any liabilities, unless stated otherwise in the methodology of the relevant chapter. These groupings are based on the data available, the estimates of which are explored in greater detail in section 2.1.2.2 *'Measures of wealth in national statistics and the WAS'*.

There has been some debate whether an individual's *'human capital'* in the form of their education should be included in measures of net worth (see for example Diamond, 1975, p. 10; Sandford, 1980). Whilst I acknowledge the huge value of education, the range of values any given individual might exact from their education is likely to vary greatly. Furthermore, it is not transferable in the sense that you cannot transfer it without further

personal effort, you cannot sell your qualifications to another individual to present themselves as so qualified. Even in the event that you work for another so that they can gain the knowledge that you hold, this does not result in the loss of the knowledge yourself, thus your own asset is retained. Thus, I follow many others who focus on transferable wealth, and do not include education or other human capital in my evaluation of individual wealth.

Similarly, it has been argued that state pensions should be included in wealth estimates. However, as the *'1950s women'*[5] found out, in the UK, the state pension is not considered to be a contract, thus there are only short to medium-term guarantees on the value of any future pension. Furthermore, state pension entitlements vary based on a number of factors including number of years worked, age, sex and marital status, among others. These factors interact; for example, age dictates how many years worked are required to receive a full or partial state pension (GOV.UK, 2022). Thus, whilst it would be feasible to estimate the value of a state pension already in receipt, it would be very difficult to do so for the working population. Importantly, the ONS also do not consider the state pension to be a part of household wealth. As such, I do not estimate state pensions, and state pensions are not included in estimates of an individuals' total wealth.

There are further many conceptual and practical issues in the measurement and estimation of wealth; these are explored more fully in Chapter 3.

2.1.2 The Wealth and Assets Survey

The empirical analysis in this thesis utilises data from the ONS' Wealth and Assets Survey (WAS).[6] The WAS is an ongoing longitudinal survey into Great British households' wealth and economic well-being; it is designed to be a nationally representative survey with five waves covering the period 2006/08-2014/16, and one round to 2016/18.[7] Each wave or round of data is collected over a period of two years;

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[5] Women born in the 1950s have challenged changes to state pension legislation which increased their retirement age causing a long running dispute between the government and *'1950s women'*.

[6] A number of versions of this data are used, and these are cited in relevant chapters.

[7] Round 7 covering 2018/20 has since been released. The naming convention of the Waves became Rounds to signify a change in the data collection periods (moving from a June commencement date to April).

for Wave 1 data was collected between July 2006 and June 2008, and respondents are then re-interviewed biennially.

The WAS offers a unique opportunity to study individuals' wealth over time in the UK. Further, it is the only British survey that combines extensive information on both the individual and the household's income, wealth, and characteristics. For each of the quantitative empirical chapters, it is not only the best source of data to use; it is currently the only available source of relevant nationally representative data.

In the cross-sectional analyses in Chapters 3, 4 and 5, I use data from approximately 42,000 individuals or 20,000 households.

For each wave the data is provided in two files, one with information recorded at the household level, and one which is recorded at the individual level. A simple summary would be to say that the individual file includes individual characteristics, income, business, financial and pension wealth. The household file reports the household totals for income, financial and pension wealth, alongside household information on property wealth and physical wealth.

Cross-sectional and longitudinal survey weights are provided within both the household and the individual files. Longitudinal survey weights are provided for comparisons between the most recent wave *'Wave T'* and the previous wave *'Wave T-1'*, and between the current *'Wave T'* and Wave 1. I use the cross-sectional weights in all quantitative analyses in this thesis.

2.1.2.1 Wealth components in national statistics and the WAS

The ONS reported statistics of GB household wealth, include four asset categories:

1. Net financial wealth – the value of all formal and informal financial assets, including any endowments purchased to repay mortgages, less the value of all formal and informal debts, excluding mortgages. This includes any overdrafts, loans including student loans and informal loans, credit cards, hire purchase agreements, and any amounts in arrears.
2. Physical wealth – the value of household contents including any vehicles, collectibles or valuables

3. Private pension wealth – the estimated current value of all pension savings and rights
4. and net property wealth – the value of all property less any mortgage or debts as a result of equity release (Office for National Statistics, 2023b, pp. 45-49).

There are three elements that are worthy of more detailed attention in the extent to which they are included in the data and subsequent analyses; those are business assets, trusts, and student loans.

Business Assets

Whilst the ONS does not include business assets in their definition of total wealth, the WAS does collect data on business assets, and this is available in the dataset. The original ONS report on Wave 1 WAS data, maintained that business assets fell outside of the ONS' definition of the personal wealth of households (Office for National Statistics, 2009, p. 138). However, the report also notes a very high level of non-response for business assets, just 4% of households provided a value for their business in the first wave of data (Office for National Statistics, 2009, p. 138). Thus, the lack of adequate data seems to have been a more relevant factor, and indeed provides a more convincing argument for the exclusion of business assets, than the suggestion business assets do not contribute to the personal wealth of households.

More recently, Advani, Bangham, and Leslie (2021) maintain that there may be a systematic undercount of the number of businesses reported in more recent WAS data. They estimate this to be approximately a quarter of the total business population, and this is observed across the spectrum in terms of business size (Advani, Bangham, & Leslie, 2021).

Despite sizeable gaps, the coverage appears substantially improved since the first wave, and there seems little argument for the continued exclusion of business assets from measures of personal or household net worth. Despite the continued exclusion of business assets from official national statistics on household wealth, where it was feasible to do so, I have included business assets in the analysis. The reported quality of business assets data has improved over the course of this research, as such they are included in later chapters, but not in Chapter 3, which was drafted on a much earlier wave of data.

Trusts

It is noted money held in Trusts, with the exception of monies held in Child Trust Funds are not included in the WAS data (Office for National Statistics, 2023b, p. 45). The scale of this omission is difficult to estimate, but it could be substantial; 633,000 trusts and estates were registered with the Trust Registration Service at 31 March 2023, generating a combined £3.1 billion total income (ONS 2023 Trusts). It is further likely that any wealth held in Trusts is disproportionately held by wealthier sections of the distribution. Further research is required in this area, regrettably doing so is beyond the scope of this research.

Education and student loans

Historically debates over the inclusion of less tangible assets such as the value of human capital and education were common (see for example Diamond, 1975, p. 10; Sandford, 1980). As previously noted the value of such human capital is difficult to estimate, moreover the benefit each individual derives from the same or similar educational qualifications varies so substantially any generalised calculations are likely to be as misleading as not including them at all. Attempts to do so are vanishingly rare in the extant literature, and I similarly do not attempt to do so here.

However, all student loans are included in the ONS' standard definition of net worth and are incorporated in net financial assets, including ‘Student Loans’ (hereafter capitalisation of this denotes a Student Loan from the Student Loans Company). Student Loans are a unique type of debt, and the challenge from the perspective of measuring personal or household net worth, is that many Student Loans may never be repaid in full, if at all.

Some may argue that by including student debt and excluding the benefits that may flow from the tertiary education received, means accounting for the costs of education without similarly accounting for its potential benefits. However, I would argue that the costs have become tangible, whereas the benefits derived remain intangible and far from guaranteed to materialise.

Others may offer the critique that Student Loans are not 'real' debt, yet those making the decision to go to university, or currently repaying their student loans, would likely strenuously disagree. Once an individual is earning over the relevant threshold, Student

Loan repayments will be deducted from their income.[8] Outstanding Student Loans will also be considered in any application for a mortgage or other formal loan arrangement or credit facility. Thus, even Student Loans which are not currently being repaid can influence an individual's access to credit. Further, someone who needed to take a Student Loan is in a very different position to someone who did not need to incur debt to fund their degree.

Lastly, there is a generational difference in the scale of debt taken on by students. The extent of this increased dramatically with higher tuition fees, thus the scale of student debt varies significantly pending when an individual went to university. To ignore this generational difference would be to misrepresent the position of younger cohorts. Thus, whilst the debt may never be repaid, it is a burden carried and accruing interest until such time as it is repaid or written off.

However, including Student Loans in measures of personal and household net worth may serve to decrease any wealth differential between graduates and non-graduates. It is further possible that this may have systematic gender effects, as females increasingly outnumber males in undergraduate studies (HESA, 2022), yet continue to experience a gender pay gap (Andrew, Bandiera, Costa-Dias, & Landais, 2021). Further research into the effect of Student Loans on wealth accumulation, and the potentially gendered effects, is worthy of further research, but this is beyond the scope of this thesis.

Consistently with the ONS' measures, I include Student Loans in my estimates of personal and household net worth.

2.1.2.2 Data limitations

In section 2.1.2.2 above, I summarised what was and was not included in national statistics and captured by the WAS to estimate individual and household wealth in the UK. Here, I expand on more general limitations of the data.

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[8] Thresholds vary depending on the Plan, currently in the region of £21,000-£28,000, Repaying your student loan: When you start repaying - GOV.UK (www.gov.uk)

The missing top (and bottom)

Surveys of this type have been widely criticised for underrepresenting the top tail of the distribution (see Alvaredo et al., 2016; Davies, Lluberas, & Shorrocks, 2017). A number of authors have attempted to correct for the missing top tail, usually with reference to either the Times Rich List, or Forbes' Billionaires (see Advani, Bangham, & Leslie, 2020; Shorrocks et al., 2018a; Vermeulen, 2018).

I argue that wealth poverty and debt is likely similarly under-reported, yet this is not commonly acknowledged in the literature. It is reasonable to think poorer households and renters are more likely to experience greater transiency than homeowners or wealthier households. Furthermore, it is reported that those dealing with problem debts struggle to talk about it (Money & Pensions Service, 2020). Given this, it is unlikely that those in such circumstances are likely to respond, or indeed respond openly and completely, about their financial position. In the absence of representative data, it is hard to estimate the scale of the problem.

Furthermore, the data only includes wealth of households, and therefore excludes those living in institutional settings such as prisons, barracks, hospitals, care facilities, and universities.

That said, my analysis relies on the ability to connect respondents' wealth both with their income or with their wealth in prior periods. As such, there are limited alternative data sources that offer sufficient data to be able to complete these analyses. Moreover, despite these limitations, the WAS is considered to be representative for the vast majority of the population.

Valuing wealth

The values reported in the WAS are based on the individuals' self-reported estimates of their wealth. For financial assets and liabilities, and defined contribution pension pots, this is often with reference to the relevant documentation (i.e., bank or pension statements). However, for the many non-financial assets included, the self-assessed valuation is subjective, and is prone to error of both over- and under-estimation, or indeed over- or under-reporting.

Regrettably, for the purposes that I intend to use the data, it is difficult to correct for any inaccurate valuations, for not only is it difficult for respondents to know the true value of their non-financial assets, so too is it difficult for anyone to accurately estimate an asset's value. For example, even professional estate agents can have huge discrepancies in the value of a property. Daly, Hughson, & Loutzenhiser (2021) explore both the problems of valuation, and possible approaches for HMRC should a wealth tax be introduced; this is a useful reference for those interested in issues of valuation. For the purposes of this study, I accept the limitations of respondents self-reported valuations.

Estimating individual wealth

In latter versions of the data (since the 9th edition, April 2019) the ONS has included a total net worth measure in the individual files, this applies to Waves 3-5 and Round 6. However, there are several elements included in this total that were initially recorded by household (and not by individual). This includes the net value of the main residence, any associated endowments, and the physical assets held as contents of this property as well as any vehicles, collectables or other valuables owned within the household. Thus, in previous editions a total net wealth value had only been included within the household data.

In order to estimate total individual wealth, the ONS has made assumptions about the division of these presumed shared assets.[9] The value of the main residence and endowments have been divided equally between all named householders over the age of 18, whilst all household physical assets are split between all the adults resident in the household. [10] For this purpose, the ONS defines an 'adult' as any individual aged 16 years old or over.

Given that these totals were not available in previous releases of the data, I had previously made my own assumptions regarding the division of shared household assets. With regard to the main residence and endowments, my calculations equalled that of the

[9] Details of which can be found at: https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/methodologies/measuringwealthonanindividuallevel

[10] I use the term 'named householders' for individuals who are recorded as owning or renting the accommodation in their own name, jointly or solely under 'HhldrW[wave number]'.

ONS. I note that there is no data recording whether joint householders might own differing shares, and that this would be useful data to collect in future rounds.

My assumptions and estimates of individual physical assets differ from those of the ONS. I assume that the households' physical assets are also split equally between the named householders, as opposed to all resident individuals aged 16 or over. It is my belief that in the majority of instances the named householders would own the majority of the contents of the main residence. For 65 per cent of individuals the two methods lead to the same estimate of physical wealth.[11] However, for the remaining 35 per cent there are some substantial differences. These differences made me reconsider my initial assumptions.

The one point of difference between my assumption and the ONS' is that the ONS methodology allocates an equal proportion of physical assets to resident children aged 16 or over (and any other resident adult who is not a named householder) whereas my methodology allocates these individuals no share in the physical assets of the household. The reality is likely to be somewhere in between these estimates; however, my sense is that it is likely to be closer towards the '*adult'* children owning very little of the shared assets. This is a matter that is worthy of further research.

Whilst further research into the individual ownership of shared assets both property and physical is recommended, in its absence it is necessary to make an assumption as to the allocation of shared assets. I have decided for the purposes of this research to continue with my previous assumption to allocate the physical assets of the main property between the named householders. I make this decision based on the following arguments:

1. There is little likelihood of a resident *adult* child of 16 years of age owning any more physical assets than a resident child of 15 years and 364 days and yet the ONS' methodology will allocate them substantially different shares of the physical assets of the main property. This could lead to sizeable fluctuations in individual wealth when resident children turn 16. In line with the arguments put forward in Chapter 3 this has the potential to inflate wealth mobility.

[11] Author's calculation using Wave 5 data (27,855/42,832 individuals)

2. Similarly, as and when adult children leave home, unless they take a substantial proportion of the household assets with them when they leave, this could also lead to substantial fluctuations in household wealth.

3. Whilst it is true that any resident adult likely gets the opportunity to enjoy the benefits of the household, enjoying usage and rights of ownership are not one and the same.

4. Allocating adult children within the household part of the parental wealth may further hide intergenerational transfers of wealth.

In order to ensure that there were no errors with the calculations, once all allocations were completed, I confirmed that the sum of individuals' assets within a household added up to the household assets, and that total individuals' assets added up to total households' assets.

Variance estimates

I use the End User Licence (EUL) version of the data. This is anonymised to protect the confidentiality of the participants. However, the anonymisation process also removes the PSU and strata variables needed to be able to properly account for the complex survey design. This means that variances may be underestimated using this data. The published WAS guidance does not offer any recommendations on how to correct for this issue. Direct communication with the ONS has established that for the key wealth variables in Round 7, the design factors were estimated to be between 1 and 1.5. The design factor describes the ratio between standard errors computed under the actual sampling design to standard errors derived under the assumption of simple random sampling.

I have asked the ONS to consider including pseudo-PSU and strata variables in the EUL data, such that accurate standard errors can be estimated without the need for using the secure access data. This is a suggestion that has gained support from the UK Data Service, but has not as yet gained traction with the WAS team. In the meantime, I continue to use the EUL version of the data and accept this limitation to my analysis. This decision has in part been affected by COVID-19 restrictions.

2.1.3 Data management and ethics

The EUL version of the WAS is available on a 'safeguarded' basis from the UK Data Service. 'Safeguarded' data does not contain personal data, however, there is a risk of disclosure if linked with other data (UK Data Service, 2020). The EUL version of the WAS has been anonymised by the data provider. Those wishing to access the data must register their use and agree to the terms as published in the EUL (UK Data Service, 2019).

In order to meet the requirements, I prepared a data management plan, and agreed the protocols with both the RLAB technical team, and the LSE Data Management Team. I review the requirements and the plan regularly in order to ensure that I remain up to date with any revisions to the requirements; the EUL is updated periodically, if necessary, modifications are made to the data management plan.

Since the data is anonymised by the data provider, and the data provider is a reputable national source, the ethical risks of using this data are deemed to be low. I have focused on ensuring that I maintain the standards expected of users of the data. Given that it is not deemed possible to identify a participant within the data, the School's ethics procedure does not require an ethics submission for the quantitative part of this research.

2.2 Part II: Qualitative research methods

Part II of this research aimed to further explore the intrahousehold allocation of wealth by investigating how couples who live together, in the UK, organise their wealth, and how they feel about it. This I explored qualitatively, via in-depth semi-structured remote interviews. The fieldwork for Part II of this thesis was carried out between May and December 2022. Here, I discuss the research design, participant recruitment and selection, data management and analysis, and offer a statement of reflexivity.

2.2.1 Research design

2.2.1.1 Why in-depth remote qualitative interviews?

In the final chapter of Part I, I used WAS data to estimate the intrahousehold allocation of wealth and the gender wealth gap. However, the WAS data offers little insight how couples negotiate the organisation of their assets and debts, nor how they feel about it. Furthermore, these questions could only ever be superficially answered by survey data. In contrast qualitative research offers the opportunity to gain a richer understanding of

the process through which couples negotiate the organisation of economic resources within the household, and indeed how they feel about it.

Indeed, numerous authors have made significant contributions to our understanding of the allocation of money or income within the household, using qualitative interviews (see for example Burns, Burgoyne, & Clarke, 2008; Elizabeth, 2001; Pahl, 1989; Stocks et al., 2007). Yet few have attempted to specifically explore the allocation of wealth (the obvious exceptions are Joseph & Rowlingson, 2012; Rowlingson & Joseph, 2009). Thus, I considered it important to carry out in-depth interviews to further explore the intrahousehold allocation of wealth.

I conducted the interviews remotely via *'Zoom'*, a common virtual meeting application. This was a decision I made in part in response to the COVID-19 pandemic, for face-to-face contact was still only gradually returning through the planning stages for this research. However, there are a number of advantages and disadvantages associated with the use of remote videos which were factored into the decision to go online.

Historically, remote interviews have been considered an inferior methodology to traditional face-to-face interviews (Johnson, Scheitle, & Ecklund, 2021). However, there is a growing body of literature that maintains that remote video interviews, not only offer an alternative to face-to-face interviews, but can offer substantial practical advantages (Archibald, Ambagtsheer, Casey, & Lawless, 2019).

In this instance, remote interviews resolved a number of issues such as a *'place'* to meet, that offered a safe but private environment to conduct the interview, at low cost. Further, it facilitated greater geographic range for the study than may have been feasible using face to face interviews. This meant it was possible for me to interview people from across the UK, and not limit the interviews to a specific geographic area, or areas.

It is important to acknowledge that there are also some documented drawbacks associated with remote interviews. Those commonly referenced in the literature include technological failure, the challenge of building rapport in an online context and the inability to read non-verbal cues (Archibald et al., 2019). Further, some groups may be excluded by their lack of access to the internet or the required technology, and this may disproportionately affect low-income groups. Others have suggested that the use of online interviews may adversely impact the richness of the data (Johnson et al., 2021).

On balance, and given the early post-pandemic timing, I decided to proceed with online interviews. Despite the acknowledged challenges of online interviews, I believe that I was able to access meaningful insights into the way in which couples organise their wealth and how they feel about it. Furthermore, the privacy the environment offered perhaps meant participants were more willing to discuss issues around their wealth holdings than they would have done if the interview had taken place in a public setting, such as a café or other neutral location.

2.2.1.2 Developing the topic guide

In designing the study and drafting the topic guide, I was conscious of the socially sensitive nature of the subject. Rao (2020, p. 233) observed participants can be hesitant to discuss wealth and assets in specific details. For the purposes of this research, I did not feel it was necessary to know the details of the individual's financial situation. Much can be gleaned from discussing generalities, for example, some of my participants owned multiple houses, others discussed how they struggled to pay the bills, and often went into their overdrafts; it is not difficult to get a picture of their different economic positions. As such I made a conscious decision to keep the questions focussed on the process through which couples negotiated the allocation or sharing of their wealth and how they felt about it, and not on the specifics of how much each had.

Further, I made the decision to include some vignettes about common situations that couples sometimes find themselves in. Vignettes are considered to be a useful tool when the subject is potentially sensitive in nature (Murphy, Hughes, Read, & Ashby, 2021). This added a deliberative element to the interview, and further gave insight into the participants' views about wealth sharing and allocation in the abstract, separately from their own situation.

Vignettes have been used in a number of studies to explore the intrahousehold allocation of resources, both by qualitative researchers (such as Barlow, 2008; Rowlingson & Joseph, 2009) and quantitative (such as Pepin, 2019; Sonnenberg, Burgoyne, & Routh, 2011; Tisch & Lersch, 2021). I designed the first vignette with a view to exploring the extent to which participants felt a newly cohabiting couple were entitled to use one another's assets in times of financial hardship. The latter two vignettes asked the participant to consider the allocation of assets in the event of separation or divorce, these

vignettes were repeats of those used by Rowlingson and Joseph in their 2009 study. To assist the participants, a copy of each vignette was shared on the screen, as an aide memoire.

A copy of the topic guide including the vignettes is available in the appendix. It was used as a basis for the interviews, but I did not rigidly adhere to it. These were semi-structured interviews, and I used the topic guide merely as a guide, and not as a script. Further, I developed the topic guide as the interviews progressed, particularly finding different ways to approach issues where I was receiving only limited responses.

One such development was to use my dog as an ice-breaking subject. I had initially only mentioned him as a precursor to prewarn participants in case he barked during the interview, an event that didn't actually happen. Yet I noticed, people appreciated this, it seemed to act as an ice-breaker, often with the participant either telling me about their own dogs, or asking me more about mine. It further offered participants the opportunity to say if they might need to attend to something during the interview.

I advised the participants that the interview would take approximate 1 hour. Out of respect for the value of their time, I tried not to exceed 1 hour duration. On the few occasions where the interview did overrun, I checked with the participant that they were ok to do so.

2.2.1.1 Ethics

The qualitative fieldwork was approved by the London School of Economics and Political Science's research ethics review procedure. The project was considered to be of low risk and was therefore subject to departmental review and approval, which was received 11th Feb 2022 (ref 65227). The assignation of 'low risk' is based on a number of factors including but not limited to, whether the study involves: vulnerable participants or children; deception; the collection of biometric data; risking the health, safety or wellbeing of either researcher or research participants, the answer to all of which is no.

Whilst the study was considered to be low risk, there were still a number of ethical issues to be addressed. Key issues included ensuring informed consent for participants, considering the sensitivity of the topic, the participant recruitment process including the

payment of incentives (discussed in section 2.2.2.2), and ensuring participant anonymity and confidentiality. This latter point was a key factor in the data management planning (discussed in section 2.2.3.1).

In order to ensure that the participants were in a position to provide informed consent, I prepared an information sheet together with a consent form, this I based on the School's template. A copy is available in the appendix.

Issues regarding recruitment and payment of participants and data management are explored at length in subsequent sections, thus I do not repeat the discussion at this point. However, participant confidentiality and anonymity also guided the design of the research, and this point I explore further here.

Initially I planned to interview both members of the couple together and individually; as is a fairly common practice in the income sharing literature (see for example Díaz, Nyman, & Stocks, 2007, p. 33; Pahl, 1989, p. 182). However, upon careful consideration it was difficult to design an approach that both allowed the data produced to be meaningfully analysed, and protected the anonymity and confidentiality of those involved, specifically from their partner. The ethical complexities of so doing have been explored in the medical field (see Forbat & Henderson, 2003; Morris, 2001) but have been largely overlooked in research on the intrahousehold economy.

This is despite Pahl's (1989, p. 61) admission that she and her co-researchers had left some interviews *"feeling very anxious about our responsibility for post-interview marital rows"*. Further, Bennett (2013, p. 584) observes that money can be a sensitive topic for individuals, and particularly for couples to discuss, and *"researchers therefore risk leaving a large ''footprint'' behind"*.

Taking these observations together with Forbat and Henderson's (2003) careful consideration of the ethical issues of research with people in intimate relationships, I concluded that although it would be nice to have both partners' perspectives on their approach to wealth within the household, it was not central to my research question to do so. It would of course be interesting to understand whether the intrahousehold organisation of wealth affects both individuals in the same way, but I think it is reasonable to assume that each will have their own personalised response. Firstly, their positions are likely different, whether it varies due to differences of income, hours

worked, assets or debts brought into the relationship, involvement with the finances, or levels of personal consumption etc, but more importantly they are individuals, each with their own personalities and perspectives.

These ethical concerns together with concerns regarding maintaining anonymity made me redesign the project to interview individuals. This means that I cannot compare each partner's views within the relationship. It is further acknowledged that each member of the couple may feel differently about how wealth is allocated or shared within the relationship, and will only be able to share their own perspective. This is an accepted limitation; the respondent does not and cannot respond on behalf of their partner. However, it is assumed that the way in which the respondent describes the process of allocation or sharing of wealth within their relationship is, in their view, an accurate reflection of the couple. Thus, at times I will describe how couples organise their finances, but this is of course only one person's perspective of how it is organised.

The design of this study was thus guided by the need to protect participant confidentiality and to minimise the extent of the *'footprint'* left behind. Whilst the organisation of household finances is not a subject that is likely to put either the researcher or the participants at any risk of harm, it is a subject that can be perceived as socially sensitive.

2.2.2 Participant recruitment and selection

2.2.2.1 Participant recruitment

Several options were explored for participant recruitment, including using an agency to recruit my participants. Unfortunately, the costs of so doing were prohibitive for this study. However, in an effort to ensure that the participants were recruited independently of my personal network, participants were recruited via *'callforparticipants.com'*, which is a participant recruitment website founded by academics, designed specifically for the recruitment of academic research participants.

The website partners with a number of British Universities, indicating that it is a reputable method for sourcing participants. For a small fee, you are offered the opportunity to develop a study page to summarise your research and provide information on how prospective participants may join your study. In this instance I chose the option whereby prospective participants submit their contact details via a secure system. Upon receipt of a prospective participants' details, I sent them the information sheet and

consent form and asked them to confirm if they were still interested in participating. [12] In this way the participants were able to opt-in and indeed opt-out at any stage they wished in the process.

This is a small-scale study, so it is important to remember that it is not intended to be representative; however, it has been observed that much of the qualitative research in this area focuses on women and that men's voices are underrepresented in the literature (Bennett, 2013). As such I did make a concerted effort to recruit male participants towards the end of the recruitment period. Here, I specifically advertised for male respondents who lived with their girlfriend, boyfriend, partner or spouse, in an attempt to increase the proportion of male respondents. I similarly made a concerted effort to recruit participants outside of London, since it was noted that a disproportionate number of participants interviewed early in the fieldwork lived within the Greater London area.

It is notable that I received more expressions of interest to participate from women than I did from men. I can only hypothesise about why this might be the case, but I theorise it is as least in part a reflection of the fact that women are very often in a an economically weaker position than men, and therefore have more at stake, and therefore more interest in, the allocation of wealth within the relationship.

2.2.2.2 Incentive payments

Incentive payments are becoming increasingly common in the recruitment of participants for qualitative social research (Head, 2009). However, the use of incentive payments in research raises many ethical issues (for a discussion of theses issues see Central University Research Ethics Committee, 2020; LSE Research Ethics Committee, 2022).

In this study, I offered my participants a £25 shopping voucher to thank them for their time and participation in the study. At the time of making this decision, I believed that it was important to recognise both that participants' time had value to them, and that they may incur some costs from participating in the research, for instance any additional data charges incurred when joining the interview. As such, I wanted to recognise that

[12] A copy of the information sheet and the consent form are available in the appendix

fact with a goodwill gesture. I felt that £25 was an appropriate level of reward that would not be coercive, or in any way affect the objectivity of the participants.

In the absence of an incentive payment, it is possible that I would have attracted only those participants who had strong opinions or felt passionately about the subject of intra-household allocations of wealth. Whilst this may provide interesting and sensational results, it could also be a very biased perspective. By introducing an incentive payment, I believe I did have some respondents who cared less about the research topic. This is likely a more accurate picture of intrahousehold allocations, than one relying solely on the accounts of those who feel strongly about the subject.

The downside to using an incentive payment was that the study attracted many responses from ineligible participants and 'bots'. It is my view that the inclusion of an incentive payment likely increased the volume of ineligible responses, causing additional administration and even presenting a potential risk to the integrity of the study were it not addressed. It was possible to mitigate these risks, but it would be remiss of me not to acknowledge them. This issue, together with the mitigating actions taken, are discussed in more length in section 2.2.2.4.

On balance, I believe that the incentive payment enabled the recruitment of a more representative range of perspectives than could have been achieved otherwise, and appropriately recognised the value of participants' time.

2.2.2.3 Participant eligibility and selection

To be eligible for the study participants needed to live with their boyfriend, girlfriend, partner or spouse, be aged 25-50 and be resident in the UK. The criteria that they live with their partner or spouse was critical to the subject of study: the aim is to understand how couples share or manage their wealth within the couple relationship, thus it was imperative to the research that the respondent had experience of living with their partner or spouse. I chose to rely on those that were currently cohabiting with their partner or spouse to ensure a current reflection of the processes and feelings involved. The age restriction was arguably somewhat more arbitrary. I chose to restrict the eligibility criteria to those aged 25-50 with the aim of trying to limit generational differences in the sharing or allocation of wealth within the household. Indeed, research has revealed there is quite significant generational differences in attitudes in regard to gender-norms (Attar

Taylor & Scott, 2018). My aim was to limit this to explore how *'modern'* couples organise their wealth, accepting that defining this is somewhat more arbitrary.

The requirement that they are currently living in the UK is because this is the site of this study. It has been demonstrated that the socio-economic and policy context is significant for the organisation of family finances (Halleröd, Díaz, & Stocks, 2007, pp. 153-155), and therefore to offer insights into how couples in the UK organise their wealth, it is necessary to interview respondents with the experience of living in the UK context.

Prospective participants were largely accepted into the study if they met the above criteria and were willing to participate, having received the research information sheet and consent form.

Towards the end of the recruitment process I pro-actively prioritised male applicants, and particularly men who were parents or lived outside of London, who were particularly under-represented in the respondents to date. My aim was to ensure that men's voices and views were heard in this research. This I deemed to be particularly important, since Bennett (2013) observed men's perspectives may have been underrepresented in the relevant literature to date.

I believe that the 35 eligible participants were from 33 couples. I have reason to believe I may have interviewed both members of a couple in two instances. This I have deduced from the similarity in their stories, including details such as their last big purchase and other key personal information. However, to preserve participants' confidentiality and anonymity, I did not confirm this belief with the relevant participants. Thus, I make no comparison between these responses and have analysed them individually alongside the other responses. There is no reason to believe this unduly affects the findings. Whilst the reports of how they organise their economic resources do have similarities, how they describe feeling about it and the supporting narrative remains unique to the individual.

2.2.2.4 Maintaining research integrity and ineligible participants

Regrettably, I have reason to believe that the online nature of the interviews, combined with the online advertising for participants, created a situation whereby I received a lot of applications from ineligible respondents, notably respondents not resident in the UK, and in some instances *'bots'*.

This quickly became apparent when the first two interviews were clearly with ineligible participants. There were a number of factors that raised my suspicions, including but not limited to, people whispering to the respondent off-screen, whilst the respondent claimed that they were in a private room, alone; the name on the Zoom account not matching the contact details on the e-mail correspondence; the surroundings being not typical for a London address; and responses that were inconsistent with experience of living in the UK. For instance, one respondent claimed to work at a prestigious London school, for £40 a year. When queried there was whispering offscreen then this was updated to £400 per annum, then £4,000, after which the interview was abruptly ended by the interviewee claiming connection issues. Taken together, I deduced that firstly, these participants did not meet the eligibility criteria and secondly, that I needed to take steps to improve my recruitment process to prevent further incidents.

The 'ineligible' participants were sent their high street vouchers, this was perceived to be the most ethical thing to do on my part. However, their interviews have been deleted and are not included in the analysis. I further, introduced additional checks to ensure the eligibility of the participants. These included checking incoming e-mails to ensure that they were originating in the UK, adding a section to confirm eligibility to the consent form and asking participants to verify this again at the outset of the interview. I further adjusted the Zoom settings to restrict access to only those participants attempting to join from within the UK. It also became apparent that e-mails from *'bots'* and ineligible participants had a certain pattern to them: the punctuation was limited, there were many spelling errors, and they often did not fully engage with the material sent by the researcher.

Together, I believe these additional restrictions served to exclude most attempts to join the study from geographically ineligible participants, and from *'bots'*. It is possible that the actions taken actively excluded some participants, or deterred eligible participants, and whilst this is regrettable, I accept this as a necessary price to pay to maintain the integrity of the research.

It is similarly possible that some participants lied about their age, or their living situation in order to be able to participate; I am unaware of any instances of this. To my knowledge all participants included in the analysis were eligible to take part.

2.2.2.5 Sample size, saturation, and representativeness

A common question for qualitative researchers to consider is, how many interviews are enough? This is certainly a question I asked myself, before, during and even after I completed the fieldwork for this study. It is often advocated that researchers aim for 'saturation' in their data. Guest, Bunce and Johnson (2006, p. 65) define saturation as *"the point in data collection and analysis when new information produces little or no change to the codebook". Indeed, saturation has become such a common concept in qualitative research that it has been included in several guides to evaluate the quality of qualitative research (see for example, the 'CASP Qualitative checklist', CASP, 2018, or the 'Consolidated criteria for reporting qualitative research' (COREQ), Tong, Sainsbury, & Craig, 2007), and as an exemplary way to justify the completion of data collection when preparing articles for publication (Levitt et al., 2018).*

Yet definitions of saturation remain imprecise, leading Braun and Clarke (2021b) to question the usefulness of the concept of saturation. Importantly they argue that for researchers engaged in RTA, and perhaps others, "data saturation is not a particularly useful, or indeed theoretically coherent, concept" (Braun & Clarke, 2021b, p. 212).

Furthermore, there are practical difficulties in using saturation to guide the sample size, for the point at which saturation might be reached is very difficult to estimate before the fieldwork and analysis been conducted (Braun & Clarke, 2021b, p. 202). This leaves researchers in a difficult position when planning their research, since the scale of the fieldwork affects the feasibility of conducting the research in the time and budget available. Thus, it is important for the researcher to be able to assess whether they are able to make a contribution to the literature, with the resources that they have available, without having already completed the fieldwork. Whilst small changes to the sample size can likely be managed, the differential resourcing required to complete 25 interviews as compared to 50 or 100 should not be underestimated.

Thus, I argue whilst many researchers justify when they stopped conducting fieldwork on the basis of reaching 'saturation', in actual fact, they must have had a reasonably good idea of the scale of the research effort required before the fieldwork commenced. Indeed, that is certainly the case for this research. Here, I defend my decisions on what sample size I aimed to achieve and when I decided that I had done 'enough'.

There are two primary areas of consideration in deciding the sample size I hoped to achieve in this project; those were, the scale of other qualitative research projects in the relevant literature, and the resources I had available to conduct the research, in this case time and budget were the restricting factors.

In terms of the scale of other qualitative research in the field, Díaz, Nyman and Stocks (2007, p. 34) agreed a common research protocol interviewing 8 couples (16 individuals) in each country of interest, interviewing participants both together and separately. Elizabeth (2001) interviewed 13 women and 7 of their male partners, and Evertsson and Nyman (2014) interviewed 14 respondents. Rowlingson and Joseph (2009, p. 6) interview 80 people from 40 couples. The study from which Pahl began to formulate her money management typologies interviewed 50 women (1980, pp. 323-324), whilst her seminal book *'Money and marriage'* used evidence from interviews with 102 couples (1989, p. 181). Pahl (1989, p.60) further offers some insight into the scale of research effort required to support such an endeavour, for the couples were interviewed both together and then separately (and concurrently) using a team of seven specially trained interviewers and took 10 months to complete. I also looked at several fellow LSE PhD theses for guidance, noting Summers (2018, p. 93) interviewed 43 welfare recipients for her doctoral research *'Money and meaning: how working-age social security recipients understand and use their money'*, and Hecht (2017, p. 76) interviewed 30 high net worth individuals for her research into the financial elite's perceptions of economic inequality.

From, this I ascertain that authors have made valuable contributions to the income sharing literature both via very small-scale studies, and via engaging far larger resources than I have available to me. Reflecting on this, I initially hoped to achieve a sample size of 30-40 participants, guided by the scale of other studies in the field, other PhD studies at my institution, and feasibility within the time and budget I had available for the research.

In actual fact I interviewed 38 individuals, but 35 are analysed in the study. Two participants' interviews were discounted due to concerns over their eligibility, and one participant withdrew after the interview was completed, citing a change in personal circumstances. I have no reason to believe that there was any other reason for this participant's withdrawal, nor that it was a sign that the interview was in any way problematic, for the participant thanked me and apologised for their withdrawal.

I take a moment here to consider, was that enough? Why did I stop at 35? In answer to this, there were a number of factors at play. Firstly, the recruitment process took longer than I planned, and delaying further was putting increasing pressure on the quality of the analysis and write up. Secondly, I felt the data I had, and the analysis I had conducted enabled me to develop themes and offer interesting insights in answer to my research questions. Thirdly, I was unconvinced that conducting more interviews would allow me to offer '*better'* insights in answer to the research questions. Finally, it was becoming increasingly difficult to recruit additional participants, particularly those that may have a different perspective to those that I had already interviewed. Thus, it would likely have required a change in approach. Had more men responded to my call towards the end of the recruitment phase, I would have interviewed them, but they did not, and I decided to end recruitment rather than expand it.

Clearly, these judgements are subjective, but it is my strong belief, that I have done enough to make a contribution to the literature, and that further research effort may be put to better use by developing ideas from this study, rather than trying to expand this study by conducting more interviews.

As with many small-scale studies, this sample is not representative, nor is it feasible for it to be so. In depth qualitative research at scale, requires a far larger budget, and indeed manpower than I have available in the duration of this thesis. That is not to say that the findings are not meaningful. Table 2.1 offers a brief overview of the sample demographics.

Table 2.1 Sample demographics

Select demographics of sample	(n)	%
Gender:		
Female	21	60%
Male	14	40%
Marital status:		
Married/Civil-Partnered	15	43%
Engaged	4	11%
Unmarried	16	46%
Number of children:		
0	25	71%
1	3	9%
2	6	17%
>2	1	3%
Age:		
25-30	11	32%
30-40	15	43%
40-50	5	14%
Not recorded	4	11%
Region:		
London	10	29%
South East, South West, and East Anglia	4	11%
East & West Midlands	6	17%
North West, North East and Yorkshire	4	11%
Other/Not recorded	11	32%
Housing tenure:		
Renting	14	40%
Own home (with & without mortgage)	19	54%
Other	2	6%

2.2.3 Data management and analysis

2.2.3.1 Data processing and management

Careful data management was a key aspect of ensuring that the confidentiality and anonymity of the participants was protected. A data management was prepared and reviewed by the School's Research Data Librarian. [13]

On receipt of a prospective participants' contact details, I contacted them via e-mail with a copy of the information sheet and the consent form. If they confirmed that they were happy to proceed, then we attempted to find a convenient time for them to complete the interview. I retained their contact details for the purposes of processing their incentive payment, and where the participant requested me to do so, to contact them when the thesis is published. In line with recommended practice, and the agreed data management plan, I saved these files separately from the study data, on a separate university managed drive, for added security, I also password protected them. Similarly, I saved copies of the consent forms in a different drive and folder to the research data, and also password protected these.

In line with the data management plan, I audio recorded the interviews, and used the auto-transcript created by the application (Zoom). The auto-transcripts were largely inaccurate, as such they formed the basis for the transcription process, and I corrected them. Due to the large number of errors, this meant that at least in some instances this required as much effort as transcribing the entire interview without the assistance of the auto-transcriptions. To ensure that the interviews were transcribed verbatim, and to preserve the integrity of the discussion, I included any 'ums', 'ahhs', hesitations, and repeats in the transcripts.

I redacted any identifying details, such as names or specific places, from the transcripts to ensure the confidentiality and anonymity of the participants were maintained. I further used my discretion to decide when a point may be identifiable, for instance, 'I work for the NHS' may remain, whereas a company name, a specific hospital or job title would be redacted.

[13] Reviewed 11 March 2022

Initially, I saved the interviews using a reference number, selected not at random but with no systematic approach. In the write up, I decided to allocate the participants pseudonyms. The participants were ordered by their reference number and gender and then allocated an alphabetically based pseudonym (i.e., Anna and Adrian were given to the lowest reference number female and male respondents respectively). The names themselves were chosen from Googling names beginning with 'A' etc, deliberately excluding names of participants.

2.2.3.2 Reflexive thematic analysis

My approach to analysing the data has been guided by Braun and Clarke's (2006, 2019, 2021a) Reflexive Thematic Analysis (RTA). RTA is an approach to qualitative analysis, originally articulated and later developed by Braun and Clarke which puts the researcher at centre stage in the analytical process. It is not that themes emerge from the data, but it is the researcher who actively develops themes from the data (Braun & Clarke, 2021a). Where other approaches value coding reliability, a reflexive approach maintains that codes represent the researchers subjective understanding of patterns of meaning across the dataset (Byrne, 2022). Emphasis is placed on the researcher's reflective and thoughtful engagement with both their data and the analytic process (Braun & Clarke, 2019). The proponents of RTA have been keen to delineate RTA from other approaches to thematic analysis on this basis.

Typically, there are six steps involved RTA, which Braun and Clarke (2021a, p. 331) summarise as:

"1) data familiarisation and writing familiarisation notes; 2) systematic data coding; 3) generating initial themes from coded and collated data; 4) developing and reviewing themes; 5) refining, defining and naming themes; and 6) writing the report"

It is noted that these steps are oft repeated.

In an attempt to follow these steps, I noted some details about the interview that I felt were particularly interesting, immediately after completing the interview. Later I would add to these notes any key quotes that I felt were important or useful.

The process of correcting the automated transcripts also served to familiarise myself with the data. The resulting corrected transcripts were uploaded to NVivo, a tool used to assist qualitative analysis, and coded for meaning. I largely coded the transcripts deductively, guided by the data. Albeit, this process was informed by my knowledge of the literature, thus to some extent there was an inductive element to the process. The first pass of coding, resulted in many codes, far more than are present in the final iteration. I grouped the initial codes for potential themes. This I then reviewed and developed, engaging with the literature and returning to the original interview summaries to help inform the themes. This process was extensive and required many revisions.

In RTA the writing of the report is identified as a separate step, however for this thesis it was very much a part of the process: attempting drafts of the output, helped me to identify and solidify the themes.

2.2.4 Reflexivity statement

Within the context of RTA, the researcher's subjectivity is an integral part of the research process. Throughout the thesis, I have attempted to be reflexive about the methodological choices, and the observations I make. However, it remains important to consider how my personal subjectivity, my experiences and my positionality may have influenced the findings. For as Finlay (2002, p. 531) argues, engaging in reflexivity, *"where researchers engage in explicit, self-aware analysis of their own role"* can serve to increase the trustworthiness and integrity of qualitative research. Braun and Clarke (2013, p. 37) further regard reflexivity as an essential element of good quality qualitative research. Here, I reflect on how my subjectivity may have influenced the research.

My research was motivated by a concern for wealth inequality in the UK. Social justice and equality for all are important to me. This is not an unbiased perspective. Further, I am a white British female, and a mature student. The subject of intrahousehold allocation is one I have personal experiences of. Yet I have never shared income, nor assets with a partner, and this, to some extent, both speaks to my privilege in not being in a position where I needed to do so, and reflects my own desire for independence. Furthermore, I do not have children, which as both this study and others demonstrate (see for example Barlow, 2008), often has a significant impact on the way economic resources are shared or allocated within the home. Reading through the responses from participants, it is

notable which resonate with my own experience, and which are foreign to me. I attempt to offer an unbiased reflection of the data, yet it would be negligent not to acknowledge my own lived experience of the subject.

I am further conscious that particularly my age and my sex may have influenced how others respond to me. I noted female respondents often treated me as an insider, as if we had some shared knowledge and experience. Indeed, this was a topic female participants often seemed to assume we had a shared understanding about, even when the respondents' experiences and understanding were very different to my own. Despite this, I am mindful that the participants, along with large swathes of the population, may not wish to be perceived negatively, and thus may restrict their responses to those which they believed would be viewed positively by me. I have attempted to be alert to this possibility both within the interviews themselves, and in my analysis.

In contrast, I was largely an outsider to the male participants' lived experience, and it struck me that this could have influenced the research in two ways. Firstly, there seemed to be at times an element of participant bias, where some male respondents were keen to present themselves favourably, in this instance to assure me that they were in fact, feminists. I am not sure they would have chosen to emphasise this, if they had been interviewed by a man. Secondly, in a very few interviews, specifically with younger men, I felt I did not successfully engage them in the topic, their answers were often short, as if what I was asking was obvious or uninteresting. In these instances, the vignettes proved particularly useful to get more insight into their perspectives. I have further considered how much their seeming lack of engagement was because the subject was not of concern to them, and how much was because they did not feel comfortable sharing their views with me, in their eyes, an older, woman. The first issue, I have tried to be alert to in my analysis. The second is more difficult to resolve in this study, I would however encourage more research specifically with younger males, to explore the subject further.

I believe my position as a PhD student is an ambiguous one. On the one hand this could position me as part of an *'academic elite'*, on the other it positions me as a student, a learner, thus able to ask questions which may seem obvious to others. I have leant on the latter, and tried to minimise the impact of the former, by positioning myself as a learner, wanting to understand the experiences of the participants.

Chapter 3

3 Measurement matters: A policy perspective on the measurement of wealth

3.1 Introduction

There is increasing interest in both estimating the wealth distribution and incorporating wealth into assessments of economic wellbeing. This is leading some to call for increased wealth taxation or increased asset means testing on government assistance. However, different authors, and policies, are approaching wealth measurement in different ways, with variations on two key issues in particular: the reference unit and the approach to equivalisation.

The reference unit used seems to be primarily dictated by the availability of the data, as opposed to decided upon with any detailed consideration of what unit is the most relevant or appropriate. Whether or not to equivalise is glossed over, either with a comment stating that there is no consensus on whether or not it is appropriate, or simply not acknowledging there is a decision to be made. Decisions made in relation to these issues further lead to the question of appropriate weighting, but this is rarely discussed.

This lack of agreement on the appropriate approach is also reflected in UK policy, where Universal Credit, Job Seekers Allowance, and access to social care are asset means tested, but applied on different units (individuals or benefit units), and with different limits. Wealth taxes are similarly inconsistent; Council Tax is charged to the household and Inheritance Tax on the individual.

It is clear that there is no easy, nor *'right'* method to estimate wealth. As such, researchers and policy makers must negotiate an answer, for it is impossible to design or implement a wealth-based policy, at either end of the scale, without knowing to whom, or on what basis, it is intended to be applied. In order to do so, it is helpful to understand the potential ramifications of each option.

In this chapter, I aim to document the options more fully, detailing the theoretical concerns and the empirical differences that result. In doing so I demonstrate that whilst there may be no consensus on these questions, they are not without consequence in a policy context. Decisions regarding the appropriate reference unit, and whether or not to equivalise, materially change who is considered wealth-rich or wealth-poor. The weighting applied will further impact the estimates of who is affected. Thus, it is argued, it is imperative that researchers and policy makers adequately explore the implications of the various methodological options when advocating for wealth-based policies.

I proceed as follows. Firstly, I review the existing literature, before offering a brief summary of the policy context. I then discuss the theoretical concerns, before moving onto the empirical evidence of the implications of different approaches. Finally, I summarise the findings and conclude with some recommendations for researchers and policy makers to consider in any future wealth research.

3.2 Background

There has been increasing academic and policy interest in incorporating wealth into assessments of economic well-being. However, different authors, and policies, are measuring wealth in different ways.

Reviewing twelve articles explicitly exploring the joint distribution of income and wealth, it is notable that all use household survey data, and in eleven of the twelve studies the unit of analysis is the household; the one exception analysed individuals by their equivalised household wealth. [14] However, five studies in total use an equivalence scale to account for differences in household size (three the square root of household size and two the modified OECD scale), while the other seven either make no reference to equivalisation or explicitly choose not to equivalise. Meanwhile, weighting is mentioned in only three of the twelve studies.

Interestingly, there is little discussion regarding the choices made, or indeed any exploration of the alternatives, although some studies acknowledge there is no consensus

[14] Articles reviewed: Azpitarte (2011), Balestra & Tonkin (2018), Durand & Murtin (2015), Jäntti, Sierminska, & Smeeding (2008), Jäntti, Sierminska, & Van Kerm (2012), Keister & Lee (2017), Kuypers & Marx (2017), Morelli, Nolan, & Van Kerm (2018), O'Sullivan et al. (2014), Schmidt & LeBlanc (2018), Skopek et al. (2012), and Wolff & Zacharias (2009)

regarding whether it is appropriate to equivalise wealth. Explicitly or implicitly there seems to be a widespread belief that these choices are insignificant.

It has been evidenced that the reference unit is important, and can make significant differences in estimates of wealth inequality and its trends over time (Atkinson & Harrison, 1978, p. 250; Wolff, 1990). Analysis based on households now dominates the literature, perhaps in part due to the availability of data. However, a recent UK study into the accumulation of wealth instead chose to analyse the data by benefit unit (D'Arcy & Gardiner, 2017). D'Arcy & Gardiner (2017) argue that using the household as the unit of analysis masks trends at certain ages, offering the example of adult children living with parents, whilst individual analysis does not reflect how resources are often shared within families.

It is important to note that household, family or benefit unit are not synonymous, and furthermore may not adequately reflect intra-unit wealth differences. Those interested in wealth from a policy perspective may wish to consider the context before deciding whether the household is the most appropriate reference unit.

Often the decision made may have been dictated by what the available data allows. For example the UK's Wealth and Assets Survey (WAS), collects some data at both the individual and the household level, but not the *'family'* or *'benefit-unit'*. A researcher interested in an alternative unit would need to analyse the variables which describe the relationships between household members, make assumptions on which relationships constitute a family or benefit-unit, create a unique identifier, and reweight the sample accordingly.

Whilst this is not impossible, it is time consuming in comparison to the readily available household or individual case numbers. To add to the complexity, there are assets which are only recorded at the household level, the main residence being the most significant example, thus requiring more assumptions, and further data manipualation, should researchers wish to analyse wealth utilising an alterative reference unit.[15]

[15] In more recent releases of the data the ONS has estimated individual wealth and included this in the individual data release, for more on the issues of so doing see section 2.1.3.3

Internationally, most wealth surveys provide even fewer individual data than the WAS. The Household Finance and Consumption Survey (HFCS) covering 20 EU Member States does not collect any data on individual wealth holdings (European Central Bank, 2018). Similarly, the Survey of Consumer Finances in the US only looks at wealth of ‘families’ (Federal Reserve, 2017).

Reflecting the limitations of national data collection, the Luxembourg Wealth Study (hereafter LWS) only has pensions data available within the person (or individual level) file, while the remainder of the variables composing total net worth in the LWS database are only available at the household level (LIS, n.d). Similarly the OECD’s Wealth Distribution Database (hereafter WDD) contains household data, which is then equivalised for some key statistics, such as those estimated to have equivalised net wealth below 25% or 50% of the income poverty line, i.e. 3 or 6 months *‘buffer’* (OECD, 2019).

It is important to note that the ‘household’ is not uniformly defined across data sources and surveys, thus care must be taken when making international comparisons to ensure that the data is comparable. The same is true for ‘families’ and ‘benefit units’. Furthermore, if household, family or benefit-unit data is used, the question arises, should the measure be adjusted for the relevant unit’s size?

It is now widely accepted that analysis on the household income distribution should consider differences in the size and composition of households, and whilst the most common equivalence scales vary slightly, it is rare to see research on the income distribution that does not apply any equivalence scale. However, there is no such consensus on the appropriate approach for wealth.

The OECD (2013a, 2013b) have argued that whether wealth equivalisation is appropriate depends on your perspective. They proposed that if wealth is considered as a stock of assets to support future consumption, then the future formation of the household is more relevant than the current formation of the household, and therefore it is not appropriate to equivalise wealth based on the economies of scale in current consumption. Their conclusion is that analysis of this type should instead *“focus on examining data classified by life cycle group”* (OECD, 2013a, p. 178).

Where wealth is considered an economic resource that could be used to support current consumption, such as research attempting to identify those at risk of economic hardship, they advocate equivalising wealth using *"the same equivalence scales used to standardise household income and consumption"* (OECD, 2013a, p. 178). Whether following this guidance or not, much of the literature on the wealth distribution either applies an income equivalence scale or does not make any attempt to account for differences in household size or composition.

Interestingly Credit Suisse, the publishers of the annual Global Wealth Report (Shorrocks, Davies, & Lluberas, 2017b, 2018b; Shorrocks, Davies, Lluberas, & Koutsoukis, 2016) and corresponding Global Wealth Databook (Shorrocks, Davies, & Lluberas, 2017a; Shorrocks et al., 2018a) use household wealth per adult for their cross country comparisons. The authors put forward a number of reasons for this decision, including:

- assets and liabilities are more commonly owned by named individuals;
- other than in single occupier or married couple households, assets are rarely shared equally;
- membership of a household (or family) can be quite fluid;
- typical household composition varies substantially across countries;
- children have little wealth ownership

(Shorrocks et al., 2018a, p. 5).

The lack of consensus on the appropriate methodology is leading to different researchers taking different approaches. It has been evidenced that inequality measures are sensitive to the equivalisation approach chosen (Burkhauser & Weathers II, 2001; Sierminska & Smeeding, 2005). Importantly, Burkhauser and Weathers II (2001, pp. 82-83) further observe that different assumptions regarding efficiencies of scale within the household, *"changes the distribution of people across the wealth distribution and will change the composition of people in each of the deciles."* This important point is not given due consideration by those that dismiss the question of equivalisation as simply an issue for which there is no consensus.

More recently Rapp (2023) has attempted to address this question both theoretically and empirically using data from the German Socio-Economic Panel, proposing a novel approach for addressing the issue of household economies of scale. Rapp's analysis aims

to divide wealth holdings into those held for consumption and non-consumption purposes, and argues that economies of scale for wealth held for non-consumption purposes are almost perfect. Since non-consumption wealth is more often held by wealthier households, Rapp's approach leads to higher estimates of the scale of inequality in Germany. However, the approach makes a number of necessary but strong assumptions, most notably that measures of satisfaction with household income, can inform the extent to which individuals benefit from household wealth. Further, perhaps in part due to the recency of its development, the method has not yet been widely adopted, nor critiqued, and it has yet to be tested how far Rapp's findings apply beyond the German socio-economic context.

For those interested in wealth from a policy perspective, the issue remains complex and unresolved. A choice must be made, and in the absence of a *'right'* answer one must be negotiated via a careful consideration of the issues. In order to do so, it is also worth considering the weights applied to any given analysis.

Weighting is considered to be a second order concern from a policy perspective, and is rarely discussed in the literature, despite evidence to suggest that measures of inequality are sensitive to the approach used (Atkinson & Harrison, 1978, pp. 244-248).

It would be possible to design and implement a wealth-based policy without resolving the question of the appropriate weighting, however, there are some combinations that would seem illogical, and may misrepresent both the overall distribution and estimates of who may be impacted by any given policy. The table below summarises the author's view of combinations that would be most logical, based on the unit of observation and the equivalisation approach.

Table 3.1 Recommended weighting approach for different combinations of unit of observation and equivalisation approach

Recommended weighting / unit of analysis	Equivalisation approach			
Observation unit	**None**	**Per capita**	**Per adult**	**Common equivalisation scales**
Household	Household	Individual	Adults	*Household/ individual*[1]
Benefit unit	Benefit unit	Individual	Adults	*Household/ individual*[1]
Individuals	Individual	n/a	n/a	n/a
Adults	Adults	n/a	n/a	n/a
Working age adults	Working age adults	n/a	n/a	n/a

In summary, the reference unit, the equivalisation approach and the weights applied are all known to impact estimates of the wealth distribution. The availability of household data has meant that household-based analysis now dominates the wealth literature, but it has been questioned whether or not, it is the most appropriate measure. There is much less agreement on the appropriateness of equivalisation, which is not meaningfully explored in the policy context.

3.3 Policy context

UK welfare policy is increasingly incorporating asset means tests; Universal Credit (low income support), Pension Credit and access to social care are all asset means tested. However, the tests have different limits (currently £16,000[16] and £23,250[17] respectively), are applied to different measurement units (per couple and individual respectively), and include or disregard different types of assets (most significantly the home is disregarded for the purposes of Universal Credit, but may be included in the assessment for social care).

At the other end of the distribution, Inheritance Tax is applied to the wealth of the deceased at the time of death (and any gifts made in the 7 years prior). Allowances are

[16] Information correct as at 1 July 2021, Universal Credit: Eligibility - GOV.UK (www.gov.uk)

[17] Information correct as at 1 July 2021, Social care – charging for care and support: local authority circular LAC(DHSC)(2021)1 - GOV.UK (www.gov.uk)

typically high (£325,000 or £500,000 if giving the primary residence to the children) and individually applied (albeit with certain allowances for individuals to bequest to their spouse or civil partner and later for the combined allowances to be charged on the estate when the second member of the couple dies).[18] In contrast Council Tax is charged on the household.

Thus, the lack of consensus regarding issues of measurement found in the literature is also reflected in current UK policy.

3.4 Theoretical concerns

In this section the issues raised are considered from a purely theoretical perspective.

3.4.1 Is the household the right unit of analysis?

Analysis based on modern wealth survey data is most commonly presented at the *'household'* level; this is likely partly due to minimal individual data being collected, and partly due to the continued belief that wealth is a resource that is shared within the household, a strong and questionable assumption for which there is little evidence, due to the aforementioned lack of individual wealth data.

It is worth noting that *'household'* has not always been consistently defined (Jäntti et al., 2008). This is a challenge that continues as is evidenced below. The UK's Wealth and Assets survey defines a household as:

> *"a single person or a group of people who have the address as their only or main residence and who either share one meal a day or share the living accommodation."*

(Office for National Statistics, n.d., p. 7)

The guidance continues to clarify certain specific issues; however, principally if a group of people share a living or dining room then this is deemed sufficient to be considered a household. The definition varies slightly even to that used in the UK's Financial Resources Survey, which requires the sharing of *"cooking facilities and… a living room or sitting room or dining area"* (Department for Work and Pensions, 2017, p. 32). The

[18] Information correct as at 1 July 2021, How Inheritance Tax works: thresholds, rules and allowances: Overview - GOV.UK (www.gov.uk)

OECD glossary meanwhile refers to the 'SNA 93' (System of National Accounts 1993) definition:

> *"A household is a small group of persons who share the same living accommodation, who pool some, or all, of their income and wealth and who consume certain types of goods and services collectively, mainly housing and food."*

(SNA 93 (SNA 4.132[4.20]), cited by OECD, 2002)

Meanwhile the Household Finance and Consumption Survey (hereafter HFCS) guidance takes three pages to clarify their interpretation of what it means to be a household (Household Finance and Consumption Network, 2016). The HFCS places heavy emphasis on the sharing of household expenses, explicitly stating that flatmates without additional ties to household members should be considered as separate households. However, it then states that if persons share household expenses, even when not related to other household members, then they should be regarded as household members.

Thus, the question arises, what does it mean to share household expenses? Is it enough simply to share the electricity or gas bill? Or bills and some basic household goods (e.g. washing up liquid)? This interpretation would make most flatmates household members even under the narrower HFCS definition.

Here it is argued that simply because individuals share a flat and basic expenditures, does not automatically equate to being able to enjoy the same lifestyle outside of their joint expenditure. It is even less likely to mean that they will ***willingly*** cover one another's rent if one of them lost their job, or that they intend to share their pension schemes in later life. Perhaps more importantly, simply because an individual shares a house with someone, does not offer them legal title over the other's assets. Thus, to pool their wealth and make them one homogenous group may have significant impacts on estimating the distribution of wealth, identifying who is at risk of economic hardship, and tracking individual wealth trajectories.

The example of flatmates has been used to demonstrate this point, but the argument could similarly be made regarding unmarried/not in civil partnership couples; by not yet making this binding agreement to one another, the couples could be deemed in effect to be saying they are explicitly ***not*** yet throwing their lots together. If one is comparatively

wealthier than the other, for instance they had greater savings, it does not necessarily mean that the other gets to enjoy the benefits nor security of having access to, or legal ownership of, those savings. Indeed, even within marriage, each spouse may have differing rights to access wealth supposedly owned by the household.

Whether or not, and to what extent households share financial resources is not explicitly explored in the WAS. However, respondents are asked whether they have a joint savings or deposit account. A mere 13% of cohabiting couples report having a joint account, which might indicate that many do not share all their financial resources, and certainly suggests more research in this area could provide valuable insights.[19]

Increasingly, as households become more varied in their composition, continuing to measure wealth inequality at the household level, and failing to adequately explore the intra-household allocation of wealth, may significantly misrepresent the level of wealth inequality. However, the vast majority of wealth surveys, do not seek to record individual wealth holdings nor the extent of intra-household sharing, and therefore provide insufficient data to analyse the data through alternative lenses accurately.

Where the data is available, then estimating wealth inequality through multiple lenses would likely reveal the most insight into access to wealth. Where the data is available those in non-wealth-sharing circumstances such as flatmates or lodgers, should be considered as separate units for the purposes of wealth research.

3.4.2 Does household size and composition matter?

Accepting that most available survey data is based on households, the question arises, does household size and composition matter?

Table 3.2 shows how different equivalence scales estimate household wealth of £100,000 for three common household formations.

[19] Author's own analysis of the Wealth and Assets Survey, Office for National Statistics: Social Survey Division 2018

Table 3.2 Household net wealth of £100,000 using different equivalisation approaches

£100,000 Household net worth	Household *(No equivalisation)*	Household Wealth Per Capita	Household Wealth Per Adult	Modified-OECD *(Equivaised)*	ONS Scale[1] *(Equivalised)*	Sq. Root
Single	£100,000	£100,000	£100,000	£100,000	£150,000	£100,000
Couple	£100,000	£50,000	£50,000	£66,667	£100,000	£70,711
2 Adults, 2 children	£100,000	£25,000	£50,000	£47,619	£71,429	£50,000

[1] The UK Office for National Statistics use the Modified-OECD Scale but normalises a couple based household to 1, here this is referred to as the 'ONS-Scale' as whilst it is effectively the same ratios, it can impact the presentation of key statistics differently to the application of the Modified-OECD Scale

The table demonstrates that the different approaches result in very different levels of wealth for each household. The household measure, which makes no adjustment for household size, considers all three households as equal, whereas to varying degrees the other methods all make adjustments such that these households are considered to have different amounts of wealth. Interestingly the *'ONS-Scale'* produces the widest absolute range, but the per capita approach has the widest ratio between the *'wealthiest'* and *'least wealthy'* household. Whilst this is a hugely simplified example, it demonstrates that different approaches result in very different estimates of any given household's wealth and has the potential to vary estimates of the wealth distribution.

As has been previously discussed, there is no consensus on the *'right'* approach. In attempting to negotiate an answer to this, one might want to consider fairness. As an example, a household of five adults is likely sharing their accommodation, explicitly because of their individual lack of wealth, so is it fair to say that they are richer than a couple with combined fewer total assets but who have accumulated more when measured on a per adult basis?

There are no easy answers to this question, but all else being equal, in my opinion, there is no inequality in a couple owning £100,000 between them, a single owning £50,000 and a household of five adults owning £250,000. This would suggest that household size, or more specifically, the number of adults, does matter when estimating wealth.

However, this doesn't resolve how to consider the presence of children in a household - are a couple without children and £100,000 richer than a couple with children and £100,000? The answer to this seems slightly less intuitive. A family with more children may reasonably feel that they need more resources to provide security for their family. However, if each couple has worked for the same duration at the same wage and saved

the same, is there any inequality in one couple deciding to have children and another choosing not to? Or if financial security were a factor in deciding to have children or how many to have, would this differentially affect how interested parties might want to consider household size when considering wealth inequality?

As a separate consideration, it is worth noting that the standard equivalisation approaches obfuscate wealth measures for the general public. It is not easy for the average person to quickly decipher their equivalised wealth. To offer an example of the complexities, a single person utilising the ONS scale may understandably struggle with the concept that they are deemed to possess more assets than they actually own. Whilst the Modified OECD and Square Root scales are conceptually easier to explain, it still requires some effort for individuals to estimate the adjusted value of their households' wealth.

Furthermore, there is a particular concern with the effect of equivalisation on negative wealth values.

3.4.3 The problem of negative wealth

One of the major theoretical limitations of using one of the common equivalence scales or a per capita approach is that of negative wealth. It is not uncommon for a percentage of households to report negative net worth. Table 3.3, below, shows how a household debt of £2,000 would be reflected under each of the different measurement approaches.

Table 3.3 Household net debt of £2,000 using different approaches

£2,000 Household net debt	Household *(No equivalisation)*	Household Wealth Per Capita	Household Wealth Per Adult	Modified-OECD *(Equivaised)*	ONS Scale[1] *(Equivalised)*	Sq. Root Scale *(Equivalised)*
1 Adult	(£2,000)	(£2,000)	(£2,000)	(£2,000)	(£3,000)	(£2,000)
2 Adults	(£2,000)	(£1,000)	(£1,000)	(£1,333)	(£2,000)	(£1,414)
2 Adults, 2 children	(£2,000)	(£500)	(£1,000)	(£952)	(£1,429)	(£1,000)

[1] The UK Office for National Statistics use the Modified-OECD Scale but normalises a couple-based household to 1 (Office for National Statistics, 2018), here this is referred to as the 'ONS-Scale' as whilst it is effectively the same ratios, it can impact the presentation of key statistics differently to the application of the Modified-OECD Scale

As can be clearly seen from the table, each of the standard equivalisation approaches, and indeed a per capita approach, suggest a household with negative net worth consisting of two adults and two children is deemed better off than a household of two adults; equivalisation effectively reduces the estimated value of net debt because children are

present. Claiming that two adults with children are more easily able to pay off their debts than two adults without children would likely be widely met with derision, and yet that is precisely the assumption that is made when equivalisation factors or per capita calculations are applied to negative wealth.

Thus, applying one of the standard equivalence scales or taking a per capita approach could have the effect of artificially narrowing the wealth distribution, particularly if families with children disproportionately experience negative net worth.

Given that negative net worth is likely most common amongst those experiencing economic hardship, then utilising an equivalence scale to analyse hardship seems inappropriate. That said, whilst the rank order of the families and couples in net debt would not accurately reflect their relative positions, it would be rare for anyone experiencing net debt to not be considered *'asset-poor'*. Thus, whilst the ranking may be inaccurate, the impact on estimates of the distribution or policy implications may be immaterial.

That being so, the existence of households and families with net debt makes equivalisation and per capita measurements illogical, and fraught with the potential for error. This is of particular concern when considering comparisons over time or geography, analysis that includes ranking, or attempts to use wealth as an explanatory or outcome variable. In these instances, researchers should give careful consideration as to whether the presence of negative wealth may confound their findings.

3.4.4 Does equivalisation inflate wealth mobility?

Longitudinal analysis offers a different lens to consider the issues raised. The below example introduces the problem:

- If two people, each with net worth of £100,000, decide to form a household initially by co-habiting, then later with marriage/civil-partnership, are they richer the day they decide to move in together now they are a couple with £200,000?
- If they then have a child, are they poorer?
- When the child turns 18: is the household poorer, now wealth is split between 3 adults rather than 2?
- The now adult child then leaves home. Are they then richer again?

- Later the adult child moves back in bringing their partner with them temporarily. Does this make the household poorer again?

If wealth is measured at the household level, without any adjustment for household size then there is an initial increase in wealth when the couple form a single household, but otherwise there is little variation introduced by the latter changes in circumstances.

At the opposite extreme, equivalisation introduces substantial variation at each life event, which may or may not reflect the lived experience of those concerned. For example, when the adult couple move back in with their parents, equivalisation would allocate equal wealth to all four of the adults, substantially reducing the estimate of the parental couple’s wealth. When they later move out, their wealth would likely go down substantially, whereas the parents’ wealth would go back up to its original level. These are not genuine fluctuations in either couples’ level of wealth, and would likely inflate measures of mobility.

Measuring wealth at the level of the ‘benefit unit’, by identifying where wealth is shared, and where it is not, could eliminate some of the more arbitrary fluctuations. Defining the benefit unit such that adult children were considered a separate unit, would further reduce any erroneous fluctuations, when equivalising. It does not however resolve whether or not equivalisation is appropriate.

Researchers interested in this area should carefully consider the implications of their chosen measure on estimates of mobility, and may wish to use multiple approaches in order to ensure that their findings are robust. Where the data is available, individual measures of wealth may offer useful insights.

If the methodology includes ranking of individuals, benefit units or households, then equivalisation is deemed to be inappropriate due to the anomalous results produced when negative wealth is present, as previously discussed.

3.4.5 Considering children

There are two further issues of concern when considering children. Firstly, using a household or a per-adult measure could inadvertently make children invisible in any analysis. Thus, researchers interested in wealth and wealth inequality would be well

advised to monitor how many children live in wealth poor households or with wealth poor adults, whatever their chosen wealth measure.

Secondly, research considering child outcomes may wish to more carefully consider whether a size adjusted measure is the most appropriate. It seems reasonable to conclude that when considering child outcomes, the wealth-sharing unit would be the most appropriate reference unit, and not the wealth of the child nor either parent individually; although researchers may want to explore whether the latter assertion is valid. It further seems reasonable to suggest that a child would benefit equally from the financial resources a single parent with £100k is able to provide as much as two parents with £100k, suggesting that the total wealth of the unit may be of greater interest than a per adult or equivalised measure.

Researchers in this area may wish to test what measure better predicts child outcomes. If it is concluded that it is total wealth that matters for child outcomes, then what does this say about who should be defined as wealth-rich or wealth-poor? Further research in this area may help policy makers negotiate which measure or measures might be included in any policy design analysis.

3.4.6 Theoretical concerns summary

It has been argued here that household data alone is insufficient to analyse the distribution of wealth, and researchers would benefit from considering wealth through both the lenses of individual adults and wealth-sharing benefit units. This would require more data than is currently available in many of the international wealth surveys.

More data and further research may also help to resolve the conflict between wanting to acknowledge differences in economic unit size and composition, whilst simultaneously believing that current equivalisation scales or a per capita approach are inappropriate to deal with negative wealth.

3.5 Applied concerns

This section analyses data from the Wave Five (2014-16) of the WAS in order to further illuminate the theoretical issues raised. The aim is to highlight the potential impact methodological choices could make on the findings. Except where stated otherwise, I use the full sample. Some studies may have a specific area of interest such as ‘couples with children’, in which case they may wish to restrict their analytic sample accordingly.

Doing so does not negate the need to carefully consider the issues raised in this chapter. Table 3.4 summarises the data used this chapter.

Table 3.4 Descriptive table

	W5
Number of individuals	42,827
Number of adults (>16)	34,330
Number of households	18,805
Household wealth (unweighted):	
Mean	£649,111
Std. Dev.	£935,777
Median	£377,209
Household wealth (weighted):	
Mean	£485,742
Linearized Std. Err.	£5,802
Median	£259,264
Linearized Std. Err.	£4,999

Note: Unweighted estimates except where noted. Where noted household survey weights have been applied (n=18,805)

Source: Author's own calculations, Wealth and Assets Survey Wave 5, ONS (2018)

3.5.1 How does the reference unit change estimates of wealth and wealth inequality?

Firstly, key descriptive statistics are calculated with different reference units (households, adults and individuals) in order to consider the extent to which different units of analysis may change estimates of the wealth distribution.

Net financial wealth, the net value of a household or individual's financial assets less their financial liabilities has been used as the wealth variable. This is a practical choice, rather than one of preference: the data for net financial wealth is available at both the level of household and the individual enabling a comparison between units without significant adjustments or assumptions. Other aspects of total net worth have an element that is only recorded at the household level, which would require assumptions in order to estimate individual ownership.

Household and individual analyses are weighted in accordance with the relevant cross sectional survey weights provided by the data provider, and both use the full sample

available. The 'adults' measure utilises the individual data and weights, but excludes children under the age of 18 from the analytic sample.

Table 3.5 Summary statistics of the distribution of net financial wealth, different units of analysis

Net Financial Wealth	Household	Individuals	Adults
n	18,805	42,827	34,330
Weights applied	Household	Individual	Individual
Median	£6,000	£1,000	£1,800
Mean	£56,777	£24,952	£31,525
Gini	90.89%	98.06%	95.84%
Mean:Median	9.46	24.95	17.51

Note: Survey weights applied

Source: Author's own calculations, Wealth and Assets Survey Wave 5, ONS (2018)

Table 3.5 demonstrates substantial, material, differences in key statistics, and the level of inequality as measured by the Gini coefficient, and the Mean: Median ratio when estimated with reference to households, individuals or adults. Whilst accepting that this difference may be particularly large when considering net financial wealth, here it is argued that this serves to demonstrate why it is important that sufficient data is collected to be able to analyse the data through both the household (or other wealth-sharing unit) and the adult lens. Furthermore, this reinforces the view that looking at the data from multiple perspectives would likely provide significantly greater insights into wealth and the wealth distribution.

It also highlights the need to think carefully about the treatment of children in estimates of the distribution. Children have not yet entered the labour market in any meaningful way, it is therefore unsurprising that many have very low levels of individual wealth; excluding children raises average individual wealth and reduces estimates of inequality between individuals. Demographic differences may result in a larger or smaller percentage of the population being defined as a child, thus analyses over time, or geography, may wish to carefully consider the implications of the chosen reference unit, and confirm their findings are robust when using different alternatives.

3.5.2 Does the equivalisation approach change estimates of the wealth distribution?

Here, the equivalisation method is considered. Figure 3.6 below, presents some key descriptive statistics of the total wealth distribution utilising a number of different equivalisation approaches, weighted using household weights as provided by the data provider. Figure 3.7 repeats the same analysis with the same wealth variable, but uses individual (or adult in the case of the per adult measure) weights.

Table 3.6 Distribution of household total wealth, different equivalisation approaches, household weighting

Household Total Wealth Wealth and Assets Survey Wave5	Household *(No equivalisation)*	Household Wealth Per Capita	Household Wealth Per Adult	Modified-OECD *(Equivaised)*	ONS Scale[1] *(Equivalised)*	Sq. Root Scale *(Equivalised)*
Median	£259,264	£118,432	£141,924	£164,076	£246,114	£176,218
Mean	£485,742	£243,585	£261,903	£312,273	£468,409	£333,891
90:10	89.00	97.81	82.64	93.98	93.98	95.84
GINI	61.48%	63.14%	61.13%	61.54%	61.54%	61.44%
Mean:Median	1.87	2.06	1.85	1.90	1.90	1.89

Note: Estimates of various household wealth statistics and inequality measures, using various equivalisation approaches, household survey weights applied, n=18,805 (households)
Source: Author's own calculations, Wealth and Assets Survey Wave 5, ONS (2018)

Table 3.7 Distribution of household total wealth, different equivalisation approaches, individual (or adult) weights

Household Total Wealth Wealth and Assets Survey Wave5	Household *(No equivalisation)*	Household Wealth Per Capita	Household Wealth Per Adult	Modified-OECD *(Equivaised)*	ONS Scale[1] *(Equivalised)*	Sq. Root Scale *(Equivalised)*
n	18,805	42,827	34,330	42,827	42,827	42,827
weighting applied	household	individual	individual (adults)	individual	individual	individual
Median	£259,264	£96,199	£145,010	£150,503	£225,755	£166,300
Mean	£485,742	£206,775	£258,440	£290,313	£435,469	£317,424
90:10	89.00	110.59	73.07	91.99	91.99	93.43
Gini	61.48%	64.01%	59.86%	61.74%	61.74%	61.57%
Mean:Median	1.87	2.15	1.78	1.93	1.93	1.91

Note: Estimates of various household wealth statistics and inequality measures, using various equivalisation approaches, survey weights applied, for the per adult calculation children under the age of are excluded from the calculation
Source: Author's own calculations, Wealth and Assets Survey Wave 5, ONS (2018)

Unsurprisingly, the mean and median vary substantially throughout, both as a result of the chosen equivalisation method, and whether household or individual (or adult weights in the case of the per adult measure) weights are applied. This suggests that for those interested in the wealth distribution both the method of equivalisation, and the weighting should be carefully considered.

There are some fairly logical combinations – household measures of wealth weighted per household, household per capita weighted per individual and household wealth per adult weighted per adult. In theory, these should multiply out to approximate the same estimate of total wealth for the Great British population. However, applying household weights to per capita or per adult measures, or individual weights to unadjusted household values, effectively misrepresents the total value of wealth and its distribution. Due to economies of scale applied when equivalising it is not possible to multiply the number of adults or individuals by the wealth estimates produced by the standard equivalence scales to estimate the total wealth held by the population.

With the exception of household wealth per capita, the GINI stays remarkably stable throughout the different approaches.

It is interesting that all three standard equivalisation methods report higher inequality when individual weights are applied, than when measured at the household level. This is observed for all measures except the per adult measure; importantly, this measure uses adult weights as opposed to individual weights. This effectively excludes children from the per adult analysis, most of whom have little wealth, and as demonstrated in the previous section excluding children reduced estimates of wealth inequality, again highlighting that the methodology regarding children warrants careful consideration.

Both the 90:10 ratio and the Mean: Median ratio appear more sensitive to the equivalisation approach and the weighting than the GINI. This is unsurprising given the variation in key statistics that the different approaches produced. Whilst there are some combinations that are more logical than others, no methodology is unambiguously the ‘right’ one. If researchers and policy makers find it difficult to agree on which approach is the most appropriate, is it any surprise that so many people find it hard to place themselves on the wealth distribution, or describe the wealth distribution?

3.5.3 How might equivalisation affect who is considered wealth-rich or wealth-poor?

In order to consider what effect equivalisation approaches may have on definitions of the wealth-rich or wealth-poor, Figure 3a and 3b utilise the UK's Wealth and Assets Survey to plot Great British households' total wealth percentile ranking, against their household wealth per adult ranking 3a and their equivalised household wealth ranking 3b.[20]

This analysis was completed both ranking households, and ranking individuals on the basis of their household wealth. It is worth noting the patterns are very similar to those seen in Figures 3a and 3b.

Figure 3a: Household total wealth percentile against household total wealth per adult

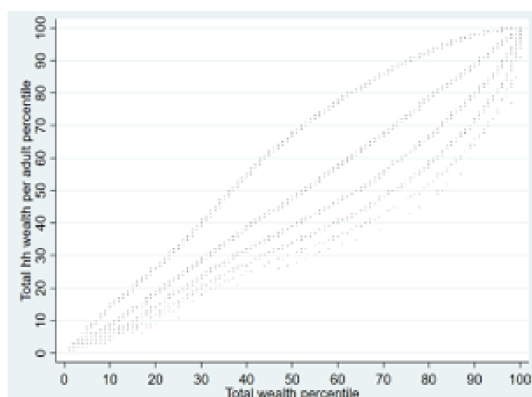
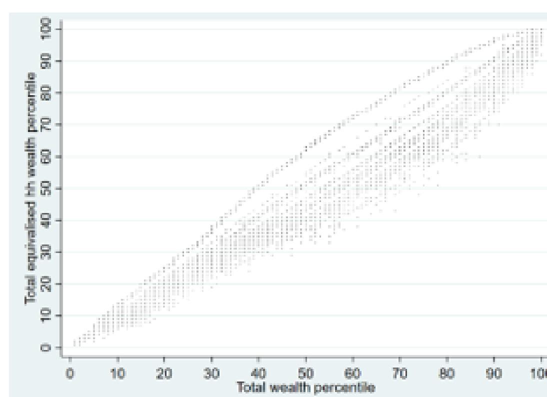


Figure 3b: Household total wealth percentile against total household equivalised wealth



Source: Author's own analysis of the Wealth and Assets Survey Data (Office for National Statistics: Social Survey Division, 2018)

Notes: Fig 3a Household total wealth percentile calculated and household wealth per adult percentile calculated at the household level, household weights applied (n=18,805) Fig 3b Household total wealth percentile against total household equivalised wealth calculated at the household level, household weights applied (n=18,805)

Figure 3a shows there is much variation between a households' ranking on the basis of their total wealth and their wealth per adult. Some households move as much as thirty percentage points. The way the plot is divided into five fairly distinct lines, reflects the number of adults in the household; single adult households move up the ranking when you measure wealth per adult, whereas dual adults stay predominantly in a similar position, whilst households with three or more adults tend to move down the ranking.

[20] For robustness this analysis was completed both ranking households, and ranking individuals on the basis of their household wealth. It is worth noting the patterns are very similar to those seen in Figures 3a and 3b.

Whilst the lines are closer together at both extremes of the distribution, there are still numerous households that fall within the bottom or top 10% under one measure, but not in the other. Wherever the 'wealth-rich' or 'wealth-poor' boundaries are drawn, there will be households who are wealth rich or wealth poor under one measure but not the other.

Figure 3b compares total household wealth percentile against the household's equivalised wealth ranking and shows a similar yet slightly less pronounced pattern than seen in Figure 3a. Again, single person households move up the ranking when measured using equivalised wealth and multiple person households move down. Despite the lesser effect, some households are still moving substantial distances, some dropping as many as 20 percentage points down the ranking.

To further illuminate this point, the below tables show how many people are moving in or out of the top and bottom deciles with different measures. In this analysis individuals are ranked by the relevant wealth measure. Children are excluded from the household wealth per adult measure, leading to a small discrepancy in the totals; this serves to further highlight the importance of carefully considering the methodology regarding children.

Table 3.8 Rich or poor by household wealth and household wealth per adult

		Individuals by hh wealth per adult			
		Poorest 10%	Middle 80%	Richest 10%	Total
Individuals by hh wealth	Poorest 10%	8.1%	0.9%	0.0%	**9.0%**
	Middle 80%	1.9%	76.0%	2.0%	**79.9%**
	Richest 10%	0.0%	3.1%	8.0%	**11.1%**
	Total	**10.0%**	**80.0%**	**10.0%**	**100.0%**

Note: Categorisation of individuals by their household wealth, weighted by individual (n=42,827 individuals in 18,805 households) and household wealth per adult, weighted by adult (n=34,330 adults in 18,805 households)

Source: Author's own calculations, Wealth and Assets Survey Wave 5, ONS (2018)

Table 3.8 shows 19% of individuals living in the poorest 10% of households, as measured by household wealth, are not in the poorest 10% of households as measured by household wealth per adult. At the top of the distribution there is even more movement; here 28% of adults who are living in the richest 10% of households as measured by household wealth, are not living in the richest 10% of households as ranked by household wealth per adult.

A similar although marginally smaller pattern is seen in Table 3.9, below. This compares individuals ranking by their household wealth, against their ranking by their equivalised household wealth.

Table 3.9 Rich or poor by household wealth and household equivalised wealth

		Individuals by hh equivalised wealth			
		Poorest 10%	Middle 80%	Richest 10%	Total
Individuals by hh wealth	Poorest 10%	8.7%	1.3%	0.0%	**10.0%**
	Middle 80%	1.3%	76.4%	2.3%	**80.0%**
	Richest 10%	0.0%	2.3%	7.7%	**10.0%**
		10.0%	**80.0%**	**10.0%**	**100.0%**

Note: Categorisation of individuals by their household wealth and by household equivalised wealth, weighted by individual (n = 42,827 individuals in 18,805 households)
Source: Author's own calculations, Wealth and Assets Survey Wave 5, ONS (2018)

The large percentages that move in and out of the poorest or richest wealth categories dependent on the equivalisation approach is striking. When considering this from a policy perspective, this question has particular relevance for any measure attempting to introduce an asset-means test to any social protection or a wealth tax. It further presents a particular challenge given there is no consensus on the right approach. Whichever measure is used will have substantial impact on which households are defined as 'wealth poor' or 'wealth rich'.

This analysis uses the deciles to identify who is wealth poor or wealth rich. In reality a policy would need to decide on a fixed number (or numbers) at which people are deserving of greater governmental support or incremental taxation. It is important to

note a fixed boundary would be subject to the same challenges; a sizeable percentage would be included or excluded depending on the measure used.

3.5.4 *Composition of 'wealth-poor'*

Table 3.10 shows the composition of the bottom decile of the wealth distribution by the individuals' characteristics. Individuals (or adults in the case of household wealth per adult) have been ranked by the relevant wealth measure.

Table 3.10 Composition of the wealth-poor, by individual characteristics

Composition of bottom 10% of wealth distribution: Individuals are ranked by relevant wealth measure	**Household wealth**	**Household wealth per capita**	***Household wealth per adult (all adults)***	**Equivalised Household wealth modified OECD scale**	**Individual financial wealth**	**Population share (all individuals)**	**Population share (all adults)**
n	18,805	42,827	*34,330*	42,827	42,827	42,827	34,330
weights applied	Household	Individual	*Individual (adults)*	Individual	Individual	Individual	*Individual (adults)*
Age:							
0-15	26.3%	34.2%	*n/a*	30.4%	0.0%	18.7%	n/a
16-24	17.0%	17.7%	*23.1%*	18.0%	13.8%	11.3%	10.5%
25-44	32.5%	32.2%	*45.7%*	32.3%	53.8%	26.4%	33.8%
45-64	16.6%	12.6%	*22.6%*	14.2%	27.6%	25.6%	32.8%
65-74	4.3%	2.2%	*5.4%*	3.1%	3.7%	9.8%	12.5%
75+	3.4%	1.2%	*3.3%*	2.1%	1.1%	8.2%	10.4%
All	**100.0%**	**100.0%**	***100.0%***	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Household type:							
Single person over new SPA	6.0%	1.8%	5.0%	3.5%	1.8%	6.0%	7.7%
Single person below new SPA	13.8%	6.5%	13.0%	9.6%	8.5%	5.5%	7.0%
Couple over new SPA	0.6%	0.3%	1.3%	0.4%	1.8%	9.5%	12.2%
Couple below new SPA	5.9%	3.9%	7.9%	4.5%	14.2%	10.3%	13.1%
Couple, one over one below SPA	0.5%	0.4%	0.7%	0.4%	1.2%	2.4%	3.0%
Couple and dependent children	28.5%	41.1%	27.0%	35.9%	39.6%	36.9%	26.2%
Couple and non-dependent	2.1%	2.5%	5.1%	2.5%	13.7%	10.9%	13.8%
Lone parent and dependent	24.6%	25.2%	12.2%	23.8%	6.6%	6.7%	3.7%
Lone parent and non-dependent	6.3%	4.4%	9.6%	5.2%	4.5%	4.2%	5.3%
More than 1 family	11.9%	13.9%	18.2%	14.2%	8.1%	7.7%	7.9%
All household types	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Note: Sample demographics of the poorest wealth decile using various measures household wealth, household wealth per capita etc, using survey weights, and population share

Source: Author's own calculations, Wealth and Assets Survey Wave 5, ONS (2018)

The table highlights how important it is to carefully consider the methodology. As an example, for the purposes of estimating wealth per adult children have effectively been excluded from the analysis. However, this is not to say that no child aged 0-15 lives in a wealth-poor household, simply that they are not adults. It was deemed inappropriate to allocate children the wealth per adult of their household, as this would distort the overall distribution, but nor does it seem appropriate to include them in the distribution with zero wealth per adult, as in many instances they live in households with non-zero wealth. This means that the percentages for wealth per adult are not directly comparable

to the other measures, and should instead be considered as compared to the relevant population share. The ratio to the population share shown in Fig 3.11.

Alternative methods would be to rank households and then identify individuals who live in wealth-poor households, or to produce all estimates based on the adult population only. These options would present different challenges. The former could lead to more or less than 10% of all individuals being identified in the bottom decile of poor households (in retrospect this may be a preferable approach). Whereas the latter could inadequately explore the position of children.

Despite this variation in methodology, all the household-based measures identify individuals or adults living in lone parent with dependent children households as being over-represented within the wealth-poor, albeit to varying degrees. Whilst the percentage of the wealth-poor living in this category varies greatly (from 12.2% to 25.2%) the ratio to the proportion of the population living in this type of household varies less so; 3.28 to 3.77 times more likely than would be expected if lone parent households were proportional to their occurrence in the population (see Fig 3.11). Measures based on individual financial wealth are a stark outlier here; using individual financial wealth, lone parent with dependent children households are very slightly under-represented in the lowest wealth decile.

This is a recurrent theme in the analysis, individual financial wealth identifies individuals with very different characteristics as wealth poor, than the household-based measures. Individual financial wealth has been included as a comparator, since in the UK, the home, pensions and any household assets are commonly excluded or preferentially treated in asset means tests.

However, this analysis demonstrates that either financial wealth is distributed very differently to other components of net worth or that individual wealth is very differently distributed than estimates based on household measures (whatever their approach to equivalisation). This warrants further research, and reinforces the view that more data on intra-household wealth sharing could provide new insights for those interested in wealth policy.

Given that 'household type' has significant overlaps with household size and composition, it is perhaps unsurprising that significant variation in estimates is seen

between the household based measures. In most instances this varies the degree to which different household types are over- or under-represented in the poorest wealth group. However for couples with dependent children, the estimate shifts from under-representation when measured at a household level or equivalised basis, to over-representation by per capita or per adult measures.

The huge number of variations in the table demonstrates that not only do people move in and out of the bottom 10% pending the measure used, as was seen previously in section 3.5.3, but also that asset means testing utilising different measures will differentially affect different individuals and groups. If it is not possible for researchers or policy makers to confidently say which method is objectively preferable, and why, then it is a questionable policy to be advocating.

Table 3.11 Ratio of wealth-poor, by individual characteristics to population/adult population

Composition of bottom 10% of wealth distribution: Ratio to population share	**Household wealth**	**Household wealth per capita**	***Household wealth per adult (all adults)***	**Equivalised Household wealth modified OECD scale**	**Individual financial wealth**
n	18,805	42,827	*34,330*	42,827	42,827
weights applied	Household	Individual	*Individual (adults)*	Individual	Individual
Age:					
0-15	1.40	1.83	*n/a*	1.62	-
16-24	1.50	1.56	*2.20*	1.58	1.21
25-44	1.23	1.22	*1.35*	1.22	2.04
45-64	0.65	0.49	*0.69*	0.55	1.08
65-74	0.44	0.22	*0.43*	0.32	0.38
75+	0.41	0.15	*0.31*	0.25	0.13
Household type:					
Single person over new SPA	0.99	0.30	*0.64*	0.58	0.30
Single person below new SPA	2.50	1.19	*1.85*	1.75	1.55
Couple over new SPA	0.06	0.03	*0.11*	0.04	0.19
Couple below new SPA	0.58	0.38	*0.60*	0.44	1.38
Couple, one over one below SPA	0.21	0.18	*0.24*	0.18	0.51
Couple and dependent children	0.77	1.11	*1.03*	0.97	1.07
Couple and non-dependent	0.19	0.23	*0.37*	0.23	1.26
Lone parent and dependent	3.68	3.77	*3.28*	3.57	0.99
Lone parent and non-dependent	1.50	1.06	*1.82*	1.24	1.07
More than 1 family	1.54	1.80	*2.29*	1.84	1.05

Note: Sample demographics of the poorest wealth decile using various measures household wealth, household wealth per capita etc, using survey weights, as a ratio of population share

Source: Author's own calculations, Wealth and Assets Survey Wave 5, ONS (2018)

3.5.5 Composition of 'wealth rich'

As with the composition of the wealth-poor, the composition of the wealth-rich changes pending the methods used. The methodological issues are much the same as have already been discussed with regard to the composition of the wealth poor, and thus will not be revisited here. Interestingly, for the wealth-rich, individual financial wealth seems much more consistent with household measures of wealth. There are however some instances where the differences between the different household-based estimates are quite stark.

To offer some examples, by household wealth individuals aged 16-24 are over-represented in the top wealth decile, yet on all other measures they are under-represented. For the over 75s this observation is reversed, they are under-represented at a household level but over-represented on all other estimates.

Single people both above and below the new state pension age switch between being over and under-represented amongst the 'wealth-rich' dependent on the measure used, as do couples with non-dependent children. The level of over or under representation amongst other household types varies quite widely dependent on the measure.

Reflecting on the analysis put forward in section 3.5.3, this is perhaps unsurprising, since the level of dispersion seen in Figures 3a and 3b is greater at the upper end of the distribution. Similarly, Tables 3.8 and 3.9 show more movement in and out of the top decile pending the approach used, than is seen in the bottom decile.

Just as those advocating for additional asset-based means testing would need to carefully consider whether their choices could be objectively justified, the same is also true for those advocating for wealth taxes on the rich.

Table 3.12 Composition of the wealth-rich

Composition of top 10% of wealth distribution: Individuals are ranked by relevant wealth measure	**Household wealth**	**Household wealth per capita**	***Household wealth per adult (all adults)***	**Equivalised Household wealth modified OECD scale**	**Individual financial wealth**	**Population share (all individuals)**	**Population share (all adults)**
n	18,805	42,827	*34,330*	42,827	42,827	42,827	34,330
weights applied	Household	Individual	*Individual (adults)*	Individual	Individual	Individual	*Individual (adults)*
Age:							
0-15	9.7%	3.3%	*n/a*	5.9%	0.1%	18.7%	n/a
16-24	13.2%	5.0%	*3.3%*	6.9%	0.5%	11.3%	10.5%
25-44	11.2%	6.4%	*8.6%*	7.8%	11.0%	26.4%	33.8%
45-64	43.1%	45.5%	*49.8%*	45.3%	41.5%	25.6%	32.8%
65-74	18.0%	27.7%	*27.3%*	24.9%	27.7%	9.8%	12.5%
75+	4.9%	12.1%	*11.1%*	9.2%	19.2%	8.2%	10.4%
All	**100.0%**	**100.0%**	***100.0%***	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Sex (of HRP or individual):							
Male	51.2%	49.0%	49.4%	49.4%	50.7%	49.3%	48.8%
Female	48.8%	51.0%	50.6%	50.6%	49.3%	50.7%	51.2%
All	**100.0%**	**100.0%**	***100.0%***	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Household type:							
Single person over new SPA	2.4%	13.7%	13.6%	8.3%	14.1%	6.0%	7.7%
Single person below new SPA	1.7%	8.4%	8.4%	5.2%	6.9%	5.5%	7.0%
Couple over new SPA	17.4%	24.7%	23.6%	23.7%	28.9%	9.5%	12.2%
Couple below new SPA	14.7%	20.2%	19.9%	19.3%	15.4%	10.3%	13.1%
Couple, one over one below SPA	6.7%	8.5%	8.9%	8.1%	5.7%	2.4%	3.0%
Couple and dependent children	27.0%	9.6%	13.1%	16.5%	14.1%	36.9%	26.2%
Couple and non-dependent	21.3%	10.1%	8.0%	13.6%	9.0%	10.9%	13.8%
Lone parent and dependent	0.7%	0.7%	0.6%	0.7%	0.9%	6.7%	3.7%
Lone parent and non-dependent	1.8%	2.1%	1.7%	2.2%	2.0%	4.2%	5.3%
More than 1 family	6.3%	2.1%	2.2%	2.5%	2.9%	7.7%	7.9%
All household types	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Tenure:							
Own it outright	61.8%	72.7%	72.0%	68.9%	73.4%	27.4%	33.0%
Buying it with the help of a mortgage	37.2%	25.1%	26.3%	29.4%	20.3%	40.4%	36.4%
Shared ownership (part rent part mortgage)	0.0%	0.0%	0.0%	0.0%	0.1%	0.5%	0.4%
Rent it	0.9%	1.9%	1.6%	1.5%	5.3%	30.9%	29.3%
Other	0.1%	0.3%	0.1%	0.2%	1.0%	0.9%	0.9%
All tenures	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100%**	**100.0%**	**100.0%**
Region							
North East	2.3%	2.4%	*2.3%*	2.6%	2.5%	4.2%	4.3%
North West	8.1%	8.2%	*8.1%*	8.1%	10.0%	11.3%	11.3%
Yorkshire and The Humber	5.9%	6.5%	*6.7%*	6.4%	7.6%	8.5%	8.5%
East Midlands	5.3%	6.0%	*5.2%*	6.0%	6.7%	7.4%	7.5%
West Midlands	4.9%	6.0%	*5.3%*	5.8%	6.7%	9.0%	9.1%
East of England	10.4%	10.1%	*10.4%*	10.0%	10.5%	9.6%	9.5%
London	22.6%	17.6%	*18.8%*	18.1%	14.8%	13.7%	13.1%
South East	21.4%	20.9%	*21.9%*	22.2%	20.1%	14.2%	14.0%
South West	8.1%	10.1%	*9.8%*	9.3%	10.0%	8.7%	8.9%
Wales	3.5%	4.2%	*4.3%*	3.9%	3.7%	4.9%	5.0%
Scotland	7.5%	7.9%	*7.6%*	7.6%	7.6%	8.5%	8.8%
All regions	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Note: Sample demographics of the richest wealth decile using various measures household wealth, household wealth per capita etc, using survey weights, and population share

Source: Author's own calculations, Wealth and Assets Survey Wave 5, ONS (2018)

3.5.6 Summary of the evidence

This analysis has demonstrated that the reference unit makes significant differences to our estimates and understanding of wealth, highlighting a need for more data in this area in order to be able to identify wealth-sharing units, further explore intra-unit sharing and individual wealth.

However, the approach to equivalisation changes estimates of the distribution of wealth. More significantly, decisions made alter key statistics describing this distribution, and our understanding of the position of individuals or households within it. The evidence put forward demonstrates that in some instances the approach radically changes any given household's position in the distribution. Importantly it also shows that large numbers of individuals move in and out of categories that we might consider wealth-rich or wealth-poor. Significantly, different approaches may have differential effects on specific groups of individuals. Thus, from the perspective of policy, the approach to equivalisation has significant implications as to who is affected by any wealth based policy.

This research has further highlighted that children, weighting and ranking should be carefully considered, when completing any wealth-based research.

3.6 Conclusion

In this chapter I have highlighted a number of important and significant methodological considerations for those interested in wealth. For those approaching this from a policy perspective, the appropriate reference unit, and the approach to equivalisation is of primary concern; it is simply not possible to design a policy without making a decision on these factors. Whilst weighting is of secondary concern to policy implementation, it is of crucial importance when considering who is impacted by a given policy. In this regard, the due methodological consideration to the treatment of, and position of, children is of particular importance.

The vast majority of previous research uses households as the reference unit; however, as has been highlighted in the concerns raised in this paper, this may not accurately estimate the extent of wealth inequality, nor the position of each member of the household. Thus, it is necessary to improve the quality of the survey data such that researchers can more accurately explore wealth, and its distribution, through both the lenses of benefit units and individual adults. This would provide greater insight for policy makers in the field, improve estimations of wealth inequality, and enable further research into areas such as the gender wealth gap and the intrahousehold allocation of wealth.

With regard to equivalisation approaches, I have argued that the approach used materially impacts key statistics describing the wealth distribution, and thus any given unit's position within that distribution. Moreover, this has a substantial effect on who might be identified as wealth-rich or wealth-poor.

The current literature suggests there is no consensus regarding the appropriateness of wealth equivalisation, and it is indeed fair to say there is no *'right'* answer to this question. There are some clear conflicts in the theoretical concerns I have put forward. I have simultaneously argued that it is important to consider unit size and composition, whilst also acknowledging that the standard equivalisation approaches or a per capita method inadequately deal with negative wealth.

The presence of negative wealth makes standard equivalisation approaches produce erroneous results. This is particularly true for analyses comparing measures over time or geography, involving the ranking of reference units, or utilising wealth as an explanatory or outcome variable. Thus, it is argued that standard equivalisation approaches, in many instances, are not appropriate when considering the measurement of wealth. Furthermore, analysing household wealth (without equivalisation), household wealth per adult and individual adult wealth, in combination, would likely result in more meaningful insights than either household or equivalised household wealth alone. That is not to say that unit size and composition is not of interest, but that the standard equivalisation approaches do not adequately resolve the issue of negative wealth.

In most research contexts, and certainly for policy makers, it is believed that multiple lenses will offer greater insights than any single lens on its own. Multiple lenses will serve to highlight to researchers and policy makers where measurement issues make a material difference to their estimates. They can then work through the relative importance of those differences to negotiate an informed way forward.

In order to design a wealth-based policy, decisions on the appropriate reference unit and equivalisation method must be made. It is therefore important that researchers and policy makers carefully consider the impact of these decisions, specifically on who is likely to be affected by the implementation of any such policy, in their policy proposals. This requires considering the data from multiple perspectives.

It is further important for researchers to carefully consider their methodology, particularly with regard to how they treat children. It is recommended that in all instances, and especially those that exclude children from the estimates of wealth inequality, researchers should still estimate how many children live in, or with, wealth-poor and wealth-rich units or people.

This research has highlighted many avenues for further research including:

- Identifying wealth-sharing units
- Investigating the level of sharing amongst units
- Individual wealth holdings
- Investigating the gender and race wealth gaps using individual data
- Considering wealth specific equivalisation methods, capable of dealing with negative wealth
- Considering children and weighting in wealth distribution estimates

In order to assist researchers and policy makers to negotiate the various options, and to consider which may be most appropriate to incorporate into their research design I provide a table summarising the advantages and disadvantages of different approaches.

I further provide some principles which researchers may find useful when considering the appropriate measure for their research.

Table 3.13 Advantages and disadvantages of different wealth measurement approaches

Wealth measure	**Advantages**	**Disadvantages**
Total household wealth	▪ Simplicity ▪ Commonly used	▪ Households do not necessarily own assets/liabilities equally ▪ Assumes equal access to and enjoyment of resources ▪ Does not reflect that a pension pot for a couple must sustain two people not one ▪ Nor that this is the life-savings of two people not one ▪ Is there any inequality if a single person has £100k

		savings and a couple have £200k ▪ Could obscure the position of children
Total household wealth per adult	▪ Simplicity ▪ Takes account of the number of adults living in household	▪ Increased and artificial fluctuations in wealth when children turn 18 or leave home ▪ Assumes resources are pooled[21] ▪ Could obscure the position of children
Total household wealth per capita	▪ Simplicity ▪ Reflects size of household	▪ Brings shocks when children are born (wealth goes down) and when children leave home (wealth goes up) ▪ Does not reflect property rights ▪ Assumes resources are pooled ▪ Erroneous results when households have negative wealth ▪ Could obscure the position of children
Total household equivalised wealth	▪ Takes account of household size	▪ Opaque, less transparent for general population to place themselves on the wealth scale ▪ Assumes resources are pooled[22]

[21] particularly problematic assumption for multiple adult h/hs such as young professionals/students sharing or households with lodgers. Or even unmarried couples where one partner owns the property prior to the relationship

[22]particularly problematic assumption for multiple adult households such as young professionals or students sharing, households with lodgers, or unmarried couples where one partner owns the property prior to the relationship

		▪ Erroneous results when households have negative wealth ▪ Could obscure the position of children
Wealth per family	▪ Easy to understand	▪ Does not account for family size ▪ Not easy to calculate from the data available / data rarely available ▪ Definitions of family vary ▪ Different members of the family have differential ability to enjoy the wealth ▪ Could obscure the position of children
Family wealth per adult	▪ Excludes unrelated adults from sharing unit (i.e. lodgers, or flatmates) ▪ Takes account of number of adults in family	▪ Difficult to calculate with current data ▪ Inflates mobility when children turn 18 or leave home ▪ Could obscure the position of children
Individual wealth	▪ Crucial for the calculation of gender, race or other protected characteristic wealth gaps ▪ Acknowledges differential individual ownership within the household	▪ Data rarely collected ▪ Presumes no sharing of resources beyond ownership ▪ Could obscure the position of children

Regrettably, there are no easy answers or solutions to the issues raised. Moreover, measurement issues have consequences. Thus, I close this chapter with some basic guiding principles, to aid researchers and policymakers when considering wealth in future policy, research or national statistics.

1. The analysis should be meaningful

2. The analysis should not produce arbitrary fluctuations due to the measurement method
3. It should be easy to understand
4. In most instances wealth should be attributed to those that have a right to make decisions over its use
5. Measurement should be objective – four adults who choose to live together (outside of marriage or civil partnership) have the same wealth as if they chose to live separately, they may enjoy a better or worse lifestyle by sharing, but this is a choice, I am not attempting to measure their well-being, but their wealth
6. Careful consideration should be given to whether the presence of negative wealth together with the chosen equivalisation method confounds the results
7. Robustness checks utilising different wealth measures are encouraged
8. Careful consideration should be given to the position of children, and particularly the impact of the chosen method
9. Irrespective of the chosen measure, the number, and proportion, of children living in wealth poor households or with wealth poor adults should be considered and reported.

Chapter 4

4 Liquidity Issues: Solutions for the asset rich, cash poor

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4.1 Preface

This chapter is co-authored by Glen Loutzenhiser. The first version is published as an evidence paper for the Wealth Tax Commission and is available to download from ukwealth.tax/evidencepapers. The final version is published in Fiscal Studies, and thus has been through peer review and the editorial process required for publication. Here, I include a copy of the Fiscal Studies version, which is changed only in so far as to update the headings' sequences in order to aid navigation within this thesis. Retaining the editorial style of the original further means that the style of referencing is inconsistent with the rest of the thesis.

The paper was originally written at the request of the Commissioners of the Wealth Tax Commission, who asked me to estimate the scale of the *'liquidity problem'* should a wealth tax be implemented. The Commissioners proposed that I co-author this alongside Glen Loutzenhiser who would identify possible solutions to the liquidity problem.

My work is predominantly contained under the sub-headings *'4.3 What is the scale of the liquidity problem?'* and *'4.4 Who are the 'asset rich, cash poor'?'*. I completed the quantitative analysis for this paper, together with the accompanying narrative and consideration of how the *'problem'* might be conceptualised. My co-author Glen Loutzenhiser put forward solutions which may temper the scale and impact of liquidity problems, should a net wealth tax be introduced. The introduction and conclusion were drafted jointly.

In addition to the conclusions drawn in the paper, it is further worth considering that this work highlights that an increase in income tax and a net wealth tax would affect different people. This challenges the narrative that income inequality and wealth inequality can

be conflated as a single issue of 'economic inequality'. The paper further demonstrates the importance of the conceptual and measurement issues raised in Chapter 3.

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4.2 Introduction

This paper considers liquidity issues under a net wealth tax. The imposition of a tax on static wealth can lead to difficulties for taxpayers in paying the tax, especially if the assets upon which the tax is levied do not generate sufficient income, cannot be easily turned into cash, or where it may be difficult or undesirable for taxpayers to dispose of the assets in order to pay the tax. However, Sandford, Willis and Ironside (1975, p.4) make the very important point that although it is sometimes thought that a wealth tax has to be paid out of wealth, wealth refers to the *base* not the *source*: 'it no more follows that a tax on wealth has to be paid from wealth than that a beer tax has to be paid from beer'. Taxpayers may well have ready access to other sources of cash, including general income, liquid assets and borrowing, to pay a wealth tax and some assets may be relatively easily and uncontroversially turned into cash to pay the tax (e.g. disposition of part of a portfolio of quoted securities). Thus, liquidity can be an issue under wealth taxes, but it is not a universal one.

Liquidity is most problematic where the taxpayer has valuable illiquid assets that do not generate income and the taxpayer does not have other readily available sources of liquid assets or sufficient income from which to pay the tax. Such taxpayers are sometimes referred to in the literature by the shorthand terms 'asset rich, cash poor' or 'the wealthy hand-to-mouth'; see, for example, OECD (2018, p. 64) and Kaplan, Violante and Weidner (2014). An emotive and stereotypical example of an asset-rich, cash-poor individual sometimes used in the literature is the Devon widow, living alone in the former family home and receiving only a small pension income.[23] The general issue, however, is one of someone with high property wealth and low income, and this does

[23] See, e.g., McLean (2018, p. 196).

not need to be confined to someone who has been widowed, nor does it matter whether it is a family home. Other asset-rich, cash-poor taxpayers may have large pension pots or valuable business assets/agricultural property but relatively small income.

The OECD maintains liquidity issues are 'one of the biggest concerns related to net wealth taxes',[24] yet they do not attempt to estimate the scale of the problem. Furthermore, despite general agreement that liquidity concerns present a challenge for the implementation of wealth taxes, definitions of the 'asset rich, cash poor' remain generalised. The OECD focuses its discussion on individuals who have 'limited realised income' with which to pay any net wealth tax liability, expressing particular concern for those who would need to sell assets in order to meet their obligations;[25] the availability of liquid assets is a side issue. Whereas, the definition of Kaplan et al. (2014) of the 'wealthy hand-to-mouth' focuses on households that have sizeable illiquid assets but have very little or no liquid wealth – all disposable income is consumed every period. Thus, there is no current consensus on how the scale of the liquidity issue might be measured.

Liquidity is generally given much less attention in the literature compared with the other difficulties typically associated with wealth taxes. The final recommendations of both the Mirrlees Review[26] and Thuryoni (2003, p. 329) highlight the problem of unevenness of application of wealth taxes but focus on valuation difficulties and do not mention liquidity specifically. Evans et al. (2017, p. 104) devote a chapter to capital or wealth taxes but also focus on the problems of disclosure and valuation. Peacock (1963, pp. 398–99) and Atkinson (1972, p. 158) considered the administrative problems with wealth taxes, but both focused on valuation, assessment and evasion. Sandford et al. (1975) devote entire chapters to some practical issues with wealth taxes including valuation – but not to liquidity. Instead, most of their discussion of liquidity is found in their chapters dealing with particular types of assets that are the most challenging for a wealth tax for a variety of reasons. The Labour Chancellor Denis Healey's 1974 Green

[24] OECD, 2018, p. 89.

[25] OECD, 2018, p. 64.

[26] Mirrlees et al. 2011, p. 347.

Paper on Wealth Tax adopted a similar approach.[27] The Meade Committee, which undertook a review of the tax system in 1978, pointedly avoided discussing many of the detailed problems with wealth taxes, referring readers to other literature, such as Sandford et al. (1975).[28] Boadway, Chamberlain and Emmerson (2010, p. 783) raise liquidity issues at points. Liquidity issues are highlighted to some extent in the OECD's 2018 paper on wealth taxes, and that paper provides helpful examples of current and historical practice under European wealth taxes that have the effect of lessening liquidity concerns.

It should also be noted that an argument can be made that liquidity is neither a long-term nor a serious concern. Ultimately, all assets are liquefiable in the medium term, and in fact forcing taxpayers to dispose of assets to pay the tax may be a positive in that it provides an incentive to invest in productive assets rather than non-productive assets.[29] Further, Saez and Zucman (2019a) dispute liquidity concerns of the very rich as put forward in bad faith and unable to withstand scrutiny, or argue that the taxpayers have organised their own illiquidity by choosing to realise little income to avoid the income tax. McCaffery (2017, p. 306) takes a similar position on this deliberate or engineered liquidity, arguing that, in the United States, the very wealthy organise their affairs to minimise their tax burden by buying and holding assets that appreciate without producing taxable cash flows (e.g. main homes, holding assets in corporate form), borrow to finance their lifestyle, and hold on to their assets until death to benefit from the tax-free uplift on death for capital assets (which the UK also has).

This paper begins with an estimate of the scale of the problem in Great Britain, before considering the extent to which the archetypal examples of who is likely to experience liquidity issues is supported by the evidence. Next, the paper turns to the main administrative concerns with liquidity posed by wealth taxes. The focus is on asset-rich, cash-poor taxpayers and potentially vulnerable asset holders from a liquidity perspective as identified in our analysis and the existing literature. It then considers a range of possible solutions to manage these liquidity concerns. We include examples of how

[27] HMSO, 1974.

[28] Meade, 1978, p. 351, fn. 1.

[29] Guvenen et al., 2019; Sandford et al., 1975, p. 8.

liquidity concerns have been addressed in current and past wealth taxes, and in particular European wealth taxes, drawing on the International Background Papers listed at the end of this paper and other sources. In considering international experience, it is worth bearing in mind the convenient shorthand distinction that Sandford et al. (1975, p. 14) drew between *substitutive* wealth taxes, which can be met from disposable income after allowing for reasonable consumption requirements, and *additive* wealth taxes, which cannot be so met and may require the disposition of assets to pay. The authors describe European wealth taxes at the time they were writing as all substitutive;[30] this appears still to be the case today, but of course it does not need to be the form that a UK net wealth tax takes.

Annual wealth taxes also have featured in the tax systems of some non-European countries including Columbia, India, Pakistan, Sri Lanka and Uruguay.[31] Reference is made below to features of current non-European wealth taxes in Algeria, Argentina, Columbia, Uruguay and Venezuela, using information provided in the IBFD Country Tax Guides.[32] This paper also draws on experience with related taxes, such as the UK's inheritance tax (IHT), capital gains tax (CGT) and annual tax on enveloped dwellings (ATED), as these can impose significant amounts of tax by reference to the value of assets and thus raise similar liquidity concerns.

4.3 What is the scale of the liquidity problem?

Two primary issues complicate measurement of the liquidity problem. First, the problem has not been consistently conceptualised; different definitions of who is at risk of experiencing liquidity challenges will result in different estimates of the scale of the problem. Second, design issues, such as the threshold at which the tax applies, the tax rate, the tax unit, the definition of wealth subject to the tax and the valuation of relevant assets and liabilities, all of which are currently unknowns in the context of a UK net wealth tax, will further affect the scale of the liquidity problem.

[30] Sandford et al., 1975, p. 31.

[31] Atkinson, 1972, p. 109.

[32] See IBFD Country Tax Guides, Individual Taxation, Taxes on Capital, Net Wealth Tax, on the IBFD Tax Research Platform at https://www.ibfd.org/IBFD-Tax-Portal/About-Tax-Research-Platform.

We use data from Round 6 of the Wealth and Assets Survey (WAS) conducted by the Office for National Statistics (ONS)[33] to illuminate these issues and estimate the scale of the liquidity problem in the UK. Consistent with the recommendations in the Final Report of the Wealth Tax Commission,[34] we assume that the tax applies to an individual's total net wealth, including their pension, property, business, financial and any physical assets[35] valued at greater than £3,000 each, less any liabilities, with the exception of student loans from the Student Loans Company; except where stated otherwise. Any jointly owned assets are allocated to individuals following the methodology of ONS (2020).[36] We assume that an individual's net financial assets excluding endowments[37] are liquid, and that all pensions, property, business, physical assets and endowments are illiquid. Children aged under 16 have been excluded from the analysis, due to the complex design issues regarding child wealth, and because their assets primarily fall into liquid categories; thus, their assets are less of a concern from a liquidity perspective.

There are three noteworthy limitations to this analysis. First, it is widely acknowledged that household surveys tend to under-represent the upper tail of the distribution.[38] Advani, Bangham and Leslie (2021) have further estimated the missing wealth at the top; however, this paper relies on the relationship between an individual's income and their wealth, and, as such, we use the unadjusted data. Second, the data are based on individuals' self-reported valuations of their assets and liabilities, which may vary considerably due to the valuation method[39] required should a net wealth tax be

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[33] ONS, 2020.

[34] Advani, Chamberlain and Summers, 2020.

[35] Physical assets include collectables, valuables, vehicles and personal number plates, with a value exceeding £3,000.

[36] To summarise, jointly owned main residences are shared equally between the joint householders, and primary residence physical assets are shared between all resident adults; for more details, see ONS (2020), 'WAS: Round 6 Derived Variable Specifications – Individual Wealth'.

[37] Endowments cannot commonly be accessed prior to maturity without substantial penalty.

[38] Alvaredo, Atkinson and Morelli, 2016; Davies, Lluberas and Shorrocks, 2017; Advani, Bangham and Leslie, 2021.

[39] Readers should refer to Daly and Loutzenhiser (2021) for details of the methods of valuation and issues with taxpayers self-reporting valuation.

introduced. Third, the analysis is based on a snapshot in time (2016–18); individuals' income and wealth are not fixed, and will likely differ at different points in time. Furthermore, movements in the wider economy could systematically influence the number of individuals likely to experience liquidity issues.

4.3.1 Conceptual issues in the measurement of the liquidity problem

There is seeming general agreement that those with insufficient disposable income or liquid resources to meet tax obligations are likely to suffer from liquidity problems. However, the measurement of sufficiency or insufficiency remains undetermined. Some consider that the liquidity problem inevitably will lead to taxpayers being forced to sell assets to pay the tax, as is tacitly implied in the report by the OECD (2018, p. 64). This seems to presume that the sale of assets to meet tax obligations is not desirable; however, this is not a universal opinion, and is a subject upon which the general public are divided.[40] Furthermore, if one accepts that selling assets to meet tax obligations is not necessarily undesirable, then there should similarly be little concern over taxpayers running down their liquid assets to pay tax obligations, even though that might later indirectly force the sale of illiquid assets. Different beliefs on this will likely result in different approaches to estimating the liquidity problem.

If selling valuable assets is a cause for concern, and the tax is an annual wealth tax, then it is logical to link liquidity solely to income, because a net wealth tax could be seen as an additional annual outflow. However, if selling assets is not considered to be a problem, or if it is a one-off wealth tax, then it could be argued that liquidity should be estimated in relation to the availability of liquid assets, plus any disposable income.

Additionally, many estimates of financial well-being[41] consider the economic position of the household, in order to assess the financial well-being of the individuals living within the household. In this instance, even where the tax unit is the individual, one might wish to assess whether the household has a liquidity issue in order to assess whether the adults living in that household are suffering from a liquidity problem or not. For example, secondary earners in the household may have a net wealth tax liability that

[40] Rowlingson, Sood and Tu, 2020.

[41] See the DWP (2021) Households below average income estimates or OECD's (2021) poverty and inequality measures

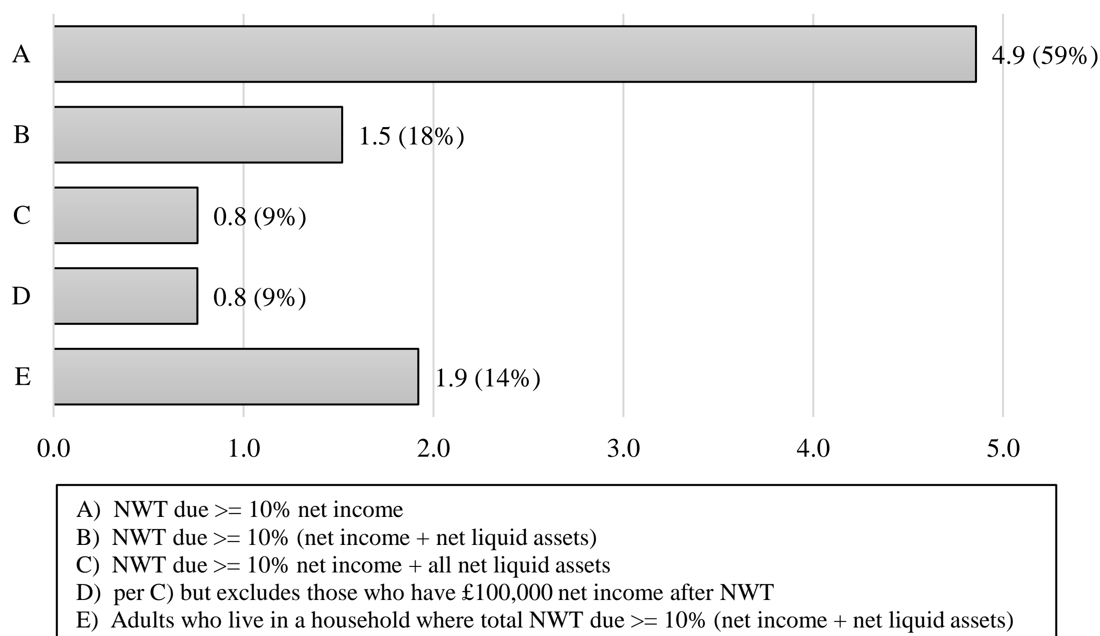
appears disproportionate to their personal income or liquid assets, yet the household has sufficient income or liquid assets to pay any net wealth tax liability. Whereas, high-income individuals may have sufficient income or liquid assets to pay their personal net wealth tax liability, but the household may have insufficient funds to meet the household's liability. Thus, different individuals may be identified as likely to experience a liquidity problem pending the method of analysis.

We analyse the scale of the liquidity problem with a number of definitions to illuminate the differences between approaches. To begin, it is useful to put design issues to one side. As such, here we use a tax rate of 1 per cent, and a threshold of £500,000; these are the public's preferred rate and threshold for tax.[42] Later in this paper, we vary the tax rate and threshold when testing the scale of the liquidity problem in the UK.

First, we estimate the number of people who are at risk of experiencing liquidity difficulties, by estimating the number of people for whom the tax due exceeds 10 per cent of their income. Second, we estimate the number of people for whom the tax exceeds 10 per cent of their income plus 10 per cent of their liquid assets. Third, we estimate the number of individuals for whom the tax due exceeds both 10 per cent of their income plus 100 per cent of their liquid assets. This methodology ultimately assumes that the sale of assets is acceptable, if not welcome; one need not be concerned with the fact that an individual is unable to pay for maintenance or upkeep of a property, or other valued asset, if one accepts the sale of the asset may be required. Fourth, we use the third methodology but exclude those who have more than £100,000 net income, post net wealth tax. Finally, whilst we continue to assume that the individual is the taxable unit – as recommended in Advani, Chamberlain and Summers (2020, pp. 44 and 94) – we use the household's liquidity position to determine whether individuals are likely to experience liquidity difficulties. Here, we estimate the number of people living in households where the tax due for all adult household members exceeds 10 per cent of the households' net income plus 10 per cent of their liquid assets. The results are shown in Figure 4.1.

[42] Rowlingson, Sood and Tu, 2020.

Figure 4.1 Number and proportion of potential taxpayers likely to experience liquidity problems using different conceptual approaches (millions)



Note: Constructed using data on adults' income and wealth in 2016–18. Weighted estimates of the number and proportion of potential taxpayers likely to experience liquidity problems under a net wealth tax payable at 1 per cent of total net assets over £500,000, using different conceptual approaches to measure liquidity.

Source: Authors' own calculations, WAS (ONS, 2020).

The different definitions result in substantially different estimates of the scale of the liquidity problem. Based on these assumptions, for a striking 4.9 million individuals or 59 per cent of the potential taxpayers, the tax due would exceed 10 per cent of their income. For 1.5 million individuals or 18 per cent of potential taxpayers, the tax due exceeds 10 per cent of their income plus 10 per cent of their liquid assets. Whilst for 0.8 million individuals or 9 per cent of potential taxpayers the tax due would exceed 10 per cent of their income and all their liquid assets – suggesting that, were this an annual charge, they would likely need to find alternative methods of funding their payments, be it additional debt, or the sale of assets. Excluding individuals who have more than £100,000 net income after the net wealth tax has been applied makes very little difference to this estimate.

Finally, if we consider the household to be the relevant unit of analysis for economic well-being, for 1.9 million individuals or 14 per cent of adults living in a household with a wealth tax liability, the tax due exceeds 10 per cent of their household net income plus

10 per cent of their liquid assets. Notably, substantially more adults live in a household with a net wealth tax liability than individuals who personally have a net wealth tax liability; thus, the number of adults estimated to experience liquidity challenges is greater but the proportion of 'potential taxpayers'[43] is smaller.

There is no correct approach to measure the scale of the liquidity problem, so the most useful method must be negotiated. It is likely that different individuals will have different views on how the problem should be measured. Furthermore, an individual's views will likely be influenced by the tax design. For example, people may be less sympathetic to the forced sale of assets if the threshold is set at £5 million, than if it were set at £500,000.

As with all threshold-based estimates of economic well-being, individuals a penny over or a penny under the threshold are not in dissimilar positions, yet they are classified differently. Furthermore, the thresholds we have set for identifying the liquidity-constrained are arbitrary; an additional 10 per cent of income tax would likely be met with widespread disapproval, yet we assume that individuals could use up to 10 per cent of their income to fund wealth tax payments. Reducing this, to 5 per cent of income, or any other lower fraction of income, increases the number of individuals likely to experience liquidity challenges.

In the absence of an agreed approach, it would be informative to policymakers to use multiple methodologies in order to assess the scale of the liquidity risk from multiple perspectives. Here, we use Method B, where the tax due exceeds 10 per cent of an individual's net income plus 10 per cent of their net liquid assets, and Method E, where the tax due exceeds 10 per cent of the net income of the household in which the individual resides and 10 per cent of their household's net liquid assets, to estimate the scale of the problem under different tax designs. We use these methods as they are methodologically the most diverse; it is fairly easy to recognise that fewer individuals would be deemed to be at risk of experiencing liquidity difficulties if we assume that they are able to use a greater percentage of their income or liquid assets to fund their tax

[43] Potential taxpayers under Method E is all adults living within a household with a Net Wealth Tax liability

burden, but it is difficult to predict from the individual estimates how many adults live in liquidity-constrained households .

4.3.2 The scale of the liquidity problem in the UK

Design issues, such as the tax unit, the rate of tax, the threshold at which the tax applies and the definition of wealth to be subject to tax, will all affect the scale of the liquidity problem. In the context of the UK, these remain unknowns. We now consider each of the design elements, with a view to offering our best estimate of the scale of the problem given a number of alternative tax designs.

We first consider the definition of wealth to be subject to the tax. Throughout our analysis, we assume that an individual's total net worth is subject to the tax, and that all assets are treated equally. However, the inclusion of pensions is contentious and, in our view, requires special consideration. As described further in the evidence paper on the tax base by Chamberlain (2021), and by Daly and Loutzenhiser (2021) in their paper on valuation, pension rights are typically fully exempted from existing (and historical) European wealth taxes.[44] As Evans et al. (2017, p. 117) put it: '[i]n practice no country includes the value of pension rights within an [annual wealth tax] base'. The 1974 Green Paper provided a helpful and succinct explanation for exemption – pension rights could be viewed as essentially deferred pay that will eventually generate income subject to income tax and, further, that the UK (and most other countries) gives fiscal encouragement to savings for retirement, including income tax and capital gains tax relief, and taxing pension rights under wealth tax would run counter to this overall tax policy.[45] We also note that from 2018, the UK legislated automatic enrolment in workplace pensions. Clearly there has been a long-standing political view, in the UK and elsewhere, to encourage pension savings and to treat pensions more favourably for tax purposes than other forms of savings.

Offering exemptions for particular asset classes both contravenes the principal of horizontal equity and, in the case of pensions, substantially reduces the tax base. However, as we later discuss, there are options to mitigate the liquidity risk and either include pensions in the wealth tax base or levy a separate tax on pensions. Assuming for

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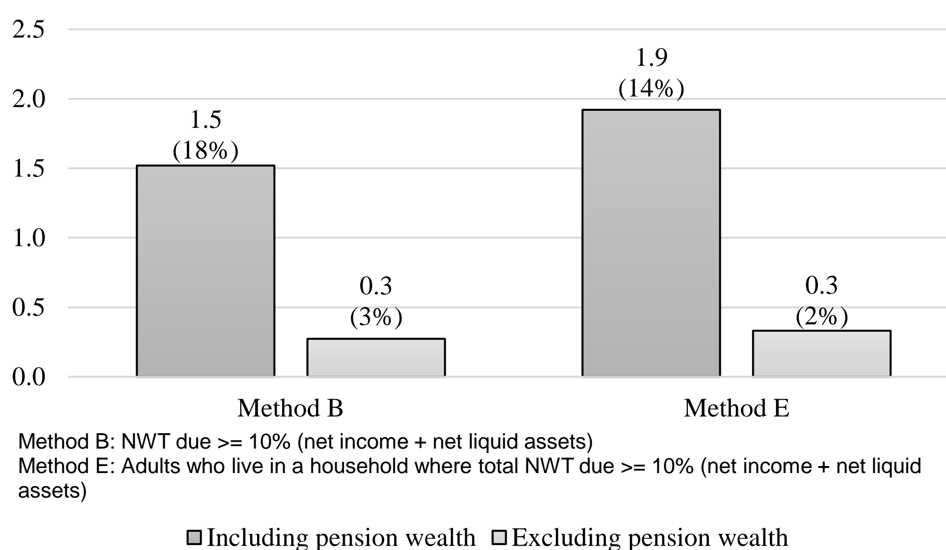
[44] See also OECD (2018, p. 83).

[45] HMSO, 1974, p. 13.

present purposes either that pensions are exempt or that there is specific policy in place to mitigate liquidity issues for pension assets, it is arguably reasonable to exclude pensions from the estimation of the liquidity problem. As Figure 4.2 shows, doing so substantially reduces the number of individuals estimated to be at risk of experiencing liquidity challenges, under either methodology. All other assumptions remain unchanged.

Figure 4.2 Number and proportion of taxpayers likely to experience liquidity problems including and excluding pension wealth (millions)



Note: Constructed using data on adults' income and wealth in 2016–18. Weighted estimates of the number and proportion of potential taxpayers likely to experience liquidity problems under a net wealth tax payable at 1 per cent of total net assets over £500,000, but where there is specific policy in place to mitigate liquidity issues for pension assets

Source: Authors' own calculations, WAS (ONS, 2020).

Given the level of controversy surrounding the inclusion of pension wealth in any net wealth tax, we assume either that there would be specific policy to deal with pensions (discussed further below), or that pension wealth would be exempted from the tax. Thus, in order to estimate the scale of the issue under different rates and thresholds, we exclude pension wealth.

In line with (EP1) we test the scale of the problem at tax thresholds of £250,000, £500,000, £1 million, £2 million and £5 million, and at tax rates of 0.2 per cent, 0.5 per cent, 1 per cent and 2.5 per cent. Tables 4.1 and 4.2 show the results.

Table 4.1 Number of potential taxpayers likely to experience liquidity difficulties, at various tax thresholds and rates (millions)

	Method B					Method E				
	£250k	**£500k**	**£1m**	**£2m**	**£5m**	**£250k**	**£500k**	**£1m**	**£2m**	**£5m**
0.2%	0.13	0.06	0.04	0.02	0.01	0.14	0.08	0.03	0.02	0.02
0.5%	0.33	0.14	0.07	0.04	0.02	0.34	0.18	0.09	0.04	0.02
1.0%	0.69	0.27	0.11	0.05	0.02	0.69	0.33	0.17	0.08	0.04
2.5%	1.75	0.59	0.20	0.07	0.02	2.04	0.75	0.29	0.11	0.04

Note: Constructed using data on adults' income and wealth in 2016–18. Weighted estimates of the number and proportion of potential taxpayers likely to experience liquidity problems under a net wealth tax payable at 1 per cent of total net assets over £500,000, pensions are exempt or specific policy is in place to mitigate liquidity risks. Under Method B, the 'potential taxpayers' are all adults with net wealth exceeding the threshold. Under Method E, it is all adults who live in a household where there is a net wealth tax liability.

Source: Authors' own calculations, WAS (ONS, 2020).

Table 4.2 Proportion of potential taxpayers likely to experience liquidity difficulties, at various tax thresholds and rate

	Method B					Method E				
	£250	**£500**	**£1m**	**£2m**	**£5m**	**£250**	**£500**	**£1m**	**£2m**	**£5m**
0.2	0.9%	0.8%	1.2	2.9%	14.8	0.6%	0.6%	0.6	2.0	14.4
0.5	2.1%	1.7%	2.3	5.7%	19.7	1.4%	1.3%	1.6	3.5	14.4
1.0	4.5%	3.3%	3.8	7.6%	25.5	2.9%	2.4%	3.0	6.9	25.5
2.5	11.3	7.2%	6.6	11.8	28.4	8.7%	5.4%	5.1	9.2	28.0

Note: See note to Table 4.1. *Source:* Authors' own calculations, WAS (ONS, 2020).

Unsurprisingly, more individuals experience liquidity problems at higher tax rates than at lower tax rates. Equally unsurprisingly, more individuals experience liquidity problems at lower tax thresholds than at higher tax thresholds. Thus, the scale of the liquidity problem will move in the same direction as the revenue generated by any net wealth tax; the greater the revenue ambitions, the greater the liquidity problem.[46]

Under the thresholds and rates we use here, the issue is greatest when the threshold is low and the rate is high. Specifically, at a tax threshold of £250,000 and a rate of 2.5 per

[46] Refer to Advani, Hughson and Tarrant (2021) for revenue analysis

cent, 1.75 million adults are at risk of experiencing liquidity problems should a net wealth tax be implemented at this level, and 2.04 million adults live in a household that is at risk of experiencing liquidity difficulties.

At the opposite end of the scale at a threshold of £5 million and a tax rate of 0.2 per cent, just 10,000 adults are likely to experience liquidity problems, and 20,000 adults live in households that are likely to experience liquidity problems.

Perhaps counterintuitively, all else equal, higher wealth individuals are more likely to suffer from low liquidity at lower tax thresholds than at higher ones, because a greater proportion of their wealth is taxable. To further demonstrate this point, an individual with net wealth of £5 million would have to pay tax on £4.75 million if the threshold were set at £250,000, but no tax at all if the threshold were set at £5 million. Just as an individual with net wealth of £100 million would be more likely to suffer liquidity problems if the threshold were set at £5 million than they would if the threshold were set at £50 million. However, it is worth noting that the difference between the thresholds that we analyse here may be of little consequence to those with very high wealth. As the amount of wealth over the threshold varies with the threshold, an individual with £10 million wealth may experience liquidity problems, at none, some or all of the thresholds.

Table 1 can also be used to consider the depth of the liquidity problem, as the individuals who would be likely to experience liquidity problems at a tax rate of just 0.2 per cent would be at the greatest risk of experiencing liquidity problems. Further, it is also mathematically equal for the number of individuals considered at risk at a tax rate of just 0.2 per cent to be the same number of individuals who would be considered at risk if our cut-off for considering who was at risk was where the tax due exceeded 2 per cent of their net income plus 2 per cent of their liquid assets, and the tax rate were 1 per cent.

Lastly, these estimates all assume that a net wealth tax would be imposed on individuals, and that any joint wealth is shared equally between the relevant individuals. It is, however, possible that the tax could be imposed on the household, family, married couple, or couples whether co-habiting or married, as the taxable unit. The decision regarding the threshold is then more complicated; should couples or larger family units have a higher threshold? Even if the threshold were scaled such that a three-adult household had a threshold three times the threshold of a single adult, this could still vary

the total tax due for the household, compared to the individual-based analysis. This is particularly true where one or two of the adults own much more wealth than the other(s).

Ultimately, the scale of the liquidity problem depends on both how liquidity problems are conceptualised and how a net wealth tax is designed. Here, we have attempted to highlight the effect of these decisions. Concerns regarding liquidity are not unfounded, but they may be inflated in the absence of serious attempts to measure the scale of the problem.

4.4 Who are the 'asset rich, cash poor'?

Here, we move on to consider the demographics of the 'asset rich, cash poor'. We are particularly interested in whether we are able to dispel, or confirm, concerns regarding farmers, business owners and single pensioners. This is not to say that there are no other groups who may be particularly vulnerable to liquidity issues, it is simply that these are the archetypal and emotive examples often raised in discussions regarding wealth taxation.

We aim to make farmers, business owners and single pensioners mutually exclusive groups; thus, we distinguish farmers by reference to their National Statistics Socio-Economic Classification (NS-SEC), as small agricultural employers, or agricultural own account workers. Business owners are less easily identifiable in the data. We are concerned about business owners who have substantial business assets, which could make them higher risk for liquidity challenges. Thus, we include any individuals who have net business assets worth more than £100,000 and who are not farmers. Single pensioners are identified as individuals who live alone, are over the state pension age (SPA), and are neither farmers nor business owners. It is worth noting that we have tested several definitions of business owners, with little effect on the overall trends we observe below.

We present the proportion of individuals likely to experience liquidity problems when a 1 per cent tax is charged on an individual's total net worth, compared to the proportions of individuals who will be subject to the tax, and the population proportion. We present the results using Method B where the tax due exceeds 10 per cent of the individual's income plus 10 per cent of their liquid assets, and we assume that there is specific policy in place to mitigate liquidity problems associated with pensions. We have also

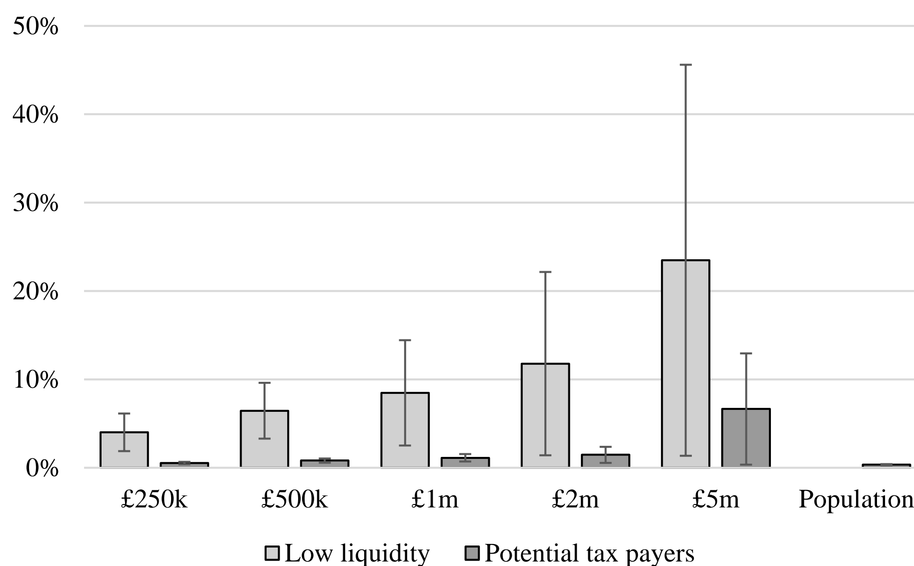
completed the same analysis using Method E, and whilst the exact estimates vary slightly, the overall trends and conclusions do not.

4.4.1 Farmers

As described in some detail in Clark and Fu (2020), liquidity is a particularly important issue for the agricultural sector. The authors highlight recent survey evidence indicating that roughly 20 per cent of farms operate at a loss and, further, that cash flow and borrowing levels are a major concern across the sector.

Figure 4.3 shows the proportion of adults who are farmers in the low liquidity group, amongst the potential taxpayers and in the population, at different tax thresholds. At all thresholds, our best estimate of the proportion of farmers in the low-liquidity group exceeds our best estimates for the proportion of potential taxpayers who are farmers, and the proportion of farmers in the population, suggesting that farmers are over-represented in low-liquidity groups. At thresholds of £1 million and below, we can be 95 per cent confident of this. Because of the small sample size at thresholds exceeding £1 million, we have only low confidence that farmers are over-represented in the low-liquidity group when compared with the potential taxpayers; however, we remain confident that they are over-represented when compared with the proportion of farmers we estimate in the population.

Figure 4.3 Proportion of adults who are farmers, at different tax thresholds



Note: Constructed using data on adults' income and wealth in 2016–18. Weighted estimates of the proportion of farmers, identified by their NS-SEC, amongst the low-liquidity group, potential taxpayers and population.

Source: Authors' own calculations, WAS (ONS, 2020).

4.4.2 Business owners

An annual net wealth tax on business assets could result in serious liquidity concerns for a taxpayer whose wealth derives to a large extent from a private business, particularly if that business is loss-making (e.g. a valuable but unprofitable start-up). The 1974 Green Paper highlighted potential liquidity issues for businesspersons, including marketable difficulties with small holdings, but recommended against exempting business assets from the tax base or offering specially favourable terms.[47] However, the Green Paper acknowledged that such taxation could be problematic and suggested the possibility of a ceiling or deferred payment until the owner sells the assets, retires or dies.[48] These potential solutions are discussed below. The Meade Committee also recognised the difficulty encountered by owners of private businesses in raising the necessary funds to pay an annual wealth tax, but concluded that 'the problem should be tackled by increasing the possibilities of raising outside funds rather than by special tax

[47] HMSO, 1974, p. 11.

[48] Ibid.

concession'.[49] Sandford et al. (1975, p. 215) argued that a substitutive wealth tax would present no particular problems for closely owned businesses, but the effect of an additive tax on efficient businesses requiring a high rate of investment could be particularly severe. They considered in some depth a number of solutions to the liquidity issues raised, including borrowing, deferral and steps that could be taken to make it easier to sell a stake in such businesses;[50] these are discussed further below. Boadway et al. (2010, p. 788) also highlight that access to capital markets may be limited for family companies, leading to liquidity concerns, but similarly suggest smoothing payments over a number of years with interest to mitigate such concerns.

Figure 4.4 shows the proportion of adults who are business owners in the low liquidity group, amongst the potential taxpayers and in the population, at different tax thresholds the proportion of individuals in the low-liquidity group that are identified as business owners increases as the tax threshold increases. At all thresholds, our best estimates suggest that business owners are over-represented in the low-liquidity group, compared to the proportion of potential taxpayers who are business owners, and to the proportion of business owners in the population. At thresholds of £2 million and below, we can be 95 per cent confident of this. Again, because of small sample sizes, we have only low confidence of our estimates at the £5 million threshold. That said, it is worth highlighting that business owners are estimated to represent an astonishing 71 per cent of the low-liquidity group at the £5 million threshold, whereas business owners with more than £100,000 net business assets represent just 1 per cent of the population.

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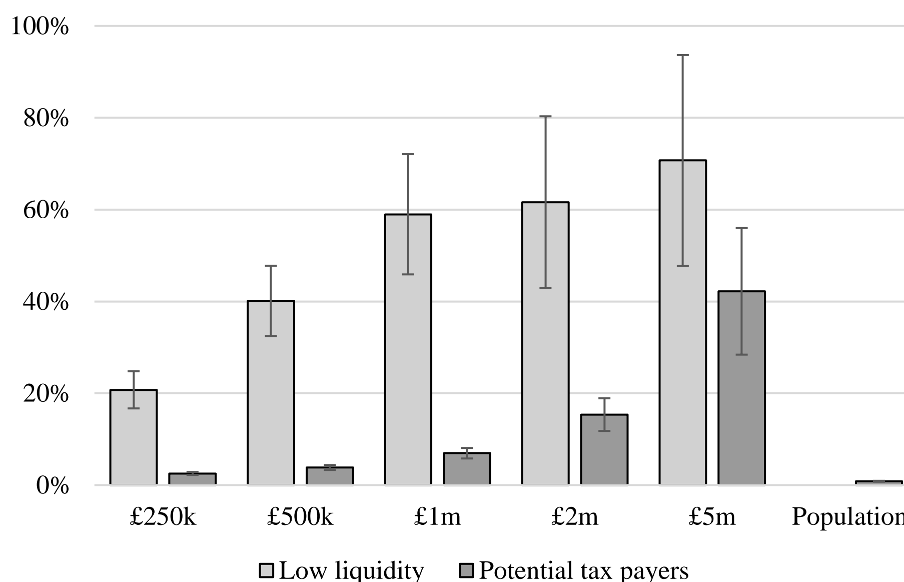
[49] Meade, 1978, pp. 358–59.

[50] Sandford et al., 1975, pp. 201–16.

Figure 4.4 Proportion of adults who are business owners, at different tax thresholds



Note: Constructed using data on adults' income and wealth in 2016–18. Weighted estimates of the proportion of business owners amongst the low-liquidity group, potential taxpayers and population. Business owners are defined as individuals who have more than £100,000 net business assets and are not farmers.

Source: Authors' own calculations, WAS (ONS, 2020).

4.4.3 Single pensioners

As noted in the literature and the economic analysis provided below, single pensioners are one group that may be particularly vulnerable to liquidity concerns under a net wealth tax. In addition, if an individual tax unit is chosen for the tax, this may give rise to liquidity issues for second earners who own a share of the primary residence. However, an argument can be made that the tax system should not be overly concerned with liquidity issues in respect of primary residences as it would encourage taxpayers to downsize and thus free up larger homes for larger families.

In European wealth taxes, tax relief for primary residences typically has taken the form of tax allowances or preferential valuation rules rather than outright exemption.[51] These forms of relief reduce the liquidity concern on taxing primary residences but do not eliminate it. According to the OECD, tax relief on primary residences in European wealth taxes is common and justified 'as a way to avoid burdening the middle class

[51] See Daly and Loutzenhiser (2021).

whose wealth mainly consists of the primary residence but also because owner-occupied housing does not generate the income needed to pay the tax'.[52] However, the OECD cautions that preferential wealth tax treatment for the primary residence could encourage shifting investment away from productive activities towards residential property, bearing in mind that homeownership is typically also encouraged in other parts of the tax system.[53]

In stark contrast to the trends seen for farmers and business owners, the proportion of single pensioners in the low-liquidity group decreases as the thresholds increase (refer to Figure 4.5). The evidence suggests that single pensioners are not over-represented in low-liquidity groups, compared to their proportion in the group of potential taxpayers.[54] Indeed, at higher thresholds, the evidence suggests that they are under-represented in the low-liquidity group compared to the group of potential taxpayers. It should be remembered, however, that these calculations assume that there will be specific policy in place to mitigate liquidity problems associated with pensions. In the absence of this, these estimates would likely change substantially.

When analysed at the household level, single pensioners are over-represented in the low-liquidity group at the £250,000 threshold, but remain under-represented at higher thresholds.

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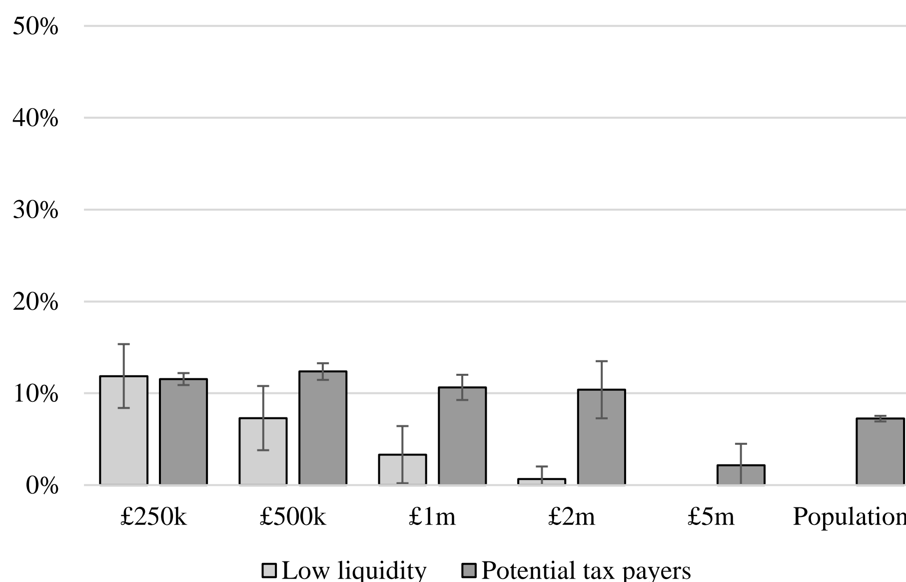
[52] OECD, 2018, pp. 83–84.

[53] OECD, 2018, p. 83.

[54] Under Method E, single pensioners are over-represented in the low-liquidity group at the £250,000 threshold. This is the only point at which the general trends diverge between the two methods of analysis.

Figure 4.5 Proportion of adults who are single and over SPA, at different thresholds



Note: Constructed using data on adults' income and wealth in 2016–18. Weighted estimates of the proportion of single pensioners, who are not farmers or business owners, amongst the low-liquidity group, potential taxpayers and population.

Source: Authors' own calculations, WAS (ONS, 2020).

In summary, there is evidence to suggest that business owners and farmers are over-represented in low-liquidity groups, at all thresholds analysed, albeit with low confidence at high thresholds. In contrast, the evidence regarding single pensioners contradicts the typical narrative, showing that where there are policies in place to mitigate liquidity risks associated with pensions, single pensioners are not over-represented in the low-liquidity group compared to the potential taxpayers. Albeit, noting the single difference in general trends, single pensioners are over-represented at the £250,000 threshold when analysed using Method E; they remain under-represented at higher thresholds.

4.5 Solutions including international experience with wealth taxes and also experience with related taxes

A range of solutions to addressing liquidity concerns under a wealth tax, and particularly for the vulnerable groups identified in our analysis above, are considered next.

4.5.1 Structural solutions, such as a high exemption threshold

As our analysis above shows, the scale of the liquidity problem will in part be dictated by the threshold at which the tax applies. Saez and Zucman (2019b, p. 29) advocate a high exemption threshold for wealth taxes, combined with a broad base, to avoid aggravating millionaires and focus instead on billionaires: '[t]he cleanest solution to liquidity issues is to increase the exemption thresholds so that mere millionaires are not liable'. Further, they see the fact that low exemption thresholds drag those with illiquid assets into the wealth tax as one reason for what they describe as the collective failure of such taxes in Europe.

We note that the exemption approach has been adopted to varying degrees in former and current European wealth taxes. In France (exemption threshold for singles or couples of €1.3 million) and Spain (couples also €1.3 million, approx. £1.1 million), the wealth tax only applies to the very wealthy. In Switzerland, however, tax exemption thresholds are comparatively low, ranging from CHF18,000 to CHF250,000 (approx. £14,000–157,000) across canons.[55] In Columbia, the exemption threshold is 5 billion Colombian peso (approx. £1 million), but in Argentina it is much lower at 2 million Argentinian peso (approx. £21,000).[56]

Other structural solutions that would reduce the number of taxpayers subject to tax and/or the tax charge on them include low tax rates and exemptions from the tax base for the most problematic assets from a liquidity (and valuation) perspective, for example, pensions (as discussed above) but also possibly primary residences, private businesses, agricultural property and art/heritage assets. In the case of the Irish wealth tax, the combination of a high general exemption threshold, low tax rates, a ceiling tied to total income and a raft of exemptions including full exemption for pension rights and primary residences plus partial relief for business and agricultural property meant that liquidity issues even in the case of these problematic asset types were unlikely to arise.[57]

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[55] OECD, 2018, p.80 and Table 4.2; see IBFD Country Tax Guides.

[56] See IBFD Country Tax Guides.

[57] Sandford and Morrissey, 1985, pp. 133–37.

The counter argument is that high exemption thresholds and exemptions for particular assets are not well-targeted measures from a liquidity perspective and would significantly reduce the tax take and/or lead to higher tax rates. Exemptions for particular assets also raise horizontal equity and neutrality/substitution concerns, as previously noted above with respect to exempting pensions. Advani, Chamberlain and Summers (2020, pp. 48–54 and 97–98) are strongly in favour of a comprehensive base for both an annual and one-off wealth tax that applied to all assets without any exemptions for essentially these reasons.

4.5.2 Ceilings on wealth tax tied to the taxpayer's income level and other tax liabilities

Ceilings or caps have been adopted on some wealth taxes on the basis that these prevent unreasonably high tax burdens and reduce liquidity concerns.[58] Those groups we have identified as potentially vulnerable to liquidity issues, namely farmers and business owners, could benefit from such caps. The 1974 Green Paper highlighted the possibility of a ceiling on a taxpayer's total liabilities, citing European examples including Sweden.[59] However, the Green Paper went on to note that 'such a ceiling would benefit most those whose assets produce a low income yield'.[60] Sandford et al. (1975, p. 72) highlighted that the Swedish ceiling provisions meant that two taxpayers with the same income from very different amounts of wealth may pay similar tax. In contrast, the other major case study used by Sandford et al., the German wealth tax, had no ceiling.[61]

Interestingly, ceiling provisions remain a common feature of European wealth taxes.[62] Typically, this involves setting a limit on the combined total of net wealth tax and personal income tax liability as a maximum share of income.[63] In France, the total French and foreign taxes are capped at 75 per cent of taxpayers' total income; any surplus over the cap is deducted from the wealth tax; see the IBFD country guide for

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[58] OECD, 2018, p. 88; Sandford et al., 1975, pp. 144–52.

[59] See HMSO (1974, p.10); for more details, see Du Rietz and Henrekson (2014).

[60] HMSO, 1974, p. 10.

[61] Sandford et al., 1975, p. 77.

[62] OECD, 2018, pp. 88–89.

[63] OECD, 2018, p. 88.

France, Individual Taxation, para 4.1.1.[64] In Spain, the aggregate burden of income tax and net wealth tax due by a resident taxpayer may not exceed 60 per cent of their total taxable income and taxpayers may reduce their net wealth tax liability by any excess amount; see the IBFD country guide for Spain, Individual Taxation, para 5.1.[65] Notably, Spain also has a floor provision 'requiring that a minimum of 20 per cent of the net wealth tax liability, as originally calculated, be paid'.[66] The Irish wealth tax had a similar structure, with combined income tax and wealth tax limited to a ceiling of 80 per cent of total income but subject to a floor of 50 per cent of the wealth tax otherwise due.[67] In Switzerland, seven cantons have maximum limits based 'either on the net rent of net wealth, a limit of wealth tax payments as a share of total taxable income or a limit of wealth tax payments as a share of total net wealth'.[68]

Example of cap plus floor, Spanish model

Toby has total taxable income of €100,000 and pays income tax of €25,000. Based on his net assets he also would be liable to €50,000 in wealth tax. However, the aggregate burden of income tax plus wealth tax is capped, and may not exceed 60 per cent of taxable income. 60 per cent of Toby's taxable income is €60,000. He has an income tax liability of €25,000, and thus his liability under the wealth tax cannot exceed (€60,000 − €25,000) €35,000. Further, a minimum of 20 per cent of the wealth tax as originally calculated must be paid. In Toby's case his reduced wealth tax liability of €35,000 exceeds the minimum (€50,000 × 20% = €10,000). Thus, his final liability to wealth tax is €35,000. Note that at Toby's income and income tax liability levels he would need a wealth tax liability as originally calculated of more than €175,000 before the minimum cap would come into play.

However, ceilings are another broad-brush, not especially well-targeted means to address liquidity concerns. As the OECD highlights, ceilings on wealth tax provide

[64] Dupas, 2020; Tirard, 2020; OECD, 2018, p. 88.

[65] OECD, 2018, p. 88.

[66] Ramallo, 2020; OECD, 2018, p. 88.

[67] Sandford and Morrissey, 1985, p. 20.

[68] Eckert and Aebi, 2020; OECD, 2018, p. 88.

opportunities for avoidance, for example by encouraging taxpayers to artificially reduce income.[69] Advani, Chamberlain and Summers (2020, p. 63) ‘firmly reject’ an income-based cap on wealth tax liability. Similarly, Saez and Zucman (2019b, p. 28) reject such ceilings for defeating the main purpose of the wealth tax because ‘the ultra rich can find ways to report very low income relative to their true wealth or true income’. Sandford et al. (1975, p. 152) also concluded that a ceiling is ‘anomalous if a wealth tax is intended to be additive and has as its main objective the reduction of inequality of wealth’ and, further, ‘anomalous with a well-designed substitutive wealth tax, since it would conflict with the objectives of horizontal equity and efficiency in resource use’. However, they did think ceilings were worth considering in the particular case of closely held businesses[70] and agricultural property.[71]

4.5.3 Caps tied to wealth itself

Alternatively, the wealth tax itself could provide for a cap or ceiling, on the overall base or on particular forms of wealth. Under such a cap, a taxpayer with wealth, say, above a ceiling of £50 million, would be taxed at a fixed maximum amount. Examples of such caps are currently found in the UK tax system and anecdotally are reported to be very popular with very wealthy taxpayers who are happy to pay the maximum tax if it means they do not have to disclose the actual value of their assets to HMRC and others. For example, a fixed ATED charge of £236,250 (for 2020–21) applies to all properties valued in excess of £20 million. Boadway et al. (2010, p. 807) highlight the possibility of using such bands in their discussion of property tax reform as ‘one effective way of taxing high wealth individuals’.[72] In addition, non-UK domiciled individuals who are long-term UK residents can elect to use the remittance basis treatment for foreign income and gains by paying a fixed annual charge of £60,000 (for those resident in the UK for 12 years[73]).

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[69] OECD, 2018, pp. 91–92.

[70] Sandford et al., 1975, pp. 208–12.

[71] Sandford et al., 1975, p. 229.

[72] See also Daly and Loutzenhiser (2021).

[73] See Finance Act 2008 Part 14, Chapter A1.

Such a cap would reduce liquidity (and valuation, administration and privacy) concerns for the very wealthy, but can be criticised as inequitable and regressive.

4.5.4 Using income to pay wealth tax

As Sandford et al. highlighted with their 'beer tax' example, there is no reason that a net wealth tax on specific assets need be met from those assets – it could instead be paid from income. Further, in the case of asset-rich, cash-poor taxpayers, it may be possible for taxpayers to generate additional income to pay the tax from otherwise non-productive assets, for example taking in lodgers or short-term rentals of property including the main residence and second homes (note the UK provides a £7,500 rent-a-room income tax exemption[74])

In the particular case of business property, a net wealth tax levied on shares of a private company could be paid out of cash extracted from the company (dividends, salary, loan), if profits/assets were sufficient. This might discourage holding of excessive funds in companies to avoid a personal tax charge, i.e. treating them as money boxes given that the corporate tax rate is comparatively low (19 per cent versus higher rate of income tax of 40 per cent) and that National Insurance contributions (NICs) are not charged on dividends or capital gains.[75] Sandford et al. (1975) highlight that cash could be extracted from private companies to ease liquidity concerns under a net wealth tax by way of loan, salary or dividends, but each would give rise to a personal income tax charge. A decision on the choice of mechanism for extracting cash from a business may be complicated if there are multiple owners who may have different views on whether or how funds should be extracted in light of their personal (including tax) situation. These issues could be mitigated to some extent, however, for example, by using alphabet shares allowing dividends to be paid to some shareholders but not others or dividend waivers. The business may also have insufficient cash flow and/or may be subject to restrictions on the payment of dividends or other remuneration to shareholders imposed by creditors. Sandford et al. (1975, p. 207) recommended some way be devised to enable 'cash to be extracted from closely owned companies to pay wealth tax attributable to those companies without thereby incurring a personal tax charge'. However, this possibly runs

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[74] See Income Tax (trading and other income) Act (ITTOIA) 2005 s 786 et seq.

[75] See Mirrlees et al. (2011) and Adam and Miller (2020).

the risk of exacerbating the use of businesses as money boxes, would introduce extra administrative complications into the operation of the wealth tax, raises equity concerns vis-à-vis other asset classes subject to the tax,[76] and also opens the door to arguments about alternative uses of extracted funds that may be similarly worthy of relief. Further, it should be emphasised that a wealth tax has a different purpose and a different base than an income tax. There is no objection in principle to levying both an income tax on business profits and a wealth tax on the value of the business itself any more than it is objectionable to levy income tax on earnings and VAT on spending the after-tax earnings or IHT on the value of a house purchased from after-tax earnings.[77]

4.5.5 Withholding tax or levying a proxy tax on the assets, such as pension rights

Withholding tax from the assets is an attractive option for dealing with liquidity issues for certain asset types, particularly financial assets and some pensions. Prior to the introduction of the Personal Savings Allowance in 2016, UK deposit-taking financial institutions were required to withhold tax on interest income earned by individuals, for example, on bank accounts at the basic rate of income tax unless taxpayers were eligible for an exemption.[78] For wealth tax purposes, a similar withholding tax mechanism could be used with respect to financial assets and possibly on companies for the wealth tax liability of shareholders in respect of their shares.

Although we excluded pensions in estimating the scale of the liquidity above, pension wealth is widely viewed as a significant component of personal wealth. Consequently, the possibility of imposing a withholding tax on pensions to minimise liquidity concerns is worth exploring in some depth. However, as pensions have been fully exempted from other wealth taxes, this of course means that liquidity issues with respect to pensions have not been a large concern in practice – another reason for exploring them in some depth here. As described in more detail by Chamberlain (2020) and Ramm and Eames (2020), in the UK, pension schemes take one of two main forms: defined contribution (DC) schemes and defined benefit (DB) schemes. However, there are also unregistered

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[76] For example, should withdrawals from pensions used to pay the tax get similar treatment, and what about rental income used to pay tax on an income-generating property?

[77] See Advani, Chamberlain and Summers (2020, p. 42), Mirrlees et al. (2011, pp. 364-65) and Summers (2021).

[78] See Loutzenhiser (2019, pp. 592–93).

pensions and some taxpayers may participate in other forms of deferred compensation arrangements including stock options and restricted stock, which may, by their terms, restrict access to the assets for many years and/or are contingent on factors such as future performance.[79] Such arrangements also raise liquidity (and valuation) issues.

If pension rights are included in the base for a wealth tax, and in particular before the rights holder is able to draw on the funds, then it would be desirable from a liquidity perspective to provide either for the possibility of deferral of tax until retirement/the pension could be accessed – as recommended by Advani, Chamberlain and Summers (2020, p. 65) – or for the possibility of payment from the pension fund/trustees on the taxpayer's behalf, in light of the taxpayer's total wealth. In recommending deferral of tax on pensions until retirement/access, Advani, Chamberlain and Summers (2020, p. 65) estimated that almost three-quarters of a one-off wealth tax of 5 per cent on pensions would be paid within 15 years because most people with significant pension wealth are already near retirement age.

The latter option (i.e. a withholding tax paid by the pension fund/trustee on the taxpayer's behalf) would be easier (though likely not easy) to administer for DC plans. Ideally, it would require something equivalent to an entirely new form of PAYE code for each individual to enable the correct withholding/levy taking into account the individual's total wealth year-on-year including pensions. But this raises complex exchange of information problems between individual and pension provider and would likely be difficult to get right on a timely basis (owing to, for example, valuation difficulties with assets generally) and costly to administer.[80] A simpler option would be to have one or perhaps two standard withholding rates, possibly depending upon the value of the pension assets (e.g. 2 per cent below £250,000 and 3 per cent above that). Such a system has some similarities to the former interest income withholding tax regime mentioned earlier. Returning again to the beer tax point, it also is not necessary to attempt to withhold the exact amount of wealth tax due in respect of the pension assets. If an amount was over-withheld or under-withheld, this could be sorted out in the end-of-year form or return when the taxpayer is required to report on total wealth and

[79] Mitha, 2020.

[80] See also Troup, Barnett and Bullock (2020).

remit total tax owing above tax already paid via instalments and withholdings (including on pension rights). If tax was withheld, presumably the amount withheld would need to be treated as a taxable withdrawal, subject to income tax. This would be similar to a business person taking funds from the business in the form of dividends or salary to pay tax on the business assets.

This leaves the more difficult treatment of DB pension rights, where the employee does not have an identifiable pot and the benefits to each pension holder will vary considerably depending upon how long that person lives post-retirement. An alternative to deferring the tax or levying a withholding tax on these schemes would be to impose a separate levy on the underlying pension fund as a proxy for taxing individuals' DB pension rights. Such a proxy tax could be extended to DC schemes and private pensions (e.g. self-invested personal pensions) if desired, for example to simplify the administration. An example of such a tax is the Pension Levy imposed by Ireland from 2011–15. Presumably a tax on the pension fund itself would not necessitate a tax charge on individual members as it would be a separate tax from a wealth tax and levied on a different tax unit (i.e. the pension fund itself and not the members). Levying a charge on the DB pension fund likely would lead to a reduction in benefits payable under the scheme – which provides a rough parallel to tax withholding reducing individuals' pension pots under DC schemes – or possibly could be met through additional contributions from employers/employees to maintain the level of benefits. Anecdotally, it appears that many Irish pension funds subject to the Irish pension levy responded by reducing members' benefits entitlements. A pension levy is an imperfect substitute for taxing individuals on their DB pension rights, however, because it would not take account of each particular individual's total wealth and thus is a blunt instrument from the perspective of a tax on total wealth.

Such a proxy tax may have other knock-on effects as well. It is likely to be framed as a 'raid' on pensions, and in particular the pensions of public sector workers, which would be unpopular with those workers and politically challenging to implement – though if it was instituted along with a wealth tax that argument would have less force.[81] If the DB pension fund is in a deficit, as many funds are, then taxing that fund will further increase

[81] See Rowlingson, Sood and Tu (2020) and Perret (2021).

the deficit; this may well affect the long-term viability of such schemes. As noted by Ramm and Eames (2020), DB schemes are increasingly uncommon in the private sector because of their cost and the substantial risk of a shortfall in funds available given increasing life expectancy. Media reports suggest the COVID-19 pandemic has put even greater pressure on the viability of pension schemes and the Pension Protection Fund meant to step in to protect pensions in the event of a business insolvency. It is also worth noting that the scope for accumulating large DB pension pots under the public service pension schemes has been significantly reduced by the changes to civil service benefit entitlements introduced by the 2010 Coalition Government.[82] Levying a proxy tax on the accrued pension rights under DB pension schemes, either on the fund or on the taxpayer directly, would likely further reduce the attractiveness and long-term viability of such schemes.

In summary, pension rights raise significant liquidity (and other) concerns for a net wealth tax but such rights have generally been exempted from wealth taxes in practice and were exempted in our estimates of the scale of the liquidity problem. Further, the extent of wealth held in pensions was facilitated by previously generous tax relief, which has been increasingly withdrawn over the years and could be reduced even further to provide substantial funds to shore up the public finances post-pandemic, for example by restricting the income tax and NIC relief on pension contributions for high-income taxpayers in particular, reducing the annual and lifetime contribution limits, levying NICs on pension payments received, and abolishing the 25 per cent tax-free lump sum withdrawal. It appears possible to raise substantial revenue through such income tax changes – which would also reduce the significance of pension rights as a component of personal wealth. It should be emphasised that a wealth tax on the value of a pension has a different purpose and a different base than an income tax on pension receipts. As highlighted in the previous section, there is no objection in principle to levying multiple forms of taxes on different bases. If a wealth tax charge on pensions was pursued, a tax withholding mechanism on DC pension funds in combination with a proxy tax on DB pension funds could substantially address liquidity concerns, possibly in combination with the other solutions discussed in this paper and especially deferral of tax payable on

[82] Mitha, 2020.

pensions until retirement/the pension can be accessed, as advocated by Advani, Chamberlain and Summers (2020, pp. 64–66).

4.5.6 Sale of asset to pay tax

A sale of assets to pay wealth tax in respect of those assets is another option to address liquidity concerns. With many assets, this is not especially problematic, such as a partial disposition of quoted securities. With other assets (selling a house, for example), this could be a very costly process, both for the financial cost (stamp duty in particular) but also the large time investment required. It would be extremely inefficient for such a family to have to move house purely to meet a wealth tax. But if the tax provides an incentive for single adults over SPA to downsize, this may not necessarily be objectionable. Another concern is that a tax-driven sale may mean the taxpayer sells assets at inopportune times or at a low 'fire sale' price, perhaps resulting in a loss.

Sandford et al. (1975, pp. 203–206) consider at some length the sale of part of a business, year on year, as well as the sale of a sizeable part or the whole business, as possible ways to address liquidity concerns with this particular form of wealth. They point out, however, that it may not be easy for controlling shareholders to find buyers, and especially institutional investors, for only a part of the business given the lack of protection for, and typical complaints of, minority shareholders.[83] They also argue that whilst it would be no loss for a wealth tax to hasten the demise of inefficient firms, it would be undesirable if a wealth tax had the long-term effect of reducing the number and scope of closely owned businesses.[84] The Meade Committee thought greater access to alternative sources of capital to overcome imperfections in the capital markets was preferable to special concessions for private businesses and farms, and similarly argued for better safeguards for minor shareholders as one important step.[85] The Committee also highlighted examples of then existing institutions that provided equity funding to private businesses 'without threatening their managerial independence'.[86]

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[83] Sandford et al., 1975, p. 203.

[84] Sandford et al., 1975, pp. 205–6.

[85] Meade, 1978, pp. 359–60.

[86] Meade, 1978, p. 360.

Thus, the ability to pay wealth tax from a sale of assets is likely to be one solution to liquidity problems but not a complete one.

4.5.7 Borrowing/financing

Taxpayers may be able to borrow money to pay the tax, for example through personal loans, home equity or pension release. This option is particularly relevant for farmers, business owners and those single adults over SPA who may be potentially vulnerable to liquidity issues. Such borrowing may not be especially easy to do (e.g. in a credit crunch) and could be costly even in a period of historically low interest rates in general. In the case of a house, for example, although in principle the household could withdraw home equity, this might be difficult for those with low income – not only single adults over SPA but also working-age families who have temporarily low income. Further, the harder an asset is to value (e.g. shares in a private business), the more difficult it will be to borrow against it.

Advani, Chamberlain and Summers (2020, p. 64) flagged the possibility of taxpayers borrowing on the security of their illiquid assets, especially land, in the context of their one-off wealth tax proposal. They also note that it would likely be harder for individuals to borrow to pay an indefinite annual wealth tax.[87] Sandford et al. (1975, pp. 201–2) consider the borrowing option at some length in the context of closely owned businesses. They draw no general conclusion on the desirability of borrowing to pay wealth tax, but comment that a business owner's willingness to borrow would depend on both temperament and views on future business prospects as well as prevailing interest rates. Further, the borrowing might raise other problems: it might affect the business owner's freedom to manage, lenders may insist on an equity interest, and the borrowing may need to increase year after year unless other sources can be found to pay the tax.[88] Borrowing will also reduce the yield from future net wealth tax if the (accumulating) debt is deductible from the tax base. Clark and Fu (2020) cite recent survey evidence indicating that a significant portion of the agricultural sector in the UK is operating at a loss and has difficulty paying short-term debts, which has contributed to levels of borrowing in this sector nearly doubling between 2006–15.

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[87] Advani, Chamberlain and Summers, 2020, p. 100.

[88] Sandford et al., 1975, p. 202.

4.5.8 Deferral of tax/payment plans

Payment plans of various designs could be used where the tax liability is determined but, for various reasons, it is thought best not to require the tax to be paid immediately, for example in the case of taxing problematic assets from a liquidity perspective, such as pensions and other forms of deferred compensation arrangements, primary residences and business/agricultural property. Payment plans and long-term deferrals reduce immediate government revenue but represent a potentially useful mechanism to address liquidity concerns for individual taxpayers.

Advani, Chamberlain and Summers (2020, pp. 64–66) proposed a one-off wealth tax to be payable over five years without penalty or excessive interest and with the possibility of further deferral (e.g. with the tax on pensions payable at retirement). However, they argue that a general spreading payment of tax over multiple years is not really a viable option for an indefinite annual wealth tax unless there is some prospect that an individual's liquidity will improve.[89] Boadway et al. (2010, p. 788) thought it sensible 'to allow taxpayers to smooth their payments over a number of years with interest payable on the outstanding liabilities'. In the context of advocating for replacing the UK's council tax and stamp duty land tax with a land value tax (LVT), McLean (2018, pp. 196 and 201) suggested that the 'Devon widow' unable to pay the LVT after all relevant benefits have been taken into account could defer her tax liability at zero real interest until she dies or her house is sold. He notes that those who would do less well under such arrangements are not the 'Devon widow' herself 'but the sons and daughters, nephews and nieces, of Devon widows, a less generically deserving class'.[90] In this respect, ongoing deferral of wealth tax for a potentially long period until payment on death begins to look like another form of inheritance tax.

Similarly, as already discussed above under business property, the 1974 Green Paper suggested the possibility of deferred payment until the earliest of when the business owner sells the business assets, retires or dies – though with the caveat that this was to be allowed when taxpayers have no other assets out of which they could reasonably pay

[89] Advani, Chamberlain and Summers, 2020, p. 100.

[90] McLean, 2018, p. 196.

the tax.[91] There is a risk that deferral may then give rise to a lock-in effect, leading the taxpayer to put off sale or retirement to avoid triggering the tax payment. The Meade Committee also raised the possibility of deferral,[92] as did Boadway et al. (2010, p. 754). Sandford et al. (1975, p. 202), commenting on the Green Paper deferral proposal, noted that deferred payment of tax raised similar issues as borrowing to pay tax, but raised other issues as well, including that the then Inland Revenue (now HMRC) may need special powers (e.g. under bankruptcy laws) to deal with a situation in which the unpaid tax grew 'at a frightening rate' at the then prevailing interest rates, such that it became a high proportion of the taxpayer's net wealth. These authors later describe the Green Paper deferral proposal as potentially 'lethal' and sounding 'the death knell of private enterprise'.[93] As with general borrowing to pay an annual wealth tax, even in the present times of historically low interest rates, a taxpayer who defers paying an annual wealth tax year-on-year risks building up a substantial debt over time. For example, using the current HMRC official rate of interest of 2.5 per cent used for employment benefit purposes, an annual wealth tax of £3,000 that increases each year by the official rate and where payment is deferred with interest at that same percentage levied on the deferred amount builds to £33,685 by year ten. Sandford et al. (1975, p. 227) expressed concern over the psychological effect on a farmer who sees his annual debt mounting at an increasing rate.

According to the OECD, specific wealth tax provisions allowing payment deferral or payments in instalments over future years are rare in practice, but provisions of this nature for taxes generally may be available instead.[94] In the UK, as a general matter, taxpayers unable to pay taxes owing can enter into a 'Time to Pay Arrangement' with HMRC to pay the tax owed via instalments, with interest. HMRC also operates a self-assessment payment helpline and a general Payment Support Service.[95] As Boadway et al. (2010, pp. 757 and 799) note, payment of inheritance tax can be problematic because

[91] HMSO, 1974, p. 11.

[92] Meade, 1978, pp. 362–63.

[93] Sandford et al., 1975, p. 279.

[94] OECD, 2018, p. 89.

[95] See https://www.gov.uk/difficulties-paying-hmrc.

IHT must be paid before grant of probate; they suggested further work be done on this issue. However, payment by instalments in equal amounts over ten years is permitted for IHT purposes where the tax is attributable to certain types of property including land and buildings, shares and securities, and a business or interest in a business.[96] CGT can also be paid by instalments, for example on gifts of land and unquoted shares or securities, with immediate payment of outstanding tax and interest required if the assets are sold.[97]

A growing deferred tax liability also could give rise to issues of interaction with other taxes, with taxpayers likely to demand some relief, for example, on IHT to the extent IHT relief is not otherwise available, such as for pensions or business/agricultural property. Further, from a political economy perspective, taxpayers may choose to defer payment with the hope that the tax will be repealed in the future (e.g. on a change of government) with the result that they will escape paying the tax.[98] Deferrals also are problematic from a liquidity perspective if taxpayers owing deferred taxes leave the UK. It may be necessary to require payment of tax immediately or soon after exit, but this could perhaps be mitigated by the posting of appropriate security.

Another way to mitigate liquidity concerns for some taxpayers is to require payments of the wealth tax *in advance* at regular intervals (e.g. monthly, quarterly or semi-annual instalments). This could assist taxpayers in managing and planning their cash flows with regular, smaller tax payments rather than one large end-of-year payment. But other taxpayers who currently have low liquidity would be expected to struggle to make an advance tax payment for next year so this may be of limited assistance overall. In the UK, pre-payment of tax by instalments during the year is already a feature under self-assessment income tax, council tax and for large corporate taxpayers, and was noted by Sandford et al. (1975, pp. 181 and 246) as a feature of Continental wealth taxes. In Argentina, individuals and estates are required to pay five monthly instalments as advance payments equal to 20 per cent of the wealth tax assessed for the previous year.[99]

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[96] See IHTA 1984 s 227 et seq.

[97] See Taxation of Chargeable Gains Act (TCGA) 1992 s 280 et seq.

[98] See also Rowlingson et al., 2020.

[99] See IBFD Country Tax Guides, Argentina, para 5.1.3.

In Uruguay, advance payments in September, October and December must be made (20 per cent, 30 per cent and 50 per cent of the wealth tax paid in the previous year, respectively[100]).

4.5.9 Payment in specie

Payment in specie involves paying the wealth tax by transferring assets (rather than money) outright to the government. This is quite a controversial option, and one unlikely to be popular with the public.[101] However, in the UK, this mechanism for payment is already an option for IHT, for example, for land and buildings capable of producing a public benefit and where an appropriate recipient can be found (e.g. National Trust or national park authorities), objects in such a building, and works of art.[102] HMRC is empowered to accept property in whole or part satisfaction of a liability to tax and interest.[103] This option is potentially relevant for taxpayers with such assets, and particularly for business owners and farmers, who we have identified as among those particularly vulnerable to liquidity issues. However, Clark and Fu (2020, p. 13) highlight that the possibility of breaking up farming property is a high priority concern for owners of such property, 'most significantly in order to preserve its sustainability, but also due to the generational tradition and sentiment, in which it is anticipated that a farm will be maintained within a family across generations'. They further note that in the context of divorce law the courts have shown a marked reluctance to break up farm properties, preferring alternative means of arriving at settlements including external borrowing. It should also be noted that payment in specie would presumably lead to a potentially large CGT charge on the assets transferred to the government – assuming the assets have increased in value – as would be the case on an outright sale of assets. An outright sale of the assets would provide the funds to pay both the CGT and wealth tax. Payment of the wealth tax in specie, however, solves the liquidity issue in respect of the wealth tax but does not address the payment of the resulting CGT liability – though possibly the CGT could also be paid in specie.

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[100] See IBFD Country Tax Guides, Uruguay, para 5.1.

[101] See also Rowlingson et al., 2020.

[102] See Loutzenhiser (2019, p. 1052).

[103] See IHTA 1984 s 230 et seq.

Saez and Zucman (2019b) advocate the option of payment in specie for their wealth tax on billionaires. Daly and Loutzenhiser (2021) also note that the Meade Committee floated the possibility of payment in specie for private businesses and also agricultural property. Saez and Zucman (2019b, pp. 32–34) suggest that taxpayers could transfer shares of large private businesses to the tax authorities year-on-year if necessary to mitigate both liquidity and valuation concerns.[104] The government would then be able to sell the holdings to the highest bidder. However, they have in mind a large exemption threshold so their focus is on a relatively small number taxpayers (c.75,000 families)[105] with very valuable private businesses (e.g. an unprofitable but highly valuable start up). We know from the literature on small business in the UK that millions of UK taxpayers operate as self-employed persons or owner-managers of small private companies. According to Adam and Miller (2020, p. 103), in 2015–16, 4.9 million people were operating through self-employment, with the majority (4.1 million) sole traders. In 2014–15, there were 1.6 million owner-managers of companies with either one or two directors. Further, we also know that there is a great deal of heterogeneity within the small business population and, importantly, that 'most businesses owners, while conducting perfectly respectable trades, are not employing others, investing or growing'.[106] Advani, Chamberlain and Summers (2020, p. 59), however, argue that as the revenue of a great many small businesses is essentially remuneration for the owner's own services, the value of the business for a wealth tax that excludes human capital from the base should be nil (apart from assets owned as part of the business, etc.). This would significantly reduce the scope of liquidity issues in respect of private businesses and the need for an in specie payment solution.

In any event, it is unlikely to be an attractive option for the government to take an equity interest in a large number of very small businesses in lieu of payment of wealth tax, not to mention that it would be practically challenging given that so many operate in unincorporated form. It might be more attractive for the government to consider accepting in specie payment of wealth tax in respect of a smaller, more targeted population of businesses, such as high-growth potential companies. However, this would

[104] See also Daly and Loutzenhiser (2021).

[105] Saez and Zucman, 2019b, pp. 33–34.

[106] Adam and Miller 2020, p. 97.

involve the government essentially operating like a venture capital firm in needing to identify and assess such businesses, and the operational costs of administering the tax would be increased. On this point, it should be noted that the UK government recently offered bail-out loans to early-stage, high-growth potential companies struggling during the COVID-19 pandemic under the new Future Fund scheme, with the loans automatically converting into equity at a discount if the loans are not repaid within three years. This sector appears much more attractive to consider in specie payments for wealth tax. However, the Future Fund scheme is a fairly limited scheme and Chancellor Rishi Sunak is reported to be reluctant to be seen as the Tory chancellor who presided over mass nationalisation.[107] As with the deferred tax solution, there is also a risk that requiring in specie payments on annual business would grow to a significant amount over time. For example, assuming a 2 per cent wealth tax charge on a shareholder with a 100 per cent interest in a business, if the wealth tax was levied annually the shareholder's interest would be reduced after ten years to 82 per cent.

Payment in specie may be a useful 'last resort' option for dealing with liquidity issues for some taxpayers, but is likely to be very unpopular with the public, difficult to scale up to annual net wealth tax on a large number of private businesses and agricultural holdings, could potentially trigger liquidity issues for CGT, and would create administrative issues for the government.

4.6 Conclusion

To conclude, liquidity can be an issue under net wealth taxes but it is not a universal one. The scale of the liquidity problem is predominantly determined by the conceptual approach, and design issues, such as the definition of wealth subject to the tax, the policy regarding pensions, the tax unit, the rate of tax, and the threshold at which tax becomes due. We have attempted to highlight the effect of these various issues here.

Our evidence suggests that farmers and business owners may be particularly vulnerable to experiencing low liquidity. The extent to which these groups are over-represented in the low-liquidity group varies according to threshold set. In contrast, the evidence we put forward majorly contradicts the typical narrative regarding single pensioners, particularly at higher thresholds where single pensioners are found to be under-

[107] 'UK government eyes stakes in start-ups to keep them afloat', *Financial Times* (9 June 2020). See also Mitha (2020).

represented in the low-liquidity group. Further analysis on who is likely to experience liquidity difficulties is justified when details on the tax design are clarified. We encourage further debate on the conceptualisation of the liquidity problem.

A number of potential solutions to address liquidity issues have been identified. However, some solutions adopted currently or historically internationally are regressive, non-neutral and poorly targeted, such as large general exemption thresholds, exemptions for problematic assets, and ceilings/caps. Our preferred potential solutions include recognising a net wealth tax can be paid out of income or by sale of assets, by withholding tax (e.g. by pension providers), by borrowing/financing, deferred payment arrangements and, possibly in limited circumstances, payment in specie.

Chapter 5

5 Intra-couple allocations of wealth and the gender wealth gap in Great Britain

5.1 Introduction

The gender wealth gap is commonly estimated by the comparison of single-adult headed households (e.g., Austen, Ong, Bawa, & Jefferson, 2015; Conley & Ryvicker, 2004; Denton & Boos, 2007; Schneebaum, Rehm, Mader, & Hollan, 2018 amongst others). However, this ignores the distribution of wealth between couples. Typically, it is assumed that everyone within the household has equal access to the resources of the household, yet there is little empirical evidence to support, or dispel, this assumption. This chapter attempts to fill these empirical gaps, by exploring the distribution of wealth between couples, and estimating the gender wealth gap in Great Britain, incorporating the wealth held within couples.[108] Importantly, this analysis further offers the first investigation of the extent to which the gender wealth gap in Great Britain has changed over time.

Typically, wealth inequality is measured with reference to household wealth, but this tells us little about the distribution of wealth within households. Meanwhile, UK policy takes an inconsistent approach to wealth; the asset means test for social care assumes that an individual only has access to their personal wealth and an equal share of any jointly held wealth, whereas the asset means test for UC assumes that an individual has full access and enjoyment to their cohabiting partner's wealth, irrespective of whose name asset(s) are held in or whether the couple are married or not. This is a significant and poorly evidenced assumption.

[108] More recently the Women's Budget Group has attempted to estimate the gender wealth gap in Great Britain, their findings echo those of this chapter, although they were developed independently of one another.

Substantial literature has investigated the gender pay gap in the UK. This is tracked as a key government statistic, which is showing long term decline; albeit more slowly than many advocates for equal pay would hope. However, this statistic is based on the hourly pay of full and part-time employees, thus excluding those that are not currently actively participating in the labour market. Women widely have shorter working hours and experience more interruptions to their career trajectories (Andrew et al., 2021). Yet these factors are not captured by the ONS's estimate of the gender pay gap in the UK. The cumulative effect of women's economic disadvantage could be captured by looking at the gender wealth gap. Yet the extant literature offers little insight into the gender wealth gap.

Internationally, studies on the gender wealth gap exist, but many face significant limitations due to the lack of individualised wealth data (Deere & Doss, 2006). Previous studies tend to focus on single headed households, due to a lack of data on wealth holding within households. Whilst this highlights the differences between male- and female-headed single households, it offers little insight into intra-household wealth differences. There is a small but growing body of evidence making use of individualised wealth data in the German SEOP, which bucks this trend.

Often, it is assumed that couples pool their resources, such that intra-couple differences are of little interest to policy makers. Yet, evidence borrowed from the literature on income, has long indicated that financial resources are not always shared fully, nor equally. More importantly, there are indications that financial dependency has negative psychological effects on the dependent partner. Nevertheless, UK policy continues to make assumptions regarding access to economic resources.

In this chapter, I attempt to fill this empirical gap by investigating intra-couple allocations of wealth, and the gender wealth gap. This is important in two regards. Firstly, this analysis offers insight into how couples organise their wealth within the household, for which there is currently little data. Secondly, investigating the division of assets within couples facilitates a representative and inclusive estimate of the gender wealth gap. The gender wealth gap reflects the accumulated disadvantage women face in the labour market, including direct and indirect discrimination, lower pay, fewer hours and more interruptions to their career, (plus any differences in inheritances, gifts, returns on investments, etc).

Using data from the Wealth and Assets Survey, a nationally representative longitudinal study of Great British households' net wealth, I analyse the intra-couple division of wealth, and estimate the gender wealth gap. I find that the vast majority of couples report sizeable differences in their wealth. Unsurprisingly, in heterosexual couples, the male has greater wealth in the majority of cases (66%). Where this is the case, the mean intra-couple gap is much larger than when the female has greater wealth. Importantly, despite the assumption that the main residence is owned in equal proportions, only 1% of all couples report equal wealth. For same-sex couples, there remains a substantial wealth gap, but here it is important to note that the sample size is small. More significantly for the purposes of policy, I find a substantial wealth gap even amongst married couples, whilst the gap between unmarried cohabiting couples is smaller in absolute size than that between married couples, it is larger as a proportion of the couple's total wealth.

I further find a substantial gender wealth gap of £95,000 or 27%. This compares to a mean gender pay gap of 17.2% (Office for National Statistics, 2021a, Table 6).[109] The primary area of difference between the sexes is in pension wealth where there is a 65% gender wealth gap. Thus, the subsidies offered to encourage the accumulation of pension wealth majorly benefit males. Importantly, the gender wealth gap has not decreased over the course of the last 6 years, despite a decrease in the gender pay gap. Whilst the gender pensions gap has reduced, the level of pension wealth as a proportion of total wealth has increased, serving to increase the gender wealth gap.

The chapter proceeds as follows: first, I review the extant literature. Second, I summarise the aims, data and methods of this chapter. Thirdly, I discuss the findings, before making my conclusions.

5.2 Background

5.2.1 How couples share their resources

Research on intra-couple wealth sharing is limited; however, insights from the literature on income sharing offer valuable insights into the extent and implications of resource sharing between couples. Importantly, whilst policy pays mixed regard to the marital status of couples, a number of studies have shown different levels of sharing between cohabiting couples and married couples but also between first marriages, and subsequent

[109] Mean gender wealth gap as at 2017 for purposes of comparison

marriages (Burgoyne & Morison, 1997; Joseph & Rowlingson, 2012; Kan & Laurie, 2014). Thus, the assumption that all couples share resources equally appears flawed.

It is commonly reported that the lower earner can lack a sense of entitlement to pooled resources (Ashby & Burgoyne, 2009; Burgoyne & Kirchler, 2008), thus even where access to resources is theoretically equal, there may still be psychological barriers which prevent or limit individual's ability to enjoy those resources. Further, whilst many couples maintain that their income is shared, there is also a commonly reported theme that women particularly value their financial independence and autonomy, even whilst simultaneously advocating for 'togetherness' in financial arrangements (Ashby & Burgoyne, 2009; Bennett & Sung, 2013; Burgoyne, Clarke, Reibstein, & Edmunds, 2006). The desire for financial independence seems to be an especially strong theme amongst remarried couples (Burgoyne and Morison 1997). Furthermore, it has been observed that having their own income is very important to women's self-esteem (Bennett, De Henau, Himmelweit, & Sung, 2012; Burgoyne, 1990). It is plausible hat this is similarly true for men, but in a society where men have historically been viewed as the breadwinner, it is less explicitly voiced in this context.

Indeed, Lersch (2017) found that for younger cohorts, women's financial well-being is more strongly associated with their personal wealth than that of their spouses, whilst for men, this is true for all age groups, not merely young ones. This difference in findings for women of different cohorts reflects different cohorts' attitudes towards gender roles, whereby older people have been observed to more commonly hold more traditional views (Attar Taylor & Scott, 2018). Wider societal trends, such as increasing independence between couples' financial arrangements (Kan & Laurie, 2014), and changing societal norms away from male bread-winner model (Attar Taylor & Scott, 2018; Scott & Clery, 2013), may further influence explain the importance of personal wealth for younger cohorts.

Together, this evidence suggests that household resources do not benefit all members of the household equally, and that greater analytic attention should be given to intra-household allocations of wealth.

5.2.2 What do we know about the gender wealth gap?

Research on the gender wealth gap is often limited by the data available. Few data sources offer individual level data to be able to investigate intra-household allocations of wealth, thus presenting significant methodological challenges and limitations to estimating the gender wealth gap.

A number of international studies have compared single adult households, finding that female single headed households hold significantly less wealth than male single headed households (Austen et al., 2015; Conley & Ryvicker, 2004; Denton & Boos, 2007; Schneebaum et al., 2018). It is important to note that the size of the wealth gap varies across time (Austen et al., 2015), geography (Ravazzini & Chesters, 2018; Schneebaum et al., 2018) and point in the wealth distribution (Ravazzini & Chesters, 2018); suggesting that social context has a role in determining the level of the gap. However, by focussing solely on single-adult households, these studies offer only limited insights, and do not account for the position of men and women living in couples.

Denton and Boos (2007) attempt to overcome the data limitations by attaching the household wealth to the individual data; i.e. to each member of the household. Their findings suggest that in Canada in 1999 women aged over 45 hold just 64% of the net worth of men aged over 45. However, by allocating men and women the entirety of the household wealth, this methodology masks differences within the household.

Germany's Socio-Economic Panel (SOEP) is one of the few wealth data sources which has data on individual wealth holdings. The availability of this data has enabled a small but growing body of literature on the gender wealth gap in Germany. Studies using SOEP have found significant gender gaps within couples (Grabka, Marcus, & Sierminska, 2015; Sierminska, Frick, & Grabka, 2010). Sierminska, Piazzalunga, and Grabka (2019) observed a decline in the scale of the gap between 2002 and 2012.

Describing couples' wealth trajectories, Kapelle and Lersch (2020) find German couples have a pre-existing wealth gap that remains stable in marriage. Whilst Lersch, Jacob, and Hank (2017) find a motherhood penalty when it comes to personal wealth accumulation; both fathers and women without children, are found to have higher personal wealth growth rates than women with children. The SOEP data further reveals, that at the point of divorce both men and women are found to experience significant

wealth losses, moreover women are found to have lower net worth than men throughout the dissolution process (Kapelle & Baxter, 2021).

Importantly, Sierminska, Frick and Grabka's (2010) analysis reveals a greater absolute gender wealth gap between married couples than between single men and women. This suggests that, at least in the German context, any analysis based on the comparison of single headed households could underestimate the scale of the gender wealth gap.

Waitkus and Minkus (2021) have further used the SOEP's individual level data to demonstrate the gender wealth gap varies across occupational class, and is particularly acute amongst the self-employed and managers. Moreover, Waitkus and Minkus (2021) demonstrate that differences in income and work experience are the primary drivers of the gender wealth gap in Germany.

Rehm et al. (2022) make use of individualised net worth data from the 2014 'non-core' Household Finance and Consumption Survey, to investigate the gender wealth gap within heterosexual couples in Austria. They find a raw mean wealth gap of approximately 60,000 EUR, equivalent to 28% of men's mean wealth. Rehm et al (2022) find migration status, age gaps and identification as the financially most knowledgeable person to be important factors in the scale of the gap between partners. The wealth gap between partners is consistently lower when the woman is identified as the financially most knowledgeable person, however, it is not clear whether this may be at least partially explained by these households also having lower average wealth holdings.

For the UK, Warren (2006) used data from the 1996 Financial Resources Survey, finding a substantial gender wealth gap, despite only private pensions being recorded individually, and assuming equal shares of any household financial and property wealth. Thus, the difference Warren finds is driven by the 62.2% gender pensions gap, and any differences in single headed households. As all other assets are assumed to be equally shared, Warren finds an overall gender wealth gap of 28.3% for the working age population. Notably, this is only slightly larger than the 27.5% gender pay gap recorded for 1997 (ONS, 2021).

5.3 Aims, data and methods

This research uses data from Round 6 of the ONS' Wealth and Assets Survey (WAS) (Office for National Statistics, 2020) to answer the following research questions:

- What is the intra-couple wealth gap in Great Britain?
- Is this different for married and unmarried cohabiting couples?
- How does this understanding of the intra-couple wealth gap affect our understanding of the gender wealth gap?
- Is the gender gap different by different age cohorts?
- Do women own different types of assets to men?

I then exploit the WAS longitudinal panel to consider:

- Has the gender wealth gap changed over time?

The WAS is a large scale, nationally representative survey of GB households' and individuals' net wealth. Round 6 interviews were conducted between April 2016 and March 2018, interviewing 40,488 individuals in 18,028 households. [110] Round 6 is used for all the cross-sectional analysis. Wave 3 interviews were conducted July 2010-June 2012, and is used to estimate the change in the gender wealth gap over time. [111]

I define wealth as an individual's total net wealth encompassing their business, financial, private pension, physical and property assets, less any debts. Any shared assets are assumed to be owned equally between the joint owners (e.g., joint accounts or jointly held primary residences). The contents, and other physical assets, of the main residence are only recorded at the household level and are assumed to be the property of the householders (i.e., those that own or rent the property in their own name). I use the terms 'wealth' and 'net worth' interchangeably throughout.

There are several points worth noting. Firstly, the values are self-reported values; not only are these susceptible to error, it is also possible that they are biased in systematic ways along gender lines.[112]

[110] Figure includes adults and children

[111] The ONS changed the period at the end of Wave 5 to make the Wealth and Assets Survey consistent with other nationally representative surveys. At which point the naming convention switched from Waves to Rounds.

[112] For more on issues of valuation see Loutzenhiser (2021). Researchers have found gender differences in the estimation of housing wealth (Doss et al., 2018).

Secondly, where the primary residence is held jointly, I assume that it is held equally by the joint owners, yet there will be instances where the joint owners have differential ownership rights detailed in the title deeds. This likely affects unmarried cohabitees more than married couples.

Thirdly, I assume that an individual's net wealth is that which is reported to be held in their own name, together with their share of any jointly held assets or debts. For married or civil-partnered couples, there may be greater legal entitlement to their spouse's wealth than the individuals report. However, individuals would need their spouse's consent, or a court order, to be able to access assets held solely in their spouse's name. Further, whilst it is generally assumed that there would be an equal division of assets upon divorce, in reality there are a complex set of rules that guide the split of matrimonial assets. Non-matrimonial assets, i.e., assets purchased or held prior to marriage, and not used during the marriage, are usually retained by the original owner. Thus, whilst the reported values may under-estimate the amount of wealth to which an individual would be legally entitled in the event of a divorce, I argue this approach more accurately reflects legal ownership, and therefore, free access, and enjoyment, of wealth.

Finally, whilst I use the term 'gender' in this piece, the variable I have available to me records an individual's sex. [113] These terms are not synonymous, yet I use sex as a proxy for an individual's gender and use the terms interchangeably; for this simplification I apologise.

The intra-couple wealth gap is measured for all cohabiting couples, including married, civil-partnered and unmarried cohabiting couples. It is calculated as the higher wealth individual's net worth less the lower wealth individual's net worth. Explicitly, it is not equal to the intra-couple gender wealth gap, which would usually be calculated as male wealth less female wealth, and commonly expressed as a percentage of male wealth.

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[113] For those interested in exploring this issue further, there is more detail available in the secure access version of the data

The gender wealth gap is calculated for all individuals, as the difference between men's and women's average wealth as a proportion of men's average wealth, this methodology facilitates comparisons to the UK gender pay gap.[114]

In this analysis I calculate the raw gender wealth gap and provide purely descriptive analyses of gender wealth differences in different asset classes, within age brackets and at different points in the distribution. There are a number of reasons I do so. Firstly, at the time of writing, the raw gender wealth gap has not been estimated for the UK. Secondly, descriptive analyses offer important insights that could facilitate the design of better explanatory models in the future. Thirdly, I do not aim to explain the gender wealth gap, only to identify its scale. I further have some hesitation in dividing the gender wealth gap into explained and unexplained values, since doing so can serve to reduce concern for, or legitimise, the 'explained' amount. That said, having highlighted the raw gender wealth gap, I believe that further research effort in this area could provide meaningful insights.

Respondents over the age of 16 are included in the analyses. For the within couple analyses (Tables 5.2 and 5.3), the analytic sample is further restricted to adults who live with their partner or spouse. The remainder of the analyses include all adults in the analytic sample. The descriptive table below summarises the data used in this chapter.

[114] The gender pay gap for the UK is calculated by the ONS as *"the difference between average hourly earnings (excluding overtime) of men and women as a proportion of men's average hourly earnings (excluding overtime). It is a measure across all jobs in the UK, not of the difference in pay between men and women for doing the same job."* (Office for National Statistics, 2021b)

Table 5.1 Descriptive table

	R6	W3
Number of individuals	40,488	49,397
Number of adults (>16)	34,007	40,362
Number of households	18,029	21,445
Number of single headed households	6,707	8,206
Number of adults living with partner/spouse	22,008	25,668
of which married/civil partnered	18,844	22,002
of which unmarried/not civil-partnered	3,164	3,666
Number of adults by sex:		
Male	16,521	19,382
Female	17,486	20,980
Number of adults by age bracket:		
16-25	3,519	4,662
25-34	3,239	4,565
35-44	4,240	6,370
45-54	5,600	6,848
55-64	6,074	7,106
65-74	6,655	6,341
75+	4,680	4,470
Per adult:		
Mean total wealth (unweighted)	£436,791	£276,988
Std. Dev.	£2,437,282	£839,296
Median total wealth (unweighted)	£195,702	£126,937
Mean total wealth (weighted)	£296,439	£201,061
Linearized Std. Err.	*£5,137*	*£2,308*
Median total wealth (weighted)	£108,950	£82,587
Linearized Std. Err.	*£2,463*	*£1,432*

Notes: Unweighted estimates, except where noted. Where noted individual survey weights have been applied (n=34,007 / 40362 R6/W3 respectively)

Source: Author's own calculations, Wealth and Assets Survey (Office for National Statistics, 2020)

5.4 Findings

5.4.1 There is a large intra-couple wealth gap

Analysing the distribution of wealth within couples reveals a substantial intra-couple wealth gap. Table 5.2 shows that the average couple have an aggregate net worth of £754,825, but this is only rarely owned equally. On average, the higher wealth individual holds £282,345 more wealth than the lower wealth partner. The majority of cases (64%)

are heterosexual couples where the male holds more wealth than the female. These couples tend to have higher mean total couple wealth than heterosexual couples where the female has more wealth. Same sex couples have similar levels of wealth and a similar intra-couple wealth gap to heterosexual couples where the male has more wealth, i.e., high wealth holdings, with a large intra-couple wealth gap.[115] It is notable that the average wealth for couples who report equal wealth is much lower than for all other couples and these couples represent just 1% of all couples.

Table 5.2 Distribution of wealth within couples

	Proportion of all couples	Total couple wealth (TCW)	Intra-couple wealth gap (ICWG)	Higher wealth partner	Lower wealth partner	ICWG / TCW
Total	100%	754,825	282,345	*518,585*	*236,240*	37%
M > F wealth	*64%*	*854,166*	*348,862*	*601,514*	*252,652*	41%
F > M wealth	*34%*	*586,318*	*166,134*	*376,226*	*210,092*	28%
Equal wealth	*1%*	*182,897*	-	*91,449*	*91,449*	0%
Same sex male	*1%*	*785,018*	*299,893*	*542,456*	*242,562*	38%
Same sex female	*1%*	*805,752*	*288,217*	*546,984*	*258,768*	36%

Source: Author's own calculations, Wealth and Assets Survey (Office for National Statistics, 2020)

Notes: Weighted estimates based on data on mean cohabiting adults' total wealth in 2016-18, n = 22,008 (11,004 couples; Male (11,009); Female (10,999))

This indicates that couples have substantially different ownership rights, and therefore differential access to, and management of, that wealth. Arguably, this indicates differential free enjoyment of the benefits of that wealth.

Table 5.3 Distribution of wealth within cohabiting couples by marital status

	Proportion of all couples	Total couple wealth (TCW)	Intra-couple wealth gap (ICWG)	ICWG / TCW
Total	100%	754,825	282,345	37%
Married/Civil-partnered	*83%*	*824,302*	*299,789*	36%
Unmarried	*17%*	*409,668*	*195,602*	48%

Source: Author's own calculations, Wealth and Assets Survey (Office for National Statistics, 2020)

Notes: Weighted estimates based on data on cohabiting adults' wealth in 2016-18. N = 22,008 (11,004 couples; Male (11,009); Female (10,999); Married/civil-partnered (18,844); Unmarried (3164))

Importantly there are differences between married and unmarried cohabiting couples. Marital status is interesting from a policy perspective, as for Universal Credit, cohabiting

[115] Albeit, surprisingly small proportion of all couples.

couples are assumed to be the same as married or civil-partnered couples, and to share all finances equally, yet for Inheritance Tax, and married couples tax allowances, cohabiting couples are clearly distinct from married or civil partnered couples.

In absolute terms, I find a larger wealth gap between married/civil-partnered couples than between unmarried cohabiting couples. However, when considered as a proportion of the couple's total wealth, the gap between unmarried cohabiting couples is larger than the gap between married partners, since unmarried cohabiting couples tend to have much lower wealth than married couples. That said, the scale of the intra-couple wealth gap is so great, that it casts doubt on the assumption that households share wealth equally, irrespective of marital status.

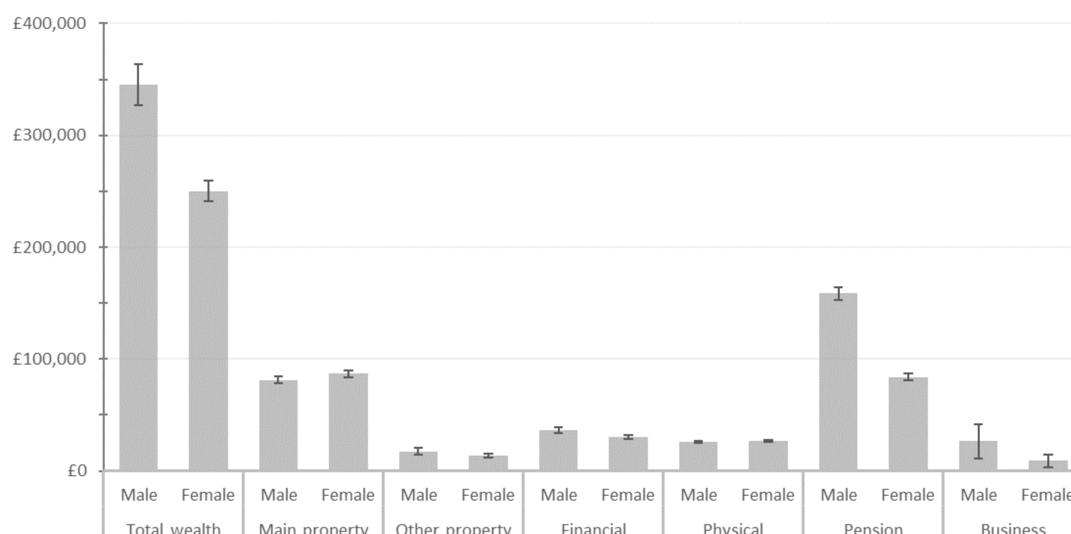
Whilst divorce may result in a more equal split of assets for some married couples, for others the inequity may pre-date the marriage, and therefore the marital assets. Similarly, reported ownership may not reflect the enjoyment of those assets. However, in many ways legal ownership reflects the power to determine the use of those resources. This evidence suggests that intra-household dynamics are important, and that there are sizeable differences in wealth ownership within couples.

5.4.2 There is a sizeable mean gender wealth gap

Incorporating couple-headed households into the estimate of the gender wealth gap leads to a more accurate picture of the gendered distribution of wealth in the general population than any analysis merely investigating differences between single-adult headed households. Figure 5.1 shows mean wealth for all adults by sex and asset type. The estimated £95,000 difference in the male and female total wealth results in an estimated gender wealth gap of 27.4%. In contrast, the mean gender pay gap for all employees was 17.2% in 2017 (Office for National Statistics, 2021a).[116] The fact that the gender wealth gap is higher than the gender pay gap is unsurprising; the gender wealth gap reflects the cumulative disadvantages women face both in the labour market, and in accumulating wealth, whereas the gender pay gap merely reflects a snapshot of the position of current employees.

[116] Table 6, Annual Survey of Hours and Earnings time series of selected estimates

Figure 5.1 Mean wealth by sex and asset type



Source: Author's own calculations, Wealth and Assets Survey (Office for National Statistics, 2020)

Notes: Weighted estimates based on data on all adults' wealth in 2016-18, 95% confidence intervals. n = 34,007 (Male (16,521); Female (17,486))

5.4.3 Differences in pension wealth drive differences in total wealth

The primary differences between male and female wealth can be seen in their pension and business assets. The £75,000 difference between male and female average pension wealth amounts to an incredible 47% gender pension wealth gap. Men hold almost twice the private pension wealth of women. This stark difference accounts for a large proportion of the wealth gap. The remainder of the gender wealth gap is primarily driven by business wealth, where there is a 65% gender gap, or the equivalent of £17,000. There are small differences elsewhere, but these are dwarfed by the differences in business and pensions wealth.

Importantly, pensions receive substantial tax allowances. On the basis of this evidence, these tax allowances predominantly benefit men.

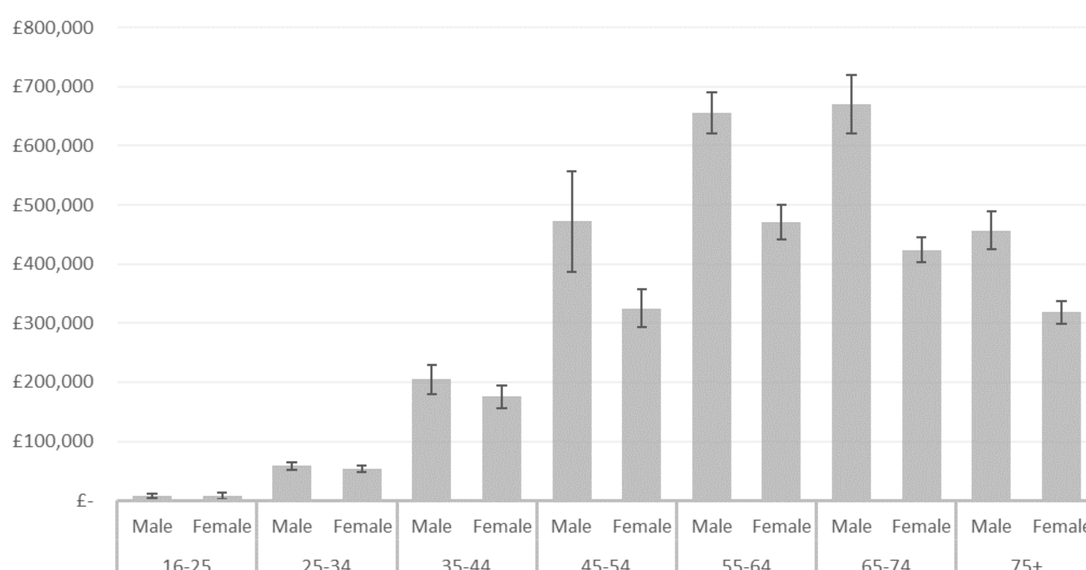
5.4.4 The gender wealth gap varies over the lifecycle with age and cohort effects

The gender wealth gap varies with age and cohort effects, as seen in Figure 5.2. Echoing findings from analysis of the gender pay gap, the gender wealth gap is only significant for those in middle age or older. This is likely a reflection of both cohort differences and the cumulative disadvantages women face in the labour market, through direct and indirect discrimination, career breaks, and greater propensity to work part-time. These

combine to impact women's ability to accumulate personal wealth and particularly their ability to accumulate pension wealth, as seen in Figure 5.1.

It is worth noting it is difficult to disentangle the age and cohort effects with reference to the cross-sectional data. Thus, it is not possible to conclude from this analysis that the gender wealth gap increases with age to retirement as women and men move through the life course, or if older cohorts experienced more discrimination than younger cohorts have, or will, or some combination of both.

Figure 5.2 Mean wealth by sex and age



Source: Author's own calculations, Wealth and Assets Survey (Office for National Statistics, 2020)

Notes: Weighted estimates based on data on adults' wealth in 2016-18, 95% confidence intervals. n = 34,007 (Male (16,521); Female (17,486))

In this data round the gender wealth gap peaked at 37% or the equivalent of £247,000 for the cohort aged 65-74. This demonstrates that for the newly retired, women face a substantial disadvantage in their financial well-being.

5.4.5 ...And across the distribution

At the mean there is a sizeable gender wealth gap of 27.5%. However, as Table 5.4 shows, the gender wealth gap varies across the distribution. Perhaps surprisingly at the 10th percentile and the 25th percentile women hold more wealth than men; the gender wealth gap is reversed. The absolute gap between men and women in the lower quartile is small, and likely insignificant (less than £3,000), but the percentage difference is

substantial. At the median (p50), men's average wealth exceeds women's, but the 13% gender wealth gap remains smaller than that seen at the mean. The gender wealth gap then increases at higher points in the distribution, reaching a gap of 28.6% or approximately £260,00 at the 90th percentile. Thus, the scale of the gender wealth gap seems to be primarily driven by the upper quartile of the distribution, the discrepancies increasing with proximity to the top of the distribution.

Table 5.4 Total wealth by sex at mean and different percentiles

	Mean	**p10**	**p25**	**p50**	**p75**	**p90**
Male	344,888	150	9,250	117,180	402,786	907,755
Female	250,139	400	12,100	102,000	311,930	648,182
Gender wealth gap	27.5%	(166.7%)	(30.8%)	13.0%	22.6%	28.6%

Source: Author's own calculations, Wealth and Assets Survey (Office for National Statistics, 2020)

Notes: Weighted estimates based on data on adults' wealth in 2016-18. n = 34,007, (Male (16,521); Female (17,486))

Whilst previous studies have noted differences in the gender wealth gap across the distribution, in both the Australian and Swiss evidence there is a substantial gender wealth gap in favour of men at the 25th percentile and a smaller gap at the 90th percentile, again in favour of men (Ravazzini & Chesters, 2018). In the middle of the distribution the patterns in Australia and Switzerland diverge (Ravazzini & Chesters, 2018). This is quite different to the pattern found in this analysis, where women's wealth exceeds men's in the lower quartile, and men's wealth exceeds women's to the largest degree in the upper end of the distribution. It should be remembered that the methodology varies substantially, and it is therefore difficult to make any meaningful conclusions, without further analysis, on what is driving these differences.

Comparing these findings back to the ONS (2021a) reported gender pay gap, it is notable that whilst the mean wealth gap (27.5%) exceeds the mean pay gap (17.2%)[117], the

[117] Mean pay gap in 2017 as reported in Table 6, Annual Survey of Hours and Earnings time series of selected estimates, Office for National Statistics 2021a

median wealth gap (13.0%) is smaller than the median pay gap (18.4%).[118] Why this is the case is worthy of further research.

5.4.6 Methodology matters when estimating the gender wealth gap

The estimation of the gender wealth gap with reference to all adult individuals differs significantly from those estimated via estimations based on either single headed households, or based on the gender of the household reference person, as is demonstrated in Table 5.4 below.

Table 5.5 Mean gender wealth gap, various methodologies

	Single-headed households	All households by sex of HRP	All adults
n	6,707	18,028	34,007
Male	2,670	11,118	16,521
Female	4,037	6,910	17,486
Mean male wealth	£359,978	£683,873	£344,888
Mean female wealth	£308,550	£423,116	£250,139
Mean gender wealth gap	£51,428	£260,757	£94,749
Mean gender wealth gap standard error	*£13,677*	*£20,223*	*£10,415*
95% CI for wealth gap: lower	*£24,616*	*£221,118*	*£74,336*
95% CI for wealth gap: upper	*£78,239*	*£300,397*	*£115,162*
Mean gender wealth gap as % of mean male wealth	**14.3%**	**38.1%**	**27.5%**

Source: Author's own calculations, Wealth and Assets Survey (Office for National Statistics, 2020)

Notes: Weighted estimates based on data on household/individual wealth in 2016-18. Mean male/female wealth is defined as: total household wealth in accordance with the sex of the household head in single headed households, household weights applied; total household wealth in accordance with the sex of the household reference person (HRP), household weights applied; and as individual wealth by sex of the individual for all adults over 16, individual weights applied respectively. The mean gender wealth gap is calculated as the difference between the point estimates of mean male and mean female wealth.

In this instance, analysis based on single-headed households would substantially underestimate the gender wealth gap in the Great British population as a whole. The difference in wealth between male single-headed households and female single-headed households is just 14.3%, much smaller than the 27.5% gender wealth gap I estimate using the individual level data. In contrast, estimating the gender wealth gap based on the sex of the household reference person (HRP), together with their household wealth, overestimates the gender wealth gap. Here, the wealth gap between male headed

[118] Median pay gap in 2017 as reported in Table 6, Annual Survey of Hours and Earnings time series of selected estimates, Office for National Statistics 2021a

households and female headed households is a massive 38.1%, but this overstates the level of the gender wealth gap by allocating all household wealth in accordance with the sex of the household reference person, where in many instances other members of the household own at least some of the household's wealth.

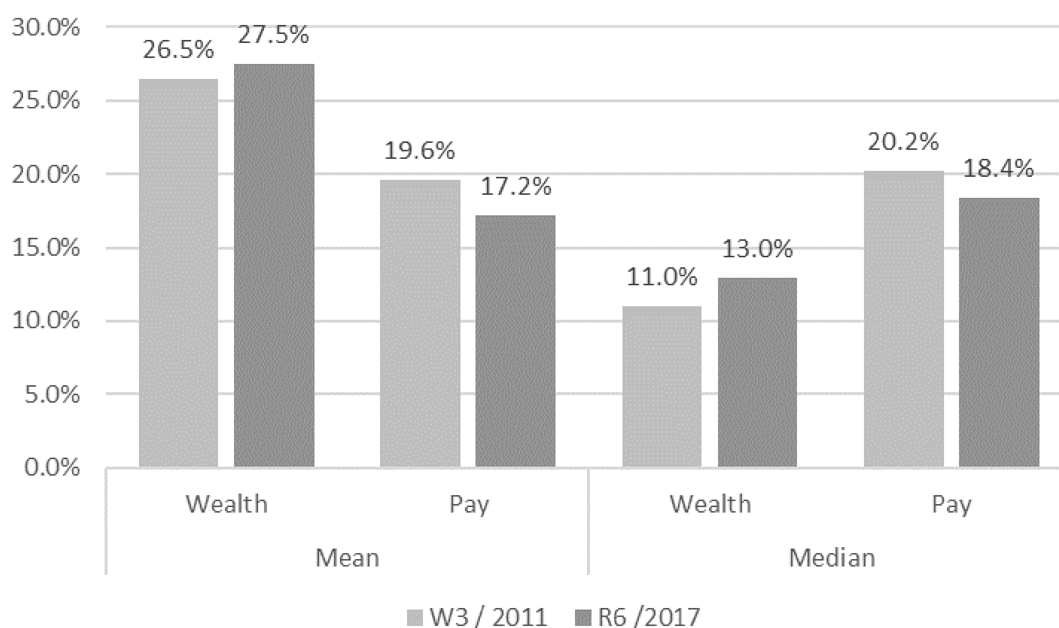
This evidence lends empirical support to the claim that studies based on single-headed households, or household wealth based on the sex of the household reference person, offer only limited insights into the differential wealth holdings of men and women more generally. Furthermore, this highlights the crucial importance of individual level wealth data for accurately estimating the gender wealth gap.

5.4.7 The gender wealth gap has shown a small increase

Figure 5.3 shows the median and mean gender wealth gap at Wave 3 (2010-12) and at Round 6 (2016-18), alongside the mean and median gender income gap at 2011, and 2017. Both the mean and median gender wealth gap have increased in the 6 years between Wave 3 and Round 6 of the WAS. In contrast, both the mean and median gender pay gap have narrowed over the same period. [119] This suggests that simply closing the gender pay gap, will not in itself right the gender wealth gap. That is not to say closing the gender pay gap is not a desirable goal, more simply, that it would be only the first step on the road to achieving financial and economic equality for the sexes. For policymakers, and those interested in gender inequality, tracking the gender wealth gap may provide useful insights into the wider economic disadvantages faced by women. Doing so, would further encourage a more active consideration of the impact of policies on the gender wealth gap.

[119] Gender pay gap from 2017 and 2011 as the closest approximation of the same period as the wealth data. Round 6 of the WAS interviews were conducted April 2016 to March 2018, and Wave 3 interviews were conducted July 2010-June 2012.

Figure 5.3 Gender wealth gap W3 and R6, and gender pay gap 2011-and 2017



Source: Author's own calculations, Wealth and Assets Survey (Office for National Statistics, 2020), & (Office for National Statistics 2021a)

Notes: The gender wealth gap is based on weighted estimates of adults' wealth in Round 6 and Wave 3 of the Wealth and Assets Survey, calculated as, the difference between men's and women's mean/median wealth as a proportion of men's mean/median wealth. The mean and median gender pay gap are as published in Table 6, Annual Survey of Hours and Earnings time series of selected estimates (Office for National Statistics 2021a), calculated as the difference between men's and women's mean pay as a proportion of men's mean pay.

5.5 Conclusion

In this chapter I have considered the intra-couple wealth gap, the gender wealth gap and the change in the gender wealth gap over time. I find a substantial intra-couple wealth gap, suggesting that ownership, access, and management to wealth, as reported by the individuals themselves, substantially deviates from the assumption of equal sharing.

I argue that this inequity within couples requires a revised perspective on the gender wealth gap in the UK. Here I use individual wealth for the entire adult population and find a substantially larger gender wealth gap than seen in single-headed households. This is primarily driven by differences in pensions wealth, and to a lesser extent business wealth. This warrants further research attention. The fact that the gender wealth gap in the UK is primarily driven by pensions wealth, hints towards labour market explanations, echoing Waitkus and Minkus (2021) earlier German evidence. Further investigation into the gendered and differential impact of divorce, motherhood, and

migration, each considered important in German or Austrian contexts, may be illuminating (see International Social Survey Programme, 2008; Kapelle & Baxter, 2021; Lersch et al., 2017; Rehm et al., 2022).

I demonstrate that analysis based on single-headed households, would in this context underestimate the gender wealth gap in the wider population. Conversely, analysis based on the sex of the household reference person overestimates the gender wealth gap. As such greater individualised data is imperative to provide meaningful insights into the gender wealth gap.

Importantly, the gender wealth gap has not substantially moved over the 6 years between the two points of measurement. In fact, if the gap has moved, it is to further increase the gender wealth gap. This is in direct opposition to the gender pay gap trend. I argue that the gender wealth gap better captures the cumulative economic disadvantages women face, which are only captured to a limited extent by the gender pay gap. The evidence I have put forward supports this view, and further highlights the importance of monitoring the gender wealth gap. Further research is recommended, to understand why the gender wealth gap is not improving, or indeed worsening, and what can be done about it.

Part II

Wealth sharing within couples who live together

Chapter 6

6 Wealth sharing within couples who live together: a journey

6.1 Introduction

In Chapter 6 I demonstrated that many couples have a substantial wealth gap in their individual wealth holdings, however, this observation offers little insight into why couples organise their wealth this way, nor how individuals feel about the allocation or sharing of wealth within their relationship. These questions are difficult to answer using survey data alone. In this chapter, I attempt to close this empirical gap with reference to 35 qualitative interviews to consider how couples share or allocate their assets and debts; Chapters 7 and 8 then address the question of why they organise their wealth in the way that they do.

Here, the evidence I put forward reveals the complex and dynamic nature of wealth sharing within couples who live together. Simply put, many respondents report organising different assets in different ways, and these may change over time. Even couples who fully share income may not fully share their assets. Just as those who keep their income separately may own at least some assets jointly. Thus, income sharing typologies, such as Pahl's (1989) typologies which have been so influential in the income sharing literature, offer only a partial insight into the intrahousehold distribution of economic resources.

In support of these claims, I offer detailed evidence from three of my participants, 'Isla', 'Ed' and 'Philippa'. In many ways, these participants are each unique in the specifics of their situations, yet the wider issues they raise apply to many. To demonstrate this, I further locate these case studies in the broader findings of the study.

I follow these observations with a discussion of the key findings, and their contribution to the extant literature. Together the evidence shows that in order to gain a comprehensive understanding of the organisation of economic resources in a relationship, it is necessary to actively consider wealth.

6.2 Isla: 'I'm not entitled to any money he's worked hard to save'

Isla lives with her boyfriend in a rented apartment, where they have lived for the past 5 months. In total they have lived together for just under a year, and have been in a relationship for about 2 years. Isla earns slightly more than her boyfriend and has offered to contribute more to the household expenses, an offer her boyfriend declined.

When Isla and her boyfriend first decided to move in together, her boyfriend disclosed the value of his savings and inheritance. Isla acknowledged complicated feelings about this disclosure, noting she understood why her boyfriend had not told her sooner, but worried that this was perhaps a reflection that he had not trusted her with the information earlier. Isla further revealed a fleeting but powerful sense of inadequacy, that she did not have similar funds.

They opened a joint account for shared expenses, when they moved into their current flat, about 6 months after they first started living together, but as Isla is quick to explain, the joint account is solely for joint expenses, to which they contribute equally, their incomes remain separate.

"we've both made the agreement from the very start that it would be completely just about bills and other things"

Indeed, for Isla and her boyfriend, the joint account serves to ease the process of the joint expenses; it is not a method to share income, which they keep separate.

The couple also have a joint savings account, which they put £50 into per month, to save towards a holiday or date nights. When asked if they put all their savings into the joint account, Isla is vehement,

"No, you should know that I did definitely go to shake my head, and made quite a disturbed kind of look there… everything is separate… we both agreed, that we've… not been together that long, I'm not entitled to any money that he's worked hard to save in his life, same with me, we just didn't think that was appropriate right now, to kind of join everything together."

At this point in the relationship, Isla still views their assets individualistically. Whilst they do have a joint savings account it is used solely to save an agreed, and fairly small monthly amount, towards a shared holiday. The vast majority of their assets are still held separately, and are viewed individualistically.

Isla and her partner are not unusual in my research. At the point of moving in together, many couple's discussions on how to manage their finances focus on how they will manage their joint expenses.

In Isla's situation, there are several contributing factors which serve to emphasise the individualistic approach. Notably, there is a substantial difference in their wealth positions entering into the relationship, for Isla's partner has some savings, in addition to some money he inherited from his family. Isla is very clear to assert,

'I don't see that money as mine.'

Indeed, it is common for respondents in this research to treat assets which predate the relationship, or come from a family source, be it inheritance or gift, to be ringfenced and treated differently from assets that accumulate over the course of the relationship. As I discuss later on, this can happen both in cohabiting relationships and within marriage.

Isla and her partner's situation highlights a number of issues that were common amongst participants. Firstly, individualistic approaches are common when first moving in together. Secondly, when one party has personal savings, it is difficult to know when it is appropriate to disclose these savings, and this may not always happen at the point of moving in.

6.2.1 Individualistic approaches are common when moving in together

Isla and her partner are not alone in their individualistic approach. Moving in together is a significant event in couples' relationships. When asked how they organised their finances when they first moved in together, the vast majority of responses focussed on their approach to joint expenditure. For many this meant sharing household bills equally.

"we always kind of split everything. Erm, so we would just decide in a way that you know for example, we're paying the rent half and half, and then he's paying for, for example, things to do with the car, and I'm paying more for things for to do with the household, or something like that, so we always try to make it roughly, roughly equal."

Anna, engaged, with children

"we generally go right down the middle"

Claire, married, no children

“anything that is like rent, bills, council tax, we split equally…we try to do like a one big purchase of like household stuff, so we wait for everything to finish, then we make a list and either order on Amazon or somewhere I keep the receipt, and he will just send me straight away I don't even have to ask for it. He just looks at the receipt and sends me half, that's it”

Danielle, engaged, no children

“we just split everything down the middle.”

Harris, unmarried no children

“So initially it pretty much was a 50 50 split on everything.”

Ria, married, with children

“I felt, like it would have been best for our relationship if we just sort of kept things equal. So we both put the same amount of money into a joint account”

Ben, unmarried no children

For others, typically those who were in different circumstances or had large differences in their incomes, there was some level of negotiation regarding the fair allocation of expenses. Interestingly, even where there were significant gaps in the couple’s income, there was a resistance to moving too far away from an equal split of expenses. The reasons for this are explored in depth in Chapter 8.

Just two couples reported sharing any assets at the point of moving in together; this is in part because many couples rent together in the initial stages of their relationships. Ben and his girlfriend were one of the exceptions; they have been together 7 years and knew each other from a young age. When they decided to move in together, they received some support from their families to buy a flat rather than rent one. However, quite significant discussions went on to ensure that they, or indeed their respective families, made an equal contribution to the deposit. Such that despite owning the flat jointly and equally, they still approached it quite individualistically, ensuring each made a fair and equal contribution.

6.2.2 When is it appropriate to disclose assets and debts?

The second issue Isla and her partner's situation raises, is when do couples disclose their asset position? Isla's partner felt it appropriate to disclose the value of his savings and inheritance before they moved in together, but this is not so for all of the respondents.

Adrian, for example, has been living with his partner for 4 years, but Adrian actively hides his assets from his partner. Even after 4 years of living together Adrian reports that he does not yet trust his partner with this information. Adrian doesn't have any visibility over his partner's financial situation and avoids talking about it, since he does not want to disclose his own position.

Whereas, Michael and his now wife, only disclosed their respective economic positions when they were looking to buy a house together, having previously lived in his house which he bought before the relationship commenced. As he explains, that's when it became relevant for them to have that discussion.

"when we started looking at buying [our] first property together. That's when we first started having those conversations, yeah, cause that's when it became relevant, when we're looking at what we could afford and what we couldn't afford. So it was like, well how much have you actually got then, because this place is X amount, and we need this kind of deposit."

Michael, married, with children

Thus, there are a number of examples where couples are either actively, or passively, not disclosing their wealth position in the early stages of the cohabiting relationship. When individuals feel it is appropriate to do so varies from person to person based on both their perceptions of the relationship, and also the level of assets they have. This is a decision that appears to be complicated by the presence of more assets, and particularly when respondents perceive there to be a significant difference in asset holdings relative to their partner.

6.2.3 Developing joint savings goals

Notably, all the respondents who do not yet own their own home universally keep their savings separately. Some of these respondents have started to develop joint savings goals, typically expressed as a desire to buy a house together one day; this often starts with an aspiration. As with Michael and his now wife, thinking about buying a house together can act as a trigger to disclose their savings amounts to their partners, if they

haven't done so already, with a view to working out how much they might need to save to be able to put down a deposit on a property and what they might be able to afford.

This is often a point that can introduce some ambiguity into the narrative surrounding whose wealth it is. However, with further clarification participants are clear; whilst they do have shared goals and plans with what to do with the money and may even check in with one another regarding the management of those funds, should they split up the money that was intended to be put towards a house is their own. Moreover, they would not be comfortable using their partner's savings to support themselves should the need arise, an issue I discuss in greater length in Chapter 9.

6.3 Ed: Shares everything, except…

'Ed' and his wife have been together for 15 years, they have lived together for 14 years and have been married for 7, they have two children together. At the beginning of the interview, Ed told me that from very early on they put all their income in a joint account and *'shared everything'*, however, as the excerpt below shows, this does not give a complete picture of how they organise their wealth. For Ed went on to explain,

"We're together. We, we spend money together, we, we spend money on the same things. You know we share the same accommodation. We eat together, we buy our shopping together, and it only seems right that, you know, we share money, and, and so we set up joint accounts from very early on…The only thing I think that we have separate is we have separate Premium Bond accounts, um, because my wife has some money that her parents put into Premium Bonds a long time ago, dating back to before when we met, so she has her own Premium accounts, with funds that date back before our relationship and then we have a joint Premium Bond account, which we kind of contribute to for our joint account… it's pretty much been the same the whole way through. I'd say the two sort of events where things have changed a bit, is firstly, the, the wedding, where we, we agreed, and signed some prenups, and then um our house purchase, where <my wife>'s parents contributed a lot more of the funds to the deposit, than I did, or my parents did, so, we have sort of a different percentage of the net asset position that we own effectively, in the house… so those are the two events where you know, you know, we're not necessarily sharing things completely, equally. But we've talked through, we've discussed, we met with lawyers, and we both come to our situation, that we're happy with, based on you know the funds we had before, and you know, support for the family going forward. "

Ed, married, with children

In many ways Ed and his wife were unusual, for they pooled all their income, sharing both the household and their personal expenses *'very early on'* in their relationship. As previously discussed, this was comparatively rare amongst respondents who more commonly tended to share only their joint expenses in the early days of their relationship.

According to Pahl's (1989) typology, Ed and his wife would be considered a *'pooling'* or *'shared management'* couple, in so far as all their income goes into a joint account. Yet to presume that they shared their assets and debts in the same way would be an oversimplification of their situation; for they also have significant assets which they keep separately, that pre-date the relationship, a contract detailing their respective shares in the family home, a pre-nuptial agreement, specifying what each would get in case of divorce, and complex wills and trusts to ensure that should either of them die, their wealth would pass to their children, and not to the surviving spouse's potential future spouse or future children.

This excerpt demonstrates the complexity and dynamic nature of the organisation of household economic resources, and in particular the organisation of the couples' wealth, which would likely be missed in research that simply looked at how they organised their income at any given point in time. Whilst the specifics of this example are unique amongst respondents, the idea that couples' finances may be organised in complex ways or that they change and develop over time, is not.

It can be easy to assume that within marriage, both partners own assets equally, but as Ed's situation demonstrates this is not always the case. There were eight married, home owning respondents within the sample. Including Ed, four of those had formal agreements in place that specified differing interests in their houses, and one further couple had an informal agreement in place. To give a brief summary of the others' agreements: Juliet had a pre-nuptial agreement specifying she would get to retain her house bought with money she inherited from a grandparent, prior to the relationship commencing. It is however the marital home, and therefore would normally be considered marital assets to be shared equally. Ian and his wife have a contract detailing that his wife owns more of their house, and he believes that she would get more if they split up, despite this agreement being drawn up prior to their marriage. Hetty and her husband each own a property in their own names, but they live together in 'her' flat.

Naomi and her husband have no formal agreement, but as he contributed more to the deposit for their house, she pays more towards the mortgage *'to even it out over time'*.

It is notable that both the pre-nuptial agreements and the side agreement on the house favour the wives, and are intended to protect assets that either predate the cohabitating relationship/marriage, or inherited funds. In the situation where it is the husband who has contributed more, this is only an informal arrangement. It is hard to draw any conclusion from this, but it is worthy of further research: are women more likely to formally protect their assets? This could of course be bias, for those that have an unequal split of assets may have been more likely to respond to the call to participate in this research, or indeed it may be mere coincidence in the study. However, for these participants the formal agreements largely favour the women and protect their interests, and the alternative explanations may be a reflection that whilst men providing wealth for women is socially acceptable, women providing wealth for men is not.

Ed presented the decision to share their income in a joint account at the beginning of the relationship as something natural. It is not clear whose decision it was, but at the time Ed's girlfriend, now wife, was earning significantly more than he was; it is only in recent years that this has reversed. It is therefore interesting that Ed's wife is willing to share her income, but her assets are ringfenced and protected should the couple split. Notably, the premium bonds predate the relationship and come from her parents, whilst the deposit for the house did not predate the relationship but was gifted from Ed's in-laws. Thus the source and timing of their acquisition seem to be important factors in their allocation within the couple.

In both the pre-nuptial agreement and in the house deposit, Ed's in-laws appear to take an active role in the decision making. Their involvement in these legal agreements could be interpreted as an example of Halleröd, Díaz, & Stocks' (2007, pp. 144-145) *'personalised money'*. In this case, the implied obligation goes from the implicit to the tangible, in the request to protect the family wealth, to *'keep it in the family'* should anything go wrong.

6.4 Philippa: 'it's not fair that you're putting away quite a lot of money'

Philippa has been with her partner for 17 years and they have three children together. Philippa describes the journey they have been on, in regards to the organisation of their finances, explaining,

> *"we always had separate bank accounts, through college, uni, that kind of thing, and then, sort of after having kids, I erm, kept ended up being overdrawn. And it was – 'it's not fair that you're putting away quite a lot of money'... that's when I said, 'I think we need to have a joint bank account.'"*

Here Philippa highlights a challenging period for couples who have hitherto organised their finances separately, she was going into her overdraft, yet her partner was building his savings. Philippa confirms that this happened between the births of their second and third child, more than 10 years into their relationship, and resulted in them getting a joint account for the first time.

It is important to acknowledge that the impact of having children on her finances meant that something that had previously been viewed as *'fair'* was now deemed *'unfair'*. This highlights a problem many couples who have previously taken an individualised approach to their finances face when having children, for children commonly increase the family expenses, whilst also often reducing the total household income, thereby acting as a financial shock to the new family.

6.4.1 Having children is a financial shock

Philippa is not alone in finding this period challenging. There were three respondents in my sample who were new parents, which I define as parents whose first child was under two years old. Two of those participants were new mothers (Anna and Ria) and one was a new father (Ian). All three had different techniques for managing the family finances in the new parent period, each with differing results on their respective income and savings.

Anna describes how she is *'burning through her savings'* which both she and her fiancé refer to as *'theirs'* but they still hold them separately. Anna acknowledges this causes some problems of management because she does not know how much they have between them. Arguably, it would also cause Anna some problems should they split up, since despite referring to their savings as joint, they are still held separately, and she has no

legal right or access to those held by her fiancé. Since they are not yet married, and the proposed Cohabitation Rights Bill (HL Bill 97) has not yet passed, she has limited avenues to gain access to these funds.

Meanwhile, Ria also keeps her savings separate from her husband's, he is currently covering all their joint expenses while she is the primary carer for their child. Both Ria and Anna report having restricted their spending since their income was reduced. Both report feeling uncomfortable about spending their fiancé's or spouse's money, preferring instead to either cut back on their expenditure or rely on their own savings.

In contrast, Ian, as a new father, is currently navigating the financial implications of new parenthood with his wife. They have both joint savings and individual savings, and they plan to use the money from the joint savings account first to make up for the reduction in income, and if that runs out then Ian plans to contribute more to the joint account to cover household expenses. In the meantime, his contribution to the joint funds remains the same. In this way, the joint savings will be used to make up the shortfall in contributions to their joint expenditure. Ian continues to contribute his half into the joint account, and still puts money into his personal savings account. In contrast his wife will be using her maternity pay or running down her personal savings for any personal spending money she requires. So, whilst Ian continues to accumulate personal savings, both their joint savings and her personal savings are reduced.

6.4.2 Buying a house

Prior to buying a house together Phillipa describes how 'they' had a 'Help to save' account, albeit this was held in Phillipa's partner's name, for it was not possible to have a joint 'Help to save' account. Thus, if they had split up Phillipa would have had little legal entitlement to those funds.

"We were saving together, but it was coming out of his bank account, so obviously that was all in, in his name"

Phillippa, cohabiting with children

Interestingly, and in contrast to Ed and his wife's approach, the purchase of their house also presented significant change to the way that Philippa and her partner organised their finances. For when they bought their home, they still had separate accounts, and her

partner had both more savings, and some money inherited from family; however, when they purchased the house, none of this was ringfenced in the contract for their house.

6.5 Discussion: wealth sharing journey

What is particularly noteworthy about these findings is that they find a lot of support in previous qualitative studies on the organisation of economic resources in the household. Díaz, Dema, and Ibáñez (2007), Nyman and Reinikainen (2007) and Wilson and Stocks (2007), all describe participants who have been on a journey of how they organise things, with different things being organised in different ways at different times. Yet, this is not discussed as an observation in and of itself. I find that whilst the method of organisation of finances within the relationship is often path dependent, there can be significant changes in how a couple organises their resources, and there can be many events that act as triggers to stimulate that change. This I believe is an important and underexplored issue when considering the organisation of economic resources within the household.

6.5.1 A focus on income offers only limited insights

This research reveals that the focus on income management strategies offers a limited and obscured perspective on the distribution of economic resources within couples. Whilst the focus of this research has been on how wealth is organised within the relationship, I have also attempted to situate this in the wider context of how expenditure and income are shared or allocated within the relationship.

The literature to date typically approaches couple's financial or economic management from an income perspective. Pahl's (1989) typologies, and later developments of those typologies, have become a common reference in the family finances literature, and are based on the 'control' and 'management' of income within the relationship. Implicitly, both ideas are predicated on the idea the income is owned by the couple and simply managed or controlled by individuals. This view is likely informed by feminist approaches to 'family money' based on the male breadwinner model, but I am unconvinced that this is the appropriate method of categorisation in the modern dual earner world.

Whilst there is an acknowledgement that individual management and partial pooling are both individualised styles of management, based on the evidence in my interviews I

would argue that 'independent management' is better expressed as an expense sharing arrangement, where income is not merely 'managed' separately, but that it is more straightforwardly perceived to be owned, controlled, and managed by the individuals and not by the couple as a whole. To view it as managed separately implies some level of entitlement to use, which many individuals do not feel, and legally do not necessarily have.

Similarly, Pahl's (2005) later developments suggest that all *'partial pooling'* couples are inherently individualistic. But there is a difference between those that partially pool the minimum amount to pay the joint bills and those that pool everything except a small amount of personal spending money. In the former, the joint account is serving as a practical aid to expense sharing and I would consider this to be an expense sharing household. In contrast, the latter is an income sharing household, who want a degree of privacy and autonomy over an agreed amount of personal spending money.

Assets and debts are largely ignored by the family finances literature focused on income. As the examples given above, there are many complexities regarding the sharing of wealth and indeed different types of wealth, or wealth accumulated at different times which are shared differently within the relationship. This, I believe is important to emphasise and analyse when considering household economic resources.

Employing Pahl's (1989; 2005) typology, Isla and her partner would be a *'partial pooling'* couple, suggesting an individualised approach to their income, while Ed and his wife would be a *'joint management'* couple, as would Phillipa and her partner. Yet this would offer only a partial insight into how they organise their economic resources in the household.

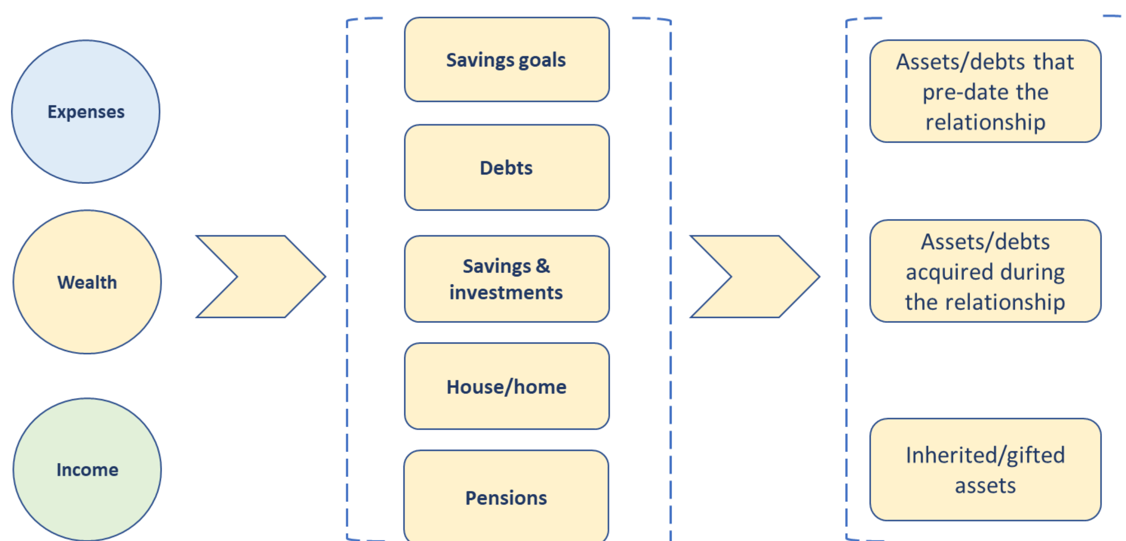
6.5.2 Spheres of sharing

The findings of this research, demonstrate that couples organise their expenses, income and wealth in complex, dynamic and interrelated ways. Whilst some participants may approach all areas of the household economy similarly, many do not, and this complexity of the organisation is missed when studies focus on income. This likely contributes to the *'blurred'* understanding of ownership reported in the income sharing literature (see for example Ashby & Burgoyne, 2008; Nyman & Reinikainen, 2007, p. 59). In this

research people consider different aspects of their economic resources in different ways, depending on the source and the timing of acquiring the asset.

I describe this as 'spheres of sharing' (see fig 6.1). Different levels of sharing are common across spheres and over time, within the same couple. Considering all spheres is likely to offer a far more comprehensive view into the organisation of economic resources, than relying on any single perspective alone.

Figure 6.1 Spheres of sharing in family finances



It is particularly important to note that in many cases, as Isla's experience demonstrated, couples begin their financial journey with a negotiation of how to share their expenses, but this does not automatically mean any sharing of income or wealth, indeed, equality is seen through a lens of equality of contribution to joint expenses. This echoes previous findings by Elizabeth (2001), and Burns, Bourgoyne and Clarke (2008). If this is simply characterised as 'independent management' of income, a key point is missed: the couple do not perceive it as 'our income' merely these are 'our expenses', which we each need to contribute to.

6.5.3 Intra-household inequalities in income & wealth

In different ways both Isla and Ed's situations demonstrate that pre-existing inequalities in wealth set the couple up in a situation of inequality from the beginning. This can present an additional challenge for the couple to negotiate.

Participants with additional assets describe a feeling of vulnerability, of not knowing whether someone is interested in them, or in what they can provide for them. On the other side, participants whose partners have much greater net worth than their own, describe a concern that perhaps their partner did not trust them with that information, that their partner may doubt their motives for being in the relationship. This creates a situation whereby the lower wealth partner wants to demonstrate that they are equals and that they are not interested in their partners wealth. In so doing, a level of separation in their wealth holdings is created, that is not accounted for when wealth is treated as a homogenous, fully shared and aggregate, household characteristic.

6.5.4 Potential triggers for change

This study has highlighted that couples share different things in different ways, and what is shared, and how it is shared can change over time. All key life changes have been highlighted as potential triggers for change. Whilst moving in together often obligates a couple to find a way to manage joint expenses, it does not necessitate that they combine their incomes nor indeed their assets, and the evidence I have put forward demonstrates that many couples do not choose to do so at this stage in their relationship.

Buying a house together, getting married and having children are all potential triggers for change, acting as opportunities for couples to review how they want to move forward with their economic arrangements. For some couples this acts as an opportunity to further combine their assets. However, it is important not to assume that these events universally signal ever more sharing. As this study has demonstrated, buying a house together or getting married can also serve to formalise and entrench pre-existing asset inequalities, whilst having children can significantly affect one member of the couple's wealth whilst only minimally affecting their partner or spouse's.

Having children acts as a financial shock on the couple's finances, often triggering a change to the status quo of money management within the couple. This can, and often does, adversely affect the primary care taker's asset accumulation, both in disproportionately depleting their own savings, and their reduced accumulation of pension assets.

This is of particular concern for unmarried couples, since in the absence of legal recourse (the proposed Cohabitation Rights Bill may change this if enacted), cohabitees have no legal right to their partners' assets at the point of separation.

The importance of key life changes acting as triggers for change lends support to Bendall's (2022) observation that couples' financial arrangements are often driven by practicalities, to a greater extent than the law, especially in its regard to the legal impact of marriage. However, whilst significant life events often serve as triggers for change in the organisation of couple's economic resources, I would argue that the events themselves are not the deciding factor in how the couple organises their resources: in this chapter I have demonstrated that different couples can react to the same situations differently. This heterogeneity in response suggests that there is much that cannot be explained by circumstance or 'practicalities' alone. In the next chapter, I explore why couples organise their finances in the way that they do and the social meaning of their approach to assets and debts within their relationship.

6.5.5 A note on wealth sharing within same-sex relationships

There has been some suggestion in the income sharing literature that the gendered management of money that has been observed in heterosexual couples cannot be straightforwardly applied to same-sex couples (see Burns et al., 2008). I had two respondents within my sample who were currently living with their partner or spouse of the same sex. The small sample size of both the heterosexual couples and the same-sex couples means that I am unable to make conclusive comments about the experiences of one versus the other. I will say that the two respondents in same sex relationships shared experiences that were very different to each other, but very similar to those shared by other heterosexual couples. That said neither same-sex couple had children, and it would seem at the point of having children many heterosexual couples revert to gender norms, which have differential impacts on each of the partners, more usually a detrimental effect on a woman's real or perceived equal access and enjoyment of financial resources.

Importantly, the literature regarding the management of money within same sex couples has more meaningful connection with the experience of heterosexual dual earner couples in this study, than some of the literature written in times when the male breadwinner model dominated. This is likely a reflection of a change in the social norms, particularly a reduced focus on the male breadwinner model.

6.6 Summary

Moving in together often requires the sharing of household expenses, but this is just the first of potentially many events which can affect how the couple organise their finances. Sharing income and/or assets and/or debts typically comes later, if at all. Whilst it would be easy to think of this as a spectrum or continuum of sharing, it is not linear: different people share different things in different ways and in different orders. They may never reach a point where they share all spheres of their economic resources fully and they may not want to.

I have detailed how for many, asset-sharing does not occur at the point of moving in together, and I have described a number of key events which may trigger a couple to change their approach to the organisation of their income or wealth, but that is not to say that change is guaranteed. Indeed, most couples describe being happy with the way that they organise things. At the outset of the cohabiting relationship, it is often described as feeling natural, or simply assumed that they would share expenses equally. This is unlikely to change unless at least one of the partners becomes unhappy with the way that things are organised, which most usually happens with a change in circumstances or a particular event, but can be a more natural development of the level of sharing within the couple, or a reaction to an accumulation of small frustrations.

Whilst most long-term couples in the sample describe how their arrangements have changed and developed over time with different life events, as with all things there is much variation and many couples may leave their financial affairs unchanged.

Studies investigating household finances have typically focused on how income is managed within the relationship. As this paper has highlighted, this offers only a partial view of the myriad ways in which economic resources are managed within a relationship. The findings of this chapter demonstrate it cannot be assumed that expenses, income and wealth are allocated or shared in the same way within the household. Indeed, it cannot be assumed that all assets are shared in the same way.

This chapter evidences the development of economic resources sharing within couples. Many renegotiate, and adjust as their circumstances, and their relationships, develop. However, the principles that these decisions are bound by, often do remain static. Furthermore, where finances have been merged, and assets have been purchased

together, it is difficult to imagine a disentangling of the family assets, without a trigger to require it.

Many couples' journey starts with sharing the household expenses, in a manner that has as much in common with the forms of sharing that might occur between flatmates as between the stereotypical 'all in one pot married couple'. The 'all in one pot married couple' is itself an outdated stereotype, for the married respondents of this study similarly exhibit complex and dynamic spheres of sharing.

In this chapter I have demonstrated the complex and dynamic ways in which couples share or allocate their wealth over the course of their relationships. I noted that many couples chose to keep their assets separate early on in their cohabiting relationships, but that this can change in response to key life events or other stimuli which act as triggers for change. However, it was also noted that not all couples react to the same life events in the same way, thus there must be more to explain why couples organise their wealth in certain ways. In the next chapter, I go on to explore this question in greater depth.

Chapter 7

7 The social power of wealth allocation within couples who live together

7.1 Introduction

In this chapter, I consider why couples organise their wealth in the way that they do, what this means for them as a couple and how they feel about it. I argue that participants' decision making was bound by the social meaning they attached to sharing, or not sharing, different aspects of their economic resources. I focus on five inter-related themes of equality and fairness, independence, togetherness, the perception of ownership, and relationship quality. Transecting each of these themes, participants demonstrate substantial awareness that the organisation of their economic resources is laden with social meaning, and issues of power and control.

There are a number of texts which have been particularly influential in the development of this chapter. Firstly, Zelizer's (1994) seminal work 'The Social Meaning of Money', which documented the many ways in which money carries social meaning, with particular emphasis on transfers of money within the household. Secondly, Stocks, Díaz and Hallerod's (2007) edited book *'Modern couples sharing money, sharing life',* which gives narrative to *'the role of money in 'doing couple'* (Stocks, 2007) in Sweden (Nyman & Reinikainen, 2007), the United States (Wilson & Stocks, 2007), and Spain (Díaz, Dema, & Ibáñez, 2007). Both books focus on the allocation of *'money'* within household, which largely translates into a focus on income and expenditure. Here I build on this important sociological literature to actively consider the intrahousehold allocation of wealth, and its meaning, within couples who live together in the UK.

7.2 Equality and fairness

7.2.1 The primary importance of status equality

The vast majority of participants value equality and fairness in the relationship, but they differ in their interpretations of what that means. As evidenced in Chapter 7, for many participants, at least at the commencement of their cohabiting relationship, the focus is

on equal contribution to the household expenses, and if not equal then *fair* contribution to the household expenses.

This focus on equal or fair contribution to household expenses lends itself towards an individualistic approach to the management of finances, whereby income and wealth are typically held separately. Any pre-existing inequalities in wealth not only remain, but may further accumulate as one partner is able to save more than the other. This can become entrenched via differing ownership rights on the purchase of a property.

Participants are aware that this isn't merely a question of finances, but the decision on how to organise economic resources within the relationship has broader social meaning. David expresses this as *'not taking advantage'*, which is interesting in so far as it positions the person with more resources as potentially vulnerable.

"we try, and make it as equal as possible…I don't wanna feel like I'm taking advantage of her and she doesn't want to take advantage of me either"

David, unmarried, no children

A number of participants note either they or their partner has offered to contribute more to the joint expenses, either because they feel they consume more or that they earn more, but this can be met with a refusal from the lower earner. This appears to be a point of principle to maintain their equal status in the relationship, but also a way in which the lower earner can assert their agency and independence. For respondents who aren't currently contributing equally to the household expenses, there is often a clearly expressed desire to do so.

In this way, inequalities of income and wealth are tolerated to preserve the mantra *'we are equals who contribute equally to joint expenses'*. Wherefore, equality of contribution to joint expenses becomes all important. This posits equal contribution to joint expenses as a signalling mechanism, both within the couple and to those outside of it; *'we are equals'*. This is not a method to pursue equality of economic resources, but a method through which a couple demonstrates their equal status to one another and to themselves.

In contrast, individuals seem rather accepting of differences in wealth holdings. They do not feel entitled to one another's savings and investments, and even less so when those

savings pre-date the relationship. Indeed, these inequalities are not merely accepted by the couples but are framed as, and perceived to be fair.

7.2.2 Performative or baseline equality

So great is the desire to be equals, that a number of couples go to some lengths to disguise or minimise any differences in contribution. In some cases, this is almost performative, to reinforce the image of their equal status to both themselves, and to others, even if this veneer of equality hides or indeed facilitates large differences in disposable income and wealth.

Freya describes how she and her husband split their joint household expenses in proportion to their income which they both agreed was fair. She also emphasises that,

“when we go out for dinner, or we go anywhere, I will always make sure I pay as well, it’s always fifty-fifty”

Here Freya, appears to be emphasising the equality in their relationship, but later in the interview Freya adds,

“My husband will send me money, every once in a while, and it won't be a loan. He'll call it pocket money. So, I can just have some money to spend.”

Freya, married, no children

Initially, I was a bit surprised by this, the term ‘pocket money’, for it is widely connected with childhood, something a parent gives to a child, not something between adults. Some would likely interpret this as being infantilising and demonstrating the power dynamics of the relationship, the husband being in a paternalistic position to give ‘pocket money’ to his wife, thereby treating her as a child.

However, this interpretation did not fit with the respondent’s wider narrative of their relationship. They split everything in proportion to their income; she referred to herself as the ‘CFO’ in their relationship, the boss of their financial affairs. If anything, she reported being quite strict with him, to make sure that they were achieving their joint savings goals, which arguably were agreed, but she appeared to be the real driving force. Indeed Freya reports that it is she that usually has the final say.

This caused me to reflect on how the receipt of *'pocket money'* fitted into this narrative. I concluded that this was not about infantilising the individual, or making the respondent feel small. Instead, by making the money small, it's just *'pocket money'*, it is just a bit of small change, it is *'no big deal'*. In this way the respondent can maintain the belief that they are equal partners, each contributing fairly to their joint expenses. It is designed to minimise the value of the transfer, so that the couple can preserve the image of status equality both between themselves and outwardly.

Similar attempts to minimise or erase unequal financial contributions were seen elsewhere. Harris' partner has offered to make a larger contribution to their joint expenses because she earns more than him. Harris declined the offer, as he explains,

"for me that was no… I want to make sure that it is still, it's still equal"

Harris, unmarried, no children

Yet Harris justified his partner paying more towards their car, because she receives a car allowance from work. Only because the car was being paid for with an element of income that was specifically earmarked as 'car allowance' did Harris accept this inequality in contribution. In this way his status as an equal contributor was preserved.

"I felt really uncomfortable at the time but actually she's been given it and paid for it, it's been paid for by her work…and the alternative was a company car, which would have cost her more in a benefit in kind tax. So, again, she applies rationale, and, I go yeah, okay. It's a constant with me, isn't it? I'm realizing this as I'm saying it, it's just me being needy, I need reassurance that I'm not robbing her."

Harris, unmarried, no children

For these couples, being *'equals'*, defined as contributing equally or fairly to the joint household expenses, is an important part of their individual identities, and of *'being a couple'*. However, this focus on the contribution to joint expenses allows inequalities to accumulate, not just in personal spending money, but also in the accumulation of assets and debts.

In effect equal status appears more important to these participants than equal economic resources. Equal status is ensured by equal or at least fair contribution to the household resources, or 'baseline equality'. To some extent this can be a veneer, where there is

some element of unequal contribution to household resources, in order for them to be able to maintain their 'baseline equality'. Yet these adjustments are necessarily limited in scale. Thus, inequalities in wealth are both tolerated and indeed allowed to accumulate in order to maintain a sense of equal status within the relationship.

7.3 A gendered desire for independence

Financial independence is widely regarded as important to participants. But there are significant differences in the explanations for this. For the female respondents the desire or need to maintain independence falls largely into three narratives, all of which to a greater or lesser extent linked to discussions of power, control, and the maintenance of self-determination.

The first narrative tends to reference childhood experiences including issues of patriarchy or a family history of domestic abuse. Here the memory of the abused mother or indeed an explicit message from the mother to avoid dependence were common amongst women who valued their independence. Danielle, who lives with her fiancée explains,

"society is very patriarchal, and I was raised with the idea that I had to do everything my father said, just because of his financial power in the family. And because of that, I decided I didn't want anyone to keep any kind of financial control, or control in general, just because they earn more money than me, or whatever… I really want to be independent, and be able to buy my own stuff, and don't expect anyone to pay for me."

Danielle, engaged, no children

In this way, Danielle's childhood experiences have made her very aware that economic arrangements within the household are laden with social meaning, and she is not alone. Freya, emphasised her childhood experiences, witnessing her mother's economic abuse at the hands of her father, in her need for financial control and independence. Freya emphasised,

"I just don't want to end up in a situation like my mum was in…My dad was slightly, financially abusive towards my mom."

Freya, married, no children

Whilst, Claire acknowledges,

"my mom put it in my sister and I, from a very young age that, you know, you have to be able to take care of yourself, have to be financially independent. Do not ever depend on anyone else to support you"

Claire, married, no children

These reflections further demonstrate how negative childhood experiences can serve to influence the social meaning they each place upon economic resources, and indeed how they choose to organise their own finances.

The second narrative was similar in so far as the participants focussed on wanting to avoid a situation where they were dependent, but here they did not explicitly reference any negative childhood experiences. Naomi, expressed this as,

"I've always wanted to have my own money and not be reliant… I've always had this idea of I didn't want to be stuck in a position of having to be reliant on a, a guy"

Naomi, married, two children

Georgia, who has been with her partner for 25 years, initially emphasised the benefits of independence, stating,

"I am a free spirit."

Before further explaining that

"Autonomy, independence, freedom, that's what it means, 'cause I am not somebody who will be controlled in any shape or form… and I wouldn't want to feel like I'm controlling my partner either, because I just don't think that's right".

Georgia, unmarried, no children

Therefore, whilst these participants made no reference to negative childhood experiences, dependency was perceived to be a potential threat, and linked to issues of power and control.

The third narrative emphasised personal experiences of dependency within the relationship, and the challenges this brought. Sasha explains how there was a period during the pandemic where her partner was paying for most things,

"it kind of hit a point when I was like, no it can't be like that anymore because it's taking a toll on me as a person, that I don't feel, I don't feel whole as a person, because he's the one that's responsible for everything… I just felt like I was dependent on him in many ways, and it just felt like we're not partners, but more like he's my parent."

Sasha, unmarried, no children

Thus, for Sasha, the experience of dependency within her relationship had a harmful effect both on her sense of self, but also on their relationship.

In contrast, for the men in this study who mentioned valuing independence within their relationship, the desire was more often simply explained as a method to avoid conflict, maintaining privacy over their spending, or beneficial for the health of the relationship.

As, Ian explains,

"I think it's good to have a degree of independence…For example, if I was to spend money on…say, buy a new badminton racket for whatever 100, 200 pounds. Then it's not bought through the joint account, you know, and then I have to discuss with [my wife]. I think that would, just be complicated, and erm, it It could create some kind of arguments, of some sort, so I think it's better to have a degree of financial independence, and just allow you, as an individual to spend it how you want"

Ian, married, with children

Similarly, James believes it is important for the success of the relationship for each individual to maintain their independence, stating,

"I think it works better if people keep an element of independence."

James, married, with children

Thus, whilst male participants do seem to value independence within the relationship, the perceived threat is conflict within the relationship. Whereas, for women, the threat is much greater and intrinsically linked to issues of power, control, self-determination and self-worth.

Standing in contrast to the typical gender narrative is Charlie. Charlie lives with his partner and does not have any children, yet he expresses a strong desire for independence and self-sufficiency, this is hugely important to him. For Charlie, independence did not

come easily, for as he explains, his disability restricts his activities. Explaining why self-sufficiency and independence are important to him, Charlie states,

"My life was always kind of not as independent, as I would like, you know, in the past. You know. I want to be kind of able to have my say, you know"

Charlie, unmarried, no children

Thus, for Charlie, maintaining separate finances is a key aspect of Charlie's ability to assert his independence and personal autonomy.

Charlie's determination to achieve independence and to be self-sufficient, contradicts Nyman and Reinikainen's (2007, p. 69) observation that it is only women who express concern for economic independence, but lends support to Nyman and Reinkiainen's (2007, p. 69) conclusion, *'women's concern with and fragile sense of economic independence can be seen as a reflection of their historical lack of power and their relatively recent attainment of independence'.* For Charlie's disability means that he too has had to battle to achieve his personal and financial independence, resulting in a keen desire for independence and autonomy.

Respondents' desire for control and autonomy in their finances acts as a strong push mechanism towards individualised approaches to the organisation of finances, and a focus on equal or fair contributions to joint expenses. This again has the effect of individualised accumulation of wealth. The desire for independence therefore implicitly acts as an obstacle to wealth sharing.

7.3.1 Sharing as a signal of coupledom

In contrast to the respondents who emphasise independence as being important to them, income sharing couples were more likely to emphasise the importance of *'togetherness'*. For these respondents sharing is an important signal both of their coupledom, and who they are as a couple.

"It's like I say, if we're in it together, we're married, we're together, so you know we share it"

Michael, married, with children

Indeed, in the quote above Michael is keen to emphasise that their general approach to finances within the family reflect their values, which he later emphasises are *'traditional middle class'* values.

Thea similarly emphasises that sharing money is a reflection of *'togetherness'* within their relationship. Thea and her fiancé retain an equal amount in their personal accounts for personal spending and the majority gets put into their joint account to cover joint expenses. Thea emphasises,

"the way we see it, is like, we're a team together...everything's equal between us… I like it, because I know where the money is, and I know how much we have, and it's, it's not like a hierarchy, no one's like over each other with money. And there's nothing like you buy this, and then I'll buy that, it's very much so we're in it together, and we pay for everything together. I think it relieves a lot of stress, because I think a lot of couples sometimes argue about the financial side of it…Erm , but we never do, we just, because we know where everything is. There's no hiding it."

Thea, engaged, no children

These couples tended towards defining equality as having equal access to their joint resources, rather than focussing on what each member of the couple was bringing into the relationship. Sharing money was symbolic of their commitment to the relationship, and their 'togetherness'. Yet, there is some indication that this seems to have been facilitated, at least in part, by having similar starting points. For Michael and his now wife had similar jobs before they had children, and both had inherited some funds to contribute towards their house. Thea and her partner confirmed that neither had any debts coming into the cohabiting relationship, and Thea acknowledges this was important to both of them. Thus, their approach to finances and emphasis on 'togetherness' may have been facilitated by their similar level of economic resources entering into their shared approach.

In contrast, Ed, whose wealth sharing journey was detailed in Chapter 7, emphasised that he and his now wife shared *'everything'* from very early on in their relationship, yet they, also had a complex set of legal agreements in place to navigate the purchase of their house, their pre-nuptial agreement and their wills. Thus, whilst sharing income

served to act as a signal of their togetherness, it also served to mask very different asset positions.

7.4 Issues of ownership

7.4.1 The perception of ownership: "Is it really mine?"

Previous studies have observed that the legal ownership of assets does not always match participants' perceptions of who owns them (Joseph & Rowlingson, 2012). However, in this study respondents appeared to be aware of who the legal owner was, and the implications that legal ownership had.

Kate met her partner when they were at school. They have been together for nine years and lived together for the past two. The deposit for their house was funded by a gift from her partner's family. At first, this led Kate to question her ownership, describing a level of apprehension,

"I kind of like had this feeling like…do I really own it? Like I felt, I'm not putting in as much so like, is it really mine?"

Thus, legal ownership did not result in an immediate sense of entitlement. However, at the time of the interview, two years after the purchase of the house, Kate is quite assertive,

"my name is on the contract, I've seen it, so yeah it is mine"

In this way in acquiring legal ownership, together with two years of jointly paying the mortgage and living in the house together, Kate has acquired not only legal rights, but also a heartfelt sense of entitlement to the property. The sharing of the house is not conditional on her remaining in the relationship; Kate now views it as hers.

In contrast to her sense of entitlement towards the house, Kate's boyfriend has a savings account, which by Kate's account, he refers to as 'theirs'. However, she has no access to the account, and does not know the value of the savings held there. By her own admission, if they split up, she wouldn't ask for it 'back'. In this way this is 'their' money in sentiment only, and it is conditional both on Kate's partner deciding to access the funds, and on the relationship continuing. In this way Kate's boyfriend legally owns the money, only he knows how much there is, and only he has access to it.

This account could be described as a blurred perception of ownership, but to do so would be to confuse the issues. Kate is quite clear about which funds are hers, which are her boyfriend's, which assets are shared, and which are shared only in principle. I describe the latter as being *'conditionally shared'* for Kate has no real control, access or entitlement to these funds, they are not hers, but her boyfriend may choose to use them to benefit them both, or he could move them into an account in which Kate has genuine access, and legal entitlement. Thus far, Kate's boyfriend has chosen not to do so.

Putting these savings in a joint account wouldn't necessarily change Kate's perception of the funds. As evidenced both in this study and in the income sharing literature, the lower earner and in particular women do not feel always feel comfortable accessing money they did not earn or is not perceived to be *'their own'* (see for example Ashby & Burgoyne, 2009; Burgoyne, 1990; Díaz, Dema, & Ibáñez, 2007, p. 140; Nyman & Reinikainen, 2007, p. 64). It would however change her legal entitlement to access or use the funds or indeed her rights should they split up.

7.4.2 Conditional sharing: It's all our money so long as I am happy with what we do with it

Vicky describes being on the opposite side of this situation. She has some savings which she inherited from family; they are currently held in her own savings account, even though she shares income with her partner. She variously describes these savings as both 'mine', and as 'ours', however, her intentions for them reveal an individualised approach, for despite wanting to use the savings towards a deposit for a house, should she do so, then she would want her partner to put in an equal amount or to have this amount detailed in their contract. As she explains,

"I don't want to lose [it] all…I'm not saying that it would all fall apart. But, I wouldn't want to, I'm not sure I would want to take the risk."

Vicky, unmarried, no children

Vicky intends to use the money for an asset that will benefit them both. Ultimately, this relies on them still being together and it being used for this purpose. Thus, whilst on occasions the ownership of these resources may appear *'blurred',* or in conflict with their formal ownership, the reality is that sharing will only occur if the legal owner feels it is appropriate to do so.

In both Kate and Vicky's situations formal ownership and right of access is important. There has been some discussion in the literature that there can be a conflict between legal ownership and perceived ownership. However, I maintain this overplays the value of 'perceived' ownership. In cases of conditional sharing, where sharing depends on the continuation of the relationship, and the control to determine what happens with the funds remains with the legal owner, then despite the fact that the funds may be used to the benefit of both parties, the discretion for it to do so lies with the legal owner. The other party has no legal right to do as they please with the funds, and only rarely enjoys a sense of entitlement to do so. This appears to be true both in regard to the couples who live together, but also within marriage, where funds are held separately. In this way, I argue that the issue of perceived ownership, and its conflict with legal ownership has been overstated. Researchers should pay closer attention to legal ownership.

Neither Kate nor Vicky are married to their partners and neither has children, yet to some extent the situations they find themselves in are not so dissimilar to Ed or Juliet's, discussed in the previous chapter, where pre-nuptial agreements in effect work to legally formalise the nature of the conditional sharing. In this way assets conditionally shared within both married and unmarried couples, offer greater economic power and control to the partner or spouse who would retain ownership should the relationship fail.

7.5 Relationship quality

7.5.1 Relationship quality and the organisation of economic resources

Relationship quality appears to be influential in the organisation of assets and debts within the relationship, in several ways. Firstly, the extent of sharing may well reflect the perceived quality of the relationship at that point in time. Secondly, respondents often reflect on how the organisation of economic resources within the relationship could cause conflict or tension within the relationship, or other issues such as imbalances of power or control.

If there is no trust in the relationship, then the couple will likely keep their assets and debts separate. However separate assets and debts does not necessarily mean that there is no trust in the relationship. Indeed, this is a decision that can be made in order to protect the relationship.

Participants seemed to be very aware that the organisation of money within the relationship was a potential source of conflict, and this was something that participants were keen to avoid. Conflict avoidance was put forward by a third of the participants as an explanation as to why they organised things in a certain way.

Notably, however, irrespective of how the participants organised their economic resources, each thought that their chosen method was the best way to minimise conflict, perceiving the alternative route, be it sharing or separation in assets and debts, and indeed other economic resources, to be a potential source of conflict.

7.5.2 Questions of distribution may be critical to relationship success

The majority of participants reported being happy about the way that they organise their wealth (and income) within in their relationship. This suggests that questions of allocation are critical to the success of the relationship. For, if a couple cannot find a mutually acceptable way to arrange their economic resources, then this is either a failure so great it cannot be admitted to, or so damaging to the relationship that couples who cannot agree, are ultimately no longer couples. Put more simply, couples either find a compromise they can live with, or the relationship fails. To admit to being unhappy with the allocation or sharing of finances may be too much of a threat to one's sense of self, or so disempowering it is difficult to admit to. Thus, it is perhaps unsurprising participants widely maintained they were happy with the way that they organised their finances.

The few that acknowledged some level of dissatisfaction used a narrative where they accepted it, compromised, or agreed to their partner's preference on how to organise things. However, complaints did creep in. Notably three of the eight *'income sharing'* couples raised a source of frustration despite largely claiming to be happy with the way they organise things. Michael wished they could go back to having some personal spending money, so that he could control their joint finances better, or more simply, he wanted to be able to control his partner's spending more. Maeve also would like to have a set amount of personal spending money each and wished her husband would control his own personal spending more. Vicky wanted to return to having separate finances, since Vicky's partner had run up debts on their joint credit card without Vicky's knowledge.

Whereas five of the twenty-six *'expense sharing'* couples expressed dissatisfaction, Nathan wished he could contribute more as he is currently only contributing 40% to the joint expenses, Ella wished she was contributing less, or that her current larger contribution earned her more say in decision making. Sasha felt that they should split their expenses in proportion to their respective incomes, but her partner argued that they should contribute to the expenses equally. Kieran, would like to transfer money to his savings account at the end of the month, but does so at the beginning of the month to make his wife happy. Issues sometimes arise for Naomi and her husband over what gets counted as a joint expense.

Nonetheless, the vast majority of the participants in this study report being happy or at least satisfied with the way that economic resources are organised within the relationship. This suggests that the organisation of finances within the couple is critical to the success of the relationship.

7.6 Discussion of findings

The evidence I have put forward demonstrates participants are very aware of the social meaning of money within the relationship, and this is factored into their decision making. The frequent emphasis on equality and fairness suggests that *'being equals'* is considered to be an important and valued element of being a modern couple. Importantly this equality of status is valued above economic equality. Participants often use the equal, or at least fair, contribution to joint expenses to signal their equal status within the relationship. In this way inequalities of income and wealth are accepted to ensure that participants' sense of self and their relationships are protected from the harms of status inequality. Moreover, this is largely perceived to be *'fair'*.

For some participants, the perception of equality achieved by equal contribution to expenses is so important that they go to some lengths to disguise differences in contribution in what I term as 'performative equality' or 'baseline equality'. However, given that the adjustments are necessarily small to facilitate the continued perception of equality of contribution, wealth inequalities can continue to accrue, to an extent where one individual has substantially more economic resources than the other.

In this study both male and female participants expressed a desire for economic independence. This contradicts previous suggestions that independence does not appear

to be a concern for men (see for example Halleröd et al., 2007, p. 147; Nyman & Reinikainen, 2007, p. 69). However, the narratives put forward in this text are gendered, suggesting that men's concern for independence is indeed systematically different to that of women.

Here, women's desire for independence was largely framed around dependency being perceived as a threat, intrinsically linked to issues of power, control, self-determination and self-worth. In contrast, men's desire for independence was more often focused on issues of relationship quality and conflict avoidance. Thus, differences in narrative lend support to Halleröd, Diaz and Stocks' (2007, p. 147) conclusion that men do not perceive economic dependence to be a long-term threat to their individual freedom. I argue that economic dependence is more simply not a situation that men imagine finding themselves in, unprompted. I return to this subject in Chapter 9 where I discuss participants' responses when they are prompted to consider being in a situation of dependency.

Taken together, the emphasis on equality, fairness and independence act as mutually reinforcing drivers towards greater individualisation in the organisation of household economic resources. Previous studies have observed that individualised approaches to income may lead to an inequality in personal spending money (see for example Elizabeth, 2001), whereas I emphasise the potentially more significant and long-term impact on wealth accumulation.

In their study Joseph and Rowlingson (2012) emphasise the difference between formal/legal ownership of assets and perceived ownership. Here I draw a distinction between the legal/formal ownership of assets and the conditional sharing of assets. Here assets are labelled as 'ours' only in principle and conditionally on the owner both remaining in the relationship and deciding it is appropriate to use the asset in a given way. Therefore, I argue the latter should not be considered the equivalent of the former. 'Blurred' perceptions of ownership are often overvalued; it is possible to have legal ownership and to feel little entitlement, but it is rare for participants to have no legal ownership and yet to feel entitled.

The evidence I have put forward indicates a bi-directional relationship, where relationship dynamics can both influence, and be affected by the organisation of

economic resources within the household. I have further argued that the widespread satisfaction of participants indicates that questions of distribution are critical to relationship success, or that to admit dissatisfaction is deemed to be such a failure of coupledom that it is too difficult to admit to.

The respondents in the study are sensitive to the social meaning and significance of the organisation of expenses, income and wealth have in the relationship. Participants want to organise their finances in a way that protects and respects both themselves and their relationship. Heavy emphasis is placed on the importance of status equality, fairness, and independence by the participants, even if this comes at a cost of unequal access to economic resources and accumulated differences in wealth.

Chapter 8

8 Whose wealth is it anyway? Issues of entitlement within couples who live together

8.1 Introduction

In this chapter I explore issues of entitlement, primarily using evidence from the deliberative stage of the interviews. Here participants were asked to consider wealth sharing in the abstract via a series of vignettes of common situations couples can find themselves in. The first vignette asked participants to consider a young, low-income couple where one partner, *'Jude'*, has inherited some funds whilst the other, *'Alex'* has recently lost their job. The second two vignettes were used in an earlier study by Rowlingson and Joseph (2009) and explored entitlement to assets at the point of separation.

The findings reveal substantial levels of individualism in the approach to assets and debts, particularly in the early stages of a relationship. Assets which predate the relationship are often viewed differently to assets generated within the relationship, and are ringfenced in the participants' minds as the individual's own. Inheritance and homes owned before the relationship commenced are particularly emotive, and evoke strong feelings of individual ownership.

For the assessment of asset-means-tested benefits, the duration of the relationship, whether the couple own a house together, marriage and having children together are seen as important, but not definitive, signals of togetherness. In their absence, respondents felt individuals had no entitlement to one another's assets and advocated for an individualised approach to assets-means-tests.

When it came to separation, respondents believed entitlement to a share of household assets must be earned, either via joint financial contribution, or through the care of children. Despite widespread belief that unmarried couples who have been in a long-term relationship, and have children together, should be treated as if married at the point of separation, there was less confidence in what would happen should they separate.

Even greater uncertainty was reserved for the treatment of pension assets, both within and outside of marriage.

The study contributes to the literature on gender and the intrahousehold economy, and has important implications for policy design, particularly asset-means-tests, the estimation of the gender wealth gap, and for the proposed Cohabitation Rights Bill.

8.2 Alex and Jude: entitlement when facing financial difficulties

In this section I reflect on the responses to Alex and Jude's situation when Alex finds themselves in a time of financial difficulty early in their cohabiting relationship. The scenario was explicitly designed to explore whether or not respondents felt Alex was entitled to Jude's inheritance. As the discussion below demonstrates, the response was overwhelmingly that no one wanted to be in Alex's position. Positioning themselves as Jude, there were mixed responses to the couple's predicament, yet positioning themselves as Alex was almost universally a negative experience. Accepting help from their partner was resisted, and invoked broad ranging feelings of discomfort. This was heightened if it necessitated using their partner's savings. This demonstrates that, at least in this early stage of their relationship, participants felt Alex had little entitlement to use Jude's inheritance. This discussion led to many advocating that individuals should be assessed for state support individually, although it is recognised that the preceding discussion, served to prime the respondents, by asking how they would feel if they found themselves in Alex or in Jude's position.

8.2.1 Not being able to meet their share of the expenses invoked broad feelings of discomfort

Most participants appear much more comfortable with the idea of being the one that helps or supports their partner, than being the one in need of help or support. Indeed, when asked to position themselves as Alex, the idea of not being able to contribute their share to the joint expenses, invoked broad feelings of discomfort including anxiety, stress, embarrassment, and guilt. In this study this was particularly strenuously expressed by women without children, as the quotes below demonstrate.

"Oh, I'd feel really shit. I would, I would feel really shit and really lousy, and feel like I'm not pulling my weight, and feel, urgh, just feel guilty I think I'd feel guilty and maybe embarrassed to take Jude's support"

Freya, married no children

"I would cry. No, I genuinely would feel sick, because the thought of depending on your partner, it's horrible."

Isla, unmarried no children

"[I] would be really, really stressed and I'd feel, I would feel like a burden"

Kate, unmarried no children

These statements mirror those expressed by new mothers discussing their experiences of reduced contribution to the family finances, as discussed earlier (see section 7.4.1). They further act as a demonstration of a rejection of the male breadwinner model: these women do not want to be dependent and even the idea of being so is emotive.

However, women were not alone in their disquiet about being supported by their partner or spouse. Although typically less charged with emotion, at least initially, greater exploration of men's responses exposed a narrative of feeling the pressure of societal expectations on men, embarrassment, shame and a sense of inadequacy or inferiority if unable to at least contribute their half to the shared expenses. As Lucas' response demonstrates, initially he states, he would feel,

"Probably pretty bad. Not being able to meet your own half, probably doesn't feel very nice, I guess"

Lucas, engaged, no children

Superficially, Lucas seems to be largely unmoved by Alex's position. Yet further exploration reveals this might not be the case. For he goes on to explain the societal pressure he feels for men to contribute at least their half. Failing to do so, is likely to result not only in your partner leaving you, but feeling like you don't have any value in the relationship.

"cos I'm male I guess, and because there's an expectation… I'm not fussed about being the provider, if she can create more money than me phf, happy with that! But, I guess that there is this society expectation that men at least meet their own half. And like, I guess, kind of a lot in

a relationship from men is kind of value for what they can provide, so if… you're not providing anything and you're kind of a burden. First of all, I think women don't like and she's likely to leave you in the first place, irrespective of anything. And yeah, you just don't feel like… you have any value at that point in the relationship. I guess."

Lucas, engaged, no children

Lucas was not alone in acknowledging that gender may play a part in their response. Michael also noted that perhaps it was his male ego, that contributed to his shame and embarrassment were he to find himself in Alex's situation.

"I don't know, a little ashamed, embarrassed…that's something that does make me feel somewhat uncomfortable. Maybe that's a bit of male ego coming in there… but I still feel uncomfortable...[I] don't like being a burden on people."

Michael, married, with children

In this way, it is clear that being in need of support has a damaging impact not only on the individual's financial well-being but causes wide ranging negative feelings that are likely to impact on an individual's well-being and even their mental health. The responses further reveal gendered narratives with women's responses revealing a rejection of the male bread winner model, whilst men's responses reveal a concern for failing to live up to the male bread winner model, and as a threat to their masculinity.

8.2.2 Inheritance has special meaning

I designed the vignette in such a way that it didn't seem as though Jude had a lot of spare income to pay Alex's half of the bills. The aim was to encourage discussion which focused on whether or not Alex was entitled to use Jude's financial assets, rather than whether Jude could support Alex with their income. What I didn't appreciate was that for many participants inheritance has special meaning; thus, the fact that this was inherited from Jude's grandmother was emotive in a way I hadn't intended or anticipated.

"I don't want to use this inheritance that my grandmother's given me on day-to-day expenses. I feel It needs to be saved for something special, or worthwhile, or like. I can use it for a home,

or I can use it for school. But I don't, I don't, I don't know why I feel weird about using it, for like the water bill."

Claire, married, no children

"I'd be quite annoyed if <partner name> expected, just because I got 18 grand from my grandmother. It means that I'm gonna pay for everything. Even though he's in a horrible situation, only because that's money that was given to me by someone… I wouldn't expect that of anyone's Inheritance, especially when it comes from a family member and whatnot."

Isla, unmarried, no children

"I think firstly, because it's like, like my my family's money like it's my my grandmother left it to me. I would want to make sure I was, I dunno, like spending it on something that was gonna benefit my life. So, I think, to then spend it on paying for half the, paying for someone else, to sort of, just get by, would be difficult…I think if I if I got an inheritance from a grandparent, and I put myself in their shoes. I think it will be sad to think. Oh, the money I gave <name> is just so she can survive. I think they would want me to be like, oh the money I gave <own name> has bought her a car or has improved her life in this way, not like enabled her to eat for a year."

Maeve, married, no children

In this way some of the resistance to using Jude's inheritance to support Alex could be due to the special meaning placed on inheritances. This is not something to be squandered on everyday expenses, but something to invest, to honour the deceased.

The emphasis placed on the respondent's own feelings, using the first person, 'I', both to express how they would feel about it and what they would do if they were in Jude's position, together with the ownership expressed with the use of 'my', reveals a clear individualisation of the inheritance; for these respondents this is firmly Jude's money to do as Jude pleases, which ideally would honour Jude's late grandmother. Any assistance provided to Alex should be limited, and solely at Jude's discretion, further demonstrating that this is not something that the respondents believe Alex is entitled to use freely, if at all.

8.2.3 It's too soon to share

For many of the respondents it was too early in Alex and Jude's relationship to expect or assume that Jude would support Alex, or indeed that Alex would accept Jude's support.

"you can't almost expect the other to sort of pick up the tab so early on"

Ria, married, with children

"it's quite early, early to ask Jude to put that money in"

Ian, married with children

"that would be more of a early stages, of a, of a relationship that. In my book really, so… she shouldn't really be using her savings on him."

James, married, with children

"I mean only living together for 3 months, I think it's too short a period of time to expect June to stop loosening up or spending any of that £18,000 on covering what Alex can't afford"

Michael, married, with children

Questions regarding how long Alex and Jude had been together before they started living together were also common, suggesting that the duration of living cohabitation is not the only significant factor in assessing whether or not Alex and Jude should help one another.

8.2.4 Applied to their own relationship many still did not feel comfortable using partners savings

The vignette asked participants to position themselves as Alex and as Jude, who are still in the early days of their relationship, and the overwhelming responses was one of widespread discomfort. When asked when in their relationship they were happy to use their partner's savings to support themselves, it became apparent that this discomfort was not simply due to the short duration that Alex and Jude had been together; for many, the idea of using a partner's or indeed a spouse's savings still invoked negative feelings.

"But even right now, even though we're married, I still wouldn't feel comfortable for her to use that to support me. I'll first try to do everything that I can do myself, and worst-case scenario.

If there's really like times ticking and there's nothing then, of course, I will do it, but I would it would be like a very uncomfortable situation"

Kieran, married, no children

"Probably wouldn't, even now, be happy for that, to be honest"

Lucas, engaged, no children

Even in their own relationships respondents generally expressed more comfort with being the one to provide financial support to their partner, than being the partner in need of financial support, as participant Claire stated explicitly:

"I think I'm more willing to… use my savings to support him, than I would be willing to accept his savings to help support me… I would feel like a little bit guilty almost"

Claire, married, no children

Similarly, respondents reported more discomfort around using their partner or spouse's savings, than if their partner were able to cover a higher proportion of the bills from their income. Reinforcing the idea that 'savings' also have special meaning and once they are relabelled as such, there is a greater emotional toll from their use.

"not his savings, the savings shouldn't be touched. But if he had some spare money, that he didn't have to put in savings that could be used to support me, I would really appreciate it, and I think I would it'd be open to it. But I know I'd have a sense of I want to pay you back… I want to make it right in some other way."

Freya, married, no children

"if it was the case of actually eating into savings. I think that it's an additional layer because I know that it can be, you know, quite hard work to build up savings. If… the money was there and it's gonna be there for a long time, and she was earning plenty, then I think that's slightly different, but actually visual sort of winding down your savings, then I wouldn't feel guilty, but I would feel like I needed to …make sure I'd done what I could. And… the situation really called for… actually asking for the help."

Ed, married, with children

Notably, some respondents were able to pinpoint a time when the idea of using their partner's savings became something that they felt more comfortable with. This was typically a significant period of time after they initially moved in together.

"Maybe once I've been, been married, and I, I feel like I've actually contributed to…shared assets…not just in a relationship for a short period of time and then start using someone, you know, having help from someone's savings."

Lisa, married, with children

Given the level and extent of discomfort associated with not being able to contribute their share to the household expenses, together with the special meaning placed on inheritance and savings by the respondents, it is perhaps unsurprising that there is widespread resistance to using Jude's inheritance to support Alex. More so than if Jude were able to provide additional support from their income.

8.2.5 Framing financial assistance as a loan further signals individualistic approach to assets

Respondents often framed helping Alex or being helped by Jude in the language of a loan, implicitly further demonstrating an individualistic approach to assets within the relationship. Negative sentiment about using their partner or spouse's savings was common amongst recipients, with most being much more comfortable with the idea of being the one who offered help, rather than being in receipt of, or in need of, help. Many also emphasised that they would need to pay any money back, thus highlighting a clear lack of entitlement and ownership towards any borrowed money, and further demonstrating an individualistic approach to assets within the relationship.

"Jude could help him lend him like a loan. A short loan. An' he could pay that out they could come into an agreement. Where he could pay it off for a weekly basis for a monthly basis."

Adrian, unmarried, no children

"even if Jude said, okay, well, we can use this to cover you and stuff, I can imagine I would probably say, Okay, but the agreement is that I pay some of this back or so forth"

Isla, unmarried, no children

"I'd be very sort of easy about once you get the job, you can pay it back."

David, unmarried, no children

"I wouldn't feel comfortable borrowing money. And if I have to, I make sure to pay it back"

Danielle, engaged, no children

"you know, using using somebody else's money. Is, it can be really difficult to accept. But I think I would just be really, really clear that there was a plan to get it back and always a plan to replenish it"

Harris, unmarried, no children

Borrowing money from a partner, can bring with it a sense of indebtedness, which in itself can present different challenges for both the individual and the couple, as David explains.

"I don't like being in. I don't mind using my overdraft, but I don't like being in debt to people. I'd rather just...just use my overdraft... I'd rather just go without it, because I, I don't like the feeling of owing people money. It's not that they pester me, or anything, it's just in the back of my mind when I pay for something, like, Oh, if I was to go out for a drink with my mate, it'd be like, 'Oh, I still owe X this amount of money, oh should I really be doing this?'"

David, unmarried, no children

As the participants' responses to owing their partner money explain, framing any assistance as a loan only marginally eases their discomfort about receiving financial help from their partner. However, by framing it as a loan, their indebtedness becomes a temporary experience. Whilst this does still present a threat to their sense of self as an equal partner in the relationship, the threat is minimised.

8.2.6 Widespread support individual assessment for state support

The vast majority of respondents, 24 of the 29 asked, believed Alex and Jude should be assessed as individuals for the assessment of state support. The justifications for this claim varied, but often came back to common themes: the short duration of their relationship, the fact that they are not married, Alex's lack of entitlement to Jude's money, an emphasis on the money being Jude's inheritance, and more simply that

individuals should be treated as individuals, or as one participant describes it *'not as a homogenous lump'*.

A few respondents were unsure and reluctant to commit to either individual or joint assessment, noting that it was a difficult area. However, one participant found herself faced with a moral dilemma in so far as she had initial strong feelings towards joint assessment, but also strong feelings that this was not Alex's money. Describing the situation as 'tricky', her solution was:

"I think Jude should transfer his £18,000 to a brother or sister, and then maybe assessed without that £18,000."

Lisa, married, with children

Actions such as this would likely be considered an attempt to defraud the system. However, it also demonstrates, that whilst concern for those wanting to cheat the system can be cited as a reason not to assess couples individually, as this response demonstrates, if someone is willing to cheat the system there are other ways to do so.

Interestingly, the other two participants who believed joint assessment was the most appropriate did not maintain that Alex was entitled to use Jude's inheritance nor indeed to Jude's financial support more generally. Ian maintained that it is better to close the 'loopholes' in the system, whilst Vicky was concerned for the cost to the taxpayer. Notably, all three of the advocates for joint assessment shared income with their partners or spouses, but each took different approaches to their own assets.

"I think the reality is they should be assessed together, erm, although that would put a strain on the relationship. But, erm, I think it's better to close loopholes personally."

Ian, married with children

"I think it saves the Government a lot of money. I, I'd like to say it's wrong. But… there isn't a magic money tree, and you can't give out what there just isn't, and money, the money that's available should be saved for the people who are in the biggest need, and while there is money here. Other people are in a much worse situation."

Vicky, unmarried no children

It is worth considering that the responses are not entirely unbiased. I have primed the participants by asking them how they would feel if they were in Jude's and in Alex's position prior to asking them whether or not they believe they should be assessed jointly or individually. In this way, I have asked them to put themselves in the shoes of Alex and Jude, and this may have influenced their response, likely making them more compassionate with those that do find themselves in this position.

8.2.7 Gendering Alex and Jude

Interestingly many of the respondents intuitively assigned Alex and Jude genders, variously referring to each of them as 'him' or 'her'. It is difficult to derive any meaning from this. Although I deliberately chose gender neutral names, it may be that the respondents have a close female friend called Alex or Jude and thus automatically allocated them a gender based on their familiarity or association with the name, albeit also assuming that they are a heterosexual couple, which again was not clear from the vignette. That said, there may be other ways in which they are allocating Jude and Alex genders. Firstly, it is possible that they are applying genders based on what Alex and Jude do; for example they may associate working in a café and studying more with women than with men or vice versa. The alternative explanation is that the participants apply genders based on their own experience, and who they identify the most with within the couple, again oft presuming that this is a heterosexual couple the other partner is then allocated the opposite gender. It is impossible to say why this is the case and reveal any meaningful pattern from this small-scale study. However, how and why people apply genders to Alex and Jude, and indeed whether Alex and Jude's perceived genders affect whether or not Alex should be entitled to state support, or greater support from Jude, is worthy of further research.

8.2.8 Entitlement in difficult times summary

Together the responses to Alex and Jude's situation demonstrate at this stage in their relationship respondents did not feel that Alex was entitled to use Jude's savings to support themselves. Particular resistance was reserved for using Jude's inheritance to cover everyday expenses, reflecting the special meaning that respondents placed upon inheritance.

Being in a position of need, and being unable to contribute equally to the household expenses invoked widespread discomfort, inducing feelings of stress, anxiety, guilt,

embarrassment, and shame. This demonstrates the severe impact financial hardship can have on an individual, even when it might seem as though the couple have the funds to survive a period of financial hardship. Further, by asking participants to put themselves in a position of dependency, offers a more nuanced perspective on the differential value placed on independence by men and women, documented both in Chapter 8 and in the income sharing literature (cf., Halleröd et al., 2007, p. 147; Nyman & Reinikainen, 2007, p. 69). For here, men's responses revealed a concern for their identity as a man. Thus, dependency is framed as a threat to their masculinity, but not their autonomy or self-determination.

Many respondents were only able to imagine accepting Jude's assistance when it was framed as a loan, but this did not serve to eliminate feelings of discomfort, and it was still very much presented as a last resort. Framing it as a loan, which needed to be paid back, reinforced the view that they took an individualised perspective to Jude's financial assets.

Together these responses demonstrate that, in this scenario, respondents still thought that Jude's money and Alex's money were separate. This reinforces the findings of Chapter 7: at this early stage of the cohabiting relationship, couples tend towards an individualised approach to organising their finances, splitting joint expenses, rather than sharing income or wealth. With this individualised approach the inequality in Alex and Jude's wealth positions, is accepted, and even expected to be preserved.

Given these findings it is perhaps unsurprising that there was widespread support for Alex and Jude to be assessed individually for state support. What is clear, is that if marriage is presumed to be a situation in which couples share their assets fully and equally, and have an obligation to provide for one another through the hard times, then for the vast majority of the respondents in this research, Alex and Jude do not pass this test. To put it in terms commonly used in UC assessments, they are not yet living together as if married. Yet in all likelihood, based on the tests and assumptions of UC, they would be treated as if they were.

8.3 Relationship breakdown: entitlement to assets

In this section I analyse responses to two vignettes which asked respondents to consider what would and what should happen to two cohabiting couples' assets when they

separate. These vignettes were originally designed and tested by Rowlingson and Joseph (2009, pp. 67-68). Firstly, I review the responses to John and Sarah, who as I will demonstrate, were largely deemed to be 'as good as married' by participants. Secondly, I analyse the responses to Ken and Margaret who were approached rather more individualistically by participants. In the discussion, I situate these findings in the context of the extant literature, and consider what can be revealed by comparing the differing responses to each of the vignettes.

8.3.1 John and Sarah: the equivalent of married

The first vignette focused on John and Sarah, who had been together 15 years, had children together and had bought a house together. Here, I explore the themes in the responses to John and Sarah's position, which highlights much uncertainty about what would happen to John and Sarah's assets on separation, but fairly strong opinions on what should happen. Despite claiming that John and Sarah were the equivalent of married, and that assets should be split equally, the respondents were largely unsure what should happen to John's pension. In this section, I provide evidence to support this summary.

8.3.1.1 Uncertainty about what would happen to John and Sarah's assets on separation

The participants in this study expressed mixed and uncertain views about what would happen to John and Sarah's assets on separation. The answers were generally split into three categories. Firstly, there were those who maintained an individualised approach to the assets and believed that each partner would simply retain what was in their own name. As demonstrated below, these responses often noted that John and Sarah weren't married, so Sarah's entitlement was restricted to any assets held in her name or held jointly.

"Cause they're not married, so it can't be split between them. So I think I think it would just go on the individual, for whoever is in that name of, I'd say."

Bianca, unmarried, no children

"I think it depends on what assets they actually have. And depends on, if, for example that's been saved in an account in both their names. If it's individually, then it's their, it's nothing to do with each other, it's their individual accounts. If the accounts are joint though, I think, it'd

be a conversation, as to how they would be separated, if it was in a joint account, given that both the names are on it."

Thea, unmarried, no children

"actually they're not married, as well, so she's not entitled to anything. In that case, I guess"

Sasha, unmarried, no children

The second set of answers believed John and Sarah's assets would be split equally, that through the duration of the relationship, sharing a property and having children together, this couple were effectively married and would be treated as such. It is worth noting, as I discuss in greater depth below, their idea of 'the assets' did not necessarily include John's pension assets.

"I think it depends on the length of time. I think I think if you've been cohabitating for a certain length of time, and there's joint assets. Then I think it is considered equal. I might be wrong in that, though."

James, married, with children

"I think it would be split evenly"

Michael, married, with children

"I would think they would split things 50 50"

Naomi, married, no children

It is not clear by what method the participants think this would be decided. In contrast to Rowlingson and Joseph's (2009) findings, the participants did not reference common law marriages directly, but this split in beliefs is consistent with previous survey evidence that almost half the population believes in the *'myth of the common law marriage'* (Barlow, 2020, p. 44).

The third and final group of responses reflects the opinion of just a small number of participants who made the argument, if John is a *'nice'* or *'generous'* person then he will provide for his children by splitting his assets or providing. Implicitly, this is an acknowledgement that they do not believe that Sarah is legally entitled to the assets, but that most nice people would provide decently for their children.

"I don't really think… John owes anything to Sarah if they were to split. Yeah it would totally be John's efforts and John's saving, and if John is very generous and kind, probably he would give 50%, um you know 50% to his family…if John is very stringent about all his, you know, savings and all his properties and assets... John could still hold it back because it's his hard work, and it's his money, because here neither children or his wife has contributed for the mortgage."

Nathan, married, no children

"if John was a nice person let's call it like that, and he would probably want his children to be looked after and have a good life, so would be happy to still cover for the for the living and and his ex-wife. If not, I guess this whatever the legal options there are to make sure that they are looked after. But yeah, I don't know much about how that works, I I have to be honest."

Anna, engaged, with children

Taken together, there is much uncertainty about what would happen to John and Sarah's assets should they separate, demonstrating not only a lack of knowledge about the legal framework that would dictate ownership in this situation, but also that there is no standardly accepted social norm about what happens in these situations.

8.3.1.2 They should split the assets equally

Whilst respondents had mixed views and acknowledged uncertainty regarding what would happen to John and Sarah's assets should they decide to separate, many were more confident in asserting what they believed should happen. The vast majority maintained that John and Sarah should split their assets equally, although John's savings and pensions were not always deemed to be included in this, this is a subject to which I will return later on.

For the first group of participants described in the previous section, this meant that there was a gap between what they thought would happen and what they thought should happen. These participants tended to believe that Sarah was entitled to, and indeed would get, little, but that she should receive more.

"So, morally, morally, they should split it, but legally they don't necessarily have to"

Bianca, unmarried, no children

"I think I think Sarah should have a right to half of everything that John has. I don't see that it's fair that if they're married or not. That she has more or less of a claim"

Ben, unmarried, no children

Whilst for the second and third groups, there was greater consistency between what they thought would happen and what should happen. The second group asserted that John and Sarah's assets would, and should, be split equally, again with some reservations regarding John's pension and savings. The third smaller group maintained it is reasonable for any division of assets to be at John's discretion.

There were several notable exceptions to this point of view, and interestingly this view was only expressed by male participants, and that was, that Sarah should receive an amount commensurate to what she has put in, or equivalent to what she could have put in had she not been taking care of the children. Effectively, this would be an amount that compensated her for her loss of earnings. This is a more individualistic approach than the response given by the majority of the respondents. There is also an implied assumption in that Sarah would not have been the primary earner in the relationship even if she had not had children, for if she were, her entitlement would be more than half of the assets, whereas the examples the respondents offered implied it would be less.

8.3.1.3 Much uncertainty regarding pension assets

Although the majority of respondents maintained both that John and Sarah should be treated as if they were married, and that they should split their assets, many were unsure about whether this should include John's workplace pension. This was largely explained by a lack of knowledge or uncertainty about pensions.

"I don't really know on the pension front"

Ed, married, with children

"I'm not sure about the investment to workplace pension, I don't know what happens with it"

Isla, unmarried, no children

"I just don't know enough about pensions to comment"

Ursula, married, no children

For those that chose to comment on John's pension assets, the responses largely argued that John should retain the pension assets:

"I wouldn't think that his pension… should be split."

Harris, unmarried, no children

"I'm presuming… that [the pension] would just be his"

Maeve, married, no children

"So he keeps the pension, and the saving[s]"

Georgia, unmarried, no children

In some instances, this assertion that John should retain his pension, and in some instances his savings, conflicted with the respondent's previous assertions that John and Sarah's relationship was the equivalent of marriage, and that their assets should be split equally.

As one participant explained, part of the confusion arose from the fact that pension assets weren't currently easily accessible, and by the time they were, the respondent was optimistic that Sarah could have improved her own position.

"it's not something that I'm entirely knowledgeable about. So, I suppose he wouldn't be able to access his, his pension yet. So I I guess, because he probably would [not] be able to access his pension for another, sort of 15, 20 years. I guess maybe not split that one, even though he's been paying into his, I guess by the time he's able to spend his say, she should be in a better position herself."

Philippa, unmarried, with children

Meanwhile, a small number of participants advocated for also sharing the pension assets. As Lucas explains, Sarah hasn't had the opportunity to build up her own pension as she has been looking after the children.

"I think probably near to a 50 50 split…so definitely the house, er, definitely saving. I'm not sure about, how I feel about the pension. Yeah, I think the pension as well. She hasn't really had a chance to get one so, yeah."

Lucas, engaged, no children

Together this demonstrates a substantial lack of knowledge and a great deal of uncertainty regarding the treatment of pension assets at separation. This leads to pension assets being treated differently by participants, in a way that isn't immediately clear from, nor necessarily consistent with, their earlier responses that John and Sarah should be treated as if they were married, and that their assets should be shared equally. This implies that respondents are not aware that pension assets accumulated within marriage would likely be considered matrimonial assets, and that married couples would likely receive guidance on this at the point of divorce. The responses of the participants suggest many are not aware of the differences in entitlement when making the decision on whether to get married or not.

8.3.1.4 As good as married

The long duration of John and Sarah's relationship, together with the fact that they own a house together and have children together, are all used as reference points to justify that John and Sarah's situation should be treated equally to marriage.

"I think it should be as if they were married, they've been living together 15 years. I don't know at what point like when the line should be drawn, but they've been paying into a mortgage together for 10 years and living together for 15 years…and have 2 children together"

Maeve, married, no children

"I think the reality is, okay. They obviously got house together. They got kids together. They've been living together for a long time. You know so the reality is they are a couple."

Ian, married, with children

"because it's 15 years and they got the 2 children, they got the bond yeah because of the children"

Heti, married, with children

"I don't think it would make any difference if they were married, to me"

David, unmarried, no children

Amongst those that felt that things would be different if they were married, there was an acknowledgement that although they thought that marriage did make a difference legally, they didn't believe it should make a difference.

"I'd probably think the same, but then I'd be more, more sure she'd get her half"

Lucas, engaged, no children

"I don't see that it's fair that if they're married or not. That she has more or less of a claim."

Ben, unmarried, no children

"For me marriage has no no impact at all. I know it does… I understand it does legally… I don't think married people should be treated any differently to unmarried couples, in terms of no financial implications."

Ed, married, with children

"I don't think Sarah should be penalized in the fact that she's been, I assume, staying at home looking after the kids, I don't think she should be penalized, because being a full-time mom is a job, right, it's hard work. So, I don't think she should be penalized just because she's not married, and just because she wasn't working "

Georgia, unmarried, no children

Interestingly, even the few respondents who held very individualistic views and felt that Sarah shouldn't be entitled to much on separation from John, maintained this view, whether or not they were married.

8.3.2 Ken and Margaret: an individualistic approach

The second vignette on the subject of the allocation of assets and debts at the point of separation introduced Ken and Margaret, who had been living together for the past 5 years in Margaret's house. Again, the original version of this vignette was used in Rowlingson and Joseph's (2009) study. I find that the respondents approached Ken and Margaret's situation individualistically, placing heavy emphasis on the fact that Margaret's house predated the relationship, and Ken had made no contribution to its

acquisition. This was largely justified on the basis that nothing had happened that would entitle Ken to Margaret's assets.

8.3.2.1 Individualised views

Interestingly, participants reacted very differently to Ken and Margaret's situation to John and Sarah's. Here, respondents universally felt that Ken and Margaret's assets and debts were their own, and that should they decide to separate, that's the way things should, and indeed would, stay. Many were particularly emphatic regarding Margaret's house, which they stressed was her own, to which Ken had no rights.

"Literally I mean I don't see why, why he should get Margaret's house. She owns it out right, it's in her name, I don't think…he should get [the] house, otherwise everything else, I think, his credit card debt should be his."

Ella, married, no children

"Well, it's Margaret's house, so I'm guessing, it's her in her name. So, if she separated it'd still be her house... There's a company pension, so I think that would still be his. And his debt would still be his."

Lisa, married, with children

"I guess, nothing. I don't think it's gonna affect Margaret's assets or Ken's assets if they're separate… I don't think it's gonna change anything."

Sasha, unmarried, no children

"I don't see why, why Ken would have a claim to Margaret's house."

Ben, unmarried, no children

"errrrm. I'm leaning towards nothing, because it doesn't, Yeah, cause they live in Margaret's house, which she owns outright. It's not like Ken's contributing to the mortgage or anything. So I don't think he has any like right on the property, if they split up, or anything. So I don't think anything would happen"

Kate, unmarried, no children

8.3.2.2 Assets predating the relationship should be kept separate

The individualistic approach taken to Ken and Margaret's situation appears to be predicated on the belief that their respective positions predate the relationship. Respondents show strong resistance to Ken and Margaret sharing assets which each held before they entered a cohabiting relationship. This applies to Margaret's house, Ken's pension and indeed to Ken's debts. Responses emphasising that Ken and Margaret should retain whatever assets and debts that were previously their own were common, again emphasising an individualistic perspective of the assets.

"I think, they, they should just leave with whatever each of them owned in a way, so she should stay with, with her house. And he should still have, have his debt"

Anna, engaged, with children

"it's still Margaret's house, it's up to her if she wants to share, you know add him to the deeds then fine, but, it's still, even if they were married, it's still her house"

Lisa, married, with children

Implicitly, respondents do not want Ken and Margaret to share what was their own before the relationship. Some respondents were explicit on this point, explaining that those assets were built up before they entered a relationship with one another.

"I think it's it's probably something about the fact that she she built that before her relationship with him."

Maeve, married, no children

"Margaret built up that life through previous lives, if you see what I mean, previous marriages, previous divorces, and things… they've both had previous lives, where they built up those assets kind of independently of each other."

Juliet, married, no children

"I don't know if it's a bit ageist of me, but just because they are older, and then you know, they carved out their own you know financial assets, you know, from previous marriage. I don't think that should then just be split 50 50"

Ria, married, with children

8.3.2.3 No contribution, no rights

For some participants it is Ken's contribution, or perceived lack thereof, that dictates what he is or isn't entitled to should the relationship breakdown.

"there's been no sort of mutual contribution to… Margaret's house. I mean like having kids, and, you have to do a lot of effort and time into raising kids, and paying a mortgage, so I don't think it would be fair just because they live together, he gets a bit of her house or vice versa"

Ben, unmarried, no children

And for some respondents this lack of contribution was seen as more important than whether or not a couple were married. As Kate explains

"it does change things. If you are married…because if they were married, then unless they get like a prenup or something, then he's kind of entitled to some of her house, I think, isn't he? But…I think if you've like, you've worked for something, and it's been yours for like a set amount of time, just because somebody comes in and marries you, I don't think that grants them the right to like to own half of it, if you've not contributed to any of that."

Kate, unmarried, no children

"Ken maybe doesn't have rights to the house, because he hasn't contributed to the payment of it… my gut's telling me that it would be different if they were married. But it shouldn't, because if she already, I suppose we don't know if she own- owned the house outright before they'd got together, or if he did contribute some towards it, and now she owns it outright. So again, I think it's, it would depend on that as well, because then he would have some sort of right to something if he has kind of contributed to the mortgage."

Ursula, married, no children

Again, the implicit acknowledgement is an awareness that legally, being married may change Ken's legal entitlement but in the respondents' opinion, it shouldn't, for in the respondents' view Ken has not contributed to their attainment, this then becomes a question of desert in the respondents' minds, and via his lack of contribution Ken is found to be undeserving and unentitled to a share of Margaret's assets.

8.3.2.4 Nothing has changed to entitle Ken to Margaret's assets

Almost as if to provide further evidence of Ken's lack of entitlement to the house, some respondents argued that nothing had happened that would warrant changing their individualistic perspective.

"after such a short time, and not being married, or not having kids together, not as really having assets together... Then I think they should just go… their own way, with whatever… they had when they started the relationship"

Anna, engaged, with children

"So, they're not married, his name's not on the mortgage, and they don't have kids. So, if they separate, Margaret's house is Margaret's house…I think, because none of those 3 key boxes are ticked in terms of the marriage, the kids, or both names on a mortgage together. The house, is Margaret's."

Michael, married, with children

"Well, the house is Margaret's, it's nothing to do with Ken. So, Ken has no say in that, they're not married, so it's nothing to do with him. And the same with Ken's outstanding credit cards like that could potentially be something to do with this previous marriage, so again, it's nothing to do with Margaret. So that is for Ken to deal with, and sort. Erm, that might be something they discuss together, if Margaret wants to, I don't know, help then that's on Margaret, but in my eyes, it's nothing to do with her."

Thea, unmarried, no children

Implicit in these statements that Ken and Margaret are not married, they don't have children and that they haven't bought a house together, is a signal that these events are deemed as important to the respondents in assessing the level of entitlement or obligation they have to one another should they decide to separate.

This reveals ambiguity in the approach regarding marriage since the absence of marriage is used as a reason to justify why Margaret and Ken should be treated individualistically. Yet in the previous example the fact that John and Sarah were unmarried was largely dismissed. This suggests that the other factors are of potentially greater importance to the participants than whether or not a couple is married.

Whilst most participants made little reference to the five year duration of Margaret and John's cohabitation, the few that did appeared to have more sympathy for Ken's position.

8.3.3 Splitting up: legalities and guidance

8.3.3.1 Little awareness of cohabitation agreements

Just one participant spontaneously mentioned that she and her now husband had a cohabitation agreement when they first moved in together. This had been on the advice of her solicitor, who mentioned it when she was buying her house at a young age, before she had met her future husband.

On asking participants about whether this was something they had ever considered when they first moved in with their partner. The overwhelming response was no; most had never heard of a cohabitation agreement.

"No, I've never heard of it"

Danielle, engaged, no children

"No, I haven't. I haven't, I haven't heard of it"

Harris, unmarried, no children

"No, I'd never heard of it"

Naomi, married, with children

"No, I, I've never considered it, and it's only you saying it now, that I like maybe think, 'Oh, what is all that about?'"

Olivia, unmarried, no children

Some couples had discussed what they would do if they split up, but many hadn't, and most were making the assumption that they would each take what they had put in.

For women, or indeed men, who had prioritised childcare over their careers in terms of both number of hours and career progression, whilst in a cohabiting relationship, puts them at a serious disadvantage as compared to their married peers.

8.3.3.2 Split views on the level of involvement of the state

It is interesting that many respondents felt that in the case of Sarah and John, cohabiting partnership was deemed the same as a marriage and should be treated as such, and yet, when it came to whether or not there should be more legal guidance or involvement from the state in these issues, the views were varied.

There was however a strong desire for more education, and more guidance on the subject. It was felt that people needed clarity so that they could make their own decisions, and where necessary protect themselves, and their interests.

8.4 Entitlement: whose wealth is it anyway summary

The vignettes asked participants to consider a young, low-income couple where one partner has inherited some funds whilst the other has recently lost their job, and two vignettes used in an earlier study by Rowlingson and Joseph (2009) which explored entitlement to assets at the point of separation. This chapter explores the issue of entitlement, primarily using evidence from the deliberative stage of the interviews.

Echoing the findings of Chapter 7, responses to the vignettes reveal substantial levels of individualism in the approach to assets and debts, particularly in the early stages of a relationship. Assets which predate the relationship are often viewed differently to assets generated within the relationship, and are ringfenced in the participants' minds as the individual's own. Inheritance and homes owned before the relationship commenced are particularly emotive, and evoke strong feelings of individual ownership. This provides further evidence to support the *'spheres of sharing'* documented in section 7.5.2.

In the assessment for asset-means-tested benefits, the duration of the relationship, whether the couple own a house together, marriage and having children together are all seen as important, but not definitive, signals of togetherness. In their absence, respondents felt individuals had no entitlement to one another's assets and advocated for an individualised approach to assets-means-tests.

When it came to separation, respondents believed entitlement to a share of household assets must be earned, either via joint financial contribution, or through the care of children. Despite widespread belief that unmarried couples who have been in a long-term relationship, and have children together, should be treated as if married at the point

of separation, there was less confidence in what would happen should they separate. Even greater uncertainty was reserved for the treatment of pension assets. This lack of awareness regarding the treatment of assets, and particularly pension assets, at the point of separation is concerning given the intra-couple and gender wealth gaps highlighted in Chapter 6.

The findings further reveal ambiguity in the participants' responses regarding the importance of marriage. Marriage is considered unimportant for John and Sarah, who the participants felt should be treated as if married, and yet the absence of marriage is used as evidence for why Ken and Margaret should not split their assets. In this way, the duration of the relationship, whether or not they have children and whether they have bought a house together are deemed to be more important signals of togetherness than marriage itself.

Notably there is a surprising level of consistency with the findings of Rowlingson and Joseph (2009) on what should happen to assets and debts in the event of separation, given the 13-year interval between studies. This suggests that consensus for the design of any cohabitation rights bill, revisions to divorce and civil-partnership dissolution or assets means tests, is possible.

The study contributes to the literature on gender and the intrahousehold economy, and has important implications for policy design, particularly asset-means-tests, the estimation of the gender wealth gap, and for the proposed Cohabitation Rights Bill.

Chapter 9

9 Conclusion and policy implications

9.1 Introduction

This chapter aims to draw together the findings of the preceding chapters and consider the resulting policy implications. To do this I firstly summarise the findings of each of the chapters before moving on to discuss the key themes. I then consider the policy implications stemming from this work. Finally, I consider suggestions for future research, before making my final concluding remarks.

9.2 Summary of findings

The central aim of this thesis was to contribute to the field of wealth and wealth inequality in the UK, approaching the issue from a policy perspective. I do this in two parts. In the first, Part I, I use quantitative data from the Wealth and Assets Survey to address four key gaps identified in the extant literature. Firstly, I examine the issue of measurement, specifically in regard to the appropriate reference unit, and the use of equivalisation in wealth estimates. Secondly, I evaluate the *'liquidity problem'* should a net wealth tax be introduced. Thirdly, I consider individuals' wealth holdings from a longitudinal perspective, to consider both changes in their absolute wealth and mobility within their cohort. Fourthly, I examine wealth sharing within couples and estimate the gender wealth gap. In the second part, '*Part II'*, I further explore the allocation of wealth within couples from a qualitive perspective. Here I summarise the findings.

Part I, commences with Chapter 3, *'Measurement matters: A policy perspective on the measurement of wealth'*. I highlight why issues of measurement are important for those interested in wealth from a policy perspective. I demonstrate that questions regarding the reference unit and the approach to equivalisation can materially affect wealth estimates. Most importantly for policy purposes, these choices affect who is considered *'wealth rich'* or *'wealth poor'*. I highlight the perverse results that can stem from poor methodological choices in this regard, particularly when using equivalisation methods in the presence of negative household wealth. Further, I emphasise the importance of considering the position of children, both in how the chosen method includes or excludes children from the analysis, but also to ensure that due consideration is given to the position of children within the chosen methodology.

Some might read this chapter with the expectation that they will be given a clear solution. Regrettably, there is none. I do however raise awareness for the potential issues, and provide guidance for researchers, such that they can negotiate a method that is appropriate for their analysis, whilst also being cognizant of its potential pitfalls.

Some of the measurement issues highlighted in Chapter 3, are then further evidenced in Chapter 4, *'Liquidity Issues: Solutions for the asset rich, cash poor'* which I co-authored with Glen Loutzenhiser as part of the Wealth Tax Commission. This version is published in Fiscal Studies. In this chapter, I estimate the extent of the perceived *'liquidity problem'* when introducing a net wealth tax, and who is likely to be affected. My co-author provides the legal insight and expertise for the potential solutions to the 'problem'. This chapter makes an important contribution to consider a problem that is oft cited by opponents of net wealth taxes, offering both the first attempt at estimating the scale of the problem and offering potential solutions.

Our results show that the scale of the problem largely depends upon how the issue is conceptualised, together with issues of design, such as the threshold for tax and the rate at which it is applied. In support of the typical narrative, we find that farmers and business owners are over-represented amongst those identified to be at risk of experiencing liquidity challenges. In contrast, single pensioners are not over-represented within this group. We offer a number of preferred solutions to ease the issue.

In addition to the conclusions explicitly reached within Chapter 4, it is also worth highlighting what can be inferred from these results. The individuals who are likely to experience *'liquidity problems'* have sufficient wealth over the various thresholds to incur a net wealth tax charge. Yet, they do not have income commensurate with that wealth. One characterisation of people with comparatively small income and liquid resources to the scale of their wealth is that they are likely to suffer *'liquidity problems'* should a net wealth tax be introduced. An alternative characterisation is that they pay a comparatively small amount of income tax compared to the scale of their wealth.

In Chapter 5, *'Intra-couple allocations of wealth and the gender wealth gap in Great Britain',* I exploit the availability of individual data in the WAS to explore the allocation of wealth within couples and estimate the gender wealth gap. I demonstrate that there is a significant wealth gap within couples who live together. I argue that this finding is

indicative that couples do not necessarily share their wealth fully nor equally within their relationships. Ignoring the intrahousehold allocation of wealth gives a skewed and inaccurate picture of the gender wealth gap. Thus, I argue it is necessary to have individual wealth data for all individuals when estimating the gender wealth gap. Doing so for the UK population, I find a substantial gender wealth gap, which differs across age, distribution and asset type.

In Part II, *'Wealth sharing within couples who live together',* I draw on evidence from 35 qualitative interviews to further consider wealth sharing within couples who live together. Together these chapters extend the income sharing literature to actively consider wealth and build on the small body of wealth sharing literature. Further developing the qualitative evidence on intrahousehold wealth sharing. In so doing I offer important insights into how and why couples organise their assets and debts in the way that they do. I further situate these findings in the context of the participants' approach to their expenses and income.

In Chapter 6, *'Wealth sharing within couples who live together: a journey'*, I focus on how couples organise their assets and debts. Here I give narrative to the complex and dynamic ways respondents organise their economic resources within the home. I further highlight the key events that can act as triggers for change. I argue that these events are not determinant and can be used to both increase sharing or entrench individualistic approaches and pre-existing inequalities. Importantly, I observe that assets are only rarely shared at the beginning of a cohabiting relationship. The evidence I put forward demonstrates that assets and debts even of the same type can be treated differently pending the source and timing of their acquisition. I contend that to assume wealth is allocated in the same way as income would be misleading, and in many cases would be an inaccurate reflection of the organisation of wealth within the household. Thus, I document the different *'spheres of sharing'* for researchers to consider when investigating resource allocation and its implications within the household.

In Chapter 7, *'The social power of wealth allocation within couples who live together',* I move on to consider why couples organise their assets and debts in the way that they do. I argue that the allocation of wealth within couple relationships is laden with social meaning and issues of power and control. I focus on four inter-related themes of equality and fairness, independence, perceptions of ownership, and relationship quality. Here I

give narrative to the social meaning of wealth allocation within the household, developing the invaluable work of Zelizer (1994) and Stocks et al. (2007).

Importantly, I note that status equality is often valued by participants above equality of economic resources. Furthermore, participants often actively accept, and even protect, inequalities of income and wealth in order to protect their equal status within the relationship. Equal contributions to joint expenses are often used by the participants as a signalling mechanism, both within the relationship and to the outside world, that they are *'equals'*. In this way inequalities of wealth can accumulate. So great is this desire for equal status that at times this can become performative. In contradiction to prior assumptions this can be driven as much by the lower resourced partner as by the higher resourced.

In echoes of the income sharing literature (see for example Bennett et al., 2012; Burgoyne et al., 2006; Halleröd et al., 2007), women demonstrate a strong desire for independence. This serves as a mechanism towards greater individualisation in the approach to economic resources within the household. In this study women's desire for independence is often linked to the desire for self-sufficiency, autonomy and self-determination. In stark contrast, men's desire for independence is more commonly driven by a desire for privacy and conflict avoidance.

In the final empirical chapter, Chapter 8, titled *'Whose wealth is it anyway? Issues of entitlement within couples who live together',* I consider responses to the deliberative part of the interviews, which aimed to explore issues of entitlement via a series of vignettes. This offered insights into how participants felt couples should organise their assets and debts.

In echoes of their own wealth sharing journeys, participants believed couples should take an individualistic approach to their assets and debts in the early stages of their relationship. Marriage, having children together or buying a property together were seen as key signals of togetherness, but in their absence, individuals have no entitlement to one another's assets. Assets which predate the relationship were often viewed differently to assets generated within the relationship and are ringfenced in the participants' minds as the individuals' own. Inheritance, and homes owned before the relationship

commenced, were particularly emotive and evoked strong feelings of individual ownership.

Here, Chapter 8 offers a more nuanced perspective on the gendered narratives for independence, seen in Chapter 7, and indeed in the income sharing literature. For when asked to imagine themselves in a situation of dependency, men's responses reveal a concern for their masculinity, and their identity as a man. Thus, for men, dependency is perceived to be a threat to their masculinity, rather than as a threat to their independence, autonomy, or self-determination.

Crucially, it was almost universally maintained that the imaginary couple who had only recently moved in together should have their assets assessed separately for the purposes of assets means tested benefits. It was also the common view that for the purposes of separation, entitlement to a share of household assets, beyond those contributed by the individual should be earned, via joint financial contribution or via the care of children. Whilst many participants were confident in asserting what should happen to the various couples' assets in a given situation, there was much uncertainty as to what would happen, and this was particularly true in regard to pension assets.

Chapter 8 triangulates the findings of chapters 6 and 7, through an exploration of what participants believe other couples would, and should, do in the given situations. There are areas of great consistency between what couples do in their own relationships, as documented in chapters 6 and 7, and what they think others should or would do. Most significantly the substantially individualistic approaches in the allocation of assets and debts, particularly in the early stages of relationships, documented in chapters 6 and 7 is echoed in the responses to the vignettes. This suggests that there is much scope to develop consensus for when a couples should be treated as a pair of individuals, much like flatmates, and when they should be treated *'as if married'* in policy.

Taken together, the qualitative chapters indicate that it cannot be assumed that wealth is shared fully and equally within the household. Moreover, the allocation of wealth within the household is not a matter of mere economic transaction, but one that carries significant social meaning. These findings have important implications for many areas of policy, which are addressed in section 9.4.

9.3 Discussion of key themes

Before moving on to the policy implications, I pull out two key themes for further discussion: the first regards measurement, and the second the (gendered) allocation of wealth within couples. Here, I draw together the findings from the preceding chapters, and situate them in the broader context of both this research and the literature.

9.3.1 On the measurement of wealth

The first theme I address is on the measurement of wealth. In Chapter 3 I explicitly engage with the issues of the relevant reference unit, equivalisation and the appropriate unit of analysis or weights applied. I demonstrate that all choices are relevant and material when considered in a policy context. Here, I build on the work of economists to move the question of measurement from an academic debate to a policy issue with serious consequences on who is helped, and who is taxed, when wealth is measured in different ways.

In many ways, the evidence I put forward in Chapter 4 reinforces this point. Here who is at risk of experiencing low liquidity depends upon whether income and assets are assumed to be shared, and whether a tax is implemented on individuals' or on couples' wealth. In Chapter 5, I demonstrate the significance of measurement choices on the estimation of the gender wealth gap.

Taken together these chapters serve to highlight the crucial importance of measurement when considering wealth. Wealth is often considered to be a household characteristic, so much so that it is rare for individual wealth data to even be collected. The findings put forward throughout this text, demonstrate that much is missed when this view pervades unchallenged, particularly in research and policy contexts.

Crucially our understanding of wealth and its effects may be misinformed by poor measurement choices, and I have made the case that researchers must give much more attention to the effect measurement issues may have on their findings. The work I put forward demonstrates the importance of collecting individualised wealth data for researchers to more carefully consider intrahousehold allocations of wealth.

Regrettably, there are no easy solutions to the questions posed, for the appropriate mode(s) of measurement are likely to depend on the circumstance and intended application. The evidence I have put forward brings together the academic arguments

put forward by economists on the measurement of wealth, with the meaningful insights drawn from the sociological perspective on intrahousehold resource sharing. Together, I believe I have made a strong case that this is an area that requires much more careful consideration than has been extended to it to date.

9.3.2 The (gendered) intrahousehold distribution of wealth

Taken together, the evidence put forward in this thesis extends the intrahousehold resource sharing literature to actively consider the allocation of wealth. Quantitatively, I evidence that many couples report holding different amounts of wealth. Qualitatively, I reiterate that finding. Together, the findings contradict assumptions that wealth is shared fully and equally and indicate towards individual wealth being important an research interest, and moreover relevant for policy design.

In many ways my findings echo those of the income sharing literature. The allocation of wealth within the household is similarly laden with social meaning (cf. Zelizer, 1994; Hallerod, Diaz and Stocks, 2007, p. 144). What is shared, when and how is not simply a question of economic allocation but carries with it emotion and sentiment, and the impact is often gendered.

Yet, this is not to say that the allocation of wealth within the household is the same as the allocation of income. On the contrary, the evidence I put forward suggests that much is missed regarding the intrahousehold allocation of resources based on income alone. Indeed, ownership of assets and the social meaning placed upon assets can be very different to that placed upon income or expenses. Moreover, different types of assets, and assets acquired at different times or through different means, can be both owned differently, and have different meaning placed upon their use.

The wealth literature to date has largely overlooked this. The evidence I put forward demonstrates the need to consider it.

9.4 Policy Implications

The evidence put forward in this thesis has wide ranging implications for policy, and for law. As outlined in the introduction, there are many policies which consider or affect the wealth holdings of the UK population. Here I discuss the policy implications stemming from the evidence I have put forward.

9.4.1 Universal credit, and assets-means-tested benefits

Universal credit is assets-means-tested, and this test is not scaled for benefit unit size. This means that the capital allowance is the same for a single adult living alone, a couple living together without children, single parents living with children and couples living with children. In contrast, flatmates would be assessed separately, as would two adult siblings living together, so too a parent and an adult child; meaning that their combined capital allowance would be substantially higher than those assessed together.

The test places heavy emphasis on whether or not a couple live together. If a couple does live together then it is assumed that they are *'living together as married'* and should be treated as such. The DWP's test of whether a couple is *'living together as married'* is guided by a 15 page document, *'Chapter E4: Universal Credit, living together as a married couple'* (Department for Work and Pensions, 2013). However, the sum of this guidance is if the couple are in a romantic relationship, and this relationship is legal then they are *'living together as married'*, and should be assessed jointly. Thereby assuming that each has access to the other's assets, and that these are shared jointly and fully.

Yet, as I have demonstrated, couples largely do not share assets at the point of moving in together. At this stage in the relationship, they may not even have disclosed the value of the assets that they have. Further, the findings suggest that the respondents do not believe that people should be financially responsible for, nor dependent upon, their partners at this stage in the relationship, if ever.

Many thousands of individuals' UC applications are rejected due to their partners' capital (Baumberg Geiger et al., 2020, p. 15). It is likely that there may be others who do not pursue an application, upon finding out that they would be assessed jointly.

Numerous authors have criticised the joint payment of UC (Bennett, 2011). I go further and suggest that joint assessment of UC should be revisited. My strong inclination is that UC should be individually assessed, at least in the early stages of cohabiting relationships. DWP should not presume access to one another's assets, nor create a situation of state enforced dependency within the relationship.

Further, in order for married and long-term couples not to be disadvantaged vis-a-vis new couples, or alternative household arrangements, the capital allowance for married couples and families should be scaled according to household size. This is a significant

change to policy, and quite possibly an expensive one. That said, in a situation where couples have reported living apart to retain their benefits (see Griffiths, Wood, Bennett, & Millar, 2020, p. 34) or where joint payments created such uncertainty that the couple separated (see Griffiths et al., 2020, p. 104), removing this barrier to living together may in some instances counter-intuitively reduce the burden on the state. More research is required in this regard. Almost certainly, the administrative burden for both state and applicants could be reduced by individualised assessments.

Whilst my strong inclination is towards individualised assessment, I am conscious that this may adversely impact lone parents as compared to two parent households. Thus, I recommend further research on the appropriate treatment of capital thresholds for single parents and blended families, to ensure that single parents and their children are not disadvantaged, but nor are they disincentivised from creating blended families. I have framed this discussion around UC, but the arguments similarly apply to any asset-means-tested policy.

9.4.2 Net wealth tax

There are some obvious implications stemming from Chapter 4, which estimates the scale of the liquidity problem should a net wealth tax be introduced. Undoubtedly, there will be some who experience liquidity problems. To some extent, this is the very purpose of a net wealth tax, for if it simply taxed people in proportion to their incomes, then it would be far simpler and cheaper to increase the rate of income tax. I have demonstrated that concerns for business owners and farmers are not unfounded. My co-author for Chapter 4 offered numerous opportunities to mitigate the impact for those likely to experience liquidity problems.

The evidence I have put forward further demonstrates the need for careful consideration of the tax unit for any net wealth tax. Couples rarely share their wealth equally and fully. Thus, my inclination is to assess people individually for the purposes of a net wealth tax, with any jointly held assets assumed to be shared equally, unless there is legal documentation specifying an alternative allocation of ownership. That said, I believe the principles regarding when couples should be assessed jointly and when they should be assessed individually should be harmonised, such that the state is consistent in its determination of when a couple shares their assets, and when they do not.

Given the inequitable allocation of wealth within couples detailed in this thesis, further research into how couples might manage individualised or joint tax liabilities should a net wealth tax be introduced, would be beneficial. Careful attention to the gendered impact is crucial.

9.4.3 Pensions policy

In Chapter 5, I demonstrated that the gender wealth gap was largely driven by differences in pension wealth. Largely due to the design of pensions policy and the reliance on workplace pensions, pensions are often retained in separate accounts for the duration of the relationship. Furthermore, pension wealth enjoys a wide range of tax allowances and reliefs. Given the sizeable gender pension gap, these tax reliefs and allowances largely benefit men.

The increasing privatisation of pensions is reproducing income inequality of the working population in old age. With demographic shifts towards cohabitation this particularly puts women who have reduced their working hours, or not gone for the next promotion or taken time out to care for their children, within the context of a cohabitating relationship, at particular levels of disadvantage.

Notably the qualitative data revealed that people were unsure about the treatment of pensions both within and outside of marriage. For dual earner couples this may not be perceived by the individuals themselves to be a problem. Yet, in a world where couples are increasingly keeping their money separate, and a gender income gap persists, the gender pension gap could lead to difficulties if the couple separates, and/or in old age. This deserves more dedicated research and policy attention.

9.4.4 Cohabitation, marriage and divorce

The current policy and legal landscape are confusing in their inconsistent treatment of unmarried cohabiting couples. In some respects, cohabiting couples are treated '*as if married'* by the state, such as in the assessment for UC, and in others, such as on separation or death, cohabitees are subject to very different legal practice and tax allowances to that of a married couple. Thus, the same couple could be treated equally to a married couple in some circumstances and not in others. This is confusing, and likely contributes to the uncertainty regarding the rights and obligations of cohabiting couples. I see no justification for this difference. I argue that policy and law should be

harmonised to ensure that the same couple would be treated either as individuals or the equivalent of married consistently across different elements of policy and law.

Arguably, their legal rights and obligations as defined and endowed by law should be the guiding factor. Should the proposed Cohabitation Rights Bill pass, then this should guide when a couple could be presumed to be sharing. Should a couple not meet the criteria to bestow rights or obligations to one another in the event of a separation, then they should not be expected to have rights or obligations to one another in other contexts.

Chapter 6 highlighted the financial shock that having children often places upon couples, and amongst my participants this financial shock was disproportionately suffered by women. They described the effects that it had on their savings, but it likely also impacted their pensions in ways even they may be less aware of. Chapter 8 highlighted that many people felt that 'John and Sarah' should be treated as if they were married should they separate. Yet many participants were not confident discussing pensions, and are unsure what should or would happen to pension assets should a couple split up. Given that having children outside of marriage is increasingly common, this puts unmarried partners with childcare duties at a disadvantage compared to married couples at the point of separation. Thus, the evidence I have put forward suggests there is both a need for, and a desire for, increased rights to financial settlement for cohabiting couples, particularly those with children.

There is further an ongoing Law Review to examine 50-year-old laws on finances after divorce and the ending of a civil partnership. Given the evidence put forward in this text, my view is that the process and distribution of assets at divorce should be simplified. This would enable individuals to understand the legal ramifications of marriage and divorce more easily.

Given the financial shock having children presents to the couple's finances, I maintain that in all instances where there are children present, the law should endow the courts with the ability to make a financial settlement order, should it deem it appropriate to do so. However, the extent to which couples without children should be entitled to one another's assets is less clear. I recommend further research on the extent to which this is something couples need or want, and if so, at what point it should apply.

9.4.5 Education

This research has highlighted that many participants do not necessarily understand the impact that their relationship choices have on their legal rights and obligations regarding their assets at separation. This is true for both married and unmarried participants.

This issue is compounded by both the complexity of divorce law, and the inconsistency of treatment by different state institutions and different policies. The same couple can thus be treated differently by different elements of the policy, tax and legal landscape. This is particularly problematic when it misleads cohabiting couples into believing they have rights that they do not have.

Further, this is likely to have gendered impacts. Much more should be done to provide consistency and clarity for couples. Given the severe financial shock of having children, together with increasing numbers of children being born to cohabiting couples, guidance on the rights and obligations, or lack thereof on one another's assets at ante-natal classes, would be a welcome addition.

9.4.6 Wealth statistics

The evidence I have put forward demonstrates that policy continues to treat wealth as a lower order concern. I concur with Hills and Glennerster's (2015) and Summers' (2020) assertion that the policy context regarding wealth is incoherent, with indeterminate aims. This can be at least partly attributed to the fact that wealth is seemingly regarded as a side issue in many of the relevant policies.

In order to build a more coherent view of wealth within the policy arena, I recommend the introduction of a *'Wealth statistics dashboard'*. This would be a formalised development of the ONS' *'Household total wealth in Great Britain'* series, published to disseminate each new data release of the WAS. This should include a time series of wealth inequality in the UK between households and between individuals. This should include a count of the number of children living in wealth poor households, and a count of children living with a wealth poor adult. The dashboard should further include a time series of the gender wealth gap, the racial wealth gap, and other protected characteristics, such as gender identity, sexual orientation, and disability.

I have demonstrated that the methodology for tracking the gender wealth gap materially affects estimates of its likely scale. I have further demonstrated that wealth can be

unequally shared within the household. Therefore, I advocate for the ongoing measurement of these gaps, relying on individual wealth data. Tracking the gender wealth gap in this way gives an insight into the long-term economic disadvantage women suffer over the course of their lives, that measurements referencing income or pay do not adequately capture.

This approach should also be taken when measuring the racial wealth gap. All too often estimates of the racial wealth gap are based on the race of the household reference person, this makes the erroneous assumption that all members of a household are of the same ethnicity, or indeed have equal access to wealth within the household. Through the course of my research, I have demonstrated that the many people do not have equal access to wealth within the household.

In this regard it is important to acknowledge the research value of having a nationally representative, longitudinal survey dedicated to household wealth. The WAS is an invaluable resource, without which much research into wealth would not be possible. The fact that it includes individual wealth should be celebrated. That said it has a number of limitations, not least whether or not it is truly representative at the tails of the distribution. Continued effort should be dedicated to ensuring that the data is representative, whilst also considering whether or not it is time to implement an asset register. Historically, this would have been difficult to achieve, but with increasing digitalisation and moves towards *'big data'*, doing so does not appear to be beyond the realms of feasibility. Undoubtedly, a national asset register offers the opportunity to better understand the distribution of wealth in Great Britain, and therefore, the opportunity to build towards a more coherent policy context.

9.5 Future directions

In this thesis I have contributed to the literature on wealth and wealth inequality in the UK from a policy perspective. However, there remains much to be done, here I offer just a few of the many ways in which this research could be further developed. Some of which also serve to highlight some of the limitations of this research, some I will likely attempt to answer in future research, and for others, I look forward to reading other authors' contributions.

9.5.1 Developments from this body of work

Regrettably, in every element of this thesis I would like to do more analysis and investigate further. I have many questions stemming from the findings summarised above. Alas the limitations of time, wordcount and priority serve to frustrate my ability to do so. Here, I note just some of the questions arising from each part, which I hope to answer in future developments of the work.

There is much still be done regarding the issues of measurement discussed in Chapter 3 and reflected through the remainder of the text. More research is needed to build a body of evidence that investigates the impact of wealth and its allocation both within and between households, on the outcomes of individuals, families and communities, before the measurement issues raised throughout this thesis are entirely resolved.

In regard to the scale of the *'liquidity problem'* should a wealth tax be introduced, this work should be updated at regular intervals, to see how susceptible it is to change over time, or whether the estimates are fairly consistent, and indeed whether the demographics of this group are fairly consistent. Given my research interests, I would also perhaps pay more attention to the gendered impact of any net wealth tax. Further, I made the decision to focus on the groups that are the archetypal examples of those likely to experience liquidity problems. However, should a rate and level of tax become likely, it would perhaps be more interesting to look at the demographics of the group, and to consider other factors such as the prevalence of second homes or other luxury assets within this group. For there would likely be much greater public sympathy for a widow having to sell her home than for someone needing to sell their investment properties, second home, yacht or work of art.

The qualitative chapters offer some insights into the complexity of wealth accumulation and decumulation over the life course. Participants repeatedly mention the significant impact having children had, not only on the mode of organisation of their finances, but particularly on the level of their savings. This suggests a deterioration of wealth in middle age, due to the financial pressures of having children. Yet this is not often reflected in cross-sectional quantitative analyses on the lifecycle of wealth, thus more research in this area is warranted to investigate the extent of this phenomena. In the qualitative evidence put forward in Chapter 6, this appeared to disproportionately affect women. One avenue of further exploration would be to see whether it is also

predominantly women who experience substantial reductions in their wealth in the survey data following the arrival of children.

When it comes to wealth mobility, I would like to further consider wealth over the life course from a quantitative perspective to consider, who is more susceptible to changes in their wealth, especially those that are contradictory to that which the lifecycle hypothesis would predict. Similarly, who is mobile across the distribution and who is not? Paying close attention to those with protected characteristics within this analysis. Further, to examine the impact of asset-means-testing on the stagnation of the *'wealth poor'*. The longitudinal data available in the WAS offers much scope for researchers to better understand change in wealth over time and its causes.

In Chapter 6, I noted that the participants' pre-nuptial and formal agreements on property were designed to protect the female partner or spouse's property. Accepting that these findings are not representative, and may be biased in systematic ways, via self-selection into the study, it is still a point worthy of further exploration. Is this a reality that is reflected in the wider population, and if so, why is that the case? For the participants of this study, it was largely seen as completely reasonable for a woman to protect her interests. Implicitly, there seems to be some resistance to women taking on the role of being the provider. Alternatively, it may more simply be that women's desire for independence makes them reluctant to give any potential source of independence up, however it has been achieved. Having the ability to be economically self-sufficient is one method through which financial independence can be assured. Thus, when pre-nuptial agreements are used, who by, for what purpose, and their efficacy in so doing is worthy of further research attention.

In Chapter 8, I reflected on the participants responses to the vignettes. Noting there were many ways in which the participants of this study gendered Alex and Jude, but it was unclear why they were doing so, and whether or not it systematically affected how they responded to their situation. In contrast both John and Sarah, and Ken and Margaret had names, and roles that more explicitly engaged with gender stereotypes, I would like to see the responses to these vignettes should the roles be reversed, or neutralised, is there something about the gender roles that makes a difference? This could also be explored at scale, there are many methodologies which vary details of vignettes to see how participants respond to different variations. This could make an important contribution

to developing a consensus around when assets should or should not be considered shared. Thereby, providing insight for the redesign of UC, the development of any Cohabitation Rights Bill, and the review on financial settlements following divorce or the dissolution of a civil partnership.

9.5.2 Gender, ethnicity, protected characteristics, and intersectionality

I have contributed to the literature on the gender wealth gap and explored the gendered narratives of wealth and its allocation within the household. There remains a substantial gap in the literature on ethnicity and wealth, and indeed other protected characteristics, such as disability, religion, sexuality and gender identity, and their interactions. I would have liked to have done more in this regard.

Unfortunately, the limitations of working from home during the pandemic limited my ability to access the secure version of the data to be able to quantitatively contribute to the research in this field. In my qualitative research, the sample was insufficiently targeted and too small to be able to explicitly examine how race, ethnicity or indeed nationality may have shaped individuals' beliefs about the organisation of economic resources within the household. So too with other protected characteristics, and intersections of multiple protected characteristics. However, I believe this to be an important area for future research.

In documenting how participants share or allocate their wealth within their relationships, and how they feel about it, I have provided a baseline for comparison. Future developments could use this study as a comparator to consider whether any particular group, be it based on ethnicity, nationality, religion, or indeed any other protected or perceived important characteristic, do things similarly or differently from the perspective I have put forward in this text. This would offer a far more robust insight into the difference, or indeed the similarity, of wealth sharing practices within different groups than could be offered from this study. I believe this to be an important field of study that warrants further focused and considered attention.

9.5.3 Wealth, the family and children's outcomes

In the policy recommendations above, I recommended that wealth assessments for UC are transitioned to individual assessment, whilst noting that the effect on single parents and blended families, needs to be carefully considered. I recommend research with the

aim of understanding the needs of single parents, and developing policy that does not penalise them for being single parents. Whilst also not creating perverse effects when single parents form new relationships.

I have argued that individual wealth should be taken much more seriously, as a characteristic that could impact both the economic and general well-being of individuals, but this is not to say that there is no place for household wealth to be important. Never is this truer than for the experiences of children. More research is needed to investigate the impact of household wealth on childhood outcomes. Additionally, considering whether or not large inequalities of wealth between the parents of the child have an impact on childhood outcomes. Further, whether the form of the wealth matters, for instance is it specific elements of wealth, such as (primary) housing wealth and liquid assets, or is wealth fungible in this regard.

9.6 Concluding remarks

In the introduction, I motivated this research with reference to the extremes of wealth inequality. On completing this text, I maintain the belief that wealth is far too unequally distributed. Whilst precision in the estimation of wealth inequality is not necessary for me to be convinced that wealth inequality is too extreme, I have argued that precision is important when it comes to designing policy that affects the wealth distribution, to have any hope of finding solutions to the problem, it is necessary to correctly identify it.

I have made the argument that measurement matters, and I have demonstrated throughout the text, that in a policy context, measurement is not merely an inconsequential academic debate. In policy design, how wealth is measured affects who is offered state support and who is not. Further, it is affects who is taxed and who is not. To tackle wealth inequality, it is important to consider both those that have little, and those that have a lot.

I have further argued that we must not continue with the simplistic and outdated assumption that couples share their wealth fully and equally. I have evidenced this with both quantitative and qualitative data. Moreover, not only do couples not necessarily share their wealth fully nor equally, the way in which their wealth is organised is laden with social meaning, and issues of power and control. A reality that has received inadequate attention in policy design to date.

The work I have put forward is just the beginning of the work needed to consider wealth more comprehensively in a policy context. The goal is to move towards policy that takes a more considered and coherent approach to wealth, and indeed its distribution.

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Appendices

1. **Information sheet and consent form**
2. **Topic guide**

1. Information sheet and consent form

Wealth Matters: wealth sharing within couples who live together

Elizabeth Mann
Department of Social Policy

20/05/2022

Information for participants

Thank you for considering participating in this study which will take place in April-August 2022. This information sheet outlines the purpose of the study and provides a description of your involvement and rights as a participant, if you agree to take part.

1. What is the research about?
The purpose of this research is to explore experiences of allocation/sharing of assets, savings and debts, within couples who live together (whether they are married, civil-partnered or not). The focus is on how this is agreed within the relationship, and how particpants feel about it. Ultimately, the aim of this research is to provide evidence to policy makers and analysts on how wealth is allocated/shared within couples.

2. Do I have to take part?
It is up to you to decide whether or not to take part. You do not have to take part if you do not want to. If you do decide to take part I will ask you to sign a consent form which you can sign and return in advance of the interview.

3. What will my involvement be?
You will be asked to participate in an online interview. You will be asked questions about the process through which you agree the allocation and sharing of assets, savings and debts with your partner/spouse, and how you feel about this allocation/level of sharing. The interview should take around 1 hour. You will need access to a device with an internet connection and a webcam. For your privacy and confidentiality, it would be beneficial if you were able to access a quiet room for the duration of the interview.

4. How do I withdraw from the study?
You can withdraw from the study at any point until seven days after the interview (when the transcripts will be anonymised in preparation for analysis), without having to give a reason. If any questions during the interview make you feel uncomfortable, you do not have to answer them. Withdrawing from the study will have no effect on you. If you withdraw from the study I will not retain the information you have given thus far, unless you are happy for me to do so.

5. What will my information be used for?
I will use the collected information to form part of my thesis exploring issues of wealth and wealth inequality in the UK. This chapter of the thesis explores the sharing of wealth in the form of assets, savings and debt, between couples who live together, whether married, civil-partnered or not. The thesis will be published online and may also result in the publication of academic articles, presentations to other academics, policy makers and the general public.

6. Will my taking part and my data be kept confidential? Will it be anonymised?
The records from this study will be kept as confidential as possible. Only myself and my supervisors will have access to the original files and any audio recordings. Your data will be anonymised – your name will not be used in any reports or publications resulting from the study. All digital files, transcripts and summaries will be given codes and stored separately from any names or other direct identification of participants. Any hard copies of research information will be destroyed. Identifying information will only be kept in order to process your thank-you voucher, and to record your consent. These will be password protected and saved separately from the research output. The audio recording from the original interview will be saved securely, for the purposes of creating a transcript of the interview. When the analysis is complete the original audio recording will be permanently deleted. The anonymised transcripts will be retained and may be used for further research purposes.

Limits to confidentiality: confidentiality will be maintained as far as it is possible, unless you tell us something which implies that you or someone you mention might be in significant danger of harm and unable to act for themselves; in this case, we may have to inform the relevant agencies of this, but we would discuss this with you first.

7. Who has reviewed this study?
This study has undergone ethics review in accordance with the LSE Research Ethics Policy and Procedure.

8. Data Protection Privacy Notice
The LSE Research Privacy Policy can be found at:
https://info.lse.ac.uk/staff/divisions/Secretarys-Division/Assets/Documents/Information-Records-Management/Privacy-Notice-for-Research-v1.2.pdf?from_serp=1

The legal basis used to process your personal data will be "Legitimate interests". The legal basis used to process special category personal data (e.g. data that reveals racial or ethnic origin, political opinions, religious or philosophical beliefs, trade union membership, health, sex life or sexual orientation, genetic or biometric data) will be for scientific and historical research or statistical purposes.
To request a copy of the data held about you please contact: glpd.info.rights@lse.ac.uk

9. What if I have a question or complaint?
If you have any questions regarding this study please contact the researcher, Elizabeth Mann, on e.c.mann@lse.ac.uk.
If you have any concerns or complaints regarding the conduct of this research, please contact the LSE Research Governance Manager via research.ethics@lse.ac.uk.

If you are happy to take part in this study, please sign the consent sheet attached/below.

Wealth Matters: wealth sharing and allocation within couples
Elizabeth Mann

CONSENT FORM

PARTICIPATION IN THIS RESEARCH STUDY IS VOLUNTARY

I have read and understood the study information dated 20/05/2022, or it has been read to me. I have been able to ask questions about the study and my questions have been answered to my satisfaction.	YES / NO
I consent voluntarily to be a participant in this study and understand that I can refuse to answer questions and that I can withdraw from the study at any time up until seven days after the interview, without having to give a reason.	YES / NO
I agree to the interview being recorded for the purposes of creating a transcript of the interview.	YES / NO
I understand that the information I provide will be used for academic research (Elizabeth Mann's thesis) and that the information will be anonymised.	YES / NO
I agree that my (anonymised) information can be quoted in research outputs.	YES / NO
I understand that any personal information that can identify me – such as my name, e-mail address, will be kept confidential and not shared with anyone other than the researcher and her supervisors.	YES / NO
I give permission for the (anonymised) information I provide to be deposited in a data archive so that it may be used for future research.	YES / NO

STATEMENT OF PARTICIPANT ELIGIBILITY

I confirm I:	
a) Currently live with my boyfriend, girlfriend, partner or spouse	YES / NO
b) Am aged 25-50	YES / NO
c) Am resident in the United Kingdom	YES / NO

Please retain a copy of this consent form.

Participant name:

Signature: ___________________________________ Date _________________

Interviewer name:

Signature:___________________________________ Date _________________

For information please contact: Elizabeth Mann E.C.Mann@lse.ac.uk

2. Topic guide for qualitative fieldwork

Topic guide for wealth allocation within cohabiting couples v5

Welcome / info

- **Switch transcript on**
- Hi, Welcome <name>, it's nice to meet you. Thank-you for agreeing to participate in this research
- I'm Liz, as you know this study will form part of my thesis – my aim is to understand how you allocate and share your savings, assets and debts with your cohabiting boyfriend, girlfriend, partner or spouse and how you feel about it.
    - The interview should **take about an hour**, I will firstly ask you to give me some background, before asking you more detailed questions on how you and your <boyfriend/gf/partner/spouse> manage your savings, assets and debts. Lastly, I will ask your thoughts on some examples– you will not need any prior knowledge for this, I am **interested in your opinion, and there are no right or wrong answers**.
    - You are welcome to ask questions at any time.
    - There will be an opportunity at the end for you to tell me if there's anything else I need to know to better understand how you and your partner allocate or share your assets, debts and
    - you can decide to stop participating at any time you wish, you do not have to answer any questions you do not feel comfortable with. If you wish to you can also withdraw from the process entirely, up until 7 days after the interview at which point the data will be anonymised and it won't be possible to identify the data in order to be able to delete it.
- Before we begin there is a bit of admin – could you confirm have received the information sheet and signed **consent form?**
- And could you confirm that you are aged 25-50, live with you bf, gf, partner or spouse and are resident in the UK?
- Have any questions before we begin?
- ***Check auto record***

Background

- Firstly, just as a bit of background, could you tell me a bit about yourself?
    - Age; Job; Partner Job; Education
- And could you tell me a bit about your relationship with your cohabiting partner/spouse
    - Length of relationship; How long lived together; Married/civil-partnered/ or neither; If not married – whether engaged or hoping to get married in the future; How long lived together before marriage/civil partnership; Children; First marriage/civil-

partnership?; Ever lived as a couple with anyone else?; Own/ rent home?
First moved in together: - **Firstly, could you tell me a bit about when you and your partner first moved in together, how did you decide what to do about the financial side of things?** - Prompts: - Did you have any savings or debts before you moved in – did you discuss this with your partner? Did this happen before or after moving in? How transparent were you? **How did you feel about this? Clarify approach to income and wealth.**
Still do that now? - **And how do you organise things now?** - Prompts: - In what way have things changed? Why have they changed? How agreed? If equal, on what basis 'equal'. If owned, owned equally? If owned by one or other, what does the other contribute? Ever discussed what to do if didn't work out? Has it always been this way? Who owns what share of house? Etc. **How do you feel about this?** - **If you could improve or change the way you organise things in any way what would you change?** - **If you could do it again would you approach it differently?**
<u>**Last big purchase**</u> - **Could you think about the last big purchase you made (pause) could you tell me a bit about that?**

Prompts:

- What was it? Discussion beforehand? Who's decision? If not discussed with partner beforehand – do ever discuss with partner? Last big purchase did discuss with partner? Why different? **How did you feel about this?**
-

Last time borrowed money:

- **Could you tell me a bit about the last time you borrowed money or took out a new loan, overdraft or credit card?**

Prompts:

Purpose? Involvement of partner? Discussion? How decision made? Joint loan or individual? **How did you feel?** Open with partner?

Transparency:

- **Have you ever hidden savings/investments or debts from your partner, if so could you tell me a bit about that?**
- **Ever found out that partner was hiding assets or debts from you, if so could you tell me a bit about that?**

Prompts:

- How did that feel?

Own or rent housing?

- **And do you both own or rent the house?**
- **If purchased – could you tell me a bit about how you came to purchase the house?**
- how purchased if mortgaged – who organised, what deposit, how much each pays?

Savings/investments:

- **How do you approach saving and investments?**

Prompts:

- have any savings/investments? How organise? Who makes decisions? Joint or individual? Why this way? How decide what is joint and what is separate? Diff accounts for different things? Purpose of saving? Equal entitlement? How decide how much to save? **How do you feel about this?**

Debts

- **Other than your mortgage (if have a mortgage) - do you have any other debts, for instance personal loans, credit cards, store cards, overdrafts or payday loans?**
- **How do you manage those?**

Prompts:

- Joint/individual, discussion, transparency, purpose, when planning to pay off? How

Pension/ retirement plans

- **Could you tell me a bit about your pension/retirement plans?**

Prompts:

- Decisions on pensions, joint/individual, expect to share pensions in old age, how often discussed?

Inheritance/winnings:

- **If you won or inherited £50,000, what would you do with it?**

Prompts:

How much say would your partner have in your decision?

Finances generally

- In general terms how would you describe your financial position?

(note: if they mention 'I' or 'We', Do they talk about income or wealth, how do they feel about it)

Confirm general approach to sharing:

- **Summarise and clarify have understood how they share/allocate savings, assets and debts**
- How do you feel about this?

- Who would you say has more responsibility or control over resources?

Income:

- **What about your income – could you tell me a bit about how you share/allocate your income?**

Future plans:

- **How do you think your method of organising your assets, savings and debts will change in the future?**

- How do you feel about this?

If split up:

- **Have you ever thought about or discussed what you would do with your savings, assets and debts if you split up?**

- What did you discuss? How do you feel about it? Did you agree? Did you formalise it?

Anything else?

Is there anything else you think I need to know to understand how you share assets, savings and debts in your relationship? Or how you feel about it?

Vignettes:

- "I'd now like to ask you what you think about some particular situations that some couples find themselves in, and what might happen to them in these situations. SHOW CASE STUDIES.

- Alex and Jude – in their twenties – lived together for 3 months – do not have children and are not married. Jude - has £18,000 inherited from Jude's grandmother, and works in a café whilst studying. Alex - has no savings, has

recently been made redundant and now has a zero hours contract on minimum wage. Alex is struggling to pay their share of the bills, and this is putting a strain on the relationship.

What should Alex and Jude do?

How would you feel if you were in Jude's position?

How would you feel if you were in Alex's position?

At what point in your relationship were you/would you be happy to use your savings to support your partner?

At what point in your relationship were you/would you be happy to use your partner's savings if you became unemployed or unable to work?

- John and Sarah – In their forties – Lived together for 15 years – Two children together – John – Works for the local council, has local authority pension, has £3,000 saved. Sarah – Has no paid job, looks after the children, has no private pension or savings. They have been paying into a joint mortgage for 10 years. They are not married.

- Ken and Margaret – In their fifties – Lived together for five years – Both previously been married and divorced. They live in Margaret's house, which she owns outright (worth about £150,000). Ken has a company pension but also £3,000 outstanding on credit cards. Neither of them have any savings. They are not married.

(vignettes from Rowlingson & Joseph 2009)

For each case study:

- What do you think would happen to their assets/debts if they separated?

- Why do you think that?

- What do you think should happen? Why?

- Would you think differently if they were married? Why?"

Close:

Is there anything else you'd like to add? Do you have any questions for me?

Thank-you for taking the time to consider these issues today. I really appreciate you taking the time to do so. As a token of my thanks I will be sending you a £25 e-shopping voucher, you should receive this within 24 hours of the interview, I think it will be coming from highstreetvouchers.com so please check your junk mail. It is the first time I am using this service to process my vouchers, so please do get in touch if you have any problems.

Thanks again, and enjoy the rest of your day.